

Viewpoint

Good Remedy: Not for Every Ill

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Introduction

In 1991, John Carver's *Boards That Make A Difference: A New Design for Leadership of Nonprofit and Public Organizations* was published in the United States. Not since then has a book on nonprofit governance generated so much interest as Richard Chait, William Ryan, and Barbara Taylor's *Governance as Leadership: Reframing the Work of Nonprofit Boards*, published in 2005. This book review is part viewpoint and part case study. It draws on the experience of the Family Service Association of Toronto, one of the early proponents of a Carver model of governance in Canada, to reveal the relevance of Chait, Ryan, and Taylor's attempt to reframe the work of nonprofit boards and offers the view that the lessons of Chait, Ryan, and Taylor are best suited to certain circumstances.

Family Service Association of Toronto (FSAT) is a large multi-population, multi-service social service agency with a mission to build strong individuals and families in just and supportive communities. It focuses its work chiefly on people who experience discrimination and live in poverty. While the bulk of its resources are invested in direct service to individuals and families, FSAT is a stage for community-building initiatives and the locus of important advocacy work principally focused on child and family poverty. In the early nineties, under the leadership of then executive director Paul Zarnke, FSAT undertook a review of its governance model and structures. It is in this context that John Carver first visited Canada to present his model as a guest at a workshop sponsored by FSAT in the early nineties. While FSA's governance framework has evolved and migrated away from some of specific prescriptions of the Carver model, the framework remains true to the Carver model's key building blocks.

At the time of the arrival of Yves Savoie as executive director in 2003, the board remained cohesive and its strong performance was confirmed periodically through annual surveys of board diversity and effectiveness. Yet individual members of the board and members of the board's nominating committee (later renamed governance committee to reflect an expanded mandate) were clear that there was a need to consider aspects of FSA's board governance policies. Informally, the executive director encouraged a number of diversions from what had been stricter observance of the Carver cannon. For instance, board policies prescribed

that no annual review of the executive director was required as executive director performance was synonymous with organizational performance. This approach was transformed by mutual agreement of the executive director and the board to provide a framework for formal review of executive director performance. Board policies also placed responsibility for annual planning exclusively in the hands of the executive director without an opportunity for the board to influence the way in which longer-term strategic directions shaped operational plans. This, too, was changed at the instigation of the executive director and, as with other changes, it was accomplished by mutual consent without a comprehensive review of the board governance policies.

Implementation of a modified Carver model had resulted in a clear and respectful separation of roles. To this day, FSAT's board continues to have a very clear understanding of the boundary between its policy role and the operational role of the management. Yet the board and the executive director both recognized the challenge for the board of being accountable to, connected with, and representative of its *owners*—the many and various communities served by FSAT. In part, because Carver prescribed a separation of the management and policy roles with the net effect of removing members of the board from the operational sphere and also because of the private and confidential nature of many of the clinical and therapeutic interventions delivered by FSAT, the board struggled with the extent to which it could improve its connection to its *owners*.

This perennial question of the board's connection to its owners led the board to redesign its annual retreat so as to include individuals drawn from various programmatic advisory committees. In 2004 and 2005, a few representatives of very diverse groups (e.g., The Horn of Africa Community Advisory Council; The Lesbian, Gay, and Transgender Community Advisory Council; etc.) joined part of the board retreat for an open forum. In November 2006, the board opted to travel in smaller groups to join participants in FSAT programs in the locale where those programs typically take place. Because the program participants were gathered in larger numbers in a familiar setting, board members were able to have more meaningful conversations about the issues and challenges facing these various groups. This recent experiment required each small group of board members to be focused on a single activity or program and it helped them straddle the policy/operations divide bringing board members into direct contact with program participants and front-line professional staff with responsibility for those same programs. The conversations generated positive feedback from both program participants and the members of the board. In the eyes of one member of the board who is in her third two-year term of service, "This was the most meaningful opportunity I had in the last six years to see face-to-face the value of FSAT's work."

The passion generated by these conversations and the value of the dialogue between the members of the board and the program participants confirmed that aspects of the Carver model required more comprehensive review and potential

transformation. The work of Chait, Ryan, and Taylor served as a point of departure for some of the reflections about the potential for more comprehensive transformation.

The work of John Carver is not cited nor referenced in *Governance as Leadership*. Yet, in many ways, the reframing offered by Chait, Ryan, and Taylor expands on the policy governance model initially introduced by Carver and adapted variously, which has won such broad acceptance since the early nineties.

John Carver provided a framework and theoretical model to establish boundaries between the operational and governance spheres. For this reason, Carver was a welcome prescription for CEOs intent on removing the board from operations, at times with the corollary of significant concentration of power in the office of the CEO. The Carver model and the many policy governance models later adapted from it solidified this role separation. This clarity benefited those nonprofit organizations with managerial capacity and with boards prepared to assume a role that was focused on longer-term strategy (*ends*) and on the nonprofits' accountability to its *owners*.

Carver's model, particularly when it was applied in its purest form, had the effect of limiting opportunities for those involved in governance to be connected with the life of the organization. The governance/operations separation often results in disengagement from the very life of the nonprofit that is the source of volunteers' passion for a particular cause or organization. Carver's model was highly prescriptive and required starting from a zero-base. One does not implement a Carver model as an element of an existing governance framework; rather, a Carver model replaces existing approaches to board governance. Because Carver's approach was fundamentally theoretical and because it offered a comprehensive set of prescriptions, many applied it without considering the messiness of reality.

The roots of the work of Chait, Ryan, and Taylor are found in the growing interest in complexity science. It is born of the recognition that organizations are not well equipped to predict the future in environments characterized by an accelerated pace of change. From this body of work comes no powerful set of prescriptions but various concepts or adaptive strategies that are applied in context. Chait, Ryan, and Taylor embrace the social dimension of organizational life and welcome the complexity that is inherent in human interactions, as do other institutional theorists.

The work of Chait, Ryan, and Taylor is a reflection on the state of board governance practices in the nonprofit sector (informed significantly by the authors' experience as consultants) without an attempt at being either prescriptive or comprehensive. For those designing a governance framework for a new organization or for an organization in crisis, important basic building blocks of good board governance are not introduced in *Governance as Leadership*. Rather, Chait, Ryan, and Taylor attempt a reframing that is most relevant to boards that

have already developed a whole range of governance practices and are focused on the need to further strengthen the governance function. In other words, *Governance as Leadership* would not be a good blue print to apply in the context of an organization in crisis or one that has been characterized by unstable board or staff leadership.

The approach offered in *Governance as Leadership* is suited to organizations that are characterized by a high trust relation and an absence of conflict between the board and management, as well as a boundary between operations and management that is consistently respected. These conditions allow for the teamwork among directors and managers involved in strategy development that underpins the high level of board engagement suggested in Chait, Ryan, and Taylor. Implementation of the strategies offered by Chait, Ryan, and Taylor is best contemplated with strength in both management and the board. The lessons offered have relevance for organizations of different scales and levels of complexity. In our view, a smaller, exclusively local organization offering a single service could stand to benefit as much as a larger, multi-tiered organization offering a broad range of programs and services.

In the work of Chait, Ryan, and Taylor there is an assumption of a basic understanding and experience of governance. For this reason, its application will be most successful in a context where issues of governance have been discussed and contemplated. On the perennial question of the size of a board, Chait, Ryan, and Taylor offer no prescription but reflect on the pros and cons of smaller and larger boards. Similarly, they are silent on the question of the relevance of a formal executive committee. The lessons offered here invite or require comfort with ambiguity—a state of mind often difficult for those intent on avoiding risk or uncertainty at all costs—and, more often than not, as is the case with the executive committee or the size of the board, the lessons of Chait, Ryan, and Taylor are not in the answers to be had but in the questions to be asked.

Just as Carver's prescriptions suggest a rational approach reminiscent of scientific medicine, Chait, Ryan, and Taylor offer remedies without dosage more typical of natural medicines. And, as is the case with traditional and natural medicines applied in combination, the potential for adverse interactions is always present.

Precis of *Governance as Leadership*

Governance as Leadership: Reframing the Work of Nonprofit Boards, by Richard P. Chait, William P. Ryan, and Barbara E. Taylor, B.E. (published by Wiley, 2004, pp. 224, cloth, CDN \$57.99) is bold in its conclusion that those involved in the field of board improvement have been frustrated because they are working on the wrong problem. Chait, Ryan, and Taylor have described the received wisdom of board problems being problems of performance. Three familiar areas of currently defined performance problems are: dysfunctional group dynamics, disengaged trustees, and confusion about roles and responsibilities.

Much of the work of academics and consultants over the past fifteen years has been to clarify the roles and responsibilities of trustees in an effort to fix this problem. Chait, Ryan, and Taylor, on the other hand, have determined through their many years of research and consulting that the overriding governance problem is one of purpose rather than performance.

Building on this premise, the authors take the reader through a reflective journey that uncovers the compelling need to refresh our thinking about governance. Most prominently, they suggest that the rise of the professional nonprofit manager has displaced much of the earlier work of boards and effectively “kicked the board upstairs” confining them to policy and strategy—in effect narrowing the scope of their work.

In *Governance as Leadership*, the authors take a contrary view and encourage boards to broaden their concept of governance and make governance more meaningful for trustees and more consequential for the nonprofit organization.

Multiple Modes of Governing

Chait, Ryan, and Taylor began with the question: “What are organizations and what do they demand of leaders?” Their insights have led to an understanding that organizations today require no less than three different modes of governing: fiduciary, strategic, and generative.

The fiduciary mode is familiar to most board members and managers. It ensures that resources are used efficiently and effectively to achieve the organization’s mission. Accountability, audits, and evaluation activities are some of the tasks related to this mode.

The strategic mode has also become familiar over the past decade. This mode is about getting the organization from its present state to its desired state. Strategic planning is the usual process employed to accomplish this goal.

To govern the modern nonprofit organization, Chait, Ryan, and Taylor are suggesting that **the generative mode** is necessary to complete the governance picture. This mode is concerned with values, assumptions, and insights. The generative mode in effect shapes both the fiduciary and strategic modes. In this mode, strategic thinking pursues questions about which problems need solving, what the vision should be, and what matters are important. These questions are explored and answered by the board. Generative thinking is the new angle on governance offered by Chait, Ryan, and Taylor—in effect a paradigm shift. The term “generative thinking” is a cognitive process that has been variously described by other theorists: “sense-making” (Karl Weick), “reflective practice” (Donald Schon), “emergent strategy” (Henry Mintzberg), and “adaptive leadership” (Ronald Heifetz). Within a complex world the ability to frame problems, adapt to new information, and create meaning provides a powerful competitive advantage to the organization. The authors suggest that generative thinking is the collaborative work between trustees and management. This viewpoint

challenges the rigid separation of board and management roles popularized by John Carver.

Well-governed organizations become skilled in each of the three modes and know when to operate in each one. This is not about dividing each board agenda into three parts—it is about engaging in robust dialogue when required. Although all three modes are equally important, the generative mode is the one that maximizes the value of governance and trustees. *Governance as Leadership* challenges boards to move from their comfort zone (fiduciary and strategic) to a growth zone (generative) in order to broaden the leadership scope of governance and maximize value to the organization.

The tri-modal approach is not a prescriptive one—it is an invitation for boards and their management to reflect, experiment, and invent new governing practices that engage trustees; create meaningful work; and evolve the field of governance.

Trustees as Capital

Recent trends in recruiting board members emphasize the search for trustees with expertise in areas related to the fiduciary and the strategic modes (accountants, lawyers, strategists, fundraisers). The following wave of trustee selection criteria identified sets of desirable characteristics and qualities designed to improve the diversity of the governance team and its connectedness to stakeholders (diversity of geography, culture, age, perspectives). All of these skills, characteristics, and qualities are acquired by recruiting those trustees who ostensibly possess these assets. Boards rarely consider their responsibility to be one of developing the talents of trustees once they've joined the board.

Chait, Ryan, and Taylor use the concept of “capital” when describing trustees as sources of assets that can be invested in the governing the nonprofit organization—with the expectation of receiving a “return on investment” (ROI). This concept of ROI infuses the organization with the potential of being sustainable.

Capital, however, is defined by the authors not as financial wealth but as existing in four other forms: intellectual, reputational, political, and social. These forms of capital are most effective when balanced and diversified. They represent assets to be used in governing on a “higher plane.”

- **Intellectual capital** represents the “collective brainpower” of the board. The trustees act as a community of practice, pooling their knowledge and learning together. The board regularly engages in reflection, dialogue, and lessons learned. Group-think is avoided.
- **Reputational capital.** Nonprofits rely heavily on their image, reputation, and brand to attract financial and human resources. Organizations do well by intentionally recruiting trustees with a particular reputation to convey certain messages to their stakeholders. Leveraging trustees' reputation

goes beyond using someone's name on a letterhead. Trustees are actively engaged in connecting with stakeholders.

- **Political capital.** Nonprofits are complex and diverse entities pursuing multiple (and often conflicting) goals. Internally, political capital is primarily useful in the generative mode when boards tackle difficult questions of competing interests and values. Externally, political capital is useful in lobbying or advocacy activities—also found in traditional trustees functions.
- **Social capital** is about relationships and social networks. These characteristics contribute to cooperation and cohesion—so important to achieving a collective purpose. This is about converting social relationships into organizational performance, not about gaining personal benefit from associating with other prestigious trustees.

The challenge of course is to identify and/or develop tools to assess and recruit trustees for their intellectual, reputational, political, and social capital. This how-to challenge is not addressed in the book.

As noted previously, Chait, Ryan, and Taylor have positioned their approach to governance as a catalyst that encourages learning through reflection, dialogue, and experimentation. Trustees must find their own way by making sense of governance and understanding what it means to pursue “governance as leadership.”

Critique of Governance As Leadership

Chait, Ryan, and Taylor have provided a well-written book that is provocative and inspirational. Their refreshing view of trustees and boards of nonprofit organizations will resonate with practitioners, consultants, and academics who are interested in evolving the field of nonprofit governance. Unlike many of the books on boards that offer practical how-to formulas, clarification of roles and responsibilities, warnings of legal liabilities, a list of do's and don'ts, this book advances the thinking about governance in a compelling way. Their use of metaphors and real case examples (although these are mostly American cases, they are readily accessible to Canadians) bring to life concepts that might otherwise be too abstract.

For those readers who are looking for concrete solutions and tools, this book will disappoint. For readers who have been frustrated with the failures to fix governance, this book will excite.

The logic and arguments presented throughout *Governance as Leadership* are grounded in the research and experience of three noted researchers, consultants, and academics. More importantly, the authors have posited a paradigm shift, a rare contribution to any body of knowledge. This shift is contributing to the continued vibrancy of the nonprofit governance field.

Conclusion

Although Chait, Ryan, and Taylor have furthered the thinking about governance, their reframing will not provide a remedy for all the governance ills encountered within the nonprofit sector. Many have also learned from their experiences with John Carver's prescriptive Policy Governance Model—that applying concepts in a rigid or dogmatic way can be harmful to boards and organizations. Chait, Ryan, and Taylor invite reflection and acknowledge ambiguity within a complex and constantly changing world. They reinforce the need for trustees to exercise their intellect, passion, and self-discipline in arriving at their own solutions.

On a cautionary note, Chait, Ryan, and Taylor's approach may be misunderstood. They are not suggesting that boards eliminate or drastically reduce their focus on the fiduciary and/or strategic areas. The generative mode is not a substitute. In fact, they insist that all three modes are of equal importance. Trustees must figure out when and how they need to engage in each of these modes—depending on their circumstances.

Funders, governments, and CEOs may actively resist these concepts if they are more comfortable with order and linearity, if they fear the consequences of allowing trustees to cross the governance/operational boundary, or if they are distressed by ambiguity. So for some players these ideas will be unwelcome, undesirable, and scary.

It's time for governance to catch up with modern thinking about organizations as complex adaptive systems, the importance of being generative, and the understanding that messy social processes often trump rational clear processes.

As for the future, Chait, Ryan, and Taylor have helped us imagine the possibilities of moving board performance from good to great. The shift to governance as leadership might revitalize the larger nonprofit environment by unleashing leadership talent in an intentional way.

Nonetheless an uncomfortable question remains—why should leaders (trustees and managers) invest their energies in this new approach when survival is such an all-consuming job? What is the incentive to embrace a new governance paradigm when pressures for accountability, accreditation, and funding seem to matter so much more? Being good may be good enough for many organizations.

Perhaps Chait, Ryan, and Taylor's dynamic and optimistic approach will take flight as the early adopters and risk takers experiment with governance as leadership. Building on their experiences, the nonprofit field may reach a tipping point where the majority of boards are relevant, connected, and engaged in meaningful work. Imagine the possibilities... for innovation, true accountability, and high performance in the nonprofit sector.

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