

## **Governance as Leadership: Reframing the Work of the Nonprofit Board**

This document presents a summary of “Governance as Leadership: Reframing the Work of the Nonprofit Board,” a seminar sponsored by The Pew Fund for Health and Human Services. Held on October 29, 2007, the seminar was part of The Pew Charitable Trusts’ information series called *Programs Adjusting to a Changing Environment* (PACE), created to improve nonprofits’ ability to succeed by providing them with critical information, tools and technical assistance.

Today’s nonprofit boards have multiple roles and responsibilities. While they face increasing demands to oversee organizations’ performance accountability, fiscal integrity and regulatory compliance, they also share a leadership role with agency directors to advance their organizations’ missions. This latter responsibility, however, can take a back seat to other, more pressing demands on boards, and may be difficult to carry out on a consistent basis. This PACE session, which was attended by both board members and executive directors or senior staff, was designed to help participants consider the nature of governance and leadership in nonprofit organizations and, particularly, to understand the benefits of offering board members more meaningful and consequential work. Led by Bill Ryan, Research Fellow at the Hauser Center for Nonprofit Organizations at Harvard University and consultant to foundations and nonprofit organizations, the session included exercises designed to help participants define the extent to which their organization currently includes a leadership role in their board’s work and develop strategies for strengthening that role. Participants also had opportunities to ask questions throughout the session, and those questions and the responses are outlined in the final section of this summary.

### **Defining the Problem**

Ryan explained that he first wanted to investigate a conceptual framework for thinking about the board’s role in governance. Then the group would step down from the long view and look at practical challenges in instituting that role. These were among his major points in introducing the framework:

- **There are typically a range of ways in which people think about a board’s role.** To illustrate this point, he asked participants to use an analogy to describe how they think about boards: Board is to organization as \_\_\_\_ is to \_\_\_\_.  
Responses included: as the head is to the body; as the owner is to a private company; as an air traffic controller is to a commercial airplane; as Congress is to government; as the rudder is to a ship; as an eye is to sight; and as wind is to a sailboat. Based on these analogies, Ryan said, we would all construct somewhat different boards.
- **There is a need to reframe how we define the problem of board performance.** The common view is that the problem is rooted in the board’s lack of clarity about its role. The solution then becomes codifying the board’s role and clarifying its

tasks. But in his research, he found that many boards already have overly long job descriptions and do know their roles as defined through these job descriptions.

- **At the root of the problem is that boards do not have a strong sense of purpose.** Behind the problem of performance is the problem of purpose—boards cannot see the relation of their work to the organization's mission. This makes it more difficult for them to become engaged in and enjoy their work. Compounding the problem is the reality that boards are being pushed by states, the IRS and other entities to focus on accountability. While that is one necessary role, it is only one part of "purpose."
- **Enriching the work of the board is a key to improving board performance.** People are more motivated when they are interested and engaged in their work; and if they are more motivated, they will give more time. The question is: How can we enrich the work of the board?

### **The Three Modes of Governance**

Boards govern in three distinct modes. Each mode serves important purposes, and together, the three add up to governance as leadership. To make the three aspects of this framework for governance more concrete, Ryan introduced a specific example: the decision that the Boston Museum of Fine Arts had to make about whether to lend 21 Monet paintings to the Bellagio Casino in Las Vegas. Ryan asked participants to suggest potential questions that board members might ask when addressing this situation. Their questions included: What's in it for us? What are the security arrangements? How does it fit with our mission? How will the paintings be transported? Where will the paintings be displayed? For how long? How will the community that supports the museum react? Ryan used these questions to help illustrate the three modes of governance:

- **Type I is the "fiduciary mode."** In this mode, the board's central purpose is the stewardship of tangible assets, and its principal role is to act as a sentinel. It oversees operations and ensures efficient and appropriate use of resources, legal compliance and fiscal accountability. Analogies such as "the board is to the organization as an eye is to sight" suggest this board role. The questions about security and transportation in the Boston Museum example also point to this board role. Ryan noted that, of the three modes of governance, the fiduciary role requires the least amount of knowledge by the board about the organization and its mission. But organizations often have boards that focus almost exclusively on "Type I" concerns.
- **Type II is the "strategic mode."** Here, the board's central purpose is to ensure a winning strategy for the organization, and its principal role is to be a strategic partner to senior management. Its core work includes setting priorities, reviewing and modifying strategic plans, and monitoring performance against plans. Participants' navigational analogies, such as "the board is to the organization as

the rudder is to a ship," suggest this role. Questions that reflect this role in the Boston Museum example include: What's in it for us? What will the community reaction be?

- **Type III is the "generative mode."** Generative thinking is a cognitive process for deciding what to pay attention to, what it means, and what to do about it. And, Ryan said, this is also a good definition of "governance." In the generative mode, the board's central purpose is to be a source of leadership for the organization, and its principal role is as a "sense maker." The board "decides what to decide"; discerns challenges and opportunities; and probes assumptions, logic and the values behind strategies. In the Boston Museum example, the question "How does it fit with our mission?" reflects the board working in a generative mode.

### **The Generative Mode**

Ryan noted that boards have to work in all three modes but that the rest of his presentation would focus on the generative mode. Boards should work in the generative mode at least some of the time. This is the area where they can take a leadership role and help make subjective judgments that contribute towards answering the questions: Is there a mission fit? Is this what the organization is about? He made these points in explaining why this role is essential:

- **Generative thinking is problem-framing.** The process of augmenting or modifying an organization's services generally moves from problem-framing to strategy to plans, tactics and execution. The way a problem is framed, in itself, includes some potential forms of problem solving and excludes others. As issues are framed and converted into strategies and plans, the opportunity for generative leadership contributions from the board passes by. However, in many organizations where opportunities for generative thinking would be greatest, the board is least involved. Boards tend to get most involved after plans have been implemented, through familiar practices such as fiscal oversight.
- **People's perspective—focusing on one thing—means they do not see something they should be seeing.** Ryan asked, "What cues does the board focus on? What they see will depend on their frame." To illustrate this point, he showed a brief DVD clip of two groups of teenagers passing basketballs. One group was in white jerseys and one was in black jerseys. He asked the participants to count the number of passes thrown by the teenagers in white jerseys. When the clip was finished, he asked how many passes they had counted. Then he showed the clip again. This time he asked people to notice the gorilla who walks into the group of teenagers towards the end of the clip and starts pounding his chest. The gorilla does, in fact, appear. People had not noticed it the first time because they were focused on counting the number of passes, using a "counting" or "Type I" frame—they had not noticed the one very striking thing about the clip. Similarly, if a board is, for example, focusing just on specific fiscal matters, it is likely to

miss seeing other internal or external issues that could be significant for the organization.

- **In crises or major transitions, such as hiring a new executive director or dealing with a potential merger, boards typically engage in the generative mode of governance.** Ryan said that if none of those kinds of situations currently exist in an organization, then the board might not have any generative work to do for a while. At the same time though, every field has its moments when thinking changes, and these are also opportunities for generative work. He gave the example of the shift in large cities' conception of policing: from having police primarily responding to crime to also having them prevent crime. This shift to the concept of community policing led, in turn, to concrete changes at the field level, including modified roles for police and changes in how they were trained. These kinds of shifts result from looking at the environment and changes in it, and that also is an important part of a board's generative work.

### **Generative Thinking in Practice**

After establishing this framework and describing the benefits of having boards work at least some of the time in the generative mode, Ryan asked participants to think about their own organizations and complete an exercise sheet that identified the extent to which their board played a role in large issues of governance. Key questions in the exercise included: Who decides what the organization will pay attention to? Who tends to frame the problems? Who decides what a given problem or opportunity means for the organization? Who has the most influence over what gets onto the organization's agenda or list of priorities? In helping participants consider the board's role in their organizations, these were among Ryan's points:

- **It is possible to define four profiles of governance that reflect the relative levels of engagement by senior staff and the board.** These are governance by default, in which neither board nor staff plays a strong, forward-thinking role; governance by fiat, in which the board imposes most decisions; executive governance, in which the CEO governs; and shared governance, in which both senior staff and the board are actively engaged in governance.
- **A nonprofit's board members and senior staff do not necessarily have the same view of which governance profile describes that organization.** Ryan asked participants, including both senior staff and board members, to fill out a card showing which of these four profiles best described their organization. He then charted their responses on a diagram. Most staff members had put their organization in the "executive governance" category, while board members were somewhat more likely to have put the organizations where they served in the "shared governance" category.
- **There are costs for organizations that do not have "shared governance."**

With suggestions from participants, Ryan outlined what organizations lost when they were in one of the other three governance categories. These costs included: the board functioning only on committees; board disengagement; a lack of strategic thinking; less funding (at least from the board); a polarized board and staff; and costs to the organization of remaining in the status quo.

- **There are also barriers that can make it challenging for organizations to move to shared governance.** Participants' descriptions of these barriers included: not enough time at board meetings, the complexity of organizational purpose, the pace of change, lack of term limits for board members, fear of loss of control by the organization's CEO and a lack of creativity and bravery.

### Strategies for Board Meetings

During the final part of the session, Ryan outlined strategies for overcoming these barriers. He first suggested approaches for promoting generative thinking during board meetings:

- **Have a consent agenda.** In developing the agenda for the meeting, combine all of the routine matters that need board approval into one item on the agenda that the board can vote up or down. This can free up time for other discussions.
- **Use silent starts.** When there is an important matter for the board to consider, give everyone a minute to think about it and write something down on the topic under discussion. This helps people become more thoughtful and engaged in the topic.
- **Use one-minute essays.** At the end of the discussion, ask people to write down what they would like to say about the issue if there were more time. After the board meeting, read what they have written. These often tend to be "Type III concerns"—comments that reflect generative thinking—which can be used to help set the agenda for the following board meeting.
- **Include time for mini executive sessions.** During each meeting, have the board work for ten or fifteen minutes without an agenda. These brief sessions—which can be called "board reflection"—interrupt the usual pattern of just following an agenda and having the CEO always take the lead at board meetings.
- **Promote robust discussions.** During discussions about even seemingly routine matters, look for "generative landmarks." These include multiple interpretations by board members about what a situation is or what requires attention, or indications that an issue means a great deal to many of the board members and touches on their perception of the organization's core values. Take advantage of these "landmarks" to promote generative discussions.

- **Have as few standing committees as possible.** Instead, have task-driven committees that address specific issues, gather information about those issues, and then report to the whole board about what they have learned. The entire board should then discuss the committee's ideas.

### **Addressing Other Barriers**

Beyond these practical strategies for board meetings, Ryan described additional, and sometimes more complex, steps that organizations might need to take in having the board move towards more of a leadership role. These included addressing the dynamics of the relationship between the CEO and the board and recruiting board members who are interested in and well-suited for a role that encompasses more than oversight of the organization:

- **CEOs may have to become more comfortable about sharing governance with the board.** Ryan noted that having shared governance can be a personal leadership challenge for CEOs because they might feel it as a loss of power. He described the "safety zone" in which CEOs sometimes prefer to reside in relation to their boards when what they want is approval rather than dialogue. In this "zone", CEOs bring a project or issue before the board only late in the process and after most details have already been decided. But there are "dangers in the safety zone," he said. The CEO is often highly invested and slightly defensive, and tries to "handle" the board instead of engaging it. As a result, some board members feel uncertain of their value and might disengage, decide to second-guess the CEO, or begin to micro-manage. In contrast, he said, what CEOs might consider the "danger zone"—*i.e.*, the very early phases of an idea, when many questions have not yet been answered—actually has opportunities. Here, CEOs are more open to what they can learn from the board, and members see their chance to add value to the organization and are more likely to become engaged in meaningful work. Ryan distinguished between these two "zones" with the example of a nonprofit organization that operates nursing homes and is in the process of buying additional ones. In the "safety zone," the CEO would come to board meetings with details about a specific property the organization planned to buy, and the board would review items such as cost. In the "danger zone," the board would become involved before these plans had been made and would discuss strategic questions like, "Why are we expanding?"
- **To help the board get to higher ground, recruit people to govern, not to manage.** This is different than recruiting for the more typical "Noah's Ark" board—for example, two accountants, two lawyers, two wealthy donors and two marketing professionals. Instead, when recruiting, approach potential board members with the big issues and decisions the organization will be dealing with in the next few years. This will help people see their potential role as more than oversight and the performance of specific committee tasks.
- **At least occasionally, get the board out of the board room.** Every few years,

bring the board closer to the actual organizational environment by bringing together board members and senior staff. Members can ask staff questions such as: Why do you work here? What is your biggest challenge? What is most rewarding about your work? What are some powerful stories? What one thing would you change if you could? This can help engage the board and also lead senior staff to feel less defensive about the board. In addition, every few years, have your board get together with other nonprofit boards so they can learn from each other about what they have been able to accomplish and how.

## Questions and Answers

Throughout the session, participants had an opportunity to ask questions and raise concerns. These were among the issues they wanted to know more about:

- **Why would you have board members—volunteers who deal with the organization four times a year—making the decisions, as opposed to management staff who are there every day? Can the board do it better than management?** Ryan said that boards can make decisions as well as management. Boards are in a position—at the boundary, not exactly inside or outside the organization—that gives them a different perspective than management's. In addition, contributing to decisions in this way is a key aspect of the board fulfilling its leadership role, and it keeps members involved and interested.
- **What about new board members?** One participant said that when they first come in, board members tend to focus on Type I issues—oversight tasks. Ryan agreed, and added that different board members will have different strengths and degrees of comfort in each of the three types of work. But all members should be encouraged to do at least some work in each of the three modes—fiscal, strategic and generative.
- **If you are joining a mature board, what is left in terms of generative thinking?** Ryan said that no matter how old the board or organization, the board will always have moments when it has to ask, “What’s really going on here?” The relatively small issue of the Boston Museum of Fine Arts loaning paintings to the Bellagio is one example of when this would occur.
- **Is it a good idea to have term limits for board members?** Ryan said that for structural issues—such as the size of the board, frequency of meetings, length of terms, and term limits—there is no one-size-fits-all answer. What is important is to have a strategy that is consistent with what you need. Why do you have a particular size board or a certain number of meetings a year? The same question applies to term limits: If you have them, why do you? He suggested that there may be preferable alternatives to term limits. One approach might be to have a strategy for assessing board members' performance. Or the organization's CEO and board leadership could periodically describe plans for the next two or three years and let board members know what will be expected of them. Each member

would then decide whether to remain with the board or opt out from continuing. Organizations could also establish term limits that are flexible. Members who want to leave the board could use them as an excuse to do so, and the limits could also be used as an excuse to drop particular board members. But because the term limits are flexible, other members could remain on the board.

### **Additional Resources**

#### **Governance as Leadership: Reframing the Work of the Nonprofit Board**

The following resources provide additional information.

William P. Ryan, Richard P. Chait, and Barbara E. Taylor. "Problem Boards or Board Problem?" *The Nonprofit Quarterly*. Summer 2003, pp. 1-5.

Richard P. Chait, William P. Ryan, Barbara E. Taylor. *Governance as Leadership: Reframing the Work of Nonprofit Boards* (New York: John Wiley and Sons) 2005

BoardSource, *The Source: Twelve Principles of Governance that Power Exceptional Boards* (Washington, D.C.: BoardSource) 2005