Non-Profit Board Policy Governance Model- Excerpts from John Carver www.normsmookler.com
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Introduction:

We do not intend to demean the intent, energy, and commitment of board members. There are today many large and well-known organizations that exist only because a dedicated group of activists served as both board and staff when the organization was a "kitchen table" enterprise. Board members are usually intelligent and experienced persons as individuals. Yet research shows that boards, as groups, are mediocre.
Non-profit boards tend to be, in fact, incompetent groups of competent individuals.

An extraterrestrial observer of board behavior could be forgiven for concluding that boards exist for several questionable reasons. They seem to exist to help the staff, to lend their prestige to organizations, to rubber stamp management desires, to give board members an opportunity to be unappointed department heads, to be sure staffs get the funds they want, to micromanage organizations, to protect lower staff from management.

But these observations—accurate though they frequently are—simply underscore the dis-clarity of the board's rightful job. Despite the confusion of past and current board practices, we begin in this article with the assertion that there is one central reason to have a board: Simply put, the board exists to be accountable that its organization works. The board is where all authority resides until some is given away (delegated) to others. This simple total authority-total accountability is true of all boards that truly have governing authority.

Board as Owner-Representative and Servant-Leader:

In the business sector, we can easily see that a board of directors is the voice of the owners (shareholders) of the corporation. It is not always apparent that non-profit organizations also have owners. Who are the owners of a non-profit organization? For a membership organization, its members are the owners. For an advocacy organization, persons of similar political, religious, or philosophical conviction are the owners. There are many variations. But for purposes of this paper, we will assume there is a definable constituency or community that is the legitimate ownership. If the community owns the organization, what does the community want the organization for? The board is first servant, before it is leader. It must lead the organization subject to its discoveries about and judgments of the values of the ownership.

It is the board as a body that speaks for the ownership, not each board member except as he or she contributes to the final board product. So while we might derive roles and responsibilities for individual board members, we must derive them from the roles and responsibilities of the board as a group, not the other way around. Hence, board practices must recognize that it is the board, not board members, who have authority. The board speaks authoritatively when it passes an official motion at a properly constituted meeting. Statements by board members have no authority. In other words, the board speaks with one voice or not at all. The "one voice" principle makes it possible to know what the board has said, and what it has not said. This is important when the board gives instructions to one or more subordinates. "One voice" does not require unanimous votes. But it does require all board members, even those who lost the vote to respect the decision that was made. Board decisions can be changed by the board, but never by board members.

The Necessity for Systematic Delegation:

Since the board is accountable that the organization works, and since the actual running of the organization is substantially in the hands of management, then it is important to the board that management be successful. The board must therefore increase the likelihood that management will be successful, while making it possible to recognize whether or not it really is successful. This calls upon the board to be very clear about its expectations, to personalize the assignment of those expectations, and then to check whether the expectations have been met. Only in this way is everyone concerned clear about what constitutes success and who has what role in achieving it.

At this point, we wish to introduce the chief executive (ED) role. We are not concerned whether the ED is called executive director, CEO, director-general, president, general manager, superintendent, or any other title. We are, however, concerned how the role is defined and we will use the term "ED" to reflect the role definition we recommend. We recommend that the board use a single point of delegation and hold this position accountable for meeting all the board's expectations for organizational performance. Naturally, it is essential that the board delegate to this position all the authority that such extensive accountability deserves. The use of an ED position considerably simplifies the board's job. Using an ED, the board can express its expectations for the entire organization without having to work out any of the internal, often complex, divisions of labor. The board, in effect, has one employee.

The board creates the ED; the ED does not create the board. A founding father or mother will sometimes be the inspiration for a new organization, so that the board then created occurs after rather than before the founder. If the founder becomes the new ED, it will seem that the ED is parent to the board. Boards established in this way make a grave error when they mistake an accident of history for a proper view of their accountability.

We have said being accountable in leadership of the organization requires the board (1) to be definite about its performance expectations, (2) to assign these expectations clearly, and then (3) to check to see that the expectations are being met. Dysfunctional governance practices lead boards to fail in most or all of these three key steps. Board expectations tend to be unclear, incomplete, or a mixture of whole board and individual board member expressions. Staff members can be seen taking notes of what individual board members say, as if it matters and as if they work for the board members rather than the ED.

Boards receive volumes of information that purports to monitor organizational performance. The sheer amount of information masks the fact that proper monitoring is still not occurring. Because monitoring performance is the systematic disclosure of whether board expectations have been met, monitoring that is fair and incisive can only occur after clearly stated and clearly assigned board expectations.

Using the Ends/Means Distinction:

The board need not control everything, but it must control the definition of success. It is possible to control too much, just as it is possible to control too little. It is possible to think you are in control when you are not. The zeal of a conscientious board can lead to micromanagement. The confidence of a trusting board can lead to rubber stamping.

The task is to demand organizational achievement in a way that empowers the staff, leaving to their creativity and innovation as much latitude as possible. This is a question of what and how to control, but it is equally a question of how much authority can be safely given away. We argue that the best guide for the board is to give away as much as possible, short of jeopardizing its own accountability for the total. What is there to control? In any organization, there are uncountable numbers of issues, practices, and circumstances being decided daily by someone. The Policy Governance model posits that all of these decisions can be classified as those that define organizational purpose, and those that don't. This model calls for a very narrow and careful definition of purpose: it consists of what (1) results for which (2) recipients at what (3) cost.

Some decisions directly describe the intended consumer results of the organization, for example, reading skills, family harmony, knowledge, or shelter from the elements. Some decisions directly describe the intended recipients of such results, such as adolescents, persons with severe burns, or low-income families. Some describe the worth of the intended results, such as in dollar cost or priority against other results.

In effective Policy Governance, this triad of decisions—what results for which recipients at what cost—is called "ends." Ends are always about the changes for persons to be made outside the organization, along with their cost or priority. Ends never describe the organization itself or its activities. In a school, for example, which students should acquire what knowledge at what cost are ends issues. Ends are about the organization's impact on the world (much like cost-benefit) that justify its existence. Any decision that is not an ends decision is a "means" decision. In that same school, the choice of reading program, teachers' credentials, and classroom arrangement are means issues. Most decisions in an organization are means decisions; some are very important means. But even if a decision is extremely important, even if it is required by law, even if it is critical to survival, unless it passes the ends test (designation of consumer results, which consumers, or the worth of consumer results), it is not an ends decision. Hence, means include personnel matters, financial planning, purchasing, programs, services and curricula, and even governance itself.

The ends/means distinction is critical. Many boards routinely confuse the meaning of ends and means, thereby sacrificing much of the benefit the model can give. For example, means is not synonymous with "administration" as some have misinterpreted. Ends is not synonymous with "strategic plan," as others have misinterpreted. The ends/means distinction is not parallel to policies/procedures, strategies/tactics, policy/administration, or goals/objectives. Indeed, ends may include very small and specific decisions about a single consumer, while means may include very important programmatic decisions as well as how a board constructs its committees. In Policy Governance, *means are means simply because they are not ends*.

Unacceptable Means:
It is also the board's job to examine its values to determine those means which it does not want in its organization, then to name them. For example, taking on debt above a specified level. The board can then tell its ED that as long as the Ends are accomplished and the unacceptable means do not occur, the ED can make all further decisions in the organization that he or she deems wise. It is in this way that extensive, albeit explicitly circumscribed, authority is granted to the ED. Effectiveness demands a strong ED; prudence and accountability to the board demand that the ED's power be bounded.

This unique delegation technique has a number of advantages. First, it recognizes that board interference in operational means makes ends harder and more expensive to produce. Therefore, delegation which minimizes such interference is in the board's interest. Second, it accords to the ED as much authority as the board can responsibly grant. Therefore, there is maximum empowerment inside the organization to harness for ends achievement. Third, it gives room for managerial flexibility, creativity and timeliness. Therefore, the organization can be agile, able to respond quickly to emergent opportunities or threats. Fourth, it dispels the assumption that the board knows better than the staff what means to use. Fifth, in this system all means that are not prohibited are, in effect, pre-approved. Therefore, the board is relieved from meticulous and repetitive approval of staff plans. Sixth, and perhaps most importantly, by staying out of means decisions, except to prohibit unacceptable means, the board retains its ability to hold the ED accountable for the decisions that take place in the system. Thus, when we say a board is responsible that its organization works, we simply mean that the organization (1) accomplishes the intended results for the intended people at the intended cost or priority—expressed in the board's Ends policies; and that it (2)avoids unacceptable methods, conduct, activities, and circumstances—unacceptable means expressed in the board's Executive Limitations policies.

Board Discipline, Mechanics, and Structure:
It is clear that the Policy Governance model requires a board to govern in an organized, planned and highly disciplined manner. <u>Matters that have been delegated to the ED should not be decided by the board or by board committees, for in making such decisions, the board renders itself unable to hold the ED accountable.</u>

Effective Policy Governance boards know that their job must result in the production of three deliverables. (1) The first deliverable is a systematic linkage between the organization and the ownership. The board connects with the ownership in order to ascertain the range of ownership values about the purpose of the organization. If the board is to make Ends decisions on behalf of the owners, it must know what the owners in all their diversity think. (2) The second deliverable is written governing policies, using the principles we have described. (3) The third deliverable is the assurance of organizational performance, that is, performance which can be shown to be a reasonable interpretation of the board's Ends and Executive Limitations policies.

The board is by definition a group of peers. The first action of a group of peers is to create a position of Chairperson—a first among equals—to help it stay on task. The board grants the Chair extra authority required to make rulings that keep the board on track. To stay consistent with the superior role of the board as a group, however, in effective Policy Governance the Chair only has authority that is within a reasonable interpretation of the board's policies. <u>Hence, the Chair is truly the servant-leader of the board.</u>

It is all too common for non-profit boards to expect the Chair to supervise the ED, but in effective Policy Governance there is no need for the Chair to have authority over the ED. <u>Only the board has authority over staff operations, and it exercises that authority through carefully crafted policies.</u> It is not only unnecessary, but harmful for the Chair to tell the ED what the board wants, for the board speaks for itself. Consequently, both the Chair and the ED work for the board as a whole, but their roles do not overlap because they are given authority in different domains. The Chair's job is to see to it that the board gets its job done. The ED's job is to see to it that the staff organization gets its job done—as described in Ends document.

Board Treasurers, as sometimes used, threaten ED accountability as well as the one voice principle. Effective Policy Governance boards do not allow Treasurers to exercise authority over staff. The board should accept responsibility for financial governance (setting policy, then comparing performance) and require the ED to be accountable for managing finances so that performance compares favorably to policy.

In keeping with the "one voice" principle, <u>the board can allow no structures or practices in which board members or board committees exercise authority over staff, any function of staff, or any department of staff.</u> Typical non-profit boards have a myriad of traditions that violate the one voice principle, such as placing the Chair between the board and the ED. <u>It is common for boards to underestimate the amount of board member interference in operations.</u> Such interference, even when well-intended, undermines the board's ability to hold the ED accountable. Boards refrain from giving advice or allowing their members to give advice unless advice is requested. The ED and any of the staff can request advice if they need it, and they can request it from wherever they wish. <u>Effective Policy Governance boards use committees only to help the board to do its own job.</u> Policy Governance takes seriously the normally rhetorical assertion that boards be visionary and provide long term leadership. The discipline required for this challenge cannot be overstated.

This requires board member expertise relevant to governance, not management. Board members should no longer be recruited based on their having skills that mirror the skills of staff. Governance excellence requires members who can think conceptually and with a long-term perspective, able to welcome a diversity of opinions but abide by group decisions. They must be able to speak on behalf of the ownership rather than merely from their own or some splinter group perspective. <u>They must be able to view the board's task of assuring performance at arm's length—through setting expectations (using the ends/means principle) delegating pointedly to an ED, and monitoring.</u>

Evaluation:

<u>Proper evaluation is impossible unless the board has first stated its expectations and assigned them to the ED.</u> The results of proper evaluation of organizational success is the only fair evaluation of ED performance. Since the ED's job is to see to it that the organization meets the board's expectations, there is nothing more and nothing less to evaluate when assessing the ED. Thus, the board's evaluation of organizational performance is the same as board evaluation of ED performance. Monitoring the evaluative data is an ongoing activity—perhaps as frequently as monthly—and the board may wish to have a formal evaluation of the ED once each year. The ED's formal evaluation is only a summary of the accumulated monitoring data, not something in addition. Monitoring or evaluative information must speak *directly* to whether board expectations are being fulfilled. Consequently, it is always related to expectations set by the board in its Ends policies. This discipline not only makes it unnecessary for the board to trudge through the mountains of data staff are able to assemble, but it keeps evaluation fair. The ED should know ahead of time the criteria on which he or she will be judged. For each Ends policy, the board will have set a frequency and a method of monitoring, after which the process runs automatically. The choice of method will be a report from the ED, judgment by a disinterested party (for example, an auditor), or—less frequently—direct board inspection of organizational practices or circumstances. When the board seeks to evaluate itself, it compares its actual behavior and accomplishment with the behavior and accomplishment to which the board has committed itself. <u>Effective boards tend to self evaluate frequently.</u>

Board Meetings:

Board meetings become the board's meetings rather than management's meetings for the board. Meetings occur because of the need for board members to learn together, to contemplate and deliberate together, and to decide together. <u>Board meetings are not for reviewing the past, helping staff do its work, or performing ritual approvals of staff plans</u>. The ED is always present, but is not the central figure. Other staff might be present when they have valuable input on matters the board is to decide. The board is not merely a body to confirm committee decisions, but the body that makes the decisions. <u>Board committees might be used to increase the board's understanding of factors and options, but never to assume board prerogatives or remove difficult choices from the board table.</u> In contrast to the old bromide that "the real works takes place in committees," in effective Policy Governance the real work takes place in the board meeting. Board meetings should thus be more about the long -term future than the present or short-term future . . . more about ends than means . . . more about a few thoroughly considered large decisions than many small ones. Meetings demonstrate that the board's primary relationship is with owners, not with staff.

Summary

The board does not exist to help staff, but to give the ownership the controlling voice. The board's owner-representative authority is best employed by operating with one voice, prescribing organizational ends and specifying unacceptable means. This model enables extensive empowerment to staff while preserving controls necessary for accountability. It provides a values-based foundation for discipline, a framework for precision delegation, and a long term focus on *what the organization is for* more than what it does. It offers a challenge for visionary groups determined to make a real difference in tomorrow's world!

<u>Questions for a board to consider (from www.normsmookler.com)</u>:
1. How do we define our ownership? (What is the constituency or community that we serve?)
2. Thinking ahead two years, what "ends" do we want? (What results? Which recipients? What cost?)
3. Do we agree with the Best Practices outlined in the article? How can we improve our practices?