

GREAT BOARDS

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Governance as Leadership: An Interview with Richard P. Chait

A new book entitled *Governance as Leadership: Reframing the Work of Nonprofit Boards* introduces some much-needed fresh thinking into the never-ending search for board effectiveness. Its three authors say traditional board improvement approaches, including their own, fall short because they misdiagnose the problem. “What if one of the central problems plaguing the board is not, in fact, uncertainty about its important roles and responsibilities, but rather a lack of compelling purpose in the first place?” the authors ask. “We maintain that many board members are ineffectual not because they are confused about their role but because they are dissatisfied with their role.”

The book recommends reframing board work around “three modes” of governing. The first is the fiduciary mode, in which the board exercises its legal responsibilities of oversight and stewardship. The second is the strategic mode, in which the board makes major decisions about resources, programs and services. The third is the “generative” mode, in which the board engages in deeper inquiry, exploring root causes, values, optional courses and new ideas.

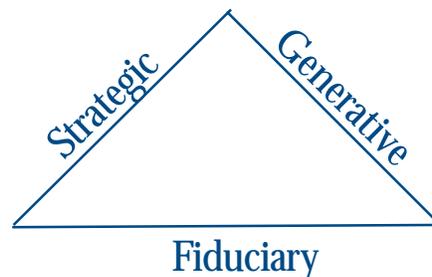
Generative governance engages and challenges trustees intellectually. It’s what leaders do best. Yet most boards spend most of their time on fiduciary work, and they devote little time to the generative mode.

Barry S. Bader, publisher of *Great Boards*, interviewed one of the book’s

co-authors, Richard P. Chait, a professor at the Harvard Graduate School of Education, about the book’s applications for hospital and health system boards.

Q. Common complaints about board performance are that boards are under-involved, excessively involved or unclear about their responsibilities. But you say boards suffer from a problem of purpose, not performance.

A. Limited purpose produces limited performance. The question is: How do we create not just a job to do but a job worth doing? How do we get people not to just do the work, but to do *better* work? Our assertion



has been that as the work of the board becomes truly more consequential, meaningful and influential, the performance of the board will rise. Most boards of larger, more mature organizations go to great lengths to attract talented, bright, successful trustees. Then, the board underperforms because the opportunities are not commensurate with their capacity, and they become bored.

For example, a college board can ask, “Should we build a new fitness

center for students and equip it with climbing walls and hot tubs?” The fiduciary questions are: “Do we have the money and the space?” The strategic question is: “Should we do this to keep up with the competition?” The generative questions are: “What produced this amenities arms race? Will it ever stop? Do we want to pass or play? If we play, what are our principles?”

Q. Many hospital and health system boards are grappling with whether to joint venture with their doctors, and on what terms. Are the generative questions: “Where is the healthcare system headed, and what kind of long-term relationship do we want to have with our physicians?”

A. We can look at whether to joint venture as a short-term question, whether it helps our self-interest, or we can look at the problem a little differently, and say, this is a problem about the future of medicine. What great governance does, what great leadership does, is it selects and frames the problems. To work in this mode well, committees need to think not about decisions or reports as their work product, but to think of understanding, insight and illumination as their work products. Unfortunately, many boards and executives feel if you are not making decisions, you are not governing. We are saying governing is a set of activities that generates the need for decisions.

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Q. Most board members are not experts in the field in which their organizations practice. To engage in generative governance, don't board members face a steep learning curve?

A. What is interesting about generative work is not that you can get away with being uninformed, but the kinds of inquiry that we would associate with generative work are less dependent on technical knowledge. At the Boston Museum of Fine Arts, board members faced the question of whether to rent artwork to the Bellagio hotel in Las Vegas (for a hefty price). They don't need to know much about art history, but they do need to know about the traditions, values, culture and image of the Boston Museum of Fine Art. They need to know enough to think about the ramifications this has for their sense of self and their image.

Q. You talk about the fact that boards often organize themselves and their committee structures to do tasks as opposed to doing generative work, or to work in any of the three modes. Are you seeing less use of any particular committees, or conversely, greater use of issue-oriented task forces?

A. Very much the latter, with task forces tied to strategic priorities. We are seeing a discernable de-emphasis of both the number of and status accorded to standing committees. They are either consolidated or differentiated. Some meet only on a business necessity basis, such as facilities committees that only meet when there is a capital construction project that rises above seven figures.

The structural response for generative work is less in committees and more in how the discourse or the discussion unfolds. Generative work

could be done by a standing committee.

Let's go back to the amenities arms race. You would have a conversation and say, "How does this issue look from the standpoint of parents and of faculty?" Faculty would say, "You don't have money for a physics laboratory, but you have money for a rock climbing wall?" You'd ask, "What is the strongest case we could make to be a first mover in this arena? Should we outstrip everybody and put in concierge-level, Ritz Carlton-type dormitories? What's the argument to be made for that? What's the argument against it?"

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.

Q. Are there any prerequisites to a board's redefining its purpose as leadership or, put another way, are there some boards that should not take the advice you offer?

A. It would not be the place I would start in an organization in extreme crisis. Solve the crisis first. 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.

It is probably not the kind of work that makes sense for organizations where the board is in effect part of the management team because it is such a small, thinly staffed organization. I don't know that spending a great deal of time in a generative mode is going to work for really small or start-up organizations, but that is not the

world of hospitals and healthcare.

Finally, 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. Those would be places I would say no go.

Q. A lot of external forces are driving boards more into the fiduciary mode. Does this work against boards having the talent and time for generative governance?

A. If the fiduciary mode is all we do, it certainly will be at cross purposes to doing generative work. We will have created procedural accountability, not performance accountability. We will put a huge emphasis on compliance rather than on performance. Under the worst of circumstances, you can imagine an organization that is both lawful and financially viable—and of no social purpose.

You have got to get the fiduciary mode right. If you don't, you can't go forward. It makes no sense to be generative if you are on the precipice of bankruptcy or engaged in ethically questionable behavior. But if boards spend all their time on financial literacy, integrity, compliance and legal liabilities, we will have missed the boat on what governance should be.

Governance as Leadership: Reframing the Work of Non-Profit Board by Richard P. Chait, William P. Ryan and Barbara E. Taylor is published by BoardSource and Wiley. For copies, go to <http://www.boardsource.org> or call (800) 883-6262. **GB**