Exceptional Governance
Created for the Hoffman-Haas Fellowship Program
New Hampshire Center for Nonprofits
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The Hoffman-Haas Fellowship, an initiative of the NH Center for Nonprofits, is designed to engage, prepare and inspire participants to meet the demand for 21st century board leaders.
Why do some nonprofit boards underperform?

The Best Nonprofit Boards

- Demonstrate allegiance to the mission
  - The organization is a most cherished commitment of their time, wisdom, and resources
  - The organization’s mission is ever-present in deliberations and decisions
  - The board epitomizes the organization’s core values
  - The board understands the organization’s culture and its importance
- Are a strategic asset and provide a comparative advantage to the organization
- Are constructive partners in leadership with the Executive Director
- Think independently but govern collectively
- Elevate the organization’s interests above self-interest
- Discern, define, deliberate, and decide issues of consequence to the organization
- Encourage inquiry, promote discourse, and demand debate in the boardroom
- Are self-aware and committed to continuous improvement
Exceptional Governance

Requires that a board discern, define, deliberate, \textit{and} decide the most important issues.

- Better questions
- Careful framing
- Critical thinking
- Insight generation
- Airing and understanding divergent views
- Better decisions

Exceptional Governance

What gets in the way?
Why govern differently?
Impediments and why we need to govern differently in order to govern better

- Board members are bored
- Our brains are overloaded
- Data and distraction (available for free) overwhelm attention and meaning (costly)
- We practice ambiguity-avoidance
- Focused on action, we lack tolerance for process
- We are fascinated with fads, gimmicks, and the next “best” thing
- Confronting deep-seated values and beliefs is difficult and messy
- Critical thinking is hard

“We live in a society bloated with data but starved for wisdom.”
~ Ethnographer Elizabeth Lindsey ~
Confronting Values and Beliefs: Messy!

- Technical problems & issues can be addressed and solved by expertise and good management.

- Adaptive challenges:
  - Are where values, beliefs, and behaviors are core considerations
  - May involve a disparity between values/mission and circumstances (need to close the gap)
  - Require innovation and learning
  - Technical “fixes” tend to exacerbate the problem
  - Require thinking tri-modally and through the lenses of key stakeholders

- Leadership consists “not of answers or assured visions, but of taking action to clarify values.”

- Effective leaders resist the temptation to seek authoritative and absolute “right” answers. If any are found, they are almost certainly solutions to technical problems, not adaptive challenges.

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- How do engineers think?
- How do lawyers think?
- How do architects think?
- How do investment bankers think?

‘Reality test’ your interpretation especially when it is self-serving or close to your default. (Heifetz)
What’s the biggest challenge ahead of your organization in the next year?

We can’t govern well enough to deal with those challenges using habitual/standard board methods.
My question is: Are we making an impact?

Mary Ellen Jackson
5:30 to 6:00 p.m.
Let’s Eat!
6:00 – 6:20 p.m.

A framework for exceptional governance
At a typical board meeting...

- What percentage of time is put to good use?
- What constitutes “good” use?
- What percentage of board member intellectual capital is tapped?
- How often are ideas put into play productively v. explanations and reports?
- What are you optimizing? (e.g., quicker or better decisions; congeniality or collegiality; convergent or divergent thinking)
- What are the goals of your board meetings?
- If a goal was better thinking, what would you do differently?

Mental Maps or Mindsets

Mode 1: Fiduciary – Productive
- **Goals**
  - Protect assets.
  - Ensure compliance with laws and regulations.
  - Hire/fire the CEO.

Mode 2: Strategic – Logical
- **Goals**
  - Apply strategic thinking.
  - Set priorities and deploy resources.
  - Guide organization from present to preferred future.

Mode 3: Generative – Expressive
- **Goals**
  - Shape the thinking in the other two modes.
  - Understand the past; define the future.
  - ‘Frame’ the mission- and values-based questions.
Modes on the Generative Curve

Value-Added Work Higher on the Curve

<table>
<thead>
<tr>
<th>Fiduciary</th>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversight</td>
<td>Inquiry</td>
</tr>
<tr>
<td>Scandal free?</td>
<td>Safeguards?</td>
</tr>
<tr>
<td>Affordable?</td>
<td>Opportunity cost?</td>
</tr>
<tr>
<td>Clean audit?</td>
<td>Audit insights?</td>
</tr>
<tr>
<td>Legal?</td>
<td>Ethical?</td>
</tr>
</tbody>
</table>

Generative

Does the idea align with or change our mission?
Who are the key stakeholders and what is at stake for them?
If we do this, what will key stakeholders infer about our core values?
How else might we look at this?
<table>
<thead>
<tr>
<th>Questions of...</th>
<th>FIDUCIARY</th>
<th>STRATEGIC</th>
<th>GENERATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>What?</td>
<td>Asset stewardship</td>
<td>Partner with senior staff to think strategically</td>
<td>Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs</td>
</tr>
<tr>
<td>How?</td>
<td>Oversee operations</td>
<td>Scan internal and external environments</td>
<td>Engage in sense-making, meaning-making, and problem framing</td>
</tr>
<tr>
<td></td>
<td>Deploy resources wisely</td>
<td>Design, reflect on, and adapt strategic plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure legal and financial integrity</td>
<td>Strengthen competitive advantage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure academic quality and student safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monitor results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Why?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Activities**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Financial failure</th>
<th>Apathy and slow death</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Way of knowing</td>
<td>It stands to reason</td>
<td>The piece all fit</td>
<td>It makes sense</td>
</tr>
<tr>
<td>Role</td>
<td>Steward</td>
<td>Strategist</td>
<td>Sense-maker</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Oversight</td>
<td>Foresight</td>
<td>Insight</td>
</tr>
</tbody>
</table>

**Generative Governance**

The board generates:

- Insight and understanding about a question, problem, challenge, opportunity, or the environment; and,

- A sense of the organization’s identity – ‘our way’ of responding to the problem or environment, or seizing the opportunity.
A wealthy collector has approached St. Paul’s Episcopal Church in Paterson, New Jersey, with an offer of $2 million for 13 of its stained glass windows. The offer includes removal, restoration and window-replacement costs. Louis Tiffany created 12 of the windows at the Diocese of Newark church and artist John LaFarge designed the other. The would-be buyer wants to exhibit the works of art this fall and has given the church a deadline to decide.

The church is NOT in any financial trouble.

What fiduciary, strategic, and generative questions should the board consider as it deliberates and makes its decision?
~ The Collective Matters ~

Lawyers
Social Workers
Accountants
Investment Bankers
Engineers
Curators
Priests
Architects

Exceptional Governance

STEPS TO TAKE
Find. Frame. Focus.

- Spend more time, as a collective, upstream sense-making.
- Wear “tri-focals” to analyze issues in three modes.
- With the executive director, decide what to decide.
- Consider key stakeholders and their lenses.
- Focus on the “main thing.”
- Avoid diagnosis momentum.
- Develop rolling 12-month agendas for board and committees.
- Recognize our natural reluctance to decide something is “out” or “off the table.”
- Identify and close board member knowledge gaps on key issues and trends affecting the organization.
- Substitute high value-added for low value-added activity.

Align Board Structure with Strategy

- Examine standing committees.
  - Evaluate their charters and performance
  - Set annual goals
- Strategy drives structure, not vice versa.
  - What is the work the board needs to do?
  - How should we organize ourselves to do it?
- Board drives committees, not vice versa.
  - Develop derivative agendas for committees
  - Consider merging, differentiating, or eliminating committees
  - Streamline structure to increase impact and broaden participation
- Selectively deploy strategy-driven, outcomes-oriented task forces.
  - More adhocracy, less bureaucracy
- Substantively engage constituents.
Better Meetings through a Culture of Inquiry

- Specify objectives.
- Fit format to content and purpose; emphasize themes not reports.
- Highlight opportunities for the board to add value.
- Create efficiencies.
  ~ Consent agendas
  ~ Performance dashboards
  ~ On-line updates
  ~ Committee quick reports
  ~ Advance surveys
  ~ Contacts for clarification
- Seek real-time feedback from the executive director.
- Summarize implications, expectations, and next steps.

Ensure Robust Discourse

- Invite broad participation; elicit constructive dissent.

  "I take it that we are in agreement on the decision here. Then, I propose that we postpone further discussion to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about."
  (Alfred P. Sloan: GM Chairman and CEO from 1923-1956; Quoted in New Yorker, 2004, p. 30)

- Distribute discussion questions in advance.
- Minimize staff presentation; maximize board discussion.
- Pose meaningful questions as catalysts to critical thinking.
- Entertain various "what if" scenarios.
- Vary format
  ~ Breakout groups
  ~ Advocacy panels
  ~ Anonymous input
  ~ Silent starts
  ~ One-minute memos
  ~ Case studies/hypotheticals
  ~ Constituent views
  ~ Debates
Build the Board Team

- **Build Teamwork**
  - Have clear and compelling shared purpose; discuss board legacy; determine board mission
  - Set consequential, challenging goals and board benchmarks
  - Avoid group think through appropriate deliberation
  - Maintain an appropriate sense of urgency
  - Have a code of conduct
  - Get to know each other personally; attend to social capital and build trust

- **Select Carefully and Orient New Board Members**
  - Select team players who have a reasonable sense of urgency, can stay focused, and who are emotionally engaged not personally entangled
  - Orient new board members to the organization and the board’s norms/culture
  - Provide mentors, glossaries, directories, connections, frequently asked questions

- **Plan for Succession**
  - Have term limits, not just terms
  - Establish position description and succession plan for board chair
  - Attend to succession for trustees and board officers
  - Be transparent

Engender Diligence & Accountability

- Epitomize performance accountability for the college.
- Make decisions as if you had to explain them to stakeholders.
- Evaluate the board, individual trustees, committees, meetings.
- Seek management’s overall assessment annually.
- Collectively interpret and utilize results of evaluations.
- Hold executive sessions for reflective practice.
- Discuss examples of the board’s pivotal contributions and shortfalls.
- Fortify the role of a true Governance Committee (not just a nominating committee) – broaden scope of work.
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