

## “Positive & Effective Leadership through Policy Governance®: Maximizing your leadership potential”

### Frequently Asked Questions...

#### **I've heard this is a hands-off model. Is it?**

It is actually very hands-on. The board spends lots of time in advance establishing policies to guide organizational decisions and actions. However, it also recognizes the value of being very clear regarding which decisions it will make and which it will allow others to make. This means it has its hands on all items, but often only at the larger and broader level.

#### **Is it safe to give the CEO so much authority?**

This model explicitly defines where board authority stops and CEO authority starts. Because the board has actively decided what it needs to keep, including a method for regular and vigorous monitoring of the CEO, and because it has addressed every issue starting at the largest level and adding depth under that broad level, it can safely hand off all smaller decisions to either the CEO or the Chair, as long as the CEO or the Chair use a reasonable interpretation of the board's policies.

#### **How does a Policy Governance Board fulfill its fiduciary duties?**

Fiduciary duties are often defined as care, loyalty and lawful obedience. A Policy Governance board shows care by developing policies that define which things need to be cared for and to what extent, and then making sure the person charged with that duty is actually fulfilling it. The board shows loyalty by proactively seeking the values of the entire set of owners to develop policies to guide the organization. The board shows lawful obedience by ensuring that its behavior, and that of the management, is aligned with the bylaws and appropriate laws and regulations.

#### **How does the board conduct financial oversight in this model?**

The board proactively develops a set of policies that covers everything that would ever be of significant concern, including actual financial situations and conditions as well as how financial planning and budgeting are done, and delegates those policies to the CEO to carry out. Then the board actively and regularly measures whether or not the requirements in the policies are actually being met. Rather than solving problems after they happen the board defines what would be a problem and ensures it is not allowed.

#### **What method is used to measure organizational performance?**

The board is concerned about three major things as they relate to performance: Did the organization it controls actually produce what it exists to produce? Was the organization it controls run safely and effectively? Did the board itself work in a manner that would best support the first two situations? Assuring performance on each of these three is accomplished by proactively developing a set of criteria for what each of the three things means, making clear who is accountable for them

happening, and then using data-based monitoring to make sure that they actually do happen.

#### **What are the benefits of using this model?**

Arguably, a safer organization that is also more likely to have the positive impact intended and to a greater extent than it otherwise might. The board puts protective boundaries in place early on, clearly defines expectations and range of authority given to the CEO, and then rigorously monitors to make sure all expectations and boundaries are being adhered to. Because the CEO knows what they are expected to do, how much authority they have and how they will be held accountable they are able to take more rapid, more innovative and more decisive action. Taken together these tend to increase both results and safety.

#### **What are the challenges of using this model?**

It requires things to be done in a way that is different from what most boards do. It also is based on a set of 10 principles rather than a set of rules, which requires an ability to apply the principles to everything. This means that the model gives the board a method to address any issue but also that the model may not be as easy to learn as some others.

#### **When individual directors vote, who are they voting for?**

No matter how the directors have arrived at the board, they commit to representing the best-informed interest of the entire ownership community. Knowing they will likely have to make decisions that not everyone will agree with, they try to first understand everyone's values and then make the best decision based on those values and what the directors can learn about the issue.

#### **What sort of board can make the most use of this model?**

This method of governance is systems-based and strategic. Boards that like to think strategically, that can use different perspectives to become more wise, can engage in dialog to determine the best group thinking, and work as part of a team seeking the greater good are good candidates for the model.

#### **What sort of board might have the hardest time using this model?**

A board that is fond of being involved with the day-to-day management of the organization, that does not have the time to spend seeking out knowledge, or that lacks the interest or ability to consistently follow a system is not a good candidate.

#### **How does Policy Governance address risk management?**

The board defines all areas of risk in advance and ensures that the risks are covered either through the parameters it sets for the CEO to operate within or by parameters for how the board behaves and makes decisions. Then the board regularly and judiciously evaluates whether or not its instructions are being followed.

#### **Why does the model use negative language to define what the CEO can do?**

By stating what is not okay and allowing everything else within that limit, the CEO clearly knows what they can act on and what they cannot. When a decision needs to be made, especially if it needs to be made quickly, they can act without hesitation.

#### **What are the most important benefits of this model from a staff perspective?**

Clearly defined roles and ranges of authority allow staff to know what they can and cannot act on by themselves. This allows them to use more of their innate ability, achieve greater accomplishments, and worry less about being blindsided.

### **What are the most important benefits from a board perspective?**

This system gives the board a way to succinctly define how much protection is just enough so that it does not put the brakes on organizational performance. That gives them a way to delegate most operational decisions to the CEO, freeing them up to do the value-added strategic work of envisioning the future and the meaningful work of connecting with the owners they represent.

### **What are the most important benefits from a customer's perspective?**

In the areas of impact defined by the board, customers should see a more effective and efficient delivery of those impacts in their lives and/or their community. That means they should also experience more of those impacts.

### **What are the most important benefits from a member or owner's perspective?**

Owners have an active set of representatives who use owner values and preferences to make the best decisions about where to head and how to protect the value the owners have invested in the organization.

### **How is this system of governing different from other ways of governing?**

It is the only all-inclusive system that results in a set of policies that address every organizational issue at some level. Other models have bits and pieces but do not provide a system. The system

provides a framework for the board to initiate the decisions on every topic without having to actually make every decision, as many boards do. The framework also incorporates checks and balances to ensure that both the board and the CEO are doing their job adequately.

### **Why does the board define "Ends" instead of goals or objectives?**

This special method of defining what good should occur as a result of the organization's activities is a powerful way to set strategic direction. Goals and objectives can apply to results or activities or even just good intentions. The Ends define what specific changes should occur in the world and for whom. Many strategic plans have lots of goals and objectives about what the organization will do and be but never address the critical question of "so how will we be better off?" Policy Governance does.

### **How is strategic planning done in this system?**

What most think of as strategic planning is usually delegated to the CEO, but only after the board has taken the first steps by defining the Ends and setting the parameters within which the CEO must operate to achieve them. The CEO is free to do any necessary planning as long as it is aimed toward achieving the outcomes within the parameters as set by the board.

### **Why not use a treasurer and a finance committee?**

Honoring the board's delegation to the CEO is imperative both for empowering the CEO and for making them accountable for performance. Having officers or committees that can influence the decisions within the authority of the CEO can undermine that delegation, which in turn can undermine the CEO's ability to meet the

expectations and therefore undermine their ability to be held accountable for them. Anything directing the CEO should come from the full board and in written policy.

### **Why is the way that policies are written so important?**

Both the board and the CEO will need to make decisions, at different levels, about the Ends and the operational situation. Because the board begins its policy at the broadest level of each issue first and then defines it level by level until it can accept any reasonable interpretation of the policy as written the board identifies exactly what is its own and what belongs to the CEO to decide.

### **Why isn't looking at the financial statements as good as monitoring?**

Monitoring as done in Policy Governance uses a criteria-based approach. The board defines what its expectations are as a group, writes them in policy, delegates their performance, and then measures whether or not the criteria are being met. Looking at the financial statements to spot concerns or problems is not based on established criteria (no one knows exactly what is good or bad), is not based on criteria set by the full board (each member looks to their own), is judged on the fly (based on what one can think of at the moment), and can easily wind up being either too lax to be safe or too tight to allow effective staff decisions.

### **What is different about the way the board monitors success when using this model?**

In Policy Governance the board sets its expectations in advance by developing criteria based policy and delegating the required performance to the CEO. Then it has the CEO regularly submit monitoring reports that include

a definition, a measurement system and actual data. The board assesses whether or not the CEO's report mirrors its policy and whether or not the data is appropriate and shows sufficient performance. Success is defined by achieving the Ends criteria and avoiding the off limits. Everyone knows what success should look like.

### **What is the concept of board "holism" and "one voice" about?**

A board is a representative body, and its authority is held by the full body. This means that the board needs good process to bring its members' various voices into an agreed position and that once the position is reached, it is supported as the official voice of the body. Individual board members have no authority to act alone, whether in dealing with the press or in directing staff. Board holism and one voice refer to this concept of the group as authority and the need to reach and support the official conclusion determined by the board to be best.

### **How does this model empower the staff?**

By clearly defining what is to be achieved, clearly defining which methods or situations would never be okay, and then, knowing that the instructions are clear and that the board will check to see if they are followed, allowing the CEO to make all further decisions that lie within the policies the board has written.