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Governance as Leadership: Positioning Your Board for Strategic and Generative Governance

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Training

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McKinsey & Company's Dynamic Board Framework

The Three Core Board Governance Responsibilities

1. Shape mission and strategic direction
 - a. Shape the mission and vision
 - b. Engage actively in strategic decision making and policy decisions
2. Ensure leadership and resources
 - a. Select, evaluate, and develop the CEO
 - b. Ensure adequate financial resources
 - c. Provide expertise and access for organizational needs
 - d. Enhance reputation of organization
3. Monitor and improve performance
 - a. Oversee financial management and ensure appropriate risk management
 - b. Monitor performance and ensure accountability
 - c. Improve board performance

Key Environmental Factors Impacting the Focus of the Board

Monitor external and internal environment to highlight areas for board attention

- Life stage of an organization.
- Skills of CEO and staff.
- Stability and adequacy of income.
- Changes in underlying social issue.
- Changes in competitive or philanthropic landscape.

Quality of Board Effectiveness Enablers

Well executed, these enablers build on the passion board members have for the mission by making their service personally rewarding, efficiently delivered and valuable to the organization:

- Careful decisions on board size and structure
- Actively managed board composition
- Inspired board and committee leadership
- Simple administrative practices and processes made routine

Profile of the Future-Focused Board¹

For a nonprofit to succeed, it must have a board that is passionately committed to the mission, possesses substantial leadership skills, and is organized for strategic leadership. Nothing less will do during this time of heightened change. Boards continue to face the challenges of building long-term financial sustainability, weighing strategic restructuring options, planning for leadership succession, and more. The unrelenting pace of change challenges nonprofit boards to look and act differently. Some boards have already made the transition. They possess a number of qualities and characteristics that together define a new profile of board effectiveness.

The boards that fit this new profile possess the following characteristics:

- They are *visionary and future-focused*, spending most of their decision-making time looking forward.
- They possess an *entrepreneurial spirit*, understanding that their organizations operate in a fast-changing marketplace, which seeks products and services to meet emerging customer needs.
- The new-thinking boards' leaders are *risk-takers*, balancing the need to take chances with the traditional stewardship responsibilities of board service.
- They are *strategic decision makers* who, in partnership with staff leadership, utilize a range of planning approaches and tools.
- They are *effective communicators*, understanding the importance of good communication at all levels. They organize the board and its committees accordingly.
- They are *systems thinkers*, seeking to understand the root causes and forces that shape the issues and challenges they will face in the boardroom. They look for courses of action that will exert the highest possible leverage as they respond to those issues.
- In these "new" boards, leaders also look for creative ways to connect their organizations to the world around them, exploring and imagining new forms of partnership and alliances that will support their missions and advance their strategic plans.
- The "new" boards' leaders also have a deep appreciation of the strength of diversity. They understand that diversity helps assure a higher level of responsiveness to customers and also promotes creativity, innovation and organizational learning.

These qualities and characteristics that define effective boards equip their members to exercise a more visionary and strategic leadership style.

¹ By Frank Martinelli, Appearing in *YOU and Your Nonprofit Board: Advice and Practical Tips from the Field's Top Practitioners, Researchers and Provocateurs*, published by Charity Channel Press June 2013.

Governance as Leadership: Three Modes of Governing

In *Governance as Leadership*, authors Richard Chait, William Ryan, and Barbara Taylor state that governing has become more complicated and can no longer be reduced to simple aphorisms like “boards set policies and administrators implement”. Boards have to be engaged in meaningful, challenging, and provocative work if they are to become fully engaged and energized for their task. The authors conceive of board work in three modes:

Type I - Fiduciary Mode Governing	Type II - Strategic Mode Governing	Type III - Generative Mode Governing
<p>Board’s central purpose:</p> <ul style="list-style-type: none"> ▶ Stewardship of tangible assets <p>Board’s principal role:</p> <ul style="list-style-type: none"> ▶ Sentinel <p>Board’s core work:</p> <ul style="list-style-type: none"> ▶ Ensure efficient and appropriate use of resources ▶ Ensure legal compliance and fiscal responsibility ▶ Ensure accountability ▶ Oversee operations ▶ Select and evaluate CEO <p>Organization of work:</p> <ul style="list-style-type: none"> ▶ Fixed structure mirrors administrative functions <p>Agendas and meetings:</p> <ul style="list-style-type: none"> ▶ Operational, standardized, staff & report-driven, ritualized <p>Deliberative style:</p> <ul style="list-style-type: none"> ▶ Parliamentary, orderly, deferential <p>Performance metrics:</p> <ul style="list-style-type: none"> ▶ Audits, budgets, staff reports, facts and figures 	<p>Board’s central purpose:</p> <ul style="list-style-type: none"> ▶ Strategic partnership with senior management <p>Board’s principal role:</p> <ul style="list-style-type: none"> ▶ Strategist <p>Board’s core work:</p> <ul style="list-style-type: none"> ▶ Scan internal and external environments ▶ Resolve priorities ▶ Review and modify strategic plan ▶ Monitor performance <p>Organization of work:</p> <ul style="list-style-type: none"> ▶ Fluid work groups mirror strategic priorities <p>Agendas and meetings:</p> <ul style="list-style-type: none"> ▶ Thematic, strategic, variable, participative <p>Deliberative style:</p> <ul style="list-style-type: none"> ▶ Empirical, analytical, congenial <p>Performance metrics:</p> <ul style="list-style-type: none"> ▶ Scorecards, benchmarks, dashboards 	<p>Board’s central purpose:</p> <ul style="list-style-type: none"> ▶ Assess external trends to lead the future of the organization. <p>Board’s principal role:</p> <ul style="list-style-type: none"> ▶ Visionary <p>Board’s core work:</p> <ul style="list-style-type: none"> ▶ Invites questions and alternative hypotheses. ▶ Involves sense-making and meaning-making which spawns policies, strategies, and decisions. ▶ Addresses ambiguities and challenges <p>Organization of work:</p> <ul style="list-style-type: none"> ▶ Fluid work groups mirror strategic priorities <p>Agendas and meetings:</p> <ul style="list-style-type: none"> ▶ Thematic, generative, variable, interactive <p>Deliberative style:</p> <ul style="list-style-type: none"> ▶ Empirical, analytical, congenial <p>Performance metrics:</p> <ul style="list-style-type: none"> ▶ Scorecards, benchmarks, dashboards

Strategic Planning Roles of Board, Staff and Committees

Board

1. Sets overall direction and communicates that direction to the organization
2. Formally approves the strategic plan
3. Assures alignment of overall staff, board and committee planning
4. Assures that strategic plan guides board development efforts
5. Identifies continuing and current priorities and develops organization's financial plan accordingly
6. Establishes procedures to facilitate committees' response to the strategic plan
7. Evaluates and updates strategic plan
8. Revises mission, vision, goals, strategic directions, and priorities
9. Establishes criteria for successful outcomes and monitors outcomes to assure quality and impact on an ongoing basis
10. Conducts annual self evaluation

Board Chair (and Vice Chair/Chair-Elect)

1. Defines activities in support of organization's strategic directions
2. With CEO, guides Board interpretation of plan in relation to programs and other critical activities (board leadership development, community relationship building, etc.)

CEO

1. Plays key role in formulation of strategy
2. Works closely with Board leadership in determining appropriate strategic thinking and planning approaches
3. Identifies continuing and current priorities and helps to develop organization's financial plan accordingly
4. Develops/updates environmental scan
5. Champions the mission and vision and provides continuity
6. Interprets plan to staff, stakeholders, members, and general public
7. Completes annual report of organization's and committees accomplishments in relation to strategic directions
8. Assists president and board with development of implementation plan within defined areas of board responsibility
9. Sets schedule and sequence for evaluation, review and updating of plan

Committees

1. Within the organization's Strategic Plan, identify committee priorities that support goals and strategic directions
2. Develop activities that support committee priorities
3. Complete annual report of committee accomplishments in relation to strategic directions.
4. Contribute to overall organization's strategic planning process

Governance Committee Description

General Purpose

The purpose of the Governance Committee is to build and maintain a strong Board for the organization. The Committee will establish and drive a continuous improvement process in order to help the Board and individual Directors become more valuable as strategic assets of the organization, contributing to our long-term success.

Appointments and Composition

The members of the Governance Committee shall be board directors appointed by the Chair with the advice and consent of the Board in accordance with the By-laws.

Responsibilities

1. Review the structure and size of the Board and the Board committees. Periodically, review with the Board the appropriate skills and characteristics required on the Board in keeping with the strategic direction of the organization.
2. Identify and consider candidates for Board membership. On behalf of the Board, assess the skills and experience of prospective Board members. Present candidates to the full Board for consideration.
3. Review the institutional and other affiliations of directors and director candidates for possible conflicts of interest. Investigate any potential conflict of interest involving a director and make a recommendation to the Board for resolution.
4. Keep up to date on developments in the board governance field. Annually review and assess the governance practices of the Board and recommend any proposed changes to the Board for approval.
5. Plan Board education including new member orientation, education of Board members and Board retreats.
6. Plan training and education of the Board related to governance roles and responsibilities and with respect to bridging Board knowledge gaps
7. Conduct assessment/evaluation of the Board, the Chair, individual directors, including each director's self-assessment, and Board meetings/sessions
8. Evaluate and monitor governance structures and processes, including policy development and processes for Board monitoring/oversight of operations
9. Identify leadership development opportunities for existing and potential Board members to maximize member's contributions.
10. Report to the Board of Directors at regular Board meetings in a manner determined by the Board.
11. Annually submit objectives as part of the planning and budgeting process.
12. Annually evaluate its work as a committee and the objectives it has committed itself to and report on same to the Board of Directors.

Meeting Techniques for Generative Boards

- Silent Starts- Set aside 2 minutes for each trustee to anonymously write on an index card the most important question relevant to the issue at hand.
- One Minute Memos- At the end of discussions give each member 2-3 minutes to write down any thoughts or questions that were not expressed.
- Future Perfect History- In breakout groups develop a narrative that explains in future perfect tense how the organization moved from its current state to an envisioned state.
- Counter Points- Randomly designate 2-3 trustees to make the powerful counter arguments to initial recommendations.
- Role Play- Ask a subset of the Board to assume the perspective of different constituent groups likely to be affected by the decision at hand.
- Breakouts- Small groups counter group think and ask: Do we have the right questions? What values are at stake? How else might this issue be framed?
- Discussion questions
 - Analytic Questions: What is the biggest gap between the case we make for support and our actual accomplishments and actions? What does that say about the organization?
 - Retrospective Thinking: What are our organization's successes or setbacks? How and why did they happen? What does this mean for the future?
 - Future-Perfect History: It is the year 2020 and we have achieved desired recognition! This achievement could not have happened if this board of directors had not
 - Dominant Narratives: How do you trace the organization's past trajectory or saga? What does it mean? What does it suggest about what to do next?
- Simulations – Trustees can simulate some decisions – not to second guess- but to provoke discussion about the tradeoffs that management faces.
- Surveys – The board can administer a survey anonymously prior to the discussion of a major issue. For instance: What should be at the top of the Board's agenda next year? What are we overlooking at the peril of organization?"

Foremost Critical Challenges Facing Our Organization Over the Next 3 years

Foremost critical issues and challenges that the organization will need to address over the 1-3 years (How should these issues be framed: fiduciary, strategic, generative?)	What roles would be appropriate for the board to play in addressing each issue listed in Column 1?	Clarify the board's need for information and education regarding this issue. (In order to make good decisions in response to this issue, what new things will the board need to know and be able to do?)	What resources can the Board access to help address this issue?
1.			
2.			
3.			
4.			

Critical Issue Briefing Paper Format

Critical Issue Statement:

- **Background:** *(Why and how this is a critical issue for the ABC, Inc.?)*
- **Opportunities for the ABC, Inc.:** *(Opportunities for growth, improvement, and/or increased program and service impact for?)*
- **Threats for the ABC, Inc.:** *(Threats to the ABC, Inc. and/or constituents served — consequences for the ABC, Inc. if nothing is done in response to this issue.)*
- **How Other Organizations Facing Similar Issues, Opportunities and Threats Are Responding:** *(What changes, strategies, shifts in direction are organizations attempting? NOTE: Don't limit yourselves to what other organizations are doing. Consider other kinds of organizations as well.)*
- **What major choices, actions, decisions and/or shifts in direction does this issue challenge us to consider?**
- **What other information do we still need in order to develop effective responses to this issue?**

Three Modes of Governance

	Fiduciary Mode	Strategic Mode	Generative Mode
Board's role	<i>Steward/Watchdog</i>	<i>Strategist</i>	<i>Sense Maker</i>
Key question	<i>What's wrong?</i>	<i>What's the plan?</i>	<i>What's the key question?</i>
Problems are to be	<i>Spotted</i>	<i>Solved</i>	<i>Framed</i>
Way of deciding	<i>Reach resolution</i>	<i>Reach consensus</i>	<i>Reach understanding</i>
Current Estimate % of Board Time Devoted to Each Type			
Hoped-for % of Board Time Devoted to Each Type			

Resource Bibliography: A Starter List

- Board Members' Guide to Partnership Planning by the AIM Alliance
<http://www.asu.edu/copp/nonprofit/res/AIMBoardMembersGuide.pdf>.
- Board Source. www.boardsource.org. Board Member Newsletter with paid membership
- Governance as Leadership: Reframing the Work of Nonprofit Boards by Richard P. Chait, William P. Ryan, Barbara E. Taylor. <http://amzn.to/Sgs3YJ>
- Staying Engaged, Stepping Up: Succession Planning and Executive Transition Management For Nonprofit Boards Of Directors by The Annie E. Casey Foundation
http://www.transitionguides.com/images/stories/resources/aecf_mono/aecf_stepping.pdf
- Strategically Speaking Blog by Frank Martinelli. Go to:
<http://www.strategictalkingandplanning.blogspot.com>.
- The Dynamic Board: Lessons from High-Performing Nonprofits by McKinsey & Co
http://nonprofit.haas.berkeley.edu/new/documents/McKinsey_Dynamic_Board_Report_w_Assessment_Grid.pdf. The Dynamic Board: Self-Assessment by McKinsey & Co.
http://www.boardnetusa.org/graphics/attachments/boardselfassess_long.pdf
- The Source 12: Twelve Principles of Governance That Power Exceptional Boards by Boardsource. <http://www.boardsource.org/Bookstore.asp?Item=171>
- What If? The Art of Scenario Thinking for Nonprofits published by the Global Business Network, http://www.gbn.com/articles/pdfs/GBN_What%20f.pdf
- The Practitioner's Guide to Governance As Leadership by Kathy A. Trower
<http://tinyurl.com/npv46bk>

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 Helping Determined Nonprofit Leaders Harness the Power of Shared Vision . . .

The Visionary Leader

Max DePree ends his book Leadership Jazz with a captivating story about leaders whose actions were inspired by vision. This story demonstrates to us the vital link between strategic and generative governance, vision and the stewardship responsibilities of board leadership. It's a lesson for all of us: our leadership will touch the lives of individuals and communities of the future.

In the late fourteenth century, the members of New College at Oxford, moved into their quadrangle, the first structure of its kind, intended to provide for the residents all that they needed. On the north side of the quadrangle sit the chapel and the great hall, beautiful buildings and, as you might imagine, the focus of the life of the college.

In the middle of the nineteenth century, almost five hundred years later, the college hired architect Sir Gilbert Scott to restore the roof of the hall. The roof and the great oak beams that supported it had badly rotted. And so representatives from the college with Sir Gilbert visited Great Hall Woods, in Berkshire, where they expected to find trees for replacement beams. Sure enough, the replacements were standing there, waiting to be hewn out of the living oak trees planted a century before for just that purpose.

An anonymous leader's promise had been fulfilled. The voice and touch of a distant leader had been joined.

