# Governance as Leadership:
# A Conversation with William Ryan

"Governance as Leadership," a new book developed in collaboration with BoardSource and published by John Wiley & Sons in October 2004, challenges traditional thinking about the role of nonprofit boards of directors with a new framework for understanding the modes in which boards govern.

The authors, William Ryan, Barbara Taylor, and Richard Chait, describe two familiar governing modes – fiduciary, which requires financial discipline, managerial oversight, and fidelity to the mission of the organization; and strategic, which addresses the nonprofit's alignment of internal capabilities, strengths and weaknesses to external opportunities in order to maximize social impact. They then propose a third: generative, which is the capacity of the participants to wrestle with, in their words, the "sense of problems and opportunities" that drives strategy, policy, and problem-solving in an organization.

Ryan, Taylor and Chait suggest that while the fiduciary and strategic roles are familiar ground for most organizations, it is really in the generative mode that the opportunities for the board to add unique value occur.

Indeed, say the authors, it is when the board is able to work in all three modes that it is able to transcend the role of ubermanager, and provide true governance. "Governance as Leadership" is a roadmap to get there, providing insights and examples for boards, executives and others seeking new ways of thinking about, enabling, and modeling improved nonprofit governance.

Bridgestar sat down with Bill Ryan, who also consults to The Bridgespan Group, to learn more about the book and the concepts of "Governance as Leadership."

**Bridgestar: "Governance as Leadership" is not a particularly lengthy book, but the ideas about generative thinking and governing are complex. Do you have an "elevator story"?**
**William Ryan:** It goes something like this: Board members and managers tend to focus on certain powerful processes that they believe shape their organizations, including mission setting, strategic planning, program development, various types of problem solving. But these processes are actually shaped by another powerful process – that of generative thinking. Generative thinking drives all the other processes. It frames the problems that we solve, it determines what needs deciding before we make

decisions, it suggests what's worth a strategy before we develop a strategic plan. If boards are not involved in this generative thinking, they're not governing fully.

## What is unique about what board members can add through generative thinking?

**Ryan:** For one, they have a unique responsibility to participate in this work. It's their job to develop the organization's goals and purposes, and for us that means working in this generative mode, where goals and strategies really get shaped. But luckily they are well positioned to do it, too. They are obviously invested in the organization and understand some of its complexity, but in the best cases also have the distance they need to think critically about the organization. And as a collective, boards can really support the executive team by bringing multiple perspectives into generative dialogue, which really benefits by an exchange of views and approaches. They enrich the discussion and provide the opportunities to draw new conclusions and set direction in an organization.

## Does this mean that every person on the board has to be a generative thinker? What about the person who is recruited specifically because they have – for example – expertise in financial oversight, and fiduciary responsibility?

**Ryan:** Not every person, but every board, should be able to govern generatively. Some individuals will be more inclined toward it than others. But we would suggest that all board members probably use generative thinking in their "day jobs." They do it tacitly. And EDs do it all the time. What we are recommending is that the process be moved into the boardroom, and that it be identified explicitly and integrated into the organization's governing work.

## Why is it so important to be explicit?

**Ryan:** It's being explicit and thoughtful that separates generative thinking – which is often informal – from generative governing – where the board would debate the questions and issues that drive strategy and decision-making. They have to be explicit to do that. But having an awareness of three governing modes can help boardroom deliberations in another way. Often, some board members are deliberating in a fiduciary mode, others in a strategic mode, and maybe a few in a generative way – and they end up talking past each other, and, in the end, governing past each other. Making these modes explicit can help boards notice when they might be governing too much in one mode, or how to encourage better deliberation.

## So are you suggesting that boards now govern in the wrong mode or modes?

**Ryan:** Perhaps in too few modes would be more the case. But if there is awareness of the mode(s) and ability to identify it, the group can ensure it's governing in all three modes.

### Why would generative governing appeal to board members?

**Ryan:** We sense that there is a hunger for more meaningful and consequential work. No one joins a board thinking, "I'd really like to hold this organization accountable," yet boards are increasingly instructed to focus almost exclusively on fiduciary work. People join boards to affiliate with – and influence – organizations' missions and values. Generative work does that. And it is usually engaging and interesting.

### Who should be responsible for introducing and facilitating this approach?

**Ryan:** It's probably best when the ED and the Chair do it jointly. They can begin by providing opportunities to do generative work – framing and raising generative issues.

### How do you know an opportunity like that when you see it?

**Ryan:** By definition, generative issues tend to be looming, nagging or intriguing. They don't pop us as clearly framed questions. They also tend to be issues that aren't technical, don't have one right answer. They involve lots of judgment, and usually touch on an organization's values. And they're very often embedded in issues that might be deliberated strategically or in a fiduciary mode. What's really crucial is that as the ED digs into a generative issue, the board should be involved, and the board and ED should work together toward a strategy. Too often, an ED does all the generative thinking and presents the board with a recommendation. The board gets involved too late, and too little, in the generative work. In a typical scenario, you see something like the board of an independent school debating how to finance a state-of-the-art fitness facility: What's the cost? Who can fund it? How will it affect enrollment? But embedded in there are other questions – like how this amenities race affects education, and whether the school even wants to compete. That type of question doesn't usually show up on a board agenda, but it's at the heart of governance.

### Sounds like the ED may have to take some risks.

**Ryan:** Absolutely. EDs often do a lot of their generative thinking with a few trusted advisors -- people who help them shape their ideas, and will push them in different directions. It might be difficult for some executives to engage the board on issues where, by definition, the ED doesn't have an answer to offer.

### How can the board be supportive?

**Ryan:** Both parties have to be clear that this is not a zero sum game; the board isn't trying to wrest generative thinking away from the ED. Boards and executives should share in the work, recognizing that EDs should be and need to be involved.

It's also a question of trust. Again, many EDs already engage in informal generative thinking, and some do it with advisors that may include board members. We're saying that it's a process that belongs in the

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boardroom as well. We often hear EDs complain that their boards don't "get it," and they try to keep them away from the generative work. Bringing the board closer can actually engage the members and help them earn the ED's trust. And of course the board should be respectful. Generative thinking should never be an eleventh hour process. The members have to ask questions at the right time, not re-open everything; that's frustrating for the ED and debilitating for the group. The point is to be challenging and productive, to be helping staff with generative thinking – but not to look for errors, as one might in the fiduciary mode.

## EDs often spend hours and hours compiling data for board meetings. Is the preparation process different for a board that governs in the generative mode?

**Ryan:** To support fiduciary and strategic governance, we'd suggest that EDs not present reams of data, but, rather, comparative data. How is the organization performing against its strategic goals, or against best practices, or as compared to last year?

For generative governing, the challenge is not only what information the ED brings to the board, but what kind of active learning the board can do with the ED. We advocate what we call "boundary work," where board members work at the intersection of the board room and the wider community, or the board room and the organization itself, to make sense of their environment and begin the type of thinking that eventually generates ideas for strategy. For instance, I watched the board of a human-service organization work with their ED on a major shift – away from trying to help families by offering them counseling, and toward helping them by building stronger, healthier communities. They got there partly by looking outside the board room, and outside the "board book" – meeting with experts, reading, even visiting other organizations. The ED didn't supply information. She just brought both a looming sense that they were approaching a dead end, and a possibility that there might be something more promising in a community approach.

## The book provides many examples of generative thinking exercises. What are some cues that generative thinking is going on?

**Ryan:** There are many cues in the language people use. "Isn't this really about X?" or "What if we look at things this way?" – these signal that people are trying to start a generative conversation. The ways in which people use history are also important: "We always …" "Ever since …" -- these phrases are almost always followed by someone's attempt to frame the organization's work in a certain way, and the board's work involves deciding if that sense of things is really right.

## You spoke earlier about the board recruiting process and the focus on particular types of

**expertise or skills. It seems that some specific skills will always be necessary; fundraising in particular. In fact, in the November issue of Leadership Matters we published a survey in which board chairs and EDs mentioned fundraising, program and financial oversight as the key skill sets for which they recruit. Are you suggesting a change? What should organizations look for in order to get generative governance?**

**Ryan:** We recommend shifting away from viewing the board as a Noah's Ark of experts. It's great to have volunteers who can help in many different ways, but not every volunteer has to be a board member. And it's great to have board members help as consultants and fundraisers, too, but that work shouldn't substitute for governing work. In fact, if people value their board primarily for their technical expertise, that's almost a warning sign that they're relying on the board to manage, or support managers, rather than to govern. Organizations need to look for people who can govern, not just manage.

### So what would you tell a nominating committee to look for?

**Ryan:** I'd tell them to look as they would for a CEO – not just for technical skills, but also broader intellectual assets. How does the person think? What curiosity do they display? How likely are they to challenge others? How willing would they be to grapple in a collaborative way? And we'd also urge boards to think in terms of development, not just recruiting. Can they develop the practices and norms needed to work in all three modes?

### A final question: is generative governance timely, or is it long overdue?

**Ryan:** A little of both. We think boards have under-performed in part because the field has been shrinking the very idea of governance for some time, making it into a policing or oversight function. So this is a chance to expand the idea of governance. And with all the pressure from Congress and regulators to produce more accountability, it could help ensure that we get not just more accountability, but more governance, too.

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