Governing Excellence

The Board Connection

POLICY GOVERNANCE® — MAINTAINING "THE REAL THING"

By Jannice Moore, IPGA Chair

The IPGA Board is committed to supporting the integrity of the Policy Governance® model, because we believe it provides the best possibility of realizing our vision of owner-accountable, productive organizations. This is demonstrated by Ends such as "Boards have resources available for implementing and sustaining Policy Governance" which the board has further interpreted to include the availability of accurate information and tools, and access to Policy Governance consultants with knowledge and skills to assist boards in effective Policy Governance practice.

As an association that has been given 501(c)(3) status (for our non-U.S. members, this means tax-free status as a non-profit organization, eligible to receive charitable contributions), we also have a responsibility to ensure that the IPGA meets the require-ment of advancing the public good. It cannot be operated for the "benefit of private interests." Thus, although our membership may include consultants whose livelihood is based on providing advice about Policy Governance, the purposes of IPGA must always be clearly in the public interest. We are not a trade association.

As IPGA continues to grow, and Policy Governance becomes more widely known, this legal and moral responsibility may potentially result in tensions among the interests of consultant members and the wider interest of serving the public good by ensuring that the effectiveness of the model is not diluted.

A "photocopy of a photocopy" does not have the same clarity as the original. Seemingly minor "modifications" to the principles of Policy Governance" — how many times have we heard boards say they're using "modified Carver"? — result in lack of clarity, and more importantly, lack of the power of the model to deliver the benefits that it was designed to deliver.

As IPGA, we hold in trust, on behalf of everyone committed to effective, owner-accountable governance, the responsibility to minimize, to the best of our ability, the likelihood of such dilution occurring. This may prove to be an awesome task. As a board, we are continuing to examine our policies to provide the best leadership of which we are capable.

We welcome your insights and suggestions about this responsibility. We'll all be at the conference in San Antonio. Take this opportunity to chat with us. We need your wisdom, too. Together, we can make a difference in governance, for the good of everyone affected by boards.

You can contact Jan at jmoore@policygovernanceassociation.org

What's New and Exciting ...

The 4th Annual International Policy Governance Association conference will be held at the very sunny, spacious and elegant Hilton Alexandria Mark Center near Washington, D.C. on June 20-24, 2007.

In the coming weeks, we will be launching a request for workshop proposals and are starting now to seek sponsors for what we know will be another interesting and exciting IPGA Conference.

Sign up for regular conference bulletins via www.ipgaconference.org or call IPGA anytime for details at 1-877-847-4552.

In our quest to keep conference costs low, the hotel room rate will again be just $129 plus tax per night. We are also pleased to offer free meeting space to boards wishing to save on travel costs by scheduling their annual retreat in conjunction with this conference.

Contact IPGA as soon as possible for more details on next year's conference and on reserving a free meeting room for your board.

The Best of Policy Governance

PG ENSURES CONSTANCY OF BOARD DIRECTION

By David Green

Policy Governance® is the key to creating and sustaining an effective organization culture, says David Green, speaking from his experience as former President, CEO and Chair of Evergreen Retirement Community in Oshkosh, Wisconsin, USA.

The board of Evergreen Retirement Community, a non-profit continuing care retirement community based on Christian values, has followed the principles of Policy Governance since 2002.

I believe that this has been at the heart of our effectiveness in establishing a thorough succession planning process for the CEO position, which was completed in March 2005, and that many other boards could benefit from seeing Policy Governance as an aid to creating sustainable organizational culture.

Of course, boards using Policy Governance do not directly determine the operating culture of their organizations since they are not managing day-to-day operations. That responsibility is delegated by the board to the CEO they select. The board does, however, have the responsibility for defining the vision of what the organization desires to accomplish in regard to consumer/customer/recipient outcomes, and for creating policies that provide the legal, ethical and prudential boundaries which will guide the approach used to move toward the vision.

In selecting the CEO, the board should identify a person who is totally committed to upholding their values and vision as reflected in their policies, and is therefore likely to create and sustain an organization culture that reflects those values and supports continuous movement toward the vision. By having created such policies, the board has in effect also automatically identified organizational performance indicators that the CEO must use in monitoring reports to show compliance with any reasonable interpretation of their policies. It is these monitoring reports alone that will be used to monitor the ongoing effectiveness of the CEO's leadership, making them powerful tools indeed.

Yet, with Policy Governance, individual CEOs are still left a great deal of freedom to create the kind of culture that they believe will be most conducive to producing the Ends. Some may choose a culture that centers very explicitly on results creation, some may go for a very staff-centered culture and still others may seek to create a customer-oriented culture. Some may seek a very consultative culture, others a fast-moving culture, and still others a learning culture.

As far as the board is concerned, as long as the organization is actually accomplishing its Ends and staying within its boundaries of ethics, the law and prudence, all is well for the board can rest assured that the legal and moral owners' core values are protected.

Thus, with Policy Governance, a change in CEO may change the organizational culture to some degree but its core values including the difference it is seeking to make in the world will remain substantively unchanged. Going further, Policy Governance ensures a constancy of general board direction that can encourage, support, and sustain a desired organizational culture over many decades through the inevitable changes in CEOs and individual board membership.

At Evergreen Retirement Community, our recruitment process involved multiple internal candidates being identified, assessed, and developed for the position. One was selected as the new CEO and an extremely smooth transition was effected, resulting in minimal change to the culture of the organization, which was a board objective. I do not believe that this could have been accomplished without the board's use of a systematic, comprehensive, integrated approach to governance such as found in the principles of Policy Governance.

Having Policy Governance principles to guide the board in developing policies that address all their governance responsibilities, having the board over time progressively refine those policies in response to changing internal and external conditions and the increasing wisdom gained from the experience of governing, enables the development and maintenance of core values to a level not otherwise possible.

The way that the policies all weave together creates a unified whole that does not exist where policies are developed one at a time in responses to problems and issues. Well-developed policies allow the board to be in control of the organization without being controlling, and the CEO to have the freedom to be innovative and proactive without the risk of going out-of-bounds.

You can contact David Green at:
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And Another Thing…

BOARDS SHOULD USE THE POWER OF ENDS

Caroline Oliver, General Editor

"Having seen and felt the end, you have willed the means to the realization of the end."
— *Thomas Troward*

The "end" in this quote does not refer to "Ends" as defined in Policy Governance, but I think we could certainly assert that if a board has seen and felt its Ends, it has willed the means to the realization of those Ends. The moment that a board has defined the benefit(s) it seeks, the recipients of those benefits, and the cost or relative worth of same, it has established a destination. The moment the board has established that it will hold its CEO accountable for the organization reaching the destination, it has ensured that the CEO will set a course and acquire and provision a vessel to get there.

One of the largest challenges we face in communicating Policy Governance is how to have board members understand that their best, and in fact their only real, option for ensuring that their organizations become truly effective, is to use the power that Ends give them. Having board members see that any interference in the CEO's means choices diminishes organizational effectiveness is not a popular message, but a critical one for our world.

Certainly, we need legislation, regulation, and limitations to ensure our safe conduct through life, but we also need to weigh the cost of every single word that inhibits our progress.

You can contact Caroline at
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Hot Tip!

"IT GOVERNANCE" BEST LEFT TO CEO

By Ray Tooley, P.Eng., CEO, OurBoardroom Technologies Inc.

Information Technology (IT) and the use of information systems has become essential to the success of organizations large and small. While sole proprietors and small business may be inconvenienced by a loss of data or failure of their local area network, larger operations may experience huge unrecoverable losses if their IT departments do not successfully deliver mission-critical resources and operations.

Examples abound of failed IT projects that easily cost the world economy many billions (perhaps trillions) of dollars every year. One example is the Canadian Gun Registry that started with an estimated cost of several million dollars and has ended up consuming more than a billion dollars of taxpayer's money with very little in measurable outcomes.

To stem the tide of these failures, various organizations have co-operated (e.g., see www.itgovernance.org) to develop a new approach to IT management. It's one that provides the alignment of strategic business requirements, value delivery, risk management, and resource management of the corporate IT function. These management measures are long overdue and highly likely to improve IT performance.

And, now, with a new businesslike attitude and a highly focused results strategy, the industry has decided to promote "IT Management" up the ladder with the new terminology called "IT Governance." People believe the word "governance" is much more sophisticated than the word "management," similar to the way people unfamiliar with Policy Governance believe that the position of chair is the next promotion for the CEO.

In fact, this new IT Governance process is really only a more sophisticated way of managing an organizational means. IT Governance falls very much in the domain of authority that Policy Governance boards delegate to their CEOs and respecting delegated authority requires that CEOs should be free to take advantage of IT Governance technology entirely at their own discretion.

Therefore, boards must scrupulously avoid using Executive Limitations to prescribe IT Governance as a means to be used within the organization, no matter how attractive it might seem.

Further complicating the issue is how IT advocacy and standards groups are promoting the idea that IT Governance starts with the board of directors. Imagine the consequences to CEO accountability if the board approved the corporate IT strategy, or even worse, had a "Standing IT Strategy Committee" to ensure IT Governance was implemented. It's ironic that this very action would result in the loss of true governance effectiveness since the board becomes directly accountable for an organizational means used to achieve Ends. The role of CEO becomes quite unclear and split between the board and the chief executive. If everyone is in charge then no one is.

The board may, however, ask themselves if they have said enough about Information Technology risk as it relates to any threats to the safety and value of the organization as a whole. It should carefully examine what has been said in policy with respect to protection and maintenance of assets, exposure to liability claims, purchase and expenditure limits, credibility and public image, controls on funds as well as those involving financial planning and management. They may decide the limits placed on CEO actions in these areas provide adequate protection for the organization.

If the IT Governance industry understood the comprehensive and systematic structure of the Policy Governance system, their extension of IT Governance to the board of directors would not be required. Unfortunately, their views are based on the premise that boards do their job simply by asking piercing questions and offering perceptive and strategic operating advice. These board behaviors start the slippery slope toward no one being accountable for Information Technology related disasters and the loss of CEO flexibility (and accountability) in achieving organizational Ends.

The board should focus on Ends policy compliance data that clearly supports the CEO's reasonable interpretation of those policies. What more could an ownership ask for? The CEO and CIO are then free to use these otherwise well-conceived advances in Information Technology management (within the board's organizational risk limitations) to achieve more benefit for more people at the most appropriate cost.

You can contact Ray Tooley at rtooley@cogeco.ca

It pays to join IPGA

In addition to being part of a growing, thriving community dedicated to owner-accountable, effective governance, IPGA members receive the following benefits:

- Save 10% on IPGA's annual conference registration fees
- Full Members save 10% on seminars and courses offered by Carver Governance Design, Inc.
- Receive a 40% discount on a subscription to Board Leadership
- Save 10% on designated On Target Governance events
- Save 10% off the price of The Governance Coach® REALBoard Toolkit™ Volume 1 — Meaningful Monitoring, by Jannice Moore, the first in a series of tools to assist boards in effectively using the Policy Governance® model.
- Members have access to a "Members Only" section of the IPGA website at www.policygovernanceassociation.org

Welcome to IPGA!

New members since March 2006

- Steven Brown, Williams Mullen Richmond, VA
- Cherry Creek North BID (Marc Schtul) Denver, CO
- Mark Goehring, Cooperative Development Services, Brattleboro, VT
- Willem Huiskamp, Board and Management Consultants (BMC) Apeldoorn, Netherlands
- Doris Lavoie, National Dental Hygiene Certification Board, Ottawa, ON
- Santa Clara Valley Water District (Chris Elias), San Jose, CA
- Diana Swaner, Swaner Nature Preserve Park City, UT
- Yavapai College (James Horton) Prescott, AZ

Contact IPGA

Reasonable Interpretations

DO YOU KNOW HOW MUCH YOU KNOW?

Susan Mogensen, IPGA CEO

"Real knowledge is to know the extent of one's ignorance."
— *Confucius*

Whether we're writing the entrance test for Dr. John Carver's and Miriam Carver's Policy Governance Academy, or attending a Policy Governance "refresher" workshop after using the model for several years, many of us have been surprised to learn that we didn't really know everything about Policy Governance that we thought we knew. Because understanding and using the model as a whole system is so important, it has become very clear to me that we need a way for people to check: what do we know about Policy Governance, and what do we still need to understand?

To that end, IPGA is launching the PG 360 project, which will culminate in a comprehensive set of multiple choice questions to which anyone can respond online, to determine which aspects of Policy Governance they fully understand vs. which facets require a deeper level of understanding.

Each correct response will be referenced to the relevant Policy Governance publication(s), since the purpose of the PG 360 project is to foster learning, and to create as many of those "a-ha!" moments as possible for people wanting to improve their understanding.

The PG 360 project team involves Caroline Oliver, Linda Stier, and Jannice Moore, who will work with Dr. John Carver and Miriam Carver to create the final result. First, however, we turn to IPGA members for assistance. What are some key questions about Policy Governance that you think should be included?

From the obvious, to the very complex, we seek your help in generating the questions that will comprise the PG 360. Using the form provided on the IPGA website, please send us any questions you think would make an important, necessary, or just plain interesting addition to the PG 360. Thank you!

You can contact Susan at
info@policygovernanceassociation.org

Policy Governance Seen and Heard

Consultation Submissions

The UK Policy Governance group, which was formed as a result of the first UK Policy Governance Academy, has responded to the draft *NHS Foundation Trust Code of Governance* which builds on the principles and provisions set out in the *Combined Code of Corporate Governance*, the prime standard of corporate governance best practice for the private sector in the UK.

Articles

Board Leadership: Policy Governance in Action Volume 2006, Issue 84, Pages 1-8 (March/April 2006) features the following articles:

l   What Can You Trust? – Caroline Oliver

l   On a Personal Note — New Editions of Boards That Make a Difference and Reinventing Your Board! — John and Miriam Carver

l   How Much Policy Governance Is Required for It to Be Policy Governance? — John Carver

l   FAQ — Why not delegate the evaluation of the executive director (our CEO) to the Human Resource Committee? — John Carver

UUA Board Moves Toward New Governance Model by Tom Stites, April 28, 2006
www.uuworld.org/news/articles/uuaboard-movestowardnewgovernancemodel3641.shtm

Filling in the gaps: more on operating better boards by Harvey Schachter, The Globe and Mail, March 22, 2006. Includes reference to Policy Governance.

The Black Holes in Research on Governance and Governance Models by Caroline Oliver, Nonprofit Boards and Governance Review™, Charity Channel, March 30, 2006.

Speeches

Dr. John Carver will present "How Boards Create Value: Beyond Best Practices" at the Henley School of Management's 9th International Conference on Corporate Governance and Board Leadership, October 3-5, 2006, near Oxford in the UK.

Submissions Welcome
To submit an item for *Governing Excellence*, please contact Caroline Oliver, General Editor, at:
coliver@policygovernanceassociation.org

And I Quote…

"If you tell people where to go, but not how to get there, you'll be amazed at the results."
— *General George S. Patton*