About Governance, and Why Does Policy Governance® Work?

What is governance?

Governance is the method or activity by which a) a group with authority and accountability over an organization, and representing its ownership (or possessing some form of constituted authority), i.e. the governing board, b) coherently expresses its values and expectations in the form of instructions – called rules or polices (or laws), and c) sees to it that its expectations are met, i.e., assures their compliance or implementation, d) in order to achieve the organization's intended purpose, producing something ultimately of value (tangible or intangible) to the ownership. The expectations expressed in governance ideally should include both the *purposing* of the organization (what is it for and intended to accomplish – its Ends) and *avoidance of undesired conditions* as it goes about its activities in producing Ends.

The challenge occurs because a governing board, acting as a group (generally small) must delegate its authority to permit the organization to do anything.[1] How, then, can a board delegate its authority to achieve optimized effectiveness and management empowerment without losing control? …Especially when it meets only a several hours a year!

What is governing effectiveness?

Ultimately, governance effectiveness is a matter of how well the expectations of the owners get converted to desired value – best expressed, in the nonprofit world, as certain benefits for some group at some investment.

Why change board methods?

Most current boards, while desiring to do well, don't have an effective mental model for truly governing in the full sense described above. All the board members have is their experience on other boards (or the same board). Board membership is usually an OJT experience in existing methods. Furthermore, the board literature and training is founded in the same history – made a bit more sophisticated with good ideas patched together – not the coherent system implied in the idea of governance. There is not really a science of board governance for a board to turn to.

So boards fall into reactive governance and such practices as reviewing reports, approving management requests and plans, asking questions, and attempting to advise. They end up either micromanaging and meddling, spending time on trivial matters or, alternatively, becoming too passive, rubber-stamping management initiatives. (Poke or

[1] Technically, it cannot delegate its accountability; it is stuck with that, rather it *assigns* accountability along with its delegation of authority. Broadly, then, effective delegation can be looked upon as the assignment of both accountability and authority in a coherent manner – permitting assessment of compliance. Note that one can delegate duties (responsibilities), but if the assignment is *prescriptive* in methodology, the accountability for the consequences has not been assigned!

Pray Governance) They assume that either more or less involvement will solve board problems, and they fail to distinguish between governance and management.

Boards are told they should be strategic, visionary and values-based leaders, but the methods their only mental model leads them to is reviewing reports, asking questions, approving, poking around in operations, and attempting to advise. They may have a vague sense that there is a flaw in the governance process. Often they end up blaming someone when the process doesn't work, leads to complications, or even results in conflict – the chair, the CEO or other board members, or the board's "personality."

They know – and the law confirms – that they are indeed accountable for the organization and its activities, and that they have total authority over it, but they have no coherent or systematic construct or methodology and set of principles for carrying out their accountability, especially with excellence and in a manner that not only permits them to sleep at night, but even be enthusiastic about their board work, enjoy it, feeling they are truly adding value and governing the organization.

Furthermore, the usual mode of board operation can get a board into trouble. It can lead to troubled, even adversarial relations with the CEO or place *too* much trust in a CEO – simply rubber stamping. In fact, the traditional board literature even talks about the "tension" between CEO and board as if it is to be expected. But a governing system that is truly a system or coherent whole should not create the kind of tension usually experienced; it should result in a productive partnership of roles derived from well-defined and distinct roles for each.

Lastly, occasionally a board says, "If it isn't broken, don't fix it," referring to their usual mode of doing business. The board wouldn't say that about the organization over which it has accountability! Continuous improvement is a survival value today. There are two obvious dangers with this attitude about the board's own performance, the board has no benchmark to truly assess its performance against what is possible or even expected, it only knows how it has been doing things, and secondly, high performance and continuous improvement begins with governance. A board with a lesser value damages the entire organization. Good governance exists to describe & assure a good organization.

What does Policy Governance® offer?

All Dr. Carver did (although it was a tremendous conceptual breakthrough) was approach governance using a principle-based, logical rigor and from that derive an approach, or governance methodology, that preserves coherence and integrity – so that the pieces fit together and the whole makes sense. When a board follows the principles it results in accomplishing everything boards are told they should be doing but aren't. This makes it gratifying and rewarding for the board and empowering for the CEO.

The underlying values are:

- That group-ness can add value if done correctly. The board, to be effective must govern *as a group.*

- Clarity of values – That the board has, and clearly expresses, its values (according to which the organization is run).
- Accountability is not broken – there must be continuity or integrity to the accountability chain.
- Follow up – the check-and-see portion of accountability is maintained.
- Recognition of ownership – to whom the board owes its accountability and allegiance.
- Clarity of authority delegation and the accompanying accountability.
- Empowerment of Management. A balance between control and freedom must be struck so and the CEO is optimally empowered to run the organization - within and according to the board's expressed values, its stated expectations of performance.

Assumptions are:

- An organization exists for a purpose outside of itself – creating a beneficial effect in the world.
- That there is an ownership, moral or real, which has an investment of some sort in the organization.
- The board governs on behalf of that ownership and *as a group*, and has the right to set the purposes or Ends of the organization as ownership trustee.
- There is "linearity" or coherence of assignment. (Preferably the board instructs one individual. If the board instructs more than one individual, it does not have a CEO. In that case it must clearly divide authority and accountability, not an easy task.).

The broad principles that emerge are:

- Good governance exists to describe & assure a good organization.
- Board members are morally, if not legally, trustees for the ownership, and Servant-leadership must be exercised on behalf of owners.
- Consequently, the board must bear initial responsibility for the integrity and quality of governance.
- "The board's most immediate responsibility is to deal with the implications of being a group. Taking time to design a sound governance process is the greatest safeguard against perverse interpersonal dynamics. You cannot overcome bad design with good people."
- Their collective responsibility is to add value, *as the board*, and that value is the board's governance functions.

- The aim is to construct the board's responsibilities (its job description) so that, if carried out acceptably, the board's accountability is fulfilled.
- The board's proper exercise of owner's authority is the beginning of the accountability "chain."
- "Therefore, the board's job is to make sure something happens on behalf of the ownership, not what the board does about internal organizational matters or even its own structure…committees, terms, tips, etc. (So-called "best practices.") The board does not exist to help the staff, but to stand in for the owners."
- There are three "products" that cannot be delegated by a board. They are unique to the board.
  - The organization's linkage to the ownership,
  - Explicit governing policies; (its policies are its "soul"),

    (Policies are in four domains: Ends, Means Limitations, Board Process, Board-CEO linkage rules.) Governing well involves converting the sundry opinions & values of individual board members into a consistent set of explicit, clearly stated values and positions, i.e., policies.
  - Assurance of executive performance.
- The board's final product is its written words, crafted as group, representing the confluence of group beliefs and best thinking. The words matter. "The board assumes responsibility for its words."
- The board does not intrude inside the boundaries framed by the board's policies, giving freedom therein to the CEO.
- "Primary responsibility for board development does not rest with the CEO, staff, funders, or government." It rests with the board.
- "Board members can be strategic leaders if they nurture their sense of group responsibility."

The Ten Operating Principles of Policy Governance®[2]

1. Trustees govern on behalf of the "ownership." Therefore, they must link to the owners in some manner.
2. The board speaks authoritatively with one voice or not at all.
3. Board decisions should be mainly policy decisions.
4. Policy is developed from broad to greater specificity.
5. A board should define and delegate rather than react and ratify.
6. *Ends* (results or purposes) determination is the pivotal duty of governance.

[2] *From Carver Guide, Basic Principles of Policy Governance*, John Carver, Miriam Mayhew Carver, 1996, Jossey-Bass.

7. The board’s best control over staff *means* is to limit, not prescribe.
8. The board must explicitly design its own product and processes.
9. A board must create linkage with Management that is both empowering & safe.
10. CEO performance must be monitored rigorously, but only against policy criteria.

Note:

Policy Governance® is an integrated system of governance principles and methods. It works *as a whole*, as a watch or airplane works. Using pieces of it does not work well if at all. If a board “sort of” uses it, it will only “sort of” work. Its power is in its coherency or wholeness.

When a board sticks to this framework created under Policy Governance® it finds that it is fulfilling all its expectations and requirements of being a board.