Board**Brief**

Governance as Leadership
Reframing the Work of Nonprofit Boards

Too often boards have a narrow conception of their roles, with a primary focus on retrospective discussion and an over-emphasis on fiduciary matters.

Trusteeship in America has been remarkably unaffected by several generations of learning about leadership and organizational effectiveness. The authors of the book *Governance as Leadership: Reframing the Work of Nonprofit Boards* provide fresh new perspectives on the governance process, and introduce various aspects of leadership as essential elements in governance success. Hospital boards can benefit from the authors' insights by examining their leadership style and purpose using the authors concepts.

Problems of Performance

By first addressing some of the problems boards face, boards can better address major issues and provide more accurate solutions. Typical dysfunctions of groups include rivalries, over dominance by individuals, too little communication and bad "chemistry," all of which prevent effective deliberation in decision-making, the authors say. One of the biggest problems they cite is a lack of "orderly discourse," which may be evidenced by disengaged board members, spotty attendance, perfunctory participation, and "no-show" trustees.

A Problem of Purpose

The authors suggest that the reason many board members are ineffectual is due to dissatisfaction with their role. Much of governance work is highly episodic: board members meet at regularly prescribed intervals as if there is always important governing work to do. The authors point to this as a major contributor to the problem of purpose; if there are no urgent matters of governance to be attended to, meetings too often are devoted to presenting routine committee reports and

discussing unimportant activities. The result: To ward off boredom, some organizations have crammed the agenda with as many interesting strategic questions as possible, thereby creating a false sense of purpose.

To get to the heart of their true purpose, boards should ask themselves "what would be the gravest single consequence to the organization if we did not meet or conduct board business in any way for a two-year period?"

Three Governance Modes

The authors believe that a balance between three modes of governance - fiduciary, strategic and generative - is essential to effective governance as leadership. The following describes the purpose and pitfalls of each mode when used exclusively by a board.

Type 1 Governance: Fiduciary. Attention to financial discipline, informed oversight, mission fidelity, and primacy of organizational interests are the fundamental work of trusteeship in this mode. Other attributes that describe this model of governance are ensuring that resources are used effectively in service to the mission; promotion of lawful and ethical behavior; ensuring compliance with basic standards of safety, legality and honesty; serving the interests of the organization rather than individual trustee self-interest; use of fixed committees for various "production processes" of the organization; and use of parliamentary procedures to shape board discourse.

The authors argue that Type 1 boards have the most limited leadership opportunities. They displace inquiry with oversight.

Rich questions of organizational purpose and performance become an exercise in "management 101." Type 1 board agendas are more reflexive, and the board's goal is often to complete a "governance punch list." Discussions are brief and perfunctory; votes are mechanical and pro forma; dissent has little or no place; and the board is most concerned that the agenda does not get "sidetracked" or fall behind.

The authors conclude that Type 1 governance is essential, but a Type 1 board is problematic, because the stress on efficiency displaces the quest for effectiveness. The board adds value at a technical level, but not at a core purpose level. The board's work is typically predictable, tedious and monotonous, and the problem simply replicates itself meeting after meeting: the more the board governs in a Type 1 mode, the more management responds with exclusively fiduciary agendas supported by exclusively fiduciary information. As a result, leadership opportunities atrophy.

Type 2 Governance: Strategic. This type of governance is characterized by a shift in the board's attention from conformance toward performance; perspective begins to change from "inside out" to "outside in" as the organization seeks to ally internal strengths and weaknesses with external opportunities and threats in pursuit of organizational effectiveness.

Despite this greater strategic emphasis, Type 2 boards generally approve plans with minor modifications. Plans often reach the board with the most important decisions already rationalized, and scenarios and risks are typically omitted or summarily addressed.

In contrast, the authors suggest that boards should work to arrive at strategy through insight, intuition and improvisation, and produce what they call "strategy as revolution" in order to exploit new opportunities and capture new markets. Governing in Type 2 mode requires boards to do more than mandate and monitor the plan. The role of the board shifts from the "power of oversight to the power of ideas," the key ingredients of which are experience, intelligence and seasoned judgment.

Type 3: Generative Thinking. The hallmark of Type 3 governance is that the board has a clear sense of problems and opportunities facing the organization, and of what knowledge, information and data mean. Generative thinking is where meaningful goal setting and direction setting originate, and requires leaders that not only contribute generative insights to their organizations, but who also engage others in generative thinking as well.

The Challenge of Type 2 Governance in Isolation: Strategic Plans Are Unrealistic

The authors suggest that the following five key problems contribute to a sense among trustees on Type 2 boards that strategic plans are often not true blueprints for action.

1. Plans without traction: Dreams trump realities, as page after page of the plan is devoted to a brighter future with little or no attention to current conditions or major challenges that might impede progress; plans overshadow down-to-earth consideration, and the status quo goes unchallenged and unchanged.

2. Plans without patterns: Strategic plans fail to specify changes in organizational architecture and procedures required to achieve the strategy; instead they assume current structures and systems will continue to be adequate.

3. Plans without strategies: Big strategic goals with high-minded words make a lack of meaning and prevent a lack of measurement.

4. Ideas without input: Major strategic initiatives are adopted without intensive scrutiny of problems and potential.

5. Pace of change: Unanticipated events render plans irrelevant; assumptions become outdated, and trustees and other leaders become disillusioned.

According to the authors, rather than simply creating strategy, generative boards question assumptions, probe feasibility, identify obstacles and opportunities, and determine alternative ways of framing issues. Initiating generative work requires a new type of agenda that features ambiguous or problematic situations rather than reports and routine motions. This is where powerful generative work can become powerful governing work.

Most boards are not organized or equipped to do generative work. Many stay in the fiduciary or strategic modes because they are comfortable there, highly confident in their ability to do the strategy oversight work they understand. The reason: it is easy to navigate the logical, productive organizational territory that exists at the lower end of the leadership curve.

Deliberating and Discussing Differently

Robert's Rules of Order and its rigid habits of mind and behavior promote logic, analysis and formal argument that enable boards to reach resolution, but they do not facilitate Type 3 governance, where the goal is to frame decisions and

choices, not simply make them. In Type 3 governance trustees need to promote robust dialogue around generative ideas and concepts, a leadership framework that may collide with Robert's Rules of Order processes.

To combat this, the authors suggest that boards try to create the feel and flow of an off-site retreat rather than a typical board meeting. The fewer the rules, the better the chances for generative insights. Boards should pose catalytic questions that invite creativity and exploration, promote robust dialogue, cultivate inspired ideas, and value productivity over harmony and candor over congeniality. The key is to preserve stability, but curb dysfunctional politeness and "groupthink."

Board "Capital" to Make it Happen

According to the authors, trustee assets often resemble an investment grade bond – a reliable, steady performer with guaranteed dividends, but without significant upside potential. But trustees can be reframed as a source of multiple forms of capital. Boards with the most leadership capital provide their organization with a competitive edge, and an ability to out-govern the competition. The strongest boards generate more capital actively, purposefully and productively.

The authors suggest four forms of capital that boards need:

- *Intellectual capital* is the collective brainpower that can be put to use to generate mission-critical resources. The organization profits more from a knowledgeable board than from a loose federation of knowledgeable trustees.

- *Reputational capital* enhances the organization's power to build market share, attract and retain a high quality workforce, and build patient and community loyalty.

- *Political capital* is the influence and leverage people within an organization acquire and deploy to frame problems and promote solutions. The potential to exert influence comes from trustees' intelligence, expertise, and charisma.

- *Social capital* is the productive value that can be extracted from networks and organizations. It is a powerful resource for boards to build a stronger sense of

The Advantage of Generative Thinking

Type 3 governance theorizes that great minds think differently, and that discussions are greatly enriched by multiple perspectives. Participants should cultivate different points of view through a variety of penetrating questions, such as: Who sees this situation differently? What are we missing? What is the best possible outcome? What is the worst case scenario? What is the next question we should discuss? The payoff is that trustees learn new ways that disrupt old habits, the board's value as a source of leadership is fully tapped, and several advantages are gained:

- The board is empowered to do meaningful work, framing the problematic situations that demand organizational attention.

- The work of the board is enriched, and a more substantive and intellectually attractive agenda goes beyond the maintenance of order and strategy, and creates more interesting work and a more influential role for trustees.

- The board's value is enhanced, with generative governance emphasizing the distinctive, critical contributions the board can make.

shared obligation and a culture of accountability and performance; without it, boards tend to rely on structural and technical factors such as agendas, committees and bylaws to improve performance.

Making the Leap

Becoming a balanced governing board requires confronting the old ways of doing things, and moving into new governing territory. The authors believe this can be accomplished by finding new ways to disrupt old habits, recognizing that change rarely happens without stress, disagreement and resistance. Boards cannot move to the top of the generative curve while remaining at the bottom of the curve where strategic plans and technical tasks are executed. The keys to a successful transition are board members that are prepared, work diligently as a group, and are willing to be taxed by complex and consequential questions.

This review is based on *Governance as Leadership: Reforming the Work of Nonprofit Boards*, by Richard P. Chiat, William P. Ryan, and Barbara E. Taylor. It is published by BoardSource, www.boardsource.org, 1-800-883-6262.

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