Executive Summary:

Recommendations for Governing Style Board Policy (C1)

Prepared by Policy & Bylaw Committee, September 2021

History

In 2016, as part of a Policy Register overhaul, the Board adopted a version of Policy C1 – Governing Style (below) that closely mirrored the CBLD template version, with a couple edits.

In March 2019, the Board was considering changes to another policy, Policy C2 – The Board's Job. There was concern about cutting a subpolicy, "Practice, protect, promote and perpetuate a healthy democracy for our Cooperative", from C2. It was decided that Policy C1 would be a more appropriate place to put such language, so the Board sent C1 to P&B: "Motion to send Policy C1 to Policy & Bylaw to look at language regarding democracy, seconded, passed 7-0-0."

The P&B Chair (Laurene) presented the committee's recommended changes to Policy C1 at the May 2019 Board meeting. The committee recommended not adding any language regarding democracy to C1, on the rationale that such language belonged in a Board mission statement instead. Furthermore, the committee recommended that most of the language then-existing in Policy C1 belonged in a mission statement instead of in policy, and presented a new draft Policy C1 that completely overhauled the policy with new language. After discussion, the Board approved adopting the new version of C1 (below), and created an action item for P&B to draft a mission statement for the Board. (This action item has been postponed multiple times and remains uncompleted.)

This January, the Board evaluated its compliance with Policy C1. After discussing the C1 monitoring survey results and comments, the Board passed a motion: "Motion to send Policy C1 and C2 to Policy & Bylaw for comprehensive review with Thane Joyal's (Columinate consultant) assistance, passed, 8-0-0."

P&B met with Thane to discuss, then presented their recommendations at a work session in March for feedback. The P&B Chair (Cheyne) met with Thane in May to debrief from the work session and ask clarifying questions. P&B met with Thane again in June and is now bringing the following recommended policy revisions to the Board for discussion and/or approval.

Recent Insights

Cheyne: I was part of P&B when it recommended Policy C1 be overhauled in 2019, and I agreed with the changes at the time. Since then, I have learned a lot more about the Policy Governance model, and after conferring with Thane, I can safely say that we misunderstood some fundamental things about the model at the time, and also about C1 in particular. I am confident that some of the changes we made should be undone.

1. One thing we misunderstood about Policy Governance was how Board policy impacts the Board's legal liability; that is, we thought it had more serious ramifications that it does. In my May meeting with Thane, she clarified that Board policies are a governing tool the Board uses to ensure it meets the legal responsibilities which apply to all Boards by the law; they do not create additional legal

responsibilities. When the Board sets an expectation for itself using C or D policy, falling short of those expectations only gets directors in legal hot water if it also means we are not meeting our legal responsibilities.

This is a clarification about Policy Governance that the Board has lacked for years. Over the past 3+ years, whenever we revised a C or D policy, the Board has tried to write policy that struck a balance between setting meaningfully high expectations for ourselves, while also being reasonable legal standards to hold ourselves to. Often, we tied ourselves in knots doing so, and especially so with C1.

In 2019, phrases like "be a strategic leader" and "practice, protect, promote and perpetuate a healthy democracy for our Cooperative" were concerning because we thought we were imposing a higher legal standard on ourselves. As much as we of course wanted to be strategic leaders and have a healthy Co-op democracy (thus the idea that we create a mission statement as a place to state such commitments), the Board deemed the risk of putting those expectations in policy to be too great. Now that we have an improved understanding of the risk we're taking on by putting such expectations in policy (namely, a lot less risk), we can and should revisit what is appropriate for C1.

2. Another thing we misunderstood was the role of C1: "Governing Style". In Policy Governance, this policy is *meant* to be like a mission statement, ironically enough; in Thane's words, it's about shaping the culture of the Board.

Accordingly, it's also intentionally broader than most C policies. Back in 2019, we thought the broad language of the policy was too difficult to monitor. This is why the current version of the policy was written to be so concise and specific; however, it lost its ability to shape Board culture in the process. For instance, the current subpolicy "Conduct board meetings in a manner consistent with Roberts' Rules of Order" does less to broadly shape Board culture than the old subpolicy "Maintain team discipline, authority, responsibility, and professional ethics."

Given this, that Board should revisit C1 to see where it would prefer adding broader language back into the policy.

Recommendation & Reasoning

P&B recommends that the current C1 be overhauled. With these recent insights, there are a lot of options open to us to improve the policy that we didn't think we had before, and we should exercise those options.

The last time this policy was overhauled was just two years ago, so it is important to explain why P&B thinks it is worth spending time to do so again.

P&B agrees we want a governing style policy that sets high expectations for the Board and is more like a mission statement. This will make monitoring the policy more meaningful and will direct us to ask better questions about ourselves, even if the broader language makes it less obvious whether to find ourselves in compliance. The current Policy C1 does not meet these criteria.

Moreover, it is worth it to make C1 more like a mission statement because, in times of uncertainty or when difficult choices need to be made, we currently have no guiding document to refer to. Unsure why we practice Policy Governance, or Robert's Rules of Order? How much time and focus should be directed towards being strategic leaders, or engaging with owners? Our current C1 doesn't

provide any guidance. Creating a mission statement could meet this need, but if C1 is supposed to be like a mission statement, then it makes more sense to just revamp C1.

Side note: If we do a good job of documenting our decision process, we should be able to avoid having to revamp the policy for years to come. (Minor revisions may be appropriate, but not full-on revamps.)

Where to Start

Given that we are revamping C1, what do we want in our governing style policy? In the committee's estimation, the first overarching question the Board has to answer is whether we want to base our governing style around the "Four Pillars of Cooperative Governance". The Board already has a history with the model—the Four Pillars is a model which a) the CBLD policy template version of C1 is based around, b) our 2016 C1 version was influenced by, and c) actually already shows up in our current global C policy (below). To be clear, it is a compelling framework that would likely suit our needs, but the Board should confirm we want to use it before moving forward. (You can read more about the Four Pillars in our handbook, "Four Pillars of Cooperative Governance" Parts 1 & 2.)

P&B agrees with basing our governing style around the Four Pillars, and has prepared a draft Policy C1 for consideration. The draft builds on the recent insights gleaned from Thane and aims to meet the criteria identified above.

If the Board agrees with this recommendation, the committee is confident the draft is close to the mark but expects it may need to be returned to the committee for final revisions.

If the Board disagrees, then P&B foresees the Board needing to write a policy of our own with help from the Carver Basic template (below) and the CBLD template.

Draft Policy Breakdown

Please see the draft Policy C1 below. This section will provide reasoning on a line-by-line basis.

Summary

The four subpolicies (1-4) associated with the Four Pillars would shape Board culture. They would clarify our priorities and elucidate why we do some of the things we do, like practice Policy Governance and Robert's Rules. This would resolve the issue of lacking a guiding, mission-statement-esque document.

The subpolicies regarding the *Strategic Leadership* pillar and the *Democracy* pillar would stand to have a significant impact on how the Board operates. By establishing the expectations that the Board will "govern with an emphasis" on them, the subpolicies would require the Board to reorganize its work to get into compliance. P&B is of the opinion that this would have a positive impact on the Board and the Co-op as a whole.

The subpolicy regarding the *Teaming* pillar might also have an impact on how the Board operates, if it would otherwise not "prioritize" taking whatever steps are needed to work together effectively.

The rest of the subpolicies likely wouldn't result in significant impacts on how the Board operates, since we're already in compliance with the proposed language.

Line-by-line

Current: "The Board will:"

"To fulfill our governance commitment, the Board will govern in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, and Democracy). In order to do this, the Board will:"

This language reestablishes a "top-level policy" for the Policy. A top-level policy is an important part of every Policy in the Policy Governance model; compliance with the subpolicies is meant to demonstrate compliance with the top-level policy. This language is endorsed by the CBLD template.

This top-level policy shouldn't change how the Board operates, since the existing Global Governance Commitment (C Policy) has already established this as a Board commitment. (There is an argument that we should edit the C Policy so the two aren't redundant, but it's not strictly necessary.)

Current: "Conduct board meetings in a manner consistent with Robert's Rules of Order."

"*Teaming* – Prioritize taking whatever strategies/steps are needed to work together effectively.

a. Use Robert's Rules of Order to structure its meetings, as appropriate.
b. Sustain a culture of Board excellence."

The Four Pillars model defines Teaming as "successfully working together to achieve common purpose". P&B thought that commitment should be operationalized, and we crafted the language "Prioritize taking whatever strategies/steps are needed". "Prioritize" is a key word here, as there is little doubt that the Board wouldn't take steps to work together effectively, but there is the possibility that we might put such efforts on the backburner.

This subpolicy also clarifies why we practice Robert's Rules of Order in the first place—because it helps us work together effectively. An additional step, "Sustain a culture of Board excellence", is proposed to this same end; what this means would be something we would have to define, but it is proposed to get us asking that question.

If we found ourselves falling short of sustaining a culture of Board excellence or otherwise prioritizing taking whatever steps are needed to work together effectively, this revision might require a change in how the Board operates.

Current:

"Govern in a manner consistent with Policy Governance."

"Abide by the Director's Code of Conduct."

"*Accountable Empowerment* – Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between Board and management responsibilities.

c. Observe the ten principles of the Policy Governance model as a tool to help fulfill this commitment."

This subpolicy returns to the 2016 version of C1 (which is also the CBLD version), but adds "as a tool to help fulfill this commitment" to clarify that Policy Governance is a *tool* of the Board; in Thane's words, "it should be servant, not master." The 2016 version of C1 had Policy Governance in its top-level policy, which inverted this relationship.

The current subpolicy "Abide by the Director's Code of Conduct" is redundant with observing the ten principles of Policy Governance, as well as with the act of monitoring compliance with the code of conduct (Policy C5). Accordingly, P&B recommends cutting it.

This revision shouldn't change anything about how the Board currently operates.

Current: -no analogue-

"*Strategic Leadership* – Govern with an emphasis on strategic leadership. Strategic leadership shall be defined as using insight and foresight to set direction and facilitate movement in that direction."

This subpolicy borrows "govern with an emphasis on" from the Carver Basic template, and the definition of "strategic leadership" from the CBLD template. It inserts a concrete commitment and definition back into our policy register.

This subpolicy stands to have a big impact on how the Board operates and shift the Board towards spending more time on strategic leadership, if the Board determines it isn't governing "with an emphasis" on it.

Current: -no analogue-

"*Democracy* – Govern with an emphasis on maintaining relationships with the Cooperative's owners and promoting and supporting/enabling owner participation at all levels of the Cooperative's democracy."

The Four Pillars model defines the Democracy pillar as "successfully practicing, protecting, promoting, and perpetuating our healthy democracies". P&B found this language to be too abstract, even for C1, and crafted this language to set more grounded and monitorable expectations for the Board.

This subpolicy stands to have a big impact on how the Board operates and shift the Board towards spending more time engaging with owners and supporting Co-op democracy, if the Board determines it isn't governing "with an emphasis" on this.

Current: "Govern in a manner consistent with the Cooperative Principles."

-cut-

P&B suggests cutting the subpolicy "Govern in a manner consistent with the Cooperative Principles" for redundancy with "Act in accordance with the Cooperative's bylaws." It could be added back in as a sub-subpolicy for "Act in accordance with the Cooperative's bylaws", if the Board preferred.

This should have no impact on how the Board operates.

Current:

"Act in accordance with the Moscow Food Co-op bylaws."

"Comply with all relevant laws and regulations."

-keep-

P&B recommends keeping these subpolicies the same. They are included in this policy to ensure we monitor our compliance with our bylaws and the law, rather than to shape Board culture.

This would have no impact on how the Board operates.

Appendices

Policy Type:	Board Process
Policy Title:	C1 – Governing Style
Last revised:	2021 [Draft]

To fulfill our governance commitment, the Board will govern in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, and Democracy). In order to do this, the Board will:

1. *Teaming* – Prioritize taking whatever strategies/steps are needed to work together effectively.
    a. Use Robert's Rules of Order to structure its meetings, as appropriate.
    b. Sustain a culture of Board excellence.
2. *Accountable Empowerment* – Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between Board and management responsibilities.
    a. Observe the ten principles of the Policy Governance model as a tool to help fulfill this commitment.
3. *Strategic Leadership* – Govern with an emphasis on strategic leadership. Strategic leadership shall be defined as using insight and foresight to set direction and facilitate movement in that direction.
4. *Democracy* – Govern with an emphasis on maintaining relationships with the Cooperative's owners and promoting and supporting/enabling owner participation at all levels of the Cooperative's democracy.
5. Act in accordance with the Cooperative's bylaws.
6. Comply with all relevant laws and regulations.

Policy Type:	Board Process
Policy Title:	C – Global Governance Commitment
Last revised:	June 14, 2016 [CURRENT]

Acting on behalf of our owners, the Board ensures the success of the Cooperative by working together effectively, empowering and holding accountable the General Manager, providing strategic leadership for our cooperative, and perpetuating our democratic organization.

Policy Type:	Board Process
Policy Title:	C1 – Governing Style
Last revised:	May 14, 2019 [CURRENT]

The Board will:

1. Govern in a manner consistent with Policy Governance.
2. Govern in a manner consistent with the Cooperative Principles.
3. Abide by the Director's Code of Conduct.
4. Conduct board meetings in a manner consistent with Robert's Rules of Order.
5. Act in accordance with the Moscow Food Co-op bylaws.
6. Comply with all relevant laws and regulations.

Policy Type:	Board Process
Policy Title:	C1 – Governing Style
Last revised:	June 14, 2016 [OLD]

We will govern in a manner consistent with Policy Governance. In order to do this, we will:

1. Be a strategic leader by focusing our vision outward and toward the future.
2. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between board and management responsibilities.
    a. Observe the 10 Policy Governance principles (Ends Policies, Ownership, Board Process Policies, Board Holism, Board-Management Relationship Policies, Governance Position, Limitations Policies, Policies/Decisions Come in Sizes, Any Reasonable Interpretation, Monitoring)
3. Maintain team discipline, authority, responsibility, and professional ethics.
4. Govern in accordance with the Cooperative Principles.
5. Obey all relevant laws and bylaws.

Carver Basic Template

Policy Type: Governance Process

Policy Title: Governing Style

The board will govern lawfully, observing the principles of the Policy Governance model, with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of board and chief executive roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) proactivity rather than reactivity.

Accordingly:

1. The board will cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will be the initiator of policy, not merely a reactor to staff initiatives. The board will not use the expertise of individual members to substitute for the judgment of the board, although the expertise of individual members may be used to enhance the understanding of the board as a body.
2. The board will direct, control, and inspire the organization through the careful establishment of broad written policies reflecting the board's values and perspectives. The board's major policy focus will be on the intended long-term impacts outside the staff organization, not on the administrative or programmatic means of attaining those effects.
3. The board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability. Although the board can change its Governance Process policies at any time, it will scrupulously observe those currently in force.
4. Continual board development will include orientation of new board members in the board's Governance Process and periodic board discussion of process improvement.
5. The board will allow no officer, individual, or committee of the board to hinder or serve as an excuse for not fulfilling group obligations.
6. The board will monitor and discuss the board's process and performance at each meeting. Self-monitoring will include comparison of board activity and discipline to policies in the Governance Process and Board-Management Delegation categories