Building Better Boards and a Better Society Through
Utilizing Servant Leadership as a Tool for Transformation in Board Governance

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• Servant Leadership as the Basis for Effective, Systematic Board Governance

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Group Summary

• Names
• Yrs of experience on a board (or why you want to be on a board)
• Industries represented
• In general, how would you describe the state of board governance in recent times?
• One word to describe your experience being on a board
• One thing you feel is wrong with board governance today
• What you hope to learn today
Issues with Traditional Governance

- lack of time
- serving on multiple boards
- personal or political agenda
- lack of objective criteria for director recruitment
- lack of understanding of true governance/role of boards
- decision-making processes
- use/abuse of power
- directors not working collaboratively
- poor information requests
- group think
- outdated board structures
- moral failing as a society
- motivation/self-interest/career aspirations
- CEO as board chair
• “Behind every scandal or organizational collapse is a board (often with distinguished members) asleep at the switch.”

  • (Chait, Ryan & Taylor, 2005, p. 11)
2008 Economic Crisis
BP Explosion and Spill
Whittington, 2004

“The [recent] rash of corporate scandals has awakened our collective consciousness to the fact that self-interest unchecked by moral reasoning and obligation results in destructive greed. This greed not only destroys the lives of the executives that are driven by it to ethical compromise, but ultimately impacts thousands of individuals as the outcomes trickle down corporate hierarchies, spilling over into communities and crashing through families. [Recent headlines] have sharpened the outcry for a new standard for corporate integrity and public accountability.”
Suggested Fixes

- Laws/Regulation
- Rules/Policies
- Policy Governance
- Education/Training
- Board orientation, team development and relationship building
- “Balanced Scorecard”
- Clear job descriptions
- Board development, succession and evaluation practices
- Board structure overhaul
- Review of board composition/annual elections
Leadership Problem

• “We don’t have an environmental problem, or a healthcare problem, or a welfare problem, or an economic problem, or a crime problem, or a political problem or an education problem. They are all symptoms, not the disease. At bottom, we have an institution-and leadership problem.” (Hock, 2002, p. 318)
Heart Problem

- Greed
- Power
- Desire for social status
- Lack of ethics, conscience
- Lack of personal integrity and character
System Problem

• Short-term gain market focus
• Profit and dividends above all else
• Property vs. social entity focus
“Stuck-in-the Past” Problem

- Taylorism
- Classical Management
Governance Problem

“Instead of impassioned discussion about the changes to be produced in their world, board members are ordinarily found to be passively listening to staff reports or dealing with personnel procedures and the budget line for travel. Discussion is almost always focused on activities than intended results.”

•

(Carver, 2007, p.1)
Servant Leadership and Governance

• “If a board fails to act powerfully, it cheats those for whom it is in trust of a voice. If it acts self-servingly, it fails to act on their behalf. It must be powerful and deferential at the same time, for both timidity and high handedness defraud the trust. The contemplation of and theory-building for governing boards-these vessels of leadership-must recognize that proper governance is a logical impossibility if it does not include the concept of servant leadership.” (Carver, 2002, p. 30, emphasis added)
Questions to Ponder

• 1. To Whom are Boards Accountable?
• 2. Whom do Boards Serve?
Servant Leadership
Governance Duties

- **Professional Duties** (fiduciary, strategic, generative, adaptive)
- **Governance Operations** (i.e. meetings (&DMF), board calendar, job descriptions, board recruitment/composition, performance reviews, AGM, Annual Report, by-laws, policies, doc/info mgmt)
- **CEO Oversight** (recruitment, renumeration, job description, development, performance review, succession, limitations)
- **Organization Oversight Duties** (brand, relevance, sustainability - risk, strategic plan, vision, mission & values)
- **Relational Duties** (relationship between board and management/organization, relationship and group dynamics between board members, relationship of board/management to stakeholders, community, society)
Servant-Lead Boards

1. How would servant-led boards see themselves in relation to employees, society, economy?
2. How would servant-led boards see themselves in relation to the organization?
3. How would you recruit for a servant-led board?
4. What would oversight of the CEO/Executive Director look like?
5. What would oversight of the organization look like?
6. What kinds of things would you focus on as a servant-led board?
7. What would be the role of the Chair?
8. How would a servant-led board make decisions?
9. How would a servant-lead board define success?
10. How would servant-led boards evaluate their performance as a board and board members?
For Consideration

- New Model for Board Governance
“Companies must take the lead in bringing business and society back together...Businesses must reconnect company success with social progress.”
• “The purpose of the corporation must be defined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy.”
• Impact of servant-lead boards on society

• What is possible?
QuickTime™ and a decompressor are needed to see this picture.
Professional Duties

Adapted from Governance as Leadership, 2005
SERVANT LEADERSHIP AS THE BASIS FOR EFFECTIVE, SYSTEMATIC
BOARD GOVERNANCE

by

Barbara Gayle Eng

B.A. Honours Carleton University, 1994

A MAJOR PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF ARTS IN LEADERSHIP

in the

SCHOOL OF GRADUATE STUDIES

We accept this major project as conforming to the required standard

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ABSTRACT/EXECUTIVE SUMMARY

With numerous examples of corporate scandal and mammoth economic fallout in 2008, it is apparent that the current modes of oversight, accountability and general governance are broken. A new way of thinking about corporate governance is needed. Corporate governance must not only look at the health of the organization, but also have a broader perspective of its impact on employees, communities, and society in general in order to ensure a sustainable future.

Current models of governance are outdated. Most primarily focus on the fiduciary responsibilities of a board of directors. A more holistic model that includes strategic and generative responsibilities is advocated. It is proposed that this new governance model also include the concept of servant leadership, systems thinking and a clear understanding of board accountability.

Servant leadership would turn traditional governance on its head and would work to heal what is wrong with organizations today. Servant leadership, with its strong ethical core and its priority around character and integrity, would also work to re-establish trust in business, the economy, and society. Systems thinking gives governance a broader mandate and responsibility to see and understand the impact of decisions being made. Having a clear understanding of to whom the board is accountable would give the board a clearer focus to their work and responsibilities. A new governance model including systemic, servant leadership is proposed.
SUPPLEMENTARY SUMMARY

A number of articles and books have been published on both board governance and servant leadership, but a literature review indicates that these two concepts have never fully been explored in combination together. John Carver, academic, author and consultant once wrote that that “proper governance is a logical impossibility if it does not include the concept of servant leadership” (Carver, 2002, p. 30). Yet, in this, he never fully explained what this statement meant or what the practical application of this statement was.

If Carver’s assertion is valid, then why has there been very little in terms of literature on the topic of board governance and servant leadership? Why does it appear that so many boards do not work through the lens of servant leadership as part of its practice and mandate? And, what exactly would a governance model look like with servant leadership as a core principle? The purpose of this paper therefore is to explore some of these questions and attempt to answer them.

The failure of most systems of governance, both for profit and non-profit, has been widely documented. These failures have been linked to various scandals, a lack of ethical decision making and even a full blown economic collapse. Numerous reasons have been cited for these failures ranging from a lack of time for true oversight, to nepotism and groupthink, to a lack of clear understanding of the concept of governance. Currently there is no widely accepted governance model that would accurately inform what should be the holistic nature and work of the board.

Servant leadership, in its essence, appears antithetical to most business practices (and ironically, governance practices) today, yet research shows it is exactly this type of
leadership that will inspire people and promote business excellence. The absence of servant leadership has been a consistent and central theme when one examines the root cause of recent organizational failures and economic fallouts. Yet servant leadership, both from a philosophy and practice perspective is rarely upheld in the business world (and even the not-for-profit world) as what might heal an ailing economic, societal and political system. Introducing the concept of servant leadership in today’s boardrooms (where most of today’s power resides) could be our only hope for a sustainable future.

Understanding the nature—as well as our own mental models—of the concept of organization is inherently mixed in with board leadership and governance practices. Most organizations and governance models today continue to operate under an outdated model and understanding of organization driven by the Industrial Revolution. Leadership practices continue to reflect the type of leadership needed to run this type of organization.

Yet, the world we now live in is dramatically different than that of the Industrial Revolution. We have moved from linear to complex and slow and methodical to rapid and chaotic. Business demands that organizations continually change, adapt and evolve. An overwhelming amount of information, technological advances and social networking opportunities are at our finger tips. We now need to see organizations as complex open systems of people and process and we need to be able to lead and govern differently in this type of environment. Servant leadership lends itself to leading and overseeing this type of organization in a more effective way.

A board that operates with servant leadership as a core foundational principle looks quite different than that of traditional governance structures. Instead of only being located at the top of an organizational chart, boards would also be supporting the
organization and its employees from the bottom of an inverted pyramid. Board members would also be dispersed throughout the organization in order to be fully informed of what exactly is happening from both an operational and morale perspective and make informed board decisions through continual dialogue with employees.

The work of the board would be focused not only on fiduciary responsibilities, but also strategic and generative responsibilities as well. Based on an analysis of servant leadership, it is believed that servant-focused boards would also help to achieve organizational goals and objectives within the constraints of organizational values and would raise the ethical convictions and actions of others in the organizations.

Board members would be recruited for both needed skills and insights, but also for their belief in and commitment to the intended practice of servant leadership. They would be systems thinkers and understand that their decisions and actions not only affect the organization, but also its employees and the broader societal context. They would open themselves and their work as a board up to evaluation and two-way accountability.

Board members would also be committed to investing in the necessary time and energy needed to do the job with excellence. The work of the board would move from either “rubber stamping” and “micromanaging” to a broader mandate of overarching challenge, inquiry and stewardship. Boards operating under servant leadership would also form better teams and have better team dynamics and decision-making.

This paper is the first known source for bringing the concepts of servant leadership and board governance together in an in-depth academic inquiry—taking it beyond simply a statement or hoped-for ideals. The paper begins to examine exactly what a servant-led board might look like, how it would function, and what the outcomes may
be. In this, a new model of board governance with servant leadership and systems thinking at its foundation is proposed.

It is hoped that this paper will be the spring board for many future papers, discussions and research. It is also hoped that this paper will find its way into many boardrooms, where both chairs and directors are yearning for change, a different way of seeing and a different way of doing what they do. In this, it is hoped that this suggested practice and model of board governance, based on servant leadership and informed by a systematic understanding of the board’s impact, not only transforms business, but also society in general. As a result, a restoration of trust and faith in the economic system and the achievement of a sustainable future will prevail.
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“Today, it doesn’t take much thought to realize we’re in an accelerating global epidemic of institutional failure...organizations increasingly unable to achieve the purpose for which they were created, yet continuing to expand as they devour scarce resources, demean the human spirit and destroy the environment” (Hock, 1999, p. 28).

The Current State of Organization and Business

As one considers the topic of board governance and the role of servant leadership in the acts of governance, one must not and should not do this in isolation of both the role and purpose of “organization” (whether for-profit or non-profit) in society and society itself. For how we view organization and society does and should inform how we in fact govern the organization within that society.

Conger et al., (2001) bring forth the debate that the public corporation can be seen in two different ways – property or social entity. Through the property lens, the corporation is seen as the property of the owners or shareholders exclusively. Through the social entity lens, the organization’s stakeholders become more inclusive of employees, customers and the community (Conger, Lawler III, & Finegold, 2001). Depending on which lens the boards of directors see the organization influences the kinds of decisions they make (Conger et al., 2001). Answering this question of property or social entity will inform the framework, operation and decision-making of boards. It will also direct the answer to the questions that should be posed of the boards – “Whom do you serve?”, “For what purpose?”, and, “How do you serve them?”

One might argue that organizations, both for profit and non-profit exist to provide a service to society. For-profit organizations provide jobs to individuals and families as a means to exist and live within society and also create the means of economy that supports
society as a whole. Non-profit organizations provide services to those individuals and families in need of assistance of some sort beyond what the government of the day can provide and also provides employment opportunities as well.

Much of capitalism, however, has focused on profit above all else, often to the detriment of human beings within organizations and society as a whole. Examples such as Enron, WorldCom and the financial collapse of 2008 make this point. Yet, as Tishler (2003) notes:

Corporate officers and directors are legally required to act in the best interests of the corporation. Contrary to popular belief, this does not mean maximizing shareholder value without regard for the effect on employees, customers, suppliers, the environment, or the communities in which the corporation does business (Tishler, 2003, p. 1).

Leadership guru Warren Bennis would concur when he explains “It is easy for an organization to get completely consumed with the bottom line; with pleasing only the financial stakeholder, not the community, not the workers, not the entire cartography of people whose lives are affected by the organization” (Bennis, 2004, p. xi).

Costa (2010) outlines “Rightly or wrongly, finance and society are often seen as having different, if not conflicting values” (Costa, 2010, p. 7). Yet, separating the two worlds of finance and society or separating what is good for the organization and good for society is no longer viable for a sustainable future.

In the past decade, some organizational theorists and practitioners have been semi-successful in helping organizations see themselves as part of the community in which they operate and in this, have a more well-rounded view of corporate social
responsibility. However, as is often noted, many acts of corporate social responsibility from organizations are put in place simply as a marketing tool to generate more profit and give the appearance that these organizations are good corporate citizens (Kotler & Lee, 2005). They are, however, in more cases than not, ultimately a self-serving end to once again achieve profit above all else.

**Organizational Philosophy and Leadership**

Mixed in with the concept of organization and business is a philosophy and practice of leadership that is born out of the scientific and classical management theories of the 19th century. These theories and practices brought forth the Industrial Revolution and mass production. They reinforce hierarchal, assembly line and elitist notions of work and the separation of the planning and design of work from its execution. In scientific management, Frederic Taylor, its creator, outlined five principles of work and organization. These include:

- Shift all responsibility for the organization of work from the worker to the manager.
- Use scientific methods to determine the most efficient way of doing work
- Select the best person to perform the job thus designed
- Train the worker to do the work efficiently
- Monitor worker performance to ensure that appropriate work procedures are followed and that appropriate results are achieved (Morgan, 2006, p. 23).

Taylor’s notion of work and organization has informed most of the 20th century business mindset. It has also inspired a philosophy and practice of leadership called
Classical Management Theory to support the scientific management concept. Classical Management Theory reinforces management as a process of “planning, organization, command, coordination and control” (Morgan, 2006, p. 18). Organizational history in the past century has told us, however, that the Tayloristic and Classical Management view of organization, work, and management has not worked. As Morgan (2006) notes:

Now, we only have to look at the contemporary organizational scene to find that they were completely wrong on this score. Indeed, if we look closely, we find that their management principles often lie at the basis of many organizational problems (today) (Morgan, 2006, p. 27).

Yet, despite this, we create organization and governance structures that continue to reinforce these concepts.

**The Link Between Board Governance and Society**

The concept of board governance and oversight ultimately is a good thing. Lord Action expressed the need for oversight in general when he wrote in 1887, “Power tends to corrupt, and absolute power corrupts absolutely” (Retrieved Oct 10, 2010, from http://www.phrases.org.uk). Early corporate law concluded that a system of checks and balances in organizations needed to be put in place to ensure that power and greed did not become out of control (Morck&Steier, 2005).

However, with the numerous cases of greed, organizational collapse, scandal and environmental impact in recent times, one has to wonder if laws are sufficient and if boards have a correct and holistic view of their jobs, organizations and society as a whole. We need a new paradigm that focuses on renewal for board governance. Those at the very top of organizations are not after all the “wisest of the wise.” Serving only the
short-term interest of the shareholder is not sustainable. Because boards ultimately direct and oversee organizations, we need a new paradigm of board governance that will usher in a new model bettering serving both organizations and society. We need a new model of board governance to take us into the next century for economic, social and environmental sustainability.

The Global Corporate Governance Forum note that in “today’s globalized world, investors, creditors and other stakeholders have come to recognize that environmental, social governance responsibilities of a company are integral to its performance and long-term sustainability” (Global Corporate Governance Forum, 2010, p. 1). However, recognition of the importance of having a holistic and systemic view of corporation and profit (and the link to various stakeholders) and imbedding those beliefs in practice, leadership, board governance are two different things. Much more work must be done to make this foundational philosophy a reality.

The issue with governance is not only plaguing for-profit organizations. Gill (2001) notes “numerous scandals in high profile non-profits and business corporations in North American over the previous decade have been attributed to failed governance and spurred demands for more effective and accountable governance” (Gill, 2001, p.1). Conforth (2001) notes there have also been wide-spread concern regarding the effectiveness of non-profit governance (Conforth, 2001).

**Board Governance and Leadership**

Often associated with the notion of governance is the concept of leadership. Schwarzkopf et al., (2008) note that “governance shapes the context in which leadership is exercised” (Schwarzopf, Osterheld, Levy, & Hall, 2008, p. 506). With this, one can
often equate the failure of governance with the failure of leadership within our current governance structures. As Zandstra (2002) notes “the stock of publicly held companies rises and falls on the leadership of its executives and its board of directors” (Zandstra, 2002, p. 16). Dee Hock would concur, as he outlines in his essay “Leadership and the Chaordic Age”:

We don’t have an environmental problem, or a healthcare problem, or a welfare problem, or an economic problem, or a crime problem, or a political problem, or an educational problem. They are all symptoms, not the disease. At bottom, we have an institution-and-leadership problem (Hock, 2002, p. 318).

As McGee-Cooper and Trammell (2002) explain, “A different kind of leadership is required for the future” (McGee-Cooper & Trammell, 2002, p. 141). This kind of leadership should call us to “serve a higher purpose, something beyond ourselves” (DeGraaf, Tilley, & Neal, 2004, p. 134). This new kind of leadership should “help[s] organizations and staff identify their higher purpose” (DeGraaf et al., 2004, p. 134). This different kind of leadership is one that has character and integrity as its foundation. It is a kind of leadership that leads from the heart, from a deep profound wisdom and an acute awareness of one’s own accountability. This type of leadership is characteristic of servant-leadership.

**Why Servant Leadership and Board Governance?**

It is clear that both public and private organizations need strong servant leadership to help transform their organizations and serve the societies in which these organizations “live”. This notion of leadership has to begin at the top of the organization. Boards must see their role as serving the organization and demonstrating a type of leadership that
models that of servant leadership. In this, leaders would help organizations and society become “healthier, wiser, freer, more autonomous, more likely for themselves to become servants” (Greenleaf, 2002, p. 24). The litmus test is thus: “And, what is the effect on the least privileged in society; will they benefit, or, at least, not be further deprived?” (Greenleaf, 2002, p. 24)

Through servant leadership we will see organizations through the holistic lens of societal entity. Through servant leadership we will ask the question “Whom are we serving?” and answer the organization, the employees and society equally. Through servant leadership, we will ask the question “For what purpose do you serve?” and answer for the good of organizations, the employees and society equally. Through servant leadership we will ask “How will you serve?” and answer in a holistic, life-giving way with an attitude of stewardship and service rather than through top-down, hierarchal control. Through servant leadership we will have stronger boards, stronger organizations and stronger societies.

Sweezey (2009) notes that “service is central to leadership in the capacity of board/committee membership” (Sweezey, 2009, p. 1). He goes onto explain that “as a board member, we must subordinate our personal interests for the good of the organization we are serving” (Sweezey, 2009, p. 2). Yet as John P. Schuster notes in his essay “Servant Leadership and the New Economy:

Capitalism is mean-spirited and exclusive. People are not mean-spirited as a whole, but the part of us that is, often gets channeled into the business world. Our economy is for the rugged and the strong—those who posses our cultural strengths of individualism, competing and boot-strapping. But its strength has
become a weakness through over-emphasis…Philanthropy, for all its goodness, is not the answer. From a systemic point of view, in fact, the increases in philanthropic money are more and better band-aids for an economy and society that exclude, marginalize and leave victims (Schuster, 2002, p. 342).

Schuster goes onto say that what is needed to combat the increasing divide between rich and poor in the new economy is “the healing power of servant leadership” (Schuster, 2002, p. 345). Because ultimately boards wield the power in most organizations, if we are going to change our organizations, change society and provide a more humane side to capitalism, we must begin with a philosophy of servant-leadership imbedded within board governance.

Servant leadership is also equated with moral, ethical leadership (Sendjaya, 2003). With the numerous examples of a lack of ethics and ethical decision-making in recent times, it is evident that we must “examine directly the moral underpinnings of the marketplace and the moral status of corporate leaders within it” (May, 2001, p. 131). We need leaders that hold and practice moral and ethical decision-making in business and non-profit organizations. We need leaders who place character and integrity above all else. Whittington (2004) writes:

The recent rash of corporate scandals has awakened our collective consciousness to the fact that self-interest unchecked by moral reasoning and obligation results in a destructive greed. This greed not only destroys the lives of the executives that are driven by it to ethical compromise, but ultimately impacts thousands of innocent individuals as the outcomes trickle down corporate hierarchies, spilling over into communities and crashing through families. Recent headlines have

This need for corporate integrity and public accountability will only come through a desire and a recognized need for leaders to become servant leaders.

Reinke (2004) would concur, adding the need for a type of leadership to spur more effective and accountable governance and organizational effectiveness. She writes: “The challenges facing the public sector suggest the need to transcend traditional rationality and recognizing the pivotal role leadership plays, particularly leadership based on moral values, in fostering organizational performance” (Reinke, 2004, p. 31).

John Carver, frequent author on board governance and developer of the Policy Governance Model wrote in 2002:

If a board fails to act powerfully, it cheats those for whom it is in trust of a voice. If it acts self-servingly, it fails to act on their behalf. It must be powerful and deferential at the same time, for both timidity and high-handedness defraud the trust. The contemplation of and theory-building for governing boards—these vessels of leadership—must recognize that proper governance is a logical impossibility if it does not include the concept of servant leadership (Carver, 2002, p. 30, emphasis added).

Since that time, no other substantial work has been found that continues this thought, explores the implications of this statement or uncovers what a board operating by servant leadership principles might look like and how it might operate, until now.
Research Focus

This paper will look at bringing the concepts of servant leadership and board governance together into one holistic lens by which we form a new way of approaching board governance and organizational leadership in the 21st century. The paper will also begin to explore how boards could operate more effectively with servant leadership principles and practices in place and consider what a board operating under the umbrella of servant leadership may look like.

It is hoped that through this initial exploration, work will continue to refine this notion and practice of servant leadership and board governance and in this, our organizations and society will be transformed for the better. The questions informing and structuring this paper include:

- Research Question #1: Why is servant leadership needed for board governance?
- Research Question #2: How could one connect the concepts of servant leadership and board governance? What would a board, fully functioning under servant leadership principles and practices, look like? How would it function?
- Research Question #3: What could a new model of board governance look like through the lens of servant leadership?
CHAPTER 2: TRADITIONAL BOARD GOVERNANCE

“Everyone knows what boards have been: gentlemen’s-club-era relics characterized by ceremony and conformity. And everyone knows what boards should be: seats of challenge and inquiry that add value without meddling and make CEO’s more effective but not all-powerful” (Nadler, 2004, p. 102).

Organizations, both for-profit and non profit are required by law to have some mechanism for oversight (Morck&Steier, 2005). Traditional boards of directors have been put in place to oversee the work of the executive director (non-profit), or the President and CEO (for-profit). Traditionally, boards have been made up of noted community leaders, academics and/or business leaders.

What is Governance?

According to the Institute on Governance (2003), governance is “a process whereby societies or organizations make their important decisions, determine whom they involve in the process, and how they render account” (Graham, Amos, & Plumptre, 2003, p. 1). The International Federation of Accountants (IFA) (2008), quotes the IT Governance Institute in its definition of governance, explaining that governance is “the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization’s resources are used responsibly”(International Federation of Accountants [IFA], 2008, p. 6). Schwarzkopf et al., (2008) notes that governance is “the whole set of legal, cultural and institutional arrangements that determine what [enterprises] can do, who controls them, how that control is exercised and how the risks and returns from these activities they undertake are allocated” (Schwarzkopf et al., 2008, p. 506).
This definition of governance is notable in that it implies that “governance influences the way executives and others understand what is and what is not appropriate behaviour – a key component of an organization’s normative structure” (Schwarzkopf et. al., 2008, p. 507). Gill’s definition (2001) would enhance this cultural view of governance noting that governance is “the processes, structures and organizational traditions that determine how power is exercised, how stakeholders have their say, how decisions are taken and how decision-makers are held to account” (Gill, 2001, p. 1). Gill goes onto note that board of directors “carry the public (or membership) trust and provide an accountability structure for management” (Gill, 2001, p. 1). Carver and Carver (2001) sum up these responsibilities writing “simply put, the board exists (usually on someone else’s behalf) to be accountable that its organization works” (Carver & Carver, 2001, p. 30).

From these broad definitions, a litany of lists and responsibilities of boards of directors has emerged. Conger et al., (2001) outlined these responsibilities as giving strategic direction and advice, overseeing strategy implementation and performance, selecting, developing and evaluating the CEO, developing human capital, monitoring the legal and ethical performance of the corporation, preventing and managing crisis, procuring resources. Three Sigma Inc. (2010) adds to these responsibilities in terms of mission accomplishment, leadership, conduct of operations (moral, ethical and operating standards of conduct that reflect the values inherent in the mission), financial health and accountability, organizing and managing self (Retrieved August 27, 2010 from http://www.threesigma.com/board_modelprint.htm). In addition, one contributor to the Organisation for Economic Co-operation and Development’s (OECD) report “Using the
OECD Principles of Corporate Governance: A Boardroom Perspective” also makes the point that boards should “focus on long-term sustainable value creation and safeguard the longer-term values of the company, which include the brand and corporate reputation” (Organisation for Economic Co-operation and Development [OECD], 2008, p. 17). In essence, as Heineman (2008) describes:

[The] board of directors stand[s] between government regulation and corporate freedom. The board’s duty is to provide a balance among wealth creation, a financial discipline, and a risk management; to make this fusion of high performance with high integrity the firm’s foundation; and to choose and reward a CEO who has the vision, motivation and skills to affect that essential balance and critical fusion (Heineman, 2008, p.1).

The Failure of Traditional Board Governance

While on paper the traditional roles and accountabilities of boards of directors and notions of good corporate governance seem conducive to effective organizational functioning, in recent times, boards have often times failed to execute on these roles and accountabilities. Carver and Carver (2001) go as far to say that boards are often seen as “incompetent groups of competent individuals” (p. 1). Chait, Taylor and Holland (1996) make the case that the reason for this is because “trustees are often little more than high-powered, well-intentioned people engaged in low-level activities” (Chait, Taylor, & Holland, 1991, p. 1). Carver would agree as she notes:

Instead of impassioned discussion about the changes to be produced in their world, board members are ordinarily found to be passively listening to staff reports or dealing with personnel procedures and the budget line for travel.
Discussion is almost always focused on activities than intended results (Carver, 2007, p. 1).

The desire for short-term financial wins and lack of true oversight has also led to the root cause of organizational corruption and failure in both private and public institutions as demonstrated in some high profile cases (Tarimo, 2006). Enron, WorldCom and the 2008 economic fallout around the world are examples of how traditional governance and leadership failed, and continued to promote a capitalistic structure of self-interest and short-term gain at the expense of long-term viability (Knowledge at Wharton, 2008).

Ettorre (2009) notes that “rampant greed, a lack of regulation, poor corporate governance and oversight all contributed to this “capitalist calamity” (Ettorre, 2009, p. 12). The 2008 economic fallout has indicated that nothing has really changed since Enron and the enactment of the Sarbanes Oxley Act in 2002 (Ettorre, 2009). As Chait et al., (2005) note, “Behind every scandal or organizational collapse is a board (often with distinguished members) asleep at the switch” (Chait, Ryan, & Taylor, 2005, p. 11). In this, one must wonder what really is the value-added work of a board of directors.

Costa (2010) echoes these sentiments, suggesting that “the checks and balances so necessary to the efficient and successful running of organizations no longer work as well as they should, [and], in some instances they broke down almost completely” (Costa, 2010, p. 2). However, Costa believes that the reasons for this are “much more structural and persistent” (Costa, 2010, p. 2). These reasons include “changing social attitudes towards authority and responsibility, the complexity of governance in the modern world, and a social crisis of values, particularly as it affects companies” (Costa, 2010, p. 2).
Issues with Traditional Governance

With the definition of governance and roles and responsibilities of boards of directors clearly laid out, one has to wonder then why traditional notions of board governance has for the most part, completely failed in the extreme or, to a lesser degree, become, to various degrees, dysfunctional.

Throughout the literature, numerous authors cite various examples of why board governance has gone awry. These examples include:

- the lack of time board members have to really govern based on the part-time or volunteer nature of board work (Conger et al., 2001; Lorsch, 2003; Small, 2000; Heskett, 2001)
- board directors serving on multiple boards, further decreasing the time available to truly govern (Carcello, 2008)
- individual director’s personal or political agendas (Gill, 2001)
- lack of objective criteria/competencies for director recruitment and selection/board composition (Small, 2000; Lorsch & Clark, 2008; Eicehenwald, 2003)
- a lack of understanding of what true governance is which is often evidenced by board structure, meetings and agendas (Carver & Carver, 2001; Small, 2000)
- the process for making an implementing decisions/making decisions that are not in the best interests of the shareholders or stakeholders. (Carver & Carver, 2001; Heineman, 2008)
- and use of power (Plumptre, 2002; Carver & Carver, 2001; Chait et al., 2005),
• how boards actually execute their responsibilities in relationship to management, (Gill, 2001; Conger et al., 2001)

• lack of understanding of the necessity of seeing the board as a team (Emslie, 2010)

• what information boards ask for and receive, how much (useful or non-useful information they receive and from whom they receive it (Conger et al., 2001; Kaplan, 2004; Lorsch, 2003; Lorsch & Clark, 2008; Carver & Carver, 2001). 

• a tendency for ‘group think’ within boards due to peer pressure, power, or compliance to implicit group norms (Small, 2000; Zandstra, 2002) and as a result, not challenging or pressing management (Heineman, 2008) or board colleagues (Gill, 2001)

• outdated board structures/lack of mission focus (Small, 2000; Orlikoff, 1997)

• moral failing as a society (Lagace, 2008; Zandstra, 2002).

In addition to these issues, one has to note the motivation and self-interest of individual directors to be on boards in the first place. More often than not, these motivations are related to power, image, and career aspirations than of service (Conger et al., 2001; Carver & Carver, 2001; Zandstra, 2002). This results in board members being more concerned with appearing on a high power board than actually doing any real work for the board or organization it is supposed to serve. These board members are characterized by “not knowing what is going on in their organizations and for not demonstrating much desire to find out. Attendance at board meetings is often spotty and participation perfunctory” (Chait et al., 2005, p. 13).
One also has to relate the failure or dysfunction of boards to the lack of due diligence or strategic insight for recruitment and selection of board members, (Small, 2000; Maher & Munro, 2003) and the conflict of interest that occurs when many board members are selected based on nepotism or political reasons (Eichenwald, 2003). Boards may also get enticed into thinking that they need to recruit based on political factors such as gender, geographical, social or cultural representation (Watson, 2004).

One other concern is that often the CEO is also the Board chair ( Conger et al., 2001; Small, 2000). This often creates an issue of gate-keeping and lack of transparency with other board members. As noted by Conger et al., (2001) “the CEO normally determines the agenda for meetings and controls what information the director’s receive” ( Conger et al., 2001, p. 58). It also creates power imbalances and uncertainty of the ‘rules of engagement’ between board chairs and other members of the board (Conger et al., 2001; Small, 2000). This ultimately creates a lack of “checks and balances” – the very thing boards were set up to instill. In fact, as Chait et al., (2005) note “The Board appears to be an unreliable instrument for ensuring accountability – the outcome society most wants from it” (Chait et al., 2005, p. 11).

Related to all of the issues noted above is how boards see themselves and their role. Recent examples of ‘governance oversight’ range from rubber-stamping to micro-management (Chait et al., 2005; Carver, 2007). Boards also, more often than not, oversee budgets and fiduciary responsibilities than engage in strategic and generative governance that would render them more effective in spotting both risks and opportunities for growth and engaging board members themselves (Chait et al., 2005). Chait et al., (2005) also note that “Even more established boards, with members who should know better, can
drift into seductive but random activities that create little or no value for their organizations” (Chait et al., 2005, p. 15). Carver (2003) notes that the running of boards has less to do with effective governance and more to do with the paradigms and mental models of the people who sit on boards. He writes:

Tradition has led to boards doing certain things and not doing other things. What boards do and don’t don has arisen more from personalities and the curious management-governance inversion as from any grand design about the nature of governance (Carver, 2003, p. 3).

Recent governance failures could point to one, if not all of these symptoms. However, in addition to these notable issues with board governance, one also has to consider the answer to the question “To whom are boards accountable?” The answer often given is the shareholders of the company (Conger et al., 2001; Reinhardt, 2009), or the donors of the non-profit. Yet, what is often missing in this statement is any hint of accountability to the law, the people who make a living in the organization or the economy and society within organizations exist. Herein lies the foundational issue. When the CEO and boards see themselves as only accountable to the shareholders of an organization, then the decisions they make reflect the short-term interests of the investor world. This, in turn, negates the longer term impact on all stakeholders (Conger et al., 2001). It is this short-term perspective complicated by greed, power, social status and a lack of ethics that contributed to both the Enron and WorldCom disasters (Zandstra, 2002; Kaplan, 2004; Lorsch & Clark, 2008), and the economic fallout of 2008 (Heinemans, 2008).
Traditional Remedies for Board Issues

So, then, what is the answer to ‘fix’ everything that is wrong with the traditional notion and practice of board governance? Lawyers and academics point to the need for more regulation or changes in regulation (Ettorre, 2009; Heineman, 2008; Knowledge at Wharton, 2008; Reinhardt, 2009). Governance theorists such as John Carver point to the need to implement his system of Policy Governance (Carver, 2006). Academics and academic institutions point to the need for more education and training for boards of directors (Tarimo, 2006; Deloitte, 2009). A host of consultants in the past decade point to the need for board effectiveness practices such as strong board orientation (Small, 2000), team development and relationship building (Walton, 2009; Lorsch, 2003; Carver, 2007; Emslie, 2010), clear job descriptions, shared vision (ends) and practices (means) (Pointer & Orlíkoff, 2002), board development (Brown, 2007), succession and evaluation practices etc. (Deloitte, 2009; Sweezey, 2009; Plumptre, 2006).

Yet, even the Sarbanes Oxley Act of 2002 or other regulation did not help prevent the economic fallout of 2008 (Ettorre, 2009; Kaplan, 2004). Zandstra notes that “creative accountants and savvy executives will always find ways around such attempts to control them” (Zandstra, 2002, p. 17). Carver’s Policy Model of Governance has been criticized as too difficult, too rigid, too hard to implement and too onerous and time consuming to work with (Plumptre, 2002). And while board education and training and board effectiveness practices are inherently a good thing, it will not heal the fundamental issues faced by boards.

Other writers point to more specific, tactical solutions. For instance, the need for risk management committees which look at systematic risk related to the
interconnectedness of the market, compensation committees that tie executive compensation to long-term results, and a board structure and policy overhaul (Ettorre, 2009). Consultant firms advocate for a periodic review of board composition to ensure that directors have the ‘new’ skills needed by the board to carry out its responsibilities effectively in the business, legal and economic realities of today (Deloitte, 2009). One academic takes this notion one-step further noting that governance reform should include requiring directors to face election every year (Knowledge at Wharton, 2008).

Still others advocate for processes they have developed and applied in other contexts. Robert Kaplan, father of the Balanced Scorecard, theorizes that applying the Balanced Scorecard to board work “will enable them to perform more effectively and efficiently” (Kaplan, 2004, p. 1).

Again, while all of these suggested solutions for better board governance can be utilized, they, in and of themselves will not address the underlying and systemic causes of what ails board governance. Many of the solutions outlined are in essence putting a band-aid on a much bigger, systemic problem. Rosabeth Moss Kantor notes “…if a few rotten apples can spoil the barrel, I think we have to look at the nature of the barrel, not just the apples” (Emmons, 2003, p. 2). In this she implies we must look at board governance systematically to address the issues inherent within it. Maw et al., (1994) note that “corporate governance is a topic recently conceived, as yet ill defined and consequently blurred at the edges” (as quoted in Davies, 2000, p. 155). Demb et al., (1992) see boards as “complex, dynamic human systems charged with an ill-structured set of responsibilities” (as quoted in Davies, 2000, p. 155). Carver (2003) believes that “the familiar paradigm of corporate governance that pervades virtually all the current dialogue
is flawed at the outset” (Carver, 2003, p. 1). Work must be done to develop new paradigms of board governance that will allow governance to work more effectively for the 21st century.

**Radically Re-thinking Board Governance**

If traditional notions of board governance or the band-aid solutions brought forth this far will not work, then what is the answer? As Conger et al., (2001) note the answer lies in how we see organizations in relation to society. The authors express “The challenge from a corporate governance perspective is to harness corporations so that they serve the best interests of society, rather than just those of shareholders” (Conger et al., 2001, p. 150).

As Knowledge at Wharton (2003) point out, what is also needed is a cultural shift to better emphasize long-term issues. The authors hope for business and society to develop a disdain for short-term risk taking, and encourage a new risk-consciousness held by the public that should work its way into the boardroom and executive suite. In their words, “rebuilding the national culture becomes absolutely vital” (Knowledge at Wharton, 2003, p. 4).

In addition, we need to get back to fundamental, ethical behaviours and practices defined by character and integrity. As Carver explains, “Bill Dimma noted that while going back to basics sounds like motherhood, it can rectify what mistakenly appeared to be obvious” (Carver, 2003, p. 1).

Plumptre (2002) notes that an organization needs to take a systematic view of its current governance situation – what’s working, what is not working, where do the root causes lie and then to make both an intellectual and time investment in governance
reform. He advocates for searching for the sources of issues, not just the systems and for the persistence, energy and commitment to make governance work (Plumptre, 2002). While this author would agree with Plumptre’s assessment of what governance reform will take, his solutions of “networking, gathering information on governance through the internet and your local bookstore” are simplistic, surface suggestions and will only serve to perpetuate the problem.

Strong leadership is at the heart of this cultural and board transformation. As noted by Small “If the board chair and CEO do not supply strong and effective leadership, it will be nearly impossible to eliminate the other root causes of ineffectiveness” (Small, 2000, p. 30). In Small’s view, the CEO must encourage active and challenging governance and the board chair must proactively focus the board’s mindset and work towards value-added activities, independent thought and constructive, generative dialogue (Small, 2000; Carver, 2007).

In this, one must ask oneself, what type of leadership will get us to this point of having stronger boards and how can we get board members to understand governance in a new way? How can we help change mindsets to help those in organizations see the interconnectedness of and organization, employee well being and societal good? It is this author’s view that servant leadership is the type of leadership needed both from an individual director view and a governance practice perspective. Only then will we see radical change in organizational and governance practices, only then will we see organizations, communities and societies thriving in a more profound and impactful way.
CHAPTER 3: WHAT IS SERVANT LEADERSHIP?

“Leadership is about abandoning self-interest to serve those we lead” (Peel, 2000, p. 11).

As one considers bringing the concept of board governance and servant leadership together, one must first have a clear understanding of what exactly constitutes servant leadership. As noted by Page and Wong (2010), “The concept of servant leadership appears to be so complex as to defy simple definition – it is multi-dimensional, rich in hues and wide-ranging in its meanings” (Page & Wong, 2010, p. 1). This chapter will attempt to explore those wide-range meanings and rich hues.

Robert Greenleaf notes, servant leadership must begin with a “natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead… The difference manifests itself in the care taken by the servant – first to make sure that other people’s highest-priority needs are being served” (Sendjaya, 2003, p. 1). In this sense, servant leadership is an attitude, a desire, a belief about people and leadership that resonates and connects with the soul and our fundamental needs as human beings. It also answers the question of what motivates the servant leader to lead (Whittington, 2004). As Spears (2004) notes, “True leadership emerges from those whose primary motivation is a deep desire to help others” (Spears & Lawrence, 2004, p. 11).

Spears (2004) explains, “Servant leadership emphasizes increased service to others, a holistic approach to work, promoting a sense of community and the sharing of power in decision making” (Spears & Lawrence, 2004, p. 12). Spears has also defined servant leadership as “attempts to simultaneously enhance the personal growth of workers and improve the quality and caring of many of our institutions through a
combination of teamwork and community, personal involvement in decision-making and ethical and caring behavior” (Spears & Lawrence, 2004, p. 34).

In addition, as Reinke (2004) notes, “Servant leadership calls leaders to build people and community, to dream great dreams and instill those in others, and to heal people in the organization” (Reinke, 2004, p. 35). For Zohar (2004), the bottom line for ‘qualifying’ as a servant leader, one must:

….have a deep sense of the interconnectedness of life and all its enterprises. They must have a sense of engagement and responsibility, a sense of “I have to.” They must be aware that all human endeavor, including business, is a part of the larger and richer fabric of the whole universe. And perhaps most of all, servant leaders must know what they ultimately serve (Zohar, 2002, p. 120).

When one takes a closer look at the Biblical meaning of the word ‘to manage’ (or proistemi, as described in 1 Timothy 3: 4-5, 12), it conveys the idea that a leader “doesn’t wait for someone else to take responsibility; he takes action himself to care for, to protect, to govern, to help – all translations of the word proistemi” (Peel, 2009, p. 17). This is ultimately the inherent meaning behind the concept of servant leadership.

The Qualities and Characteristics of Servant Leadership

The characteristics associated with servant leadership are still debated, and vast. Burkhardt and Spears (2002) expand on Robert Greenleaf’s understanding of the qualities of servant leadership as those who are able to truly listen (rooted in a genuine interest in the viewpoints and perspectives of those served), those who empathize with the plight of others (and treat them as worthy and valuable individuals), those who are able to heal people, situations and organizations, those who are able to persuade rather
that demand using positional authority, those who have awareness of themselves and others, who have foresight, who are able to conceptualize possibilities, who have a commitment to the growth of people, who are stewards and those who are able to build a sense of community (Burkhardt & Spears, 2002).

No single instrument has been widely endorsed to measure servant leadership. Yet, at the same time there are some generally agreed upon characteristics and concepts that make up servant leadership. Based on the Comparative Analysis of Servant Leadership Traits, (Poon, 2006, see Appendix A) which compared five proposals of servant leadership qualities by various researchers, the common characteristics of servant leadership that showed up in at least three out of the five models include: trust, vision, empowerment, role-modeling, and service.

In addition, a sense of “moral love” or caring for others also appears to be consistent with servant leadership characteristics. A sense of integrity, humility and authenticity also seem to be inherent in the individual qualities of a servant leader (Poon, 2006).

Sendjaya (2003) sees servant leadership through six conceptual dimensions. These dimensions include: voluntary subordination, authentic self, covenantal relationship, responsible morality, transcendent spirituality and transforming influence (Sendjaya, 2003).

The concept of voluntary subordination includes the notion that “the primary intention of servant leadership is servanthood, not leadership” (Sendjaya, 2003, p. 7). In this “the primary intent (acts of service) and self-concept (being a servant) of servant leaders are the distinctive characteristics of servant leadership” (Sendjaya, 2003, p. 7).
These qualities, as Sendjaya notes, demonstrate both resolute conviction and strong character (Sendjaya, 2003).

Sendjaya (2003) defines covenantal relationships “as behaviors of the leader that foster genuine, profound and lasting relationships with employees on the basis of the leader’s acceptance, impartiality and availability” (Sendjaya, 2003, p. 8). Covenantal relationships “rest on the mutual intimacy among people and shared commitment to values, ideas, and goals which enable work to be meaningful and fulfilling” (Sendjaya, 2003, p. 8). In contrast, contractual relationships are “built on the basis of things like expectations, objectives, compensation, working conditions, benefits, timetables, and constraints” (Sendjaya, 2003, p. 8). He further notes that while contractual relationships are necessary in organizations, it is the building of covenantal relationships that attract and retain the best people in organizations.

Sendjaya’s concept of responsible morality is defined as “behaviors of the leader which elevate both leaders’ and followers’ moral convictions and actions” (Sendjaya, 2003, p. 8). In this, he believes that “servant leaders must ensure that both the ends they seek and the means they employ can be morally legitimized, thoughtfully reasoned and ethically justified” (Sendjaya, 2003, p. 8).

In addition, the servant leader’s behavior is grounded in a strong sense of values and ethics (Reinke, 2004). Sendjaya, Sarros and Santora (2008) state that the “sine qua non of servant leadership is followers’ “holistic moral and ethical development” (Sendjaya, Sarros, & Santora, 2008, p. 403). The authors the take this notion one step further indicating that the ethical behavior of the servant leader will also translate in
bringing about “positive changes in the ethical climate of the organization” (Sendjaya et al., 2008, p. 406).

Sendjaya (2003) defines transcendent spirituality as “the behaviors of the leader which manifest an inner conviction that something or someone beyond self and the material world exists and makes life complete and meaningful” (Sendjaya, 2003, p. 8). In this, he concludes that “servant leaders possess inner consciousness and sense of mission, which give meaning and purpose to their own lives and those of others” (Sendjaya, 2003, p. 8). In essence, servant leaders are fundamentally attuned to the basic human need for meaning and purpose.

The last dimension that Sendjaya (2003) puts forth is that of transforming influence. This concept includes that ability of the leader to “inspire and assist employees to be what they are capable of becoming” (Sendjaya, 2003, p. 8).

Sendjaya’s notions of servant leadership coincide with the belief that servant leadership is characterized by “a mutual search for wholeness” (Schwartz & Tumblin, 2002, p. 1424), and in that, “servant leadership responds to the needs of individuals whose lives in today’s modern workplace are often characterized by disconnectedness, compartmentalization and disorientation” (Sendjaya et al., 2008, p. 408).

In any discussion of servant leadership, personal awareness and development seems to be foundational. As Schwartz and Tumblin (2002) explain, “The servant leader understands that the first step to leading others is the necessity to change within oneself” (Schwartz & Tumblin, 2002, p. 1424). This perhaps is the first step in becoming a servant leader – not only an understanding and awareness of oneself, but also an understanding that one must continually grow and develop as a person. DeGraaf et al., (2004) further
note “The process of becoming a servant-leader demands that we understand our own strengths and short-comings” (DeGraaf et al., 2004, p. 134). This concept aligns with Sendjaya’s dimension of authentic self. Sendjaya notes that displaying authentic self is the ability to accurately reflect on and understand who one really is and aligning that with the extent that one is humble, secure, full of integrity, vulnerable and accountable (Sendjaya, 2003). Hock sums up this need for self-awareness in servant leadership by writing:

I believe the first responsibility of the manager is to manage self, one’s own integrity, knowledge, wisdom, ethics, temperament, words, deeds. It’s a never ending, incredibly difficult and often shunned task. It’s so much easier to tell someone else what to do. Yet, without proper management of self, no one is fit for authority, no matter how much he or she acquires it” (Hock, 2002, p. 316).

The leader’s personal beliefs about and use of power also seems to be at the heart of servant leadership. James Showkeir notes, “Central to servant leadership is power and its use” (Showkeir, 2002, p. 153). He suggests that “persuasive power creates opportunities and alternatives so individuals can choose and build autonomy” (Showkeir, 2002, p. 153). This kind of power is aligned with servant leadership. This type of power is antithetical to coercive power which is used “to get people to travel a pre-determined path” (Showkeir, 2002, p. 153). He notes that traditional organizations consolidate power at the top, servant-lead organizations distribute power throughout the organization (Showkeir, 2002).

Wong and Page (2003) also note that servant leadership is the absence of authoritarian hierarchy (power) and egoistic pride (Wong & Page, 2003). Hock (2002)
proclaims that “A true leader neither needs nor uses power” (Hock, 2002, p. 317). In this, one must assume that Hock is referring to coercive power. Whittington (2004) writes that “Egoistic leaders have a high need for personal power. They are pre-occupied with their own interests and concerns. This self-interest is often pursued even at the cost of the organization’s welfare and effectiveness” (Whittington, 2004, p. 166). Wong and Page (2003) note that “the root of craving power is insecurity” (Wong & Page, 2003, p. 9). Therefore, one can assume that servant leaders are inherently secure in who they are, in their skills, gifts and abilities and in their work and use persuasive power only to empower others.

Another key concept in the notion and outworking of servant leadership is that of stewardship. Reinke (2004) writes:

The servant leader’s behavior is grounded in his or her concept of self as steward of the organization and its people. The servant leader holds the organization in trust to the public it serves (Greenleaf, 1977)…Stewardship ensures that the servant leader does not accept mediocre performance, but keeps everyone focused of achieving organizational objectives within the constraints of shared organizational values (Reinke, 2004, p. 32, 35).

Block (1996) believes that stewardship is “the willingness to be accountable for the well-being of the larger organization by operating in service, rather than control, of those around us. Stated simply, it is accountability without control or compliance” (Block, 1996, p. xx). Block (1996) goes onto write that “Stewardship springs from a set of beliefs about reforming organizations that affirms our choice for service over self-interest” (Block, 1996, p. 6). Block continues, explaining that “Stewardship asks us to be
deeply accountable for the outcomes of an institution, without acting to define purpose for others, control others, or take care of others. Stewardship can be most simply defined as giving order to the dispersion of power” (Block, 1996, p. 18).

DeGraff et al., (2004) take an even broader view of stewardship, believing that being a steward means:

….choosing service to our customers, our community, as well as the world at large and our work colleagues. In the grand scheme of things, it demands that we enlarge our vision of the world and our responsibility to make it a better place for all…the concept of stewardship encourages us to remember that we serve more than just our customers. We serve our communities, and we hold our world in trust for those who follow (DeGraaf et al., 2004, p. 154).

Peel (2009) describes the essence of stewardship as a two-party proposition where “one person owns the resources and the other person is entrusted with the resources” (Peel, 2009, p. 19). He goes onto note that to be faithful stewards, we must understand four important leadership principles: the principle of ownership (the steward doesn’t own, he holds in trust), the principle of responsibility (we are responsible for what God has given), the principle of accountability (being held accountable for what we have responsibility for), and the principle of reward (being rewarded for faithful service) (Peel, 2009).

Servant leadership qualities and characteristics are, in fact, antithetical to the type of leadership many contemporary organizations are plagued with. These problems include “bullying leadership (Einarsen, 1999), abuse of power (Sankowsky, 1995), unethical practices (Currall and Epstein, 2003), toxic emotions (Frost, 2003), social
isolation and alienation in the workplace (Sarros et. al, 2002) and the violation of employees’s psychological well-being and worklife-balance (De Cieri et. al., 2005; Thornthwaite, 2004; Wright and Cropanzano, 2004)” (Sendjaya et al., 2008, p. 402). Focusing on developing servant leaders could avoid future organizational collapses (epitomized in Enron and the economic meltdown of 2008) and spur organizations on to recognize its responsibility for the well-being of their employees and take accountability for its part in helping to realize the public good.

**The Benefit Servant Leadership**

Developing a practice and culture of servant leadership makes good business sense. As Reinke (2004) notes, Greenleaf suggested that “servant leadership produces organizational success because it builds or creates a trusting, supportive community that fosters creativity and initiative” (Reinke, 2004, p. 37). This connection between servant leadership and trust creates and environment of productivity whereby individuals are engaged and hence use “all their skills, talents, creativity and knowledge” (Reinke, 2004, p. 40). Spears (2004) cites TDIIndustries as an organization that has adopted servant leadership as a philosophy and is also consistently ranked in Fortune Magazine’s *100 Best Companies to Work for in America* (Spears, 2004).

Servant leadership is also seen as an enabler of a key process related to organizational success – organizational learning (Senge, 1990). As McGee-Cooper and Trammell (2004) note, “servant leadership is a powerful methodology for organizational learning because it offers new ways to capitalize on the knowledge and wisdom of all employees, not just those at the top” (McGee-Cooper & Trammell, 2002, p. 144). Schwartz and Tumblin (2002) also make the link between servant leadership and the
learning organization. They note that servant leaders enable adaptability, mutual learning (and the creation of new knowledge) and social transformation – key attributes of the learning organization (Schwartz & Tumblin, 2002).

The “Level 5” leader as described by Jim Collins in his book *Good to Great*, is also very similar to the qualities and characteristics of servant leadership. Collins notes that the presence of a Level 5 leader in organizations is the key ingredient to organizational success (Collins, 2001). Collins notes that Level 5 leaders demonstrate a “compelling modesty”, “acts with quiet, calm determination”, “relies principally on inspired standards, not inspiring charisma to motivate”, “channels ambition into the company, not the self”, and sets up successors for even greater success in the next generation (Collins, 2001). These leaders are also “are infected with an incurable need to produce sustained results” (Collins, 2001, p. 36). Collins explains that these leadership qualities are timeless in that they have proven to be constant factors in successful leadership throughout the ages. In this, Level 5 leadership aligns with the essence of servant leadership which is “to be an example, a model; one whose life has credibility with others, has integrity, diligence, humility, the spirit of servant-leadership, of contribution” (Covey, 2002, p. 27).

Therefore, in light of the qualities and characteristics of servant leaders and by extension, how they see and enact the duties of leadership and obtain organizational results, it is clear that we need servant leaders to sit on boards for the good of organizations, employees and society in general. We need to reframe the operation and the focus of the board through the lens of servant leadership. In a time that demands a new paradigm for how our organizations are run and their impact on society, “[servant
leaders] are essential to deep corporate transformation” (Spears & Lawrence, 2002, p. 112).
CHAPTER 4: BOARD GOVERNANCE DEFINED BY SERVANT LEADERSHIP

The contemplation of and theory-building for governing boards—these vessels of leadership—must recognize that proper governance is a logical impossibility if it does not include the concept of servant leadership” (Carver, 2002, p. 30).

As one considers bringing the concepts of servant leadership and board governance together, one has to look at what a servant-focused board would look like, the connection between what is considered good board membership with servant leadership and the practices of a servant-focused board.

Page (2009) contends that leadership must first set direction and vision for the organization and be accountable for achieving that mission and vision, but then include people in establishing goals, and serving people to help them accomplish those goals. Leaders must also be a part of decision-making, not the only decision-maker regarding important issues affecting the organization. As Page (2009) notes “When the serving leader joins with this group or team, his, or her title, position, and authority are parked at the door. Everyone is on equal footing to suggest new ideas, to voice an opinion, or to raise an issue” (Page, 2009, p. 96). Page outlined these concepts in the Diamond Model for Practicing Servant-Leadership as shown in Figure 1.
Figure 1. Page’s Diamond Model for Practicing Servant-Leadership (2009, p. 94)

This model could be extended to include boards of directors one layer above the CEO and include the board of directors in the decision-making circle. Adding these pieces to Page’s model could depict what servant-focused boards could look like and the philosophical underpinnings which would guide board interactions with the CEO and the rest of the organization.

Wong and Page (2003) argue that “the organizational structure needs to be changed from hierarchal to horizontal and participatory in order to accommodate servant leadership” (Wong & Page, 2003, p. 6). This author would argue the same when including boards of directors in the mix. In this, one could see board directors working collaboratively with the organization, instead of making decisions separated, and in isolation from, those in the organization that understand it best, as often is the case.
In traditional hierarchal leadership, the notion of accountability is ‘driven down’ the organizational chart. The organizational line below is always accountable to the organizational line directly above. However, when practicing servant leadership, there is a two-way accountability between leaders and followers. As Page (2009) notes:

In servant leadership, there is what Ann McGee Cooper has described as “accountability as covenant” that promotes a two-way, open-ended and ongoing mutual accountability. (Spears, 1998 a, pp. 77-84) Leader and follower, supervisor and worker, principal and teacher, work together as partners to produce shared goals, shared means of measuring the fulfillment of those goals, shared ways to celebrate the achievement of those goals, and ways to share in learning the lessons from this process and to recalibrate…. Instead of trying to find out who to blame for the failure, the emphasis shifts to how we, as partners working together as a team, can mutually solve the problem (Page, 2009, p. 98).

**Servant-Focused Boards**

The qualities and characteristics of servant leadership as outlined in Chapter 3 suggest that servant-focused boards would:

- have a deep desire to serve the organization, the employees and through that, society.
- promote a sense of community throughout the organization and link this internal community with the external community.
- ensure decision-making would be informed by ethical and caring behavior and mindset.
• know whom they ultimately serve, and for what end. The “how” would be informed by the characteristics and qualities of servant leadership.
• understand the necessity of healing a hurting organization and a hurting society.
• understand the interconnectedness of organizational well-being and societal well-being.
• would take a systems-thinking approach to solving issues, understanding that “business is part of the larger and richer fabric of the whole universe.
• would have a deep sense of responsibility and personal accountability.
• would raise the moral and ethical convictions and actions of others in the organization.
• would achieve organizational objectives within the constraints of organizational values.
• would feel deeply accountable for the outcomes of an institution without feeling the necessity to control.
• would create meaning and purpose for the organization and the employees who work there.
• would create a two-way accountability between the board of directors and the organization.
• would understand that power does not reside at the top of an organization, but throughout the organization.
• would be inclusive of employees thoughts, ideas and opinions and create a framework for collaborative decision making.
would ensure that people continually learn, grow and develop.

would create a culture of organizational learning and improving as an organization.

**Effective Board Members and the Connection to Servant Leadership**

As Lorsch and Clark (2008) note “…boardroom effectiveness has less to do with the formal structure than with the quality of the directors themselves and how they interact” (Lorsch & Clark, 2008, p. 108). Therefore, it is necessary to understand the qualities that are deemed necessary for board members to have and how these qualities are connected to servant leadership.

McCallum (2005) outlines the qualities in board members that will make boards more effective. These qualities include being a good thinker, having good judgment, being collegial, ethical, courageous, having both time and energy, being independent, being good questioners (McCallum, 2005). In addition, Cantor (2005) believes that the qualities of exceptional board members are three-fold: expertise: “knowing when to act”, experience: “having the will to act”, and having positive board climate and dynamics. One can argue that all of these qualities align with the qualities demonstrated by servant leadership.

McCallum notes that good thinkers assess “how things will play out if the corporation does or does not do such and such” (McCallum, 2005, p. 1). This refers to the servant leadership quality of foresight. DeGraaf et al., (2004) believe that foresight helps leaders:

….understand lessons from the past, the realities of the present, and the likely consequences of a decision for the future… Foresight allows us to map out how
we are going to get there by anticipating the various consequences of our actions
and then picking the actions that will serve us best (DeGraaf et al., 2004, p. 150).
This quality of foresight is also aligned with McCallum’s notion of good judgment or
Cantor’s (2005) “expertise: knowing when to act”. In this, Cantor (2005) also states that
“we also need to build boards that have the wisdom to know when not to act…” (Cantor,
2005, p. 2).
McCallum’s concept of collegiality speaks to the “ability to function in a small
group” (McCallum, 2005, p. 3). The concept involves having mutual respect and trust.
Having these two elements present in a relationship means that board members can
challenge each other and question one another respectfully. This notion would encompass
the servant leadership qualities of listening, empathy, healing, awareness, persuasion,
commitment to the growth of people and building community (Spears, 2002), and speaks
to speaks to the ability to function effectively in teams (Page, 2009). This quality also
aligns with the ability of boards to have “good dynamics” as outlined in Cantor (2005).

McCallum (2005) also points to being ethical as needed qualities in directors.
McCallum (2005) notes that “Directors need to be well-grounded ethically. They need to
know what is right and what is wrong. They need courage to act decisively on
questionable behaviour as soon as they see it” (McCallum, 2005, p. 3). Conger et al.,
(2001) defined the ethical responsibility of boards as the “ability to identify and raise key
ethical issues concerning the activities of the company and of senior management as they
affect the business community and society” (Conger et al., 2001, p. 41). As mentioned in
Chapter 3, Sendjaya, Sarros and Santora (2008) state that the “sine qua non of servant
leadership is followers’ holistic moral and ethical development” (Sendjaya, Sarros and Santora, 2008, p. 403).

Courage is another quality that McCallum points to as a solid quality needed in directors. McCallum (2005) believes that “Boards need people with backbone, who know their duty and to whom” (McCallum, 2005, p. 2). Courage enables one to “stand up against the things we know are wrong, and for the things we know are right” (Spears, 2004, p. 253). Hamilton and Norrie (2003) expand on this definition noting that “courage is a selfless act to do what is right regardless of personal consequences… when we talk about courage, we mean the ability to suspend self interest and do what is right” (Hamilton & Norrie, 2003, p. 39). This quality also aligns with Cantors (2005) notion of “experience: having the will to act” (Cantor, 2005, p. 3). The quality of character is congruent with Sendjaya’s notion of “responsible morality” as noted in Chapter 3.

With the time and energy needed to be able to do a good job of oversight, and the time needed for reflection, foresight and conceptualization, a servant leader would not get wrapped up in the prestige of simply being on a board, but he or she would act selflessly to commit the necessary time and energy to serve the board, the organization and the community well. Aligned with this is also having discernment to use time and energy wisely. As Adams (2005) notes:

The most common complaint about board governance is a lack of adequate time. However, in many cases, meeting time is not used efficiently and too much time is spent on operational rather than strategic issues… not everything is appropriate for board agendas, even if the management wants the board to discuss an issue” (Adams, 2005, p. 6).
In this, one has to challenge the part-time expectation of board involvement. As Carver (2000) questions:

Is it even possible to design a part-time leadership role with any hope of addressing the massive burden of accountability thrust upon it? How can a board do more than rubber stamp the rapid flow of modern corporate choices when there is no time for relaxed deliberation? (Carver, 2000, p. 101)

Servant leaders would commit the necessary time and energy in the right ways to get the job done with excellence.

McCallum (2005) also mentions the quality of independence and being good questioners as necessary characteristics for good board members. He notes that “Directors need to think and act independently; they need the courage, experience and knowledge to do so” (McCallum, 2005, p. 3). Carcello (2008) explains that “Independence is defined as ‘not subject to control by others’…from an ethical perspective, there is a moral imperative for board members to act without partiality” (Carcello, 2008, p. 12). In this, one can assume that with strong moral character and integrity, and a strong sense of awareness and self, servant leaders would naturally question, with respect, the actions and decisions of the board. They would not be swayed by peer or political pressure, group think, gifts or bribes from those wanting to influence votes.

In addition to McCallum and Cantor’s list of qualities, the servant leadership quality of conceptualization is also an important quality as a member of the board. As Larry Spears (2002) notes “Within organizations, conceptualization is also the proper role of boards of trustees or directors” (Spears, 2002, p. 14). John Carver would concur,
explaining that “Governance excellence requires members who can think conceptually and with a long-term perspective” (Carver & Carver, 2001, p. 31) DeGraaf et al., (2004) explain that “conceptual skills allow us to see the big picture, where we want to go” (DeGraaf et al., 2004, p. 150).

As outlined in Chapter 3, how one uses or doesn’t use power is imbedded with the concept and demonstration of servant leadership. Because boards of directors can wield considerable power in the direction and culture of an organization, this power, as described by persuasive power, must be used with the best interest of the organization, the employees and the community. As Adams (2005) explains:

The boards of trustees exercise considerable power. They can audit the performance of an organization, hire and fire executives, and make major strategic decisions. If the potential power of the board is misused or not used at all, the trustees do not contribute to organizational effectiveness and, therefore, do not serve the stakeholders. The boards’ membership composition is a critical determinant of the types of power a board will have and how the board will exercise that power (Adams, 2005, p. 7).

Also discussed in Chapter 3, servant leaders would only use persuasive power only to empower others to do what is right, what is ethical and what is necessary.

In the end, as Arnwine (2002) believes, effective governance is made up of three elements: behavior, structure and expectations. He notes that “board members should know the difference between governance and management, see service as a responsibility of citizenship, and find enjoyment in such service” (Arnwine, 2002, p. 20). A sense of
responsibility and enjoyment of service is the essence of servant leadership. Therefore, one can argue that being an effective board member is equated with servant leadership.

Max DePree (2002) in his essay “Servant Leadership: Three Things Necessary”, outlines three attributes of strong leadership: an understanding of the fiduciary nature of leadership, a broadened definition of leadership competence and the enlightenment afforded by leaders by a moral purpose (DePree, 2002). DePree contends that fiduciary leadership implies holding in trust or reliance for the common good. This is the very work of boards of directors.

DePree outlines the broadened definition of competence in the following ways: a) the leader perceives, defines and expresses reality, b) knows that the future lies in the selection, nurture and assignment of key people c) bears personal responsibility for knowing, understanding and enabling the creative people in an organization d) guide their organizations and the people in them to new levels of learning and performance, transforming the present into a reaching toward potential and e) discover, unleash and polish diverse gifts (DePree, 2002). In essence, DePree (2002) argues, competent leaders are ones who unlock both the potential of the organization and the potential of the future. By definition this should be the ultimate mandate of a servant led board—ensuring that the keys to organizational effectiveness are unleashed, allowing an organization to flourish from a financial, service and product and employee and societal perspective.

And finally, as DePree (2002) notes, competent leaders must have moral purpose and “be able to keep the signs of moral purpose alive and visible of organizations” (DePree, 2002, p. 94). Again, the board should ultimately act as the moral compass for the organization and for its impact on employees and society. In this, DePree co-relates
strong leadership that achieves board and organizational effectiveness with servant leadership. Servant leaders combine the necessary qualities for good leadership and the dedicated stewardship that leads to results for the organization and the societal good.

In his 2006 article *Transactional, Transformational and Transcendent Leadership: Metaphors Mapping the Evolution of Theory and Practice of Governance*, John Jacob Gardiner theorizes of a type of leadership that would inform governance practices. This type of leadership, he believes, is informed by the work of David Bohm, Robert K. Greenleaf and Mohandas K. Gandhi/Jean Monnet and described as “transcendent leadership”. This type of leadership is characterized by leaders “who transcended self into compassionate being and action” and who embody a “leadership of service above self” (Gardiner, 2006, p. 63, 72). This is the very essence of what has been described as servant leadership. In this, Gardiner advocates for a shared model of governance defined by:

- a climate of trust (integrity, consistency between words and deeds)
- information sharing (disclosure of data necessary for decision-making)
- meaningful participation (broad involvement in all aspects of decision-making and planning)
- collective decision making (moving toward group consent)
- protecting divergent views (valuing, nurturing alternative perspectives); and
- redefining roles (all members are leaders) (Gardiner, 2006, p. 66)

In proposing “transcendent leadership” within a shared governance model, Gardiner makes the case for “creating organizations that model new approaches to human
relationships and interactions to organizational structure and to collective decision-making” (Gardiner, 2006, p. 67).

The Practices of Servant-Focused Boards

When one compares the qualities of servant-leader and the connection to effective boards, the first important practice of servant-focused boards is the recruitment and selection of board members. These potential members must understand and demonstrate servant leadership or be willing to learn what it means to be a servant leader. In addition, the potential members must reflect diverse viewpoints from diverse backgrounds. It would also be important that potential members, in order to remain independent and objective, not have any significant personal or professional ties to any other member of the board. Potential members must be willing to put in the time and energy necessary to fulfill this function for this organization and because their values and passion aligns with this work, be absolutely committed to it. In this, it should be outlined exactly the type of board member an organization is seeking, the necessary qualities and the expected amount of work to which a member must commit.

Heskett (2001) also advocates for boards to recruit various stakeholder groups such as customers, employees, suppliers and community members (Heskett, 2001). This would allow for a more holistic and balanced perspective in conducting the work of the board and help to better consider all of the potential stakeholders, including the economy and the well-being of society as a whole. However, in this, the board must also keep in mind there needs to be a fit for “what the organization is looking for and what they hope to accomplish” (UCLA School of Public Affairs).
As Senge (1990) notes “the unhealthiness of our world today, is in direct proportion to our inability to see it as a whole” (Senge, 1990, p. 68). The discipline of systems thinking is a discipline of seeing in wholes and also a discipline for understanding the impact of decisions on the various aspects of an entire “system” (Senge, 1990). Therefore, boards should adopt a systems thinking mindset and approach to allow themselves to better understand and see their potential impact on all human and organizational systems connected to the organization (Demb et al, 1992, as quoted in Davies, 2000).

The agenda and information provided to the board should reflect this proposed approach to the work of the board. The agenda should not be developed by the CEO, but it should be an agenda created by the board members based on the governance framework they adopt. The agenda must deal with limited number of issues and allow for enough ‘white-space’ to allow for informed dialogue and decision-making. The information needed to make informed decisions should not be brought to the board by the CEO. Instead, the board must be proactive and find the information they need – either by doing their own research or taking both time and opportunity to talk to people in the organization. The decision-making framework for the board must be able to answer the questions of “Whom are we serving in making this decision?” “For what purpose?” and “To what end?” This decision-making framework must also be filtered through, not only the organizations stated value system, but also a regulatory and legal view as well as an ethical and moral lens to ensure the highest possible ethical decision-making.

In keeping with the diamond model of servant leadership offered by Page (2009), the board should set direction and then mentor and coach the CEO to do the necessary
work to follow that direction. They should also provide that role of “challenge and inquiry” that will help the CEO think about things in a new way.

In reframing boards from simply a group of individual members that meet and make decisions to a high performance team, the quality of meetings, decisions and outcomes could have a higher positive impact on the organization and its stakeholders (Walton, 2009). As noted by Emslie (2010):

In 2003 in Australia, for example, Margot Cairnes wrote: “Good corporate governance results when board social dynamics, and the social system in which the board and management interact functions effectively. The subtleties of human social systems have as much to do with directors’ personal and group awareness, relationship skills and capacity for taking responsibility and being personally accountable as it does with written rules and, procedures” (Emslie, 2010, p. 1).

The work of the Chair, therefore, is servant leader to the team – helping the team to work together effectively for the best outcomes and results possible (Carver, 1997). As Page (2009) notes “one of the most crucial tasks for the servant-empowered leader is to build a team” (Page, 2009, p. 235). He goes onto write:

It is through team work that we most effectively develop other leaders and accomplish more than we could on our own. But good teams do not just happen, they are carefully planned for and developed over a considerable period of time… (Page, 2009, p. 235).

In this, Chairs must help build a shared view of the corporate context and vision, set the tone and expectations for the board, ensure a healthy board culture, guide active learning and inquiry, facilitate productive conflict, help the board to practice productive
dialogue, ensure the board works well together, actively manage the board composition, ensure effective structures, processes, ensure value added contribution by each team members, continually challenge the board’s thinking and perspective (Walton, 2009; Emslie, 2010; Page, 2009). In essence, as Carver notes, the role of the Chairperson is “to help the board do a good job, not to run the organization” (Carver, 1997, p. 12).

And finally, servant-focused boards should also consider an emphasis on board evaluation. Servant-focused boards should always ask themselves “How can we do this better?” And therefore, should continually evaluate the board members individually, the quality and impact of their decisions as a board and the work of the team against the governance model they choose (Plumptre, 2006).

In the individual evaluation, board members should also be evaluated against three obligatory standards for board members: duty of care, duty of obedience and duty of loyalty (Axelrod, 2009). As Axelrod outlines, duty of care “requires board members to be reasonably informed about the organizations’ activities, to participate in decisions, and to act in good faith in their role as stewards” (Axelrod, 2009, p. 58). The duty of obedience includes compliance with applicable regulation and law and the act of being faithful to the organization’s mission and the bylaws of the governing board. The duty of loyalty asks members to not serve on the board for personal gain or benefit or put their own interest above the interest of the institution, its employees or society. This is the essence of servant leadership in board directorship.

In evaluating the work and elements of the board, we can turn to Costa’s criteria for good governance. In this, a board can evaluate itself against a) how ethical it was (meeting the standards of probity, fairness and consideration) b) how open it was
(communicating freely, honestly and in a timely fashion about its work, goals and values) c) how inclusive it was (the company’s values and openness apply to all who may have a reasonable claim on its time and work) d) how effective it was in meeting the organization’s goals (the company does profitably what it says its going to do) and e) how accountable it was (the company is held responsible for it’s actions). Costa (2010) notes that the practical outworking of adhering to this criteria is that “the company is accountable, decision-making is clear and credible, and shareholders can make good use of the information provided” (Costa, 2010, p. 5). However a board decides to evaluate itself, what needs to be clear is the purpose of evaluation. As Plumptre (2006) notes:

Perhaps the goal is to spot missing governance functions, or gaps in the governance fabric. Possibly, it’s to identify weaker performer on the board and encourage improvement. Or is the goal to build a better shared understanding of governance and to weld the board into a team? (Plumptre, 2006, p. 1)

In the end, as Leblanc (2007) explains, what ultimately makes boards effective are the “skills of the directors around the board-table, how well they relate together as a group, and how well they are led” (LeBlanc, 2007, p. 18).

Having servant leadership inform board governance will provide great value added to organizations, its employees and society. As Spears (2002) notes, “Trustees who seek to act as servant leaders can help create institutions of great depth and quality” (Spears, 2002, p. 11). Seeing board work through the lens of servant leadership will help to transform how boards see themselves, their work, their relationship to the organization, the impact of their decisions on employees and society.
“What is missing, however, is a theory of the governance job itself. How to do the job is important, of course, the first question is to define just what the job is” (Carver, 2000, p. 1).

“The problem is, greater than that traditional practices are inadequate—existing concepts of governance are not up to the task. We need new paradigms that re-examine and re-design the fundamental task of governing boards” (Carver, 2000, p. 2).

The challenge now is to redefine the model of board governance to ensure that governance is not only adding value to organizations, but also to employees, the economy and society. The key is getting away from our traditional paradigms of what board governance looks like, how it operates and the traditional kind of leadership that would inform it. We must create a new model of governance from which to build both the form and the function of the board. Carver and Carver (2001) note that “Greater effectiveness in the governing role requires board members first to understand governance in a new way, then be disciplined enough to behave in a new way” (Carver & Carver, 2001, p. 31).

In this, the first step in having an effective board is being very clear on the conceptual framework of the board and how the board should operate in this new model of governance.

It is clear that in order to restore trust in business and faith in the economy and a better outcome for society, a new model for governance must be carved out. This model must be informed and guided by a new way to see organizations and its interconnectedness to society and the philosophy and practice of servant leadership. It must outline, “What is the context in which boards operate?” “To whom are boards
accountable?”, “To what ends?” and “What are the guiding behaviours, practices and activities that will help the board accomplish its goals and objectives?”

Chait et al., (2005) put forth “As organizational theorist Jeffery Pfeffer has noted, establishing the framework within which issues will be viewed and decided is often tantamount to determining the result (1992)” (Chait et. al , 2005, p. 80). Therefore, it is hoped that once a framework for governance and servant leadership is established, that framework will become used to form a new practice of governance both in non-profit and for-profit organizations. This new model of governance must consider not only servant leadership as a fundamental element, but also, a new understanding of organization, systems thinking, fiduciary, strategic and generative work, and board accountability.

A New Understanding of Organization

When one considers the work of board, one must first consider how we should view organization, the work of organization, and therefore, how we should lead that work for the good of the organization and society. In Chapter 1, the model of organization, work and management through the lens of scientific and classical management theory was considered. In this, it was concluded that this way of seeing organizations, work and management no longer works for organizations and by extension, society. We need a new understanding of organization that would help board members consider the systemic and holistic nature of work in a complex, uncertain, continually changing and turbulent world.

This new governance model should be informed by the view that organizations are complex, open, and interconnected systems that inherently can not be controlled, changed or managed through power and hierarchy (Morgan, 2006). This notion of organization is
informed by co-creation, creativity and patterns of evolution and non-hierarchal structures rather than control and is typified by adaptability, collaboration, networking and decision-making informed by dialogue rather than power (Morgan, 2006).

In addition, organizations could be seen as organisms that are “open to their environment and must achieve an appropriate relation with that environment if they are to survive” (Morgan, 2006, p. 38). In looking at an open-systems approach to organizations, there is an emphasis on the environment in which organizations exist. Organizations are also seen in terms of inter-related systems (Morgan, 2006). In this, organizations should be more organic and flexible – more able to respond to the continually changing needs of the organization and the environment in which it exists. This kind of organization would also be able to continually learn in a systemic way and be able to apply what is learned in work and organizational decision-making. This would lead to greater organization effectiveness, allow the organization to better respond to continual changes and issues in the environment, leading to a competitive business edge.

**Systems Thinking**

In having this new understanding of organization, board members must also be versed in systems thinking – being able to think broadly about the impact of decisions on the organization, employees, and society as a whole. Senge et al., (1994) describe systems thinking as “a way of thinking about, and a language for describing and understanding the forces of inter-relationships that shape the behaviour of systems” (Senge, Kleiner, Roberts, Ross, & Smith, 1994, p. 6). The authors go onto note that “this discipline helps us see how to change systems more effectively, and to act more in tune with the larger processes of the natural and economic world” (Senge et al., 1994, p. 6).
As Davies (2000) outlines “Demb et al., (1992) see boards as part of a wider “system of governance beyond duties and obligations. They conceptualize a governance system wherein a Board, as a sub-system, has an integral role interacting with, and being influence by three other stakeholder sub-systems – the regulatory system, ownership and societal systems” (Davies, 2000, p. 155). Senge et al., (1994) observe that historically:

….many people are conditioned to see our “organizations” as things rather than as patterns of interaction. We look for solutions that will “fix problems”, as if they are external and can be fixed without “fixing” that which is within us that led to their creation (Senge et al., 1994, p. 25).

With this, board members would be able to go beyond finding the symptomatic solution in order to explore more fundamental solutions to issues organizations face, and they would be able to challenge the mental models and paradigms that have historically made the organization successful. Spears (2002) expands on this notion by explaining:

Some businesses have begun to view servant-leadership as an important framework that is helpful (and necessary) for ensuring long-term effects of related management and leadership approaches such as continuous quality improvement and systems thinking. It is suggested that institutions interested in creating meaningful change may be best served by starting with servant leadership as the foundational understanding… (Spears, 2002, p. 10).

**Fiduciary, Strategic and Generative Work**

Carolyn Oliver (2010) notes that the first job of boards is “organizing themselves to be able to make proper decisions, and their second job is to decide ‘What really matters?’” She notes that if these two steps are not taken, “getting back to what really matters can
mean simply returning to the status quo which may or may not be what is required for the long term success of the company” (Oliver, 2010, p. 4).

Chait, Ryan and Taylor (2005) outline three foundational aspects that boards must consider as they frame their work. They include Type I (Fiduciary), Type II (Strategic) and Type III, (Generative). The authors argue that boards have traditionally focused on Fiduciary Governance, but all three types of governance are necessary and must work in concert with one another. Type I Governance is ensuring that “resources are deployed effectively and efficiently to advance the organization’s mission; safeguard the mission against both unintentional drift and unauthorized shifts in purpose” (Chait et al., 2005, p. 34). In Type II Governance, strategy means more than “approving the strategic plan and monitoring performance” (Chait et al., 2005, p. 55). This is something which the authors discredit in and of itself because “strategic planning exercises rarely drill to the core questions of institutional identity, outmoded assumptions and breakthrough strategies” (Chait et al., 2005, p. 68). Instead the authors focus on developing “insight, intuition and improvisation” which helps organizations “exploit new opportunities and capture new markets” (Chait et al., 2005).

In this, the authors also note that “since wisdom, knowledge and experience are widely distributed in an organization, a transformative idea can spring from anywhere” (Chait et al., 2005, p. 65). This would align with the concept of the diamond model of servant leadership as outlined in Chapter 3 and aligns with an interconnected systems view of organization outlined in this chapter.

With Type II Governance “The role of the board shifts, in a way from brawn to brains, from the power of board’s oversight—whether exercised as compliance cops or
forfeited as rubber stamps—to the power of the board’s ideas” (Chait et al., 2005, p. 65). Instilling strategic thought as a foundational role in board governance creates effective boards that “cultivate and concentrate on processes that sharpen institutional priorities and ensure a strategic approach to the organization’s future” (Chait et al., 2005, p. 67). Pursing strategic governance also helps move boards away from micromanagement and instilling permanent committee structures that mirror the work of the organization.

However, to do this work of strategic governance, the authors note that the board needs to work differently and not rely on the processes, procedures and structures that so often typify Type I governance. They note that “committees must mirror the organization’s strategic imperatives, not the administration’s organizational chart…[and] the question changes from ”What work does management have for this committee to do?” to “What is the most important work the board must organize to do?” (Chait et al., 2005, p. 70). The authors note that “At this stage, trustees need only intelligent questions, not brilliant answers. The answers will emerge from two-way communication with a cross-section of constituents…[or] direct access to experts]… [in order to] strengthen a board’s ability to uncover, and then think strategically about complex, important questions ” (Chait et al., 2005, p. 73).

The third and final type of governance is Type III or generative. As Chait et al., (2005) note, strategy helps organizations get from point A to point B, but generative thinking inherently finds a new paradigm for point A that produces a new vision of point B. (Chait et. al., 2005) Generative thinking also involves sense and meaning making that helps organizations turn raw data, information and knowledge and complexity into deep
and profound understanding that helps define reality by painting a clear, simple picture of where the organization is at and what is the organization’s best way forward.

A more abstract, philosophical and reflective way of approaching organizational work does not often find space into organizational discussions, but as Chait et al., (2005) note, introducing this type of thinking and narrative into governance, instilling it throughout the organization—including an organization’s stakeholders—is absolutely essential, especially in a world full of complexity, constant change and ever increasing threats and opportunities. Lorsch and Clark (2008) also suggest that if boards are more focused on short-term results or quarterly earnings than generative thinking, they will not “recognize trends that ultimately created problems for their organizations – disruptive technologies in their industries for instance, or new competitors from emerging markets” (Lorsch and Clark, 2008, p. 108).

By engaging in generative thinking, boards would move from simply doing the work that managers present to them to “identifying the problems, framing the issues and making sense of the organization” (Chait et. al., 2005, p. 92). In this, “rather than create strategy, trustees question assumptions, probe feasibility, identify obstacles and opportunities...[as well as] identifying alternative ways of framing the issue, and exploring the sense of the past, embedded in their proposals for the future” (Chait et al., 2005, p. 96). Maher and Munro (2003) call this creating a “value-added culture” for boards where there is “a higher level of intellectual engagement according to the challenges confronting the company... Directors actively and meaningfully participate in both improving options and bringing to the table ideas not previously considered” (Maher & Munro, 2003, p. 1).
Having a mentality of generative governance would change the work of the board, redefine meeting agendas, refocus the information provided to board and in turn help board members be more engaged, more attentive, more invested in the work of the board and the impact on the organization and society as a whole (Chait et al., 2005). It also would help boards move from being simply a “compliance officer” to being more of a “leader of their companies’ long-term destiny” and a “shaper of the future”, as described by Lorsch and Clark (2008).

A new model of governance is needed – one that is inspired by generative thinking that causes a paradigm shift itself. Costa (2010) questions if “the essentially nineteenth century company structure which is the basis of corporate law and organization today is really fitting for the twenty-first century” (Costa, 2010, p. 2). He believes that “updating the model may well require major changes in such areas as restoring common values, re-establishing a shared vision of what a company is for, and creating the operational mechanisms which best capture and reflect the shared values and vision” (Costa, 2010, p. 2). In essence, Costa is unknowingly calling for a governance model that is inspired by servant leadership.

**To Whom Are Boards Accountable?**

In any discussion around board governance, the fundamental questions board members must ask continually is “Whom am I (or are we) serving?” “For what purpose?” and “To what end?” These questions should also be answered in any framework around governance.

Conger et al., (2001) recognizes throughout most of the 20th century and the notion that primarily exists today, is that boards should act on behalf of shareholders (Conger et
The authors note that under the public conception of the public corporation, the corporation is the private property of the owners or shareholders. Therefore, the role of the directors of boards is to advance the financial gain of the owners.

However, a concept that has been recently emerging is that of the corporation as a social entity. In this view, the corporation acts on behalf of a number of stakeholders. It is, in essence an entity with a public purpose. Whatever view the board takes around the corporation affects decision-making and activities the board undertakes (Conger et al., 2001).

Conger et al., (2001) argue that the stakeholder view is/should be a more viable view of organizations and board functioning. This view is congruent with the OECD Principle VI where by the board should act in the interests of the shareholders and “take due regard of, and deal fairly with other stakeholder interests including those of employees, creditors, customers, suppliers and local communities” (OECD, 2008, p. 19). It also aligns with Demb et al., (1992) who advocate for the conduct of business needing to be “consistent with the demands of various stakeholders and society” (as quoted in Davies, 2000, p. 159).

Having this view would align more with undertaking a servant leadership view of board governance. In essence, it would answer the question “whom are we serving” by answering both the corporation and the public good.

Towards a New Model for Board Governance

Keith Seel, Director of the Institute for Non-Profit Studies at Mount Royal University in Calgary, AB, has offered a Global Governance Model (2006). This model builds on the work of Chait, Ryan and Taylor (2005), and also incorporates this notion of
governance impacting both the organization and the community. Seel’s model is depicted in Figure 2.

Figure 2. The Global Governance Model, Seel, Mount Royal University, 2006

The International Federation of Accountant (IFA) has outlined a governance framework that focuses both on performance for value creation and resource utilization and conformation for accountability and assurance. Their framework is shown in Figure 3.
Figure 3. The Governance Framework (IFA, 2008, p. 8)

With this model, the IFA has argued that boards must focus on both conformance to regulation, law and ethics as well as “control, mitigation and reporting of strategic and operational risks” and performance of organization which includes oversight of strategy implementation and evaluation and decision making as it relates to changing business conditions (IFA, 2008).

Yet, what is missing from the work of Chait, Ryan and Taylor (2005), Seel (2006) and the IFA (2008), is the need to see organizations as complex adaptive systems (Morgan, 2006), a philosophy of leadership that would support this kind of organization, and clear notion of board accountability. Also missing is a systemic understanding of the impact of board work and decision-making on organizations, employees and society.

Therefore, building on the work of Chait, Ryan and Taylor (2005) regarding Type I, II, and III Governance, the notion that boards need to be accountable to stakeholders, not just shareholders from Conger et al., (2001) and inserting the proposal that servant leadership (Carver, 2002) and systems thinking (Demb et al., 1992 as quoted in Davies,
2000) should be an essential part of board governance, the Systemic Servant Leadership Governance Model as depicted in Figure 4 below is proposed:

![The Systemic Servant Leadership Governance Model](image)

**Figure 4.** The Systemic Servant Leadership Governance Model, Eng, 2010

This new model, based on the research discussed in this paper, would restore the desperately needed trust in business and the economy. Having a foundation of servant leadership would build and maintain and the organization’s values as well as moral and ethical character. This model sees servant leaders serving an organic, fluid organization, instead of an organization dominated by hierarchy and a top down pyramid. The board would work collaboratively with employees, considering the needs of the business and organization from a fiduciary, strategic and generative standpoint. The board would consider a systems thinking mindset, taking into account those important elements external to the organization and those external elements which a board’s decisions can
greatly impact. Having such a model would make right all that is currently not working with traditional board governance. We know that better boards make for better organizations (McFarland & Church, 2006; Small, 2000). Servant leadership, in a board framework that includes a new model for organization, systems thinking, the fiduciary, strategic and generative work of the board and an understanding of accountability would create better boards and in turn, better organizations, and by extension, better societies.
CHAPTER 6: CONCLUSION

When one looks at the continual examples of organizational and economic collapse motivated by greed, the lack of effective leadership, governance and oversight that allowed it to happen, it is evident that we need a new model for governance informed and guided by the concept of servant leadership. Restoration of public trust, the environment and the economy is at stake.

Poon (2006) notes that trust is a foundational element of servant leadership. Joseph and Winston (2003) outline how servant leadership is co-related with both leader and organizational trust. And, trust is what we need to restore confidence in organizations, our economy and in society. In essence, servant leadership is needed to set organizations, the economy and society on a new path – challenging ourselves in our paradigms, thinking and mental models that got us into trouble the first place.

We need servant leadership to help heal the wounds caused by organizational greed, collapse and self-serving decision making. We need board of directors to see themselves as stewards of organizations, employee well-being and societal good. We need servant leader board members who are committed to the growth of people in organizations. And, finally, we need servant leader board members to see the organization as a key determinant in the health of the economy and society.

The first step to creating boards that model servant leadership is to simply begin introducing the concept of servant leadership and board governance. Creating servant-lead boards will not be easy. It requires a fundamental shift in governance paradigms and notions of organizations and effective leadership. As noted by Beazley and Beggs (2002) in their essay “Teaching Servant Leadership”, "It is easier to make a ‘leader’ than a
‘servant’, to indulge hierarchies and control than to embrace service and collaboration” (Beazley & Beggs, 2002, p. 61). Page (2004) also notes “the principles of servant leadership do not come to us naturally, but to be effective, they must become engrained in how we think about working with and relating to others” (Page, 2004, p. 2). Yet, having servant-focused boards is exactly what we need to transform notions of organization and its impact on the economy, the environment and society as a whole.

Now that the case for bringing together the concepts of servant leadership and board governance has been outlined, the question now remains, how do we train leaders to be servant leaders and how do we introduce the concept of servant leadership into existing boards? As Beazley and Beggs (2002) explain, “the paradox of the servant as leader (and the leader as servant) is often confounding upon cursory examination, is not easily captured and is not amenable to quick application” (Beazley & Beggs, 2002, p. 53).

Page (2004) contends “leadership development is not like a sausage factory where you go in one end and come out the other a leader…. Leadership development [is] a journey rather than a destination” (Page, 2004, p. 1). Spears (2002) also emphasizes:

It is important to stress that servant leadership is not a “quick-fix” approach. Nor is it something that can be easily instilled within an institution. At its core, servant-leadership is a long-term transformational approach to life and work—in essence, a way of being—that has the potential for creating positive change throughout society” (Spears, 2002, p. 4).

In the author’s personal experience, while the concepts of servant leadership can be taught, changing and the heart and bringing the ego in line with essence and practice
servant leadership is much more difficult. In this servant leadership must be watched and absorbed by entering into a mentoring relationship with a true servant leader. Greenleaf called this apprenticeship – giving people “both the instruction in theory and supervision in practice by someone committed to both the concept and the individual attempting the master it” (Beazley & Beggs, 2002, p. 55).

In servant-leader mentoring, students must also be willing to be in continual deep reflection to ensure that their actions, their attitudes and their decisions align with the understanding and practice of servant leadership and also be continually willing to practice servant leadership behaviors. As Page (2004) explains, “if we really want to be effective as servant leaders, we must practice over and over again the essential components of servant leadership…” (Page, 2004, p. 2).

Besides both apprenticeship and reflection, what is perhaps the most fundamental element required for servant leadership is a heart change. This cannot be taught nor does it happen overnight. One must be willing to see the true condition of the heart and the necessary changes that need to be made. This is where the journey of becoming a true servant leadership begins.
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http://www.meaning.ca/archive/pdfs/WongServantLeadership.pdf

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## APPENDIX A


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