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Governance as Leadership

Bringing new governing mindsets to old challenges

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Invited by BoardSource to take a fresh look at the problems and potential of nonprofit boards, we decided early on to look at leadership. The transformation of leadership theory and practice in recent decades, we thought, might suggest what it would take to develop new ideas and practices for governance. But as we dug deeper, our interest in leadership shifted. In addition to looking at governance in light of leadership, we began reframing governance as leadership. We believe that the concept of governance as leadership gives boards a new way to understand governance and, more important, new practices for governing more effectively.

Governance in Light of Leadership

We found that three developments in the recent theory and practice of leadership had important implications for governance.

1. A virtuous circle of theory and practice

Why do leaders understand and practice leadership differently today than they might have 50 years ago? Partly because of a huge surge of interest in leadership that led to an abundance of new concepts and theories. Theorists and researchers in fields as varied as psychology, sociology, political science, and management all studied leaders and leadership. Leaders themselves joined in the sprawling debate about what makes for effective leadership. By studying leaders at work, the researchers developed new theories; the new theories, in turn, inspired new practice. This virtuous circle of theory and practice changed the field.

Governance is different. While there is urgent interest in the problems of boards, and a growing demand for more accountability, there is very little governance theory. We don't think about or debate governing; we just do it. The literature aimed at boards is mostly prescriptive, a series of dos and don'ts. It summarizes practices that are considered effective, clarifies the roles and responsibilities of boards, and, in the process, reinforces both sound practical wisdom and less valuable conventional wisdom. In short, to get new governing practices, the field will need new governing concepts.

2. Multiple modes for complex organizations

Many practitioners and theorists have converged on a central insight into leadership: Effective leaders don't mobilize people and organizations because they see things in one way; they succeed because they see things in many different ways. They can look at a complex organization's most difficult problems from many vantage points, which, together, give them a better appreciation for their options. And in responding to the challenges they face, they bring different mindsets to bear, and work in multiple modes. Theorists and practitioners have identified a number of these modes, in which, for example, leaders act as politicians, icons, culturebuilders, coaches, enforcers, managers,

bureaucrats, and so on.

In contrast, we tend to understand governance as a set of board tasks rather than a series of governing modes or mindsets. For many boards, governance is a series of routines: overseeing budgets, receiving audits, hearing reports, approving strategic plans, and so on. They might be multitaskers, but most boards are not multimodal. We simply don't have ideas and language to think about the different mindsets that boards should bring to different aspects of governing.

3. The power of framing

Many students of leadership have reached consensus on a second point: Leaders exercise their greatest power by framing the issues at hand. In many cases, organizations face not problems but, as Donald Schon puts it, "problematic situations," where it is clear something is wrong, but not exactly what. It's in deciding what the real problem is that leaders exercise their greatest power. Once the problem is framed, the options for solutions are set. More broadly, leaders influence their organizations by deciding what the organization should pay attention to and then providing ways of looking at it. While we are used to thinking of formal organizational processes – like mission setting, strategic planning, or program development – as the source of power in organizations, effective leaders understand that framing the issues drives all of these processes.

This aspect of leadership – what we call generative thinking – raises profound questions for governance. If governance is all about setting organizational purposes and monitoring progress toward those purposes, then don't boards need to be engaged in this work? This powerful work is associated with leadership, but can boards really be governing if they do not participate in it? Those questions suggest a shift – toward governance as leadership.

Governance Reframed as Leadership

Boards could govern more effectively by taking a leadership approach to their work. Just as today's complex organizations demand leaders who work in multiple modes, they demand boards that govern in multiple modes.

We posit that there are three modes of governance that together constitute governance as leadership. Unless boards govern in these three modes, it cannot be said that they are truly governing:

Type I, the fiduciary mode, is where boards are concerned primarily with the stewardship of tangible assets. 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 relevant laws and regulations. Without Type I, governance would have no legitimacy. If a board fails as fiduciary, the organization – not to mention its donors, clients, or community – could be harmed.

Type II, the strategic mode, is where boards develop strategy with management to set the organization's priorities and course, and to deploy resources accordingly. Without Type II, governance would have little power or influence. It would be more about staying on course than setting the course.

Type III, the generative mode, is where boards, along with executives, frame problems and make sense of ambiguous situations – which in turn shapes the organization's strategies, plans, and decisions. Because most organizations lack frameworks and practices for this work, it's easy for boards to become bystanders to it – even though it is central to governance.

A board's effectiveness increases as the board members become more proficient in more modes. A board that excels in one mode (or two) but flounders in another one (or two) will govern far less effectively than a board that ably works in all three. To succeed in all three modes, boards need to "cross-train" so that the "muscle memory" of one mode does not dominate to the detriment of the others. When boards overemphasize one mode to the exclusion of others (a common problem), the net results are worse, not better, governance.

Many issues (although not all) will demand deliberating in all three modes. Consider the decision of the Boston Museum of Fine Arts (MFA) to loan 21 Monet masterpieces to the Bellagio Casino in Las Vegas. This one issue, like many others that reach boards, poses questions for Types I, II, and III governance:

Type I Governance: Are the paintings travelworthy? 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?

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?

To ask only about the insurance costs, or only about the patronage implications, or only about the MFA's fit with pop-culture institutions, is to govern only a little. For effective governance, boards need all three modes.

New Practices for Generative Governing

Though Types I and II governance pose many challenges, board members generally understand their responsibility to do this work, and are familiar with the practices and processes of fiduciary and strategic governance. For most, a bigger – and potentially more rewarding challenge – lies in developing new approaches to generative governing. We call it the black-box of generative thinking – the processes that leaders and groups use to frame problems and make sense of ambiguous situations – and we ask how they can be converted into systematic practices that boards can use to govern. Among the major practice challenges are

Governing at the boundary. Generative governing requires that boards position themselves differently, moving from the seclusion of the boardroom to active learning at the organization's boundaries. (See "Working at the Boundary," p. 12)

Recruiting for generative work. Trusteeship has generally – and mistakenly – been conceived as the sum of Types I and II governing. As a result, the recruitment and development has focused on fiduciary and strategic capabilities. Generative governing requires a different appreciation for a wider array of board talents.

New forms and norms for discourse. While fiduciary and strategy work can place a premium on consensus views, generative governing requires board members to explore multiple, sometimes conflicting views. This requires ditching Robert's Rules of Order for a different type of discourse, and adopting a norm that values frank discussion and disagreement in the boardroom.

Focusing on the past, not just the future. Because of their role in developing or approving strategy, boards are often conditioned to plan for, and focus on, the future. But an understanding of generative thinking suggests governing requires exploring the past as well. As boards explore and reinterpret the past, they find new patterns, new ways of framing old problems, and new sources of ideas – all of which can help organizations set a different course for the future.

Although many board members might be inclined to look for more effective governance in the form of new board structures, governance as leadership suggests a different approach: bringing new governing modes and mindsets, with their related practices, to old challenges.

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