

A Checklist for Determining the Extent Policy Governance[®] is Being Used By a Board

Richard M. Biery, M.D., 2002

1. A board policy manual that deals at least with means (the three areas of board means and organizational means), including the monitoring report schedule, and policies are structured correctly within the manual.
2. An interim End is at least done, or (better) formally developed Ends are in the manual and being monitored.
3. The process for connecting with owners, (including a definition of owners), is established for each annual board cycle.
4. Monitoring is being done;
 - a. There are monitoring reports being submitted and recorded as recognized by the board.
 - b. The monitoring reports meet the criteria of a good monitoring report.
5. Ends-related education (expert and staff) for the board is planned as part of the annual board cycle.
6. A governance budget *for the board* is in place and is identifiable.
7. There exists a means to insure continuity of quality governance, (e.g., through a governance and nominating committee).
 - a. Criteria for nominees,
 - b. New members education strategy,
 - c. Board continuing education in governance.
8. An on-going method exists for board self-assessment, (preferably at each board meeting and more formally annually).
9. CEO evaluation is based on compliance with written policies, i.e., has the board kept its word?
10. There are external audits that provide the board with board policy compliance reports, as well as simply audited financial statements, (and an external auditor that is board selected).
11. The by-laws comport with Policy Governance.

Note that there are no structural tests here. Certain structural principles are important for good governance, but are not, per se, part of Policy Governance; these might include sufficient outside independent board members, the chair should be an independent member, size, etc.

Desirable Structural Components:

- Audit/Finance Committee (no insiders)
- Nominating Committee (Independent)
- Chair and CEO are not the same person
- Board size within a range enabling effectiveness
- Board Governance (or development) Committee (could be Nom. Committee)
- Preferably no or an absolute minimum of insiders
- No conflicts of interest (cross financially beneficial relationships or related party issues)
- Board's time is spent first on governance
- Reports are received outside of the agenda unless they are relevant to policy development on that agenda

Desirable Member Attributes:

- Vitally interested in the organization and its general mission,
- Knowledgeable particularly regarding elements important to the ends of the organization,
- Sufficient time for board duties,
- Group skills, (trustworthy, appropriate loyalty (necessary for trust), adroit at identifying or finding the common interest or value yet dissenting effectively when needed when values or perceptions differs (win-win-seeking capability), effective in group process, etc.)
- Willing and able to dissent with skill,
- Comfortable with primary loyalty (fealty) to ownership, not management.
- Conceptually able to function in a governance mode (not management mode),
 - Includes being willing to accept final group decisions and support them
 - Not abusing board power (recognizing that the CEO works for the Board as a whole.
 - Able to think in terms of policies, especially Ends policies, (converting values and perspectives to policies).

Caroline Oliver's¹ Criteria

Good governance:

- Serves the common good of the ownership
- Is accountable to that ownership
- Exercises consistent authority over the company on behalf of the ownership
- Provides a clear, long term vision of the goals the company is to accomplish
- Provides comprehensive safety parameters
- Is proactive rather than reactive in its relationship to management
- Defines clear roles
- Delegates effectively
- Measures company performance

¹ International consultant in board governance based in Toronto