

Fall 2003

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Look out for our Fall Issue
December 1, 2003

Governing Excellence

The Voice of the International Policy Governance Association

News Headlines

**BOOK NOW!
6th International Symposium
October 16 – 18, 2003**

If you haven't already done so, why not consider joining colleagues in Toronto, Ontario, Canada from October 16 - 18, 2003 for the 6th International Carver Policy Governance Symposium? The organizers, On Target, promise that the symposium theme "**The Ends Cycle**" will be tackled in a "highly interactive, thought-provoking and collegial" format.

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**Calling all IPGA Members
IPGA ANNUAL GENERAL MEETING**

Friday, October 17th
3.30 p.m. to 5.00 p.m.

Delta Meadowvale Resort Hotel in 6750
Mississauga Rd., Mississauga, Ontario
L5N 2L3 Canada

Agenda:
Annual Report
Invitation to Dialogue with the IPGA Board
and CEO
(more information to follow)

Note: This meeting coincides with the second day of the 6th International Carver Policy Governance Symposium

AND ... COMING UP IN 2004

More details of the IPGA's first major conference coming in June 2004 are now available. Don't miss page 5 of this newsletter.

Susan Mogensen, Conference Coordinator, says: "This is a major opportunity to position IPGA at the forefront of the movement to improve governance in all sectors.

We are calling on all IPGA members to get these important dates in their own calendars and in the calendars of all the boards and individuals they know that could benefit from being part of this exciting event".

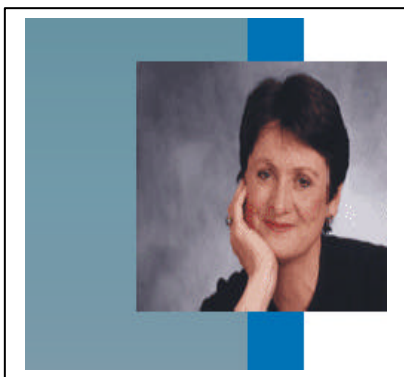
WATCH OUT WORLD

John Carver met with the BP-Amoco company secretary's office for several days in June in London, UK. To our knowledge, BP is the largest company using Policy Governance (albeit modified). BP revenues of over US\$150 billion makes it the world's 8th largest corporation.

It's Up to Us!

"Democracy is a device that ensures we shall be governed no better than we deserve. "

George Bernard Shaw (1856 - 1950)



And Another Thing From the General Editor

Did you hear that Eliot Spitzer, New York State Attorney General and unofficial policeman of Wall Street, is now fixing his eyes on the financial accountability of nonprofits?

Apparently he is going to propose legislation that calls for nonprofit CEO's to certify financial reports and the adequacy of internal controls at the organization. Nonprofits would also be required to demonstrate the independence of audit committees. The proposed

legislation would affect New York State registered nonprofits with annual revenue of at least \$250,000, but could have repercussions across the nation.

New rules, same old paradigm - on which more follows below.

Red Flags and Red Rags

You will be familiar with the term "Red Flag" meaning a warning signal. How about this for a red flag, signalling the dangers inherent in the old paradigm in which the CEO, rather than the board, is king?:

"Let me draw upon my experience at Enron. I will look specifically at our governance procedures, which reflect what I, as CEO, expect of a board and of our corporation"

Kenneth Lay, writing in a publication arising from a 1999 conference on corporate governance ethics at Houston's University of St Thomas.

You may not be so familiar with the term "Red Rags" – meaning provocations – as in "a red rag to a bull". (Apparently bulls are actually colour blind ... but I digress.)

Here are a couple of IPGA members responding to recent red rags, the first of which was a brief reference in one chapter of an Industry Canada Primer for Directors that suggested Policy Governance might open a board to legal jeopardy:

"When any corporation, charitable or otherwise, operating in Canada fully implements the Policy Governance® system by establishing reasonable and reasonably detailed policies of the types noted earlier, its board has fulfilled the full spectrum of legal obligations imposed upon its directors. The board itself and the individual directors will have taken steps far beyond the legal minimum required for boards and directors.

In fact, on a comparative basis, such boards and directors will be far ahead of the vast majority of corporations, even those in the world of commerce, in observing their respective legal and moral obligations sometimes described by the shorthand "due diligence".

Richard M. Biery, President of The Broadbaker Group, Missouri and Hugh M. Kelly Q.C. of Miller Thomson LLP in Toronto writing in the April 2003 issue of the Canadian Council of Christian Charities .

The second red rag, this time responded to by John Carver, came in an American School Board Journal article which refers to "merely developing a structure of policies" and "policy governance" in the same breath:

"Policy Governance® is a registered service mark with a defined meaning, one extensively described in the literature—and the meaning is not what Mr. Eadie ascribes to it. So he has either incorrectly used a term clearly defined in the literature with a specific set of precepts that he then inaccurately describes or he has painted all of some class of methods he calls "policy governance" with the same brush. (The wording of his example suggests the former.) In either event, either his usage or his information is incorrect.."

John Carver responding to "High-Impact Governing: Overseeing Superintendent Performance is One Key to An Effective Leadership Team," by Doug Eadie July 2003 American School Board Journal.

New rules, same old paradigm

The Best of Policy Governance



Jim Burns

Board Vice-President

AIDS New Brunswick is a provincial not-for-profit organization committed to facilitating community-based responses to the issues of HIV/AIDS. Its aim is to promote and support the health and well-being of persons living with and affected by HIV/AIDS and to reduce the spread of HIV/AIDS in New Brunswick, Canada.

Responsible for the overall operation and direction of the organization is a volunteer board of directors. Through out its history it has benefited from the intelligence, talents and skills of the many volunteers that have acted in various capacities for the Board. Because of this dedication and the exceptional work of the executive directors and staff that the organization has employed, AIDS New Brunswick has become a model of success for AIDS Service Organizations in Canada.

Despite the success, the Board in 1999 was aware of governance issues that needed to be addressed. The role of the executive director versus that of the board needed clarification. Was the Board to be a “working board” actively involved in the business of the organization or strictly a policy board? What were the roles of the staff and Board officers? A Board governance committee was

established to review the matter and recommended the adoption of the Carver Model of Board Governance. The proposal was presented to the Board along with explanatory information on the implications that it would have on the work of the organization. The recommendation was unanimously accepted by the Board.

It was recognized that training of Board Members was needed and significant Board meeting time was dedicated to providing members with the necessary background to understand the concepts of a policy board. As highlighted in a Board evaluation conducted in 2001-2 this training need was seen as on-going and continues today as new members arrive and old members seek a better understanding of their role and how it relates to the organization. The level of understanding is high and with constant vigilance informs the decisions of the Board.

For some, the biggest challenge has been to recognize the distinction between policy level involvement in the organization and the hands-on approaches of the past. The Board members involved come with a passionate view of the issues and it can be a challenge to limit their involvement to policy direction. However, the transformation to a purely policy board has been surprisingly smooth.

The biggest benefit is having a clear understanding of the various roles of the individuals involved with the organization. Board time, freed of the day to day operational issues of the work of the organization, can focus on the “bigger” issues such as future direction and evaluation and better adapt to the changing environment in which it exists. The staff can benefit from clear direction and the freedom of effective delegation and better accountability. Reporting lines are clear – staff report to the Executive Director and the Executive Director reports to the Board. It has also contributed to a clear committee structure with a distinction being drawn between board committees and program committees that report through the Executive Director.

The experience has been very positive for AIDS New Brunswick. The clarity of the model could enhance the governance in most organizations. Training and education of Board and Staff in the model is the key to success.

With this model in place AIDS New Brunswick is well equipped to respond the challenges of the future.

*You can find out more about
Aids New Brunswick at
www.aidsnb.com*

Analogies That Communicate - Policy Governance and Your Calendar

dear diary
dear calendar
dear daytimer
dear pda

Caroline Oliver asks you to consider your calendar as an analogous to your Policy Governance manual.

Whatever you call your calendar – calendar, daytimer, diary or ‘personal digital assistant’ - I want to know how you think about it - deep down.

Like a Policy Governance manual, your calendar promises you an organized life – but you have to conform to its structure. You must put your appointments in this section and organize them by time and day. Your addresses and phone numbers go in that section and birthdays and other perennial dates go in the front along with useful records like your vehicle licencing details.

Note that your calendar, like your Policy Governance manual, does *not* tell you what appointments to make or when to make them. Nor does it tell you whose addresses to keep and whose to ignore, whose birthdays to celebrate and whose to forget. As with your Policy Governance manual, the content is yours and yours alone.

But come on... confess, how do you really think of your calendar? Do you resent it sometimes? Does it feel like your master rather than your tool? Wouldn't you love to just throw it over your shoulder and live life spontaneous and

free? So think about it – think hard – why do you hold onto that darn thing?

When I ask boards that question, the answers pour out. We need our calendars because life's a mess without them. Without our calendars we miss things, forget things and, failing to keep to our word, we let others and ourselves down. Without our calendars we find ourselves having to reinvent things over and over again, we lose productivity and feel harassed and over-burdened.

Maybe life without our calendars is not so free after all. Especially given that they are *our* calendars and we can change them anytime – it's just that we will be able to see the consequences of our decisions clearly.

So remember, your Policy Governance manual, like your calendar, is a true friend. It will keep you on track, help you see what you need to do when you want to change track, ease your mind, organize your life, foster your relationships with all the important people in your life ... and the only cost to you is having to suppress the occasional urge to tear it, page by page, into teeny weeny shreds!!

HOT TIP!!**ADVANCE NOTICE**

The International Policy Governance Association (IPGA) is proud to present...

**THE FUTURE OF BOARDS:
REALIZING THE PROMISE OF OWNER-ACCOUNTABILITY**
Chicago (Bloomingdale), Illinois
June 10-12, 2004

As the world seeks better governance at all levels, IPGA presents its first in a series of regional conferences designed to enhance and further understanding of Policy Governance® through lively discussion and shared practical experience.

Key Features

- keynote presentation by world-renowned author and governance expert, Dr. John Carver;
- special presentations by other experts in the field of effective, owner-accountable governance;
- a variety of interactive and experiential workshops designed to teach, to inspire, and to provoke thought on good governance, how to get there, and where it can take us;
- engaging conversations about the triumphs and challenges experienced by other board members, Executive Directors and CEOs, and consultants;
- networking opportunities with others sharing an interest in good governance;
- chances to participate in creating the future of IPGA;
- exhibits, books, door prizes, and more.

Location

www.indianlakesresort.com

The *Future of Boards* conference will be held at Indian Lakes Resort in Bloomingdale, Illinois. This beautiful resort features spacious, newly renovated guest rooms and suites, 36 holes of championship golf, a full-service spa, fitness center, indoor and outdoor pools, miniature golf course, volleyball, tennis, a variety of dining options, free parking, proximity to local restaurants, shopping and attractions, and, above all, an ideal learning and networking atmosphere.

Who should attend

- board and staff members of organizations currently using or learning to use the Policy Governance® system;
- board and staff members with an interest in improving owner-accountability;
- IPGA members;
- consultants working to strengthen the ability of client boards to govern well;
- individuals interested in the pursuit of governance excellence and the future of boards.

PLANNING A BOARD RETREAT?

This one comes with a Conference, Networking Opportunity, Meeting Space and Discount Accommodation in a luxury resort already built in!!

**More information**

Have a question or an idea about the *Future of Boards* conference? Contact the Conference Coordinator, Susan Mogensen, at 613-833-2766 (Ottawa, Canada) or susan@browndogconsulting.com for more information about the conference, registration, sponsorship, and presentation opportunities. Additional information will also become available soon at IPGA's website, www.policygovernanceassociation.org

Policy Governance in the Netherlands

Jan Maas and his wife and consulting partner, Manette, have been making waves about Policy Governance in the Netherlands for the last six years.

Here Jan describes the current stage of development across all sectors.

In the Netherlands, attention to the needs and flaws of governance is higher than ever before. How come? First of all there is a considerable movement to effect mergers going on in all areas of non-profit and profit organizations, which is making people reconsider their governance and management. People are looking into alternatives and are open for change. Yet, this in itself is not enough to account for all the growth in attention, the search for cost-effectiveness is not a new phenomena.

In addition, the Netherlands has recently had its own issues similar to those arising from the Enron and Worldcom-affairs. For example, you may have heard about the over-stated earnings of the Dutch company, Ahold, or the lack of control on the construction-business (which even lead to an official Parliamentary Enquiry). Those affairs have triggered much "good governance" discussion including many articles on the extravagance of fees and bonuses for CEO's, lack of control and lack of transparency. Similar issues five years ago lead to strong recommendations from a National Committee, which now have been followed by new, even stronger recommendations (a Code of Conduct) just one week ago. All in all, governance is on the agenda, nationwide.

This does not imply that Policy Governance is the obvious alternative. As in the United States, the recommendations are, what John Carver would call, "more of the same". Forty recommendations in 1998 are now followed by over a hundred recommendations in 2003. Instead of focusing on an elementary discussion of the concept and repertoire of good governance, the focus is upon rules and regulations, which will probably stimulate governors' and managers' creativity on how to deal with rules and regulations rather than stimulating improvement of governance itself.

Corporate Boards in the Netherlands do not yet know the Carver model. I have been able to get some quotes and a reference to John Carver's and Caroline Oliver's book into the latest report of the National Committee mentioned above but there is still a long road to travel. Maybe in November some more corporate governors will get to know the

Policy Governance model when I am hoping to have John Carver speaking to an annual gathering.

The non-profit sector, or at least some parts of it –in particular education and health care- have begun to open up for Policy Governance. My efforts over the last six years have drawn the attention of most of the players in those areas: many governing boards of schools and colleges now know about Policy Governance; I have implemented it in tens of those; several national associations of boards, both in education and in health care, have come to be interested, which has brought about more written exposure as well as the opportunity to reach larger groups. Of course my background – as a managing director of one of the four national Associations of governing bodies in Education - helped to open this up.

However, although Policy Governance much better known and appreciated by these sectors, it isn't necessarily accepted as the best alternative. Part of the scepticism is the resistance people have to any "model-thinking": They think of a model as a tool to analyse a situation, not a solution. They also consider a "model" to be too rigid a way to organize real operational work - too much of a simplification of reality to be useful. This kind of criticism I can cope with by showing the full capacity of Policy Governance. More difficult to cope with is the oddity that for non-profits, the corporate model, though under severe attack, is still the exemplar of good governance. For the last five to ten years non-profit organizations have preferred to copy the corporate model to improve their governance, rather than allow themselves to think about a new way. It takes them a while to find out that, the corporate approach still fails to provide clarity and, most of all, the ability to proactively state values and criteria.

There are a whole lot of challenges out there for humble Policy Governance consultants like my partner Manette and myself, but then we have always enjoyed a challenge!

FROM THE CEO

Owner-Accountable, Effective Governance

In our last issue of *Governing Excellence*, I asked you to inquire into the second part of a two-part challenge that impacts all of us committed to Owner-Accountable, Effective Governance - How do we dismantle and overcome the barriers hindering the widespread use of Policy Governance®?

In this issue, I request you inquire into the first part of the challenge – How do we engage the public in distinguishing owner-accountability as a crucial issue that underlies the effectiveness of our organizations and institutions? Owner-accountability, I believe, illustrates the value of governing with Policy Governance.

We could say that all organizations are effective in providing value to the communities they serve, regardless of how they govern themselves. Also, organizations, regardless of how effective they are today, will become more effective when they take on governing with Policy Governance. With Policy Governance, they clearly state the results they are to produce and who will benefit from their efforts. This act alone serves to clarify the purpose of an organization and brings focus to the difference their existence makes in their communities.

However, when boards go further and fully own that their purpose is to be owner-accountable, something else becomes possible. An organization's purpose becomes even clearer, and the results and beneficiaries become more specifically defined. The community rises to become closely connected with the organization, and the organization's existence

becomes closely aligned with the values and needs of the community. An even greater difference gets made in the community.

So, if conceptually being owner-accountable makes a difference in the value organizations provide to their communities, why aren't organizations clamoring to be that? One possibility is because we haven't demonstrated that it does, and therein lays an opportunity for IPGA and its members.

In the May-June 2003 issue of *Board Leadership*, John Carver in his article titled [A New Basis for Governance Effectiveness Research](#) borrowed from IPGA's Ends and proposed that the "purpose of governance is *owner-accountable governance*" and suggested that future research on governance should examine "What formulations of board practice enable fulfillment of these conditions."

I see this as valuable research to be undertaken and see IPGA being at its forefront. I also see the importance of examining the question - What values get added to a community as a result of a board being owner-accountable? Many boards may ask themselves today, why would they want to be owner-accountable? Why adopt Policy Governance?

Identifying, connecting with and actively involving owners is not a natural way of being for most organizations that have not been exposed to the principles of Policy Governance. So why would they want to take on this challenge? Many organizations may think they are operating just fine within their existing circles, so why would they want to involve others, especially people who, as owners, could be



Howard Stier

seen as someone else to answer to? What would motivate them to shift their paradigm of governing?

That is a question that must be answered and a challenge IPGA must meet. Members can contribute by inquiring into your own or your client's organizations, looking at them from the perspective of owner-accountable governance. Ask yourselves what does owner-accountable governance look like? What are the practices you see in place that support it? What is the value that you and/or your clients see is being added in your/their communities as a result of being owner-accountable?

For me this last question is the heart of what boards are – assuring owner value is delivered. And isn't this the contribution that Policy Governance is? It provides boards the framework for making the difference they exist to make. Now it is just a matter of demonstrating that.

What do you think?

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We're on the Web!

See us at:

**www.
policygovernance
association.org**

GIVE IT AWAY!

Feel free to give your fellow board members or clients a copy of this newsletter. You will be helping to spread the word and encouraging more new membership growth.

Remember there are membership categories for all supporters.

PG ON THE WEB, IN THE PRESS, AND IN PRINT

Since the last newsletter -

Articles about Policy Governance have appeared in or at:

www.onphilanthropy.com
Donors Should Care about Good Governance
by: John Carver, May 2, 2003

Business First, Louisville,
Organizing Governance
by Caroline Oliver, June 13, 2003

CCCC Bulletin: Christian Council of Churches, **Industry Canada's Unjustified Criticism of Carver Policy Governance** by Richard M. Biery and Hugh M. Kelly April 2003

Canadian Association; An AXI publication, **Readers Views: Re: Policy-based Governance: If It's So Great, Why Isn't Everyone Using It? (March, 2003)** by Caroline Oliver May 2003

Law Now, University of Alberta, April/May, 2003

Best Practice Governance in Charities by Caroline Oliver

Boardwise, Contributions, Institutional Memory and Financial Oversight. Is Expertise Important? and **Seeking Diversity, Shielding Staff and Is Your Mission Worthy?** by John Carver, Jan/Feb, March/April smf May/June 2003

Institute of Corporate Directors Newsletter **Boards Should Add Value: But which Value and to Whom?** and **Shareholder Value Is Not the Problem: Corporate Misdeeds Cannot be Blamed on Putting Shareholders First.** by John Carver, January and February 2003.

Boardroom, **Is There A Fundamental Difference Between Governance and Management?** by John Carver, March/April 2003

Policy Governance on the Airwaves

SkyRadio prepares audio programs for major airlines' in-seat entertainment. John Carver was interviewed for a several minutes tape segment on corporate governance. The tape will be played on flights of American in September; Northwest in October; United and Delta in November and December. The tape can also be accessed from www.skyradionet.com and from John's homepage www.carvergovernance.com

Presentations about Policy Governance:

In August John and Miriam Carver are in **Perth, Singapore, and Kuala Lumpur**, a trip related to governance of both municipal government and equity corporations. The southeast Asia part of the trip was arranged by Academy graduate Tan Lye Huat who lives in Singapore.

IPGA member, Lynn Walker from St Louis organized two forums in April, 2003 to discuss "moral ownership" called Creating a Forum for Ownership in **Missouri Credit Unions** Lynn reports that their focus was on the whole system of credit unions, and the good it provides. Attending were large and small credit union executives, state regulator senior executives, and professional service providers. Although there is no formal body that governs all Missouri credit unions, the Policy Governance® concepts of Moral Owners and their connection to Ends provided a format for a diverse body of people and organizations to come together to identify and work toward a joint purpose.

On June 25 Caroline Oliver presented two seminars in **Louisville, Kentucky**, one for local business and one for nonprofits

New Members Welcome

New members who have joined IPGA since April 30 are: Larry Herman in Three Rivers, Michigan, Pat Knoll in Calgary, Alberta and Marla Mullen in San Francisco, California.

About The Association

The International Policy Governance Association was launched in June 2001. It is committed to 'Owner-Accountable Effective Governance' and is a 501c3 not-for-profit corporation.

PUT YOUR OAR IN!!

Submissions for Governance Excellence are welcome and should be emailed to coliver@policygovernanceassociation.org

We do not publish REPRINTS because we want to encourage NEW writing.