

Generative Thinking for Boards

Canadian University Boards Association (CUBA) Conference April 29, 2011, Saskatoon, SK

Consider incorporating emerging innovative agenda approaches. Current means of discussing board business may not be optimal to tap the board's wisdom. The job of leadership is to frame challenges and engage in dialogue about cutting-edge issues. New techniques are developing to facilitate better thinking in the boardroom.

Most boards use ways of processes of dialogue based on tradition. These meeting processes are understandable but may be sub-optimal to derive fresh insights and solutions to meet today's challenges. Boards often report poor or uneven board member engagement, insufficient time for meaningful dialogue, discussions "in the weeds," and directors getting off track or overly focused on one point.

Boards which have reached competency in their fiduciary and strategic responsibilities may wish to "go the next level." This requires restructuring the agenda to free time and enable vibrant debate. The following steps can be helpful:

1. Move to a Consent Agenda (article on this available at <http://www.boardsource.org/Spotlight.asp?ID=116.365>)
2. Incorporate key discussion questions into agendas and board briefing papers so that directors come prepared to discuss key questions.
3. Ensure the objectives of any agenda item are clearly stated with the chair reiterating same at the outset of discussion of the item.
4. Encourage administrative senior staff to develop scorecards and visual progress flags to help the board monitor the organization. These focus discussion.
5. Plan a special discussion at, or near, the top of an agenda.
6. For the special discussion, or regarding business topics important to the board, incorporate what are called "Generative Questions."

About Generative Questions

Generative work¹ for a board means framing issues, working at external boundaries of the organization, learning from the past, and engaging the collective mind of directors and senior staff in robust discussion. It is about exploring ideas and matters where there are no easy answers or strategy. Generative questions surface "cues and clues" in internal and external events and encourage directors to understand their meaning for the organization. Questions may delve into root causes of issues facing the organization.

This is not "soft" and unimportant work. It is part of governance. Leadership should frame the issues and challenges demanding organizational attention and make sense of the organization's experiences. Boards need to have distinct opportunities to do that

¹ An excellent sourcebook for this approach (from which the generative concept and some questions here are derived) is *Governance as Leadership: Reframing the Work of Nonprofit Boards* by Richard Chait, William Ryan and Barbara Taylor, published 2005.

and it means dialoguing upstream from action, being exploratory, examining perspectives, and searching for insight *before policy and plans are determined*.

If, and when, the board wishes to instruct the organization, its usual policy-making procedures apply. This may mean sending the matter to committee or asking management to recommend policy or solutions. *However, a board should be in no rush to action*. It is finding its own point of view. These dialogues create context and foundations for ongoing decisions.

Sample generative questions are:

- Is our business **model viable** long term?
- If **we were a for-profit organization**, what would we do differently?
- What is the **biggest gap** between what the organization claims it is and what it is?
- To what degree do we survive because of **mission legitimacy** and to what degree do we survive because of **mission performance**?
- How do we distinguish between **good and bad overhead**? We know we are busy and hardworking – how do we know that we are performing at our potential?
- What's not working that we **need to let go** of?
- If someone was to invest 20 million dollars in us, would we be a **good investment**?
- Are we a **victim of our virtues**?
- If we were all **under 30**, where would we be leading the organization (and can we find out those ideas?)
- If we were to merge with **another organization** what organization would it be and why?
- What is the **ultimate result** we hold ourselves accountable for?
- It is **ten years from now**. Looking back, what do we wish that we had had the courage or political will to do?
- What **value propositions** are we delivering on... and which ones are we not?
- If we are **what we do**, then who are we?
- Have we the **right balance** between tradition and innovation?
- **How can we be smarter** as a board and organization than three years ago?

Understandably, senior staff may be reluctant to bring “big hairy issues” to their boards. They may not be entirely confident that the board will deal with them productively or they may fear the board may dictate a solution that is not practical. Nonetheless complex issues with no easy answers do belong at the board level. Senior staff need to be open and in a learning stance to pose to the board the organization's most fundamental challenges. For its part, boards must be loyal to and deploy their governance models and not micro-manage.

The familiar arrangements of governing -- fixed agendas, parliamentary rules and routine monitoring of organizational performance – may inadvertently stifle the development of new ideas. This dampening of board dialogue does not serve organizations well in this dynamic and competitive environment. Boards and senior staff in Canada and the US are deploying new meeting techniques to tap the board's pool of creativity and collective wisdom. These techniques facilitate independent thought before discussion and better engage all directors.

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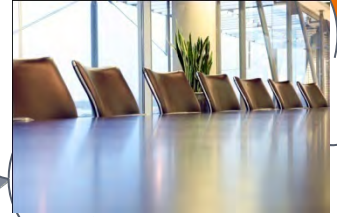


Key Message:

Your Board can lead more effectively if using the 3 Modes of Governance

- What are these approaches or modes?
- How do we incorporate them?

- Reflect on typical University Board meetings: the dialogue, the process



Easy to have Mediocre Meetings

- Poor or uneven board member engagement
- Routine agendas
- Not enough time for good dialogue
- Group dynamics not optimal
- Discussion can tend to get off track or overly focused on one track
- Boards getting “in the weeds”
- Wasting time

Context – Giant Curveballs

- Tougher times - greater pressures - accelerating change



Context – Giant Curveballs



How do we inspire boards
(and senior administration)
to optimize meetings, to
find time for the
conversations required to
innovate, resolve larger
system issues?

**Q: How do Boards lead and go the
next level in their governance?**

Key Idea: Make Time for Generative Discussions



At your tables...

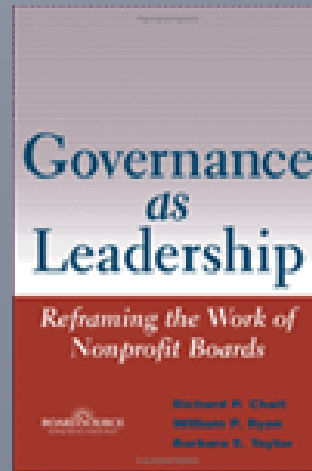
- **1. Individual Reflection:** PICK ONE QUESTION you think would generate high interest/ engagement of your board
- **2. Group:** Discuss at tables for top pick *if possible*.

Generative Type Questions

1. Are we learning and adapting?
1. If we were all board members under 30,
3. How have the trends of globalization and internationalization impacted
4. What did we learn as an organization from the economic downturn
5. It is ten years from now. ... courage or political will to do?
6. Where are we at the forefront /bringing up the rear?
7. Do we have the right balance between research and teaching
8. How is technology changing our institution
9. How will universities cope with a government
10. Could there be a more robust role for our university, all universities, to contribute to the major debates?
11. On what list do we want to rank #1?
12. What is the potentially biggest gap between what we say the university is, and what we actually are?

Three Modes of Governance Leadership

10



Chait, Ryan Taylor "Governance as Leadership" (used with permission)

“Nonprofit boards face a problem of purpose, not a problem of performance.”

What's the Problem?

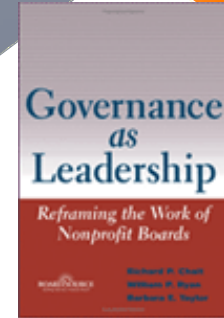
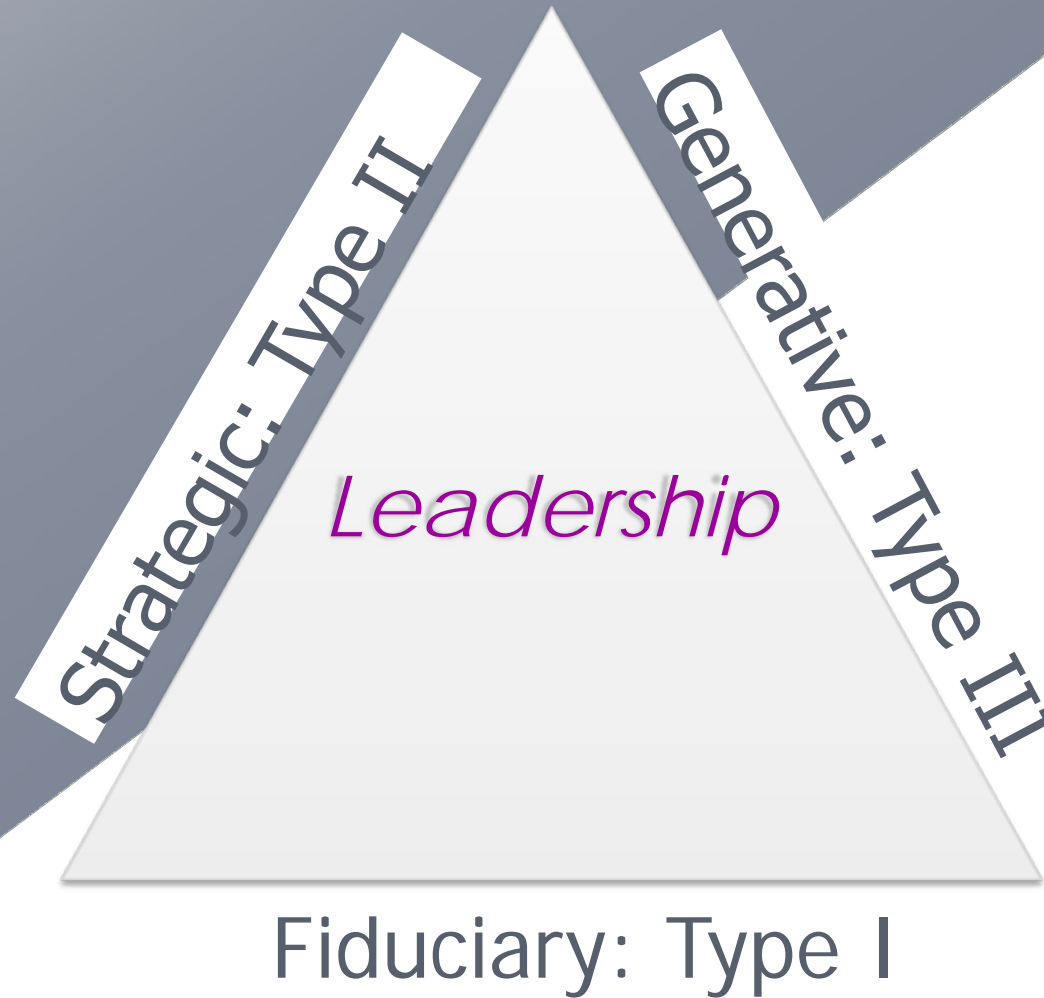
| | | |
|-----------|-----------|-------------------------------------|
| Classical | Diagnosis | Problem of performance |
| | Response | Codify board's role, clarify tasks. |
| | Objective | Do the work better. |
| Reframed | Diagnosis | Problem of purpose. |
| | Response | Enrich the job, engage the board. |
| | Objective | Do better work. |

Fiduciary – Strategic - Generative

Boards need three different governing modes

1. **Fiduciary** – stewardship of tangible assets, rule-driven, institutionalizing
2. **Strategic** – ensuring winning strategy, getting from A to B (logical, prioritizing, monitoring)
3. **Generative** – what to pay attention to, how to frame things, meaning, root causes, no easy answers or strategy

Governance as Leadership



Fiduciary Mode



Type I: Fiduciary – “Productive”

- Accountability to members/funders and stakeholders
- Prudent management of the organization's resources
- Setting and reviewing policies

Type I: Fiduciary Mode

- Board's central purpose: Stewardship of tangible assets

| Statement of financial position | | | Statement of revenues and expenses | | |
|---|-------------|-------------|---|-------------|--------------|
| September 30, 2007, with comparative figures for 2006 | | | September 30, 2007, with comparative figures for 2006 | | |
| | 2007 | 2006 | | 2007 | 2006 |
| Assets | | | | | |
| Capital assets | | | Revenues | | |
| Land | \$2,411,154 | \$3,296,071 | Donations ¹ | \$4,193,762 | \$1,462,220 |
| Capital assets | 8,862,215 | — | Revenues | 419,051 | 3,122,621 |
| Accounts receivable | 102,445 | 112,284 | Charges and contributions | — | — |
| Advances on contracts | 1,462,200 | — | Grants-in-aid | 2,819,763 | 2,887,657 |
| Prepaid expenses | 80,200 | 17,300 | Intergovernmental | 807,813 | 1,462,745 |
| Long-term investments | — | 1,560,000 | State | 1,102,485 | 1,981,280 |
| Capital asset | 281,314 | 285,110 | Local | 191,241 | 206,172 |
| | \$4,226,962 | \$5,060,661 | Other governments | 70,287 | 215,243 |
| | | | Investments | 70,287 | 215,243 |
| | | | Total revenues | 14,810,008 | 12,721,148 |
| Liabilities and | | | | | |
| Net assets | | | | | |
| Accounts payable and accrued liabilities | \$ 189,542 | \$ 142,240 | Expenses | | |
| Deferred revenues | 5,812,222 | 5,111,580 | Operating | | |
| | 7,001,764 | 5,253,820 | Operations/profit | 3,022,221 | 18,862,477 |
| | | | Management | 400,000 | 1,918,861 |
| | | | Education and health affairs | 1,173,724 | 1,035,545 |
| | | | Planning and capital | 102,266 | 18,862 |
| | | | Foreign and foreign affairs | 11,237,077 | 18,484,158 |
| | | | Program support | 1,819,397 | 1,819,399 |
| | | | Administration | 1,252,220 | 1,252,220 |
| | | | Fundraising | 2,403,540 | 17,182,421 |
| | | | Total expenses | 14,700,000 | 34,000,000 |
| | | | Excess of revenues over expenses | 1,110,008 | (21,278,852) |
| | | | Net assets | 2,200,202 | (24,719,142) |

¹ \$71,239 of the amounts included net assets is recorded for future capital asset or other long-term investments.



- Board's principal role: Sentinel

Type I: Fiduciary Mode

- **Think and act like stewards:**
 - Ensure efficient & appropriate use of resources
 - Ensure legal compliance & fiscal accountability
 - Ensure accountability
 - Oversee operations – Is there something out of order?
- Can be tedious but is critical work!



Fiduciary Hallmarks

- **Agendas & meetings:** Designed to assure board that management is competent and honest. Operational, staff-dominated, report-driven meetings. Audits, budgets, staff reports, facts and figures
- **Deliberative style:** Formal, procedural. Orderliness is next to godliness. Rely on Robert's Rules of Order.



Strategic Mode

*Type II
Strategic – “Logical”*



- Strategic planning
- Overseeing performance and progress
- Organizational priorities

Type II: Strategic Mode

- Board's central purpose: Strategic partnership with senior management
- Board's principal role: Strategist



Type II: Strategic Mode

- **Board thinks and acts like comprehensive management consulting firm:**
 - Scan internal and external environments
 - Resolve priorities
 - Review and modify strategic plan
 - Monitor performance to the plan

Strategic Hallmarks

- Work groups often mirror strategic priorities
- Empirical, analytical
- Benchmarks, dashboards as performance metrics
- Deliberative Style is data driven and about strategic analysis

| | |
|---------------|---|
| Green | On track or achieved |
| Yellow | Not on track, but trending positive from last report |
| Red | Goal not on track, not expected to be achieved, or trending negative from last report |

| Outcome Measure #2 | | Target | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|--|------|--------|---------|---------|---------|---------|---------|---------|
| High School graduate enrollment yield. Percent of freshmen from all feeder high schools for each college over the last six fall terms. | BC | 28.8% | 21.7% | 25.6% | 25.7% | 30.2% | 30.9% | 26.6% |
| | CC | 32.8% | 13.8% | 12.9% | 12.2% | 21.8% | 20.5% | 13.8% |
| | PC | 25.0% | 31.6% | 29.8% | 21.1% | 31.3% | 32.2% | 24.8% |
| | KCCD | 28.8% | 22.0% | 24.7% | 23.8% | 29.6% | 30.0% | 25.1% |

| CPEC College-Going Rate | | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | Target | Signal |
|--|------|---------|---------|---------|---------|---------|---------|----------|--------|
| Percent of high school graduates that enroll at any CCC during the fall after graduation, combined for all feeder HS by college. | BC | | 29.0% | 34.7% | 27.2% | 26.4% | 29.3% | 28.8% | 26.0% |
| | CC | | 26.3% | 36.6% | 27.4% | 34.4% | 35.6% | 32.8% | 29.5% |
| | PC | | 29.7% | 29.8% | 20.7% | 14.9% | 27.0% | 25.0% | 22.5% |
| | KCCD | | 29.5% | 30.8% | 27.3% | 29.4% | 27.5% | 28.4% | 28.8% |
| | | | | | | | | 6-yr Avg | 90% |

Aren't these two modes
sufficient?



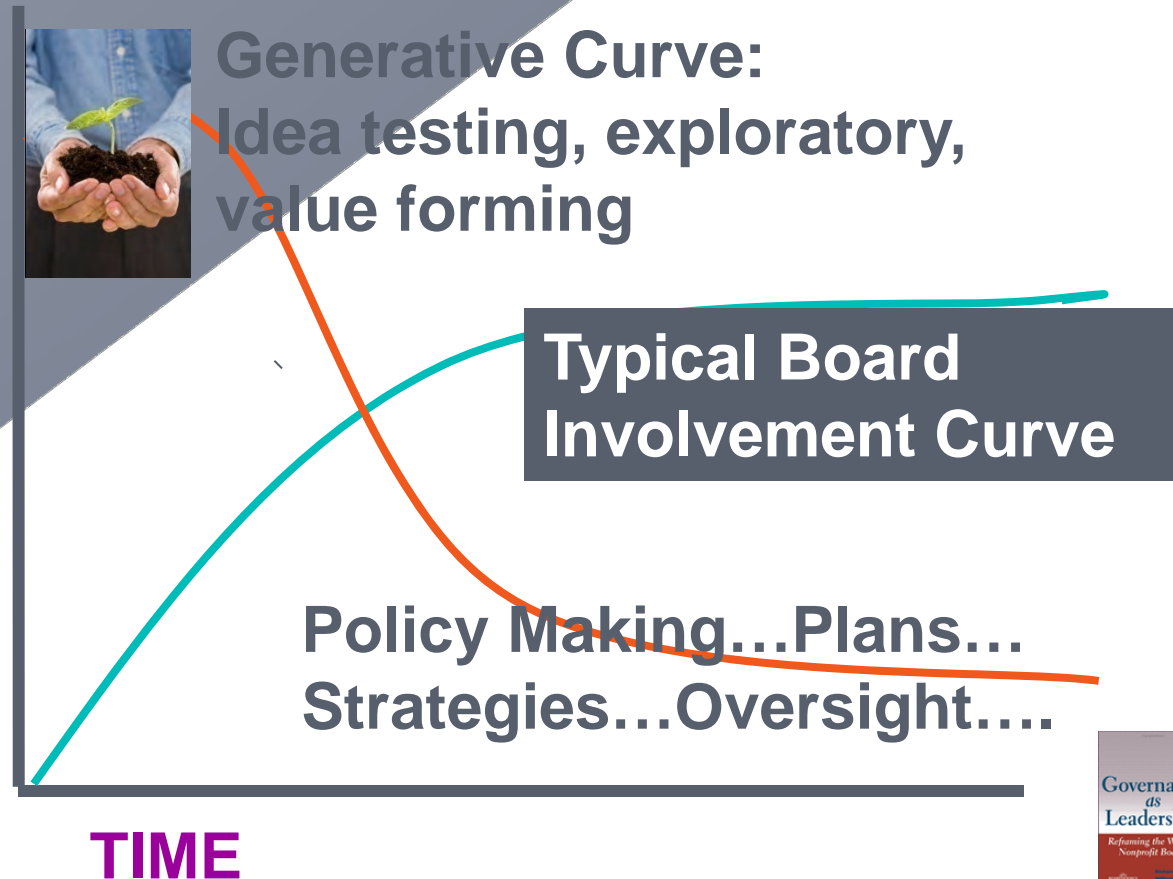
Generative Thinking

- It is the job of leadership to frame the issues
- Real dialogue about cutting edge issues
- Probes assumptions, logic, values behind strategy
- Discerns challenges and opportunities
- What is paid attention to... ideas about what matters matter!

Boards need to have opportunities to be upstream

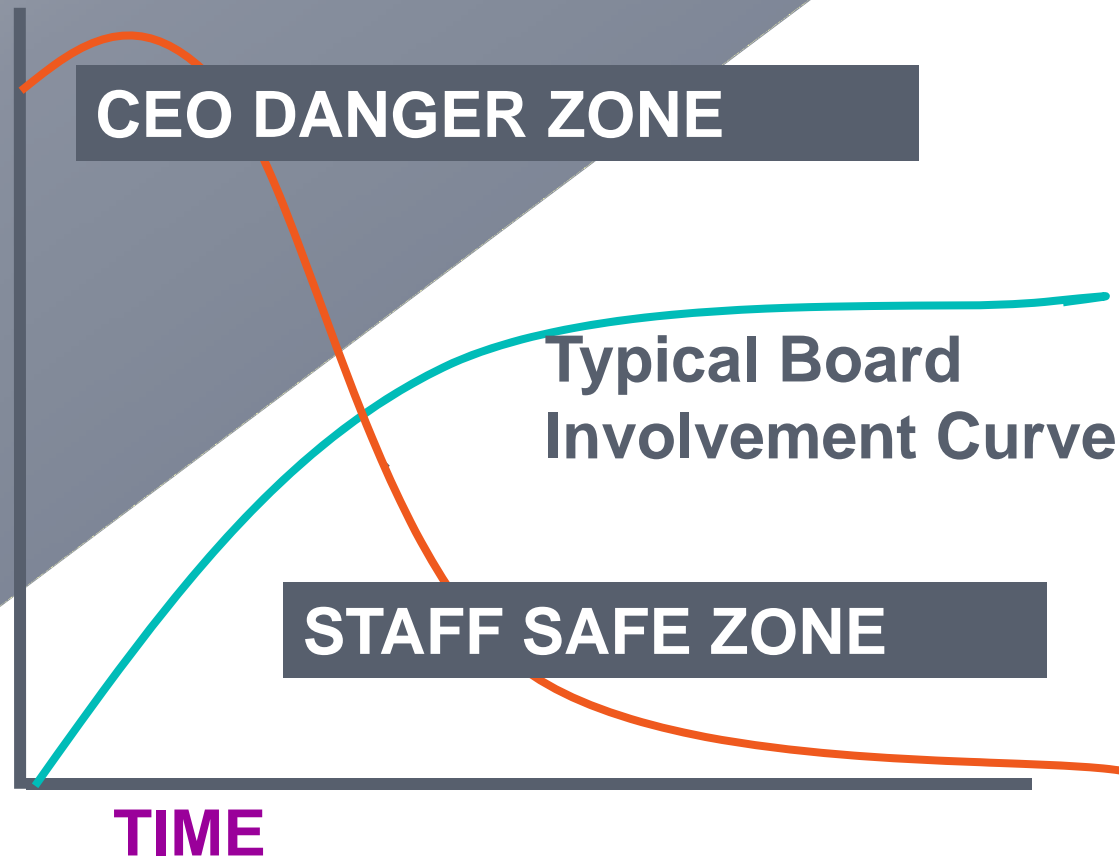
- Exploratory, before plans are determined....

**Opportunity
for
generative
work**



Senior Staff may be wary...

Opportunity
for
generative
work



The requirement for Senior Staff

- To be open – in a learning stance
- Willing to voice the institution's most fundamental challenges
- Willing to *engage* vs “handle” the board



Generative Mode



Type III Generative
“Expressive”

- Establishing Values, Culture
- Mission and *big picture*
- Own learning and development, succession, and diversity
- Engagement with the community

Type III: Generative Mode

- Board's central purpose: Source of leadership for the organization
- Board's principal role: Sense-maker
- Board's core work:
 - Decide what to decide
 - Discern challenges and opportunities
 - Probe assumptions, logic, values behind policy and strategy

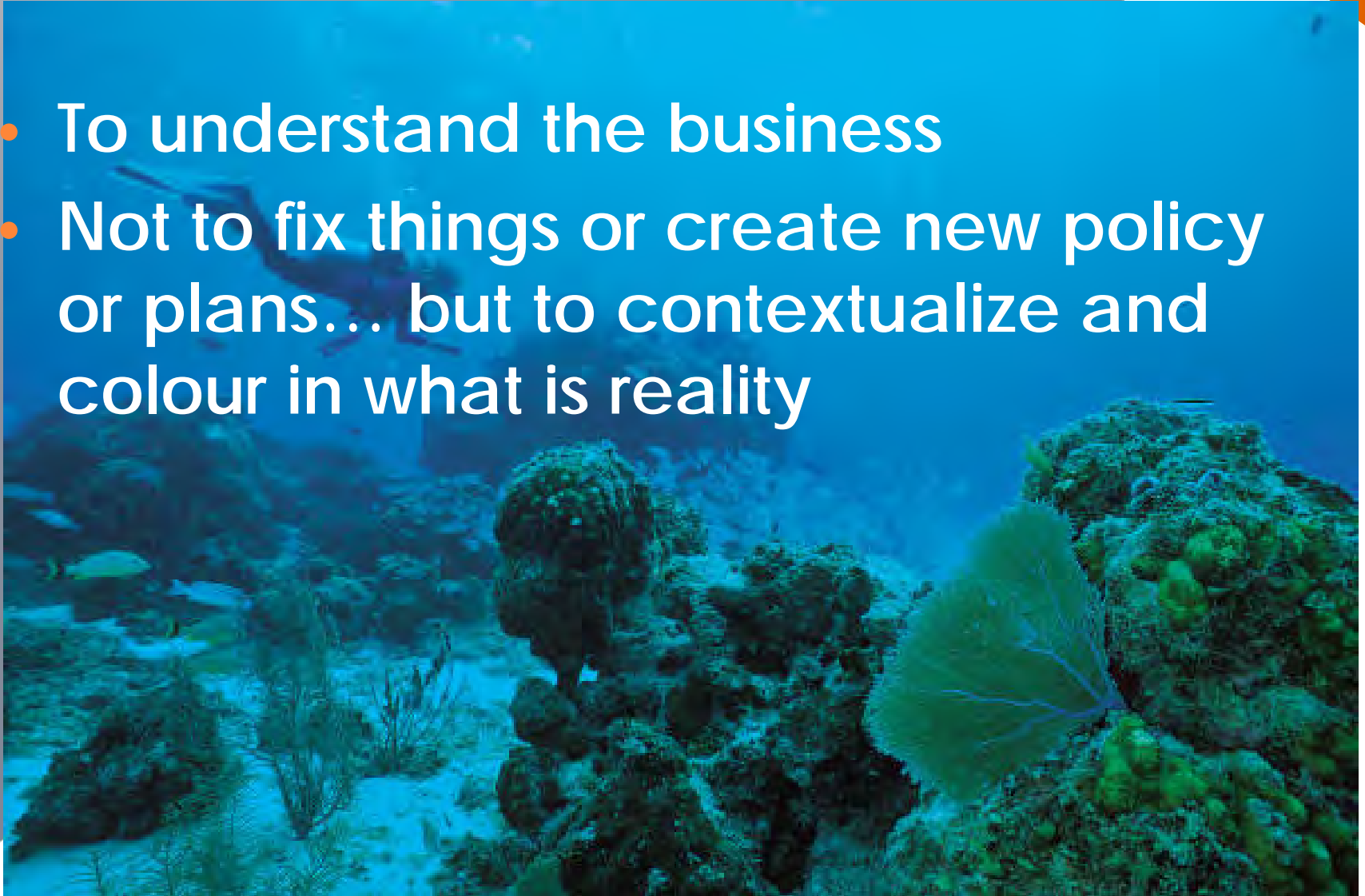


Why not just Modes I & II?

- Work in Modes I and II but do not rest there --
- Modes I + II = good governance. Modes I + II + III = great governance.
- To govern at highest level, boards need to:
 - Think differently about governance
 - Think differently when governing
 - Work in the right mode at the right time.

Plan Deep Dives...

- To understand the business
- Not to fix things or create new policy or plans... but to contextualize and colour in what is reality



Restructure Agenda

- Consent Agenda
- Intent and Key Questions in the Agenda, Briefing Papers with suggested focus for discussion
- Better Sequencing - special discussion time at or near the top of the meeting
- Colour coding items to cue change of modes/styles

Wishing you leadership in
governance
Thank You

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