

How disciplined people can take disciplined action

What Makes a Good Board Great?

by *Jannice Moore*

In reading Jim Collins's book Good to Great (New York: HarperCollins, 2001) and the accompanying monograph Good to Great and the Social Sectors (Boulder, Colo.: Jim Collins, 2005), Jannice Moore was struck by how the concepts elaborated there for management are equally relevant to governing boards. In this article, she briefly outlines Collins's concepts and discusses how John Carver's Policy Governance model provides the framework for a governing board to demonstrate the same determinants of greatness that Collins's research identified.

JIM COLLINS'S RESEARCH TEAM used a set of tough criteria to identify a group of elite companies that went from "good" (fifteen-year cumulative stock returns at or below the general market) to "great" (cumulative stock returns at least three times the market, sustained over the next fifteen years). These "great" companies were contrasted with comparison companies, including those in the same industry that did not go from good to great and those that made a short-term shift but did not sustain it. The researchers looked for the differences between the great companies and the comparison companies, analyzing documents, doing qualitative and quantitative analyses, and interviewing a wide range of people.

Collins addresses three key determinants of greatness: disciplined people, disciplined thought, and disciplined action, applied relentlessly until a breakthrough to greatness is achieved.

The overarching conclusion was that great companies display "a relentless culture of discipline-disciplined people who engage in disciplined thought and who take disciplined action" (*Good to Great and the Social Sectors*, p. 1). While the research was done in the business world, using exceptional sustained stock returns as the measure of "greatness," Collins points out that in the non-profit world, an organization's greatness can be calibrated without business metrics as delivering superior performance and making a distinctive impact over a long period of time. Using different words, he is describing a concept very similar to what John Carver in *Policy Governance* calls *ends-the* benefit produced by an organization, the beneficiary, and the worth of the benefit. An organization that delivers superior performance (the results are worth the resources spent) and makes a distinctive impact (producing the intended benefits for the intended beneficiaries) over a long period of time is consistently achieving its ends. Collins's approach also tracks with Carver's in relation to measurement. In *Boards That Make a Difference* (3rd ed., San Francisco: Jossey-Bass, 2006), Carver says, "A crude measure of the right thing beats a precise measure of the wrong thing" (p. 110). Collins says, "What matters is not finding the perfect indicator, but settling upon a consistent and intelligent method of assessing your output results and then tracking your trajectory with rigor" (p. 8).

Collins addresses three key determinants of greatness: disciplined people, disciplined thought, and disciplined action, applied relentlessly until a breakthrough to greatness is achieved. Let's examine these more closely in comparison to Policy Governance.

Disciplined People

Collins found that the leaders of great companies are often people who are almost unknown outside their own companies. They are very ambitious, but their ambition is for the institution, not for themselves. They are "a study in duality: modest and willful, humble and fearless" (*Good to Great*, p. 22). Others use words such as *quiet, humble, modest, reserved, gracious, self-effacing, and understated* to describe them. They are apparently ordinary people who achieve extraordinary results. Collins calls this "Level 5 leadership"-leaders who are highly capable, contributing team members, competent managers, and effective leaders (the first four levels) but go beyond this to the fifth level, "a paradoxical blend of personal humility and professional will" (p. 20). In addition to their humility, they have a "ferocious resolve" to do what it takes to produce results. If things go well, they share the credit; if things don't go well, they hold themselves accountable. Contrast this approach to many highly visible leaders who take the credit when things go well and find someone else to blame when they don't. A Policy Governance principle is that boards are "servant-leaders" accountable to those who own the organization or company. Although Collins doesn't use the term *servant-leader* (coined by Robert Greenleaf), that is the essence of what he has described the leaders of great companies to be. Having a clearly defined relationship between the board and the CEO, to whom operational matters are delegated, is also crucial to the board's fulfilling its servant-leader accountability. This is a key component of Policy Governance. Carver also stresses the need to be focused on results, noting that the key role of the board is to determine what the ends of an organization are-what results it is to achieve, for whom, at what worth-and that the board should "obsess on ends." The second component of disciplined people that Collins identifies is getting the *right people* "on the bus." He approaches this from the management perspective, finding that great companies have rigorous hiring processes. Applying the concept to governance, Carver addresses the need to have the right kind of people on the board: those who can think in the context of the bigger picture, who have vision, who are willing to delegate the details but keep their "arms around" the organization, rather than those who want to micromanage or who seek personal benefit. Collins describes executives of great companies as people who "on the one hand, argue and debate-sometimes

violently-in pursuit of the best answers, yet, on the other hand, unify fully behind a decision, regardless of parochial interests" (*Good to Great*, p. 60). This is an excellent description of the way in which the "right kind" of board members operate using Policy Governance. Proper attention to selection of board members and governance succession is a key component of greatness for boards.

Disciplined Thought

Leaders of great companies display disciplined thought in two ways. First, they are realistic (Collins calls this confronting "the brutal facts"). They ask questions to gain understanding, engaged in dialogue, and keep asking questions until they have a clear picture of reality and its implications. Second, they develop a simple but deeply insightful frame of reference for all decisions. Collins calls this the "hedgehog concept"-while foxes pursue many ends at the same time, "hedgehogs simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything" (*Good to Great*, p. 91). This simplicity is the essence of profound insight, says Collins, allowing people to see through complexity and discern underlying patterns. The organizing principle is a clear understanding of (1) what you can be the best in the world at, (2) what drives your economic engine (for non profits, what drives your resource engine-time, money, and brand), and (3) what you are deeply passionate about. Getting this right (Collins calls it a BHAG- a "big hairy audacious goal") means that you are also clear about what you will not do. Likewise, Policy Governance encourages great boards to take the time to reflect and to ask questions that will provide them with a depth of understanding necessary to provide clear direction on behalf of owners. What are the owners' values, on which the core values of the organization or company should be based? Why should the organization or company exist-what is its overarching purpose? Then, like the hedgehog, identify the reason for the organization's existence- the ends, in Policy Governance parlance. Getting to this place means also identifying what the organization will *not* try to achieve. It encourages boards to obtain a wide variety of perspectives before making that important decision about what the ends are. The process is iterative, resulting in continual refinement. Carver's advice to "obsess on ends" fits very well with Collins's hedgehog concept.

Disciplined Action

Great companies built a culture of discipline "with clear constraints, but they also gave people freedom and responsibility within the framework of that system. They hired self-disciplined people who didn't need to be managed, and then managed the system, not the people" (*Good to Great*, p. 125). Collins goes on to say that in the research, "we were struck by the continual use of words like *disciplined, rigorous, dogged, determined, diligent, precise, fastidious, systematic, methodical, workmanlike, demanding, consistent, focused, accountable, and responsible*" (p. 127). Only companies who developed a *culture* of discipline (rather than imposing it through the force of a leader) made the grade to sustained greatness.

This concept of a culture of discipline is perhaps the strongest link between the work of Jim Collins and John Carver. In Policy Governance, the board is asked to clearly specify the ends for the organization (using all of the principles just enunciated); to do this in a disciplined manner, through clearly written policies that follow a disciplined process for development; and then to provide a framework by allowing the CEO and management team freedom to determine the most appropriate means to achieve the ends, within boundaries of prudence and ethics identified by the board. The board itself exercises discipline by staying out of management once it has delegated but has a disciplined process for rigorous monitoring of results. The CEO is held fully accountable by the board's managing the system, not the people. Great companies think about technology differently. They don't adopt it just for the sake of having it. Rather, they use it as a tool to accelerate momentum to move from good to great. Carver has called Policy Governance a "technology of governance." Boards can use it to great (*continued on back page*) advantage to accelerate their momentum to greatness.

The Flywheel

After addressing the concepts of disciplined people, disciplined thought, and disciplined action, Collins makes reference to the flywheel. A heavy flywheel does not immediately rotate quickly-it takes great effort to get it started, and it moves almost imperceptibly at first, but with persistent effort, it gradually begins to move faster and faster until it reaches the point of breakthrough, and its own weight creates a sustained momentum. There's not one big push that causes this to happen but rather the overall cumulative effort in a consistent direction. "Each piece of the system reinforces the other parts of the system to form an integrated whole that is much more powerful than the sum of the parts. It is only through consistency over time, through multiple generations, that you get maximum results" (*Good to Great*, p. 182). Once again, Policy Governance draws a striking parallel. It is a system, with each principle reinforcing the others to produce an integrated whole. Its unrelenting emphasis on ends, on maintaining the discipline of governing through a framework of policy, with clearly stated expectations, and rigorously applied monitoring, over time results in the development of a culture of accountability within the organization. This culture results in the organization's purpose being achieved, consistent with the owners' expectations. Greatness is within reach for boards who use Policy Governance to help them be disciplined people, having disciplined thoughts, and taking disciplined action.