

“Strategic Governance: Guiding a Board’s Ability to Shape Institutional Direction”

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While most nonprofit boards spend regular meetings dealing with fiduciary matters, they would be well served to learn to move in and out of strategic governance for the long-term efficiency and effectiveness of their organizations.

Fiduciary governance, referred to as Type 1 governance by the authors of “Governance as Leadership,” also could be called status quo governance and deals with routine operational tasks such as finances and legal compliance. It does not involve much forward thinking, long-range planning or competitive positioning on the part of the board. Strategic, or Type II governing, requires a “new mental map” for trustees to become both engaged in and excited about their work (Chait, Ryan, Taylor, 2005, p. 51).

“A Type II mental map charts new territory, where organizations are complex human systems, chief executives are leaders (though neither omniscient nor omnipotent), and nonprofits are highly permeable organizations susceptible to both internal and external influence” (Chait, Ryan, Taylor, 2005, p. 51). “Guided by a Type II map, the board’s attention shifts from conformance toward performance, and the trustees’ perspective changes from ‘inside out’ to ‘outside in.’”

The authors recognize it is unfeasible to operate in a strategic mode 100 percent of the time. And based on the various public school corporations and nonprofit board meetings I have observed, the majority of boards struggle to do any strategizing at all. They tend to get bogged down by minutia policy matters, bored by routine agenda items and burned out by long meetings. When it’s been an hour or more, they seem ready to run for the door. Often, board members are busy professionals who volunteer to represent the public’s trust in decision making. There is no monetary motivation to become invested in the organization. Without passion for the mission, board members can become

disengaged and apathetic. In other instances, trustees let the executive lead and are content to follow for fear of overstepping their boundaries or due to a lack of understanding their roles and responsibilities (Millesen, Wright, 2008).

There are many challenges of the strategic governance model even though it is critical to an organization's vitality and long-term stability. According to Chait, Ryan and Taylor, "a swirl of six different, yet related, problems contributes to the sense among many trustees that the strategic plans of nonprofits are more utopian portraits than blueprints for action" (p. 57). They include: Plans without traction; plans without patterns; plans without strategies; ideas without input; the pace of change; and unforeseen outcomes.

So what can be done to educate trustees on the benefits and necessities of this crucial but complex form of board governance? Scholars and literature have offered a variety of suggestions that apply to the corporate, public and nonprofit sectors, especially in competitive market settings such as hospitals and other service delivery focused agencies.

"Gone are the days when nonprofit boards existed to stamp their seal of approval on senior executives' business decisions," writes Kara Olsen in "Governance reinvented," an article in *Health Care Strategic Management*, discussing the rapidly changing health care industry and outside pressure for greater business oversight even among nonprofits (Olsen, 2007, p. 9). "The arising model is one of partnership and collaboration between board and management team, with little room for surprises. The new board is engaged, experientially diverse, and educated in the business at hand, be it a financial spreadsheet or a quality dashboard."

In the article "Strategic Planning: Maximizing the Board's Impact," authors James Orlikoff and Mary Totten explain that for hospitals and health care nonprofits, the most

successful strategy processes typically involve the following steps: Establish a timeline for the planning process and gain buy-in from key participants (this should include the CEO, who often assumes the role of chief planning officer for the organization, the board chair, and the strategic planning committee); conduct an environmental assessment; analyze the strengths, weaknesses, opportunities and threats (SWOT) facing the organization; develop both planning and financial assumptions to guide goal setting and strategy development; create a strategic map that includes the organization's goals, mission, values and vision and the strategies to support them; and implement mechanisms for monitoring the performance plan. According to information in the article, the most important question a board can ask relative to the planning process is: "Does the strategic plan ensure the organization will continue to accomplish its mission in the future? Therefore, boards should be directly involved in establishing the vision (future state) and mission (today's work and purpose) for the organization, as well as in affirming or challenging planning assumptions and setting overall strategic direction for the organization" (Orlikoff, Totten, 2006).

Maneuvering through this model can sometimes create the perception of mistrust by the CEO on the part of the board and micromanaging by the board from the CEO's perspective. This is where both the CEO and trustees must communicate well and come to an understanding they are working together for the common good of the organization.

"What CEOs may fail to realize, however, is that board relations are not a matter of determining the balance of power, but rather a balance of roles. The board chair manages the board; the CEO manages the organization. The board approves strategies and policies;

the CEO ensures the explanation and enforcement of those strategies and policies” (Olsen, 2007, p. 9).

Strategic planning author John Bryson says strategic thinking, planning, and acting are necessary and smart leveraging tools for organizations as the world grows more interconnected and the lines between public, private and nonprofit sectors continue to blur.

“The blurring of these boundaries means that we have moved to a world in which no one organization or institution is fully in charge, and yet many are involved or affected or have a partial responsibility to act” (Bryson, date unknown, p. 315). “This increased jurisdictional ambiguity requires public and nonprofit organizations (and communities) to think and act strategically as never before.”

Drawing on others, Bryson explains strategic governance as a concerted effort to make decisions and take actions that guide and shape what an organization is, what it does, and why it does it. To be most effective, strategic planning requires broad yet smart information gathering, examining strategic alternatives, and an emphasis on future implications of present decisions. It can help foster communication and involvement, respect divergent interests and values, generate sound and reasonable analytical decision making, and promote successful implementation (Bryson, date unknown).

Bryson, whose article “Why Strategic Planning in Public and Nonprofit Organizations is More Important than Ever” discusses the political complications of the public and nonprofits sectors, says the benefits are many, including better strategic thought and action, information gathering about the organization’s external and internal

environment and focus on organizational learning. It also helps clarify and guide the organization's future and priorities for action.

For all its benefits, there are a few things that strategic planning is not and organizations usually have to try a couple of times before they see change, Bryson writes. Since strategic planning is simply a set of concepts, procedures and tools, key decision makers and leaders must be committed to the process. Success also partly depends on how they tailor the plan to their specific situation, and sometimes an organization has other issues to address before they should start (Bryson, p. 317).

“Engaging in strategic planning when effective implementation will not follow is the organizational equivalent of the average New Year's resolution,” he writes on p. 318.

Bryson says strategic planning is here to stay because it builds on the nature of political decision making, whereas a lot of other management techniques do not. Public and nonprofit organizations are “politically rational,” and any leadership plan must accept and learn to work within the parameters of such an environment (Bryson, p. 319).

Besides their political dynamics, nonprofits also are vying for financial resources, community legitimacy and value and clients against other nonprofits and for-profit equivalents. That is why some say a simple strategic plan is no longer enough – boards need to consider their strengths and weaknesses and where they fit in relation to their “environmental soup,” as we discussed in class. “Strategic positioning is outward-focused, more fully recognizing the competitive and market environment within which an organization operates. Positioning defines an organization's specific niche within its sphere of influence. With a strong strategic position, the organization is poised for

ongoing success, sustainability, and distinct competitive advantage” (Bischoff-Turner, 2008, p. 30).

In her article “From Strategic Planning to Strategic Positioning,” author Shelli Bischoff-Turner says that embracing strategic positioning can mean different things to different organizations. She maintains positioning enhances and informs the strategic planning process and involves situation analysis, competitive analysis, constituent interests, distinctive competencies, gaps and unmet needs, considering alternatives and organizational alignment. “A mature organization seeks rejuvenation, a growing organization endeavors to broaden their reach, and a young organization wants to strengthen its identity” (Bischoff-Turner, 2008, p. 32).

Ultimately, working in the strategic sphere impacts board effectiveness and “a board’s ability to envision and shape institutional direction” (Chait, Ryan, Taylor, 2005, p.66). In an empirical study of nonprofit governance by Chait, Taylor and another partner in 1993, they found the most successful boards “cultivate and concentrate on processes that sharpen institutional priorities and ensure a strategic approach to the organization’s future (Chait, Ryan, Taylor, 2005, p. 66-68). “In other words, effective boards both oversee strategic planning procedures (Type I) and work with management to determine what matters most to the long-term future of the organization (Type II).”

They recommend that to do Type II work, form should follow function and facilitate the flow of strategic action. The board’s committee structure, meetings, and channels of communication may need to be changed to foster strategic thinking and to cultivate a real strategic partnership with management (Chait, Ryan, Taylor, 2005, p. 69). The shift from board as monitor to board as partner requires hard work, collaboration and creative

thinking, as well as mutual respect for each other and the organization among all the key players.

While there are difficulties in getting boards educated on and invested in strategic governance, the pros far outweigh the cons. And while it does not pertain to all agenda items, most boards would find it worth their time to incorporate strategic work into meeting discussions rather than save it for board retreats and crisis situations. Simply put: It's a combination of thinking, planning and positioning that can take an organization to the next level, help leverage long-term sustainability and set the agency apart in a competitive market. It may require additional meetings, critical assessments and frank conversations. Board chairs, with the support of CEOs and executive directors, must make the pitch to get trustees to buy into the process and take them to task when they regress into reactive ways of governing. In many ways, the organization's future depends on it.

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