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REALBoard™ Advisor

R—RESULTS-FOCUSED E—EXCELLENT A—ACCOUNTABLE & LINKED TO OWNERS L—LEGACY-CREATING

Risk Management. Risk Governance.

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Editor's Note

Wikipedia describes risk as follows: "Risk is the potential of gaining or losing something of value." Value can be gained or lost when taking risk resulting from a given action or inaction, foreseen or unforeseen. Risk can also be defined as the intentional interaction with uncertainty. Uncertainty is a potential, unpredictable, and uncontrollable outcome; risk is a consequence of action taken in spite of uncertainty.

We all take risks every day. Sometimes we take stock of what the consequences of our actions will be in advance. Then there are hot days when the swimming hole looks so inviting, we just jump in!

Boards are accountable to the owners to determine what risks the organization faces that don't align with the organizations' values. That is the job of governing risk. Our consultants, Jannice Moore, Ted Hull, Rose Mercier, Joe Inskeep, and Dee Incoronato explore this in depth in a series of articles on governing risk, and managing risk.

Speaking of risk, I invite you to read an article on page 11 by Sabirah Arifin from Tenaga Nasional Berhad, the national energy utility company in Malasia. She took the enormous risk of interning with us in Calgary during the winter months! She took our weather in stride, even attending a board meeting in Wemindji, Quebec, a First Nations community near James Bay.

With the summer months upon us, I invite you to sit back, relax and explore our Policy Governance® education opportunities for the fall. Register today for a refresher course on Policy Governance principles or more advanced understanding of monitoring and future focused agendas. Plan to gather with other board leaders at our Board Chair Forum to network and learn valuable board leadership skills.

I can assure you, that's a risk worth taking.

Marian Hamilton

Featured Articles

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Do not follow where the path may lead. Go instead where there is no path and leave a trail.

- Ralph Waldo Emerson

Risk Management. Risk Governance.

By Rose Mercier

Whether financial institutions exposed themselves by design or mishap to more risk than they had the capacity to bear, the resulting financial crisis of the late 2000s created among other responses, ubiquitous attention to risk and boards' accountability with respect to risk.

Risk management, risk appetite, risk tolerance, risk oversight, risk issues, risk committees, risk frameworks…these are all phrases you have probably seen with increasingly regularity in the past decade, in all forms of print and online media, blogs and shared posts – usually in conjunction with a discussion of what a board ought to be doing. A phrase you very rarely see is "risk governance".

Generally, these references to risk do not differentiate between management's job and the board's job in the area of risk. It appears to be assumed if risk management is so important to organizational sustainability and success, it must be the board's job.

The board is accountable to the owners for governing the organization in accordance with the owners' values. It is the board's job to determine the risks that are not aligned with these values and to translate this understanding into the boundaries it sets for operational activity (usually called Executive Limitations in Policy Governance®). The board also determines the nature of the benefits to be achieved by the organization (Ends), the way in which the board should conduct itself and its business (Governance Process), and the way in which the board delegates its authority.

The board cannot predict every risk the organization will encounter. The elegant solution that Policy Governance offers to a board is a process of writing policies from the highest level value first, in a way that encompasses all owner values and concerns, even those which are unknown.[1]

In addition to writing a coherent set of policies that comprehensively address risk, the board should deepen its understanding of the various types of risk encountered by the organization, assess its policies to ensure they adequately address those risks, assure itself its policies are being implemented and the risks it seeks to avoid are in fact being avoided, and educate itself about possible new areas of risk that the organization may face.

This is the job of governing risk.

The board should not step into management's shoes to assess the natures and types of risk inherent at the operational level of the organization. It should avoid developing a risk management plan to respond to those risks. And it should most assuredly avoid reviewing all of the actions, decisions and activities the CEO and staff are taking as part of the risk management plan. The job of risk management belongs to management.

Risk management. Risk governance. Both important. But only one job belongs to the board. It is a job that must be taken seriously, or the organization's success, financial well-being, reputation, and future viability may be compromised, sometimes irrevocably.

[1] Richard Baker. Incorporating Risk Appetite Concepts in Board Governance. *Board Leadership*. No. 114, Mar-Apr 2011.

Kicking Horse Culture: Evolving Toward Policy Governance®

By Constance Semler

Imagine a small arts council nestled deep in the wilderness of British Columbia. Its staff is small in number but mighty in ability, attracting about seven hundred members and providing the surrounding community with full-range arts programming. In this remote area, people have access to a wealth of performances, art exhibits, film events, and youth arts education. They can visit the arts council's art gallery representing over ninety artists and score an interesting find at its gift shop.

No wonder the arts council has garnered strong community support and public funding year after year. Accomplishments such as these are nothing to sniff at, no matter the size of the organization.

With growth this phenomenal, the question for the organization becomes, "How can we as a volunteer board sustain growth? What can we do to ensure that the arts council continues to be relevant and garner support?"

Those are interesting questions. After all, if a small arts organization can find the right answers, then the lessons learned there are pertinent to other organizations.

The organization in question is Kicking Horse Culture (KHC) in Golden, B.C., in the heart of the Rocky Mountains known as Kicking Horse Country. The area is rich in history, with an economy based on diverse industries, from logging and the Canadian Pacific Railway, to adventure tourism. The board is drawn from a relatively small pool of candidates often courted by multiple local non-profits. Unlike boards of large organizations in metropolitan areas, these board members are also locals who have no difficulty connecting with the rest of the community to understand its interest in what KHC could offer.

Back in 2004, the board was chaired by Bill Usher, KHC's current executive and artistic director. Usher has an impressive background in the arts, with experience in organizations across Canada. For almost a decade, the board implemented a strategic planning approach to governance. "The era of strategic planning was one of forward movement for us. It allowed us to reach the point where we could consider the kind of rigor that Policy Governance® provides," says Usher.

Long before they became familiar with the Policy Governance concept of "moral ownership", board and staff saw the community as owners working to deliver on a promise to help make Golden "a great place to live and visit." Indeed, when Usher was chair and slowly transitioning to the role of executive and artistic director, KHC's community economic development efforts were recognized by the municipality with substantial annual operating support. "The more they do, the more we want them to do," said the Mayor at the time.

Those outreach efforts paid off for KHC with exponential growth in membership drawn by relevant and stimulating arts programming.

At the same time, over the years, the board was becoming more aware that it needed to govern in a way that enables not just growth, but sustainable growth. This desire was fueled in part by exploration of governance at other organizations, which showed them what was and was not working for others. Usher and board members also attended workshops on governance and conducted extensive online research.

Ultimately, the Carver model made the most sense to board chair Monica Parkinson and Usher "because of the way Policy Governance set up a codified approach to governance with checks and balances." The board noticed that the governance documents of non-Policy Governance boards often left too much room for radical differences of interpretation. "Once we researched Policy Governance, we thought it was a great fit because it would provide the foundations for consistency. That was one of our biggest concerns," says Parkinson. They knew that implementing Policy Governance would require effort and cost, but they estimated that the rewards would be high enough to justify it.

Another concern for KHC was understanding of roles. Parkinson admits the board had "some muddy waters in that area, with some wondering who was responsible for various aspects." Usher explains that in their strategic planning era, the board was forward-looking but still somewhat focused on Means instead of Ends. Also, board members were well-placed as community members to gather and forward grassroots feedback, but they lacked a formalized ownership linkage approach.

To address these issues, the board enlisted the help of The Governance Coach™ because of their reputation as an expert consultancy in the field. Senior Consultant Richard Stringham began work with the KHC board almost three years ago.

First, Stringham worked with the board to adapt a typical set of Executive Limitations to KHC. Usher and Parkinson say that later, following some initial experience working with the system and with assistance of their coach, KHC revisited and "right-sized" the Executive Limitations and subsequently monitoring requirements to provide adequate visibility to the board without over-burdening Usher. Usher's advice to small organizations is to pay close attention to the reporting effort required of the CEO. "The 'burden of evidence' for compliance should be reasonable," he says.

The board is working on a formal documented plan for ownership linkage. Parkinson says, "Ownership linkage was the missing part—getting out into the community and asking ourselves, 'How do we have that relationship? How do we hear about what they want? How do we report back to them?'" Board members are naturally able to gather community input, but a formal plan requires specific steps to be taken to ensure that a representative range of the owners' voices are heard and taken as a whole, and feedback must be gathered at regular intervals, with the board making decisions on behalf of the owners.

Parkinson says strengthening and formalizing linkages has brought deeper meaning to the board's work, affirming each person's original reasons for serving. She partly credits Stringham, whose coaching prompted them to think more deeply about the organization than ever before.

The board has more clarity about roles and responsibilities, though Usher and Parkinson agree it's a work in progress. Continuing education is needed for newer board members who aren't trained in Policy Governance® and are more familiar with the strategic planning approach, but Parkinson and Usher say the board has already come a long way.

Compared to other organizations implementing Policy Governance, KHC is still in the early stages. The challenge for this small organization is to keep it simple, Parkinson advises. "Policy Governance is a lot to take on…but even if you're a smaller organization, the basic foundation should be simplified and followed." The transition to Policy Governance also takes time and patience, and Parkinson and Usher couldn't imagine going through it without the expert guidance of a coach like Stringham to help them adapt the model while staying true to it.

Even at this early stage in its Policy Governance implementation, KHC has already been an inspiration to other arts organizations in the province, prompting one organization to renew its commitment to Policy Governance.

From the Bridge: The Board's Role in Relation to Risk

By Joe Inskeep

The word governance derives from the ancient Greek word *kubernesis*. The role of the *kubernetis*, which today we would call the Officer of the Bridge, was to direct a sailing ship safely to its destination. This role was designed to assure both **strategic direction** and **protection** from harm. The role of governance today is still to assure both strategic direction and protection. In Policy Governance® terms, the board assures that the organization's Ends are accomplished (the right destination is reached) within the boundaries established by Executive Limitations (avoiding unsafe situations and conditions).

Policy Governance is also designed to optimize delegation to management. In relation to strategic direction, the board's Ends policies should clearly identify for management the organizational results to be achieved, for which recipients, and the relative priorities among them.

In relation to protection, Policy Governance provides a structure for governing risk while at the same time maximizing management's freedom to choose effective means. Executive Limitations policies do this by putting "off limits" only those conditions that are unacceptable while giving management full reign to choose all else. It is like saying "so long as you stay out of these dangerous shoals, you are free to choose the way forward." This provides freedom within the boundaries. It keeps the board accountable for setting boundaries, and keeps management accountable for staying within them.

Policies are central to all of this – thus the name *Policy Governance®*. They embody the board's most important values related to strategic direction and protection. So Policy Governance boards take great care in policy development and use.

Like the seasons, there is a circular cycle of renewal that boards discover in Policy Governance. The cycle begins with learning. From this learning, the policy values are defined, codified in written policies, and then delegated to the CEO. At the right time, compliance with those policies is assessed. Did the organization accomplish what was intended? Were there unexpected challenges in avoiding situations or conditions the board considered unacceptable? What has changed recently in our world? What are future changes likely to be? From this learning, policies can be refined, delegated, and the cycle begins again.

For those who enjoy learning and who aspire to join others in leading from the bridge, there is much to appreciate about Policy Governance work. The learning begins with theory. The Policy Governance framework was developed to respond to the most critical of governance questions. It is underpinned by an integrated set of principles that, when understood together, lead to a thorough knowledge of the foundations of good governance. *(You can view the Policy Governance® Source Document at http://www.governancecoach.com/Policy-Governance/Policy-Governance-Source-Document)*

As an example, the principle for why operational risk is governed through Executive Limitation policies is carefully laid out within this framework. So is the principle of owner-accountable governance and why we must understand owner perspectives in order to fully define risk tolerance.

The skills needed to implement Policy Governance come next, and they come directly out of an understanding of theory. But while theory helps us understand the importance of monitoring for unacceptable situations or conditions, it doesn't quite show us how to do it, how often to do it, and how to do it well. Coaching can be particularly helpful with implementation skills.

Beyond theory and implementation, there is broader learning related to industry-specific dynamics and trends, as well as broader determinants of change and risk within a rapidly changing world. A board will want to explore the drivers of change and what threats and opportunities may be emerging. Organizational risks are always present and ever changing. Like the rising sea level, some seem to change slowly; others, like those related to technology advances, appear at breathtaking speed. Consider the impact of this set of current technology: the cloud, big data, 3D printing and mobility. Many boards worry about these because their impact can be very significant: they can literally wipe out an industry. It's hard to find a phone book or a corner payphone. It's painfully difficult to keep publishing the newspaper. And now Uber and Lift are threatening the viability of taxis.

So boards need to stay awake, stay involved, and keep learning. They do not need to help the CEO manage risk. They do need to govern the management of risk.

To summarize, the board role in governing risk includes:

- Learning – continually educating itself regarding the rapidly changing world within which its organization operates.
- Identifying values related to risk – what level of risk would be intolerable and imprudent in seeking to achieve organizational Ends?
- Codifying that unacceptable risk in Executive Limitations policies.
- Systematic monitoring to ensure that unacceptable risk has not and is not occurring.
- Repeating the cycle, starting with continuous learning.

By continuously refining its policy guidance and assessing progress, the governing board can be a capable guide and protector for its organization's journey.

The Power of Your Words: Risky Business

By Dee Incoronato

"Handle them carefully, for words have more power than atom bombs." ~ *Pearl Strachan Hurd*

Words. More powerful than an atom bomb? Handle them carefully, for words can create risk, or alleviate it. Both the board of directors and the CEO have a role in protecting the organization from risk. This protection starts with the words of the board.

The Words of the Board

Boards using Policy Governance® understand their responsibility to be the informed voice of the owners. Their job is to govern – to direct and protect the organization – through creating and monitoring written policy. The board's "leadership through explicit policies offers the opportunity to think big and to lead others…Policy leadership clarifies, inspires, and sets a tone… Because policies merely represent our values or perspectives, written or unwritten, they can be revealed in every EVENT THAT OCCURS in an organization." (Emphasis added.)[1]

"EVERY EVENT THAT OCCURS"! That's a tall order. What risks are you trying to govern as a board? How do you think through policy that covers every event that occurs? Defining risk as the possibility of loss or injury, the board must write policies that protect the organization's human capital (board, staff, clients, and customers), and assets (financial and reputational). The Executive Limitation policies place boundaries on the range of means available to the CEO, and subsequently to all staff. These boundaries are intended to prevent unethical or imprudent conditions or situations – in other words, they govern the management of risk.

In order to address "every event" the board begins its policies at the highest level. A statement such as "The CEO shall not cause or allow any organizational practice, activity, decision or circumstance which is either unlawful, imprudent, or in violation of commonly accepted business and professional ethics" is broad enough to contain virtually all eventualities. Then, before permitting the CEO to interpret this statement, the board will further elaborate on areas that are of particular concern.

For example, a policy regarding the treatment of staff might include language stating the CEO shall not permit working conditions for staff or volunteers that are unfair, disrespectful, unsafe, disorganized, or unclear. Policy related to finances might limit the CEO from permitting assets to be unprotected, imprudently risked or inadequately maintained, or from causing or allowing fiscal jeopardy. The board might then further limit the CEO's discretion related to risk by elaborating on any of the above examples. For instance, working conditions might

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with Jannice Moore
& Richard Stringham

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Who Should Attend?

- New board members or executives of a board using Policy Governance, to help you get up to speed with the governance process used by your board.
- Board members or executives of an organization not currently using Policy Governance, who would like to know more about how it works.
- Board members or executives of an organization using Policy Governance, who would like a refresher to better understand the model.
- Staff members who provide administrative support to a board using Policy Governance.

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- The concept of monitoring the CEO's compliance with policies
- The different types of information a board needs and being clear about expectations
- How to structure the board and its committees to govern most effectively
- How to structure board agendas so that the board controls its own agenda and uses it as a method of governing proactively.

"This session provided a good over-all understanding of Policy Governance®. The networking was great!"
- Participant

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be further limited by telling the CEO it is imprudent to be without documentation that clarifies expectations and working conditions, provides for effective handling of grievances, and protects against wrongful conditions.

The Words of the CEO

Next, it becomes the CEO's responsibility to make a reasonable interpretation of the board's policy words. It is important that the CEO, and other staff to whom the CEO may delegate, manage their end of risk by thinking carefully through all components of the policy. What will it actually look like – how would the CEO know that he/she has achieved compliance? Does the CEO have to do this alone? No. In Policy Governance®, there is a clear sequence of delegation and accountability. The CEO is accountable to the board and using whatever resources he/she chooses, including other staff, "arrives at an interpretation of the policies…shown to be reasonable. The CEO then assigns the accomplishment of parts of the task to various staff…as the time for monitoring approaches, the CEO sees to it that credible data are gathered to present to the board."[2]

Making those interpretations (the first step in preparing a monitoring report) is a complex task for staff. You may witness the wringing of hands and the gnashing of teeth! Why? To manage internal risk, staff must succinctly address all criteria in the policy. The interpretation of each policy statement should include a measurable, operational definition of what will demonstrate compliance and rationale as to why the interpretation is reasonable. How would it be possible to comply with the policy without first knowing what compliance would look like?

The monitoring report itself contains the above interpretation along with evidence of compliance with that reasonable interpretation. Finally, the report includes a signed statement by the CEO attesting to completeness and veracity of information. Metrics must be sufficiently specific that the same results would be obtained regardless of who collected the data. Assuming the CEO has delegated some of the work on the reports but is accountable for it, there had better be accurate evidence of compliance. If not, that in itself could be risky for staff.

Each of these steps is part of the governance and management of risk. The board assesses monitoring reports, including whether or not a reasonable interpretation of policy was made, and whether or not there was evidence of compliance with that interpretation. If there is not a reasonable interpretation of policy, or lack of compliance, the board will address the performance of the CEO. Alternatively, if the board is not satisfied that risk is being sufficiently managed through a reasonable interpretation and evidence of compliance, it will add further language to policy.

To summarize:

1. The board's words in Executive Limitations policies set the parameters of risk it is willing to accept.
2. The CEO's words – the interpretation – turn the policy into an operational reality that can be measured.
3. The staff then must find a way to comply with the policy, and collect data to provide evidence of compliance.
4. The board assesses the reasonableness of the interpretation and evidence of compliance. If positive, the board knows that risk is being managed. If not, the board needs to address the CEO's performance, or, if a reasonable interpretation of its policy is insufficiently addressing risk, change the policy.

Policy comes alive with the words that are used. The power of both the board's words in policy and the CEO's words in interpreting policy is crucial for organizational success and ultimately critical in managing organizational risk.

[1]Carver, John. *Boards That Make a Difference*. San Francisco: Jossey-Bass Publishers, Third edition, 2006, pp. 41, 59.

[2]Carver, p. 179.

The Board – CEO Interface In Managing Risk

by Ted Hull and Jannice Moore

My [Ted] Dad was in charge of maintaining the fleet of a large trucking company. One day he was called to the Vice President's office. Semi-trailers were getting flat tires, resulting in loads coming in late. He was told to come up with a plan to fix this problem. He immediately assured the Vice-President that he had a solution that would virtually eliminate the problem. My Dad told him that the solution was installing a brand new set of tires on every trailer after every trip.

His solution assumed the company believed the risk of flat tires and late loads must be avoided at all costs. Of course, he knew this was not a plan that would or should be embraced. His intent was to illustrate the philosophy of eliminating risk at all costs is itself a risk. My Dad could virtually eliminate the likelihood of flat tires, but the corresponding risk would have been the huge cost for new tires.

Not all risks can or should be completely avoided; they just need to be managed. However, risk cannot be managed if we don't know what the risks are, what the probability of loss or damage is, and the impact of the loss or damage if something did happen. Only with this knowledge can we make a decision about the priority of managing any risk in relation to other risks.

Board Role: Governing Risk

One of the major responsibilities of a board is to protect the organization it governs from loss or damage. The board's role is not to *manage* operational risk, but to ensure it is managed – in other words, to **govern** the management of risk. However, it's impossible to govern risks if one doesn't know what the risks are. And how is the board supposed to know what it doesn't know?

CEO Role: Providing the Board Evidence of Compliance with Executive Limitations

The board has delegated authority to the CEO and stated the CEO must not cause or allow situations which are unlawful, unethical or imprudent. For example, the board knows that it would be unlawful for government filings to be submitted late, inaccurately or not at all. It understands the imprudence of allowing a situation in which the assets of the organization are exposed to irrecoverable or unnecessary loss. It realizes that it is exposed to liability if it allows the unethical, and in some cases illegal, treatment of employees, including harassment.

The board has told the CEO that such situations or conditions are unacceptable in its Executive Limitations policies. The CEO is expected to provide a monitoring report assuring the board that none of these conditions exist. Such a report includes an interpretation or "operational definition" that identifies the standard of achievement - a specific metric or measurement - which, if attained, would demonstrate compliance with the board's policy, along with rationale for why such a measure would be reasonable. How will the CEO know, for example, the organization's information is sufficiently protected? What data would provide that assurance?

It also includes reporting the actual result on that measurement, to provide assurance of compliance. For example, what were the results when the CEO, or someone delegated by the CEO, examined that data? Did the actual results meet the standard that had been set?

Let's suppose that it did. The board accepts the monitoring report and is ready to move on to the next item on the agenda. But hold on.

CEO Role: Providing Risk-Related Information to Inform Board Policy

How does the board know it has done a good job of developing the policies it just monitored? If there is compliance with those policies, does that actually sufficiently protect the organization against risk? In order to maintain robust policies that adequately govern the management of organizational risk, the board must be aware of the nature of risks facing the organization, how likely they are to occur, the potential impact of an occurrence, and the cost of minimizing exposure. One of the responsibilities of the CEO is to provide just such information for the board.

Many boards have an Executive Limitations policy stating it is unacceptable for the CEO to allow the board to be without decision information to support informed board choices. This might include environmental scanning data, and significant issues or changes within the external environment.

Scanning information about what is happening in the larger world in which the organization operates is crucial. Without this context the board cannot create Ends policies that set organizational direction to keep the organization relevant in the future. While a board might not think about Ends policies as related to risk, in fact they are. If an organization does not remain relevant in the future, that is the biggest risk of all – the risk of organizational demise.

Scanning information is also necessary so the board can be confident its Executive Limitations policies are sufficiently robust to protect the organization from unacceptable situations or conditions. What about new initiatives the organization might launch? A board may revise or expand its Ends and in doing so expose the organization to risks it had not previously faced. The CEO may implement means which create certain risks the board may not have anticipated. The CEO has a responsibility to make sure the board is aware of developing risks and that there is a robust process in place to manage those risks.

The CEO's role is critical in ensuring the board understands the various risks the organization faces. The board needs to be aware of what negative occurrences could take place, the likelihood of those happening, the potential impact to the organization if they did occur, and the cost of managing that risk. Without this information, it cannot develop the policies necessary to identify the level of risk tolerance that permits the organization to move forward.

If the board only knew… should never even cross the mind of a CEO. The CEO should be serving the board by ensuring it has all the information it needs so it can effectively do its job, one element of which is governing risk.

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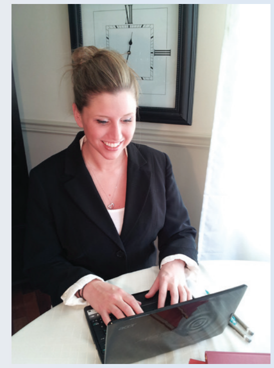

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My Internship Experience: Malaysian Finance Manager Explores Policy Governance®

***Sabirah Arifin** works with the Tenaga Nasional Berhad (TNB), the national energy utility company in Malaysia. It is one of the biggest companies on the Malaysian stock exchange, with 30% ownership by the investment arm of Malaysia's Ministry of Finance. Sabirah recently completed a 4-month internship with The Governance Coach™ consultants, observing Policy Governance® in action in a variety of boards across Canada and the United States. Here she shares some reflections on her experience.*

When I initially sought the opportunity for an internship, I wanted to pair it with my postgraduate diploma course on corporate governance. At that time, I had a pretty good idea of what I wanted to get out of this internship. Before I knew it, off I went to Calgary for an official 4-month internship with The Governance Coach™.

The mission I was entrusted with was to establish a structured approach to elevate governance effectiveness for TNB subsidiaries. I must admit, it's not as glamorous as a mission to Mars, but having been the first Malaysian to step foot in the Cree Nation of Wemindji was pretty exciting! My employer was generous enough to outline the learning goals of this internship. The list I was given in September, when I first started the internship was as follows:

1. Observe board leadership practices at various organizations.
2. Obtain knowledge on the concepts and methodologies adopted by various organizations to maximize the effectiveness of their Board of Directors.

3. Gain real insights on the relationships between management and the board established at various organizations.

4. Gain hands-on experience on how governance effectiveness of an organization is defined, measured and evaluated.

5. Gain first-hand knowledge on the Chief Executive Officer's role in an organization's governance process.

A lot of gaining, I know, and very textbook-ish too.

Considering that our company is currently looking at adopting Policy Governance® in our subsidiaries, it's no surprise that I was so absorbed with the HOW of implementing and using Policy Governance. Bearing in mind that all of the organizations were gracious enough to have me attend their board meetings and sessions were all using Policy Governance, my interest was in how Policy Governance actually served these organizations in relation to my learning goals listed above. I wanted to know how policies were drawn up, how monitoring is done, how boards of directors self-evaluate, what role the Chairman plays, etc. Basically, I was looking into the nitty-gritty of Policy Governance.

Now my internship is over. What did I get at the end of it all?

Yes, I witnessed first-hand how policies were drafted and reviewed, what the CEOs' monitoring reports looked like, how board meetings were conducted, how boards of directors self-assess themselves, etc. However, beyond this, I now have a better understanding of Policy Governance in action. My experience over the 4 months of the internship was beyond the textbook principles of Policy Governance and any other readings about Policy Governance I've done in the last 2 years. The theory of Policy Governance isn't exactly rocket science but applying it successfully is not as straightforward as one may think.

The Character of Board Leadership

Before I came across Policy Governance, I had never heard of the concept of servant leadership. Though servant leadership is not a principle of Policy Governance the leadership exercised in the boardroom by Policy Governance boards stems from the concept that the board is accountable to the owners and must serve their interest. The notion of putting the desire to serve first, before aspiring to lead goes hand in hand with Policy Governance. This is reflected in the Ends Policies of Policy Governance organizations. Ends Policies describe the effect the organization seeks to have on the world outside itself. Policy Governance boards will be making hard choices about what the benefits are, who will benefit from the organization and what it's worth to do so. The ultimate purpose of the organization is about serving others external to the organization. I suspect this is one reason why Policy Governance is very popular with non-profit organizations.

What Makes a Good Board

Having policies in place and carrying out monitoring of the performance of both the board of directors and management are important. But what actually goes on in the boardroom is something no textbook can teach you. I'm not talking about the activities that take place as per the agenda. I am referring to the human factor that determines how the board meetings actually take place. Personalities do matter. Backgrounds do matter. Expertise does matter. Despite the fact that directors know they should be wearing the director's hat during a board meeting, the hat will only change their perspective of the situation; it does not change who each director is.

Sabirah with some board & staff members of the Cree School Board

You can have the most qualified of individuals in their own respective fields sitting on your board, but their ability to govern collectively requires more than just the sum of their individual experiences or expertise. Within a board, directors require open, robust, and critical but respectful discussions with other directors who have integrity, as well as a willingness to collaborate and the courage to dissent. They must be strategic and forward thinking, and exercise excellent judgment. All of these behaviors hinge on character.

This is why the selection criteria for board members are important. Comprehensive selection criteria will help produce the synergy that can be garnered from a great composition of select individuals. As Aristotle put it, *the whole is greater than the sum of its parts.*

The Governance Symbiosis

The most appealing feature of Policy Governance® (to me) is that it is not only a model but is also a well-structured, straightforward system. It is a system that helps organizations to be better governed. While attending board meetings during my internship, I saw repeatedly, the constructive symbiotic relationship between the board of directors and the CEO (management) in the context of achieving the state of a better governed organization.

Under Policy Governance, the relationship between the board and management can be described as a partnership that delivers results derived from the owners' values. Central to this partnership is a clearly defined set of roles, delegations and boundaries which allows each side to respect the other's contributions. As the board governs and management manages, both parties play important, but different roles in the organization. Both need each other to survive and thrive.

Looking Ahead for Tenaga Nasional Berhad

At the end of it all, I've realized that, while Policy Governance is a brilliant system and I see the tremendous value it brings to organizations, it is still a means to an end. Having a better-governed organization requires Policy Governance *plus* attention to people.

A board is not simply a group of people getting together to govern. It's about the right mix of people. The composition of a board should be limited not only to variability of demographics, experiences and expertise but also should include the character-based criteria. It is crucial for the selection criteria for directors to be comprehensive and reflect the necessary character requirements for the board to govern as one.

Sabirah Arifin

Once our composition criteria are in place, we need to establish a productive and harmonious relationship between the board and management. Good governance and organizational effectiveness can only be achieved when the board and management both realize the different roles they play in this symbiotic governance relationship.

You've got to start with setting the right tone at the top. Great leaders don't set out to be leaders; they set out to make a difference. It's never about the position; always about the results for owners. This is what servant-leadership is all about. Policy Governance is the system based on this concept that provides the necessary platform to deliver owner-accountable results.

Advanced Policy Governance®

with Jannice Moore
& Richard Stringham

October 25, 2016
Calgary, Alberta
9:00 A.M. – 4:00 P.M.
Lunch provided

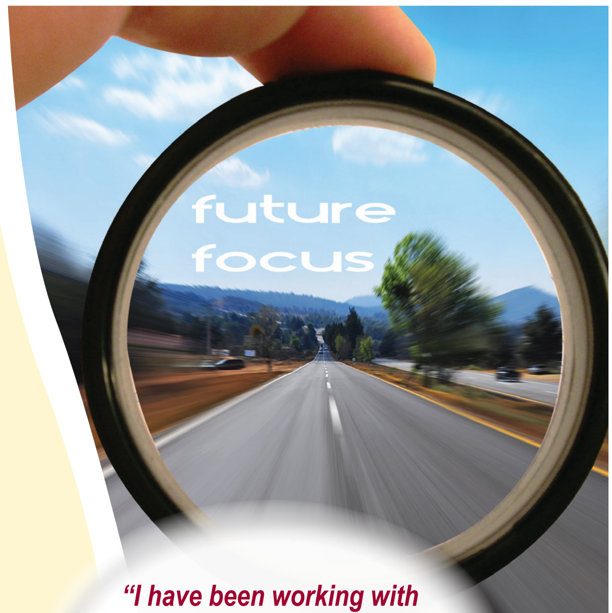
Who Should Attend?

Board members, Board Chairs, CEOs and administrative staff who want an in-depth look at advanced application.

The Power of Monitoring

Monitoring provides a mechanism for the board to control without micromanaging. This advanced session features "hands-on" work with monitoring reports. You will learn:

- What should be included in a monitoring report for Ends or Executive Limitations
- What should not be included in monitoring reports and why
- How to write a good interpretation
- What constitutes evidence in a monitoring report
- Tips on how to save time in writing monitoring reports
- What to look for in an interpretation, or in evidence
- What should be included when engaging an external monitor
- When and how to appropriately do 'direct inspection'
- Tips on how to save time when assessing monitoring reports
- How to document the board's decisions about monitoring reports
- How monitoring reports and CEO evaluations connect



"I have been working with "Carver" for several years, but now I actually feel like I understand the whole system!"
- Participant

Future-Focused Agendas

One of the key roles of the board is setting direction. Your board has implemented Policy Governance successfully, but...

- Are your policies in place, but your board is complacent or you don't know what to do next?
- Is your board "stuck in the mechanics" of Policy Governance?
- Are you using Policy Governance as a tool to govern well?
- Does your board apply the model effectively to provide future-focused leadership?
- Do you need tools & tips to create agendas that set the course for a healthy, viable organization today and in the future?
- What do you do with ownership linkage information?

This advanced session will answer these important questions to assist you in moving from good to great governance!

Contact the International Hotel Calgary at 1.800.661.8627

For special accomodation rates, quote The Governance Coach™

Register Online at:
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Email: marian@governancecoach.com
Call: 403.720.6282

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We have helped hundreds of boards provide clear, future-focused direction leading to organizational success. We specialize in John Carver's Policy Governance® model. Our unique proprietary system – The REALBoard Excellence Advantage™ – takes you through a series of steps, beginning with an assessment of your board's current function, leading to a mastery of applying the principles of Policy Governance. Based on over 80 cumulative years of experience, we provide hands-on tools to make the learning and application process easier.

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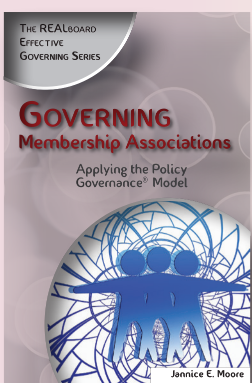
POLICY GOVERNANCE® APPLICATION – ORGANIZATION SPECIFIC BOOKS



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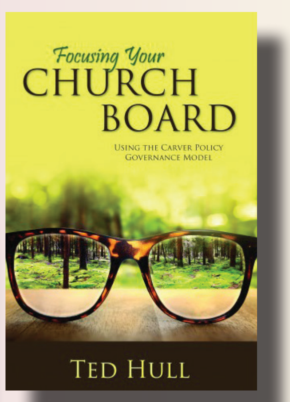

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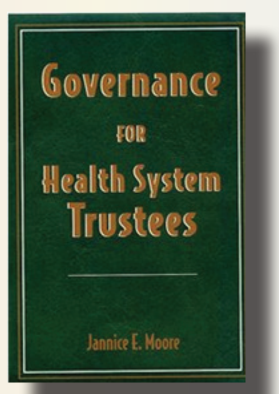

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