



One core problem among boards of directors is their failure to use any coherent system of governance. Most board life consists of a constant stream of decisions to be made or approvals to be granted. That model requires a systematic approach capable of embracing events and conflicts, rather than being driven by them in a reactive style. Boards should be using a framework that guides them in decision making, and Policy Governance® is such a framework.

Simply stated, Policy Governance is a basic set of concepts and principles that provides a complete framework of efficient, focused and productive carrying out of the task of governing boards. It enables boards to experience true accountability.

Policy Governance allows boards to govern according to their values as expressed in policies established by them. These policies outline the board's rules for itself as well as for those who work for the board. The purpose of the board's policies must address what it expects the organization to fulfill and then establish the rules guiding the prudence and ethics of decision making.

John Carver, the creator of Policy Governance, states: "Policy Governance, an empowering and fundamental redesign of the board role, emphasizes values, vision, empowerment of both board and staff, and the strategic ability to lead leaders. Under Policy Governance, a board transforms its values into policies of four types: ends, executive limitations, board-executive linkage,

and governance process. Except for what belongs in bylaws or enabling statutes, these categories of board policy contain everything the board has to say about values and perspectives that underlie all organizational decisions, activities, practices, budgets and goals."

**ENDS:** The board defines which needs are to be met, for which recipients and at what cost. These mission-related policies embody the board's long-range vision, yet may also include short-term, targeted results.

**MANAGEMENT LIMITATIONS:** The board clearly establishes boundaries of latitude within which operational methods and activities can be responsibly left to staff.

**BOARD-MANAGEMENT LIMITATIONS:** The board clarifies the manner in which it delegates authority to staff, as well as how it evaluates staff performance (based upon provisions of the Ends and Management Limitations policies).

**GOVERNANCE PROCESS:** The board determines its philosophy, accountability and the specifics of its own job. The effective design of its own processes ensures the board will fulfill its three primary responsibilities: maintaining linkage with the ownership; establishing the four categories of written policies; and ensuring executive performance.

Once a board has clearly defined its purpose, they then need to establish a new way of governing that will allow them to fulfill that purpose. Under Policy Governance, things are done differently:

- Instead of telling the manager when to go, it places limits on the manager telling him/her when to stop.
- Boards find the balance between being informed and meddling.
- Boards develop policy issues as compared to getting bogged down in details.
- Accountability is clearly defined for the board and the manager.
- The roles of the board and those of the manager are clearly defined.
- It allows for the objective evaluation of performance.
- It provides for the whole board to have a shared focus.
- There is greater efficiency of time.

- The board's chair role is clearly defined, making transitions less traumatic.
- The focus shifts from "what are we doing" to "what are the results."
- Manager monitoring reports drive the agenda planning. The reports are based on a full year's cycle of monitoring reports.
- Monitoring reports provide detailed information that is distributed to the board in advance. Boards therefore spend less time on operational issues because they see evidence in the monitoring reports that their policy expectations are being met.

## Focus shifts from "what are we doing?" to "what are the results?"

- The manager has more room and freedom to exercise his or her talents and strengths. If the board or its members direct the manager's activities, the board cannot really know how effective the manager can really be.
- There is more freedom for the manager to accomplish the board's goals within the limits established by the board.
- Policy Governance allows boards to focus more on the important issues and less on those that management is much more qualified to address.
- Meetings are shorter and more productive.
- Ends are not immediately accomplished, but the monitoring reports demonstrate the progress being made towards them.
- This governance system allows boards to demonstrate their passion for their mission and clearly understand what is to be achieved. Instead of having laypeople on the board who may focus too much on minutiae, the board will focus more on the big picture of end results and then use the talents of the manager to go after them.