

# AN INTRODUCTION TO POLICY GOVERNANCE® PRINCIPLES

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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.*

## The Policy Governance® Principles

The Policy Governance operating system is an integrated expression of the following principles:

### 1. The Trust in Trusteeship

The board, as a whole, holds the organization in trust on behalf of a larger group (the legal/moral ownership). The board must clearly identify with their ownership and communicate with them to ensure that the organization is achieving what they want.

### 2. The Board Speaks with One Voice

The board's policies **are** the board's voice. The board's value as a form of management is that it is the single expression of diverse views, values and perspectives. While unanimity is not required, the board's group decision must be unambiguous, recorded in policy and upheld by every member of the board as if it had been their own decision. No one person or sub-group may make policy for the board.

### 3. Board Decisions Are Policy Decisions

The board governs through policy because policy can encapsulate vision, perspectives and values in clear statements of enduring importance - readily transmittable to all and impacting every aspect of the organization's work in an efficient manner. Since the board's voice is expressed in its policies, board decision-making is always an amendment of, or addition to, existing policy.

### 4. Boards Should Formulate Policy by Determining the Broadest Values Before Progressing to More Specific Ones

This principle is essential to making policy without loopholes and to the board's ability to delegate. As the board creates policies that express its broadest to most specific values, it comes to a point at which it is happy to delegate any further interpretation of its policies to the CEO. The level at which the board stops speaking is the level at which the CEO takes over, free to do anything that is consistent with "a reasonable interpretation" of the board's policies.

### 5. Boards Define and Delegate, Rather than React and Ratify

Defining what the organization is for (Ends) and defining the 'acceptable boundaries' within which it can delegate organizational accomplishment of Ends to the CEO (Executive Limitations) is the board's own job. The board, if truly governing, should not be simply reacting to and ratifying staff or committee ideas.

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continued

## **6. Ends Determination is the Pivotal Duty of Governance**

The board must, on behalf of the ownership paint the target towards which the staff must aim. There is no greater governance job than this, and it cannot be delegated.

## **7. The Board's Best Control Over Staff Means is to Limit, not Prescribe**

It is impossible for boards to oversee all the detail involved in the day to day running of an organization. It is easier, and in fact more complete, to tell the CEO what is to be achieved on behalf of the ownership (in Ends policies) and then allow the CEO to use his/her expertise and experience to determine how best to get there, within limits of law, prudence and ethics (Executive Limitations policies).

## **8. A Board Must Explicitly Design Its Own Products and Processes**

Since the board's authority is the initial authority the board must define its own job and how it will do it. All board members should clearly understand why the board exists, which is not to oversee staff, but rather to define the future on behalf of the ownership and ensure that it gets achieved in a legal, ethical and prudent manner.

## **9. A Board Must Form a Linkage with Management that is Both Empowering and Safe**

The board needs good managers to fulfill its policies. The governance function can be most efficiently performed when the board holds just one person accountable - the CEO. The CEO needs to be empowered to do the job but the board needs to be sure that the organization is safe. The board achieves this by saying "Here is what we want you to achieve (Ends), here is what we want you to avoid (Executive Limitations)" and then leaving the CEO free to make all further decisions and policies within "any reasonable interpretation" of its words.

## **10. Performance Must be Monitored Rigorously, But Only Against Policy Criteria**

All policies (whether they apply to the CEO or the board itself) are meaningless unless they are being acted upon. Policy Governance requires regular and rigorous monitoring of all board policies to ensure their fulfillment. This monitoring also provides the basis for fair performance evaluation, that is, performance evaluation based on known expectations. The board's Ends and Executive Limitations policies are the only expectations for the purpose of CEO evaluation and the board's Governance Process and Board-Management Relationship policies are the only expectations for the purpose of board evaluation.

**Northern Lakes Community Mental Health Authority**  
**Board Policy Monitoring Process**  
**1/4/2017**

This summary document was prepared to provide clarity to Board Members and Staff on the role of policy monitoring in the Carver Policy Governance Model. There are two types of Board policy monitoring: **Assurance of Organizational Performance** and **Board Means Self Assessment**. Under the heading of **Assurance of Organizational Performance** are the policies in Section 1 - Consumer and Community Ends and Section 2 – Executive Limitations (the board holds the CEO accountable). The board looks at Section 1 and Section 2 policies to identify whether the board is in compliance with its own policies. Under the heading of **Board Means Self Assessment** are the policies in Section 3 - Global Governance Process/Ownership Linkage (the board operates in the way you want to as a board) and Section 4 - Board CEO Linkage.

The policies can be monitored in the following ways – 1) Internal inspection - the CEO reviews and provides his interpretation of how NLCMHA is complying with the policy. The board is provided with the policy and the CEO's interpretation and then is asked a series of questions with the opportunity for comment (Attachment 1-green sheets) as to whether the CEO is interpreting the policy correctly and whether NLCMHA is operating in compliance with the policy. The board responds to the questions and is given the opportunity to make comments and provides this information to the Executive Secretary who compiles the results. The compiled results are reported back to the board in the subsequent Board meeting along with the CEO's response to the Board answers and comments (Attachment 2-blue sheets).

2) Direct inspection - the Board reviews the policy, with no prior interpretation by the CEO and the board responds to the questions (Attachment 3-green sheets) and provides this information to the Executive Secretary who compiles the results. The CEO will then respond to the results (Attachment 4-blue sheets).

3) External Inspection - this occurs when NLCMHA utilizes external auditors, for example the NLCMHA annual financial audit. This information is presented directly to the Board by the auditor with no interpretation by the CEO.

#### References

Carver, Miriam and Charney, Bill. The Board Member's Playbook. San Francisco: Jossey-Bass, 2004.

Carver, John. Carver Guide 7-Board Assessment of the CEO

Northern Lakes Community Mental Health Authority. 2016 Board Member Orientation and Reference Manual