CHAPTER

1

THE GOVERNANCE AS LEADERSHIP MODEL

Discovery consists of seeing what everybody else has seen and thinking what nobody else has thought.
—Albert Szent-Györgi, 1937 Nobel Prize for Medicine

The influential work *Governance as Leadership* (Chait, Ryan, and Taylor 2005) broke new ground by linking two concepts that previously had not been joined—governance and leadership—noting that there really was "one river, not two streams." The authors stated that "governance and leadership are closely related, and the more clearly this linkage is seen, the brighter the prospects will be for better nonprofit governance" (xix).

PREMISES

Four basic premises underlie the views advanced in *Governance as Leadership* (Chait, Ryan, and Taylor 2005):

- First, nonprofit managers have become leaders. The days of the naïve nonprofit executive director leading a sleepy organization fueled by a few passionate "do-gooders" are long over, as stakeholders expect greater sophistication and leadership on the part of CEOs and their staff members.

- Second, board members are acting more like managers. Although board members are often admonished not to micromanage, many nonprofit board committee structures essentially invite board members into the senior staff's domains. This occurs because the board structure tends to mirror that of the organization—for example, both will have committees in finance, government relations, development, and marketing—and nonprofits populate their boards and committees with professional experts in those same fields. "Constructed and organized in this way, boards are predisposed, if not predestined, to attend to the routine, technical work that managers-turned-leaders [premise one] have attempted to shed or limit" (4).

- Third, there are three modes of governance, all created equal. The authors recast governance from a "fixed and unidimensional practice to a contingent, multidimensional practice" (5) that includes fiduciary, strategic, and generative work (described in more detail later in this chapter) whereby the board provides oversight, foresight, and insight. Although each mode "emphasizes different aspects of governance and rests on different assumptions about the nature of leadership," all three are equally important.

- Fourth, three modes are better than one or two. Boards that are adept at operating in all three modes will add the most value to the organizations they govern.

UNDERLYING ASSUMPTIONS

The authors acknowledged at the outset that many board members express frustration with service on nonprofit boards, asking themselves, "Why are we here?" and "What difference do we really make?" No wonder they feel this way, given that many nonprofits have asked very little of board members beyond philanthropy and basic legal and fiduciary oversight. Much of what has been written about the problems facing nonprofit governance has focused on poor performance—either group dysfunction manifested in disorderly discourse, disengagement evidenced by poor attendance and bobble-headed board members who pay more attention to the clock than to what's on the table, or lack of understanding of board roles and responsibilities because there were no clear job descriptions or lines demarking management and board territory.

Chait, Ryan, and Taylor (2005) noted that a reframing of these issues moves us from problems of *performance* to problems of *purpose*; board members are not just confused about their roles, but dissatisfied with them. Why?

- Some official work is highly episodic. Boards meet regularly at prescribed intervals whether or not there is important work to be done; therefore, in order to fill air time, committees and staff members make reports and board members listen dutifully (or snooze). If board members are awake, in an effort to show diligence and attentiveness, they sometimes chime in with a question or two, but those questions are often operational in nature because the material on the table invites little else.

- Some official work is intrinsically unsatisfying. Some governance work is not episodic—that which involves overseeing and monitoring management must be done regularly and is critically important. Boards must, by law, meet duty of loyalty and care requirements to ensure that the organization is operating lawfully and its leaders are meeting standards of minimally acceptable behavior. But board members do not typically join nonprofit boards to "hold the organization to account" (Chait et al. 2005, 19) but instead because they identify with the mission and values of the organization. This disconnect can cause disappointment and disengagement.

- Some important unofficial work is undemanding. Just by meeting, boards create legitimacy for organizations. Further, because boards meet, management must prepare data and reports, which keeps management alert. But such passive roles are hardly motivating for board members.

- Some unofficial work is rewarding but discouraged. Because the rules about what is permissible board work (for example, fundraising, advocacy, and community relations) and what is not (for example, human resource management and program development) are often unstated or unclear, board members sometimes dive in only to be told to back off—that they are in management's territory.

In summary, "Boards may know what to do, and do it reasonably well, but in the end they are derailed by the meaninglessness of what they do" (Chait et al. 2005, 23).

GOVERNANCE REFORM

Given what has been said thus far, a natural response might be to simply assign a more attractive set of tasks to boards that could inspire new board structures to accomplish those tasks. But this would be risky for three reasons: (1) a revised set of appealing tasks might lead to a happier board but not necessarily to a better-governed organization (the ultimate goal); (2) focusing on tasks, or technical work, tends to encourage microgoverning; and (3) task clarification does not always promote effectiveness (Chait et al. 2005, 24).

We must resist the urge to assume that task and structure are the sum total of governance. We can more easily do this if we shift our thinking from "What is governing?"

to "Toward what ends are we governing?" By thinking about the type of organization—for example, how large it is, how established, its complexity, and how varied its stakeholders—we begin to think of different requirements for governance, focus, board membership, and structure. Relating this to the governance modes briefly introduced earlier, "boards set goals in the strategic mode and ensure the organization meets them in the fiduciary mode" (Chait et al. 2005, 30). In the generative mode, we begin to think about the organization as more than simply productive or logical but also expressive by considering values, judgments, and insights. "Before they use various forms of managerial expertise to solve problems, organizations need to figure out which problems need solving. Before they figure out the best strategy for getting from the present to a preferred future, organizations need to figure out what that preferred future is. Before they can dedicate resources to the things they consider important, they have to figure out what things are important" (30).

Governing by mode as opposed to task may seem complicated, but once practiced it begins to make sense. And the benefits are profound. As Mihaly Csikszentmihalyi (2003) noted, good work balances opportunity and capacity. The basic idea is for board members to achieve "flow"—the mental state where a person in an activity is fully immersed in a feeling of energized focus, full involvement, and success in the process. There are three conditions that are necessary to achieve flow: (1) The activity must have clear goals; (2) there needs to be balance between the perceived challenges of the task at hand and one's skills (too little challenge leads to boredom, whereas too much challenge produces anxiety); and (3) the task at hand must have clear and immediate feedback. Although this makes sense intuitively, achieving "flow" in the boardroom is no small feat. One person's high challenge level and skill set are not another's. However, the model is helpful for understanding the issue of higher purpose leading to better governance.

THE THREE MODES OR MENTAL MAPS

The governance-as-leadership model can be depicted as an equilateral triangle (Figure 1.1) because all three modes, or types, are equally important. Despite this, Types I and II are the dominant modes of nonprofit governance and Type III is the least practiced (Chait et al. 2005, 7). It is helpful to think of the types or modes of governance in terms of mental maps; a street map shows actual street names, landmarks, and places of interest whereas a mental map is how we organize what we see while we walk around those streets, such as an economy, a culture or subculture, or a demographic strata. A walk along Broadway in New York City elicits different mental maps as you start at Battery Park, pass between Chinatown and Tribeca, through the Garment and Theater districts, and beyond.

Type I, fiduciary work, is intended to ensure that nonprofits are faithful to mission, accountable for performance, and compliant with laws and regulations (7–8); Type II concerns the strategic work that enables boards and management to set the organization's priorities and course, and to employ resources accordingly (8); Type III, the generative mode, involves the board as thoughtful leaders bringing wisdom and insight

FIGURE 1.1 *The Governance Triangle*
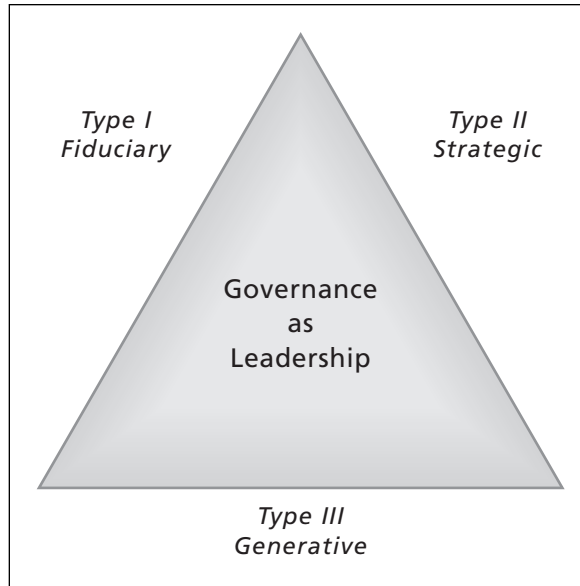
Source: Chait et al. 2005, 7. Reprinted with permission of John Wiley and Sons, Inc.

to critical issues facing the organization before or while policies, strategies, plans, and tactics are formed and discussed.

Another way to visually grasp the three modes is to picture a "triple helix" (see Figure 1.2)—a term that evolutionary biologist Richard Lewontin (2000) used to take the DNA double-helix model a step further by recognizing that we will never understand living things if we continue to think of genes, organisms, and environments as separate entities. Instead, all organisms are the product of intricate interactions between their genes and the environment; organisms are influenced in their development by their circumstances and, in turn, create, modify, and choose the environment in which they live. In this diagram, one strand represents fiduciary work, another the strategic, and the third generative.

In addition to the simple triangle and the triple helix, a third way to picture the Governance as Leadership framework is as a curve (or stream) that starts high and flows down over the course of time (see Figure 1.3). In the fiduciary mode, opportunities for boards to move "upstream" (from oversight to inquiry) and provide greater leadership are numerous. *Oversight* means watchful and responsible care, whereas *inquiry* requires an additional step of a systematic investigation of the facts or more thorough description of the issue. Within the strategy band, lower-stream board activity might focus on *planning* and further upstream on *thinking*. Finally, far upstream—prior to strategy and stewardship—is generative, or framing, work.
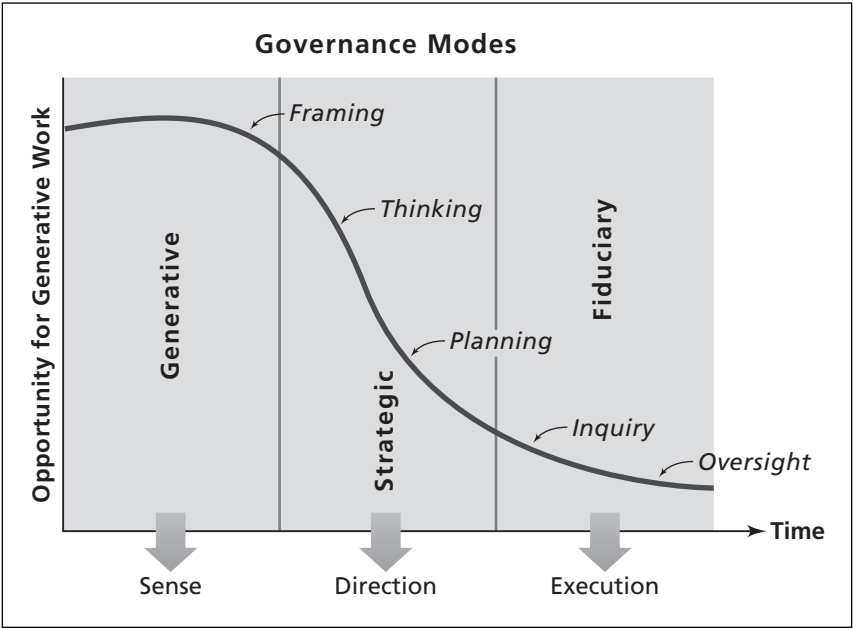
Each of the three modes—fiduciary, strategic, and generative—is described more fully in the next sections.

FIGURE 1.2 *Depiction of a Triple Helix*
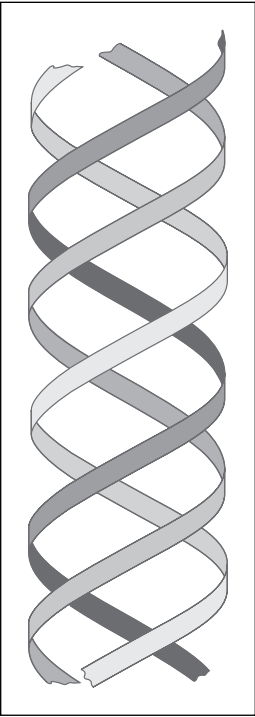
Source: William Trower, graphic artist.

FIGURE 1.3 *Governance Modes or Mental Maps*

Source: Printed with permission from Richard Chait.

Type I: Fiduciary

The board's role in fiduciary mode is to think and act like stewards of tangible assets—like night watchmen on the lookout for any breach of security. By law, this mode represents the duties of loyalty and care. Problems within the organization are to be spotted. Board members in fiduciary mode ask a set of very important questions: Are we acting in accordance with our mission? Is something amiss or out of order? Is anything contrary to established policies, procedures, and precedents? Is the organization compliant with certifications, accreditations, state and federal rules and regulations?

In order to ensure proper fiduciary oversight, boards construct committees around organizational charts—not organizational priorities—a design that makes perfectly logical sense for fiduciary work. What better way to oversee management than to have committees mirror and monitor management functions? Boards doing their fiduciary work rely on relatively formal and standardized procedures to ensure and document due diligence.

The organization is viewed primarily as a bureaucracy and leadership is typically hierarchical and sometimes heroic. Board members meet to oversee operations and ensure accountability. With a fiduciary mental map, it's common to hear board members say that their primary responsibility is to select, assess, and, if necessary, fire the CEO. In addition, they ratify policies presented by management. The board-CEO relationship may be best described as "hub and spoke." Board members are typically socially prominent and many are affluent and financially sophisticated; they attain power by and through their relationship with the CEO.

Meetings tend to be dominated by staff and follow parliamentary procedure. The information provided to board members for meetings tends to be voluminous and partial to a point of view, typically that of management. Normative behavior of the group is one of deference—mostly to whomever is speaking—oftentimes a staff member or committee or board chair. The group dynamic is "great minds think alike"; the board learns by listening to the CEO, and the board decides by following protocol and reaching resolution. Communication with constituents is limited, ritualized, and done primarily to legitimize the work of the board. There is little or no board education.

Note the different forms of questions a board might consider as it moves slightly upstream from oversight to inquiry (Table 1.1).

According to the authors, although Type I work is effective for certain tasks, relying on it completely runs the risks of institutionalizing four flawed assumptions, including:

1. *Nonprofits are bureaucracies.* Nonprofits may have bureaucratic features, but they are not bureaucracies (Chait et al. 2005). Most nonprofits have bureaucratic features such as organizational charts, job descriptions, and bylaws, as well as standardized processes for payroll, purchasing, and accounting, but a weakness of the Type I mental map is that it sees *only* these features and not all the "uncharted" organizational dimensions such as "constituent views, political dynamics, human

TABLE 1.1   *Fiduciary Oversight to Fiduciary Inquiry.*

Fiduciary Oversight Questions	Fiduciary Inquiry Questions
Can we afford it?	What's the opportunity cost?
Did we get a clean audit?	What can we learn from the audit?
Is the budget balanced?	Does the budget reflect our priorities?
Should we increase departmental budgets by 2%—or 3%?	Should we move resources from one program to another?
Will the proposed program attract enough clients?	How will the program advance our mission?
Does a merger make financial sense?	Does a merger make mission sense?
It is legal?	Is it ethical?
How much money do we need to raise?	What's the case for raising the money?
Can we secure the gift?	How will the gift advance our mission? Does the donor expect too much control?
Is staff turnover reasonable?	Are we treating staff fairly and respectfully?

Source: Chait et al. 2005, 38. Reprinted with permission of John Wiley and Sons, Inc.

relations, and social interactions" (42) that may be sources of conflict or serve as disruptions to the chain of command.

2. *CEOs are merely agents of the board.* "The Type I board imagines the board and CEO in a principal-agent relationship" (42), but most CEOs of nonprofits truly function as leaders, not merely as agents of their boards.

3. *Boards are principals, directing their CEO agent.* As CEOs lead, and assume more power, fiduciary boards too often resign themselves to advisory and policy-making roles and find themselves "watching, not directing, the CEO" (44).

4. *Organizations are closed systems.* When boards act primarily in mode I, they tend to undervalue or ignore almost entirely the external influences on the organization.

In short, "Type I governing does not pose problems. Type I boards do" (45). Type I governing is essential but operating solely in fiduciary mode, or only using a fiduciary mental map, can limit board member leadership and participation, and more seriously, cause a board to be so focused on routines that they overlook promising opportunities or potential problems outside of their role as stewards.

Type II: Strategic

For many reasons, nonprofits need strategies; therefore, boards need another mental map that allows them to understand the organization as a complex, open system susceptible to outside forces. "In Type II governance, an organization seeks to align internal strengths and weaknesses with external opportunities and threats" (Chait et al. 2005, 52). Unfortunately, many nonprofit boards attempt to do Type II work within their Type I mindset; as a result, they treat fiduciary responsibilities in the same way they do planning, where the board has oversight of the strategic plan, without playing a leadership role in its creation or evolution.

Typical questions for boards to ask are technical in nature, such as: Do we have the money, space, and personnel necessary to execute the plan? Is the timeline feasible? Are the market projections reasonable? Have we included benchmarks and milestones? Strategic plans were handed down to the board as a fait accompli to be rubber-stamped. The result has been strategic plans that are neither strategic nor a plan but instead a (too often unfunded) utopian construct rather than a solid, realistic plan of action. Chait et al. (2005) highlighted several reasons for this and for why board members become disillusioned with their relegated strategist role.

1. *Plans without traction.* Too many strategic plans do not have the traction needed to succeed because they focus too much on a "blue-sky" future without paying attention to what must change about the present.

2. *Plans without patterns.* Those planning have not discussed the pattern of decisions and actions related to organizational, structural, and procedural (let alone cultural) changes that must occur to ensure the strategy's success.

3. *Plans without strategies.* The plans have tight, well-defined goals but only a vague, overarching strategy.

4. *Ideas without input.* Oftentimes, CEOs determine plans with staff members, without board member involvement, which are then presented to the board for approval; as a result, board members are disengaged and unattached to the outcomes.

5. *The pace of change and unforeseen outcomes.* Because many unanticipated events can occur over the course of a plan's period, and some quite quickly, strategic plans may become irrelevant, or success can be found outside of the strategic plan. In either case, board members begin to question the need for a plan and become disinclined to participate.

Rather than following a Type I, formulaic, ritualistic approach to strategic planning, then, nonprofits are well served to arrive at strategy through thinking, asking critical questions, and applying intuition. By doing so, the board partners with management to provide brains, not just brawn. "In Type II governance, 'What do you think?,' when asked of board members, does not mean 'What do you think of management's plans?' It really means, 'What is *your* thinking about the organization's future?'" (65).

As within the fiduciary mode, board members working as effective strategists can move upstream from traditional planning to "big picture" thinking, by asking different kinds of questions (Table 1.2).

"Unless and until ideas, rather than plans, are the drive motors of strategy, the full range of board members' talents will be vastly underutilized" (Chait et al. 2005, 68). As the board shifts its role focus from that of steward providing oversight to that of strategist providing foresight, important changes must occur in the areas of structure, meetings, and communication.

- First, *board structure must change*. Because flexibility is so important for Type II governance, and creative, strategic thinking is required, nonprofits are well served to rethink their committee structures and break free of the traditional Type I model where structure mirrored the organizational chart. Becoming more strategic and nimble oftentimes requires boards to consolidate or merge some committees, and to form task forces or ad hoc groups to work on strategic imperatives that cut across traditional committee boundaries.

- Second, *board and committee meetings must change*. Just as form follows function in architecture, so should it for meetings. Figure out what needs to get done and then construct agendas to accomplish that work. This will mean fewer reports and more future-oriented, strategic discussions of important issues facing the organization. Meeting agendas are fluid and strategy-driven, and time is built in for participative discussion.

TABLE 1.2 *Strategic Planning to Strategic Thinking.*

Strategic Planning Questions	Strategic Thinking Questions
Do we have the money, space, and personnel?	Is the business model viable?
Does this plan build on our strengths?	Are we a victim of our virtues?
What is the size of the market?	Are there new, unexplored markets?
What is?	What could be?
Are the assumptions valid?	Should we consider making new rules?
Can we predict the future?	Do we understand the past?
What are our internal preferences?	What is the customer's value proposition?
What work does management have for committees to do?	What is the most important work the board must organize to do?

Source: Printed with permission from Richard Chait.

- Third, *communication and information changes*. Type I work is insular, supported by "show-and-tell" reports from management and committees, which does nothing to advance Type II work. In order to partner with management strategically, board members need to understand not just the internal factors affecting the organization but also the external ones including how key stakeholders think. Two-way communication with various constituents, including experts, is a good way for board members to get information that is needed for a fuller understanding of the big picture. The idea is for board members to ask "intelligent questions" rather than have "brilliant answers" (73).

The focus of Type II governance is on performance rather than compliance (as with Type I), so boards need comparative data—across institutional peers and over time—on meaningful indicators. In strategic mode, problems are to be solved and the group norm is one of consensus. The group dynamic is that reasonable people can reasonably disagree about what the data mean and what to do about it. Table 1.3 provides a comparison of Type I and Type II governance.

Because nonprofits are more than rational strategies and plans and encompass cultures, political systems, and symbolic contexts, the sense people make of events often matters more than the events themselves. In addition, the drivers of strategy are ongoing, may fluctuate over time, and quite often strategies are emergent rather than part of a formal planning process. Board member engagement is also fluid, and board meetings are periodic. Therefore, the authors argue that a third, "largely unrecognized, yet equally critical mode of board membership: generative governance" (Chait et al. 2005, 78) is necessary.

TABLE 1.3   *Comparing Type I and Type II Governance.*

Type I Governance	Type II Governance
Management defines problems and opportunities; develops formal plans. Board listens and learns, approves and monitors.	Board and management think together to discover strategic priorities and drivers.
Board structure parallels administrative functions. Premium on permanency.	Board structure mirrors organization's strategic priorities. Premium on flexibility.
Board meetings are process-driven. Function follows form. Protocol rarely varies.	Board meetings are content-driven. Form follows function. Protocol often varies.
Staff transmits to board large quantities of technical data from few sources.	Board and staff discuss strategic data from multiple sources.

Source: Chait et al. 2005, 75. Reprinted with permission of John Wiley and Sons, Inc.

Type III: Generative

Although generative governance may seem novel for boards, board members most likely engage in similar activities every day. Generative thinking is something we do so naturally and automatically as individuals that we do not have to name it; this is the thought process prior to acting—that is, the "genesis" of work that is later translated, further downstream, into policies, plans, strategies and tactics.

Type III governance means that the board generates: (1) insight and understanding about a question, problem, challenge, opportunity, or the environment; and (2) a sense of the organization's identity in order to most effectively respond to the problem or environment, or to seize the opportunity that best reflects what the organization is, how it sees itself, and what it values. It is about deciding how the organization, or board, wishes to frame—consider, examine—an issue.

Charles Kettering, an inventor and head of research for GM from 1920 to 1947, once said, "A problem well-stated is a problem half-solved." And Jeffrey Pfeffer, an organizational theorist, said, "The framework within which issues will be viewed and decided is often tantamount to determining the result" (1992, 203). If these statements are true, it is essential that boards spend time framing issues prior to trying to solve them; in other words, they need to make sense before they make decisions.

To engage in generative thinking requires that we become aware of how we think and how we have come to understand what we take for granted; "generative thinking produces a sense of what knowledge, information, and data *mean*" (Chait et al. 2005, 84). Everyone has experienced times when their perspective shifts, they see things differently, and suddenly they are able to solve a problem or understand a set of circumstances—"When you put it that way, it does make sense" (84). But not everyone has thought about what brings about those epiphanies. The authors suggest three steps:

1. *Notice cues and clues.* Two people can look at the same data and derive completely different interpretations. Why? Because, in part, they each notice and focus on different cues and filter out others; therefore, each constructs different meanings.

2. *Choose and use frames.* Because the world is messy, people have a natural tendency to use frames to help them make sense of the stimuli that bombard them constantly. Frames may be used unconsciously or reflexively, for example, lawyers hardly notice using a legal frame; frames may be values-based, for example, those committed to equity will note how decisions might marginalize some and favor others; or frames may be based on temperament, for example, an optimist may see an opportunity and a pessimist may see a problem. "People notice what they are predisposed to see based on the frames they use" (Chait et al. 2005, 86). Although frames shape our thinking—from taking in cues to proposing solutions—we are not prisoners of our frames. We can deliberately choose to view the situation or data through a variety of perspectives.

3. *Think retrospectively.* Thinking about the past is important to collective sensemaking. Organizations are well served to have board members examine some

sentinel event of the past, or to discuss what worked well and less well in terms of strategy or programs, in order to set a "dominant narrative" (88) of the nonprofit. A successful narrative provides a "coherent story line that appeals to people's sensibilities, values, and traditions" (89).

Generative governance demands that the board is brought into deliberations early enough to make a difference—when the situation is still ambiguous and subject to multiple interpretations—because "the opportunity to influence generative work declines over time" (Chait et al. 2005, 101), as depicted in Figure 1.3. Once an issue has been framed one way, it is difficult to see it any other way. People, especially committee or staff members to whom the issue has been delegated, become vested in not only the frame but also data used and the possible solutions that frame allows them to see. Questioning the original frame, once the issue is downstream, will cause eye-rolling, frustration, consternation, and possibly conflict; fresh ideas and solutions will be difficult to generate and unlikely to be accepted. The mentality at this stage tends to be, "Too bad; you're too late. You should have thought of that earlier." As theologian Dietrich Bonhoeffer said, "If you board the wrong train, it is no use running along the corridor in the other direction."

Looking through a lens of generative thinking, the authors offered four "governance scenarios" (Chait et al. 2005, 98) (see Figure 1.4)—two that are dysfunctional (quadrants I and III), one that is prevalent but problematic (quadrant IV), and one that is uncommon but preferred (quadrant II) (98).

FIGURE 1.4   *Generative Thinking: Four Scenarios*
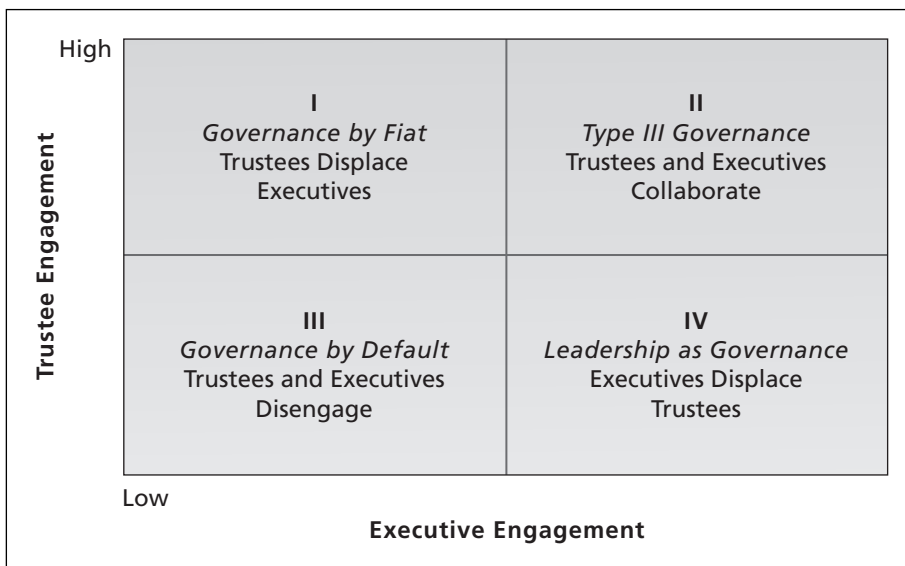
Source: Chait et al. 2005, 98. Reprinted with permission of John Wiley and Sons, Inc.

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 in Figure 1.4 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 governance by default, wherein the generative work of other actors inside and outside the organization (for example, staff, funders, regulators, and industry groups) exerts greater influence than that of trustees and executives over strategy, mission, and problem solving. In Quadrant IV, executives dominate generative work, which renders leadership as governance. (Problems of purpose are likely to be acute here.)

WHY THREE MODES?

If boards operate only in Type I mode:

- That which is deemed to be urgent drives out that which is important.

- The stress placed on efficiency displaces the quest for effectiveness.

- The board adds primarily technical value but does not get to the core purposes of the organization, or to adaptive work.

- The board's work becomes predictable, tedious, monotonous, and perfunctory, which may lead to board member disengagement, missed opportunities for effective leadership, failure to see the big picture, or a tendency to see all issues as fiduciary ones.

- Meetings are so mechanical and scripted that thinking is not required and does not occur. Board members, if they even show up, can check their brains along with their coats.

If boards embrace Type II along with Type I, but not Type III, they may:

- Miss significant opportunities because issues were ill-framed initially or not reframed when needed.

- Embrace strategies with the largest perceived payoff rather than the greatest enthusiasm or best mission-fit.

- Fail to understand and take account of how various stakeholders view the issue and proceed down a path that cannot succeed.

- Only think about what could go right and fail to think through unintended consequences.

- Allow process to triumph over substance.

- Fail to tap into the full array of board member insights that generative thinking may elicit.

TABLE 1.4 *Comparing Types I and II to Type III Rules.*

Type I & II Rules Help Boards:	Type III Rules Help Boards:
Choose among alternatives	Generate alternatives
Make decisions	Decide what to decide
Solve problems	Discern and frame problems
Preserve congeniality	Promote collegiality
Pursue consensus	Pursue perspectives
Meet efficiently	Discuss robustly
Consider realities	Consider hypotheses
Pose pragmatic questions	Pose catalytic questions

Source: Printed with permission from Richard Chait.

Note the important differences between utilizing the Type I and II rules and the Type III rules shown in Table 1.4.

The authors noted that lower curve work is important: "What good is a cleverly framed problem without a solution, an attractive mission without a strategy, or a great plan without execution?" (Chait et al. 2005, 101). They advised that boards not spend all their time high on the curve, but to engage in generative governing at least some of the time.

Why Boards Need a Type III Mental Map

There are three features of nonrational, generative organizations (Chait et al. 2005, 105) which make generative thinking (Type III) especially important:

1. *Goals are often ambiguous, if not contested.* In a completely rational, closed system, a crisply articulated mission can inspire a coherent strategy which in turn guides operations. However, numerous nonprofits have missions that can be met in many ways, ambiguous goals, and complex purposes with fluid participation by multiple stakeholders. One stakeholder's top priority is another's lowest interest. What matters one year matters less the next.

2. *The future is uncertain.* Strategic plans must be revisited frequently and leaders cannot allow a plan to dictate every move. Organizations must be ever vigilant and prepared to seize opportunities as they emerge.

3. *Meaning matters.* The way CEOs and board members make sense of facts matters as much as the facts themselves as it is "meaning that enables understanding and action in ambiguous environments" (106).

Essentially, as it has been said in the context of war in the late 1990s, we live in a "VUCA" world—marked by volatility, uncertainty, complexity, and ambiguity. The nature, speed, and catalysts of change are different from those of the past. The prospects for surprise are greater as the world is less predictable. Confounding issues are numerous and reality is hazy. There are mixed meanings to be derived and there is a large potential for misreads; in many contexts cause and effect is difficult if not impossible to determine. Because all of this is true, boards facile enough to think and work in three modes—as necessary—will be better partners in leadership with management. But not every issue needs to be "triple-helixed." So how do you know?

Spotting Generative Opportunities

There are five primary markers (Chait et al. 2005, 107) of a generative opportunity, including:

1. *Ambiguity.* There are, or could be, multiple interpretations of what is really going on and what requires attention and resolution.

2. *Saliency.* The issue, however defined, means a great deal to a great many, especially influential people or important constituencies.

3. *High stakes.* The stakes are high because the discussion does or could invoke questions of core values and organizational identity.

4. *Strife.* The prospects for confusion and conflict and the desire for consensus are high.

5. *Irreversibility.* The decision or action cannot be easily revised or reversed, due as much or more to psychological than financial commitments.

The Three Types of Governance Summarized

The following table, adapted from Exhibit 6.9 (Chait et al. 2005, 132) and presentations made by Richard Chait, highlights the distinctive characteristics of the three modes, mental maps, or types of governance.

CHAPTER ONE HIGHLIGHTS

The benefits and challenges of putting the principles of governance as leadership into practice will be explored more fully in the next chapter. To conclude this chapter, as nonprofit CEOs and board members consider governing trimodally, there are several cautionary advisements to keep in mind:

- Do not overuse any one mode; be a three-type board, not a typecast board.

- Do not be formulaic about working in three modes, for example, setting aside one meeting a year for generative work; or apportioning a set amount of time at each meeting for strategic work.

TABLE 1.5 *Comparing the Three Types of Governance.*

	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 primary role	Sentinel	Strategist	Sensemaker
Board's central purpose	Stewardship of assets	Partnership with management	Source of leadership for the organization
Board provides	Oversight	Foresight	Insight
Board's core work	Technical; oversee operations; ensure accountability; select and assess CEO; ratify policy	Analytical; shape strategy; review performance	Reconcile value propositions; manage accountability; discern and frame adaptive issues; think collectively; make sense of circumstances
Organization of the board's work	Fixed structure of standing committees focused on operations	Fluid arrangements focused on an understanding of strategy	Community of learners focused on strategy of understanding
Board's source of power	Formal authority; relationship with CEO	Expertise	Ideas
CEO-Board relationship	Hub & spoke	Strategic alliance	Think-tank peers
Key question	What's wrong?	What's the plan?	What's the key question?
Problems are to be . . .	Spotted	Solved	Framed
Strategy	Set by CEO; ratified by board	Board and CEO plan strategically together	Board and CEO think strategically together

TABLE 1.5 (Continued)

Performance metrics	Facts, figures, finances, reports	Strategic indicators; benchmarks; comparative data	Signs of learning and discerning
Agendas and meetings	Standardized; staff-dominated; passive	Variable formats; strategy-driven; participative	Collective mind of board doing generative work
Deliberative style	Parliamentary and orderly	Empirical and logical	Robust and sometimes playful
Information	Voluminous, partial to a point of view	Selective; analytical; diagnostic	Forensic clues; alternative explanations
Group norm	Deference	Consensus	Robust discourse
Group dynamic	Great minds think alike	Reasonable people disagree agreeably	Great minds think differently
Way of knowing	It stands to reason; listen to the CEO	The pieces all fit; consult the data	It makes sense; gather the clues
Way of deciding	Reaching resolution; protocol and exception	Reaching consensus; group process	Perceiving, grasping, and grappling
Board members	Socially prominent; financially sophisticated; preferably affluent	Type I plus experts in various fields	Create comparative advantage re: intellectual, reputational, and political capital
Communication with constituents	Limited and ritualized, mostly to legitimate	Bilateral and episodic, mostly to advocate	Multilateral and ongoing, mostly to learn
Board education	Little or none	Episodic, strategic	Continuous; inside/outside boardroom, academic and experiential

- Do not "find" generative work everywhere—some issues are obviously and completely fiduciary and do not require strategic or generative thinking.

- Do not use governance as leadership as a pretext for "hobby horses" or "reforms." Do not force the model on the board or on management; if the board and management feel that governance is not broken, or cannot be improved, attempts to govern differently will be futile.

- Do not underestimate the durability and attractiveness of the status quo.

- Do not mount the generative curve *after* the staff or committee work has been done.

- It is crucial that boards also understand what generative thinking is *not.* It is not:

  - Synonymous with bold ideas, radical departures, pie-in-the-sky planning

  - About wholesale changes in core mission, or bet-the-organization decisions

  - Clever solutions to operational problems

  - To be used in lieu of fiduciary and strategic thinking

  - The answer to every question or crisis

The benefits of trimodal governance include:

- Less micromanagement in exchange for more macrogovernance

- Higher level of board member engagement; board in "flow"; enhanced board performance

- Board members better prepared for meetings and thinking at a high level means more value-added

- More value-added and intellectual brainpower tapped means more meaning derived from board membership

- Engaging the collective mind of everyone around the board table should lead to better deliberations and better decisions