

# *Institutional Intelligence*

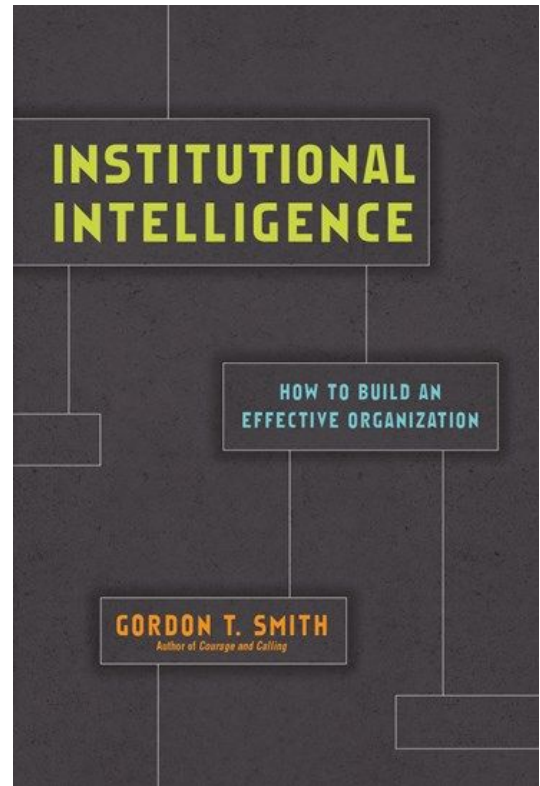
By Gordon T. Smith

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Website: [www.institutionalintelligence.ca](http://www.institutionalintelligence.ca)

*Summary compiled by Albert Postma  
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*Note: while this is a fairly thorough summary, there are multiple points where material from the book is referenced without summarizing or explaining it fully. Additionally, several chapters in the book include individual & group exercises with helpful questions. So consider this summary an entrypoint, not an alternative, to reading the book itself.*



## Chapter 1: The Meaning of Institutions

- “Then also, church leaders often look upon the administrative side of their work--essentially the organizational and institutional dimensions of congregational life--as a distraction from true spiritual leadership and ministry...sometimes what is typically called *administration* is viewed as a problem, an obstacle to true religious leadership and pastoral care.” (2)
- “...it is not uncommon for religious communities to stress the need for servant leadership as though this means that no one exercises authority and that there is no executive decision making” (3).
- **“An institution is a social structure that leverages wisdom, talent and resources toward a common cause or purpose” (4).**
- “The point at issue, then, is not whether we have institutions or not. Rather, the question is whether we will invest in them and know how to make them effective” (5).
- “Institutions are a problem when we fail to distinguish between means and ends. All too easily institutions can take on a life of their own, lacking any clear sense of mission. This distinction is so very important. An institution is always a means to an end” (9).
- “When someone confuses the means and the end--they are more taken with the glass than the water--the solution is not to dismiss the glass but to understand and appreciate that the glass is a means to the end: a refreshing drink of water” (9).
- “Thus vital and strong institutions are not so much those that have a great strategic plan as those who are able to think strategically and respond strategically with creativity, innovation, and agility to the unexpected, the unforeseen” (17).

*“An **institution** is a social structure that leverages wisdom, talent and resources toward a common cause or purpose” (p.4)*

## Chapter 2: Mission Clarity, Part 1

**Charism:** *a gift, a contribution that God is working out through the organization (20).*

1. Theological vision:
  - a. “the organization is a means by which God is doing God’s work in the world” (21).
  - b. “And we are but stewards of the organization in that we are stewards of the charism, the means by which this organization is a gift of God to the church and to the world” (22).
2. Implies diversity: “the same Spirit is the giver of many and diverse gifts...” (22).
3. Breadth and depth: the whole is bigger than any one of us (23).
4. History matters:
  - a. we tell our story; where did we come from, what was the original purpose, what was the vision of the founders. We didn’t arise out of a vacuum.
  - b. “When we tell the story, we tell the good, the bad, and the ugly...there is no nostalgia, no sentimentality (24).
  - c. “We name that past so that it can keep the present from being victimized by that past. We name it so that we can put it behind us--or, perhaps better said, we locate this segment of our past and keep it from defining our present.” (24).
5. The present:
  - a. “When we use the language of charism we recognize that the institutional identity is ultimately larger than even these founders: it grows and matures, it has to adapt to changing circumstances--sometimes necessary changes that the original founder or original community could not anticipate. The institution itself has a history beyond its founding” (24).
  - b. “We do not reduce the vision and capacity of an organization to the vision and capacity of the founder” (25).
6. Embodiment of the charism
  - a. “Typically, those who embody the mission are those who actually deliver on its mission, who actually implement the mission. They do what the organization is created to do” (26).
  - b. “When I go to a hockey game, I know full well that there is a whole infrastructure of managers, coaches, trainers, and many others who are essential to the ‘institution.’ But we go to the game to watch the players on the ice. They are what it’s all about: the players are the game--this game, this sixty minutes of action on the ice” (27).
  - c. “There may not be a one-to-one link between the embodiment of the vision and the exercise of authority. The hockey players are the essence--the embodiment--of the team. But when they are on the ice, the coach has complete authority, and between seasons, the general manager oversees the team” (27).

7. Identity:

- a. "We do not reduce an organization to its various practices. Yes, a charism and institutional mission is in the end about what we do, but it is also about who we are. It is about identity" (28).
- Three indispensable entities:
  - The lead executive: cultivates mission, makes decisions to enable people to live out the mission
  - The trustees: are stewards of the institutional mission
  - Those who deliver on the mission

## Chapter 3: Mission Clarity, Part 2 (The Industry)

1. Identify your Industry (36)
  - a. “Industry” language cuts out uniqueness of the exact organization, and brings accountability to being the most effective type of organization in that industry.
2. Beneficiaries and Stakeholders (38)
  - a. **“We really do not have clarity about our mission until and unless we are able to identify who is that primary beneficiary” (38).**
  - b. “Stakeholders are those who have a vested interest in the outcomes of the organization--a genuine and legitimate interest--while not being those who are the actual focus of the mission” (38).
  - c. “In some cases, the [beneficiary] might actually pay for a service: tuition at the university, perhaps. But in other organizations those who are the immediate beneficiaries of the mission are not necessarily those who actually fund the agency. Thus for example, the homeless do not provide the funding for the homeless foundation” (39).
3. Distinguish Yourself within the Industry (41)
  - a. “Within your industry, taking account of your primary beneficiaries--not in a generic sense, but those who are very specifically the beneficiaries of your particular organization--you can now bring in a key qualifier or two to specify your specific focus...what is your niche? What makes you different? What particular segment of the potential beneficiaries are those for whom you have a particular responsibility or call?” (41).
4. Consider the Current Context
  - a. “There will be continuity with the past, but with alignment and re-calibration for the present opportunity” (43).
5. Make it work and make it sing (46) - mission should be practical and it should inspire.
  - a. Practical: it is doable. It is operational. “You know what you are doing and what you are not doing”
  - b. Inspire: a mission needs to invite commitment
6. Mission and Assessment: “Mission has to be specific enough that we can list a set of outcomes--the indicators that we are indeed doing what we claim we are doing” (49).
  - a. What are the key activities, and “are we doing this in a way that is consistent with our identity, our very specific mission?” (50) ...“Mission means nothing if you can just alter the mission to fit your activities (50).
  - b. Are the key activities effective?

## Chapter 4: Governance That Works, part 1

- Executive leadership:
  - **“If it is not clear who is leading the organization, then in all likelihood, someone is leading. But they are not leading from a position where they can be held accountable” (60).**
  - “Caregiving, the default mode of most pastors, is always less costly than leading. But the problem with caregiving is that no group survives or thrives without continually refitting and repositioning itself” (61, quote from someone else).
- Trusteeship
  - Board has ultimate responsibility for the fulfillment of the mission of the organization... “trustees ensure that the mission is happening; they are the trustees of the mission” (62).
  - Board represents *external* constituencies (ie. stakeholders)
- Mission Practitioners
  - Their voice is crucial to be heard (64).
- Bylaws: “who has accountability for what and to whom?” (66).
- Three kinds of power (71)
  - Executive power: the power to choose, act, decide.
  - Legislative power: comes through the development of a common voice, shared decisions, deliberative body.
  - Political power: of association, influence, having credibility
- *“So know what kind of power you have. Then ask how you can exercise this power effectively. What does it mean to be a responsible member of this organization with the larger perspective in view? What is the mission of the organization? And as such, how can I--with the power I have, whatever the form, use that power and influence to foster the capacity of the organization to fulfill its mission for the well-being of our customers, our clients, and our fiscal health, giving due attention to the crucial elements of a vital institutional culture?” (73).*

## Chapter 5: Governance that Works, part 2

- Institutional intelligence is not just about getting things done, but getting the *right* things done. To do this, “effective institutions are learning organizations” (74).
- Three avenues for insisting on good conversation:
  - Structure encourages and fosters consultation leading to wisdom for decisions
  - Lateral consultation within the organization
  - Outside consultation with peer institutions to learn from
- The purpose of a meeting: “to find the wisdom that we need to face the challenge or issues facing the organization” (76).
  - It is not just about deciding things and getting them done. Good discernment needs to happen.
- “The chair is responsible to ensure that good conversation happens, to bring closure to the conversation, and to confirm that actions will be taken and by whom” (77).
  - “The chair fosters the capacity of the group, the committee, to come to a shared understanding of the best way forward” (78)
- “Diversity of views, opinions, and perspectives is essential to good conversation...unanimity is not necessarily a sign of wisdom and a good decision” (79).
- “Wisdom does not always travel along the same lines of formal decision making” (80).
- Who should be at the meeting? Those who will implement, those who have a right to be there (by office, responsibility, etc.), and those who have expertise or experience (82).
- What size should a committee be? The “power of eight” (82).
- Regarding Robert’s Rules, and rules in general (84-85):
  - Rules preserve and protect certain fundamental values of the process of good conversation and good decision making.
  - Acknowledges the will of the majority while still providing space for the voice of a minority perspective.
  - Rules only effective when a chair is in place who knows the rules and applies them well.
  - Minutes need to be taken, recording not the proceedings but the *actions* (what has been decided).
  - Rules encourage coming to a closure in conversation, keeps on task
  - Rules are most effective when they are complemented with other gatherings for conversation, deliberation, and shared reflection. Such as a “town hall” meeting in an organization, where decisions are not being made.
- “Effective institutions are marked by a threefold capacity to move from conversation to decision to action”
  - Conversation without decision making will only lead to frustration
  - Decisions made that are not implemented will lead to cynicism
  - Actions taken without adequate consultation and a good decision-making process will lead to resentment at best and actual rebellion at worst.

## Chapter 6: The Right People

- “An effective governance structure is not an end in itself, but a means--a tool--by which these people, with their capacity and talent and shared commitment, can achieve something together that they would not be able to achieve alone.” (89)
- This chapter talks about three essential and critical practices: hiring, developing, transitioning...
- **Hiring and Appointing**
  - Hire people who believe in the mission: they get it; it matters to them
  - Hire smart, talented people. “The nonprofit world has a history of hiring people of modest ability who are sincere and well-intentioned and available and willing to serve.”
    - The need to be learners
    - They need to be eager to work with others, to learn from and with others
  - Character matters. “Institutions expand individual impact; a person’s character is magnified as soon as they become part of an institution...their character flaws and strengths” (93).
  - Hire people who work effectively in both line and lateral working relationships
    - Line: lives within the governance/accountability structure; not bothered by it but thrive within it.
    - Laterally: “they know how to identify what needs to be done and how things that need to get done do not necessarily need to go through various approval processes” (94).
  - Hire people who are diligent and thorough and who actually enjoy hard work. And not just working hard, but actually getting things done (implementation, history of delivering outcomes).
  - Hire people who will lower the anxiety level of the institution. They respond rather than merely react.
  - Hire people that you enjoy having around
- **Develop, Empower, Encourage:** “Effective organizations...can assure anyone who works here: you will be a better person if you work with us and for us.” (98)
  - The first hundred days: when someone is new to a role, the first 3 months makes a big difference for their sense of being supported.
  - Regular performance reviews:
    - annual is only a benchmark. “Surprises indicate a lack of good communication in the normal course of the working relationship.” (99).
    - Reviews are only fair when expectations are clear.
    - Recognize ineffective employees could be the result of the system.
    - The focus of the review is actually the *future*... “what can we do, together, to foster high performance moving forward?” (99).
  - Training: what’s needed for this person’s success?
  - Attending to:



- A just salary
  - People have the tools they need to do their job (tech, etc.)
  - Accomplishments are celebrated
  - There is latitude and patience in addressing personal problems at home, etc. that temporarily limit our full engagement
  - Opportunities for each employee to speak to and be heard on working conditions.
- **Transition with Dignity**
  - “First, it is important to stress here that institutions are fluid, not static: they grow, develop, and adapt to changes in the environment...people will move on or the organization will move on...we don’t assume that once hired, we have a job for life...there is a shelf life to virtually every role in the organization” (101).
  - When someone underperforms, the best thing to do is accept the situation and say it isn’t working
  - Make transitions out of the organization one that is marked by honour. Care for employees in the transition out.
- **Growing with the Organization (as a person):** This is about alignment between a person’s strengths and the organization’s needs (103). Talks about three concentric circles:
  - Centre: Activities & responsibilities I must simply and absolutely do
  - Second circle: things expected when hired but not as crucial
  - Third outer circle: things I enjoy doing and can do when there is time and space.
- **Human Resources Policies and Best Practices (105)**
  - Onboarding & recruitment
  - Performance evaluation
  - Health and safety

## Chapter 7: A Generative Institutional Culture

- Every institution has a culture. Effective organizations cultivate a culture that is consistent with their ethos and mission (107).
- **Culture & Mission**
  - “While we would of course all like to be part of an organization or church that feels good--a fun place to be--the ultimate criteria for a vital and dynamic institutional culture is mission. Effective organizations are a great place to work because they are going somewhere” (109).
  - “Thus when we assess institutional culture, we look to see if there is a coherence between culture and mission” (109).
- **Hopeful Realism**
  - Comes out in two respects: capacity to name reality, and hopefulness. They are inseparable.
  - Name reality: fully present *now*, not a previous golden age or a wishful idea of what we wish we were as an organization... “But rather we foster a simple yet powerful capacity to be in this time and place, without blame or envy or fruitless wishing that the circumstances were otherwise.” (110)
  - A vibrant culture has the capacity for truth telling with courage, insight, and clarity.
  - Hope: we also affirm the possibilities. Change is expected and even sought.
  - “Note something crucial here: the two go together and are inseparable. Without hope, we cannot face the full scope of our situation, which may be quite bleak. But also, we will only have naive optimism if we do not name reality.” (112)
  - “A dynamic institutional culture is marked by a refusal to either blame or play the victim.” (113).
- **Getting a Read on an Institutional Culture**
  - Institutional culture is everyone’s responsibility
  - “The sign of leadership in each segment or level of the organization is recognizing what needs to be challenged because it is either pathological and inconsistent with either our mission or our capacity to grow and adapt” (115).
  - Begin with history: culture is something we always inherit
- **The Signs of Hopeful Realism**
  - Is this a learning culture?
  - What is the character and tone of what happens in meetings, in conversations formal and informal? (eg. is there humour?)
  - Is there conflict? *“The lack of conflict is typically not a good sign. Unhealthy organizations are marked, as often as not, by either the lack of conflict, meaning that, in effect, conflict is either not tolerated or it is sublimated, or they are conflicted, meaning that conflict is now institutionalized: the conflict has become entrenched and unaddressed; the conflict has perhaps become personal”* (119). Conflict is a sign that the mission matters.

- Is the culture marked by a dynamic that is both professional and personal? Is it marked by competence and recognizing that each person is a *person*? (Smith talks about why he thinks institutions are best not thought of as a “family” on 121).
- Does the culture foster the capacity to get things done? “We need a culture that affirms that once decide, we act” (122).
- **Gradual Incrementalism**
  - Culture doesn’t change quickly.
  - What needs to be affirmed, celebrated, profiled? What are the symbols and indicators of missional identity that need to be encouraged and referenced? (124).
- **Crises: What They Tell Us and How Our Response Matters**
  - Crises always tell us something about the organization.
  - Crisis gives a chance to test the resilience of the organization and also strengthen the institutional capacity.
    - It test the hopeful realism
    - Sometimes, it might be necessary to create a crisis...see more on p.126
- **Culture and Religious Sensibilities:** basically, sometimes you get farther by having an embedded “hidden curriculum” for being a truly *Christian* organization than just having religious aspects added (prayer, etc.). Not that the prayer, etc. are bad (they are important) but to think that just praying at the beginning makes it Christian is not really true (see 127-128).

## Chapter 8: Financial Equilibrium

- “Simply put, an effective institution operates with a balanced budget that delivers the mission” (132).
  - “But we always begin with mission; we assess an organization around questions of mission rather than money...Who cares if you are financially sitting tight if you are not fulfilling the mission? You are content and happy, perhaps, but irrelevant” (132).
  - “The goal is not a balanced budget, but a budget that delivers the mission” (132).
- “Financial limits calls us to make some decisions, forcing clarity about what matters most” (133).
- **The Indicators of an Institution Committed to Financial Equilibrium**
  - There is clarity about the financial position of the institution: budget, balance sheets, cash flow, a clear sense of the key indicators of financial equilibrium for this kind of institution, good communication, audits, internal controls.
  - There is clarity regarding the institution’s economic engine: it’s key revenue streams, which are best when they are consistent with the mission itself. Also pay attention to designated/undesignated gifts - there needs to be an appreciation for the administrative cost to achieve the mission.
  - There are multiple streams of revenue: not healthy to be beholden or dependent on a small number of sources.
  - Qualified, skilled, and capable women and men who manage the finances of the institution...people who:
    - Believe in the mission
    - Provide clear and accurate information to key decision makers
    - Work well with other
    - Do not presume to be president
  - The institution has a budget that works: including knowing who is ultimately responsible for the budget. Smith argues this is *not* generally the board, but the president...that the board is responsible for ensuring the budget is *on mission*. (see more: 144).
    - No deficit budget. Only exception is one-time and for a strategic purpose. If you’re running a deficit year after year, you’re not doing it well.
    - Be conservative on the revenue side.
- **An Intentional System and Program for Fund Development**
  - Fundraising as vital to mission and ministry: “the mission of nonprofits flourishes as those in leadership within these agencies invite women and men with financial means to come in as partners in mission (146).
  - A theology of abundance rather than scarcity
  - Donors are members: consider donors as partners, who deserve good communication that is both informative and inspiring (146).

- Mission animates fund development: “In the end, donors do not give to the budget; they are investing in the mission. They believe in the mission. And thus fundraising is all about communicating the vision...thus wise institutional leaders are prepared to graciously decline a gift--a contribution--that is not consistent with mission. The organization is mission driven, not donor driven” (147).
- Trust is the essential glue that connects a donor to the institution: fundraising is about fostering trust (147).
- Fundraising as a science and an art:
  - the genius of every effective nonprofit is the network of donors who give unrestricted contributions to operations
  - effective fund developers avoid the year-end appeal.
  - Rule of thumb: reject manipulation and melodrama
  - Three I's: invitation, investment, integrity

## Chapter 9: A Place to Be

- **A place to be:**
  - Identity: building should reflect the identity. Space that is intentionally consistent with the identity of the institution.
  - Purpose: “Is our purpose fulfilled in this space or as with identity, are we subtly fighting the space--running up against the limits...” (154).
    - Form follows function. The space needs to *work* (155).
  - Community: spaces are always places of encounter. Does the space foster hospitality?
- **Interpreting Built Space: Places that Work**
  - Location and siting: where the building is located, how the main entrance is set up, etc. How does it communicate that the place is designed for people?
  - The plan of the facility: layout, how a person moves through the building
  - Structure, skin, and details: how is it built, what materials are used, etc. “details set the tone and express architectural ideas and thus give meaning to the building and provide what [Rybenczynski] calls a ‘coherent visual logic.’ But more, they should be consistent with the identity and purpose of the building” (165). There should be an authenticity to them.
  - Practicality: “It needs to function in a way that allows the building to be used for the purpose for which it is built or being used.” (166)
  - Sustainability: energy conservation, water management, etc.
  - Beauty: “Beauty is crucial to shaping institutional culture” (169). Natural light, open spaces, greenery, uncluttered space.
- **Buildings That are Cared For: Learning, Maintaining, Adapting**
  - Buildings that Learn: they are never really finished. “They indulged no nostalgia, no false loyalty to a building that just didn’t work.” (171).
  - Maintenance: “It is a sign of institutional health that renovations and maintenance are happening” (172).
- **Information Tech**
  - Basically, Smith points out that the internet matters, so pay attention to your web presence as well.

## Chapter 10: Strategic Partnerships

- “You will not maximize your potential if you try to be a standalone entity” (174).
- “All institutions without exceptions are dependent entities, dependent on a whole range of businesses, agencies, and organizations” (175).
- “Institutional intelligence includes knowing how to cultivate and work within these partnerships” (175).
- **Forms of Affiliation:**
  - (Smith highly recommends doing a “taxonomy” of partnerships, writing down on paper ALL the agencies without which your organization/church cannot fulfill its mission. This allows you to see not just how many partnerships you actually have, but also what might be missing)
  - “Ask the mission question: what affiliations and partnerships are essential for the fulfillment of our institutional mission?” (176).
  - “Nothing is gained by a kind of sentimental idealism that leads to a huge investment of time in the name of partnership when in actual fact neither agency gains from the connection that is being nurtured” (176).
  - Forms of partnerships:
    - Allies and coalitions: sister agencies, working together, common cause. “A denomination is, in many respects, a vehicle that fosters the capacity of an individual congregation to be part of something that a single congregation could not accomplish on its own. Denominational structures and agencies provide broader accountability, support, shared learning, and shared mission” (178).
    - Feeder and placement agencies: who sends people your way, and to whom do you send people?
    - Service agencies: suppliers, support agencies, etc. Eg. an accounting firm.
    - Certification, authentication, and convening agencies: they provide institutional accountability. Example, the accreditation agency for schools.
- **Capacities for Working Partnerships**
  - Mission Clarity: “We can only be in partnership with others if we are settled on our own identity, mission, and institutional purpose” (182). Knowing what you want to accomplish, clarity about outcomes.
  - Mutual Respect: “We only work effectively with others if and as we have clarity about their mission...not just our own” (183). “This also means that we respect not only the mission but also the institutional integrity, including the governance structures of the other agency” (183).
  - Mutual Contributions: “Those with institutional intelligence choose not to be parasites” (184).
- **Mergers and Joint Ventures**
  - Sometimes mergers make the most sense.

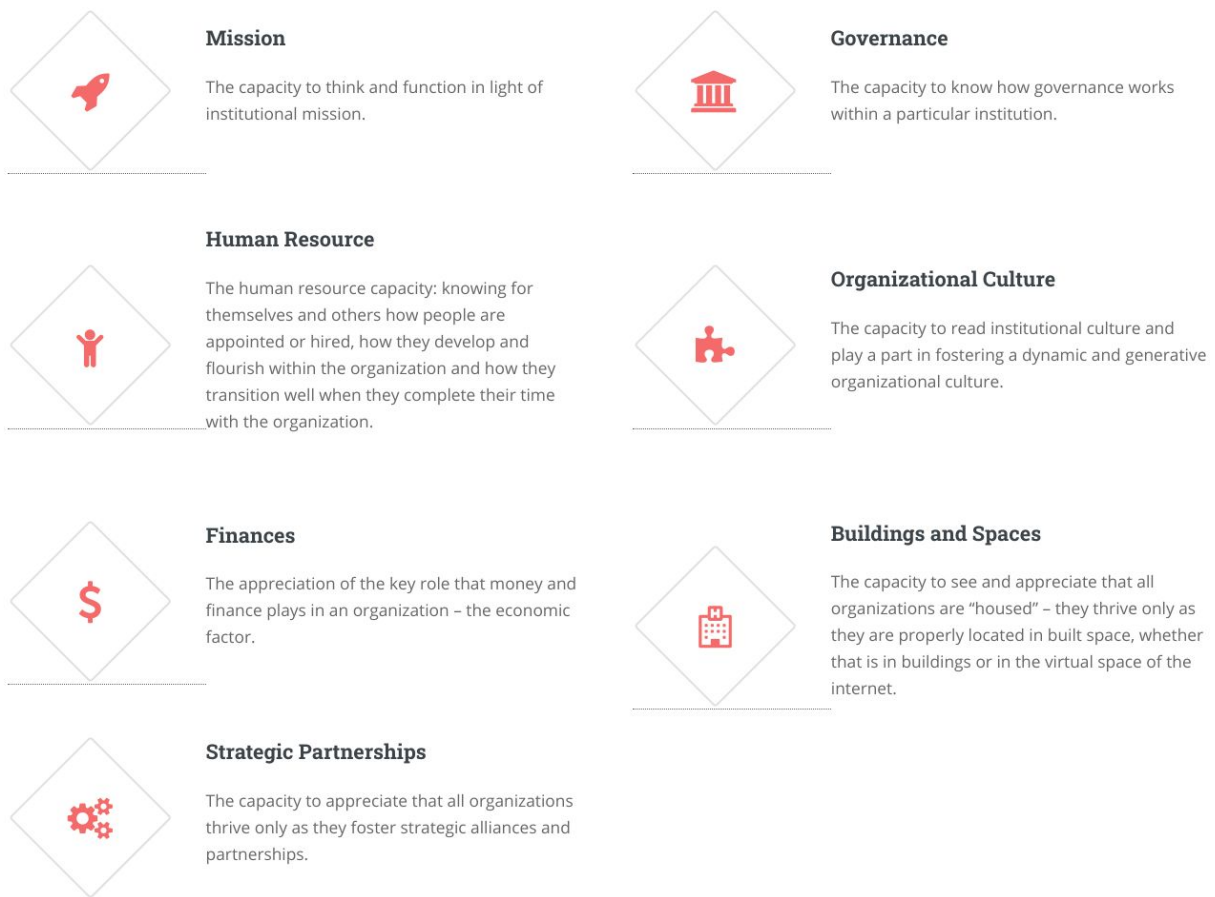
- Joint venture: “by which a new entity is created that, in effect, is a merger of their resources for a particular objective” (188).
- In all cases, it is the *outcome* that matters. The mission.
- Five Key Questions for merger or joint venture:
  - Motivation: what is driving this?
  - Mission re-frame: what is the mission of each institution and how will the mission change or need to be re-framed to accommodate this?
  - Trust: is there a high level of trust, especially among the leaders?
  - Sunset Clauses: stage the merger, such as at what point the combined board will be shrunk.
  - Governance: what form of governance will be required for this new thing?
- When partnerships don’t work: there is no reason to sentimentalize them. “Parting ways can be done with goodwill, without recrimination but merely a gracious acknowledgement that the partnership is not bearing the fruit needed to justify what is being invested in the effort--no sentimentality, no idealism, no guilt. We gave it our best shot, and with goodwill all around, we move on” (191).



## Conclusion

- Identifying operational drag: of the seven things listed in the chapters above, if there were one thing that was keeping this organization from its potential what would it be? Is it mission clarity? Having the right people? The space? Etc.
- ***“For most organizations, the problem that keeps them from flourishing is likely--not always, for sure, but this is the most common constraint--a system of governance and a lack of clear and transparent systems for making decisions and then implementing those decisions” (194)***

The following graphic of the seven areas of discussion is from: [www.institutionalintelligence.ca](http://www.institutionalintelligence.ca)



## Lastly: Appendices

The book concludes with two Appendices: one on boards and presidents, the other on how “institutions are good for the soul.” I have not included a summary of them here.