

Three Modes of Governance

*Adapted for Excellence in Governance from **Governance as Leadership: Reframing the Work of Nonprofit Boards** by of Richard P. Chait, William P. Ryan, Barbara E. Taylor*

There are three modes of governance, all of equal importance.

Fiduciary Mode: The productive organization

Attention to financial discipline, informed oversight, mission fidelity, primacy of organizational interests.

In this mode, board are primarily concerned with the stewardship of tangible assets (such as equipment, land, cash). Fiduciary oversight constitutes the bedrock of governance, and Fiduciary governing ensures the organization is faithful to mission, accountable for performance, and compliant with relevant laws and regulations. If a board fails its fiduciary responsibilities, the organization – as well as its donors, clients, or community - could be harmed.

Purpose: Stewardship of tangible assets.

Core work: Technical – Oversee operations, ensure efficient & effective use of resources, ensure legal compliance & fiscal accountability, select & evaluate CEO

Key question: What's wrong?

Strategic Mode: The logical organization

Aligning internal strengths and weaknesses with external opportunities and threats in pursuit of organizational impact.

In this mode, boards shift from reserving strategic thinking predominantly for planning purposes to bringing strategic thinking into the board room on a regular basis. They create a strategic partnership with the executive team and together discover strategic priorities and drivers, cultivate and concentrate on processes that sharpen institutional priorities, and ensure a strategic approach to the organization's future. Strategic governance enables the board to set the organization's course and to deploy resources accordingly

Purpose: Strategic partnership with management.

Core work: Analytical – Scan internal & external environments; shape strategy; review performance against critical success factors, benchmarks and competitive position

Key question: What's the plan?

Generative Mode: The expressive organization

Deciding what to pay attention to and what it means. Focusing on what matters most. Thinking “outside the box.”

In this mode the board discerns, frames, and confronts challenges rooted in values, traditions, and beliefs. This is where boards, along with executives, frame problems and make sense of ambiguous situations - which in turn shapes the organization's strategies, plans and decisions.

While governing in this mode the board engages in framing the problem rather than finding a solution. Generative thinking is powerful and thrives on deliberations among participants with different perspectives and different frames for noticing cues and clues. Governing in this mode enables the board to do its most meaningful work, maintains an organization that is flexible and responsive in a changing environment and positions the organization's programs to fulfill the mission. Governance as leadership flourishes when what the board knows informs what the board thinks - when the "collective brainpower" of the board enlightens the "collective mind" of the board.

Purpose: Source of leadership for the organization.

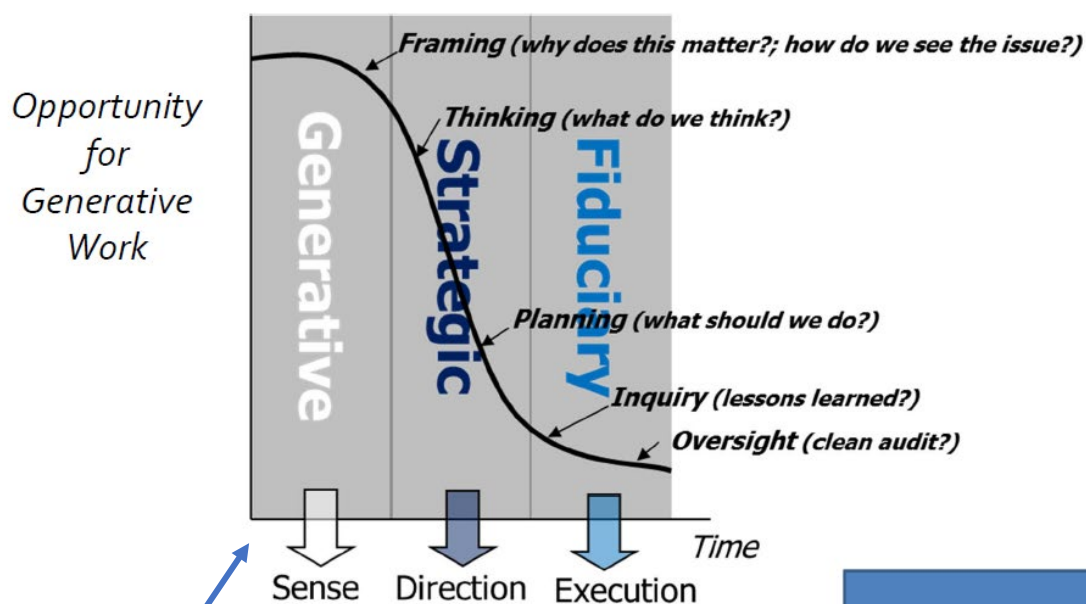
Core work: Creative – Discern problems, engage in sense-making, shape core values

Key question: What's the question?

The opportunity for influence in generative work declines as issues are framed and converted into strategic options and plans over time. For many boards, involvement is lowest where generative opportunity is greatest, and involvement increases as generative opportunity declines. **Effective and meaningful board leadership happens when the board is involved early in the process of framing issues and making decisions.**

The Generative Curve

BLF15



Chait, Ryan, and Taylor (2005)
Governance as Leadership.
BoardSource and Wiley.

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- **WHEN** boards are asked to engage in generative work is important.
 - If staff have already (or have essentially already) decided, it's too late. The exercise will frustrate staff and board.
- It is recommended that staff come to board with situation/challenge that rises to board level and ask board "what are the questions we should be asking ourselves about this situation?"

Governance Practices

GENERATIVE PRACTICE

Generate Alternatives

Decide What to Decide

Discern and Frame Problems

Promote Congeniality

Pursue Perspectives

Discuss Robustly

Consider Hypotheses

Pose Catalytic Questions

FIDUCIARY AND STRATEGIC PRACTICE

Choose among Alternatives

Make Decisions

Solve Problems

Preserve Congeniality

Pursue Consensus

Meet Efficiently

Consider Realities

Pose Pragmatic Questions

GENERATIVE CONVERSATIONS – A TIP SHEET

READ CHAPTER II IN THE PRACTITIONER'S GUIDE TO GOVERNANCE AS LEADERSHIP - pp. 21 – 45.
(Getting Started and Gaining Traction)

I. Boards think and work in three modes: fiduciary, strategic and generative. The first two are familiar to most boards. Generative work is less easy to define but in Trower's book, CEOs and board chairs described it in one of three ways:

- As higher-level thinking and drawing those thoughts out of the board
- As getting board members to ask and focus on better questions that get to the heart and mission of the organization
- As thinking farther into the future about possibilities (rather than shorter term strategic and fiduciary work).

II. Generative work is *framing the issue* prior to solving the problem; exploring the “why” before the “how”, asking the right questions at the right time. (Generative comes from *genesis*....boards need to be in at the beginning.

III. For discussion with your board you can explain that:

- The hope is to engage the entire board more fully and to tap their expertise and best thinking
- It's “starting at the beginning” with discussion at the board level about a new idea or opportunity *before* there has been committee or staff work.
- Generative conversations emphasize and enhance the board/management partnership and the overall leadership of the organization
- It is *not* pie-in-the-sky planning, discussing solutions to operational problems, building a to-do list for the ED, or the answer to every question.

IV. In planning to introduce the concept to your board:

- As a team, agree on a current matter, issue, opportunity where the timing, likely board interest and importance to the organization lends itself to a generative discussion.
- Decide how you will briefly describe the goal of the conversation with the board:
 - Engaging of the full board
 - Eliciting everyone's best thinking before a lot of work has been done
 - Identifying the “right” questions we should be asking given our values and mission
 - Consciously practicing a new way of “sense-making” that may or may not have defined next steps.
- The ultimate hope is that the three types of thinking (fiduciary, strategic and generative) happen seamlessly but it helps, at first to be intentional.

What do generative discussions look like?

These are the kinds of questions that provoke generative conversations. Sometimes it is helpful to start with some that are generic rather than particular to your organization or mission – this approach develops the creative mindset that will make organizationally relevant questions and topics more obvious.

1. List 5 reasons to put our organization in your will.
2. List 5 reasons why someone wouldn't want to be a donor. As a group, brainstorm how to overcome these objections.
3. If a donor came to us today with \$5 million (you pick the number) what would our first priority be? Our second? Our third?
4. If you had unlimited resources, what is the one thing you as a board member would like to do for the population we serve?
5. Ask the staff to present a wish list from under a dollar to over a million.
6. Ask the staff for a wish list of gifts of time from highly skilled labor ranging from "done in a day" tasks.
7. What do we do better than anyone else in our field?
8. What program does another agency do better than we do?
9. What do we do that is the hardest to fund?
10. If our largest funder went away tomorrow, how would we make up the difference? (If you are getting more than 50% of your funds from one source, put this question at the top of the list.)
11. Have our clients changed in the last 10 years. If so, how have our services changed to meet those changes?
12. If you could change one law to help our cause, what would it be?
13. How has the digital age affected the way we do business? What could we do better and how can we get there?
14. What 3 numbers best tell the story of what we do?
15. Why did you join this board?
16. If MacKenzie Scott were sitting next to you on a plane and you had a chance to explain what we did, how would you pitch our program?
17. If you could swap jobs with a staff member for a day, what would you want to try and why?
18. Is there anything you have always wanted to do on behalf of our organization and haven't been asked?

19. If the President of the United States called and invited you to Washington to seek your advice on critical issues related to our mission, what would you tell him we must change and why?
20. When you have completed your tenure, what would you like to be said about your accomplishments as a member of this board?
21. Is there a question you've always wanted to ask in a board meeting that you either thought you should already know the answer to, or was too complicated or too simple, please ask it now. It can pertain to our history, our future, our procedures or some odd combination of letters we use that everyone seems to understand.
22. Using only one word, how would you describe your first impression of the name of our organization?
23. Using only one word, how would you describe your first impression of the mission statement of our organization? Do you know the mission statement of our organization? Do you see it as only a legal description or as a marketing and fundraising tool?
24. If you were to start this organization all over again, what would you do differently?
25. What is the best way to inspire board members?

Summary of Board Behaviour in these forms of Leadership

	Fiduciary	Strategic	Generative
Key Question	"What's wrong?"	"What's the plan?"	"What's the question?"
Board Focus	Define problems Review performance	Solve problems Shape strategy	Frame problems Engage in sense-making
Board Process	Parliamentary procedure	Logical and empirical discussion	More informal and creative
Problems are to Be	Spotted	Solved	Framed
Decision Making	Resolution	Reaching consensus	Framing the question
Board Sees Their Role As	Oversight & authority	Strategist	Fresh perspective
Performance Metrics	Facts, figures, finances, reports	Strategic Indicators, competitive analysis	Signs of learning and discerning

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