



what matters.™

Good Board Governance: The Policy Governance™ Model

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What is Governance?

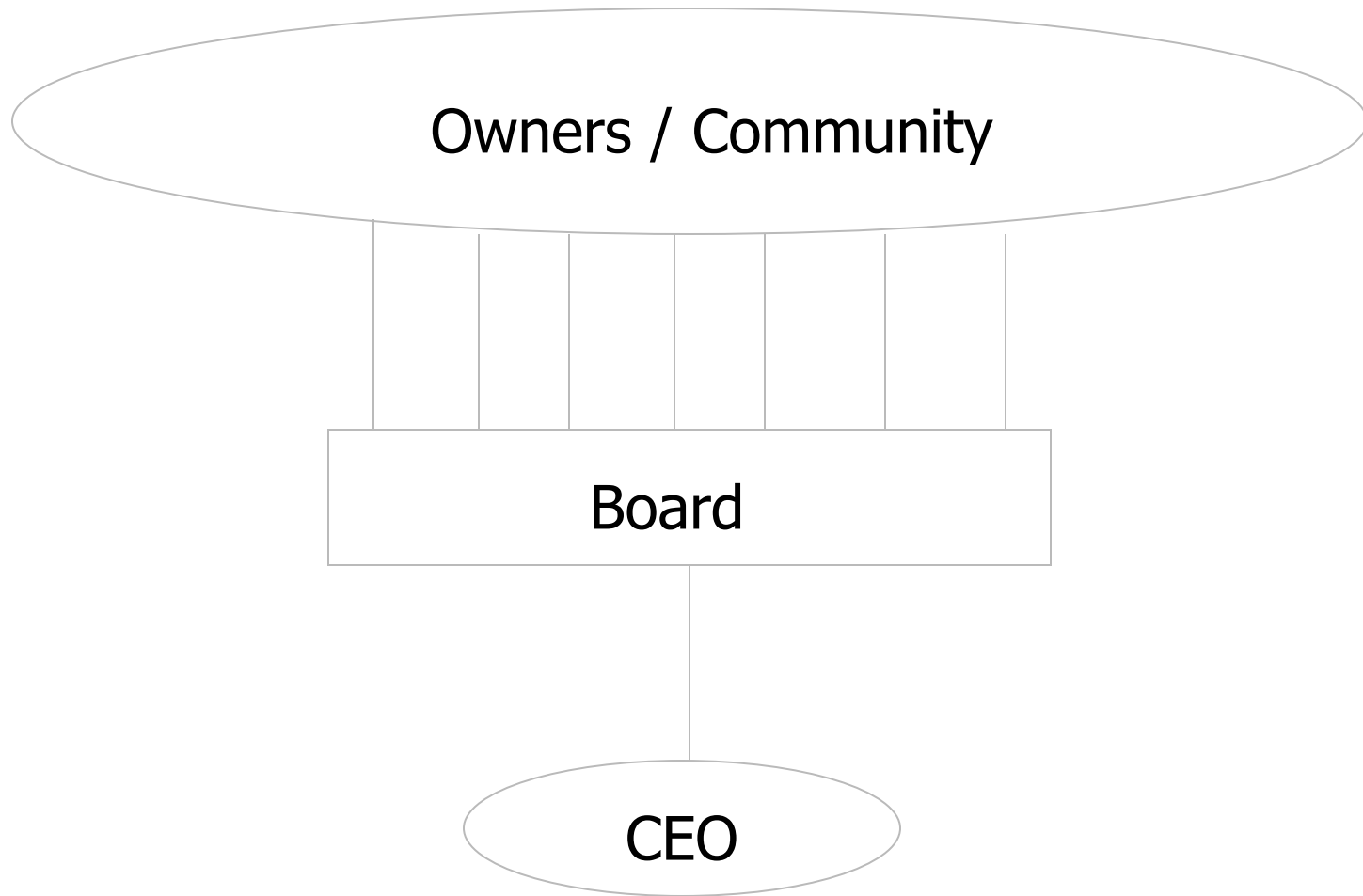


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Governance is the primary role of any Board of Directors (or Trustees, Governors, etc):

1. Provides a healthy link to ownership
2. Defines the ends, or intended outcomes, of the organization
3. Provides a broad structure of policy to ensure that the ends are met
4. Monitors the organization's progress toward its ends

Link to Ownership



Why does governance matter?



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- Massive breakdowns at **Enron, Worldcom, Tyco, United Way of America** in 1992, *etc* were due ultimately to failures of the Boards of Directors. **American Red Cross** Board was under scrutiny by Congress in recent years.
- The Board is ultimately responsible for organizational integrity.**
- Board governance has been the subject of major attention for over a decade...

Are most Boards well run?



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- Much of standard board practice is **unclear**, based simply on “the way we’ve always done it.”
- Traditionally-run boards often focus on operational details and neglect larger issues of defining and monitoring success. Never get to “the big picture”
- Many books exist on the topic of boards. Most are collections of best practices that often lack a coherent underlying model.
- John and Miriam Carver have espoused a theoretical model known as Policy Governance ®

Boards have a specific job to do



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“When boards wander aimlessly, they are as negligent as the professional **shortstop** who decides that **right field** is a nicer place to be today.”

--- John Carver in

Boards That Make A Difference, p. 173

How Does Policy Governance Differ?



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Traditional Governance

Operational focus on activities

Committee reports

Second-guess all decisions

Often loses focus on what matters most

Many committees

Policy Governance®

Strategic focus on ends, results, outcomes

Perpetual agenda

If we haven't said no, then we've said yes

Defines, monitors & explores what's important

Very few committees

Ends, *a.k.a.* Results, Outcomes



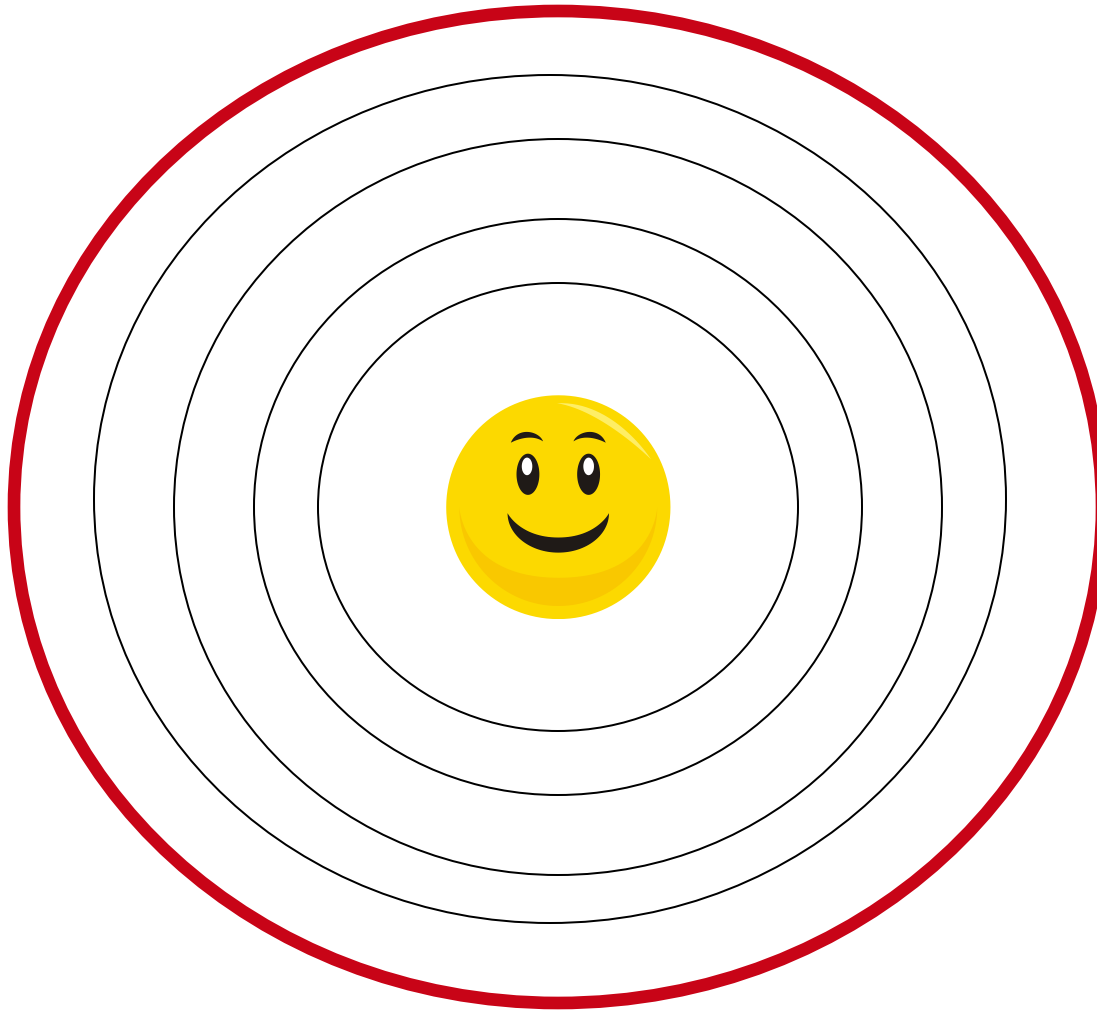
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- The Board defines which **ends** the organization seeks (as Stephen Covey wrote, “start with the **end** in mind”)
- An “**end**” is a result for our consumer:
 1. What changes will we help our consumer achieve?
 2. Who are our consumers?
 3. Which results do we value most?

Nested Bowls – Touch One, Move All



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Hands-off control
of operations

Leaves a range
of interpretation
open to decision-
makers

**Retains ultimate
responsibility**

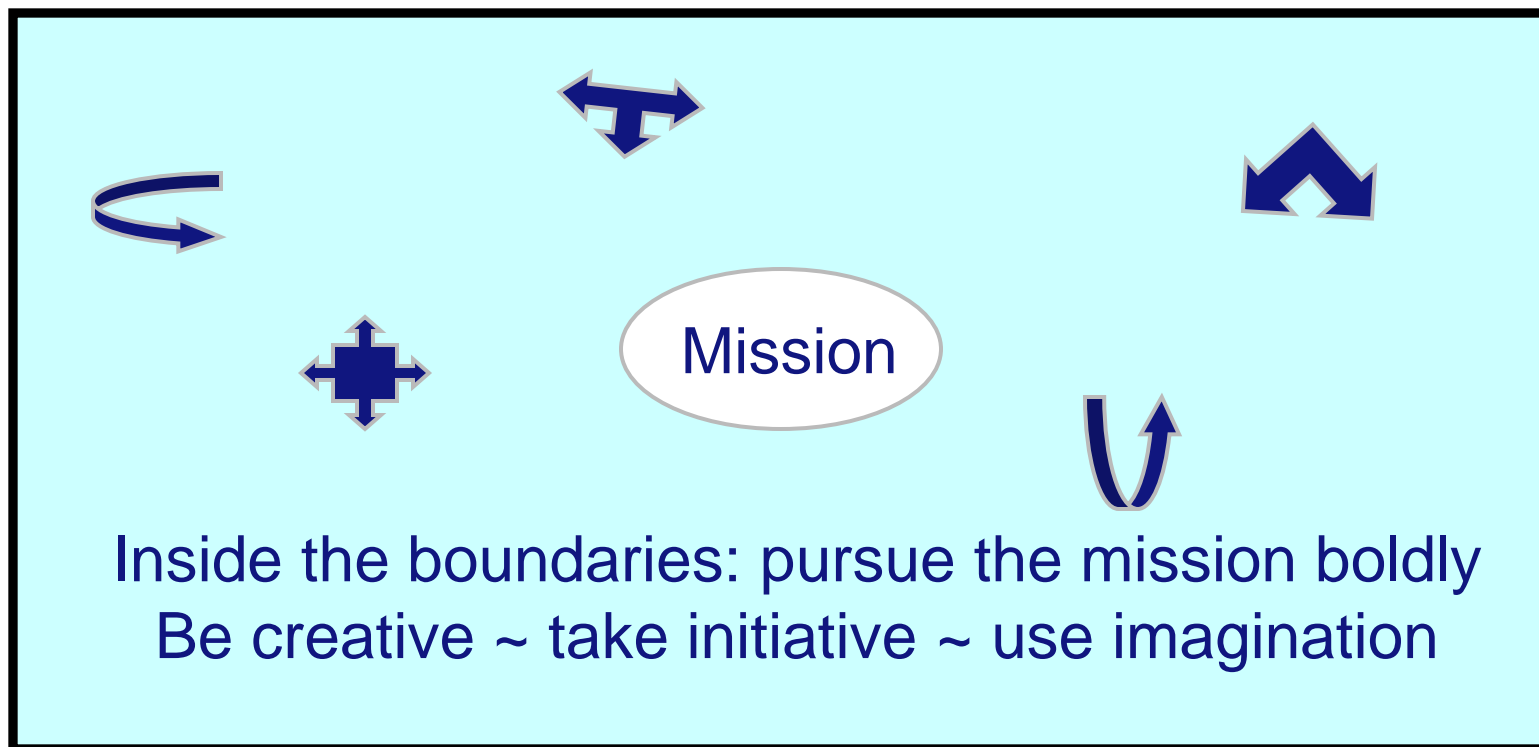
Define Boundaries, Encourage Initiative



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Moral, ethical, legal, etc

Board defines boundaries
that may not be crossed

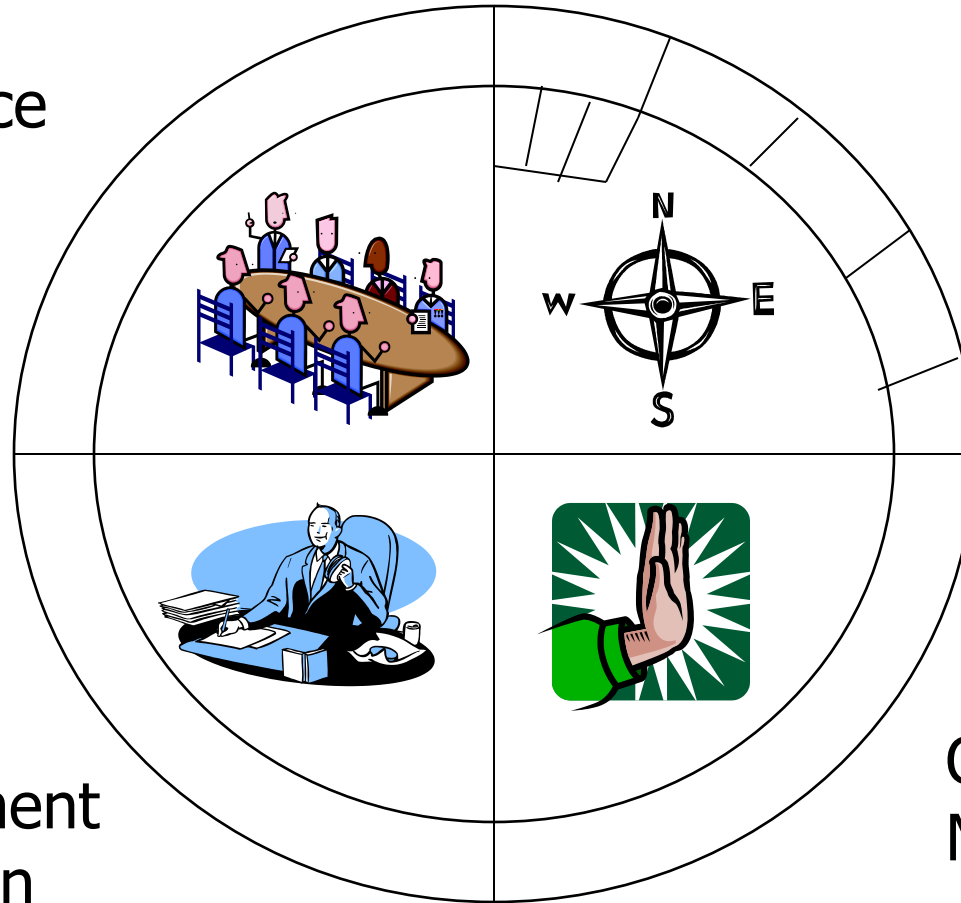


Inside the boundaries: pursue the mission boldly
Be creative ~ take initiative ~ use imagination

Four Areas of Policy

Governance
Process

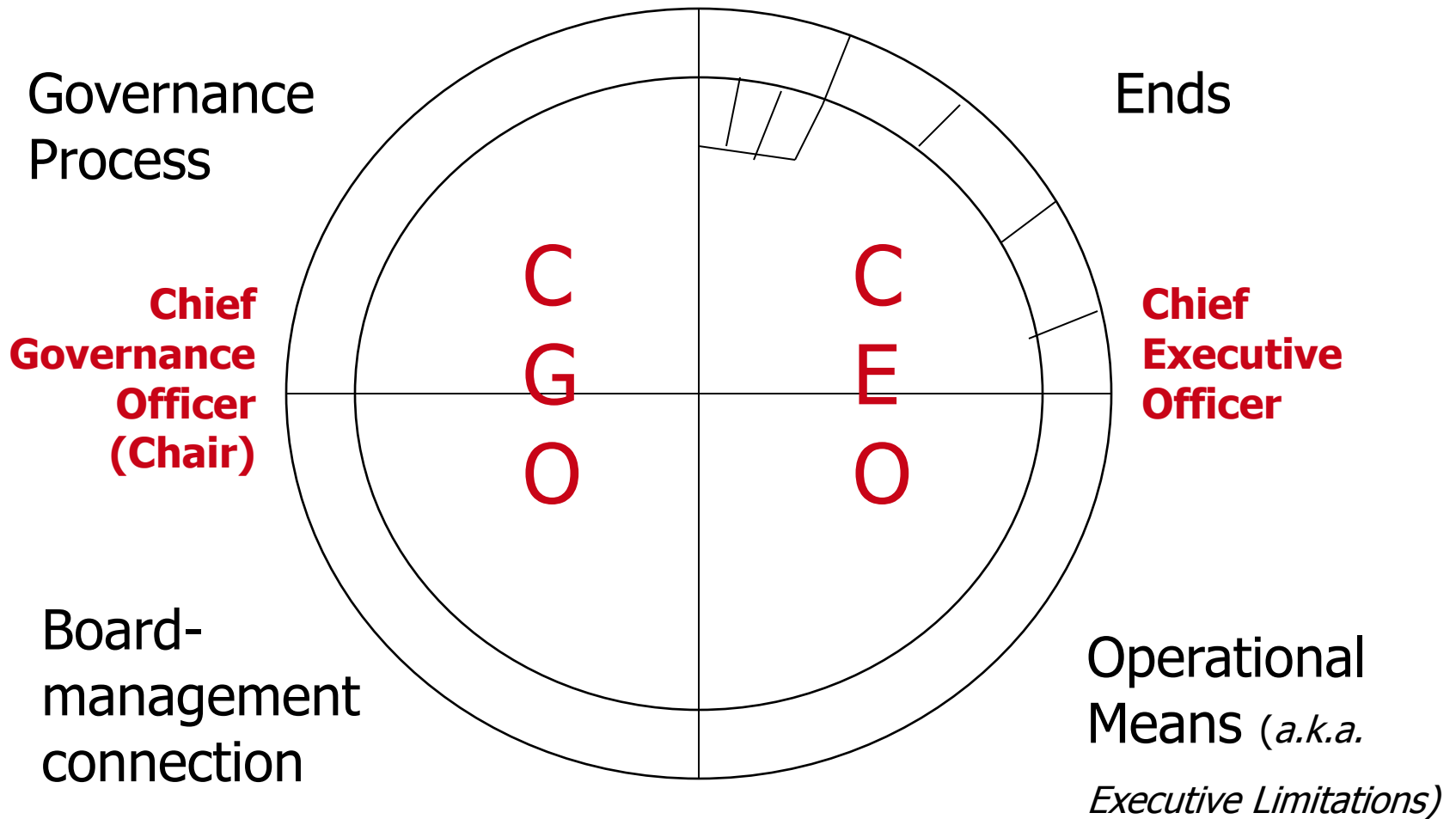
Ends



Board-
management
connection

Operational
Means (*a.k.a.*
Executive Limitations)

Four Areas of Policy



The Full Board's In Charge!



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- Both the CEO and the CGO report to the full Board, meeting as a group.
- If either one errs, only the full Board has the authority to correct.
- Individual Board members do not give instructions to CEO, CGO, or staff.
- “The Board speaks with one voice, or not at all”

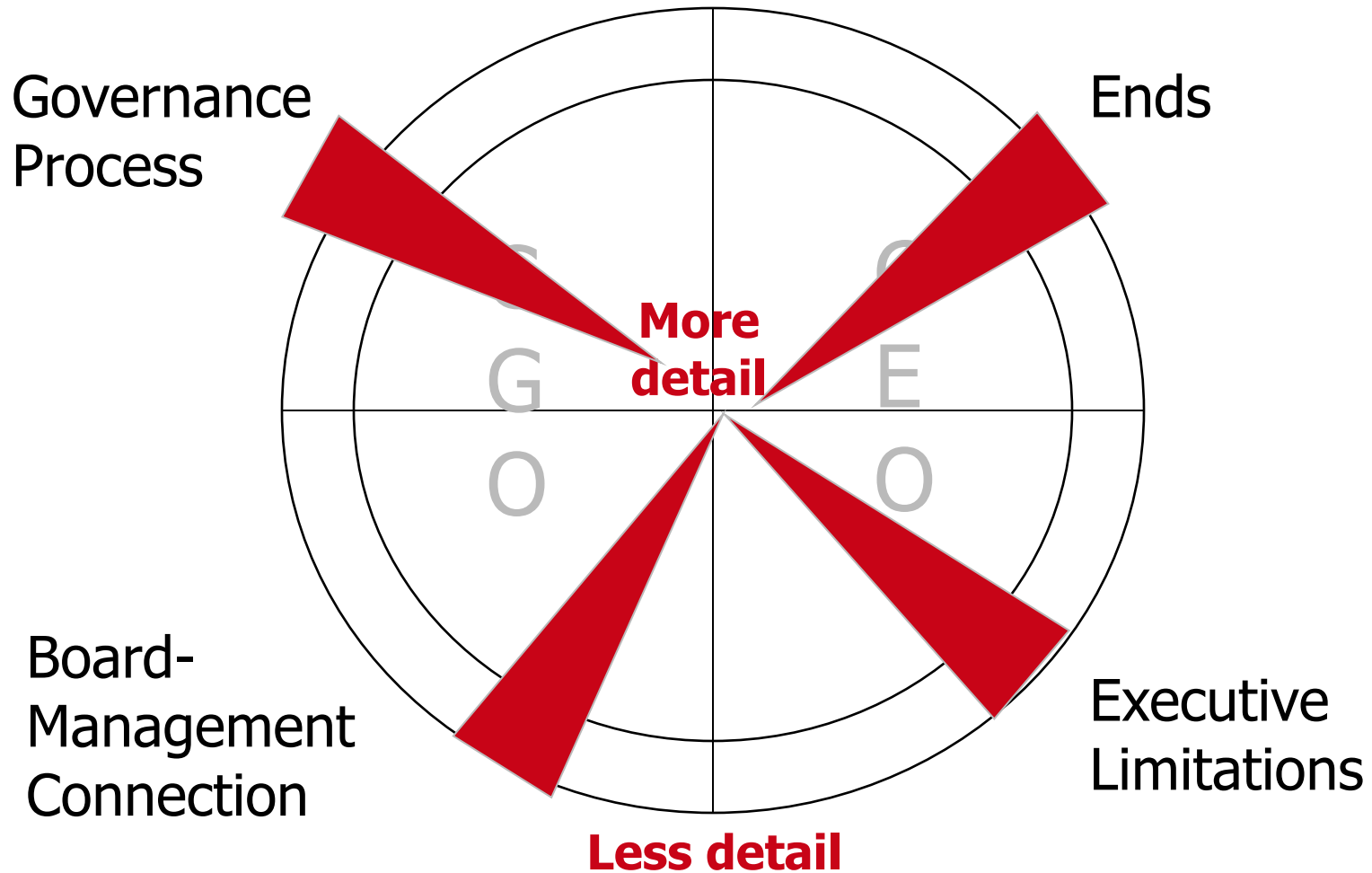
The Chair's Role is Important!



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- The CGO or Chair ensures that Board meetings further the Board's work:
 - Sets the agenda
 - Keeps meetings on track
 - Leads the Board to do its own work well, not someone else's work poorly
- CGO is neither the CEO's supervisor nor the Board's supervisor

The traditional focus invades all levels:



The Board Agenda



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Not everything belongs on the agenda ~

2 types of information do belong:

1. **Decision** info – helps Board decide
2. **Monitoring** info – requires criteria to be established up front by the Board
3. Incidental info – *anything else*

Perpetual Agenda helps the Board:



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1. Ensure an informed connection between Board and owners
2. Review and/or update written governing policies
3. Assure itself of acceptable organizational/CEO performance
4. (Optional: Fundraising, advocacy, etc.)

Typical Meeting Agenda



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1. Call to Order
2. Attendance
3. Minutes
- 4. Monitoring Reports: 15-20 minutes**
- 5. Decision Info: main feature of the meeting!**
6. Consent agenda – vote without discussion
7. Self-evaluation
8. Adjourn

3 Types of Monitoring



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- **CEO reports** – includes staff reports
- **Outside reports** – e.g. audit
- Direct inspection – rare; can be performed by:
 - *Entire board*
 - *Committee*
 - *Individual member*
 - *First two (CEO & outside) are usually sufficient*

Standard Format for Monitoring Reports

Board sets up monitoring frequency and schedule

- Restate policy at top of report page –
“Policy OM-4: Management shall not...”
- Interpretations of policy – measurable –
Board must agree they are reasonable
- Data and statement of compliance (or lack thereof)

Examples of Decision Information:



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- Time with a futurist
- Time with the owners / survey data
- Board training
- Whatever helps the Board find out how it can do a better job in governing and leading the organization

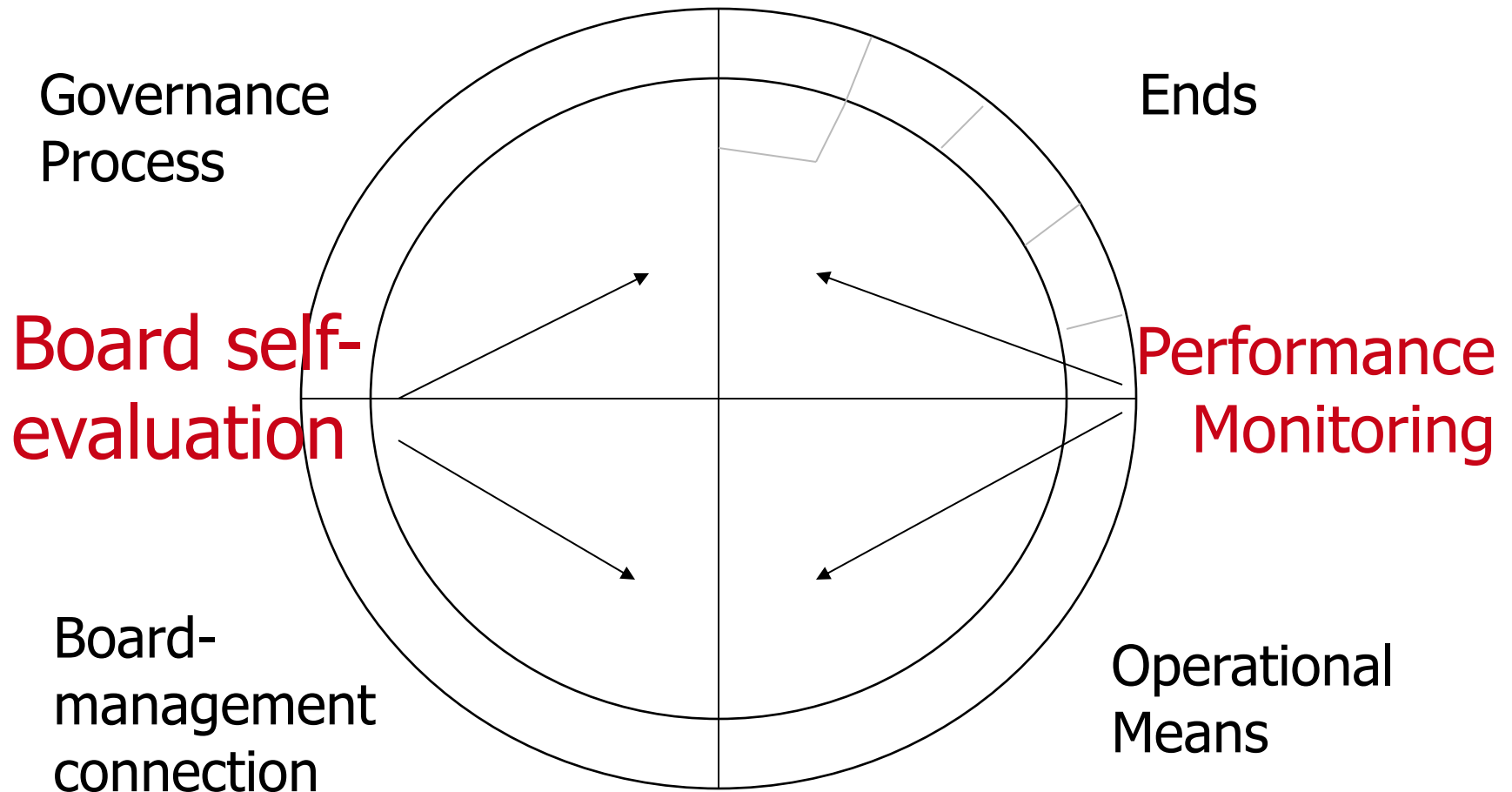
Board Self-Evaluation



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- **Regular schedule** of policies on the governance process & Board-management connection
- **Frequency** more important than finesse
- Should occur **every meeting**, as with CEO's monitoring reports

Monitoring vs Self-Evaluation



What About Committees?



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Committees should never:

- Substitute for the full board's decision-making authority
- Get between the Board and management

Committees can:

- Research options for full Board decisions
- Carry out a delegated governance job (i.e. monitoring performance)

Recommended Reading



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Carver, John. Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations. Jossey-Bass, 3rd Edition: 2005. 241 pages.

Carver, John and Miriam. Reinventing Your Board: A Step-by-Step Guide to Implementing Policy Governance. Jossey-Bass: 1997.

_____. The Carver Guide Series on Effective Governance. Jossey-Bass:1996. (series of 12 booklets)

Carver, John, with Caroline Oliver. Corporate Boards That Create Value. Jossey-Bass: 2002. 201 pp *(recommended first reading)*

Carver, John. John Carver on Board Leadership. Jossey-Bass: 2002. 669 pages; a compilation of many articles