

AN INTRODUCTION TO THE POLICY GOVERNANCE® MODEL

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This brief overview does not substitute for the understanding of Policy Governance available in the books 'Boards That Make A Difference' by John Carver and 'Corporate Boards That Create Value' by John Carver and Caroline Oliver, published by Jossey-Bass Publishers Inc. 1997 and 2002.

Governance - A Distinct Form of Leadership

Governance is distinct from management because it is:

- the bridge between the organization and the external world within which it operates and to which it is accountable
- the initial authority within an organization
- group leadership rather than individual leadership

Policy Governance - A Definition

Policy Governance is an operating system that efficiently focuses boards on their unique contribution to organizations' results.

Boards are ultimately accountable for everything their organization does and does not do. Whereas organizations may operate 24/7, the board has a limited amount of time available to exercise their oversight.

Grounded in universal governance principles and bespoke policy design, Policy Governance makes it possible for boards to control through creating and monitoring policy. The board is able to organize all its thoughts, activities, structures and relationships in one policy document or manual (the only other necessary governing documents being Letters Patent, by-laws and minutes of board meetings).

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continued

The Policy Design

Governing policies are categorized under four headings:

- **Ends:** the answers to the questions: what benefit is this organization to produce, for which people and at what cost?
- **Executive Limitations:** the limits of ethics and prudence to which the CEO must adhere (always expressed in the negative e.g. “the CEO shall not fail to” or “the CEO may not”).
- **Governance Process:** the board’s definition of, and rules for, its own job
- **Board-Management Relationship:** the board’s delegation and accountability linkage through the CEO

In each policy category, the board starts with a statement that expresses its broadest values, and then moves down level by level to express itself more specifically. At whatever level the board feels it has said enough, the CEO is free to act on ‘any reasonable interpretation of the board’s Ends and Executive Limitations policies and the Chair is free to act on ‘any reasonable interpretation’ of the board’s Governance Process and Board-Management Relationship policies.

This form of policy design ensures a) that there is no area of operation about which the board has been silent and b) that the board’s role and the CEO’s and Chair’s roles are clearly delineated.

Policy Monitoring

The Policy Governance board can only be truly accountable if it is monitoring the implementation of its policies. This can be done by whatever method (internal report, direct board inspection or external audit) and at whatever frequency (annually, quarterly or monthly) the board dictates in its policy.

The policies form the **only** criteria for the monitoring process. The results of the monitoring process also provide the **only** basis for CEO evaluation (in relation to fulfillment of the board’s Ends policies and compliance with the board’s Executive Limitations policies) and the board’s own evaluation of itself (in relation to their own compliance with the board’s Governance Process and Board-Management Relationship policies).

Living the Policy

The board’s policy is kept alive and current because the board resolves issues and makes decisions by looking at its policies. If they find that they have not already said enough, or that they have not said what they now want to say - they change the policy and therefore change their expectations of the CEO or themselves for the future.