

## **A Matter of Foresight: Six Key Challenges to Promote Strategic Thought**

By Michael G. Daigneault

CEO of Quantum Governance, L3C

In today's highly conceptual age, it is crucial for nonprofit Boards—in constructive partnership with senior management—to advance and sustain their level of strategic thinking. While fiduciary thinking about oversight remains vital, having the foresight to make strategic thinking a priority is more essential than ever. Boards must help nonprofits stay responsive to their constituents and accountable to their funders. They must do so by consistently meeting, planning and thinking in a more strategic manner.

What can—and should—nonprofit leaders do to raise the level of strategic thought in the boardroom, and make strategic deliberations a more central part of the organization's leadership culture? Six primary impediments to strategic deliberations at the Board level must first be identified so they can be effectively addressed.

### **Challenges to Effective Strategic Deliberations**

Thinking strategically in an open, effective and sustained way is easier said than done. The six hurdles my team and I frequently experience as the most vexing to nonprofit leaders trying to foresee the future and “think more strategically” (beyond a general reluctance to change) are:

**1. The design of Board meetings.** To be truly effective at strategic thought, Board members need to be regularly involved in discussing fundamental strategic issues and questions. Historically, most nonprofit Board meetings have focused on fiduciary oversight, such as the organization's financial condition, and operational, staffing and programmatic matters. Such issues effectively fulfill the need to ensure safety and soundness, but are often mechanical and require little of the kind of deep thinking necessary to promote the long-term success of the organization.

Similarly, vital strategic discussions are sometimes delegated to executive committees, senior management, a “once every ‘x’ number of years” retreat or even the “parking lot.”

Board meetings must be structured to foster the Board's strategic engagement. One thing that can be done is to make sure Board members perceive they have enough time to engage in strategic dialog. Accordingly, specific time in Board meetings should be set aside for strategic questions to be discussed. This should take place throughout the year – not just in preparation for or as a part of a strategic planning exercise.

**2. The flood and complexity of information.** The sheer volume and nature of the information now presented to nonprofit boards has increased steadily over the past decade. As such, one of the keys to help ensure Board meeting success is to ensure your directors get “the right information in the right format at the right time,” as suggested by corporate governance expert Ram Charan in his book, *Boards That Deliver: Advancing Corporate Governance From Compliance to Competitive Advantage*.

As Charan appropriately notes, even the best “group dynamics are not much use when the directors lack information for a productive discussion.” Bottom-line: Charan suggests your volunteer and management leadership need to take a very hard look at each of the primary ways in which your Board receives information pertinent to its central responsibilities – what he terms your “information architecture.”

In particular, ask yourself these two questions: 1) What is the best way to present information to your Board? and 2) How much information should be presented?

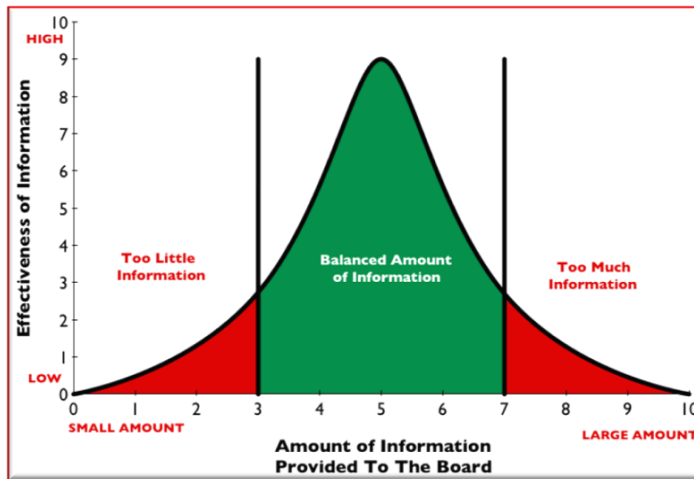
**Presentation of information:** Information given to your Board can be unreasonably detailed, poorly organized or focused, overly demanding or complex, unclear as to its statistical significance, or just plain difficult (if not impossible) to read due to its format. Indeed, information and data are often offered in the manner in which management (or even one key staff member) typically understands or utilizes it.

Instead, information needs to be presented to nonprofit Board members in a manner that best suits their ability to grasp its meaning and then effectively execute their fiduciary and strategic responsibilities.

**Volume of information:** Fearing the potential accusation that they “withheld something important,” many senior staff members (and even Executive Directors) often provide large amounts of data to their Boards. A thoughtful conversation between the Board and senior management about the most effective level of information flow will help prevent this.

Some might suggest that giving “too much information” is certainly better than the alternative and, that by providing the additional information, “no real harm” is done. Experience with a multitude of Boards, however, suggests otherwise.

Figure 1 - Amount of Information Provided to Board



Too much information can be just as harmful as too little. At the risk of oversimplifying the process of deciding what should—and not—be presented to a Board, Aristotle's sage advice of a balance between two extremes comes to mind. (See Figure 1.)

**3. The tendency of most nonprofit leaders to think in a predominantly operational and fiduciary manner.** The empirical reality is that most of us—

Board members or not—default to thinking about issues that confront us in a fairly operational or problem-solving manner. This mode of thought is heavily emphasized on nonprofit Boards due to the weighty fiduciary and oversight obligations. Financial pressures that nonprofits often face foster focusing more time and attention on oversight—often at the expense of strategic thought.

Thinking into the future and crafting an effective strategic vision is—for the vast majority of us—an ability learned over time. More time has to be devoted regularly to strategic dialogue for nonprofit leaders to truly become more adept at doing it.

**4. The problem of reliably differentiating between “operational” and “strategic” thought.** One of the most common challenges of trying to raise the level of strategic thought is arriving at a working consensus of the difference between “operational” and “strategic.” A potent way senior management can close down a Board member’s inquiry into a particular area is to (rightly or wrongly) accuse the Board member of “micromanaging.” This is frequently done by suggesting the Board member is asking an “operational question” that is perceived to be in the sphere of management’s authority. There is regularly a good faith perception by management that a particular question by a Board member is “in our area of expertise” or is “in the weeds.” Of course, sometimes that simply is the case! It is difficult for most of us not to try to problem solve at the operational level.

The real challenge arrives when the Board appropriately asks what the boundaries are between “operational” and “strategic.” Even though they have a strong intuitive feel for the areas they are responsible, most management teams have no more of a clear sense of where “the line should be drawn” than do Board members! Why? Because management is immersed in operational thought each and every day. It is a habit of mind that serves them well and is very hard to break away from. The fact is that there is some genuine overlap between the Board and senior management’s responsibilities when it comes to strategic questions.

Even more problematic is that the same question can be phrased (or even just thought about) in a predominantly operational or strategic manner, depending on subtle nuances. Consider the situation when someone in the boardroom asks, “Should our organization implement a new program of services?”

A staff member may translate that question to “Will this new service support our constituents?” And questions or concerns by the Board may be well-meaning but are “out of place.”

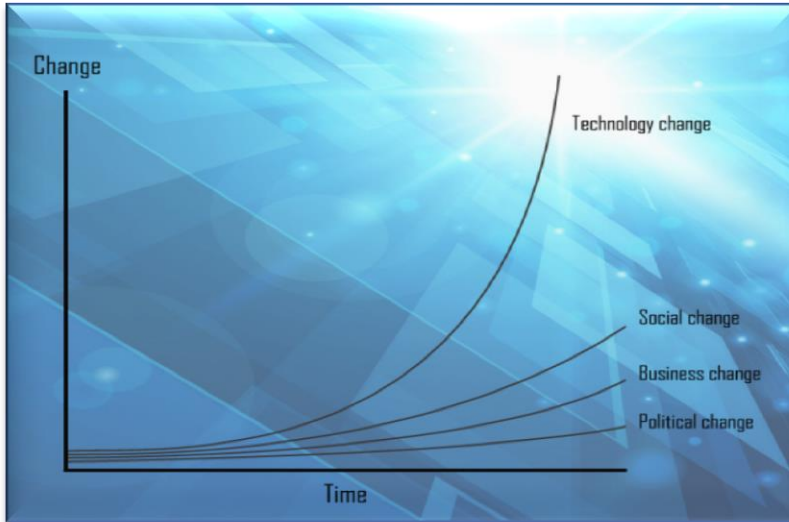
In contrast, a Board member may translate that question to, “In light of our nonprofit’s mission and brand, is such a service an appropriate direction for us?” Ultimate approval of new lines of service are the Board’s responsibility, but you can see the tension created and the careful handling required here.

**5. The traditional composition and structure of many nonprofit Boards.** While assembling a representative Board from their members is a commendable democratic principle, nonprofits that do so can be faced with having a properly elected—but inexperienced—Board. The natural propensity for operational thought, the public accountability required of them, and a lack of sophisticated financial experience can create a challenging situation for nonprofit leaders to really be in touch with the overarching strategic realities facing them.

Combine this with the fact that many Board members having little (or no) experience with conceptualizing, instigating, sustaining, monitoring and evaluating strategic initiatives over time and you have a need to take a hard look at the composition of some nonprofit boards. Of course, there are exceptions, but Board members inside and outside the nonprofit sector struggle with doing something with excellence that has not been a characteristic feature of their personal, academic, civic or work experience.

What needs to be done? Identify what your “ideal board of the future” would look like and build it! Design and use a strong onboarding process incorporating everything from initial identification of potential candidates to training and mentoring such folks after they have joined your Board.

Figure 2 – Technology Change



**6. The significant ambiguities caused by quickly evolving technology.** Technology is changing so quickly it is hard for anyone to keep up! (See Figure 2.) Technology questions certainly have important operational implications, but they are now playing such a significant role even in program-delivery that they have become a very real strategic matter.

All this creates very real “strategic ambiguity” about

what the future will likely bring. Even assuming the nonprofit is fully committed to serving its constituents’ needs—and doing so through leading-edge technology—just what that technology is going to be in future years is—realistically—an unknown.

### Final Analysis

In the end, all this means is that for nonprofit Boards and senior management teams to be ultimately successful in overcoming the challenges to strategic thinking, they must be willing to work more effectively together and embrace:

- ❏ **A different view of nonprofit governance and leadership.** The Board should be framed as a strategic or “constructive partner” that creates added value and competitive advantage for the nonprofit.
- ❏ **A different framework for nonprofit leadership.** The Board is critical to long-term success and must be composed of folks who can genuinely help the nonprofit meet the strategic challenges faced in today’s world. The Board (and senior management) must be able to talk about higher-order problems and questions. They must also be able to ask questions that focus more on catalytic or transformational ideas than technical or operational issues.
- ❏ **A different mindset and way of thinking.** The Board must move beyond a predominantly oversight focus to fully embrace strategic and – ultimately – generative deliberations and thought, that get at the core of the nonprofit’s mission.



When they can do this, exceptional Boards and their management teams will not only be logical and linear, but also creative and innovative.

##

*Michael Daigneault serves as Chief Executive Officer at Quantum Governance, L3C and has more than 30 years of experience in the field of governance, management, strategy, planning and facilitation. With more than 75 percent of Quantum Governance's clients representing the nonprofit sector, the organization fields more engagements in that sector than any other.*

*Quantum Governance provides corporations, nonprofits, credit unions, associations and governmental entities with strategic, cost-effective governance, ethics and management consulting, facilitation and evaluation. We are home to more strategic governance experience than any other practice in the country. The firm is a unique L3C organization that integrates the best elements of both the for- and non-profit communities into one practice. It is a low-profit, limited-liability service organization dedicated to the public good and one of the very first such legal hybrid organizations in the United States.*