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Tuesday, July 26
2:00 – 3:30 p.m.
4:00 – 5:30 p.m.

Governance as Leadership
William Ryan

Overview

These sessions will explore a framework for consequential, value-adding governing in non-profit institutions. In Part One (2:00 – 3:30 p.m.), we will examine the concepts and implications of “governance as leadership,” giving attention to how this approach can protect against the low-value and meddlesome activities that characterize dysfunctional boards. In Part Two (4:00 pm – 5:30 p.m.), we will examine the implications of this approach for both boardroom practice and executive leadership, exploring the paradox of “leading while governed.”

Required Reading

Chait, Richard P., William P. Ryan, and Barbara E. Taylor. *Governance as Leadership: Reframing the Work of Nonprofit Boards* (John Wiley & Sons, 2005), chapters 1, 5, and 6.

Study Questions

1. What do executives most need from their boards to be successful?
2. What do you imagine trustees most need from executives to be a successful board?
3. If you knew your board was going to read Chapter 5 in *Governance as Leadership*, what would most concern you? What would most excite you?

CHAPTER 1

First Principles

We present here a set of first principles—basic premises that underlie the chapters that follow. Much like the overture to a Broadway show that can only be written after the composers have finished the score, we developed these principles toward the end, not the start, of the work that produced this book. These were not preconceived notions that generated predetermined content. To the contrary, this chapter appears first but was actually written last. We were only able to discern some first principles retrospectively because the propositions emerged as we discussed and drafted the other chapters. Only then did we notice some familiar refrains.

There are two ironies here. First, we maintain in Chapter 5 that organizations discover “emergent” strategies as well as design “deliberate” or planned strategies. Strategies, in effect, sneak up on organizations much as first principles sneak up on authors. Second, we contend in Chapter 5 that effective governance rests heavily on a board’s capacity for retrospective “sense-making”—acting and then thinking, making sense of past events to produce new meanings. We arrived at a new construct, *governance as leadership*, by writing and then reflecting, reframing, and revising—and by rethinking where governance stands today and why. While we never expressly intended to do so, the way

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we worked and the sense we made of governance echo the *leit-motif* of this book. The four principles summarized here distill recurrent themes and foreshadow arguments amplified in other chapters. To return to the analogy of the Broadway musical, these synopses are a medley, not the score.

PRINCIPLE ONE: NONPROFIT MANAGERS HAVE BECOME LEADERS

Nonprofit managers are not what they used to be, and most board members would probably respond “Thank goodness.” Historically, the stereotypical image of a nonprofit administrator was a well-intentioned “do-gooder,” perhaps trained as a social worker, educator, cleric, artist, or physician. The most successful practitioners—utterly unschooled about management, finances, investments, strategies, labor relations, and other “real world” realms—reluctantly, and sometimes accidentally, assumed greater managerial responsibility and eventually ascended to the top of the organization. Yesterday’s naive nonprofit administrator or executive director has become today’s sophisticated president or CEO, titles that betray changes in the stature, perception, and professionalism of the positions. (Likewise, staff have become “line officers” with such businesslike titles as vice president of marketing, strategy, technology, or knowledge management.)

Many executives have earned graduate degrees in nonprofit management from reputable universities; even more have attended executive education seminars and institutes on these same prestigious campuses. More important, nonprofit executives have acquired what formal education alone cannot confer: standing as organizational leaders (a status often underscored by the compensation package). As a result, trustees, employees,

clients, and donors expect far more of nonprofit CEOs today than a genial personality, moral probity, managerial acumen, and a passionate commitment to the organization's social mission.

Stakeholders, in a word, expect *leadership*.

Constituents expect nonprofit CEOs to articulate clearly and persuasively the organization's mission, beliefs, values, and culture. Both the process and the substance should galvanize widespread commitment toward these ends. With input from stakeholders inside and outside the organization, leaders are expected to shape agendas, not impose priorities; to allocate attention, not dictate results; and to define problems, not mandate solutions. These expectations we now have for leaders closely resemble conventional notions of *governing*.

In the not-for-profit context, governing means, to a substantial degree, engaging in these very activities. In theory, if not in practice, boards of trustees are supposed to be the ultimate guardians of institutional ethos and organizational values. Boards are charged with setting the organization's agenda and priorities, typically through review, approval, and oversight of a strategic plan. Boards are empowered to specify the most important problems and opportunities that management should pursue. If this logic holds, as we contend, then many nonprofit executives are not only leading their organizations, but by practicing this new version of leadership, they are actually governing them as well.

The transition from nonprofit administrators to organizational leaders has been almost universally heralded as a positive development. Almost everyone touts the value of leaders and, in any case, that is not at debate here. If, however, managers have become leaders, and leadership has enveloped core elements of governance, then a profound question arises: What have been

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the consequences to boards as the most powerful levers of governing have migrated to the portfolio and purview of leaders?

PRINCIPLE TWO: TRUSTEES ARE ACTING MORE LIKE MANAGERS

While nonprofit managers have gravitated toward the role of leadership, trustees have tilted more toward the role of management. The shift has occurred because (as described in the Preface) trusteeship, as a concept, has stalled while leadership, as a concept, has accelerated. The net effect has been that trustees function, more and more, like managers.

This will no doubt strike many as an unlikely claim since the number one injunction of governance has been that boards should not meddle or micromanage. Despite this oft-repeated admonition, much of the prescriptive literature on trusteeship actually focuses squarely on operational details: budgets, audits, facilities, maintenance, fundraisers, program reviews, and the like. To discharge that work, most boards structure committees around the portfolios of line officers: finance, development, government relations, program evaluation, and customer/client relations, for example. Moreover, management competence typically ranks high on the list of desired attributes of prospective trustees. Nonprofits usually want a Noah's ark of professional experts. As a result, many boards resemble a diversified consulting firm with specialties in law, labor, finance, marketing, strategy, and human resources. Constructed and organized in this way, boards are predisposed, if not predestined, to attend to the routine, technical work that managers-turned-leaders have attempted to shed or limit.

With sophisticated leaders at the helm of nonprofits, a substantial portion of the governance portfolio has moved to the

executive suite. The residue remains in the boardroom. This surprise twist in the story line suggests that the real threat to non-profit governance may not be a board that *micromanages*, but a board that *microgoverns*, attentive to a technical, managerial version of trusteeship while blind to governance as leadership.

This quandary of *migratory governance* could be viewed as a winner-take-all joust between the CEO as the leader and the board as a source of leadership. Or the problem could be framed as a zero-sum contest in which trustees must forego the “bread and butter,” canonical components of governance (for example, finances, facilities, strategy, and development) in order to reclaim from executives a significant measure of influence over the most potent facets of governance (for example, mission, values, beliefs, culture, agendas). However, the formulation of governance as leadership provides a more affirmative and constructive approach that expands the pie, provides more occasions and levers for leadership, and enhances the trustees’ value to the organization. Just as significantly, governance as leadership enhances the organization’s value to trustees. Board members will become more fulfilled and less frustrated as opportunities multiply for meaningful engagement in consequential issues. Toward that end, governance must be recast from a fixed and unidimensional practice to a contingent, multidimensional practice with three distinct yet complimentary modes. In other words, governing is too complicated to reduce to simple aphorisms, however seductive, like “boards set policies which administrators implement” or “boards establish ends and management determines means.”

Although new when applied to governance, “complexity” is now routinely accepted in other realms. In fact, “complexity science” (Zimmerman, Lindberg, and Plsek, 1998) and “complex systems” (Scott, 2003) have already entered the lexicon of organizational behavior. There are two obvious analogues to

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governance. First, “intelligence” once denoted analytical horsepower. Then, Howard Gardner introduced the concept of “multiple intelligences” (1983) which conceptualized personal competence as a varied repertoire. Intelligence could be denominated as linguistic, logical, spatial, kinesthetic, musical, interpersonal, and intrapersonal.¹ Second, leadership over the years has been (almost sequentially) associated with certain physical attributes and personality traits, then with power and influence, then with specific realms of expertise (for example, interpersonal skills, analytical skills, financial acumen), and then with particular activities (for example, planning, decision making). Now both theoreticians and practitioners realize that effective leaders are “cognitively complex” (Birnbaum, 1992), that is, able to think and work effectively and concurrently in multiple modes: for instance, as managers, entrepreneurs, politicians, visionaries, analysts, learners, icons, and culture makers.

Effective leaders move seamlessly from mode to mode as conditions warrant. Executives do not simply learn one mode or even two and then employ that mode regardless of the situation. Regrettably, trustees often do just that.

PRINCIPLE THREE: THERE ARE THREE MODES OF GOVERNANCE, ALL CREATED EQUAL

We posit that there are three modes of governance that comprise governance as leadership:

- Type I—the *fiduciary mode*, where boards are concerned primarily with the stewardship of tangible assets

¹Gardner (1993) later proposed naturalist, spiritual, and existential intelligence and Goleman (1995) popularized “emotional intelligence.”

- Type II—the *strategic mode*, where boards create a strategic partnership with management
- Type III—the *generative mode*, where boards provide a less recognized but critical source of leadership for the organization.

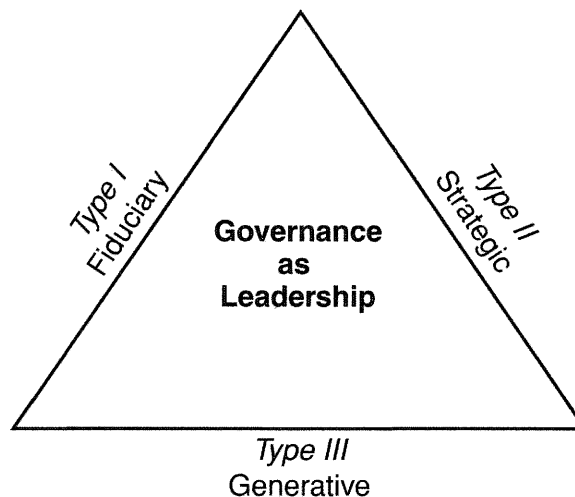
When trustees work well in all three of these modes, the board achieves governance as leadership.

Each type emphasizes different aspects of governance and rests on different assumptions about the nature of organizations and leadership. However, *all three types are equally important*; each fulfills vital purposes. Types I and II are, at present, the dominant modes of nonprofit governance; Type III is the least practiced (see Exhibit 1.1).

Type I constitutes the bedrock of governance—the fiduciary work intended to ensure that nonprofit organizations are faithful to mission, accountable for performance, and compliant with

EXHIBIT 1.1

GOVERNANCE AS LEADERSHIP:
THE GOVERNANCE TRIANGLE



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relevant laws and regulations. Without Type I, governance would have no purpose. If a board fails as fiduciaries, the organization could be irreparably tarnished or even destroyed. Type II concerns the strategic work that enables boards (and management) to set the organization's priorities and course, and to deploy resources accordingly. Without Type II, governance would have little power or influence. If a board neglects strategy, the organization could become ineffective or irrelevant.

Types I and II are undeniably important forms of governance. However, boards that *only* oversee assets and monitor strategy do work that is necessary but not sufficient to maximize the value of governance (generally) and the value of trustees (more particularly).

As one moves through the chapters that follow, it may appear that we assign greater importance to the generative mode or, at a minimum, that we position Type III as the first among equal modes. In truth, we assert no hierarchy of modes, and we do not advocate that boards abandon or neglect Types I and II. To the extent that we elevate Type III to prominence (and we do devote more attention to Type III), we do so not because Type III trumps I and II, but because the generative mode is less recognizable to nonprofit trustees and executives than the other modes and thus requires more elaboration. The disproportionate attention owes to the relative novelty, not the relative worth, of Type III vis-à-vis Types I and II.

PRINCIPLE FOUR: THREE MODES ARE BETTER THAN TWO OR ONE

A board's effectiveness increases as the trustees become more proficient in more modes. If the term "triple threat"—high

praise for an athlete—did not carry a negative connotation when attached to governing boards, we would adopt this phrase to convey the idea that exemplary boards perform skillfully in all three modes. Instead, we make do with “tri-modal.”

In any case, a board that excels in one mode (or two) but flounders in another one (or two) will add far less value to an organization than a board that ably executes all three. Trustees quick to exhort the staff to outwit, outwork, and even outspend the competition might consider an additional tactic: *outgovern* the competition. The greatest comparative advantage will accrue to “tri-modal” boards. In order to create more value, boards of trustees need to “cross-train” so that the “muscle memory” of one mode does not dominate to the detriment of the others. (This is one reason why world-class weightlifters are usually inept basketball players.) When boards overemphasize one mode to the exclusion of others (a common problem), the net results are worse, not better, governance.

The majority of boards work most of the time in either the fiduciary or strategic mode. These are comfortable zones for trustees. Nonetheless, many boards neither overcome the inherent challenges that Types I or II pose nor capitalize on the occasional leadership opportunities that fiduciary and strategic governance present. As a result, some of the board’s potential to add value goes untapped, despite the trustees’ familiarity with the mode. However, there may be an even steeper price to pay if boards overlook or underperform Type III work because, unlike Types I and II where there are moments for leadership, the generative mode is about leadership. It is the most fertile soil for boards to flower as a source of leadership.

Chapters 3 and 4 on Types I and II challenge boards to do better at what boards normally do; no one should discount the

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value of continuous, incremental improvements as applied to trusteeship. By contrast, Chapters 5 and 6 on Type III invite (some might say compel) boards to invent new governance practices. Taken together, all three modes encourage nonprofit trustees and executives to combine ideas and practices, some familiar, others novel, into a new approach: *Governance as Leadership*.

CHAPTER

5

Type III: Generative Thinking

In moving from fiduciary and strategic governance to generative governance, we enter territory that is at once familiar to trustees yet new to nonprofit boards. In their “day jobs” as managers, professionals, or leaders of organizations, trustees routinely rely on generative thinking, so much so that they have no need to name it or analyze it. They just do it. But in the boardroom, trustees are at a double disadvantage. Most boards do not routinely practice generative thinking. And because they do not have the necessary language and frameworks to discuss it, trustees often overlook three propositions central to Type III governing: (1) how powerful generative thinking is; (2) how vital it is to governing; and (3) how nearly everyone in a nonprofit, *except* the board, uses it to influence the organization. In other words, boards are often not present when and where the most important action occurs. When it comes to generative governing, most trustees add too little, too late.

This chapter and the next one address how to change that. In this chapter, we describe the generative thinking that underlies generative governance. In the next chapter, we discuss how boards can put these ideas into practice.

Generative thinking provides a sense of problems and opportunities. When individuals produce a new sense of things through

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generative thinking, others admire their “wisdom,” “insight,” or “creativity.” When an entire field or profession gains a new perspective, we recognize it as a “paradigm shift.” After the shift, nothing looks the same. For example, many of the injuries children suffered at the hands of their parents were once considered the result of accidents. Now these “accidents” are recognized as child abuse (Weick, 1995). Similarly, the broken windows of derelict buildings were typically seen as the mark of a crime-ridden neighborhood, but are now considered a *cause* of crime as well. This sense inspired a new strategy of community policing, where the job of police is to help neighborhoods *prevent* broken windows as part of a larger effort to create order and safety (Kelling and Coles, 1996).

Somewhere between the insights of individuals and the paradigm shifts of fields lies the equally important, but less recognized, generative thinking of organizations. As organizational theorist Jeffrey Pfeffer has noted, establishing “the framework within which issues will be viewed and decided is often tantamount to determining the result” (1992). If this is true, then little, if anything, can be more important to organizations, or to a conception of governance, than generative thinking.

THE POWER OF GENERATIVE THINKING IN ORGANIZATIONS

Typically, we locate much of the power and opportunity to shape an institution in familiar organizational processes like mission setting, strategy development, and problem solving. Because they produce the purposes, strategies, and ideas that drive organizations, these are recognized as powerful processes. But a fourth process, of generative thinking, is actually more

powerful. Generative thinking precedes these. More to the point, it *generates* the other processes.

To return to the paradigm shifts, imagine that a single non-profit, rather than a loose network of police officers, researchers, and policy makers, first developed the strategy of community policing. It would be natural to credit the organization's strategy-development process for the new approach to fighting crime. But how could this really be? The organization would need the *idea*, if not the label, of community policing in order to arrive at the strategy and associated tactics. Strategy development helps an organization get from here to there, from the present point A to a future, preferred point B. But understanding point A—in this case, to conclude that the deployment of police was no longer a sufficient response to crime—must come first. And generative thinking produces a vision of point B—in this case, the idea of a different, preventive approach. Without generative thinking, we would have neither here nor there.

In fact, most of the formal planning and learning processes that appear so powerful in organizations look incomplete when one takes generative thinking into account. For example, businesses routinely invested in formal product-development processes to get an idea from the drawing board to the marketplace. The product development process was a series of engineering, manufacturing, and marketing activities. But then some product developers wondered if there was not more to the process. After all, how did ideas reach the drawing board in the first place? And what would increase the chances of developing good ideas to start with (Deschamps and Nayak, 1995)? In effect, the key question was, "What kind of generative thinking precedes product development?"

The same is true of organizational problem solving. Whether conducted through formal program development or informal trial-and-error, the important work of “problem framing” (Schon, 1983) precedes problem solving. Before we solve a problem, we decide upon the nature of the problem. Similarly, the scientific method has value only *after* we find a hypothesis worth testing (Polanyi, 1974). Invariably, great research starts with great questions.

However compelling that logic may be, it has little influence on the way organizations usually work. In fact, judging from the amount of attention most of us give generative thinking, it is as if we believe that goals, missions, and problems simply appear in organizations, much as seventeenth-century Europeans believed that a jar full of old rags and wheat husks, left open for a few weeks, would spontaneously generate flies. It took nearly a century for people to speculate that flies might be depositing eggs into the jars. From there, 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. A prior, unexamined cognitive process generates the moral commitments that missions codify, the goals that strategies advance, and the diagnoses that problem solving addresses.

INSIDE THE BLACK BOX OF GENERATIVE THINKING

The process of generative thinking is a classic “black box” phenomenon: We can see and appreciate what it produces but we have little sense of how the work actually gets done. In some cases, there seems to be little point in trying to understand it. For instance, it is clear that some individuals have a gift for generative thinking, but that others cannot acquire it by studying

some step-by-step process. Similarly, we can appreciate that powerful paradigm shifts transform entire fields, industries, or societies, but that no one person can control the process. Organizations are different. We *do* attempt to govern and control organizations. To the degree we can understand the process of generative thinking, we might be able to encourage, support, and leverage it, much as we do other, arguably less important, organizational processes. It is worth lifting the lid to see what is inside the box.

It turns out, however, that opening the black box is easier than describing what goes on inside. One sees a welter of subtle, counterintuitive, or vaguely familiar phenomena that are not normally dissected and discussed. But the theorists' description of this work can offer practitioners a great deal,¹ not because it reveals something entirely new, but because it makes clear analytically what many understand intuitively. It is at that point that new possibilities for governing emerge.

The generative process is easiest to grasp by starting at the end, describing the results of generative thinking, and then looking backwards to see what produces that output. As Karl Weick has argued, before an organization develops strategies or solves problems, it generates another cognitive product: sense or meaning (Weick, 1995). The sense that generative thinking

¹We use the term "generative thinking" to refer to a cognitive process that dozens of theorists in several disciplines have, in whole or part, described by different names. Among those whose ideas have helped us reconsider governance are: Karl Weick ("sense-making"); Donald Schon ("reflective practice"); Henry Mintzberg ("emergent strategy"); Ronald Heifetz ("adaptive leadership"); Michael Polanyi ("personal knowledge"); Robert Birnbaum ("cognitive complexity"); Lee Bolman and Terrence Deal ("framing organizations"); and James March and Michael Cohen ("sensible foolishness").

produces is not the same as knowledge, information, or data. Rather, generative thinking produces a sense of what knowledge, information, and data *mean*. The generative thinking that preceded community policing made sense of information already in hand by reframing the problem that the information depicted. Data on rising crime did not dictate either conventional crime-fighting *or* community policing; people making sense of the data did that.

The process of problem-framing or sense-making is subjective. The same information could have inspired different conceptions of the problem. In fact, even as community policing grew popular, one police commissioner redefined the problem by arguing that his police department lacked the information needed to spot incipient crime waves and the data needed to hold officers accountable for their performance. He framed the problem as a managerial one. The result was a new management process driven by information technology (Dewan, 2004). Proponents of community policing and police management used the same data but made different sense of it. And the sense they produced led to different strategies. It is precisely because sense-making is so subjective and involves so many choices that it is so powerful and, ultimately, so necessary to governing.

The paradigm shifts show sense-making at an epic, high-stakes scale. But sense-making shapes organizations in more prosaic, though still important, ways. Everyone can recall moments when their sense of things at work changed profoundly. They remark: "When you put it that way, it does make sense" or "When I look at it that way, I do see things in a different light." What they tend to overlook is *how* things get put a different way, a process that involves three steps:

1. Noticing cues and clues. How do people get from the same data to different, even conflicting, senses of what the data mean? In part, they notice and focus on different cues (Weick, 1995). They construct a meaningful proposition by seeing or emphasizing only some of the countless stimuli competing for their attention. When police analysts look at crime data, but also notice and think about the prevalence of broken windows, they might begin to wonder how a community can either be hostile or hospitable to criminal activity. This could put them on a path toward community policing. When they look at crime data, but also notice the dearth of statistical reports available to police officers, they might begin to wonder about the state of police management. This could put them on a path toward new supervisory practices. The cues and clues people heed shape the problems they see and the strategies they develop. And because environments are made up of innumerable events, facts, people, and phenomena, the people whose cues gain an organization's attention exercise enormous power.

But how do people select cues? What increases the chances of choosing cues that will lead organizations to better goals, better questions, and a better sense of problems and opportunities?

2. Choosing and using frames. We all rely on sense-making to cope with environments that otherwise would not make sense. Ranganath Nayak, a student of organizational innovation, describes the period before people arrive at a promising product idea as the "fuzzy front end" of the product-development process. People do not know where to look, what to notice, or how to start the search for new ideas (Letts, Ryan, and Grossman, 1999). Precisely because there is so much to see, little or nothing

is in focus. Schon described as “problematic situations” or, more succinctly, a “mess” the period when the professional recognizes that something is wrong, but does not yet understand the problem (1983).

People use frames to help make sense of their environments. Sometimes they use frames unconsciously or reflexively, as when they look at things through the familiar prism of their profession. (Lawyers hardly notice they are using a legal frame.) Frames can also be values-based. People with a commitment to equity will tend to look at how decisions might marginalize some and favor others. Temperaments are frames of sorts, which determine whether we see situations as problems or opportunities. The frames help us understand, and understanding helps us act. Because frames cause people to notice some cues and not others, or reorganize information into meaningful patterns, they are critical determinants of sense-making. As Weick has insightfully stated, “Believing is seeing” (1995). People notice what they are predisposed to see based on the frames they use.

This is not to say that people are prisoners of their frames. We can consciously look at a situation through different frames to generate new sense-making options. The capacity to use multiple frames is central to recent leadership theory. “Cognitively complex” leaders (Birnbaum, 1992) use more frames more often and, therefore, see more problems and opportunities in more ways. In *Reframing Organizations*, Lee Bolman and Terrence Deal (1997) describe four frames that leaders can use to perceive and understand organizational situations (see Exhibit 5.1). For instance, looking through a “structural frame,” managers may see the problem of staff turnover as a matter of compensation and incentive systems, whereas a human resource frame may suggest

EXHIBIT 5.1 FOUR FRAMES

Structural Frame. Focus on authority, rules, regulations, priorities, policies, procedures, plans, chain of command, and performance control.

Human Resource Frame. Focus on relationship or “fit” between people and organization, members’ needs, skills, fulfillment, commitment, and professional development.

Political Frame. Focus on exercise of power, constituents, coalitions, conflict, compromise, bargaining, negotiating, and allocation of resources.

Symbolic Frame. Focus on organizational culture, meaning, beliefs, stories, rituals, ceremonies, myths, spirit, and expression.

Adapted from *Reframing Organizations: Artistry, Choice, and Leadership* (Bolman and Deal, 1997)

that quality of work life or lack of professional autonomy could be the problem. Using a political frame, trustees might regard a controversy over a college mascot as a power struggle among constituencies, while a symbolic frame would highlight the signal transmitted about diversity. In short, frames rule.

3. Thinking retrospectively. We are all conditioned not to “dwell on the past” or let the organization get “stuck in the past.” We tend to believe leaders should be “out ahead,” drawing people into the future through “forward thinking.” But people actually make sense by thinking about the past, not the future. By the time they are framed, the cues and clues we rely on for sense-making are in the past.

This insight threatens nearly all the assumptions and practices of formal strategy development. Sense-making advocates like Weick discount future-oriented strategy work—the “forecast-

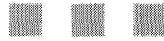
ing, contingency planning, strategic planning, and other magical probes into the future”—as “wasteful and misleading” (Weick, 1995). As we discussed in Chapter 4, Henry Mintzberg has argued that not all strategy comes from formal planning processes that extrapolate from the present to the future and then detail plans to get there (1994). In contrast to “deliberate” or “intended” strategy, Mintzberg maintains that strategy often just emerges out of the organization’s ongoing work (1994). People look back over the organization’s past and, through sense-making, uncover new patterns already in place, even if previously unnoticed, that suggest new strategies. Emergent strategy entails discovery; deliberate strategy entails design.

This does not mean that strategy operates by laws of karma, where past events ordain future choices. We still have the power to decide the meaning of past events. We can make sense of the past in many ways, and each might suggest a different future. Power rests with people armed with the knowledge and eloquence to craft an organization’s “dominant narrative” or operative version of “history.” Rosabeth Kanter, a noted authority on leadership, stressed that the power to construct (or reconstruct) the past begets the power to shape the future.

In conceiving of a different future, [innovators] have to be historians as well. When innovators begin to define a project . . . , they are not only seeing what is possible, they may be learning more about the past; and one of the prime uses of the past is in the construction of a story that makes the future seem to grow naturally out of it in terms compatible with the organization’s culture (1983).

Constructing a dominant narrative involves much more than insisting on a version of the past through propaganda or “spin.”

A successful narrative works because it is compelling, not because it is coercive. It offers a coherent story that appeals to people's sensibilities, values, and traditions.



This account of generative thinking provides both a new frame for viewing organizations and a new vocabulary for discussing what we see. When we look at nonprofit organizations through this frame, we now notice something very important: *Generative thinking is essential to governing.* As long as governing means what most people think it means—setting the goals and direction of an organization and holding management accountable for progress toward those goals—then generative thinking has to be essential to governing. Generative thinking is where goal-setting and direction-setting originate. The contributions boards make to mission-setting, strategy-development, and problem solving certainly shape organizations. But it is *cues* and *frames*, along with *retrospective thinking*, that enable the *sense-making* on which these other processes depend. And a closer examination of nonprofits suggests something else: Although generative work is essential to governing, boards do very little of it.

TOWARD GENERATIVE GOVERNING

When viewed through the lens of generative thinking, we can see four different governance scenarios (see Exhibit 5.2 on page 98). Two are especially dysfunctional, a third is prevalent but problematic, and a fourth is uncommon yet much preferred. One

variable defines the scenarios: the degree of relative engagement by trustees and executives in generative work. We start with the most common scenario.

Leadership as Governance: Executives Displace Trustees

To understand the potential of generative governance, we must first understand what most organizations have now. In most nonprofits, CEOs, aided by senior staff, are presumed to be the organization's most influential generative thinkers. Once we recognize generative thinking as a cognitive process that belongs to governance, we see that many nonprofits really rely on their leaders to *govern*. In fact, as we look more closely, we realize that most CEOs use methods of deliberation and consultation that constitute a virtual governing process. When executives displace trustees, we have, in effect, leadership as governance.

Leaders as Generative Thinkers. The theory and practice of leadership in recent years has been transformed by one proposition. As Max DuPree declared, "The first responsibility of the leader is to define reality" (DuPree as cited in Gergen and Kellerman, 2000). Or as L. Thayer states: "A leader is one who alters or guides the manner in which his followers 'mind' the world. The leader is a sense-giver" (Thayer, as quoted in Weick, 1995). Heifetz's distinction between "technical" and "adaptive" problems makes the same point (1994). Although effective organizational leaders are rarely described in these terms, the hallmarks of their work are clear. Leaders frame problems with memorable language (for example, "I have a dream"); use vivid, sense-giving images (for example, battered children); and use

meaningful metaphors (for example, the War on Poverty). All of these actions shape what people perceive and generate a course of action.

It is hardly surprising that leadership entails something as powerful as generative thinking. From there, it is easy to mistakenly conclude that gifted leaders carry the burden of sense-making alone, as suggested by the images of leader as *sense-giver* or *reality-definer*. But the leader should be one sense-maker among many, all engaged in a collective process of generative thinking that the leader may facilitate.

Leadership as a Governing Process. Good leaders do not just contribute generative insights to their organizations; they also engage others in generative thinking. Many have a formally designated “leadership team” that works with them to set agendas, identify priorities, develop plans, and engage in generative thinking as well. In professional nonprofits, doctors, social workers, curators, or faculty also help the organization, formally and informally, to grapple with ambiguous situations, frame new problems, and make sense of events. Some trustees occasionally participate, too, although usually as members of the CEO’s “kitchen cabinet.” And especially when organizations require consensus on a newly framed problem, a nonprofit’s constituents—whether students, patients, or clients—also participate. Executives also rely on actors outside the organization, including funders, consultants, and colleagues as sources of generative thinking. In other words, in many nonprofits, no one has a monopoly on generative thinking.

Because the adaptive problems that leaders help their organizations frame involve “changes in values, belief, and behavior”

(Heifetz, 1994), they almost inevitably provoke disagreements. Unlike technical innovations, generative constructs like community policing and battered children force people to confront fundamental beliefs and behaviors. Part of a leader's responsibility is to facilitate consensus on such contested issues. By consulting and engaging an organization's many stakeholders, leaders generate not just a sense of the situation, but also a commitment, or "buy-in," to take actions consistent with that consensus. In Heifetz's formulation, "Leaders mobilize people to face problems, and communities make progress on problems because leaders challenge and help them to do so" (1994). A consensus about adaptive problems will govern the organization's strategic and technical work. Leaders who facilitate that consensus are, in effect, governing their organizations.

This new leadership theory repositions technical managers as "adaptive" or "cognitively complex" leaders engaged in the generative thinking essential to governing. This raises an urgent question: Where do boards fit into the picture?

Boards as Bystanders. Most boards are on the outside looking in, as virtually everyone else in and around the organization participates in generative work. True, some boards do generative work some of the time, and a few trustees regularly do so, but most boards are not organized and equipped to do generative work. As we argued earlier, boards have increasingly practiced a managerial version of governance. Instead of identifying problems, framing issues, or making sense of the organization, most boards address the problems that managers present to them. Indeed, the "no-board scenario"² suggests that

²For more on no-board scenario, see p. 18.

boards often do not even *contribute* to, let alone lead, their organization's generative work. When trustees and executives describe what would happen if their board "hibernated" for several years, no one worries that the organization would be deprived of powerful ideas, keen insights, or important perspectives on problems.

Even when vigorous debate does occur, board discussion invariably remains embedded within the initial frame constructed by management. From time to time, a trustee will recommend that the board think "outside the box," basically a plea to reframe the issue. Usually, the suggestion goes unheeded as a fanciful proposal from an unrealistic or disruptive trustee. Most boards proceed to slightly modify and then ratify management's solutions to management's versions of the organization's problems. An occasion to govern the organization thus becomes merely a chance to counsel management. In the process, the entity granted ultimate power exercises precious little influence.

Governance by Default: Trustees and Executives Disengage

When neither executives nor trustees think generatively, governance by default results. Staff fill the vacuum with various versions of organizational reality, with different, possibly dissonant implications for mission, strategies, and programs. Instead of a shared sense of meaning, organizations face a shifting, contested, and unarticulated web of meanings. Some theorists describe these conditions as "organized anarchy" (Cohen and March, 1974), where leaders, and certainly trustees, are just one voice among many in a fluid, if not chaotic environment. Such organizations are influenced more than governed.

External actors also impose their own sense and meaning on the organization. Funders do more than just give money, professional networks supply more than information, and consultants add more than expertise. They all influence the organization by contributing meaning to it. To prevent the organization from being defined entirely by others, leaders of the organization and leaders of the board need to orchestrate generative thinking, not to suppress the contributions of others but to nurture and, as much as possible, harmonize the many voices needed to create a chorus of consensus.

Governance by Fiat: Trustees Displace Executives

If generative thinking is central to governing and boards are bystanders, then one response might be to assign all generative work to boards. But if trustees do all the generative work, then governance by fiat would result, barely an improvement over governance by default. Boards would impose their views on executives, an arrangement few executives and trustees would tolerate. Most boards recognize that staff, particularly the CEO, are not only entitled to a pivotal role in generative work, but well-positioned to do the work. Arguably, more than anyone else, CEOs have access to the innumerable cues, clues, and constituents that inspire sense-making. They also understand the values of the organization that inform sense-making. Even boards eager to participate in generative governance would be reluctant to exclude executives.

Type III Governance: Trustees and Executives Collaborate

If we resist the temptation to treat generative work as a zero-sum contest for power, we can see another possibility where

trustees and executives work together, connecting the organization's formal governing processes with the powerful but largely informal work of generative thinking.

Because we resolutely regard this as shared work, we cannot offer what the board-improvement field so often promises trustees and executives: a set of bright lines that neatly divide the board's work (policy, strategy, and governance) from the staff's (administration, implementation, and management). It simply makes no sense to reserve generative work for boards when leaders are vital to the process, or to reserve for leaders work that belongs at the heart of governance. Generative work demands a fusion of thinking, not a division of labor.³

The vast majority of boards are likely to do the vast majority of Type III work in tandem with executives. This work can take two forms.

Overseeing generative work. Trustees can oversee generative work, much as they do the strategy recommendations executives present to them when they do Type II governing. Rather than create strategy, trustees question assumptions, probe feasibility, identify obstacles and opportunities, all to improve the chances for success. Similarly, boards can review and critique the gener-

³There are some occasions when a board might want to deliberate in a generative mode without an executive present. For example, trustees use leadership transitions as a time to take stock of the organization's challenges, aspirations, and values, all of which clarify the qualities and experience that trustees want in the next CEO. Trustees may also operate this way when CEOs are embroiled in controversy. Beyond considering the embattled executive's views, the board deliberates alone to arrive at its own sense of the problem. Finally, boards might occasionally meet apart from CEOs to ask, in effect, "Has the CEO been framing matters in a meaningful way?"

ative thinking of executives: probing how they arrived at their sense of a problem or opportunity, identifying alternative ways of framing the issue, and exploring the sense of the past embedded in their proposals for the future. The point is not for trustees to displace or control staff, but to offer executives a venue to test those views with a supportive, inquisitive board.

This is, in effect, what executives do with trustees who serve as “sounding boards.” They turn to trustees, individually or as a group, for advice on “sticky” situations: an ambiguous personnel problem, a potential conflict with a donor, or an emerging conflict with public policy. The executives share their generative thinking-in-process to get guidance and assistance from trustees *before* the matter reaches the board for formal consideration or action.

Through these exchanges, trustees also hold executives accountable. Boards that oversee executives in Types I and II track the flow of tangible assets and monitor progress toward strategic goals. In Type III oversight, trustees gauge the generative thinking of executives, subjecting this powerful work to the same scrutiny boards are now expected to give to financial and strategic work.

Initiating generative work. Trustees and executives can work in tandem to initiate generative work, in the same way that some boards and executives work together to develop strategies. Although it is sometimes useful for an executive or a board member to propose a sense of a situation as a point of departure, a deliberative group can also initiate the work. For most boards, this entails a new type of agenda that features ambiguous or problematic situations rather than reports and routine

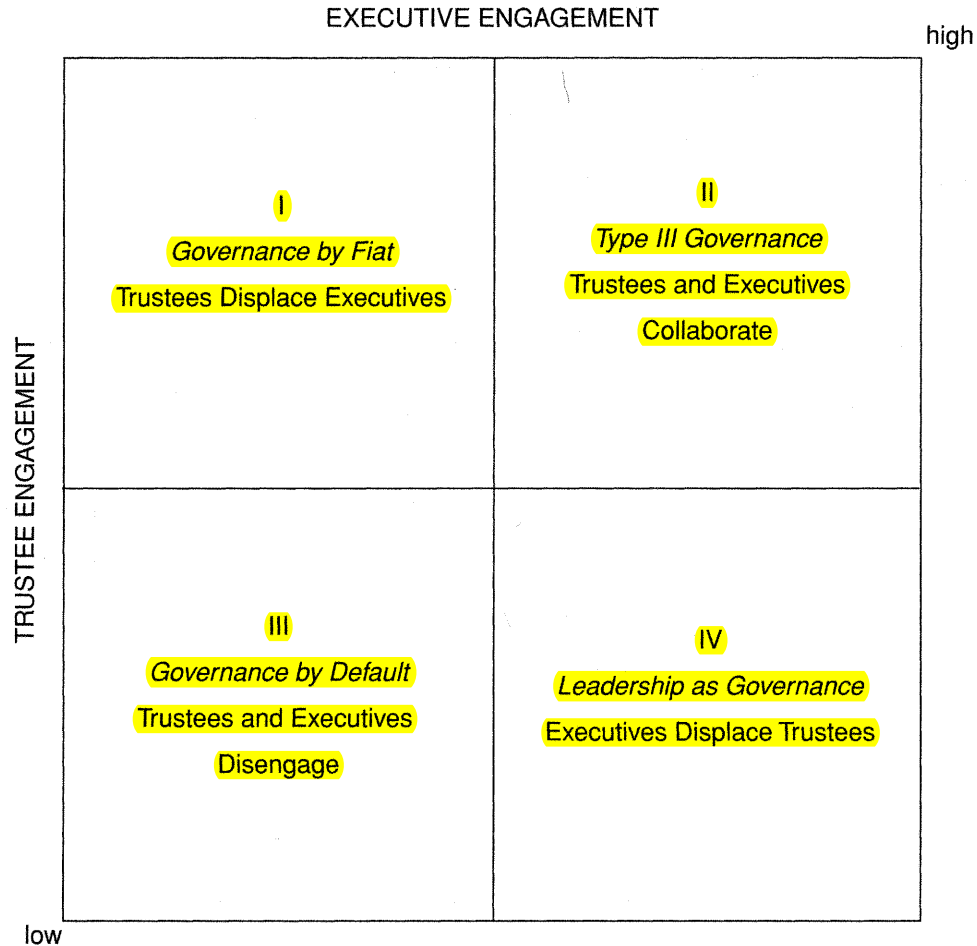
motions. Instead of winning the board's confidence by masking all ambiguities, an executive can earn the board's trust by exposing the ambiguities and then grappling together to make sense of the situation.

This is where trustees and executives make good on the lip service so often paid to "brainstorming," "thinking out of the box," and "diversity of perspectives." We detail the practices that support this work in the next chapter; suffice it to say here that this is where powerful generative work can become powerful governing work, precisely because trustees and executives do the work jointly. Like copilots of commercial aircraft who typically take turns flying (alternating flight segments or, on longer journeys, after specified periods of time), trustees and executives can take turns initiating generative deliberations; one can lead and the other can respond. The captain (here, the board) reserves the final authority but rarely acts unilaterally, usually only when required by an emergency.

There is always the possibility that either executives or trustees will do generative work with little or no involvement of the other party. But these are not entirely equivalent "sins." There is a subtle difference with profound governing implications. When executives preemptively decide how (and how much) trustees will participate in generative work—work that is part and parcel of governing—they are, in effect, hijacking generative governance, and telling boards when and how they can govern. It is as if executives arrogate from boards the authority to govern in the generative mode, then delegate it back, as they deem appropriate. When boards preemptively exclude executives from a major role in generative work, they are probably making an unwise choice, but at least it is a choice they are authorized to make.

EXHIBIT 5.2

GENERATIVE THINKING:
FOUR SCENARIOS



When the engagement of both trustees and executives in generative work is high (Quadrant II), the result is optimal: Type III Governance. The other quadrants depict unbalanced engagements that lead to problematic situations. In Quadrant I, trustees commandeer most of the generative work, and impose the results on executives. This might be described as governance by fiat. In Quadrant III, neither executives nor trustees attend to generative work. This produces generative governance by default, where the generative work of other actors inside and outside the organization (for example, staff, funders, regulators, and industry groups) exert greater influence than trustees and executives over strategy, mission, and problem solving. In Quadrant IV, executives dominate generative work, which renders leadership as governance. (Problems of purpose, described in Chapter 2, are likely to be most acute here.)



Unlike much of the conventional guidance offered to boards, this image of shared generative governance does little to relieve anxieties about the ambiguity and uncertainty of board–staff relationships. But the board-improvement approaches that do promise precision, with specific and fixed roles for trustees and staff, usually involve a huge and generally unfavorable trade-off: more clarity but less governance, comfort at the cost of impact. Such neat divisions of labor succeed by *relieving* boards and staff of the challenge of working together on important issues. Few partnerships, none less than trustees and their chief executive, succeed on the strength of clear boundaries. When trustees and staff share the labor, the complexity of board–staff interactions is not eliminated. But the results do make the tensions worth bearing.

One question remains: Can boards do this work?

CAN BOARDS DO IT?

As it turns out, nonprofit boards are ideally positioned for generative governing work for three fundamental reasons: power, plurality, and position.

1. *Power.* Generative thinking is powerful; it shapes much of what happens in an organization. As a center of authority and legitimacy, boards have the power—indeed, the obligation—to perform generative work. In fact, the more power a process implies, the more boards should be expected to play a role.
2. *Plurality.* Generative work thrives on deliberations among participants with different perspectives and different frames

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for noticing different cues and clues. The more hypotheses and angles of vision, the more likely perceptive reformulations and keen insights will materialize. Whereas an organization might hope that great minds will think more or less alike on fiduciary matters, generative work benefits from the interplay of ideas. Boards of trustees enrich the mix.

3. *Position.* Trustees are typically situated at the edge of the organization, close enough to understand the institution's aims, operations, and culture yet far enough removed to have some perspective, distance, and detachment. Board members usually embrace the institution's mission but have little at risk personally or professionally. From this vantage point, trustees can see the larger picture, overall patterns, and telltale anomalies reasonably well. Much as Heifetz encourages executives to lead from the "balcony" (1994), the board too enjoys an advantageous perch for sense-making.

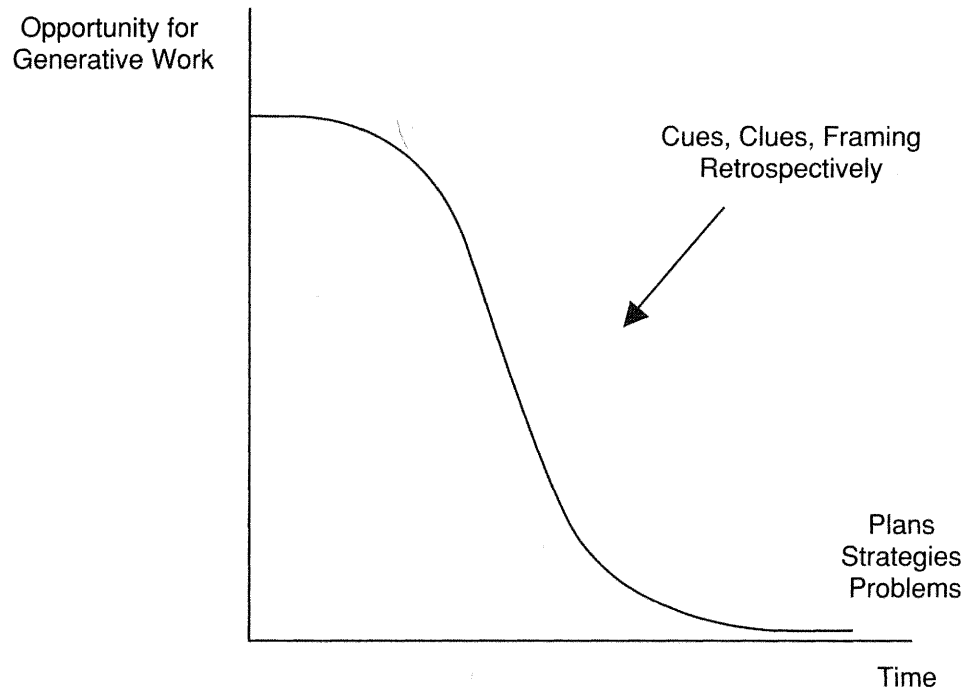
In short, boards are right for generative work. Now we turn to doing this work right.

CHAPTER 6

Type III: Generative Governing

To convert the concepts of the previous chapter into effective boardroom practices, trustees can start with the First Law of Generative Governance: *The opportunity to influence generative work declines over time*. As Exhibit 6.1 illustrates, opportunity peaks when the organization faces a problematic or ambiguous situation, often no more than an ill-defined hunch that trouble or possibility looms. Precisely because nothing has been ruled out (or in), the opportunity to make sense of the situation will never be greater. This opportunity is high on the generative curve, where people rely on cues and clues, a sense of the past, and framing to generate new meaning and insights. Armed with new meaning, they then move down the curve to problem solving and strategy development. Obviously, work lower on the curve is important. What good is a cleverly framed problem without a solution, an attractive mission without a strategy, or a great plan without execution? Indeed, as proponents of a three-mode approach to governing, we do not advise that trustees spend all their time high on the curve. But if they want to engage in *generative* governing, trustees need to work there some of the time.

EXHIBIT 6.1 THE GENERATIVE CURVE*

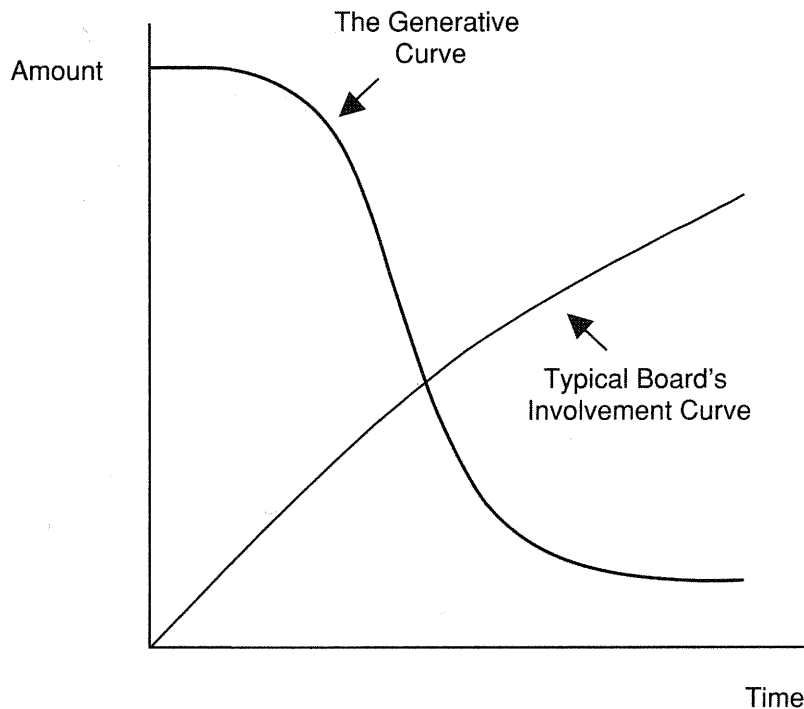


The opportunity for influence in generative work declines as issues are framed and converted into strategic options and plans over time.

* The curve is a modification of Deschamps and Nayak's product development curve (Letts et al., 1999).

Unfortunately, the curve will prove slippery for many boards. In fact, the First Law of Generative Governance suggests a companion hypothesis about boards and generative work: *Trustee involvement is lowest where generative opportunity is greatest, and trustee involvement increases as generative opportunity declines* (see Exhibit 6.2). In the very worst cases, trustees' involvement curve peaks after all the problems have been framed and the strategy developed. At that point, boards simply react to proposed strategies and oversee implementation of plans. They may be more diligent than the notorious rubber-stamp board, but these trustees

EXHIBIT 6.2 **BOARDS AND GENERATIVE OPPORTUNITY**



Hypothesis on Boards and Generative Work: Trustee involvement is lowest where generative opportunity is greatest, and trustee involvement increases as generative opportunity declines.

are still generative flatliners; they get involved only as the generative curve evens out.

Many boards stay low on the curve in part because they are comfortable there. They feel confident doing strategy and oversight, work they understand. Aided by familiar Type I and II mental maps, they can easily navigate the logical, productive organizational territory lower on the curve. And when plans, strategies, and proposals arrive in spiral-bound reports and PowerPoint presentations, trustees have something to “sink their teeth into.” Higher on the curve, where challenges have not been pre-

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cisely framed, trustees are unsure where to look, what to discuss, and how to start. They lack the practices and tools needed for Type III work.

This chapter attempts to fill that gap by describing six resources, based on the concepts of Chapter 5, for working high on the generative curve:

1. A Type III mental map that describes the organizational terrain boards will find there
2. A review of the landmarks that signal generative opportunities may be at hand
3. Advice for working at the organizational boundaries, where conditions are conducive to generative thinking
4. Techniques for thinking about the past in order to move toward the future
5. Methods for promoting generative deliberation
6. Considerations for assessing the board's generative work

These resources are a starting point. Although we have seen generative thinking in action and generative moments in the board room, we have found no model or “best practice” of institutionalized generative governance to share. In this sense, these are resources for inventing, more than implementing, generative governance.

USING A TYPE III MENTAL MAP OF THE ORGANIZATION

Type I and II mental maps depict the orderly grid of logic, plans, and strategies that trustees navigate lower on the generative curve. Higher on the curve, boards enter territory that is,

by comparison, a wilderness. To navigate here, trustees need a mental map that depicts at least three features of the nonrational, generative organization.¹

Goals are often ambiguous, if not contested. In Type I and II territory, a crisply articulated mission inspires a coherent strategy which, in turn, guides operations. In Type III territory, the goals at the top of the organization are at best provisional. Organizational purposes are not only multiple, complex, and abstract, but also fluid. Purposes that are paramount one year may be less so the next, and one constituency's top priority may be a matter of indifference to another. In other words, goals cannot be accepted as constants that organize everything else. Instead, the goals themselves have to be continuously reexamined and revised, and stakeholder commitment to them has to be secured again and again.

The future is uncertain. If leaders truly believed the future was entirely unpredictable, organizations could not function. Who could act in the face of utter uncertainty? But in Type III territory, it is just as misguided to assume that consistently useful predictions about the future are possible. Small, isolated, and some-

¹The nonrational organization has been described as “organized anarchy” (Cohen and March, 1974) and “open system” (Scott, 2003) that can be understood in light of “complexity science” (Stacey, 1996). Beyond organizations, similar concepts have been applied, under the rubric of “chaos theory,” (Scott, 2003) to the environment, and under the banner of “behavioral economics,” (Dubner, 2003) to investing. These theories have one crucial common thread: organizations (and individuals) are not inherently and unfailingly rational, logical, or linear and, therefore, neither leaders nor strategies can be deterministic.

times random perturbations can produce widespread effects, especially when organizations (or industries or nations) are highly interdependent or “tightly coupled” (Weick, 1976). Under these conditions, it is difficult to enact a vision or implement a plan. As a result, leaders cannot rely exclusively on forecasting, planning, and strategy development in Type III territory.

Meaning matters. Because organizations are ambiguous and environments uncertain, meaning is as important as planning. In Type III territory, leaders need not just facts, data, and logical reasoning but also sense-making. From a Type I or II perspective, the meaning that leaders create can appear to be little more than myths or rationalizations.² But it is meaning that enables understanding and action in ambiguous environments.

As unsettling as Type III territory may seem, boards should expend the effort to become more at home here because this is where ideas and plans take shape in organizations. The risks are great only when trustees inhabit this territory passively, or try to conquer it with Type I and II approaches. Familiarity with a Type III mental map, however, actually makes generative governing conceivable.

²Most people are familiar with the misuses of sense-making, where a personal sense of things *ignores* available knowledge. This is common enough, and explains why investors regularly make foolish decisions (Fuerbringer, 1997), why parents wrongly associate hyperactivity in children with excessive sugar intake (Kolata, 1996), or why members of a sect cling stubbornly to the conviction that their deceased leader will return as the Messiah (Gonzalez, 2003). As a Yale psychologist observed, “People’s need to make sense of the world is so much stronger than their commitment to factual realities. Facts are easier to rearrange than their needs are” (Gonzalez, 2003).

RECOGNIZING GENERATIVE LANDMARKS

Type I and II work comes to the board at routine intervals (for example, annual budget or audit cycles) or at logical milestones (for example, transition to a new CEO or when the major goals of a strategic plan have been achieved). But how do trustees and executives know when to create a new sense of things? They can look for *generative landmarks*, *embedded issues*, and “*triple-helix*” situations.

Generative Landmarks

Several characteristics of an issue can serve as landmarks, signaling that an occasion for generative governing might be at hand:

- *Ambiguity*. There are, or could be, multiple interpretations of what is really going on and what requires attention and resolution.
- *Saliency*. The issue, however defined, means a great deal to a great many, especially influential people or important constituencies.
- *Stakes*. The stakes are high because the discussion does or could invoke questions of core values and organizational identity.
- *Strife*. The prospects for confusion and conflict and the desire for consensus are high.
- *Irreversibility*. The decision or action cannot be easily revised or reversed, due as much or more to psychological than financial commitments.

If most or all of these landmarks are present, trustees should probably work in the generative mode.

Embedded Issues

The absence of these landmarks, however, does not guarantee there is no generative work to do. As the examples in Exhibit 6.3

EXHIBIT 6.3 EMBEDDED GENERATIVE ISSUES

In these slightly disguised examples, boards uncovered the generative dimension of what were apparently technical issues. Rather than approving management *solutions*, they worked with management to understand and make sense of the *problem*.

- At a social service organization, the stated problem was voluntary turnover of staff. The technical solution proposed was to increase compensation. The board discussed the pluses and minuses of various pay plans—across-the-board versus merit pay, signing bonuses versus retention bonuses, individual rewards versus group rewards. But after deliberating in a generative mode, the problem turned out to be how to create a “great place to work” for professional staff. In the end, quality of work life, not money, was the decisive factor.
 - At an independent school (grades 7–12), the stated problem was the need to hire additional psychologists to meet increased student demand for counseling. The board focused on budgetary implications and data on students: counselor ratios at peer institutions. But after more deliberation, staff and board constructed a new version of the problem: whether the school could deliver an intense intellectual experience that did not exacerbate student stress. Parental expectations, and to a lesser extent, overcrowded facilities, and not more counselors, ultimately proved to be the critical variables.
 - The “problem” for one museum was the opportunity to purchase a prized (and expensive) work of art. In addition to cost, the board considered strategic priorities for the collections and the competitive consequences of foregoing the purchase. But after more deliberation, the board decided the key question was whether the museum’s primary objective was to own art or display art. Based on that discussion, the board and the CEO eventually decided not to acquire the masterpiece.
-

illustrate, boards also need to find **embedded issues—the generative elements of what appear, at first glance, to be technical or strategic questions.** Because some signs are clear and others are obscure, trustees and executives need to decide first which issues are, in fact, generative. They have to observe the governing terrain carefully.

Spotting “Triple-Helix” Situations

Trustees and executives also need to be alert to “triple-helix” situations. Richard Lewontin coined this phrase to encourage people to look beyond the influence of genetics in explaining human behavior (2000). Rather than focus only on DNA (with its double helix), he urged, metaphorically, that people consider the influence of the “triple helix”: **the interaction of genes, organisms, and environment (Lewontin, 2000).** Similarly, trustees and executives will encounter triple-helix issues that require fiduciary, strategic, and generative considerations (see examples in Exhibit 6.4).

EXHIBIT 6.4

TRIPLE-HELIX ISSUES

The Boston Museum of Fine Arts (MFA) decided to loan 21 Monet masterpieces to the Bellagio Casino in Las Vegas (Edgers, 2004).

- Type I Governance: Are the paintings travel-worthy? What are the insurance and security arrangements? Are there any bequest-related restrictions on travel or venues? How long a loan period? How much will Bellagio pay? How and where will the MFA’s name appear?
- Type II Governance: Will the absence of the Monets affect MFA patronage? How will association with Bellagio and Las Vegas affect the MFA’s image and reputation? Should the MFA sponsor “tie-in” events in Boston or Las Vegas? What can the MFA accomplish with the income from Bellagio?

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- Type III Governance: What will we do (or not do) if the price is right? Should we loan art to the highest bidder? Should we display art where the masses already are? Do MFA masterworks “belong” in neon-light, pop-culture, for-profit venues? How conservative or iconoclastic an institution do we wish to be?

In a controversial effort to increase its national ranking, Vanderbilt University decided to make special efforts to recruit and retain more Jewish students (Golden, 2002).

- Type I Governance: Is this legal? How much will the proposed recruitment effort, academic programs, personnel, and facilities cost?
 - Type II Governance: Will this tactic work? Where are our comparative advantages and disadvantages? Who are our chief competitors in this market? How will other constituencies react? Will Jewish students be comfortable here?
 - Type III Governance: Will we be contributing to stereotyping, to diversity, or both? Is this exploitative or mutually beneficial? Is this part of the university’s “elite strategy” consistent with the university’s core values? Why do we want to climb the academic “food chain?”
-

Learning to spot these issues is more a matter of cultivating awareness than instituting procedures. Trustees need not make a detailed analysis of every agenda item to ensure that generative issues are not camouflaged as fiduciary and strategic matters. Explicit acknowledgement that some issues benefit from deliberation in three modes can, by itself, encourage more mindful deliberation. It may entail, however, changes in the board’s norms for discussions. For some trustees, shifting from one mode to another may seem disruptive, or “paralysis by analysis.” Others might appreciate such dexterity, but rely on a single “gifted” trustee to show the way. The most effective boards will be alert to the possibility of triple-helix issues, but without a penchant to find them at every turn.

TYPE III: GENERATIVE GOVERNING I I I

WORKING AT THE BOUNDARY

If one wanted to create an environment hostile to generative thinking, the typical boardroom would be a good start. It isolates trustees from cues and clues, features only information that is already framed, makes debate about the frames off limits, and discourages encounters with outsiders that inspire generative thinking. In contrast, successful leaders are *expected* to leave the executive suite. The literature on leadership regularly recounts how, for instance, CEOs gain powerful insights from open forums with hourly workers, chance encounters with customers, or visits abroad to companies in their industry. This way of learning and leading has even earned its own acronym: MBWA, management by wandering around. Of course, for most executives, “governing by wandering around” would be a waking nightmare, with trustees on self-chartered expeditions randomly inspecting the quality of facilities, the accuracy of data, or the competency of staff. A far better approach for executives, trustees, *and* generative governing has boards start and end in the boardroom, but also work at two boundaries: at the internal border between the board and the organization, and at the external one between the board and the wider environment (see examples at Exhibit 6.5).

Working at the Internal Boundary

Work at the internal boundary gives trustees unfiltered access to the organizational stimuli that provoke generative thinking. Because the aim is to increase exposure to cues and clues (and not enforce compliance with strategies and policies), trustees need no checklist or agenda to follow. The objective is not to

EXHIBIT 6.5 BOARDS AT THE BOUNDARIES

External boundaries. The board of a 50-year-old social service agency in Florida was inclined to reclaim the organization's long-abandoned heritage as a community organizer and simultaneously deemphasize clinical therapy as a strategic priority. In order to understand the implications of this shift, the board conducted a series of site visits to organizations in the Northeast and Midwest that had followed a similar course. Three "learning groups" of trustees and staff visited three sites, talked to families served by the agency, had lengthy dinners with trustees of the host organizations, and conferred with agency executives to understand the challenges that the new approach presented with respect to finances, government contracts, program evaluation, and professional personnel. Each "learning group" arrived with a "learning agenda." The trustees returned home, more committed to the new approach, wiser about the questions to ask and the problems to anticipate.

Internal boundaries. On the eve of a five-year strategic planning process, and at the president's suggestion, the board of trustees and the department chairs at a prestigious independent college convened for a retreat. In order to better understand each other's perspective, both groups first met separately to answer questions about the other. The *faculty* was asked four questions:

1. What is the principal reason trustees agree to serve on the board?
2. What is most rewarding and most challenging about being a trustee here?
3. If you could change one thing about the board, what would it be?
4. How could the board help you be more effective?

The trustees were asked parallel questions about the faculty. After an hour, the groups discussed the responses and learned what each did and did not understand about the other. Later in the day, mixed groups of trustees and faculty worked to define the key elements of "a successful education" at the college from an assigned perspective (for example, as students, faculty, parents, and alumni). With enriched perspectives, trustees (and faculty) were more astute sense-makers—as demonstrated the next day, when mixed groups

were asked to identify “the most important questions that need to be addressed to ensure the institution’s academic excellence.” The exercise produced one of the most critical outcomes of sense-making and one of the most important contributions trustees can make: better questions than ever.

focus on selected issues, but to see what comes into focus, much as one might meander through a city or countryside to learn more about a foreign culture. It is important to observe and to converse; it is also useful to deviate, now and then, from the routes designated by travel guides. There are countless ways for trustees to do this work: attend routine occasions such as student orientations at a college or tours at a museum, volunteer as tutors or mentors at a social-service organization, talk with staff over cafeteria lunches or at special events about what they find fulfilling at work, and so on. When an important governing decision is at hand, trustees can engage in more formal consultations as well. But, in general, the harder it is for trustees to explain what they are looking for, the better the chances are that encounters along the boundary will enable generative thinking. The goal is exposure, not inspection.

Because it ultimately enables *group* decision making, trustees should do boundary work in groups. In Type III deliberations, board members generate different insights and discern different patterns by reflecting *collectively* on shared experiences. Discussions enable the interplay of different impressions, frames, and perspectives; this then moves trustees from shared *experience* to shared *meaning* and, ultimately, to a commitment to act on that shared meaning. Because this sequence of events has such consequence, trustee work at the boundary should include the

CEO and other staff. To do so underscores that this is collaborative, not evaluative, work and, more important, equips executives as well as trustees to engage in generative deliberation together.

Even so, many executives are likely to worry about trustees “on the loose” along the organization’s internal boundary. Among other apprehensions, CEOs fear trustees will send or receive the wrong message, make inappropriate promises or threats, proffer dangerous ideas based on random observations, or mistake gossip for gospel. But CEOs run a far bigger risk by confining trustees to the boardroom. Deprived of shared experiences with staff and blind to the organization’s indigenous culture, cues, and clues, trustees will *still* try to make sense of the organization. In the absence of other ways to see things, board members will, naturally enough, resort to the frames of their own profession. (This is why some trustees implore staff to “run this place like a business” and others urge executives to “think like a lawyer,” and why CEOs become exasperated as a result.) Such a collection of imported frames can sometimes enrich an organization’s perspective. But sense-making also needs to start at home, with trustees and executives able to convert shared experiences into shared meaning.

Many trustees (and CEOs) will find this proposal for internal boundary work impractical, if not inconceivable. Who has the time? What is the purpose? If we cannot trust our CEO to keep us informed, we should get a new one. Yet this is exactly how most trustees prepare for any important decision in “real life.” It is why they use MBWA at work, “walk the factory floor,” keep a finger on the organization’s pulse, “kick the tires” on major purchases, or linger at their children’s schools and summer camps. While time at the boundary, especially without tightly programmed activity, may *seem* unproductive, it is, in fact, inte-

gral to responsible decision making. As Yogi Berra commented, “You can observe a lot just by watching.”

Working at the External Boundary

At the external boundary, trustees can find two other important sense-making resources: *generative occasions* and *alternative frames*.

As guardians of the mission that informs strategy, and as keepers of the strategy that guides operations, boards typically *preserve* the organization’s frames rather than search for new ones. But when trustees cling to old frames, they close their organizations to new purposes, possibilities, and pathways. Unless they can consider their current goals and purposes through new frames or in contrast to alternative goals, boards really have no way of judging them. To guard against such myopia, CEOs use professional conferences, informal conversations with peers, and even board meetings³ to find alternative frames and appropriate occasions for generative thinking.

For trustees, meeting with other boards can be a good point of departure for external boundary work. The agenda might center around common concerns: for example, increased commercialization, competition with for-profits, or changes in government policy. Boards can also discuss trusteeship, for example: What have we learned about leadership transition, critical success factors of a strategic plan, or capital campaigns? Some trustees may fear that these exchanges will only heighten the frustrations they feel in their own board room. One board is trouble enough. Why ask for more? But this frustration often arises when trustees are quarantined from conversations with

³See Chapter 2 for a discussion of board meetings as sense-making occasions for executives.

peers that would trigger interesting and consequential deliberation. Exchanges across external boundaries are more likely to ease than compound the frustration.

Boards need not meet only with other boards. University trustees could meet with the CEOs of companies that employ the lion's share of the school's graduates or with the superintendents of feeder school districts. Hospital trustees could meet with third-party payers or with agencies that rate or accredit health care facilities. Trustees could meet with influential funders or collaborators to learn how external stakeholders see the larger environment. After these discussions, trustees are virtually compelled to ask each other a generative question: "What do you make of this?" As zoologist Louis Agassiz once remarked, "Fish never discover water." Thus, external boundary work provides not only exposure to new frames but new occasions for generative deliberation.

Internal and external boundary work is preparation for governing, not governing per se. As a result, boards should not try to bleed grand generative breakthroughs—with profound implications for mission, strategy, and problem solving—out of every journey to the boundary. Working and learning at the boundary may be one of the best uses of "down time" and one of the best ways to prepare for important decisions, some not yet even visible on the horizon. "Just-in-time inventory" may be efficient; "just-in-time knowledge" is dangerous.

LOOKING BACK: THE FUTURE IN THE REARVIEW MIRROR

Exploring the past is one of the most important ways of getting to the future. Boards regularly examine the *fiduciary* past through a variety of processes—from straightforward external

audits to more complex processes like Total Quality Management—to detect mistakes and misdeeds. Trustees examine the *strategic* past via “dashboards,” benchmarks, and scorecards, as well as official progress reports. But in both cases, the past comes to the board compressed, aggregated, and prefabricated. Rather than working with management to create the story line, the board listens while management relates the story. For generative governance, boards need to use the past to make sense of options for the future. The key tools for this work are *retrospective questioning* and *dominant narratives*.

Most board members can dutifully recite the institution’s strategic priorities for the next three to five years, but few can explain the institution’s successes or setbacks over the past three to five years. Yet constructing explanations about past performance often yields new strategies, insights, or innovations. Useful explanations start with questions that uncover unrecognized strengths, unnoticed flaws, and incipient patterns:

- Why was the college able to increase dramatically both the quantity and quality of applicants without additional offers of financial aid?
- Why did the aquarium fail to fulfill strategic priorities of advocacy and education?
- How did the school achieve national recognition in the sciences when that was not an explicit element of the formal long-range plan?
- Why does the organization’s staff, board, and clientele remain homogeneous despite an explicit and pervasive commitment to diversity?
- What is the most important problem we tackled in the last year? What was the most important lesson we learned in the process?

Questions like these, some about triumphs, others about disappointments, help the board develop a “product line” that takes the form of new solutions and strategies based on new insights about past performance. These are not questions that trustees pose to management as points of information, but rather questions that trustees and executives explore together to gain understanding.

A second retrospective technique produces not a product line but a story line: a narrative that points to a new sense of the institution’s identity, which then influences changes or refinement in mission, strategies, and programs. Those who construct the organization’s dominant narrative are powerful on two counts. As we discussed in the last chapter, the narrator traces an organizational trajectory, one that starts in a particular past and therefore leads to a particular future. (When people are plotting trajectories, they make statements like “Ever since *a*, we’ve always been about *b*, which means now we need to *c*.”) But these narrators also have power because others often hear a dominant narrative as a strict account of facts, and not as one subjective formulation of what those facts and events *mean*. As a result, the narrative often goes unquestioned. Under these conditions, a dominant narrative—not trustees and executives—governs the organization.

In Type III governance, trustees and executives consider, debate, and commit to a dominant narrative, especially at moments of confusion and ambiguity (see the examples in Exhibit 6.6). They create an “organizational saga . . . a unified set of publicly expressed beliefs about the [organization] that (a) is rooted in history, (b) claims unique accomplishment, and (c) is held with sentiment” by members of the group (Clark, 1972). When trustees and executives work on the saga together, the result is not only compelling, but also legitimate.

EXHIBIT 6.6 DOMINANT NARRATIVES

Some retrospective deliberation creates a new dominant narrative that, in turn, informs the mission and strategies of the organization:

The managers of a nonprofit family counseling agency were looking for a strategy to cope with a highly competitive environment. New managed-care health insurance plans jeopardized smaller providers like them. Although they had recently seen themselves as a highly professional, clinically oriented mental health institution, their strategy work led them to recover an earlier past: a time when they did not “treat” families with therapy but when they “strengthened” families through a wide variety of community organizing, educational, and recreational programs. They changed their dominant narrative from a story about excellence in clinical services to one about community building and family strengthening. Without this narrative, they could not have embraced a strategy that called for abandoning much of their clinical work; it would not have made sense.

A public college once renowned for attracting high-performing students had long seen itself as “the poor man’s Harvard.” More recently, however, the school was attracting mostly academic low achievers, including nonnative English speakers who graduated from troubled high schools. Preserving the “Harvard narrative” implied a future course of action: discourage subpar students and somehow find a new generation of academic superstars. Instead, the president and faculty developed a new “history,” where the university had always been a “school for underdogs.” In light of this, the school recommitted to serve disadvantaged students as an essential part of its mission.

DELIBERATING AND DISCUSSING DIFFERENTLY

To lighten their load before climbing the generative curve, boards can start by jettisoning *Robert’s Rules of Order* and its associated habits of mind and behavior. Together, they promote a discourse of logic, analysis, and formal argument that literally enables boards to reach resolution. This discourse may help

trustees make the soundest decision, choose the most attractive option, or chart the best course, all while preserving order in the boardroom. But none of this facilitates Type III governance, where the goal is to frame decisions and choices, not make them. For Type III work, trustees need to occasionally suspend the rules of rational discourse and promote robust dialogue about generative ideas.

The Cardinal Rule: Suspend the Rules

Type III deliberation demands everything most board protocols discourage and trustees often dread. Many of us have been socialized to rely on rational discourse in the workplace. To “think like a manager” means to think rationally. And because governing has increasingly been seen as a managerial activity, focused on Type I and II work, to think like a trustee also means to think like a manager. But if managers think like managers, why do organizations also need trustees to think like managers? And if orderly, highly rational discourse is all organizations need, then why don’t leaders work that way? In fact, leaders are more apt to urge that colleagues “think outside the box” than adhere to *Robert’s Rules*. And so should trustees, if they want to practice generative governance.

As organizational theorists Cohen and March have argued, the ground rules of rational deliberation help people decide the best route to an agreed-upon goal (1974). In Type III mode, trustees aim to find goals. Deliberations should have the feel and flow of an off-site retreat rather than a typical board meeting; the *modus operandum* should resemble colleagues at a think tank. While not abandoning logic and analysis, boards in Type III mode use what Cohen and March call “playfulness,” a “tempo-

rary relaxation of the rules” (1974) that encourages experimentation but “acknowledges reason.” Admittedly, this is a difficult pill for most trustees (and executives) to swallow. Yet playfulness helps people envision new possibilities, patterns, problems, and aspirations. In contrast, “a strict insistence on purposes, consistency, and rationality limits [an organization’s] ability to find new purposes.” When it comes to generative governing and formal discourse, the fewer the rules, the better the chances for generative insights.

Our own deliberations for this book demanded the type of playfulness that boards need in Type III. Because we were attempting to understand board problems anew—rather than simply choose the best available solutions—we could not rely on formal, cost–benefit analysis or strict logic. Instead, we played with devices like the “no-board scenario.” By asking trustees and executives to think about what would happen to nonprofit organizations *without* boards, we and they were able to think, unencumbered by received wisdom, about the value boards add. Playing with this formulation then triggered the “no-organization scenario,” where we asked practitioners to imagine what *trustees* would lose if their *organizations* ceased all operations for several years. The goal of an exercise like this is to understand familiar challenges in new ways.

Since playfulness suspends the rules, no one should be surprised that there are no rules for playfulness. It is truly a habit of mind. But unlike vague exhortations to “think out of the box,” playfulness offers a technology of sorts—four conditions that favor generative thinking:

Assume action informs goals rather than vice versa. Boards are devoted to the proposition that thinking precedes doing: Trustees set

missions, which management carries out; boards develop strategies, which staff implement. But goals do not just guide actions in a linear fashion. In fact, goals frequently emerge from action. As a result, rather than using the organization's stated goals and strategies to guide action, trustees can reflect on actions as a way to discover goals and strategies. If what we do as an organization is what we are, then who are we? So instead of asking, for example, what the mission implies for the budget, trustees could ask what the budget reveals about the mission. Similarly, a board could treat a search for a new CEO as a way to reveal actual organizational goals rather than as a means to match espoused goals to a new leader (Birnbaum 1988b). Based on which candidates appeal to the search committee and why, what can be gleaned about the organization?

Consider counterfactuals and hypotheticals. By considering even improbable scenarios, boards can often make better sense of their aspirations and situations. For instance, a board and staff prone to self-pity about the "strings" attached to government money explored a hypothetical: "What if all the government funds we now received came instead from an endowment that we controlled?" Reflecting on this, some discovered that they actually valued their government funders as agents of accountability; they hassled the organization, but they also challenged the staff and board to perform better.

Similarly, on another board, a trustee committee on strategy asked: "Do we suffer the defects of our virtues?" This question provoked an assessment of the weaknesses rooted in the organization's strengths. In other cases, trustees have clarified the organization's core values by asking: What if we were organized as a for-profit entity? What is profitable but not suitable? Why do we

not simply admit the wealthiest students or patients? Boards were not treating these questions as options, but as devices for understanding their organizations.

Treat intuition as actuality. Boards should not govern by hunch, but neither should they underestimate the value of intuition and inklings as launch pads for productive and consequential deliberations. By letting indistinct ideas into the boardroom, trustees can discover new directions. For example, one nonprofit board deliberately tried to envision the organization's future based on strong, but unsubstantiated, hunches that management and trustees had about the next five to ten years. Along the way, the institution discovered some new "threads" (for example, "virtual" science laboratories, and global accreditation in health care and higher education) to pull into the future.

Pose catalytic questions that invite creativity, exploration, and do not depend largely on data and logic to answer. For example:

- What three adjectives or short phrases best characterize this organization?
- What will be most strikingly different about this organization in five years?
- What do you hope will be most strikingly different about this organization in five years?
- On what list, which you could create, would you like this organization to rank at the top?
- Five years from today, what will this organization's key constituents consider the most important legacy of the current board?
- What will be most different about the board or how we govern in five years?

- How would we respond if a donor offered a \$50M endowment to the one organization in our field that had the best idea for becoming a more valuable public asset?
- How would we look as a take over target by a potential or actual competitor?
- If we could successfully take over another organization, which one would we choose and why?
- What has a competitor done successfully that we would not choose to do as a matter of principle?
- What have we done that a competitor might not do as a matter of principle?
- What headline would we most/least like to see about this organization?
- What is the biggest gap between what the organization claims it is and what it actually is?

Promoting Robust Dialogue

There is no one right answer to an adaptive problem, and no correct generative insight. But there *are* plenty of bad ones. In Type III governing, trustees must spot and scrap banal, incoherent, and misguided notions and cultivate inspired, resonant, and fertile ideas instead. To tell one from another, trustees need to probe, test, and debate generative propositions. For many trustees, this is a challenge. Too many value harmony over productivity and congeniality over candor. But the very point of Type III governing is to delve deeply into sensitive subjects: the organization's "politics and religion," as reflected in its values, beliefs, and aspirations. As a result, trustees need to promote robust dialogue right where both the stakes and anxieties are high.

As a first step, boards need to preserve civility but curb the dysfunctional politeness and "groupthink" (Janis, 1982) that chill

generative thinking.⁴ Groupthink theory holds that unless *one* trustee raises doubts, *no* trustees raise doubts. In such an environment, trustees often just listen, sometimes carefully, sometimes inattentively as management conducts all of the organization's generative work. The trustees' silence equals acceptance, a tacit signal that management, or a board committee, "got it right." Meanwhile, the most important question goes unaddressed: "Did management, or the trustee committee, get the right *it*?" Worse, trustees may even be pleased with the apparent consensus. After all, great minds think alike, right?

Wrong. Type III governance posits that great minds think differently, and that discussions are enriched by multiple perspectives. (Otherwise, a board with a few like-minded members would suffice.) The most productive Type III deliberations have the flavor of a lively case-based discussion at, say, a law school or business school. Early parts of the conversation concern what is at issue and what is at stake—how the group defines and frames the problem(s). As the dialogue continues and potential actions are proposed, the participants welcome, and discussion leaders cultivate, different points of view and constructive criticisms, usually through questions. "Who sees the situation differently?" "What are we missing?" "How does the situation look from the vantage point of the constituents most affected by the decision at hand?" "What problems might the proposed solutions create?" "What is the best possible outcome?" "What is the worst-case scenario?" "What is the next question we should discuss?" No one expects instant agreement; everyone expects to appreciate more deeply the complexities of the situation.

⁴Chapter 7 describes how norms of diligence can offset the problems of excessive congeniality.

A center weight of opinion usually coalesces, though often different from the sense of the group that might have been revealed by a poll taken *before* the discussion. This is as it should be. If no one's opinion ever changes, why have discussions at all? In short, the process reveals the "collective mind" of the board and senior staff. (Exhibit 6.7 describes two real-life, slightly masked examples where the collective mind of a board was activated.) The practices suggested in Exhibit 6.8 promote conditions that are conducive to robust discussion, enable broad participation, and make discussion of generative issues everyone's work. The board moves from "dis-sensus" to consensus, airing different views so the group does not commit prematurely or preemptively to one alternative without consideration of others. Group norms stress individual preparation for collective deliberations, so that trustees come to discussions with a sense (rather than a fixed position) of what is important or worrisome. By lowering the barrier to entry in generative dialogue, boards can raise the quality of discourse.

EXHIBIT 6.7**ENGAGING THE "COLLECTIVE MIND"**

Leadership Transition. With nearly a year's notice, and after consultation with the Executive Committee, the CEO informed the board of plans to retire. After some laudatory comments from trustees, and by prior arrangement with the executive committee, the CEO then exited the room. Every trustee was asked to construct two questions: one that a wise board should ask of a finalist for the presidency of the organization, and the other, that a wise finalist for the presidency would ask of the board.

The board was divided into six groups, each with four members. Each trustee's proposed questions were shared within the group, which then had to choose (or compose) the single best question the board and the candidate respectively could ask. The board, as a whole,

gathered briefly to hear the proposed questions. The small groups then reconvened, this time charged to develop persuasive answers, both as a candidate and as a board, to questions posed by other groups. Thirty minutes later the board reassembled to hear the answers.

In the end, the board had better questions to ask (for example, “If you were CEO of our archrival, what would you do to most effectively compete against us?”), and better answers to questions that candidates might pose (for example, “What made the previous CEO so successful?”). Moreover, the exercise clarified the challenges that the organization faced, the leadership skills that were needed, and the expectations that candidates would have of the board. In the process, the viewpoint of every single board member was expressed, and every trustee was intellectually and psychologically engaged in the process.

Capital Campaign. In the context of the organization’s overall strategic plan, trustees were asked in advance to anonymously identify possible priorities for a capital campaign. The results of the survey were presented to the board and, as appropriate, consolidated. The list of twelve priorities or needs was longer than even the most ambitious campaign could support. At this point, each trustee received five \$20 bills in play money (with the picture of the incumbent president on one side, and an iconic institutional facility on the other side). Four bills were green, one was red. The red bill was “negative money,” a way to signal opposition to a proposed initiative. There were twelve “ballot boxes,” each labeled with a possible campaign priority. Trustees could put all their money on one priority or allocate the currency across several.

The atmosphere was animated; some trustees good-naturedly lobbied others. A few tried to create a secondary market to exchange red and green money. No one was on the sidelines, and everyone’s vote mattered. The results held a few surprises. A proposed new facility and beautification of the institution’s grounds, which a few vociferous trustees had strongly championed, actually garnered little support. In addition, an idea that emerged from one response to the survey, but was nowhere in the formal strategic plan, catapulted to the top of the list. The institution decided that the highest priority was a “jump start, raise it fast, spend it fast,” fund that would generate momentum, excitement, and energy in a way that gifts to endowment and long-term projects could not.

EXHIBIT 6.8

TECHNIQUES FOR ROBUST
DISCUSSIONS

The techniques described here provide a “starter kit” for boards unaccustomed to trustee deliberations that are highly participative and relatively spontaneous. While they may strike some trustees as “parlor games,” many boards, habituated to formal discussions, have used these devices fruitfully to acclimate to a different approach. As the board becomes more experienced and comfortable with the generative mode, there will be less need for such “contrivances;” robust discussions will occur more naturally.

Silent Starts. Prior to the start of a major discussion, but with advance notice, set aside two minutes for each trustee to anonymously write on an index card the most important question the board and management should consider relevant to the issue at hand. Collect and randomly redistribute the cards. Ask a trustee to read his or her card aloud, and then invite everyone with a card that has a similar question to do the same. Tally the numbers. Continue until all cards have been read aloud. Identify the question(s) most important to the most trustees and any question that, once raised, even if only by one person, the board now recognizes as crucial.

One Minute Memos. At the conclusion of a major discussion, reserve two to three minutes for trustees to write down, anonymously or not, what they would have said next had there been time to continue the discussion. Collect the cards for review by the board chair and CEO. No trustee suffers the pain of an undelivered remark or unstated concern, and the organization’s leadership no longer wonders what remained on the trustees’ minds.

Future Perfect History. In breakout groups, develop a narrative that explains in the future perfect tense how the organization moved from its current state to an envisioned state. For example, five years from now the college will have achieved greater student and faculty diversity as a result of taking the following steps. Compare the story lines for common pathways as well as attractive, imaginative “detours.”

Counterpoints. Randomly designate two to three trustees to make the most powerful counterarguments to initial recommendations or

an embryonic consensus. Or ask management to present the strongest case against (as well as for) a staff recommendation.

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 these stakeholders frame the issue and define a successful outcome? What would each group regard as a worst-case scenario? The role play would be enhanced if all trustees were asked in advance to meet informally with one or two such constituents.

Breakouts. Small groups expand available “air time,” ease participation by reticent trustees, and counter “groupthink.” On topics of substantive, strategic, or symbolic significance, small groups, even within 30 minutes, can raise important considerations. Do we have the right questions? How else might the issue be framed? What values are at stake? What would constitute a successful outcome? In plenary session, the board can search for consensus, conflicts, and a better understanding of the matter at hand.

Simulations. Trustees can simulate some decisions, not to second-guess the decision but to provoke discussion about the trade-offs that management faces. For example, trustees of an independent college or school could review the redacted applications of the next 20 students who would have been admitted last year if the institution opted for larger enrollments and additional revenues rather than greater selectivity and higher quality.

Surveys. The board can administer an anonymous survey prior to discussion of a major issue. For instance:

- “What should be atop the board’s agenda next year?”
- “What are the most attractive, least attractive, most worrisome aspects of the proposed strategic plan?”
- “What external factors will most affect the organization in the next year?”
- “What are we overlooking at the organization’s peril?”
- “What is the most valuable step we could take to be a better board?”

The answers would be collated for board discussion. The discussion would start not by a response to the first person to speak on an issue, but by an analysis of the collective responses.

MIND THE MODE

Boards are expected to monitor organizational performance and hold management accountable. No notion of trusteeship excludes this basic responsibility. The tools and techniques for assessing Type I performance include audits, management letters, financial statements, accreditation reports, and compliance reviews by government agencies. In Type II, as we noted in Chapter 4, boards assess institutional performance in the context of strategic goals, using processes like *The Balanced Scorecard* (Kaplan and Norton, 1996), benchmarking (Watson, 1993), dashboards (Chait, Holland, and Taylor, 1996), strategic indicators (Taylor and Massy, 1996), or best practices. Type III governing requires a different approach: Trustees and executives reflect on their ability to effectively do generative work together.

Trustees and executives can use this reflection to ensure that they are doing the deliberate generative work of governance as leadership, and not inadvertently succumbing to governance by default. Some first steps might be to:

- Compare recent and past agendas. Do we do more generative work now?
- Review, over the course of a year, where and when trustees worked at the boundaries.
- Consider how often the board spotted or missed “triple helix” issues in the last year or two.
- Survey trustees on whether the climate for robust discussion has improved or deteriorated.
- With input from senior staff, and perhaps even key constituents, spend a couple of hours a year as a board addressing questions like these:

- Have we clarified (or muddled) organizational values and beliefs?
- Have we clarified (or muddled) the organization's vision?
- Have we discovered new ends as we have modified means?
- Have we reframed important problems?
- What do we know now about governing that we did not know before?
- What did we once know about the organization that is no longer true?
- What did we once know to not be true about the organization that now is?
- Where did we miss the landmarks of generative issues and why?

If boards in Type II mode need to understand strategy, then boards in Type III mode need a strategy for understanding. The exercises and questions presented here will help boards assess how successful that strategy has been.

THE PAYOFFS

To add the generative mode to the board's repertoire, and to do that work well, trustees have to learn new ways that disrupt old habits. (See Exhibit 6.9 for a comparison of the three modes.) The transition may be awkward and boards may be self-conscious. There may even be some initial awkwardness as the board becomes comfortable with a new approach. Change is almost never without stress. Organizational theorist Edgar Schein (1993) suggested that significant change occurs only when anxiety over the failure to change supercedes the anxiety associated with change. For instance, technophobes usually relent only when the

EXHIBIT 6.9 THREE TYPES OF GOVERNANCE: DISTINCTIVE CHARACTERISTICS

	Type I Fiduciary	Type II Strategic	Type III Generative
Nature of organizations	Bureaucratic	Open System	Nonrational
Nature of leadership	Hierarchical	Analytical/visionary	Reflective learners
Board's central purpose	Stewardship of tangible assets	Strategic partnership with management	Source of leadership for organization
Board's core work	Technical: oversee operations, ensure accountability	Analytical: shape strategy, review performance	Creative: discern problems, engage in sense-making
Board's principal role	Sentinel	Strategist	Sense maker
Key question	What's wrong?	What's the plan?	What's the question?
Problems are to be	Spotted	Solved	Framed
Deliberative process	Parliamentary and orderly	Empirical and logical	Robust and sometimes playful
Way of deciding	Reaching resolution	Reaching consensus	Grappling and grasping
Way of knowing	It stands to reason	The pieces all fit	It makes sense
Communication with constituents	Limited, ritualized to legitimate	Bilateral, episodic to advocate	Multilateral, ongoing to learn
Performance metrics	Facts, figures, finances, reports	Strategic indicators, competitive analysis	Signs of learning and discerning

fear of obsolescence or unemployment overwhelms discomfort with “new-fangled” hardware or software. Therefore, nonprofit boards hesitant to open a “third front” of trusteeship—the generative mode—should first recall that the status quo imposes considerable costs, namely the irrelevance, disengagement, and underutilization of trustees, and the burden on staff to create an illusion to the contrary. When trustees operate *only* in the fiduciary and strategic modes, the board pays a steep price: problems of purpose and performance persist. The organization also incurs a substantial penalty: the board’s untapped value as a source of leadership. In short, boards should not mistake a high level of comfort with a high level of performance.

By contrast, when boards develop the ability to work effectively and move appropriately *across all three modes* with a special awareness of Type III governance, there are handsome dividends for both trustees and the organization. The benefits of Types I and II governance are widely recognized and well-documented. The payoffs from the generative mode are not as broadly appreciated because fewer boards regularly practice Type III governance (see Exhibit 6.10). Nevertheless, we believe the benefits are substantial. Specifically, **generative governance:**

- ***Empowers the board to do meaningful work.*** The very nature of the generative mode prompts trustees, with management, to do the most important work of all: to frame on the front end the problematic situations that most demand organizational attention and to make sense of the organization’s experiences. These are acts of leadership.
- ***Engages the “collective mind.”*** Type III governance places a greater premium on a plurality of perspectives than on technical expertise. Rather than rely on one or two trustees

EXHIBIT 6.10 WHAT'S DIFFERENT? A SYNOPSIS

Type III trusteeship stakes new ground for governance, although what is new for boards has a familiar ring to leaders. The hallmark characteristics of the generative mode can be summarized as follows:

- *A different view of organizations.* Organizations do not travel a straight line and rational course from vision to mission to goals to strategy to execution.
- *A different definition of leadership.* Leaders enable organizations to confront and move forward on complex, value-laden problems that defy a “right” answer or “perfect” solution.
- *A different mindset.* Beyond fiduciary stewardship and strategic partnership, governance is tantamount to leadership.
- *A different role.* The board becomes an asset that creates added value and comparative advantage for the organization.
- *A different way of thinking.* Boards are intellectually playful and inventive as well as logical and linear.
- *A different notion of work.* The board frames higher-order problems as well as assesses technical solutions, and asks questions that are more catalytic than operational.
- *A different way to do business.* The board relies more on retreat-like meetings, teamwork, robust discourse, work at the organization’s boundaries, and performance metrics linked to organizational learning.

to devise a technical solution or assess preconceived alternatives, the board elicits multiple viewpoints to better define the problems and better understand circumstances.

- *Enriches the board’s work.* Type III governance presents a substantively and intellectually attractive agenda that transcends the maintenance of order and the extrapolation of strategy. The board has a better job, more interesting work, and a more influential role. Trustees escape the “substitute’s dilemma” and derive a higher rate of return on involvement.

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- *Enhances the board's value.* Type III governance emphasizes the distinctive, indispensable contributions that a board can make as a source of leadership. The board adds more value because the trustees utilize the levers of leadership—the formulation of the issues that precede the deliberations, the ideas that drive the plan, and the interpretations of the past that illuminate the present and the future.

We turn in the next chapter to how the assets of trustees can best be deployed to achieve these outcomes.