Governance as Leadership: Reframing the Work of Nonprofit Boards

Richard P. Chait, William P. Ryan, Barbara E. Taylor. (2005). Hokoben, NJ: John Wiley & Sons, Inc. (198 pp.; Hardcover, ISBN 0-471-68420-1)

Reviewed by Marshall Stewart

Governance as Leadership: Reframing the Work of Nonprofit Boards, should be required reading for anyone involved in a nonprofit organization as a board or staff member. While the terms "governance" and "leadership" have been a part of the nonprofit vocabulary for some time, never have they been so well connected as they are by authors Richard Chait, William Ryan, and Barbara Taylor.

It is interesting to note how little has been done prior to this publication to focus on the linkage between the concepts of governance and leadership. Leadership has received great attention in recent years as individuals have studied and developed different models and approaches for teaching and implementing it. Meanwhile the area of governance has received minimal attention, mainly with conversations revolving around lists of "dos" and "don'ts". As these two areas relate to the nonprofit sector and volunteer organizations, governance discussions have focused fiduciary and governance boards primarily as instruments of accountability, rather than agents of change and innovation. The same could be said for nonprofit staff members as they have been encouraged to focus on managing processes rather than leading boards and organizations into new uncharted waters and opportunities.

Historically, nonprofits' volunteer trustees and board members were charged with governing the organization. They were seen as guardians of the organization's ethos and values, approving the strategic plan and the agenda for the organization. Their primary focus was to provide oversight and management of the organization, while paid staff were to carry out the board's decisions. They were the leaders of the organization while paid staff served as the managers of the organization.

However, this book provides a new model for consideration as board members and paid staff work together, in partnership, drawing from the strengths of both entities in new creative ways. This new synergistic partnership redirects the organization in directions that break through past barriers and engage new ideas that propel the organization toward the fulfillment of its mission.

Today, nonprofit administrators have transitioned into organizational leaders. It is not enough to have management skills to keep things going. Today's nonprofit Chief Executive Officer (CEO), historically known as the Executive Director, must lead and manage as constituents expect her/him to be able articulate the organization's mission and move it forward. As this transition from organizational administrator to visionary leader has occurred, in many cases board trustees have started acting more like managers. This has resulted in boards choosing micro-governance and micro-management with less focus on holistic organizational leadership issues. This dangerous shift has been evident in both small and large nonprofit organizations

and has resulted in power struggles and conflicts between boards and staff.

The key to avoiding this shift is to develop a partnership between the board and the CEO to work together based upon each other's strengths. The board must become more than a traditional governing body that oversees the organization's assets and a supporter of management. While these roles are vital, the board must be a source of leadership that challenges the status quo, looks for new opportunities, reframes the challenges that the organization faces, and looks beyond the obvious for deeper meaning and challenging questions that need to be answered. Meanwhile, the CEO must see this new emerging role of the board as critical to the organization and not try to control or restrain the uncertainties that the board may cause, but rather embrace the challenges that the board identifies and work with the board to challenge and grow the organization through a dynamic partnership.

In considering the relationship between governance and leadership, the authors propose three modes of governance that they frame as governance as leadership. The three governance modes are:

1. Type I - Fiduciary Mode: focusing on the stewardship of the organization's assets;
2. Type II - Strategic Mode: creating strategic partnerships with management regarding the future of the organization; and
3. Type III - Generative Mode: less recognized in the nonprofit world, but a critical source of leadership that focuses the board and staff on reflecting, reframing, revising and sense-making for the future of the organization.

The key is for the board to work in all three modes in balance whereby governance as leadership is achieved. A close analysis of the governing modes reveal the importance of each mode to the organization and how essential it is that an organization not remain in one mode, but rather work across modes.

The Type I -Governing (Fiduciary) Mode focuses on taking care of organizational assets. This includes overseeing audits, budgets, fundraising, and executive performance. These functions often involved legal matters and must be addressed to ensure that the organization is protected and has limited risk. Traditionally, in this role, the Executive Director was an agent that the board hired to simply carry out the board's wishes. Boards that function only in the Type I Governance Mode hamper organizations from stretching and growing, thereby missing larger picture issues. While Type I Governance is essential, one does not want to have a Type I board that focuses only on this area since the board work becomes predictable and monotonous. In Type I Governance, the lines between the board and staff are clearly defined.

The Type II Governing (Strategic) Mode is necessary for nonprofits to serve a valuable mission, have a positive impact, and create a community of practice. For many board members, this is the attraction for them to serve on a nonprofit board and is, in essence, where the organization's mission and purpose are revealed. The key for success of the board in this venue is for them to *think* strategically, and not just *plan* strategically. Boards in this mode recognize that great ideas, not great plans, lead to break-through developments. This does not mean that plans are not needed and are not vital to

organizations; they bring legitimacy to the board, CEO, and overall organization. However, the role of the board should be focused on the ideas and not the details of the plan. This is a vital distinction since many strategic planning exercises begin with "what is" rather than "what can be".

In Type II Governance, the lines between the board and staff begin to blur as board and staff members become partners. Effective boards are able to oversee the strategic planning process and work with paid staff to define what matters most to the long-term future of the organization. It is vital that strategic planning exercises focus upon core questions of organizational identity, outmoded assumptions, and breakthrough strategies. As the board and paid staff operate in this new mode of governance, three major practice changes will occur: (1) *board structure* will change as the board organizes its structure around strategic priorities (boards are likely to use task forces and ad hoc committees to study key issues of concern); (2) *board and committee meetings* will have fewer formal reports and presentations and increased opportunities for the board to consider and address big ideas; and (3) *communication and information* will involve greater external expert and stakeholder input to enrich the board's knowledge and understanding of issues. The combination of Type I and Type II governance comprises today's state-of-the-art in board trusteeship. However, the complicated and complex issues of the world require that boards and paid staff members both consider still another level of governance.

The third level of governance, Type III, is framed by the authors as the Generative (Thinking) Mode.

Generative thinking provides both a sense of problems and opportunities. Through generative thinking, new insights are shared that are seen as wisdom or creativity. When these insights are accepted widely, it is known as a paradigm shift (after the shift, nothing looks the same). The key to Type III Governance is for the board and paid staff to make time for generative thinking, resulting in having a sense of what knowledge, information, and/or data truly mean. This deepening understanding is most often transformational for nonprofit organizations. For this process to become the norm, meetings must be structured for members to notice cues and clues, choose and use frames, and think retrospectively. Nonprofit boards are well positioned to do generative thinking for three reasons:

1. Power: the board is the center of authority and legitimacy for a nonprofit organization;
2. Plurality: the board members come from different perspectives and frames of reference, thereby giving them insights that can enrich the organization; and
3. Position: board members are on the edge or fringe of the organization, having a good understanding of the organization, but not too close to see the larger picture and opportunities.

Another great aspect highlighted in this book, is the analysis of "Problem Boards" or "Board Problems", depending upon how the question is framed (i.e., is the board *the* problem or does *the* board *have* problems?) Depending on the circumstances, arguments could be made for both

questions, and the authors do an excellent job of categorizing problems encountered in nonprofit governance and leadership. The first problem addresses the issues of disagreement, rivalries, and dysfunctions; historically, these problems have been controlled by parliamentary procedure as found in Robert's Rules of Order. Secondly, the reader is introduced to the problem of boards being disengaged; board members who do not show up or choose not get involved in the board and the organization after accepting the opportunity to serve on the board. A third problem that is addressed focuses on board expectations and how the challenge has traditionally been addressed by the development of board job descriptions. The authors contend that these problems often arise because the overall board may be operating in one governance mode while (due to inexperience or lack of expertise) an individual board member may be operating in a completely different mode. If the holistic board and all board members are not functioning in similar modes, a disconnect will occur that reveals itself through disagreements, disengagement, or unrealized expectations. Effective boards spend some time in all three modes, thereby fulfilling the needs of the organization and addressing the interests and expertise levels of each different board member. It is important to remember that each board member comes to the board with different strengths and interests that should be recognized and capitalized upon by creating a board environment that takes advantage of individual members' strengths.

A final area in this book, that anyone involved in nonprofit sector work should appreciate, addresses the issues of board recruitment and development. The board is critical to the nonprofit organization since it provides legitimacy. Traditionally, nonprofit board members have been selected based on social stature, moral integrity, and/or refined lineage. Interestingly enough, the authors suggest that these characteristics have been a powerful predictor of another important attribute - wealth. This is an important attribute for a nonprofit organization since they are continuously looking for donors or people who can reach potential donors.

As the nonprofit sector has evolved, the authors have identified four areas of capital (other than financial resources) that board members provide through their service: intellectual, reputational, political, and social capital. Each type strengthens the board in its work across the three modes of governance. This is especially true as boards move into the Generative Mode. By increasing intellectual capital, the board is trying to build the collective brainpower of the organization from diverse backgrounds and experiences of individuals. The power of reputational capital is found within the recognition that the individual brings to the organization because of how they are viewed by peers and/or competitors in their area of expertise. Political capital is invaluable as conflicts arise internally and consensus is needed on difficult issues. Understanding how to use political processes within the organization and leveraging external political relationships can be critical to organizational success. Finally, social capital is needed to build strong internal board relationships and to also bridge new external networks within the organization. This has the potential to

strengthen and stretch the organization's reach and thinking.

Governance as Leadership: Reframing the Work of Nonprofit Boards is an excellent reference for anyone involved in nonprofit organization work. It is challenging and helps the reader contemplate new patterns of thinking regarding board structure, operations, relationships, development, and recruitment. In order to move a nonprofit board into this new arena of thinking, the current board and paid staff need to be flexible, willing to change, and open to diversity of thought, backgrounds, and cultures. This type of change will not be easy, and is not for the meek, but will ultimately enrich the organization and move it to a higher level of performance. Rules and traditional practices will need to be challenged, but a new mind-set for nonprofit board governance can lead an organization to being more disciplined and more focused and create a climate of collective board member responsibility.

This book is required reading for any volunteer resource manager working either directly or indirectly with a board of directors or trustees. Not only does it present a new, visionary, contemporary reality for nonprofit boards, but the ideas and concepts presented are easily transferable to other volunteer advisory groups and committees. And I encourage volunteer resource managers to not hesitate to pass the book along to their respective executive directors and fellow staff members; it would be another excellent opportunity to demonstrate and share the power of synergy and partnerships in volunteer based organizations!

About the Author

Marshall Stewart, Ed.D. is Head of the Department of 4-H Youth Development and Family & Consumer Sciences at North Carolina State University, where he also serves as Associate Director for Youth and Families with the North Carolina Cooperative Extension Service. He has more than 22 years experience working in leadership positions within both formal and nonformal educational organizations. In his current administrative role, he currently partners with two nonprofit boards of 55 combined members that oversee assets totaling more than $6.75 million.