



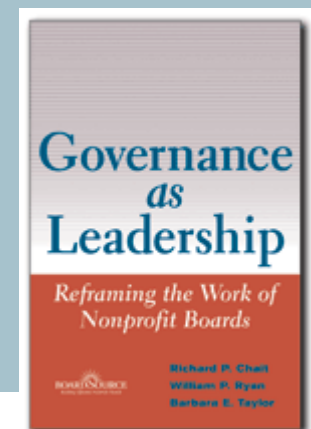
# *Governance as Leadership*

**Duke Energy Indiana**

**October 22, 2010**

**Facilitated by:  
Susan S. Meier, Vice President,  
Consulting & Training, BoardSource**

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## BoardSource

- Advances the public good by building exceptional nonprofit boards and inspiring board service
- Supports and promotes excellence in nonprofit board service
- Is the premier source of cutting-edge thinking and resources related to boards
- Engages and develops the next generation of board leaders



## Susan Meier

- Vice President, Consulting & Training at BoardSource
- Former Vice President of Chapter Services for national federated nonprofit
- Corporate experience
- National and local board member and officer experience

## Learning Objectives



- To understand how to reframe the work of the board in fiduciary, strategic, and generative modes
- To explore the concept of “constructive partnership”
- To learn how to bring ‘governance as leadership’ into the board room



# Agenda

- ✓ Setting the Context
- ✓ Opening Exercise: “Silent Start”
- ✓ Reframing the Work of the Board
  - ✓ The Fiduciary Mode
  - ✓ The Strategic Mode
  - ✓ The Generative Mode
- ✓ Exercise: The Triple Helix
- ✓ Bringing *Governance as Leadership* Alive in Your Board Room
- ✓ Moving Forward



***“Never doubt that a small group of thoughtful, committed people can change the world. Indeed, it is the only thing that ever has.”***

***-- Margaret Mead***



## What is Governance?

To govern is to steer, to control, and to influence from a position of authority.

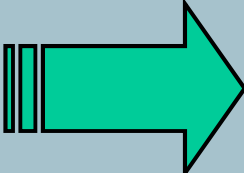


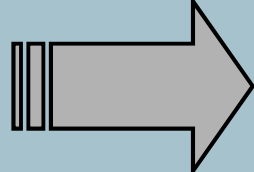
# Silent Start

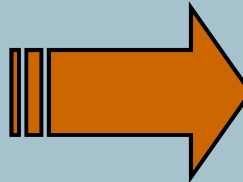


## A General Direction...

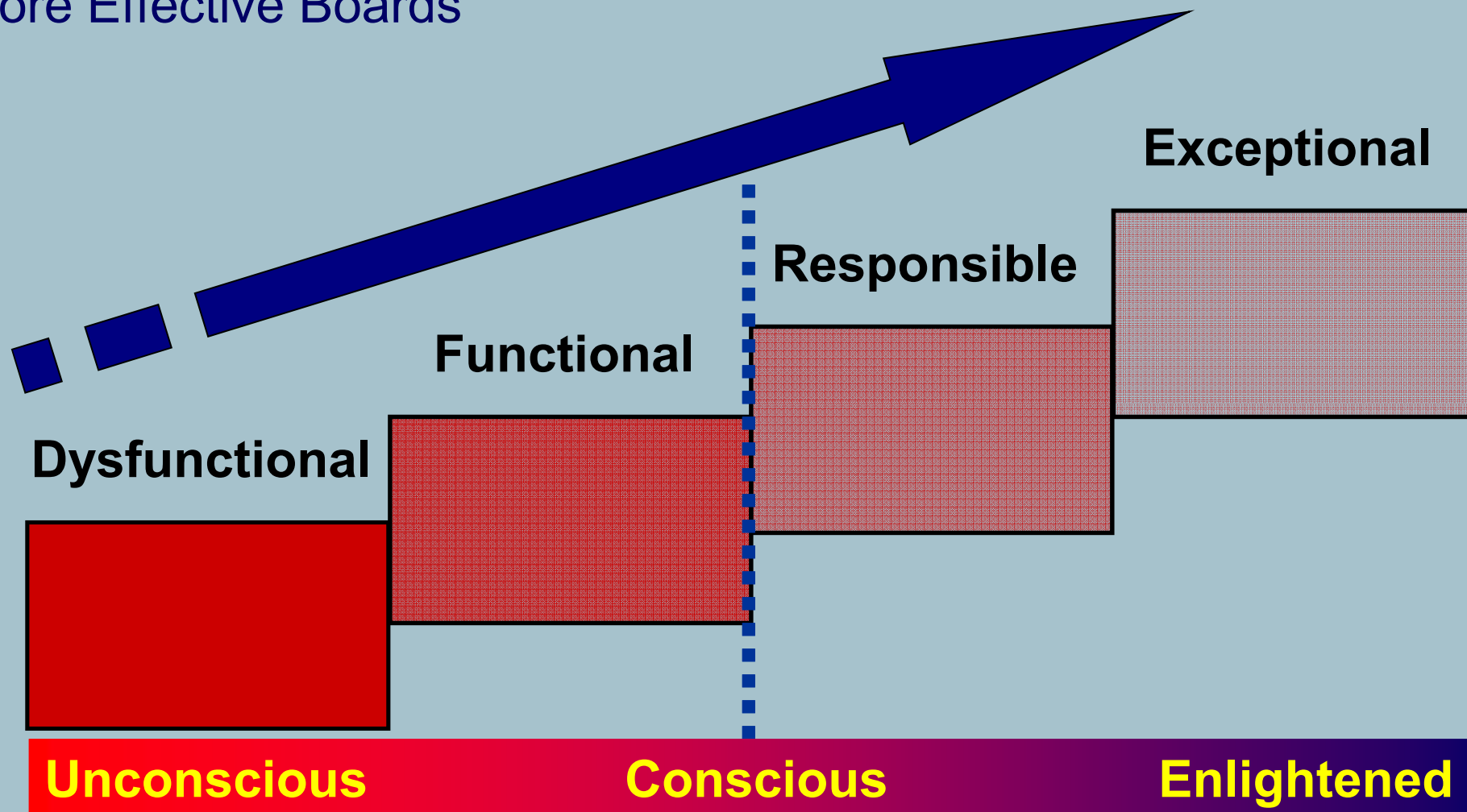


**Good**  **Great**

**Success**  **Significance**

**Stewardship**  **Exceptional  
Leadership**

Our Goal –  
More Effective Boards

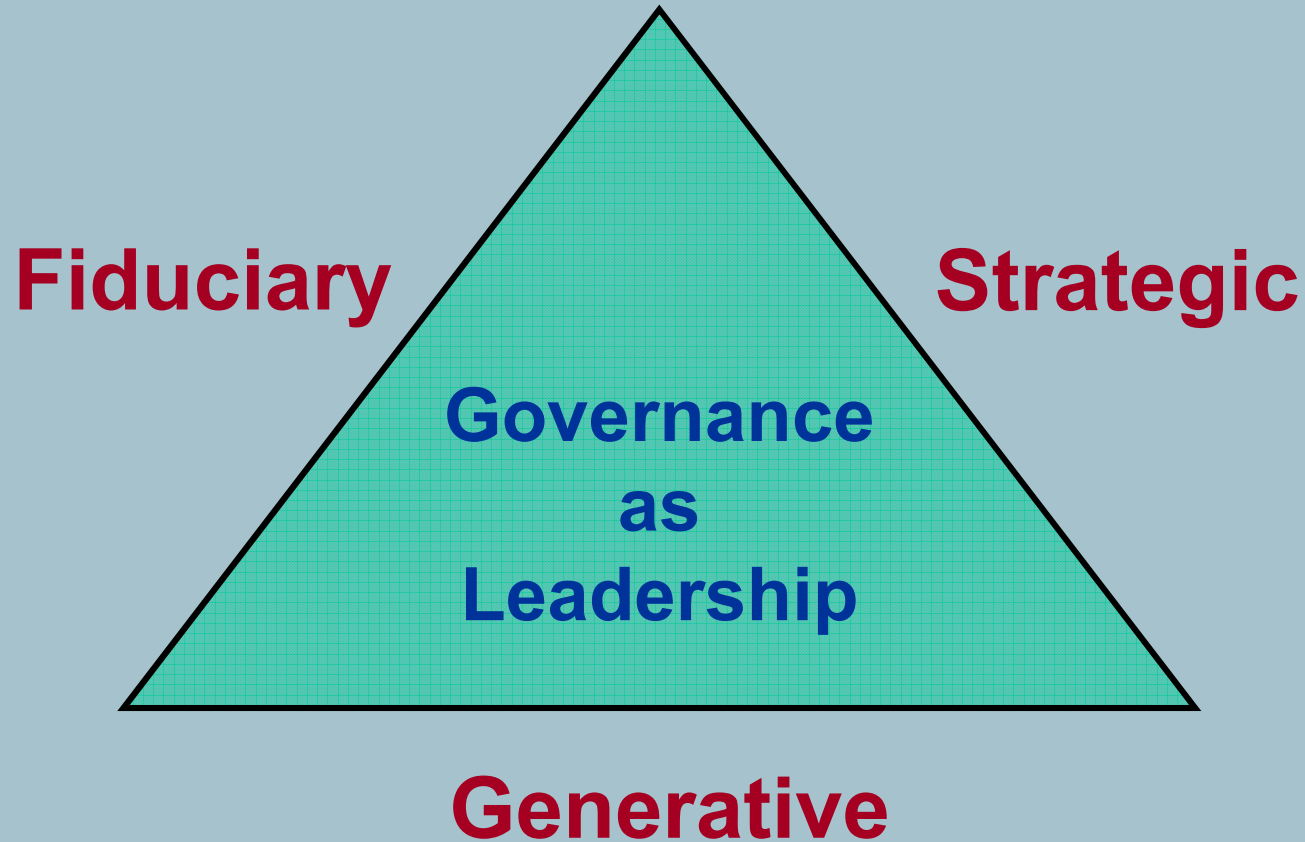




# What's the Problem?

Classical	Diagnosis	Problem of performance
	Response	Codify board's role, clarify tasks.
	Objective	Do the work better.
Reframe	Diagnosis	Problem of purpose.
	Response	Enrich the job, engage the board.
	Objective	Do better work.

# The Governance Triangle





## Core Concepts

- Board must think and work in three different modes.
- Each mode emphasizes a different aspect of governance.
- All three modes are important.
- The value added by a board will increase as the board:
  - Becomes more proficient in more modes;
  - Does more work in the third mode;
  - Chooses the appropriate mode/s of work.

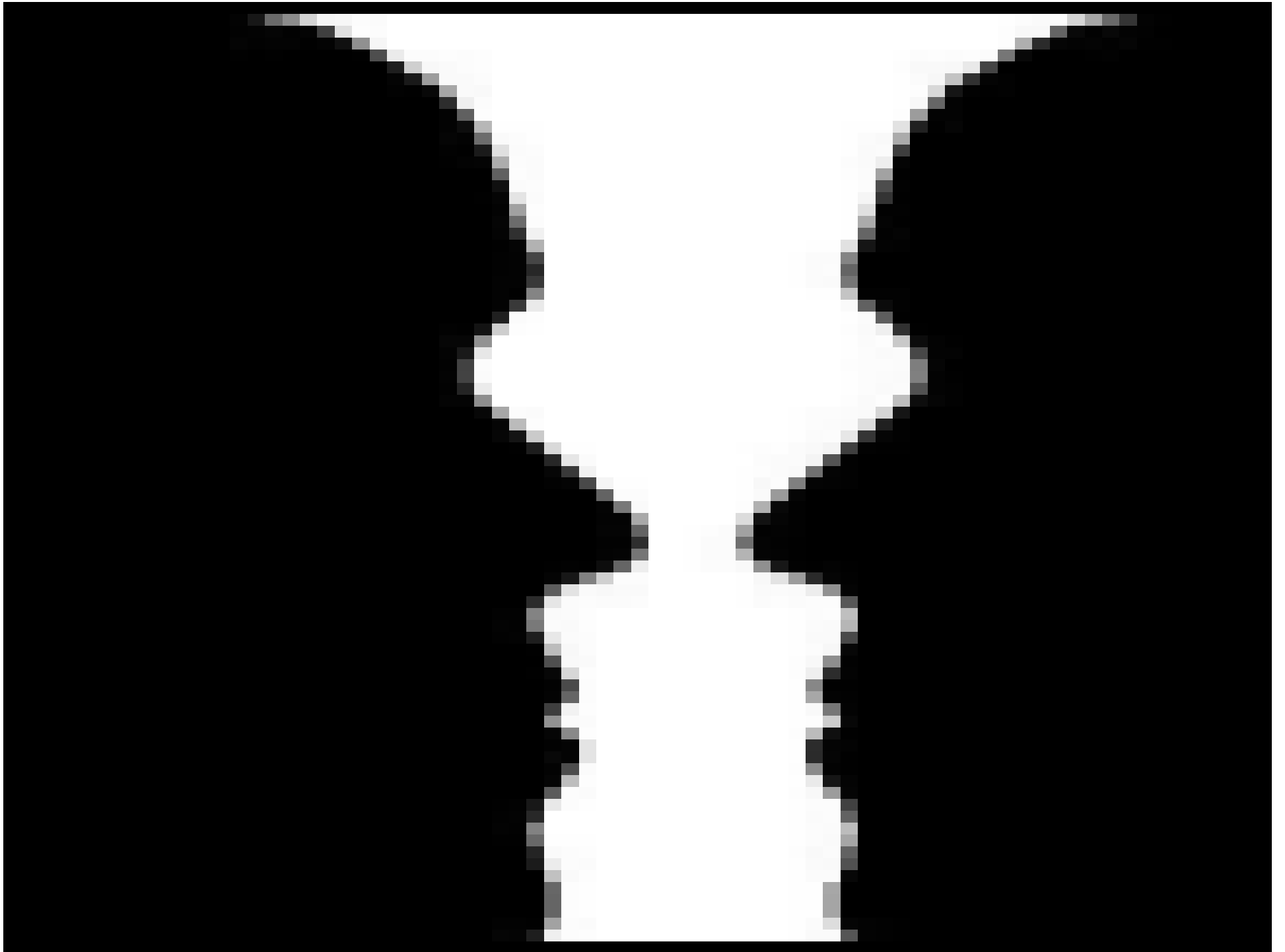


## Modes of Governance

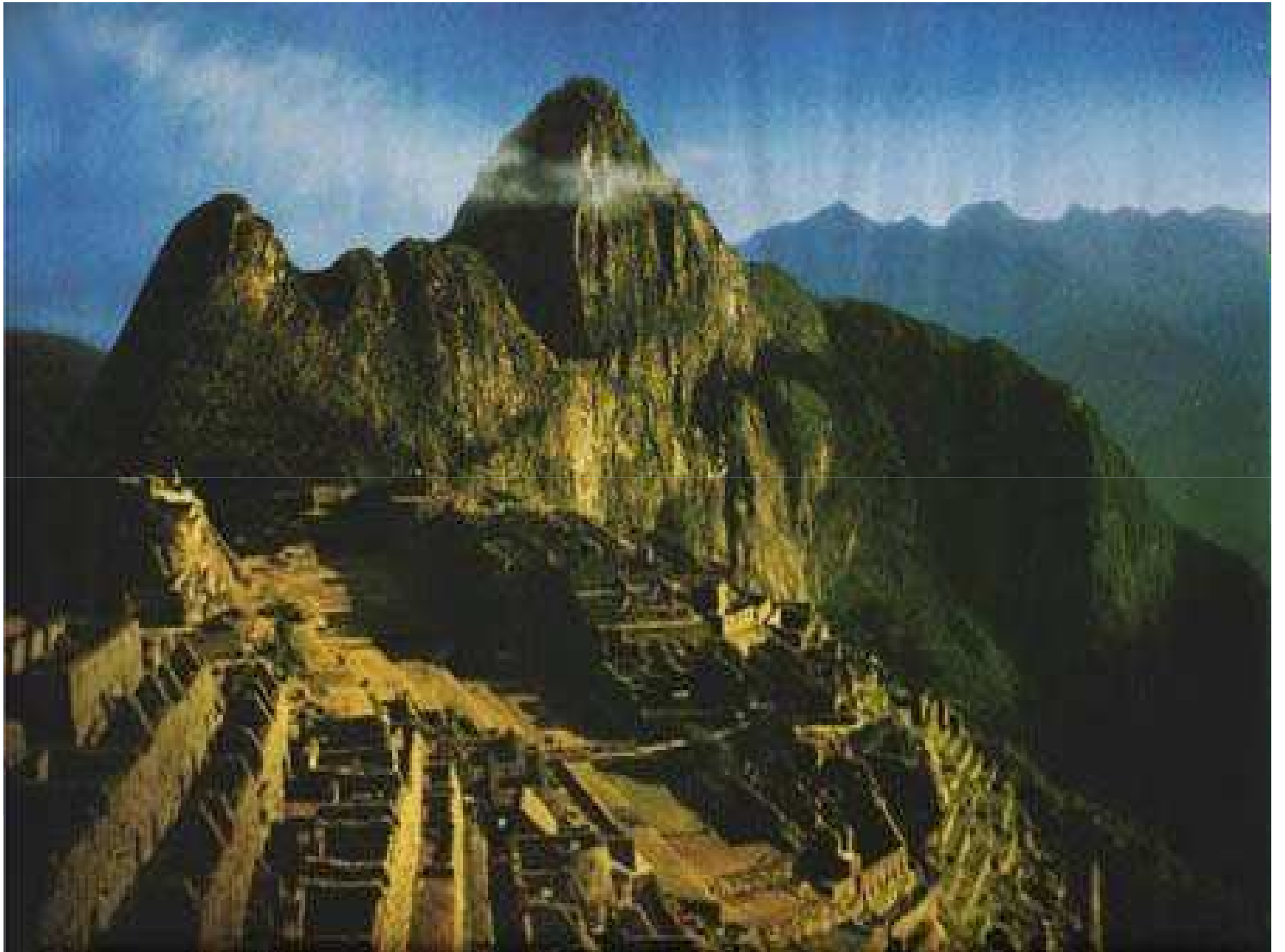
- I. **Fiduciary.** Stewardship of tangible assets. Oversee operations; deploy resources wisely; ensure legal and financial integrity; monitor results.
- II. **Strategic.** Partner with senior staff to scan internal & external environments; design & modify strategic plans; strengthen comparative advantage.
- III. **Generative.** Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs; engage in sense-making, meaning-making, and problem framing.



Tell Me What You See...











## Constructive Partnership

- Requires respect for differences
- Requires regular communications
- Requires clarity of roles and mutual expectations
- Benefits from mutual assessments



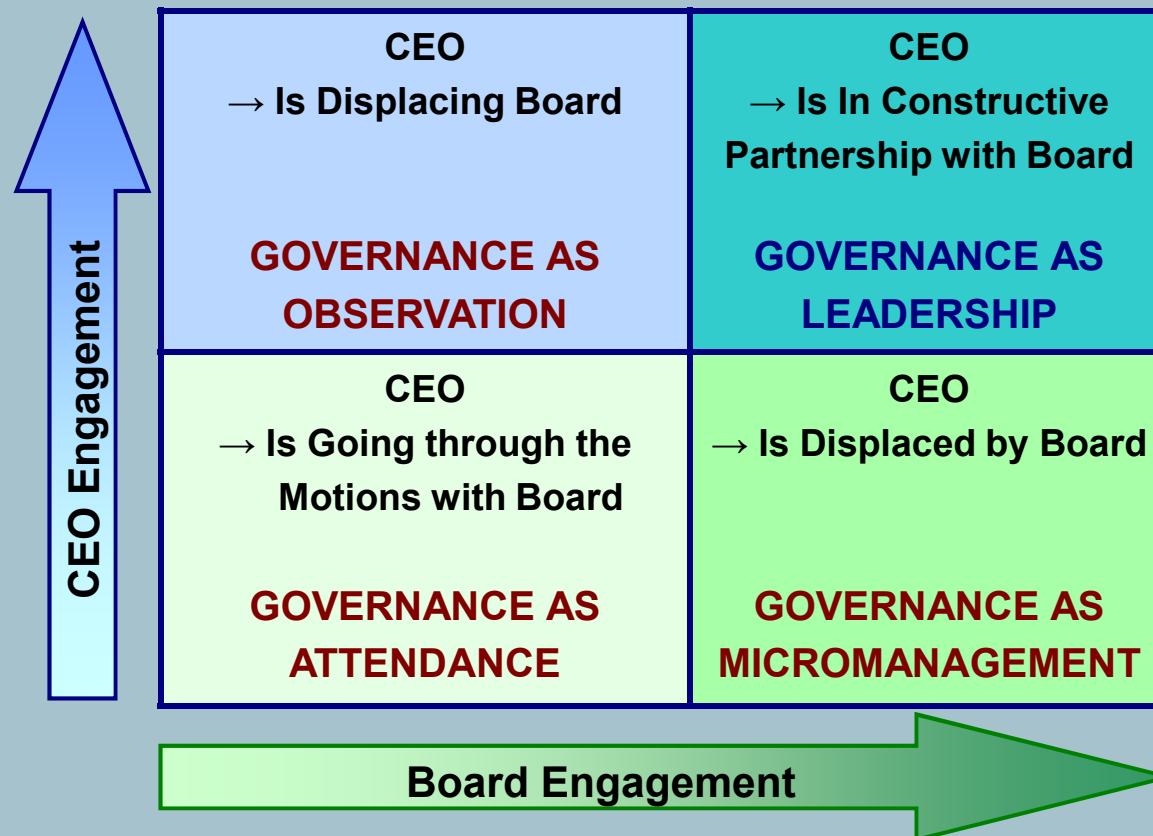
## Constructive Partnership

- The board is a powerful force supporting the organization.
- The CEO sees the board as a strategic asset.
- The success of the CEO and the board are interdependent upon one another.

# Relationship Dynamics



## The Vital Role of the CEO and The Board



# New Covenant Between Board and Senior Management



- Less micromanagement in exchange for more macrogovernance.
- Fusion of thinking, not division of labor.
- Partial control of complete perspective versus total control of partial perspective.
- Board well-prepared and self-disciplined.
- Executives forthcoming and open-minded.



# The Governance Triangle





## Type I: Fiduciary Mode

### ■ Board's core work:

- *Oversee operations*
- *Ensure efficient & effective use of resources*
- *Ensure legal compliance & fiscal accountability*
- *Select & evaluate CEO*
- *Monitor results*



# Value-Added Fiduciary Work

## Oversight

- Due diligence?
- Scandal free?
- In compliance?
- Can we afford it?
- Clean audit?
- Budget balanced?
- Do we manage risk?
- New program meets market?
- Is it legal?

## Inquiry

- Hold what in trust for whom?
- Safeguards in place?
- Voluntary measures to earn trust?
- What's the opportunity cost?
- Insights from audit?
- Budget matches priorities?
- Do we take sensible risks?
- New program serves mission?
- Is it ethical?



# Value-Added Fiduciary Questions for Troubled Times

## Oversight

Days in cash?

Need to cut costs?

Are we diversified?

## Inquiry

Cash reserves truly liquid?

Viable contingency plan?

Reliability of revenue  
streams affected?



Why not function just as a *fiduciary* board?





## Type II: Strategic Mode

### □ Board's core work:

- *Scan internal & external environments.*
- *Review & modify strategic plan.*
- *Monitor performance accountability via critical success factors, benchmarks, and competitive position.*



# Value-Added Strategic Work

## Planning

Money, space, personnel?  
Resource generation?  
Compensation plan?  
Size of market?  
What is? (Extrapolation)  
Valid assumptions?  
Traditional competitors?  
Internal preferences?  
Management must do what?

## Thinking

Business model viable?  
Social entrepreneurialism?  
Great place to work?  
New markets?  
What could be? (BHAGs)  
Make new rules?  
Nontraditional competitors?  
Customer value propositions?  
Board must do what?



## Strategic Questions for Troubled Times

- What would be the benefits and the drawbacks of merging (or forming a strategic partnership) with another organization vs remaining independent?
- How is demand for our programs changing as a result of the troubled economy?
- What are likely to be the long term effects of the current climate on our institution?



Why not function just as a *fiduciary/strategic* board?





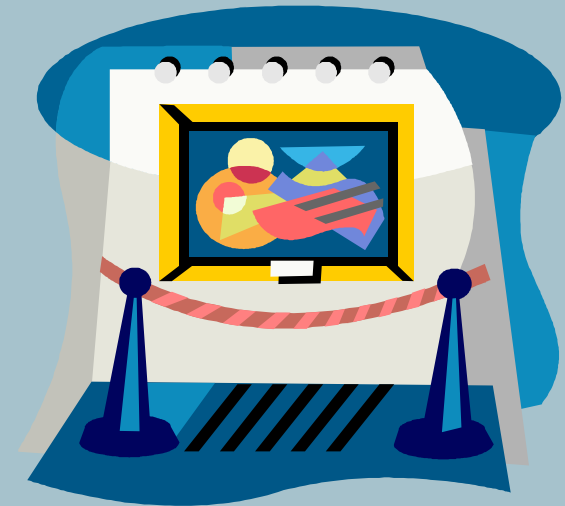
## Type III: Generative Thinking

- Places current challenges in new light.
- Perceives and frames “better” problems and opportunities.
- Recognizes organizations are not always rational.
- Discovers strategies, priorities, & “realities.”
- Suspends the rules of logic to tap intuition and intellectual playfulness.
- Encourages robust discourse not quick consensus.



# The Triple Helix

## Case Study I



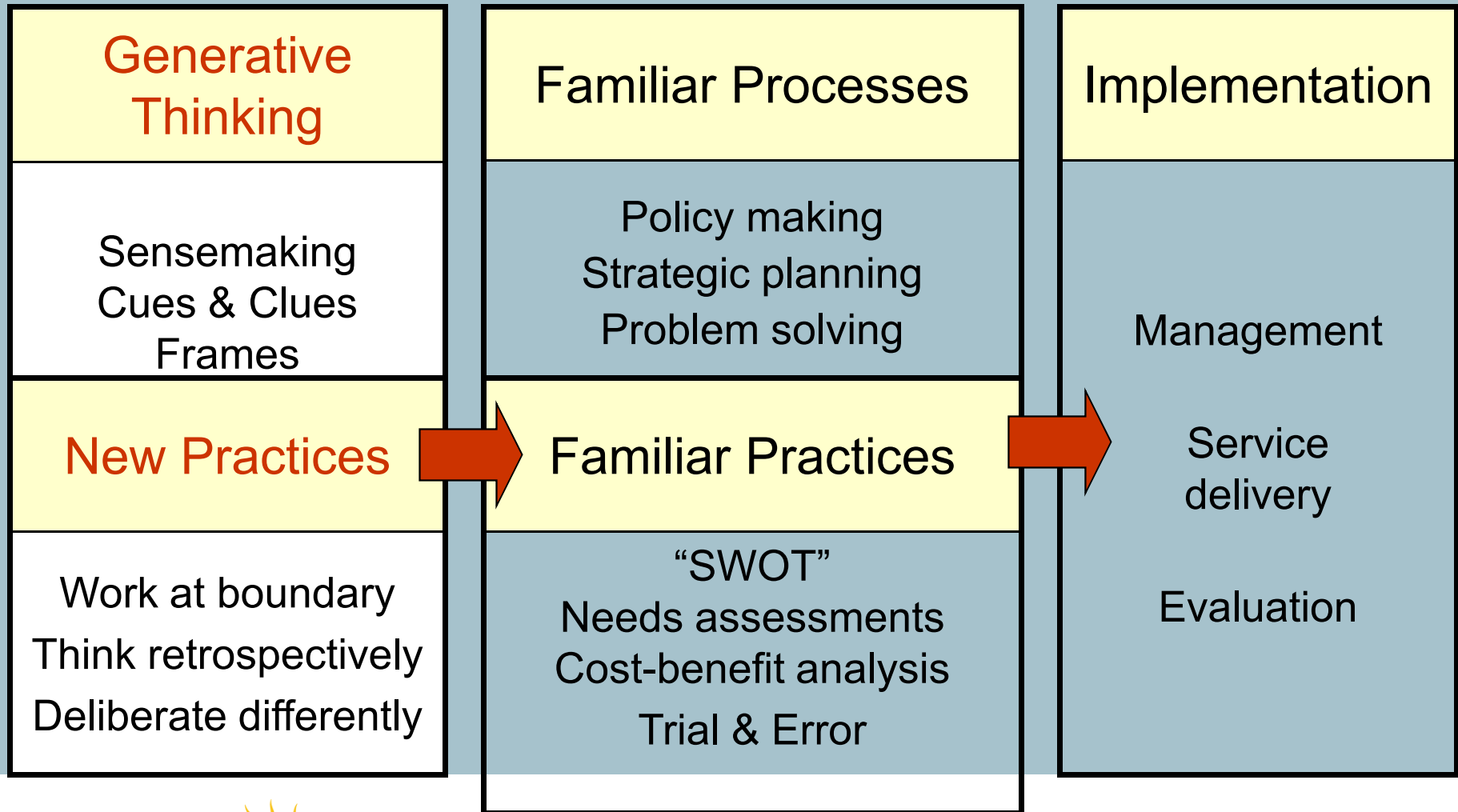


# Break!





# Generative Thinking in Organizations





# Practice Opportunities

- Regular board meetings
- Reflection and retreats
- Organizational transitions



## Regular Board Meetings

- **Ambiguity.** Multiple interpretations of what's going on or what requires attention
- **Saliency.** Issue means a great deal to a great many
- **Stakes.** Issue touches on core values or organizational identity
- **Strife.** Prospects for confusion or conflict are great



## Regular Board Meetings

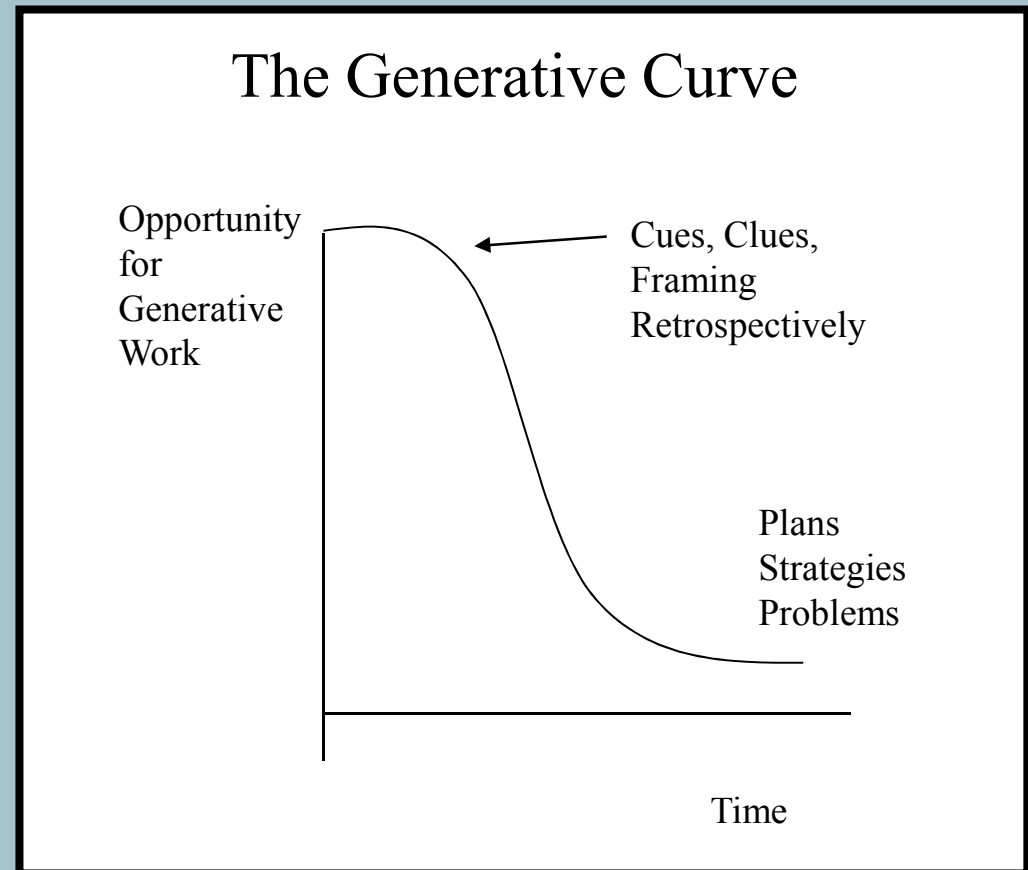
### **Tee up generative discussions:**

- Consent agenda
- Open discussion
- Silent starts
- One-minute essays



# Reflection and Retreats

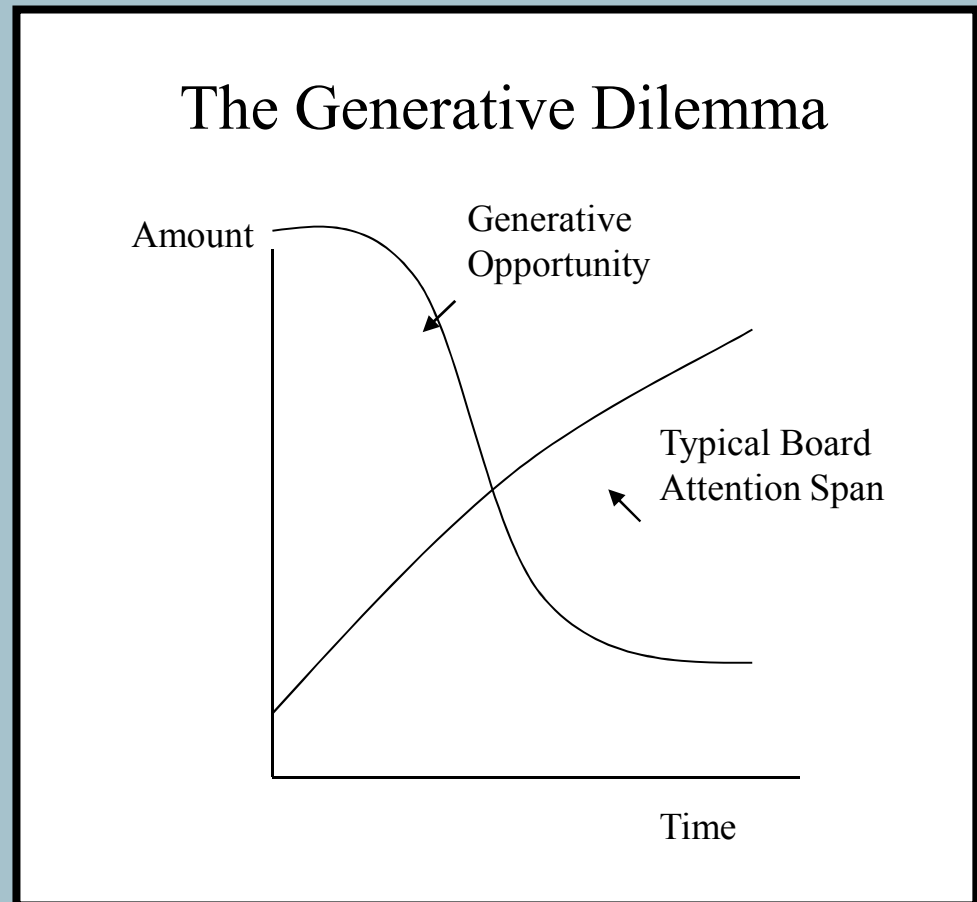
- High-curve practices
- Catalytic questions
- Retrospective thinking
- Boundary work





# Hypothesis

Trustee involvement is lowest where generative opportunity is greatest, and trustee involvement increases as generative opportunity declines.





# Reflection and Retreats

## Catalytic questions:

- What keeps us awake at night?
- If we could absorb another nonprofit, who would it be and why?
- What are our hidden assets?
- On what list do we want to rank #1?
- What is distinctive about our organization? Is that quality/service becoming more or less valuable in the world in which we work?



# Reflection and Retreats

## Retrospective thinking – dominant narratives:

- What’s our “dominant narrative” and is it working?

## Retrospective thinking – strategy:

- What patterns do we see?
- What can we learn from past successes/setbacks?
- What do we know now that we didn’t at last plan?
- Where do we meet resistance and why?



## Reflection and Retreats

### External boundary work:

- What are other nonprofit and for profit organizations discussing?
- What is changing in our community?
- How do our clients/users see us?

### Internal boundary work:

- What is our organizational culture?
- Why do you work here?
- What one thing would you change if you could?



# Organizational Transitions

- New chief executive
- New board chair
- Strategic points/plan
- Board recruitment
- Capital campaign
- Shifting out of organizational malaise



## Exercise

- Identify a generative opportunity for your organization.
- Identify three questions to stimulate a more engaged and meaningful conversation at your board table.



## Points to Ponder

- How well do we foster a sense of inclusiveness among all board members?
- Is there sufficient diversity of backgrounds, opinion and thought amongst our board members to ensure diversity of opinions?
- How comfortable are we in engaging in constructive debate within the boardroom on consequential issues?
- Does our tradition of politeness inhibit our willingness to express divergent views?



## Points to Ponder

- Is there a shared culture of inquiry that leads to better, more informed decisions within your organization?
- Does the board enlist information from outside sources, such as articles, research, reports, or feedback from external experts or stakeholders?
- Are different formats used for board meetings, such as small group discussions, facilitated sessions, or outside speakers, to help the board address important issues?
- Is there a two-way appreciation of challenging questions?
- How much real candor is there between the CEO and board members?



## Governance as Leadership Cautions

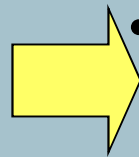


- Do not overuse any one mode.
- Do not be formulaic about working in three modes.
- Do not find generative work everywhere.
- Do not mount the generative curve *after* the staff or committee work has been done.
- Do not underestimate the costs of the status quo.



## The Payoff

# Governance *as* Leadership



- Empowers the board.
- Engages the “collective mind.”
- Exploits board’s talents.
- Enriches board’s work.
- Enhances performance of board and organization.

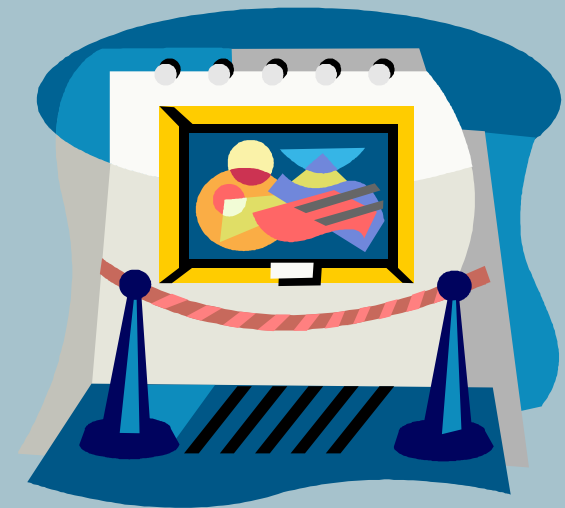


# Break!





## Case Study II



***Thank you!***



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*Building Effective Nonprofit Boards*



# Boards, Executive Committees & Evaluation

Susan Meier, BoardSource

Tom Ticknor, **Ticknor & Associates**



# Exercise



# Key Governance Tenets

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- ✓  The board is a dynamic organism
- ✓  Board/staff roles understood and respected
- ✓  Focus on that which is most important
- ✓  Build evaluation into your culture & practices



# Boards as Dynamic Organisms

- Organization changes as environment changes
  - Economy, community, public scrutiny, state & local capacity, organizational mission, etc.
- Board responsibilities change as an organization changes
  - Size of budget, staff
  - Visibility and reputation
  - Difficulty of fundraising
- Boards must be responsive to change
  - Private sector continuity
  - Public sector change



## Evaluation of Chief Executive

- Selection of Chief Executive, e.g.:
  - Single most important decision of any board
  - Succession planning
- Support of Chief Executive, e.g.:
  - Set expectations clearly, including bonuses
  - Provide training
  - Assist Chief Executive when Board members overstep/misunderstand roles
- Evaluating Chief Executive, e.g.,:
  - Frequent and constructive feedback
  - Annual, formal evaluation



## Three Levels of ED Evaluation

- Program Implementation
- Intermediate Outcomes
- Final Outcomes
  - Full impact
  - Problem of the Team Game



## Benefits of Board Self Assessment

- Start with Board Policy Manual
- Provides information and motivation to strengthen board performance
- Serves as an effective orientation process for new members
- Builds teamwork within the board
- Clarifies board and staff roles
- Models accountability for staff
- Increases credibility among investors and other constituencies



# Board Evaluations

- Board Self Assessment
  - Every 2-3 years
  - Use a proven tool
  - Use an outside consultant to facilitate discussion
- Board Member Assessment
  - At least at the end of each term
  - Set expectations clearly
- Board Member Succession Planning
  - Consciously develop volunteer leadership

*It was great...*

*Thank you!*



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