

# GOVERNANCE AS LEADERSHIP

Reframing the Work of Nonprofit Boards

Richard P. Chait  
William P. Ryan  
Barbara E. Taylor

## SUMMARY

Leadership and governance are two critical aspects of organizations, both of which are under increased scrutiny, even among non-profits, in a post-Enron era. Typically, volunteer trustees engage in governance functions and organizational staff, who have been hired, engage in leadership functions. In many organizations there appears to be inevitable tension that arises between these two functions. In this book, the authors de-

scribe how properly enacted governance can, in itself, perform a valuable and necessary leadership function.

Governance structures are in place to perform some necessary duties, such as fiduciary work as well as overseeing organizational strategy. Yet, the authors contend there is much more. There is a place for trustees to also perform generative work—work that provides a sense of the problems and oppor-



tunities at hand.

Lastly, the authors provide advice on how to frame issues so that trustees can bring to bear the collective mind of the board to tackle difficult problems with a fresh and generative perspective.

### Table of Contents

Summary	1
Four Recurrent Themes	2
Governance Triangle	3
Type I Governing	3
Type II Governing	4
Type III Governing	5
Generative Thinking	6
Hallmarks of Type III	7
Critical Evaluation	8

## Governance as Leadership?!

- If properly envisioned and executed, the act and process of governance can provide an important an effective leadership function for the organization!

## TROUBLING QUESTIONS.....

- If nonprofit boards are so central to the role of an organization, why is there so much evidence that they are only marginally relevant?
- Why are there so many “how to govern” handbooks and seminars, yet such widespread disappointment with board effectiveness?
- Why are there often great efforts to recruit the best trustees, but then permit these individuals to languish with board members largely disengaged ?
- Why is there a continuous flow of new ideas about organizations and leadership, but nothing more than the traditional views regarding governance?

## FOUR RECURRENT THEMES

**Theme I - Nonprofit Managers Have Become Leaders** - When stakeholders expect the CEO or staff to articulate the organization’s mission, beliefs, values and culture, they are really asking them to take a role in governing. By setting the overall strategic plan in order to accomplish a defined agenda and priorities, the leader is doing more than leading the organization, they are also governing it.

**Theme II - Trustees are Acting More Like Managers** - While managers of the nonprofit enterprise have taken on greater leadership functions, trustees or board members have taken on greater management functions. It is just as ineffective to have a board that *micro-manages* as it is to have a board that *micro-*

*governs*. This is the situation that occurs when boards become attentive to technical aspects of their trusteeship and oblivious to their leadership function.



**Theme III - Three Types of Governance Are Created Equal** - Effective boards need to learn to exercise all three types of governance functions. These functions fall into three modes; the *fiduciary* mode, the *strategic* mode and the *generative* mode. The first two modes are often seen as the traditional realm of governance, with the final mode often not recognized.

**Theme IV - Three Modes Are Better Than One or Two** - The third mode or generative mode is where a board can really add value to the organization. This third mode is really all about leadership and the responsibility and ability that boards have to exercise effective leadership.

## PROBLEM BOARDS OR BOARD PROBLEMS?

Perceived problems with the performance of boards are more than just problems of group chemistry, disengagement with organizational priorities or confusion with role.

Rather it is not so much a problem of *performance* as it is a problem of *purpose*. Often a board cannot effectively describe why it is important that it exists! As a

result, board members or trustees not only experience decreased satisfaction with their role, but also decreased effectiveness.

*“Board members are ineffectual not just because they are confused about their role but because they are dissatisfied with their role” p. 16.*

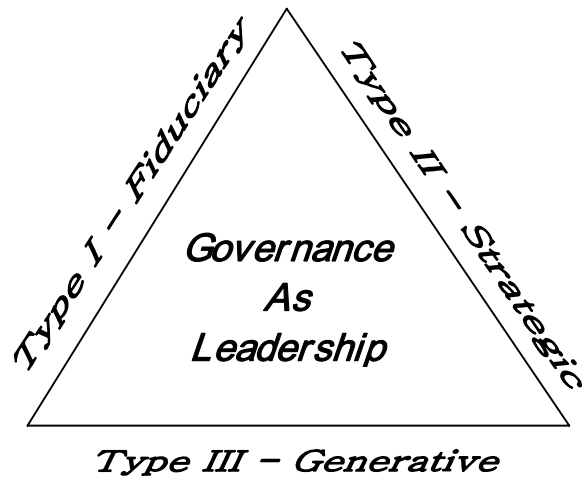
### Why does the purpose problem exist?

1. Some official work is highly episodic—for example the hiring of a CEO only occurs occasionally.
2. Some official work is unsatisfying—overseeing management is generally not filled with great excitement.
3. Some important unofficial work is undemanding—interaction with constituents and “showing the flag” may be important, but if often doesn’t use effectively the highly developed gifts people bring to the table.
4. Some official work is rewarding but discouraged—in an effort to keep board members from micro-managing or meddling, they are kept largely to the outside of the workings of the organization itself.

## DILBERT’S ONGOING PROBLEM OF PURPOSE!



# THE GOVERNANCE TRIANGLE



## TYPE I GOVERNING—FIDUCIARY

Type I governing is often what boards are used to doing, ensuring the effective use and protection of the organization's assets, fundraising, enacting policy to ensure efficiency. It may also encompass the statements about effectiveness or organizational ethics. Overall, the focus is one of organizational *oversight*.

Type I governing is concerned with agendas, division of labor, and ensuring everything

*Two key questions a board must ask.....*

1. *What is meant by governing?*
2. *What are we governing?*

*p. 25*

is in its place. To a large extent, it is supported by organizational theories of Max Weber or Frederick Taylor, with an emphasis on effective and efficient bureaucracy. Although there are bureaucratic functions within every organization, nonprofits must have the ability to function more flexibly than a strict scientific management orientation would allow.

Type I governing is critical in some areas, but a potential pitfall for a board is

to spend too much time in Type I mode. Strict Type I governance doesn't allow boards to exercise leadership opportunities, because it's natural orientation is to strictly adhere to the policies and procedures, therefore limiting thinking that could redefine the issues in a different way. Not every issue is a fiduciary issue and when leadership issues arise, Type I governing doesn't provide the best foundation for finding creative answers.

**Type I governance is essential, but strictly Type I boards are problematic.**

## EXPANDING THE HORIZONS OF TYPE I BOARDS

### Usual Type I Question

- Can we afford it?
- Is the budget balanced?
- Did we get a clean audit?
- Is it legal?
- Will the program attract new clients?
- Is staff turnover reasonable?

### Expanded Type I Question

- What is the opportunity cost?
- Does the budget reflect our priorities?
- What can we learn from the audit?
- Is it ethical?
- Will the program advance our mission?
- Are we treating staff fairly and respect fully?

© 2000 Randy Glasbergen, www.glasbergen.com



**"Burnout was our greatest challenge until we changed our mission statement."**

## TYPE II GOVERNING—STRATEGIC

Maintaining and securing the assets as is demanded in Type I governing is not enough if those assets are not being deployed for the correct purposes. Type II governing then deals more with the need to develop a strategy to accomplish the organization's

goals. This is also a primary purpose of nonprofit boards. However, this is more than a board simply authorizing the strategic plan developed by staff. This would be a Type I approach to a Type II issue. Rather, boards must wrestle directly with



© Scott Adams, Inc./Dist. by UFS, Inc.

questions such as:

- What business are we in?
- What do our customers want?
- What advantage do we bring?
- What are our core competencies?

## THE BOARD AS A PARTNER

As boards begin to engage in Type II governance and strategic planning, the partnership between CEO and board becomes more complex. The shift from board as *overseer* or monitor to board as *partner* creates three major changes in traditional practice:

1. **Board Structure:** Instead of committees designed to have a strict area of responsibility and reporting, committees must have the opportunity for interplay with one another as they consider what is the most important work that the board has to concentrate on, which committees need to exist to accomplish this work, and how they contribute to accomplishing the goals.
2. **Board and Committee Meetings:** A Type I board is often characterized by listening to ritualized reports and presentations with little opportunity to tackle items of strategic significance. The trivial ends up replacing the important. Time needs to be created within the context of the board meeting to have discussion around ideas of importance.
3. **Communication and Information:** Access to information needed to inform the discussion and strategic thinking of the board is critical. Progress reports, consultants, and outside experts must all be available to the board so the collective thinking that is occurring is indeed informed thinking.

*“Boards are better suited to think together than plan together, to expand the essence of a great idea than elaborate the details of a plan.” p. 66*

*“The main thing is to be damn sure that the main thing is really the main thing.” James Barksdale former CEO of Netscape p. 73.*

## HOW TYPE II GOVERNANCE DIFFERS FROM TYPE I

- Instead of management defining problems and opportunities, board and management think together to discover strategic priorities.
- Instead of the board structure paralleling administrative functions, board structure mirrors organizational priorities.
- Instead of board meetings being process driven with protocol rarely varying, board meetings are content driven with a premium on flexibility.
- Instead of staff transmitting a large quantity of technical data from few sources to the board, board and staff discuss strategic data from multiple sources.

## TYPE III GOVERNING—GENERATIVE THINKING

The move to generative thinking is an acknowledgment that nonprofits are very complex. They are much more than just rational strategies and logical plans. They are also cultures within themselves with embedded political systems. In this context, the sense that people make of events is often more important than the events themselves.

Generative thinking provides a new sense of problems and opportunities. It encompasses a “paradigm shift” that allows a whole new perspective. After this shift, nothing again looks the same. Generative thinking is the ultimate in “thinking outside of the box”. It is not just seeing the data, but seeing what the data *means*. However, in order to do so, effective generative thinking depends on asking the right questions.



### *Generative Thinking at Work*

Seventeenth-century Europeans believed that a jar full of old rags and wheat husks if left open a few days would spontaneously generate flies. It took nearly a century for people to speculate that flies might be depositing eggs into the jars. Once that question was raised, a different understanding soon became obvious: An unseen biological process, not piles of rags and wheat husks was generating new life. The same is true of organizations. Key questions, when answered, produces the cognitive processes that ultimately lead to previously unconsidered solutions.

## WHEN YOU PUT IT THAT WAY, IT MAKES SENSE!

Asking the right questions or properly reframing the issues at hand can allow one to see the issue from a different perspective. The challenge is often *how* to see things differently. These three tips may help.

1. **Noticing Cues and Clues.** Thinking differently means looking at the individual bits of data differently. Not unlike how a forensic investigator looks at a crime scene differently than another individual, so does the generative thinker look at the available data differently.
2. **Choosing and Using Frames.** What we see is often determined by what lens we’re looking through. By changing the lens through which we view issues, the frame is adjusted and a different solution may be found.
3. **Thinking Retrospectively.** We make sense of issues by looking at them through what we have experienced before. Understanding an organization’s history and how it has dealt with past issues builds the groundwork for understanding what may have worked before and what issues require a reframing to create innovative solutions.

Copyright 2004 by Randy Glasbergen.  
www.glasbergen.com



GLASBERGEN

“Dave can think outside of the box, Larry can think outside of the bag, Sue can think outside of the cup, Vinnie can think outside of the balloon, Lucy can think outside of the duffel bag, Mitch can think outside of the mitten...we’re ready for anything!”

“Generative thinking is essential to governing.” p. 89

# GENERATIVE THINKING: FOUR SCENARIOS

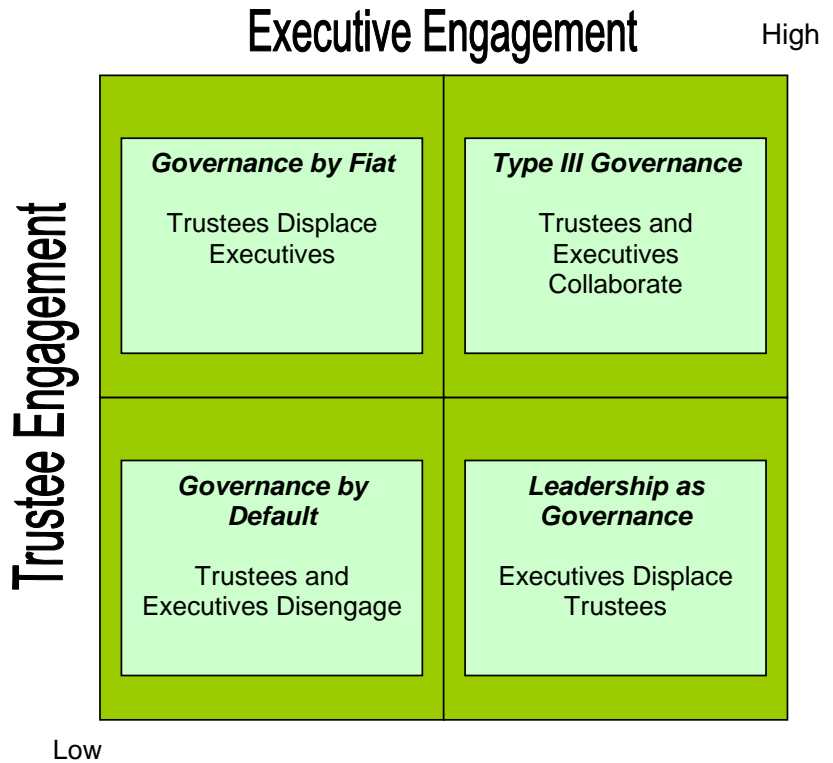
Four different scenarios can occur when an organization embraces generative thinking. Two are quite dysfunctional, one is common but problematic and one is uncommon, yet very much preferred.

In most nonprofits, trustee engagement is low and executive, or staff, involvement in generative thinking is high. This results in the lower right hand quadrant where the executive staff essentially replaces the leadership role that should be played by the trustees, if the trustees were engaged in generative thinking.

If the engagement in generative thinking of both trustees and executive is low, the lower left hand quadrant occurs and the organization is governed by default, where very little analysis and creative thought occurs.

If the engagement of trustees is high without the involvement of executive staff, a situation can occur where boards simply impose their decisions on staff without their input. This is the situation of the upper left quadrant and it is little better than governance by default.

The most effective mode is when there is high engagement by both trustee and executives. This is the situation of the top right quadrant and it epitomizes the most creative leadership situation where trustees and executives collaborate in generative thinking which is the hallmark of Type III governance.



*“Generative work (Type III Governance) demands a fusion of thinking, not a division of labor.” P. 95*

## TECHNIQUES FOR STIMULATING TYPE III DISCUSSION AND THOUGHT

### One Minute Memo

At the conclusion of a major discussion, reserve a couple of minutes for trustees to anonymously write down what they would have said had there been time to continue the discussion. Collect the cards for review by the board chair and CEO. In this way, no trustee suffers the pain of an undelivered remark or un-stated concern, and the organization doesn't have to wonder what might still be on trustees' minds.

### Breakouts

Small groups expand available "air time", ease participation by reluctant trustees and counter "groupthink". On important issues, even 30 minutes can raise previously unvoiced considerations. Starter questions such as "Do we have the right questions?", "How else might the issue be framed?", "What values are at stake?", "What would constitute a successful outcome?" could be used. A subsequent plenary session can then search for consensus or clarify the areas of conflict.

### Role Plays

Ask subsets of the board to assume the perspective of different constituent groups likely to be affected by the issue at hand. How would each of these stakeholders frame the issue and define a successful outcome? What would each group regard as a worst case scenario? The role play can allow trustees to actively explore the different perspectives without advocating for that perspective within a regular board discussion.

## SIX HALLMARKS OF TYPE III GOVERNING

Engaging in generative thinking that is consistent with Type III Governance is often unfamiliar and uncomfortable for boards. Six resources for assisting in the transition towards generative thinking are given below.

### 1. Using a Type III Mental Map of the Organization

A mental map depicts the orderly grid of logic, plans and strategies that guide the thinking of boards. In Type III Governance, the mental map is often less rational and more creative. It recognizes that goals are often ambiguous and fluid. In these conditions it is difficult to enact a vision or implement a plan. There must be a recognition that the future is uncertain and changeable for the organization. It is the making of meaning that the board must engage in if they are to create understanding and action in an ambiguous environment.

### 2. Recognizing Generative Landmarks

Generative thinking often occurs when an issue has certain characteristics. These characteristics include *ambiguity* in determining what the issue is or what the resolution might be, *saliency* in recognizing the issue means a great deal to different constituencies, *high stakes* in terms of the discussion going to the heart of core values and beliefs of the organization, *strife* in recognizing that prospects for confusion and conflict are high, and *irreversibility* in recognizing that once the path is determined, it will be very difficult to reverse the decision or action committed to.

### 3. Working at the Boundary

Working at the boundary of what is often considered appropriate for either the board or the organization overall can lead people towards more creative, generative thinking. At the *internal boundary*, trustees consider issues, perspectives and frames that the staff or CEO might normally be discussing. In

this way, the board is allowed to create a shared meaning regarding the issues being considered. At the *external boundary* of the organization, trustees consider questions and issues that might reframe what the organization is all about and the purpose that it serves. This too can lead to creative and generative discussions assisting in creating new meaning.

### 4. Looking Back: The Future in the Rearview Mirror

Trustees should consider where in the past history of the organization they engaged in generative thinking and the resulting creative solutions so that they might better recognize the situations in the future. Making meaning of past successes or disappointments can help to reframe current issues. These new frames can inform the development and implementation of strategic plans into the future.

### 5. Deliberating and Discussing Differently

A less formalized pattern of discourse on issues will often lead to different results. The logical analysis and formality that characterizes many boardrooms doesn't encourage creative and generative thought. The approach to issues should resemble more of a "think tank" than of a debate. In this sense there is a "playfulness" or "a temporary relaxation of the rules" that encourages experimentation and new possibilities.

### 6. Promoting Robust Dialogue

Although there is no one right answer to a generative problem, there are also plenty of bad ones. Only through robust, open dialogue can the misguided solutions be weeded out and the resonant ideas emerge. One of the greatest enemies of robust dialogue is groupthink. Actively questioning and openly playing devil's advocate can reduce the likelihood of groupthink.

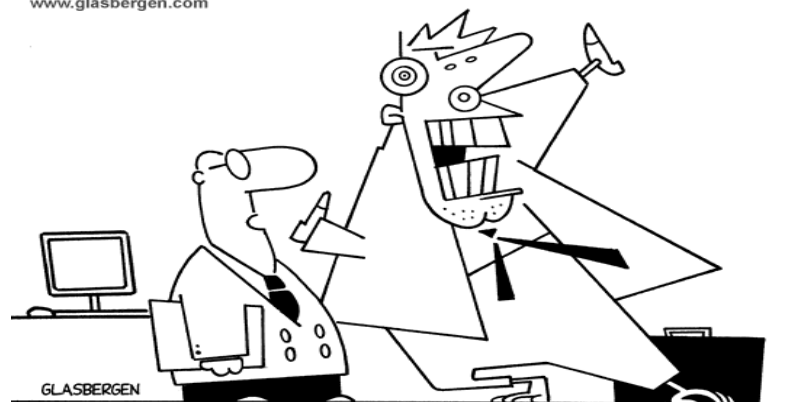
Consider the questions asked by Vanderbilt University as they considered making a special effort to recruit and retain more Jewish students in an effort to increase its national ranking.

**Type I Governance:** Is it legal? How much will the recruitment effort cost? What facility and personnel upgrades will be necessary?

**Type II Governance:** Will this tactic work? Where is our comparative advantage? Who are our chief competitors? How will other constituencies react?

**Type III Governance:** Will this contribute to diversity, to stereotyping or to both? Is this strategy consistent with the university's core values? Why do we want to climb the academic "food chain"?

Copyright 2005 by Randy Glasbergen.  
www.glasbergen.com



"I'd like to apologize for asking you to step outside of your comfort zone."

### *Three Types of Governance: Distinctive Characteristics*

<b>Nature of Organizations</b>	Bureaucratic	Open System	Nonrational
<b>Nature of Leadership</b>	Hierarchical	Analytical / Visionary	Reflective Learners
<b>Board's Central Purpose</b>	Stewardship of tangible assets	Strategic partnership with management	Source of leadership for organization
<b>Board's Core Work</b>	Technical: Oversee operations, ensure accountability	Analytical: Shape strategy, review performance	Creative: Discern problems, engage in sense making
<b>Board's Principal Role</b>	Sentinel	Strategist	Sense Maker
<b>Key Question</b>	What's wrong?	What's the plan?	What's the question?
<b>Problems are to be...</b>	Spotted	Solved	Framed
<b>Deliberative Process</b>	Parliamentary and orderly	Empirical and logical	Robust and sometimes playful
<b>Way of Deciding</b>	Reaching Resolution	Reaching Consensus	Grappling and Grasping
<b>Way of Knowing</b>	It stands to reason	The pieces all fit	It makes sense
<b>Communication With Constituents</b>	Limited, ritualized to legitimate	Bilateral, episodic to advocate	Multilateral, ongoing to learn
<b>Performance Metrics</b>	Facts, figures, finances, reports	Strategic indicators, competitive analysis	Signs of learning and discerning

## CRITICAL EVALUATION

I found Chait, Ryan and Taylor's discussion of the act of governance as a leadership activity to be engaging and consistent with my experiences as a member of governing boards of community organizations and teacher organizations both at the provincial and national levels. The development of the idea of generative thinking and describing this as Type III Governance was quite slow and painstaking, although this would likely be necessary for someone who was unfamiliar with the functioning of a nonprofit board.

The authors do a good job of demonstrating the importance and advantage of boards engaging in generative thinking and the examples provided greatly

assisted in moving from the theory underpinning the book to practice. It included practical guidance and open ended questions to encourage thought and reflection about one's own experiences with governing boards.

Having been a member of at least one board that actively pursued generative thinking as well as one board that clearly did not, I can now recognize why my experience with the former was much more rewarding and engaging than my experience with the latter. Board members serving as volunteers are not involving themselves because of the promise of payment, yet they will continue to be involved only if they believe they are playing an important role and that their involvement makes a

difference. In other words, there must be a payoff of some kind and in the case of nonprofit boards it is an intangible one. The authors have certainly shown the way that board members can experience an increased level of engagement, ownership and significance as they involve themselves in leadership through governance.

*Murray Wall  
Box 896  
Watrous, SK  
S0K 4T0*

*Phone: (306) 946-3451  
Fax: (306) 946-3457  
Email: l.m.wall@sasktel.net*