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CARVERGUIDE

Modern governance is not simply modern management practiced by a governing board. To be sure, the principles of management and governance are closely related. But governance is more than management writ large. And it is more than a quality control board of expert managers and technicians running inspections and approvals to maintain order. The secret of modern governance lies in policy-making, but policy-making of a finely crafted sort.

Policy Governance is a complete model for governance. That is, it is a coherent framework of concepts and principles that is internally consistent as well as powerful in dealing with whatever practical situations arise. Because it is a new approach to conceiving of the board's important job, its principles and concepts are unfamiliar to many board members and trustees.

To make the most of this powerful model, it is best to fully understand its internal wholeness first. The story of Policy Governance will be told by recounting the basic principles upon which it is built.

Principle 1: The Trust in Trusteeship

The board of a nonprofit or public organization represents the ownership of the organization just as a business board represents its stockholders. Policy Governance recognizes foremost that boards exist to own the organization on behalf of some identifiable ownership to which they are answerable. Simply put, the board governs on behalf of persons who are not seated at the board table. The

Policy Governance model finely details this important aspect of board accountability.

Because this trusteeship forms the very foundation of governance, the primary relationship the board of directors must establish, maintain, clarify, and protect is its relationship with its "owners." A board cannot carry out its responsibilities without determining exactly whom the ownership includes and how they can be heard.

Before you can contact your owners and hear their voices, you have to have a clear idea of who they are. In some instances, who the owners are is obvious. Most people would agree that the source of legitimacy for a school board's decisions is the population of its district. The source of legitimacy for a city council is the citizenry of the municipality. The source of authority for a membership organization is the membership. The source for many nonprofits is often an amorphous general public.

It is important to recognize that even though owners are equivalent to stockholders, they are often not legal owners. Members in an association and citizens in a city, just like stockholders, are legal owners. But for the many nonprofits that are quasi-public in their intent, their ownerships are not legally linked as owners. Because the ownership concept does not have to be legal in nature to have effect, we use the term "moral ownership" to describe those who own the organization, for in many cases their ownership exists only in a moral sense, not a legal one.

In summary, the ownership concept is critical in establishing the nature of governance, particularly in tracing board authority and accountability to their source. Sometimes defining the ownership will be quite simple. In other situations, it can be rather difficult.

Principle 2: The Board Speaks with One Voice or Not at All

If your board is to make authoritative decisions—if it is to lead—then on a given issue it must have a single voice. The strength of

Defining some ownerships is easy . . .

The Halton Region Board of Education—*the residents of Halton Region.*

The Association of Community College Trustees—*community college trustees who are members of ACCT.*

The Metropolitan Indianapolis Board of Realtors—*realtors who are MIBOR members.*

The City Government of Plano—*citizens of Plano.*

. . . and defining some ownerships is more difficult . . .

Public radio station KQED—*donors, general public in the listening area, talk radio show advocates?*

American Red Cross—*those who are officially members (volunteers) of the Red Cross or all Americans?*

National Endowment for the Arts—*the general public, the government, artists, writers?*

Girl Scouts of America—*girls, parents, society at large?*

this single voice arises from the diversity of viewpoints and intentions you and other board members bring to the board, as well as from the way the board focuses this multiplicity into unity.

The power of boards of directors, therefore, is not as individuals, but as a group, a corporate entity entrusted by their owners with the authority to govern and lead the organization. The only way the board can speak as the board, then, is by bringing its diverse points of view to one point. This one-voice principle does not mean that there should be unanimity or lack of diversity on the board. On the contrary, on behalf of the ownership, the board must embrace all of the diversity it can and then reach out to obtain more. Differences among trustees are not only to be respected, but encouraged. Rarely will a vote be unanimous. Those trustees who lose a vote, however,

must accept that the board has spoken and that its decision must be implemented as decided.

Most boards will agree that their authority is corporate rather than individual. Most will agree that the board should act in a way that is consistent with a "one-voice" approach, that the board should not present conflicting messages to its ownership or its staff. But for beliefs to be manifest in consistent practice, boards must avoid a number of traditionally accepted internal mechanisms that belie the one-voice concept.

Curiously, one way to destroy the one voice of the board is through board officers. Often the chair has been given a job that allows or even demands that she or he interfere with the corporate power of the board. For example, charging the chair of the board with "general oversight" of the organization or "supervision" of the CEO places the chair between the board and the CEO. Governance works much better if the chair is responsible for ensuring that the board accomplish its own job, rather than for overseeing the performance of the CEO.

It is also common for boards to create committees with mandates related to areas of staff responsibility. These committees are often set up to be instructive to staff in specified areas of management. Personnel, finance, development, and programs are common examples of committees. It is easy to see that such committees, set up to instruct staff, must violate the one-voice principle in order to function.

Much board and staff time is thus wasted by committees, which is ironic, because board members truly wish to be helpful. The problem is not that individual trustees wish to help, but that when they try to render help through an official organ of the board (a board committee), they blur the distinction between real advice and veiled instruction no matter how sterling their intent. Moreover, board members are not helping if they merely add another component to the sequence. Boards should remember that staff spend as much time *almost* making decisions, which then must be passed through committees, as they would spend actually making the decisions.

It might seem that boards should never have committees or that board committees are never justified. That is not true, however, for

there are situations in which creation of a board committee can be very helpful. Just remember that legitimacy rests primarily on one factor: a board committee can only help with a task that belongs to the board; it cannot help with a task that has been delegated away to someone else.

Legitimacy is determined by the "product" expected of the committee—whether it is a board product rather than a staff product—more than by the topic of committee activity. A finance committee is legitimate if its product is, for example, a carefully crafted set of options and implications concerning long-term reserves from which the board will make a choice. A finance committee is not legitimate if its product is advice to the CEO or chief financial officer on how to construct the budget. A committee to help the board replace itself or its officers—perhaps called a recruiting committee or nominating committee—is appropriate. A committee to help the board weigh varying issues about long-term ends—perhaps called a vision committee or outcomes committee—is appropriate. A committee to help the board in its connections with the public—perhaps an ownership focus committee—is appropriate. There may be many others.

The principle of one voice can also be broken by the individual board member who, thinking that he or she is being helpful, goes directly to the CEO or those reporting to the CEO and instructs or meddles in staff operations. The board may not know that this is happening, since the staff has no socially acceptable way to bring such behavior to the board's attention. A board committed to governing with one voice should not wait until the renegade phenomenon becomes obvious before protecting its governance from such trustees.

The Policy Governance model, if used thoroughly, prevents or at least defuses the renegade. So the steps to prevention are integral aspects of the model itself.

1. Establish written policy—including guidelines for individual board member conduct—clearly stating that no board member has any authority over the CEO.

2. Allow assessments of CEO performance only against criteria that the board as a body has established, never those held forth by individual members or committees.
3. Exercise "courteous disregard" with a renegade who persists; then, only as a last resort, employ outright censure. Unless a board masters the art of speaking as a group, it has little power to lead. A board speaks with one voice . . . or it doesn't speak at all.

Principle 3: Board Decisions Should Predominantly Be Policy Decisions

A great deal is typically said about boards' working with policy. But seldom is the term given enough definition to form a creditable foundation for modern governance. The Policy Governance model defines policy as the value or perspective that underlies action, but goes on to delineate strict rules as to its form.

Board policies should be the expression of a board's soul. Policies created under the Policy Governance model embody the board's beliefs, commitments, values, and vision. Board members' collective philosophy, then, should be central to board policy.

In Policy Governance, the board's struggle with values leads to policies that are not the product of the staff, of the CEO, or even of the board chairperson. Moreover, they are not the product of any committee, including the executive committee. These policies are not devised by someone else and then brought to the board for approval. From the stage of musing to the stage of black-on-white documents, in the practice of Policy Governance, these policies are the product of the board itself.

Not only should the board decide for itself what its policy provisions will be, it should also decide what to have policies about and what level of prescriptive or proscriptive detail the policies will go into. It is critical to the integrity of board leadership that the board and the board alone control these documents.

Policy Governance requires boards to debate and write down their important values and to do so in a carefully crafted way. The

board of directors must address the largest or broadest values in four categories in order to fulfill this mandate.

1. *Ends*. The board defines which consumer results are to be achieved, for whom, and at what cost. Written with a long-term perspective, these mission-related policies embody most of the board's part of long-range planning.
2. *Executive limitations*. The board establishes the boundaries of acceptability within which staff methods and activities can responsibly be left to staff. These limiting policies, therefore, apply to staff means rather than to ends.
3. *Board-staff linkage*. The board clarifies the manner in which it delegates authority to staff as well as how it evaluates staff performance on provisions of the ends and executive limitations policies.
4. *Governance process*. The board determines its philosophy, its accountability, and the specifics of its own job.

These four policy categories are designed to be exhaustive. Beyond the bylaws, there is nothing the board needs to say for the purposes of governing that does not fit into one of these categories.

Board policies under Policy Governance, generated by the board, not parroted or approved by it, get at the very soul of governance. If the board's wisdom is not reflected in these policies, a central feature of real board leadership has been missed. When policy-making is properly construed, the board *is* its policies.

Principle 4: Boards Should Formulate Policy by Determining the Broadest Values Before Progressing to More Narrow Ones

Policies may be about very important, large issues, or they may be about less important, smaller issues. A "large" policy decision will contain all smaller, related policies—a logical containment that omits nothing. Smaller decisions lie within larger decisions and it

makes sense to settle large issues before attempting to settle smaller ones.

Knowing that values come in sizes and that large value determinations contain ranges within which smaller ones occur is a key to the organization of board policies. If you can visualize a nested set, such as a set of mixing bowls, you can see that hands-off control of the inner bowls is enabled by hands-on control of the outermost bowl. The board can establish control over large issues in the four categories and then, knowing that it is in control of the big picture, decide subsequently how much further detail it wishes to go into. The board can go into as much detail as it chooses (thereby exercising direct control of the smaller bowls) as long as it goes in one level at a time. But when it reaches a sufficient level of policy detail, it must be ready to delegate all further definition to someone else, and to accept any reasonable interpretation of its policies from that someone else. When the board performs its job appropriately, then delegation can be defined as (1) the designation of ranges within which other persons are not only empowered to act, but are required to act, and (2) the designation of who the other persons are.

In dealing with policy issues of different sizes, the board creates policies that make a difference if it observes the following principles:

- The board should resolve the broadest or largest policy issue in each category before dealing with smaller issues in any category.
- The board should, if it wishes to address smaller levels, never skip levels but move to the next smaller level in sequence.
- The board should grant the CEO authority to make all further choices as long as they are "within" the board's ends and executive limitations policies.

In deciding board policies—working from the broadest inward—even the most painstaking board will reach a degree of detail that satisfies its need to be accountable. With respect to topics in the ends and executive limitations categories, the board then turns subsequent interpretation over to the CEO. It does so because ends and executive limitations policies are instructive about organization operations. With respect to topics in the governance process and board-staff linkage categories, the board turns subsequent interpretation over to the chair. It does so because governance process and board-staff linkage policies deal with the board's own practices.

Policy Governance, therefore, requires that the board establish policy from the broad to the more narrow in a disciplined manner. The board addresses issues in sequence depending on size before delegating all further definition to someone else. The board may develop policy to whatever detail it wishes as long as it does so in this orderly fashion. For example, a board policy that states "The job result of the chairperson is that the board behaves consistently with its own rules and those imposed upon it from outside the organization" is broader than a more detailed statement (within the larger one) that "The chair will make sure meeting content will be only those issues that, according to board policy, clearly belong to the board to decide."

Similarly, a broad statement that "The board will link governance and management functions through a single chief executive officer titled Executive Director" might be augmented by the more detailed statement, "The Executive Director is accountable to the board for achievement of provisions of the board's executive limitations policies and can only be evaluated against these criteria." But all boards discover that when policy-making is approached in this way, a great deal of leadership and control can be exercised without going into much detail at all.

Principle 5: A Board Should Define and Delegate, Rather Than React and Ratify

Boards are accustomed to approving plans brought to them by staff. But there are predictable problems caused by this traditional practice. The very act of approving forces boards to become entangled

in trivia. Moreover, approvals are usually issued without explicit clarification of the criteria trustees were using as they gave their approval. Further, approving staff plans causes a major problem in that it "freezes" into place detailed portions of staff plans, details which cannot then be changed without a reapproval by the board. The obstruction this constitutes for staff creativity and agility is a severe disadvantage to the organization. (The impediment it places on board leadership—by having to focus on so much detail—is a severe handicap as well.) As the external and internal environments change—some daily—the CEO must be able to adapt and change practices. Board approval as a control device denies him or her the ability to make needed changes in an agile manner and denies board members time for deciding the very policies that would make such role confusion unnecessary.

Approving staff plans places board members in a reactive position. The board is moving after the fact inasmuch as the document has already been created (using criteria the board did not establish). For practical reasons, often little can be done but to approve the measure. Many times, to avoid feeling like rubber stamps, boards nit-pick. No matter how much intelligence goes into playing this reactive role, it is clearly not leadership.

Staff plans can be judged on their compliance with the board's ends and executive limitations policies. Having board policies in place ahead of time allows board and staff alike to know whether a staff plan is approvable, for all the criteria by which an approval decision would be made are clear for everyone to see. When this is the case, there is no reason for a staff plan to be produced that is unapprovable and, as it turns out, no reason for the board to approve staff plans at all!

The board does need to be assured that staff plans are, in fact, true to the applicable board policies. But that reassurance is best attained through a focused monitoring system wherein only the relevant criteria are checked. In other words, board members should use smart bombs rather than meat axes when monitoring staff plans. The practice of monitoring compares plans to pre-stated criteria, and this differs from board approval.

When looking at a budget, for example, you can see clearly that a vast amount of work has been invested in it by the time it reaches the board table. Board members know that a CEO-created budget could have characteristics that would keep the board from approving it. It seems only sensible, therefore, for the board to clarify those characteristics before so much time and resources are invested. Once the board has stated what these characteristics are, its job is immediately transformed from approving the budget to merely ensuring that its budget policy is not violated. Remember that budget policy, like all other board policy, is created from the broadest concerns toward the narrower ones. Doing so has the effect of starting with policy that is open to a wide range of interpretation and adding to it policy language that is open to less interpretation.

Notice that having criteria in place ahead of time is thoroughly compatible with the one-voice principle and even strongly reinforces it. In a normal approval procedure, individual board members rely on their own individual criteria to decide whether to vote for or against approval. With the proactive criteria approach, board members can no longer make individual judgments of staff plans. Due to the power of the governing role and the group nature of its expression, board members can bring their individual opinions to bear only on convincing their colleagues about provisions of policy itself. Such responsible, clear, proactive behavior by a board is appreciated and welcomed by staff.

Principle 6: Ends Determination Is the Pivotal Duty of Governance

The justification for any organization lies in what difference it can make. A nonprofit organization exists so that the world in which it operates can be a better place. The ends of an organization are the reasons for its existence. It is obvious that careful, wise selection of ends is the highest calling of trustee leadership.

Focusing on ends ensures that the board tackles the difficult questions by mobilizing board time, mechanics, and concern around

what good is to be done for whom and at what cost. The board cannot forget these questions, even for one meeting.

The rigorous focus of this process opens up new insights into what the proper ends should be. To make ends policies about poverty in a community action agency, the board is forced to develop a new understanding of the nature and perpetuation of poverty. To make ends policies for a public school system, the board must become more sophisticated about the skills needed for personal and social success in the world to come. To make ends policies for a Third World development agency, the board must learn about the nuances of development and underdevelopment. A board that recognizes that such learning is going to occur will not behave as if only the answers are unknown. The protocols of debate must enable deliberation of the questions as well as the answers. New questions will emerge over time and transform the degree and substance of the wisdom itself.

Tradition offers an inviting technique: farm these matters out to a number of committees so that the board as a whole does not have to deal with them. But this practice leaves the board fragmented in its understanding of the whole and often results in staff having to deal with several single-topic miniboards. The kind of thinking needed in order to make a difference requires a sense of the whole, an overview, a high vantage point. Consequently, the board will have to commit itself to becoming more of a think tank for vision than a reviewer of staff decisions and activities.

To take a rigorous ends approach is difficult, especially since it is so contrary to our traditional learning about the nature of board deliberation. In order to conceptualize ends as they relate to your organization, you must focus on outcomes. This focus demands strictness and determination in grappling with what level of accomplishment should be expected in return for expenditure. But it also requires making the tough decision about which groups will be recipients of the benefits defined: who will be served and who will likely not be served. This means turning your attention away from budgets, personnel issues, programs, or buildings, and refocusing on the reasons for which the organization exists at all.

Even boards that devote considerable time to ends policies can find themselves mired down in their ends work by the difficulty of accurately measuring and evaluating ends. It is tempting to define only those ends which are easily measurable. It is better, however, to thoroughly resolve ends issues and only then to address the evaluation questions. This means that discussion of evaluation should never enter board deliberation until the board has completed deciding what it wants the organization to accomplish.

Because this kind of board deliberation constitutes such a strong break with tradition, it is easy to introduce errors that can negate its powerful advantages. Beware of the following flaws in recognizing and in defining ends work.

Only those issues that directly address what benefit, which recipients beyond staff, and what cost for the benefit are ends issues. If a decision or activity substantially affects an ends issue, it is often mistakenly treated as an ends issue itself. For example, establishing a new pediatrics unit in a hospital would seem to affect who is being served. However, if the hospital is already serving children and is merely considering organizing services to children, the issue is means. But if the issue is adding children—or more children—to the people served, then it is an ends issue. Determining what population is to be served is always an ends issue. Arranging the way we do it is always a means issue.

It is common for the word "ends" to be misunderstood as meaning the endpoint in a process. For example, if we plan to have payroll records computerized by March, all the preparatory work might be considered means and the timely, completed computerization the "end." But this use of the word refers merely to an endpoint in the development of a means (computerization).

Sometimes the board will think that any issue that is important must therefore be an ends issue. Not so. Many means issues are quite important, such as the decision to be self-insured or not. Degree of importance does not differentiate ends from means.

If a desired state is called a goal (or in some cases, a strategic objective), some will mistakenly assume it to be an ends issue. The language

of goals and objectives can be very useful, but does not distinguish ends from means. Organizations have goals and objectives about ends and means.

If a board member is of the opinion that a certain issue should be decided by the board rather than staff, he or she will sometimes assume that this in itself makes the matter an ends issue. The person's opinion of who should decide is not a proper ends test.

Stick with this simple test in order to avoid all these misconceptions: an issue is an ends issue if—and only if—it directly describes what good, for whom, or at what cost. If not, it is not an ends issue, no matter how important, no matter who decides it, no matter how closely related it is to goals, strategies, mission, or perceived board work. Ends language is never about what the organization will be doing; it is always about what will be different for others.

Principle 7: The Board's Best Control over Staff Means Is to Limit, Not Prescribe

The distinction between ends and means will enable the board to free itself from trivia, to delegate clearly and powerfully, and to turn its attention to the large issues of ends. But a board has reason to worry about other factors, even if its ends are in perfect order. A counseling center, for example, can do well with clients yet handle its finances improperly. A hospital can successfully remediate trauma and disease but have slipshod collection practices. These deficiencies are not about ends, but they can be embarrassing or even deadly to the organization.

Quite apart from ends, then, your board is also accountable for the way the organization conducts itself. The organization's conduct, activities, methods, and practices are its "means" rather than its ends. Board means relate to how the board will organize, structure, and conduct itself in order to accomplish its job. Staff means, then, are the various arrangements and actions needed to accomplish the ends or to safeguard the operations that produce them. It

is important to understand that budgets, programs, personnel policies, building, equipment, and a host of other matters which traditionally consume board time are staff means issues.

If your board tries to keep up with all the means that could go wrong, it risks miring itself in details and interfering severely with staff operations. Board service, instead of being the enriching experience of resolving important ends issues, becomes a never-ending, exhausting entanglement in operational matters, even trivia. Moreover, a "meddling" board will hamper the staff's creativity.

Thankfully, there is a two-step process that is a way out of the dilemma, a way to exercise appropriate control without meddling, and a way to withdraw safely from minutiae: (1) Resist the temptation to prescribe staff means (in other words, the board does not tell staff how to do its job); (2) Tell your CEO, in writing, which staff means would be unacceptable, unapprovable, or off limits (in other words, the board says what kind of means it will not put up with).

Think of your board's involvement with staff means as a boundary-setting endeavor, not a prescriptive one. For example, you would not decide which group insurance to purchase or how to arrange vacation accrual. You might decide, however, that fringe benefits that are substantially more (or less) than comparable organizations' are unacceptable.

As the board establishes limits, two principles become very important. First, the policies must cover all unacceptable actions and situations, not just a smattering of them. Second, the board must state these prohibitions in enough detail so that any reasonable interpretation of the board's words will suffice—and not leave room for a special interpretation that the board meant but didn't say.

Beginning with broad prohibitions and advancing thoughtfully toward more detailed ones protects the board against its own imperfection. If your board forgets to prohibit some more detailed behavior, the broader statement acts as a safety net.

At first glance, this sounds a little odd and rather negative because the board deals with staff means issues by producing a "don't do it" list. Ironically, this verbally negative language is psychologically

positive because it allows a freedom, the boundaries of which need not be guessed. This action by the board is like building an enclosure within which freedom, creativity, and action are allowed and even encouraged.

The collection of board statements that establishes the limits of executive authority constitutes the executive limitations category of board policies. The Policy Governance method of means constraint makes it possible to govern with fewer pages of board pronouncements, less board member dabbling into details of implementation, and greater CEO accountability. Most important, though, the board will have freed the majority of its time to concentrate vigorously on its special ends challenge: providing leadership in exploring, deliberating, and creating strategic vision.

Principle 8: A Board Must Explicitly Design Its Own Products and Process

It is in the policy category of governance process that the board states what it expects of itself. This important category of board policy deals with a portion of the board's own means: how the board will conduct itself and perform its own job.

Boards rarely enunciate and hold fast to the principles guiding their own operation, making themselves appear directionless and even at times capricious. Under Policy Governance, the board addresses itself directly to matters that conventional governance leaves unstated: just who does the board represent and how will it maintain contact with this constituency? What are the products that the board itself exists to produce? How will the board define the job of the chair, and how does it delegate to the chair? Under what circumstances will the board use committees? Governance process policies answer these questions.

In governance process policies, the board commits itself to use committees only when they are necessary to help the board get its job done, never to help the staff with theirs. In governance process policies, the board delegates to the chair the right to make any reasonable

interpretation of the board's words in both governance process and board-staff linkage policy areas. (The CEO will be given a parallel authority with respect to topics governed by ends and executive limitations policies.) This delegation pattern ensures that the chair and the CEO work closely together, but that neither reports to the other.

It is also under the governance process that the board outlines its own code of conduct, the way it will control and plan its own agenda, and the nature of its linkage with the ownership.

When the board puts its decisions about governance on paper, it should follow the same broad-to-narrow approach used in instructing the CEO. In other words, the board first considers, debates, and answers the broadest form of the question, "What is our job?" Only then does the board go into greater detail in answering the question. When does it stop going into detail? As soon as it is willing to allow its chairperson to use any reasonable interpretation of its words when he or she implements the board's business.

For example, a board might address the broadest level in one of the ways shown in the accompanying example. Each of the sample statements in the example is open to interpretation. These statements, if left standing alone, would likely be too broad for most boards to leave as they are. Therefore, a board would further define the description of its governance process and the nature of its connection to the staff.

The words in these policies are meant to be meant. That is, they are not intended to be verbal ornament, but must be an ironclad commitment by the board to operate in a carefully crafted way. Unless the board treats its words in these policies as commitments, governing excellence will remain a pipe dream.

Principle 9: A Board Must Forge a Linkage with Management That Is Both Empowering and Safe

No single relationship in the organization is as important as that between the board and its chief executive officer. Probably no single relationship is as easily misconstrued or has such dire potential

Possible broadest statements within the "governance process" category of board policies:

For a public hospital: "The job of the board is to govern South Jasper Community Hospital on behalf of the citizens of South Jasper through defining and ensuring the expected achievements, values, and other broad characteristics of the hospital and its mission."

For a membership association: "The board of the Association of Elementary School Principals, on behalf of the membership, is to ensure that the organization (a) achieves what it should and (b) avoids unacceptable situations and actions."

consequences. That relationship, well conceived, can set the stage for effective governance and management.

It is often said that the most important task of a board is the choice of chief executive. Although choice is surely important, establishment of an effective relationship is even more important. To accomplish an effective relationship, we must attend to the board's job, the executive's job, and the link between them.

The job of the CEO is to work whatever magic it takes to ensure an acceptable amount, type, and targeting of benefits in prudent and ethical ways. Some boards are reluctant to empower the CEO to this extent. It is not uncommon for a board to delegate too little authority, cheating itself of the executive effectiveness the mission deserves. On the other hand, it is also not uncommon for a board to delegate too much authority, so as to abdicate its own responsibility for leadership. Thus a board must carefully craft a form of delegation that balances these critical ingredients.

Boards using the Policy Governance model achieve this balance by following the previously discussed principles associated with the ends-means distinction and the progression from greater to lesser values. These boards set forth their style of delegation in the board-staff linkage category of policies. Viewed in another

light, these policies describe the way governance and management are connected.

In the board-staff linkage category, one policy commits the board to delegate to staff only through the CEO. Another policy outlines the job products of the CEO. Yet another policy outlines how evaluation of the CEO's performance will take place. Incidentally, the job products of the CEO are rather simple to define and evaluate: the CEO is responsible to ensure that the organization as a whole (1) accomplishes expectations as set out by the board in its ends policies and (2) does not engage in the means which the board has prohibited in its executive limitations policies.

The board and CEO constitute a leadership team. Their contributions are formally separable, and once clearly differentiated, the two roles can be supportive and respectful of each other.

Each can reasonably expect the other to exhibit leadership. If the board's job is well-designed, board leadership is discharged in simply doing that job. CEO leadership has two components: the CEO must lead an organization to impact the world at least up to board expectations and, at the same time, must set a high level of ethics, prudence, creativity, and concern for the development of people. Further, the CEO influences the board toward greater integrity and capability for strategic leadership.

The board has the right to expect performance, honesty, and straightforwardness from its CEO. Boards can at times be understanding about performance, but should never bend an inch on integrity. The CEO has the right to expect the board to be clear about the rules and then play by them. He or she has the right to expect the board to speak with one voice. And the CEO has the right to expect the board to get its own job done.

Principle 10: Performance of the CEO Must Be Monitored Rigorously, but Only Against Policy Criteria

When the board has told its CEO to achieve certain ends without violating certain executive limitations, monitoring performance

becomes no less—and no more—than checking actual performance against these two sets of expectations.

Good monitoring is necessary if a board is to relax about the present and get on with the future. In Policy Governance, monitoring is conducted only against existing board-stated criteria in the ends and executive limitations policies. Preestablished criteria are required for good monitoring. If the board adopts the discipline of monitoring only what it has already addressed in policy, its anxiety will drive it to develop all the policies needed. "If you haven't said how it ought to be, don't ask how it is," describes the principle that forces a board to monitor instead of meander.

Having set the criteria, it must demand information that directly addresses these criteria. For example, the board that has outlined its "don't do it" list with respect to the organization's financial condition cannot accept a balance sheet or income statement as financial monitoring. They may be informative reports, but information precisely targeted to the relevant criteria is either not available in such documents or is hard to find.

Following this rule, the board can assure receiving relevant monitoring data without having to digest enormous amounts of unnecessary information. It will become obvious that traditional attempts at monitoring—the methods so familiar to us all—are more an exercise in foraging about than rigorous inspection to see if criteria were met. (Information required by the board to assist it in its decision making is of a different variety, and should not be confused with monitoring information or the principles that apply to it.) Hence, information for monitoring is targeted and precise, always directly addressing criteria set by the board.

Nine Steps to Implementing Policy Governance

Policy Governance brings an entirely new way to operate and to think about the expression of board leadership. Beware the comment that "we're already doing things this way." This comment will almost always be masking a superficial understanding of Policy Governance.

With an incomplete grasp, one can mistakenly see the model as merely reiterating familiar bromides like "boards should deal with policy," "boards should stick with long-term planning," or "boards should set goals and then leave managers alone." While there is some limited truth in these representations, Policy Governance involves a far more thorough reordering of how governance is conceived. The following sequence helps boards put Policy Governance into action. It is intended for boards bravely implementing on their own.

1. *Be sure that board members and the CEO understand the model.* Without good theory, actions aren't as meaningful and don't cohere. Until a board fully grasps the ideas and philosophy of this new technology of governance, implementation will be like putting new wine into old bottles. Board members' words may change, but governance will not be transformed. The board can test itself to see if members fully understand the model. For example, consider discussing whether each of the various issues an organization faces is an ends or means issue. Or take a board member's fear about finances, personnel, or other staff means; discuss how that fear could be used to amend an executive limitations policy.

2. *Make a full board commitment to this major change.* There is no reason that the decision must be unanimous, but it should represent the board's voice as a body. If moving to Policy Governance is only what the chairperson, CEO, or influential committee wants to do, it will fail.

3. *Put the board's commitment to move ahead on paper.* This step creates, in effect, the board's first governance process policy. For example, the board might adopt a simple, general statement such as, "We will govern with an emphasis on vision rather than internal preoccupation, encouragement of diversity, strategic leadership more than administrative detail, clear distinction of board and chief executive roles, collective rather than individual decisions, future rather than past or present, and proactivity rather than reactivity."

4. *Develop all policies except ends.* Ends will be saved until last. First the system as a whole must be put into place. Develop all the

executive limitations policies. Some board members will be put off by the negative wording, but remember that it is designed to produce a positive effect. Next, develop all the governance process policies. The first step in creating these policies has already been taken (in step 3). Now add other policies dealing with the chairperson's role, board member commitment, committee principles, committee products and authority, and board job description. Finally, develop all the board-staff linkage policies. Having completed policies that define its own job and the limits that apply to staff actions, the board can now safely contemplate a philosophy of strong executive delegation.

5. *Adopt a single temporary ends policy*. It may seem odd that the most important of board policies is saved until last. The policies already mentioned clear the clutter, trivia, and ritual actions from the agenda. Moreover, ends take longer to work through than the foregoing policies, and in fact, their development never stops. In other words, it works best to get everything else out of the way and then work on ends forever.

Since developing ends policies is slow work, and since a long delay before operating with the new principles is asking for trouble, adopt a tentative policy to plug the gap. My clients often adopt a statement that says, "Until ends policies are developed, the ends of the organization will remain as previously stated explicitly by the board or as found implicitly in previously adopted board documents." It is best to get started on real ends policies to replace this temporary one as soon as possible after implementation. At this point, all the policies necessary to begin operating with Policy Governance have been drafted.

6. *Do an administrative and perhaps legal check*. When a board has policies in the Policy Governance format and uses principles of the model, virtually all other board documents and pronouncements except bylaws become unnecessary. In fact, the motion putting all the policy drafts into effect will, at the same time, repeal personnel policies, budgets, old policies, and other approvals. Most previous board documents (personnel policies, budgets, salary schedules, and so on) with which the new policies will conflict can simply be given over to the CEO.

Before taking such a severe—albeit essential—action, you must be certain that the new policies do not conflict with law or with the bylaws. If the new policies conflict with bylaws, change the bylaws. If the new policies conflict with law, then alter them so that the law is not broken.

7. *Have the first few agendas ready to go*. The immediate problem that the board will encounter after setting the model in motion will be the concrete matter of what to do that next board meeting. Even if you plan to do nothing at the first post-transition meeting but have a discussion of ends and the difficulty of defining them, that is much better than falling back on previous agenda formats to avoid the anxiety. Absolutely do not have the staff create board agendas, although the board can invite staff members along with others to argue various points of view with regard to large, long-term ends issues. Remember that the board agenda is a matter of governance process, so the board chair has the authority to use any reasonable interpretation of whatever the board has said about agendas.

8. *Design the first steps in connecting with the ownership*. The ownership is the legitimacy base to whom the board is accountable, for whom it is the actual or "civic" trustee. Lay plans to form and meet with focus groups, confer with other boards, or have relevant statistical data gathered. Connecting with the ownership, like setting agendas, is a matter of governance process, so the complementary board and chair roles in the matter are similar: the board establishes its broad-brush intention and the chair fills in the details.

9. *Set a specific date to inaugurate the system*. To the extent possible, avoid phasing in the new paradigm; after prudent assurance that all is in order, switch completely to it in one move. Treat the transition like jumping from one trapeze to another. When you do decide to jump, don't jump halfway or jump in phases.

The time required for going through this implementation sequence varies greatly depending on the circumstances and the

people. For a national or international board that meets three times per year, the sequence ordinarily runs a different pace from one that meets monthly in a community. A board of nine moves more quickly than a board of thirty. Most of my clients have taken from six to twelve months to implement the process.

But make no mistake, completing the nine steps above means only that the real governance work can begin. Three efforts will demand the majority of board time and energy forever. First, the ends will need continual attention in perpetuity. Second, finding ways to gather owners' input is not easy. Third, sufficient self-evaluation and redevelopment are needed so that board leadership can continue to improve. These three activities are unique leadership tasks, embodying the challenge and the channel for board members to be strategic leaders.

The CarverGuide Series on Effective Board Governance

The Policy governance model was created by John Carver in the mid 1970s as a radical alternative to the conventional wisdom about how governance should proceed. All governance literature at that time—and virtually all of it even today—was based on ideas about the board's role and responsibilities that had been around for a very long time.

Boards convinced that Policy Governance offers a breakthrough in governance thinking encounter a confusing problem: Most printed matter and training reinforce old governance ideas rather than the new ones. It is not that widely available sources do not have wisdom to offer. Indeed, they do. But the wisdom they have is rooted in traditional governance ideas. One of the great difficulties of a paradigm shift is that perfectly fine wisdom in a previous paradigm can become poor judgment in a new one. The person most expert in flying a propeller-driven plane is not, therefore, expert in piloting a jet.

Consequently, most current guides and training materials can actually handicap boards trying to use the new governance ideas in Policy Governance. The CarverGuide series has been created to remedy this situation. The series will offer detailed guidance on specific board responsibilities and operations based on the *new* paradigm rather than the traditional approach.

This first CarverGuide in the series presents an overview of the fundamental principles of the Policy Governance model. As a model, Policy Governance is designed to embrace all further issues of governance that are specific to different organizations and

different circumstances. That is, it is not specifically about fiscal oversight, CEO evaluation, planning, agenda control, committee operation, or the other many facets of board leadership. It is, in fact, about all of them. It is a basic set of concepts and principles that lay the groundwork for determining appropriate board leadership about these and other common governance issues. Nonetheless, many boards need specific materials that individually do address these different facets of board leadership.

Having presented the overview in this first CarverGuide, we will deal with the various areas of board concern one at a time in the succeeding guides in this series. It is our hope that the concepts and recommendations we present in this series will help all boards achieve a powerful overhaul of their approach to governance. Indeed, the practices we recommend in the CarverGuide Series really make sense only as parts of the larger picture of board leadership held up by the Policy Governance model.

Notes