

Governance Workshop

Association of Colorado Independent Schools

3 Modes of Governance

March 13, 2020

Using concepts from *Governance as Leadership: Reframing the Work of Nonprofit Boards*,
by Richard P. Chait, William P. Ryan and Barbara E. Taylor

The authors recommend reframing Board work around “three modes” of governance:

- 1. Fiduciary Mode:** Board exercises legal responsibilities of oversight and stewardship. *“In this mode, the Board’s central purpose is the stewardship of tangible assets, and its principal role is to act as a sentinel.”*
- 2. Strategic Mode:** Board makes major decisions about overall priorities regarding resources, programs, people, and services. *“Here, the Board’s central purpose is to ensure a winning strategy for the organization, and its principal role is to be a strategic partner to senior management.”*
- 3. Generative Mode:** Board engages in deeper inquiry, exploring root causes, values, optional courses, and new ideas. *“In the generative mode, the Board’s central purpose is to be a source of leadership for the organization, and its principal role is as a ‘sense maker.’ The Board ‘decides what to decide’; discerns challenges and opportunities; and probes assumptions, logic and the values behind strategies.”*

What is entailed in being “generative”?

- **Generative thinking is problem-framing**
- *“Generative work conveys the gift of helping executives see things better, improving their perception and perspective so that they are in a better position to invent new goals, to discard old goals, to better see problems and to discard problems that really are not that important in the long run.”*
- Process of augmenting/modifying organization's services moves from problem-framing to strategy to plans, tactics and execution

- As issues are framed and converted into strategies and plans, opportunity for generative leadership contributions from Board passes by
- Unfortunately, Boards tend to get most involved after plans have been implemented, through familiar practices such as fiscal oversight

Examples of fiduciary, strategic, and generative thinking

- The Board can ask, “Should we build a new fitness center for students and equip it with climbing walls and hot tubs?”
- **Fiduciary question:** “Do we have the money and the space?”
- **Strategic question:** “Should we do this to keep up with the competition?”
- **Generative questions:** “What produced this amenities arms race? Will it ever stop? Do we want to pass or play? If we play, what are our principles?”

Distinctive Characteristics of Three Types of Governance

	<u>Type 1: Fiduciary</u>	<u>Type 2: Strategic</u>	<u>Type 3: Generative</u>
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 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

Importance of Early Board Involvement with Key Questions

- *“The most important work that takes place in an organization is when people first begin to identify and discern what the important challenges, problems, opportunities, and questions are. It's the way in which the intellectual agenda of the organization is constructed.”*
- *“The generative work that we recommend encourages Boards to be present at those times when the organization tries to make sense of circumstances, tries to make meaning of events.”*
- *“The way in which we first make sense of circumstances is in fact what triggers or spawns strategies, policies, decisions, and actions. (We chose the word “generative” because its roots are in genesis.) Boards need to be there at the creation, when people say, ‘Okay — that’s what we need to work on.’”*
- *“When you think of a decision-making flow, all we are suggesting is that Boards get at the headwaters. They need to get way upstream; they tend to wade in much too far downstream.”*

When is generative focus misplaced or untimely?

- **When an institution is in extreme crisis:** *“If you are hemorrhaging, this is not the moment to ask about the underlying meaning or long-term implications of some issue. You have to put the tourniquet on first.”*
- **If you would lose a highly-valued CEO:** *“Not every CEO wants to do this. If this is going to so rankle and alienate a CEO whom you otherwise find to be the perfect match for you, maybe a Board would make a considered judgment that it is more important to have this extraordinarily proficient and talented, if somewhat territorial, CEO in place than it is to run the risk that he or she will leave because we are moving in another direction.”*

Implications for Committees on Trustees

- *“Look as you would for a CEO – not just for technical skills, but also broader intellectual assets.”*
- *“How does the person think?”*
- *“What curiosity do they display?”*
- *“How likely are they to challenge others?”*
- *“How willing would they be to grapple in a collaborative way?”*
- *“And we’d also urge Boards to think in terms of development, not just recruiting. Can they develop the practices and norms needed to work in all three modes?”*