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VOL 25 NO 1
JANUARY 2020

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JANNICE MOORE
PRESIDENT

The Journey Continues...

All too often, boards may have the impression that once the policies have been written, the hard work is done. As we head into a new year – a new decade – the focus of this issue is on what comes next in a board's process of implementing the Policy Governance system. We like to think of the process as a journey.

Developing the policies is a very important part of the journey, as they form the basis from which the board governs. They set the direction for the organization; they set the boundaries within which the CEO has freedom to creatively produce the desired organizational impact; they set out the way in which the board will delegate to the CEO, hold the CEO accountable, and do its own job. You might think of the policies as having reached base camp in climbing a mountain. They are the basis from which you climb higher. You regularly return to them, but they are not the goal of the journey. The goal is ensuring the organization achieves the results expected by those on whose behalf you govern, and doing that as effectively and efficiently as possible.

To do that the board now needs to learn some new habits. Regular monitoring reports are expected from the CEO. An efficient and effective way of assessing those reports is required. Agendas are no longer focused on myriads of operational

details, or simply rubber-stamping CEO plans. Building agendas that help the board turn much of its attention to strategic foresight in order to lead into the future becomes important.

Even though the initial Ends policies are written, the work related to Ends never ends. The board needs to devote time to connect with those on whose behalf it governs. It needs to study the external context in which it makes decisions, explore future possibilities.

The transition doesn't stop at the board level. Those new policies impact the operational level as well. CEOs need to determine and clarify measures to satisfy the board that the policies are being followed. For example, has the organization achieved a reasonable interpretation of the desired organizational impact? Once the CEO has determined what achievement will look like, the whole organization needs to be aligned with the plan to get there.

This issue is devoted to some of the details of this transition, based on our 25 years' experience as a company supporting boards, CEOs and their operational teams in going through this change. We hope you find the articles of practical value in your journey.

Jannice Moore

Editor's Note

You **have** to watch this...

<https://youtu.be/8qeCQ6IkmM4>

Marian

Marian Hamilton
Editor

Change Does Not Equal Transition

ROSE MERCIER - SENIOR CONSULTANT



Deciding to change is just the first step in transitioning to governance excellence.

I have made two major moves in my life, leaving my family to drive across the country and resettle some 2200 kilometers east, and then leaving an interesting city, well-established network of friends and professional colleagues to settle 200 kilometers south. In both instances, the decision to move was a positive choice: I wanted to relocate. Both times, I deliberated the pros and cons, but I had a compelling reason for moving that made the choice clear. Achieving my future vision meant moving. However, the process of living fully and effortlessly in a new 'world,' even one where I really wanted to be, was another story. It took a lot of effort over a long time.

I will sometimes talk about my moving experiences after a board makes a decision to implement Policy Governance®. It has decided that its current practices aren't working and won't produce the level of governance excellence it is seeking. It has decided that Policy Governance offers it a vision of what is possible and has decided to relocate to a different governance space. I share my stories to help board members appreciate that deciding to move and being "at home" in a new location are separate processes. Both need intentional actions and thoughtfulness.

While change and transition are sometimes used interchangeably, the concepts they describe are different.¹ Change is the act of making something different – a board decides to implement Policy Governance. Transition is the inner adaptation to the new governing system

– to the point in time when using Policy Governance feels comfortable and natural.

It is important for the board to acknowledge that it is on a journey. Old habits and ways of thinking need to be left behind – easier for some than others. So what can a board do to ensure the transition to Policy Governance is successful?

1. Introduce tangible expressions of the new governance system as soon as possible. Complete the board's policy manual. This is the board's new and fundamental tool for governing. Introduce an agenda format based on the board's jobs – policy development, ownership linkage and CEO evaluation. Create an annual agenda plan for the board's work. Begin monitoring policies. These tools are the visible expressions of the new space.
2. Avoid stepping back into the 'old ways': the opportunity *will* arise. A member complains to a director about a program or slow response to her email and the director asks to add this to the board's next agenda. A director wants the board to approve the budget 'just this one last time' or maybe thinks the board should keep its Finance Committee for the first year until she sees if Policy Governance is really going to work. When these or other backward facing actions arise, respond by carefully and assertively explaining the importance of adopting new behaviours even if they seem awkward.
3. Understand that change – even desirable change – will cause individuals to experience a sense of loss. This can show up in lots of different ways:
 - Directors feel less confident about



how to respond to an issue using the tools of Policy Governance.

- Directors are uncomfortable about personally engaging with owners. It was so much easier when they just had to come to board meetings.
- Directors may sense a loss of influence over the organization's programs or loss of the relationships they had with staff members with whom they had worked closely on a committee.

Change gives rise to a variety of emotional responses. The board's Policy Governance champions and the board's governance coach need to understand what the board, individual directors – and perhaps others beyond the board – think they are losing because of the change. It is important to enable individuals to express frustration or acknowledge a lack of confidence about how to do the board's new work. The board's leaders need to remind directors why and how the board came to make this decision, reinforce how far the board has come from its initial decision, and bring attention to the fact that they are on a journey to governance excellence – a journey that will not always be smooth. And that is normal and okay.

Using an image of traveling between two islands can lead to an open discussion. Directors can point out where they are. Has everyone left the 'old' island? Are they on the boat but wish they hadn't left solid ground? Are they experiencing the 'choppy waters' between the old and new islands – agreeing it was a good idea to adopt Policy Governance but feeling really confused about how everything fits together? If so, it might be appropriate to slow down the pace of introducing new practices and double down on education.

Go slow now to go fast later is a useful adage to keep in mind.

I finally fully integrated in my new worlds but not before many, many months of figuring things out. I had to find a job, a place to live, new friends, new doctor, new dentist, where to eat, where to shop, where to get my hair cut, how not to get lost, etc. There were definitely times when I wondered if I had made the right decision and longed for the comfort of the old familiar home. It was tiring. Being patient with myself, revisiting the reason for the decision and paying attention to what I was feeling helped me eventually land happily in my new world.

Arriving in the new world of Policy Governance, having fully integrated the new ways of working and decision-making, requires paying attention to the pace at which directors are making the transition and thoughtful action to keep the process moving forward. Remember transition involves thinking and feeling individuals. It takes time to learn how to govern differently: it is both an intellectual and emotional transition. Pay attention to both.

¹ Chris Edgeworth. *Leading Organizational Change in the 21st Century*. Edmonton, Alberta: Lost Creek Press Ltd. 2005.

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**“Any change, even
 a change for the
 better, is always
 accompanied by
 discomforts.”**

~Arnold Bennett

THE GOVERNANCE COACH NEAR YOU..

As of this publication date, a member of The Governance Coach™ team will be travelling to the following areas in 2020:

JANUARY 2020

- 13 Denver, Colorado
- 14-15 Las Vegas, Nevada
- 18 Manilus, New York

FEBRUARY 2020

- 1 Saskatoon, Saskatchewan
- 6-7 Olds, Alberta
- 13 Toronto, Ontario
- 20-27 Orlando, Florida

MARCH 2020

- 4 Red Deer, Alberta
- 21 Pancho Carlsbad, California

APRIL 2020

- 8-9 Olds, Alberta
- 30 Concordia, Missouri

MAY 2020

- 1 Concordia, Missouri
- 7 Santa Monica, California

JUNE 2020

- 17-20 Fort Worth, Texas

AUGUST 2020

- 20 Toronto, Ontario

Share the cost of expenses! If your organization would like to hold a Policy Governance workshop or meet with a member of The Governance Coach team on either side of the above dates while they are in your area, please contact:

Marian Hamilton
 Office Manager
 Tel: (403) 720-6282

ENDS TAKE TIME

ANDREW BERGEN - SENIOR CONSULTANT



My favorite vegetable is asparagus. Four years ago, I decided to plant some in the hopes that we would have our own crop to enjoy. Asparagus demands patience. It takes at least three years of growth before it can be harvested. In year one, it barely even looks like asparagus. Last year was year three and we were able to harvest enough for one meal. This year we enjoyed five meals with fresh asparagus. We anticipate that next year we might even have enough for twenty meals. There are best practices in Policy Governance®, some of which may be appropriate for more traditional approaches to governance (e.g., the board speaking with one voice). But often, best practices in traditional approaches are not suitable for boards using Policy Governance.

If I were writing an Ends monitoring report for asparagus production, I would have to include some rationale that in year one and two there will be no apparent production as the plant must mature prior to beginning harvest. This would be entirely reasonable.

The Ends for your organization may be the same. In fact, Ends should be aspirational, focusing on the long term benefits the organization should produce. For example, a school board may have an End along these lines: “Graduation rates will increase to 96%.”

If the graduation rate is currently less than that, say 89%, it would be unreasonable to expect the Superintendent to achieve 96% in the first year.

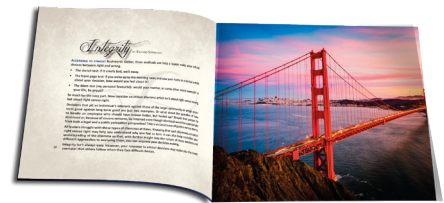
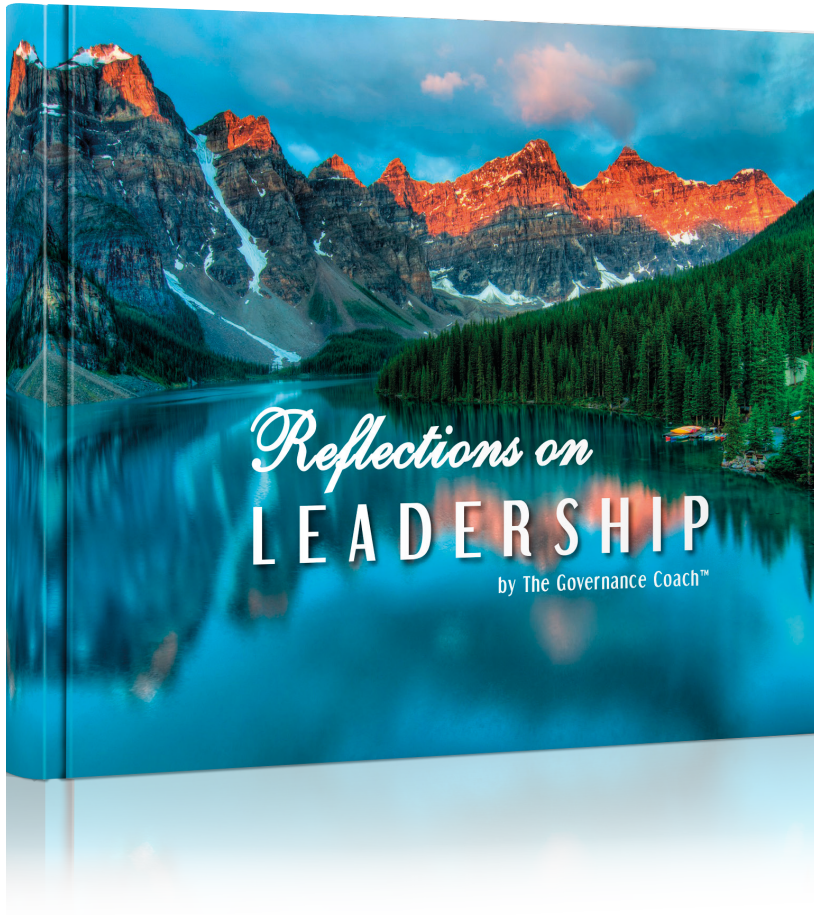
The monitoring report for this End may include a rationale something like this: “Compliance will be demonstrated in year one when there will be minimal increase in graduation rates. This is reasonable because: 1) We are realigning resources and strategy, and this takes time and 2) The impact on graduation rates begins long before grade 12, including ensuring students in Grades 9 and 10 achieve all necessary credits. As such, graduation rates can be expected to increase to 90% in year one, 92% in year two, 94% in year three. 96% will be achieved by year four.

Or similarly, for a health district, an End may be, “Surgical wait times will be less than 60 days.” It would be reasonable for the CEO to provide an interpretation that states this target will not be achieved in the first year because it is first necessary to collect data, research into best practice, equip surgical theatres more fully and realign resources to contract more surgeons.

So for Ends, allow for reasonable interpretations that take some time to arrive at your intended destination, while providing appropriate milestones for achievement along the way. As for me, I think it’s time for supper. It’s year four and my asparagus has produced: I think I’ll steam some of it.



NEW BOOK - Reflections on Leadership



2019 marked the 25th Anniversary of The Governance Coach™. To celebrate this milestone and express our gratitude to our clients and colleagues for our success, we created a small book: *Reflections on Leadership*.

Being a consultant is a leadership position, but one without formal authority. We give advice to our clients, who can choose to follow it or not. We trust it's been wise advice. In the process, we ourselves have grown and learned a lot about leadership.

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Transformative Power of Ends

DEE INCORONATO - CONSULTANT



The Board's job description in the Policy Governance® Model is clearly defined. The board represents the informed voice of the owners. Through explicit written policy, it assures organizational performance. The board defines expectations in written policy about its own job results, practices and delegation style, values about what the organization is to produce and expectations about the operational organization. The expectations about operations are stated as Executive Limitations which place boundaries on CEO means for reasons of ethics and prudence.

What the organization is to produce, Ends, is the most critical of all policy areas. Ends are concerned with which human needs are to be satisfied, for whom, and at what cost...Ends are about what the organization is *for*, not about what it *does*.”¹ (Executive Limitations allow the CEO to be creative within board-created boundaries, whereas Ends statements have the power to transform an organization and satisfy those human needs.

Well-written Ends statements include the difference or impact that will be made, for whom, and at what cost. Ends should be achievable and carefully describe what results the CEO must accomplish, at least in the long-term. I asked Jim Fitzgerald (CEO of Intermountain, a non-profit using Policy Governance for over 15 years) his challenges with Ends statements. He said, “If Ends are not clear, it becomes more challenging to interpret, in some cases impossible; the board must understand its intent and what it is trying to accomplish. Ends can either destroy an organization and its mission if not in alignment with the purpose of the organization or be transformative if related to strategic intent.”

The CEO is accountable for interpretation of Ends policies and must provide an operational definition of the board's intended results along with defensible rationale as to why it is reasonable. It is imperative to find good outcome measures for Ends. This means working backwards, as it were, to determine what would be valid evidence of compliance, thus pressuring the organization to be and do better. Having to provide evidence of compliance, according to Jim Fitzgerald, “will push the organization to greater levels of analysis and analytics necessitating internal operational processes to be aligned with strategic intent. Achieving strategic intent demands structure and operational processes be aligned.”

The following example illustrates a well worded Global Ends statement, a lower-level Ends statement and valid evidence of compliance.

Global Ends Statement for a school:

Students develop the competence, character, and capacity to succeed in their life journeys. These results shall be produced at a cost that demonstrates good stewardship of resources.

Example of one lower-level Ends statement based on the above Global Ends Statement:

Students can read, comprehend, and communicate fluently at grade level or higher.

Example of compliance and evidence for one component of item 1: Students can . . . communicate fluently at grade level or higher.

Compliance will be demonstrated when report card results in Writing demonstrate annual movement at a rate of at least 2% over a five year period toward attaining the state standard of 75% at level 3 or above out of 4 levels in Grades 1 through 8. This data measures students’ ability to express themselves and voice their opinions, needs and ideas in a responsible and respectful manner, using a variety of modalities and media (e.g., oral language and in writing). Level 3 is the state standard for achievement of the expectations. Seventy-five percent is consistent with the Department of Education target. Trends indicate that while our school district elementary results on these tests overall are lower than the state standard, they have improved over time within a range of 0 to 13% annually over the past five years in two of six assessment areas. The range of increase across the state has been within 0% to 10% over the same five year period. Selecting an annual increase of at least 2% provides an ambitious yet reasonable target based on state and school district trends. In addition, analyzing data over a five year cycle is consistent with Department of Education data analysis and reporting practices.

EVIDENCE

Report Card data for Writing for students in Grades 1 to 8 achieving levels 3 and 4
Green shaded indicates compliance – expected amount of increase.

	Report card data Grade 1 – 8 achieving levels 3 and 4				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Writing	66	68	70	72	75

COMPLIANT

Note, the global statement includes the beneficiaries (students), the benefits (competence, character, and capacity) and the cost (demonstrates good stewardship of resources). The lower-level statement includes the beneficiaries and the benefits (read, comprehend, and communicate at grade level or higher). How does the board know these Ends have been accomplished? Once Ends policies have been given to the CEO to carry out, the CEO provides a reasonable interpretation with a defensible measure against which policy achievement can be assessed. Data provides evidence demonstrating the accomplishment of the interpretation.

Based upon the strategic intent of the school in this example, the CEO could push for an annual increase more than 2% based on state standards and school district trends for students in Grades 1-8 to achieve. This extra annual increase could give this group of students a competitive edge as they enter high school and then college.

Well written Ends, strategic intent and meaningful analytics create competitive advantage. Ends statements have the power to transform!

¹Carver, John. *Boards That Make A Difference*, Third Edition. San Francisco: Jossey-Bass, 2006, p. 48.

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“Having to provide evidence of compliance will push the organization to greater levels of analysis and analytics Achieving strategic intent demands structure and operational processes be aligned.”



Errors CEO's Often Make When First Using Policy Governance®

RICHARD STRINGHAM - SENIOR CONSULTANT



Policy Governance does not prescribe management approaches; however, it does require that the CEO comply with board expectations stated in policies. Unfortunately, CEOs often miss the implications of such a change in their operations.

If you are the CEO of an organization which has just adopted Policy Governance, avoid these common errors.

a. Assuming that all the operational procedures and actions that previously took place will simply continue.

The vast majority of direction to the CEO now comes via policy and, if the board properly applied the Policy Governance principles, it has most likely changed its expectations of operational performance.

The Ends policies have clarified the results to be achieved, the intended beneficiaries, and the worth of those results. The Executive Limitations policies have set up boundaries of what is unacceptable. Together, these two policy sets create a screen the CEO should use to test any opportunities or actions that she may consider. This includes past decisions and actions as well as new ones.

It is not uncommon to hear CEOs remark that: 1) their new policies required stopping some of the things they were doing, because they did not apply to achieving Ends and were wasting resources needed to do so; and 2) previously, there were gaps in operational areas that were unnecessarily exposing the organization to risk which are now covered by the new set of policies.

Instead of expecting business as usual, expect that you will be required to make operational changes in compliance

with the new board policies.

b. Developing strategic plans independently from the Ends policies.

The CEO is accountable for achieving a reasonable interpretation of each of the Ends. It would be imprudent for her not have plans to do so. Developing a strategic plan to achieve some other results, perhaps for other recipients, would draw resources from the CEO's task of achieving Ends; obviously an imprudent exercise.

Instead, strategic plans should be developed to achieve a reasonable interpretation of each of the Ends.

c. Not developing interpretations until the monitoring report is due.

CEOs often don't realize that, to demonstrate compliance with many of the Executive Limitations policies, the CEO needs to have internal systems in place to ensure and track compliance.

To illustrate, imagine a board policy that states: "The CEO shall not allow employees to be unaware of their performance expectations." How will the CEO ensure that they are aware and demonstrate accordingly? She might require that all supervisors review expectations with their team members and then have each team member sign off accordingly. Her interpretation might also include the requirement that such reviews need to happen within two weeks of starting for new hires and annually thereafter. Most boards would consider these parts of a reasonable interpretation. For monitoring, an inspection of employee files would confirm if they had signed accordingly. But if the CEO only develops such a system at the 11th hour, monitoring can't provide evidence of compliance for the reporting period.

Instead, because monitoring is a

look back at compliance during the reporting period, it requires that the new operational systems are implemented as soon as possible during that period.

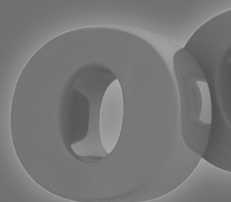
d. Continuing to take operational decisions to the board for approval despite the delegation of the decision to the CEO via the new policies.

Let's face it; some boards have had their fingers in the operations more than they should have, and after the adoption of Policy Governance, it is not unusual for a CEO to feel wary of the board's commitment to not require that it approves operational means.

On the other hand, some CEOs have also been known to take unpopular decisions to the board for its approval to assure the impacted stakeholders that the board is on side.

Unfortunately, doing so when using Policy Governance casts doubt on the whole delegation system. If the board is asked to make a decision which has been delegated to the CEO in accordance with the board's new governance system and policies, what determines that a decision should be a CEO decision in actual practice? If the CEO does not trust that the board will support any decision which is policy compliant, how can she know that the board "has her back"?

Instead, CEOs should be ready to justify any operational decision as being compliant with a reasonable interpretation of any relevant policies. By all means, keep the board informed with open communications, especially regarding decisions that may get push back from stakeholders. If the board wishes to, it can always change its policies.



Each of these errors can be avoided by the CEO paying close attention to the application and future monitoring of Ends and Executive Limitations policies early on after the board's adoption of Policy Governance.

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"CEOs should be ready to justify any operational decision as being compliant with a reasonable interpretation of any relevant policies."

oops!

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NOTES FROM A Policy Governance® ROLLOUT

JOSEPH INSKEEP - CONSULTANT



Recently I looked back with a board chair on the effective Policy Governance rollout she oversaw for her organization. Eighteen months into implementation, it's clear the rollout design contributed to the implementation's success.

This is a large membership organization with several hundred chapters in the US and Canada. In 2009 they strengthened their commitment to governance, and have since tried to follow a set of governance concepts that the previous leadership found relevant. However, over the years board behavior fluctuated and tended toward the “operational,” and the board had no solid model on which to anchor sustainable governance. Three years ago, a task force was formed to find a better model. This led by word of mouth to Policy Governance and The Governance Coach™. Comments below describe a few elements of the rollout that the chair and consultant feel are particularly noteworthy.

Comments from the chair

In our organization, an important focus was our overall communication efforts. We are trying to educate a large, dispersed membership from top down as to what we are doing with Policy Governance. It was important to share the 10-year history of how we got to Policy Governance so that our community could feel they were on this journey with us. The consultant is the governance professional, our board members are increasingly experienced with the concepts and terminology, but we have to think and communicate about this from the perspective of a member who probably knows nothing.

In reaching across the system, we were trying to set the level on a complex topic in a short time period. How could we keep reinforcing that? We ran a series of webinars for leaders in our network. We used channels like articles in our magazine, advocating from the podium at national convention, placing short pieces in the public-facing pages of our website. We began to communicate about topics like our linkage efforts, board committees, the distinction between governance and management.

Though key leaders may be passionate, you can never assume that everyone is on board from day one, because change is difficult and not everyone wants it. In a member driven organization like ours, with members of all ages, there are those who don't want things to be different. You have to have a high-level message for everyone, and then there might also have to be one-on-one communication where that is needed.



I think of it as a continual process. Actually, I think of it as a continual rollout. We have begun; but we are not done. I have told everyone, in board meetings, webinars and public statements, effective governance is a marathon, not a sprint.

From the consultant

Confidence in working together to implement Policy Governance starts with a few key leaders. The first meetings, as one would expect, were with the board chair and Executive Director. Do these principles resonate? Does our conversation together build trust and confidence? Is this the right time?

These first exchanges were followed by a thorough introductory Policy Governance session with board members and then one tailored to director-level staff. This expanded the exploration to ensure that key leaders got questions answered and felt supportive of going forward. Having decided to adopt, during workshops in the first 18 months we increasingly transitioned from higher level theory to more detailed application. One guiding principle was to provide information in an on-time, as needed basis to avoid oversaturation or leaving people hungry for tools they needed.

The tempo of year-one and year-two progress is critical. It sends important signals to leaders and members alike. Good tempo avoids exhaustion while ensuring that everyone involved feels positive about the level of progress. Leaders need to know that there is real return on their investment, so felt progress with the

principles and core skills is critical for board and staff alike. The skills that each group needs are distinct, so we worked in different rooms at different times.

Regular communication between board, Executive Director and consultant develops consistent discipline. The elegance of Policy Governance is in its overarching sweep and also its attention to detail. The consultant needs to see the work in different forms (meetings and written materials) to coach the minor adjustments which ensure clients avoid painful major adjustments further on.

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**“Confidence in
 working together to
 implement Policy
 Governance starts
 with a few key
 leaders.”**

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Your First Policy Governance® Board Meeting

TED HULL - CONSULTANT



If North America were to convert to driving on the left side of the road, it would be best that everyone begin at the same time. Phasing it in by starting with motorcycles and then with cars and a few months later with trucks might not be the best idea. Phasing in Policy Governance might not be quite as disastrous, but the idea is the same. Once you have made the decision to move ahead with Policy Governance and you have policies in place, it's time to go live.

Within the policies you have developed, there are three important items that you should keep close at hand.

The first is your **Board Planning Cycle**. This is a one year plan that describes the items you will cover at each meeting. Across the top you will typically have (1) ownership linkage, (2) board education, (3) Ends discussions and decisions, (4) content review of Governance Process and Board-Management Delegation policies and related decisions, (5) Executive Limitation policies content review and related decisions, and finally (6) monitoring of Governance Process, Board-Management Delegation and Executive Limitations policies. Down the left hand side you will have listed the dates of your board meetings. Then, within this matrix you can fill in what you will be doing at each meeting as it relates to each of these topics.

When it comes to reviewing the content of each policy, you will likely want to review these on a three year cycle. This cycle will comprise the second item you want at your fingertips: the **multi-year review cycle**. Sometimes people confuse reviewing with monitoring. Monitoring involves determining compliance with each policy whereas reviewing a policy's

content is to find if the Board is pleased with the policy as it is written or if it needs to be edited, expanded or eliminated.

The third item is your **agenda**. The agenda should be confined to those subjects on your board planning cycle, as well as approval of the minutes, declaration of conflict of interest and any other "housekeeping" items. You want to make sure you attach a time limit to each item. If you don't, you may spend more time than is required on items of less importance, while the most important work of your board, the discussion of Ends, will be pushed to the end of your meeting when you have less time and creative energy. Most boards I have been on tend to take more time on the agenda items that are near the top of the agenda. As a Policy Governance Board, you will know that work related to Ends is critically important, so you might consider putting it near the top.

Your Policy Governance board meetings will be characterized by three words.

The first is **focus**. Your meetings will be less of a potpourri of topics and rambling conversations. Every agenda item will be for the purpose of monitoring, for gathering information so the board can make a decision or for those nice-to-know items which don't help the board to make a decision. Ideally the items should be identified in one of these three categories.

The second word that will characterize your Policy Governance board is **clarity**. This is particularly helpful for the CEO. The CEO will know exactly what is expected in terms of organizational results as well as what the board would find unacceptable. Gone are the days of the board saying or implying why don't you do this or why did you do that.

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The third descriptor of your Policy Governance Board meetings is *discipline*, or at least it should be. Virtually every board that makes a change to Policy Governance thinks it is a good idea until something starts to go sideways. Then it wants to revert back to the way things were before. We need to give the CEO some help. We don't like her strategic plan and some of us should provide some assistance. We all agree that he shouldn't have done it that way so he needs to change it. This is when the role of the chair becomes very important. That person needs to recognize that the board is jumping the Policy Governance tracks. The chair needs to provide leadership in ensuring that the board conducts itself in a manner consistent with the policies that outline the process it has agreed to use.

Most boards only meet 8-10 times a year or less. It is unreasonable to expect they will be able to hone their Policy Governance skills when so much of everyone's attention is focused on other jobs. This is why your board will improve its skills faster and more easily with a coach.

Don't worry about getting it right the first time or all the time. It's about progress, not perfection. Continue to improve, and be assured that you are already governing far better and more effectively than you were in the past.

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