# REALBoard™ Advisor

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## A Culture of Confidence

### PLUS Inside

*New:  Board Chair Forum Webinar Series*

## Editor's Note

Earlier this year, I slipped and fell down a long flight of stairs and broke several vertebrae in my back. I had always prided myself on being in good physical condition, but now I approach those same stairs with some trepidation, treading carefully and very slowly. I have lost confidence in my ability to manoeuver.

I also stopped wearing socks. Socks were the slippery enemy that caused me to fall and I wasn't going to take any chances. It was summer at the time so sandals were in order. However, now that winter has arrived and the average temperature where I live is -15º Celsius, sandals without socks aren't really an option anymore. The consequences of frozen toes aren't appealing, so I have to regain my confidence and put on those socks!

Boards also need to put on their socks. The consequences of governing with inadequate confidence include being mired in operational details, losing connection with owners on whose behalf the board governs, making decisions that don't reflect the organization values or adhere to policies, and failing to provide a forward-thinking direction for the organization. These are all evidence of ineffective governance.

This issue expands on the concept of board confidence and how the application of Policy Governance® with its system of principles is designed to give sustainable good performance. In her article, "Weathering the Storm," Rose Mercier addresses some of the potential pitfalls a board can face which make it lose confidence in its governing abilities. Richard Stringham writes about avoiding over-confidence at the board level. Jannice Moore offers insight on what to measure and how measuring the right things boosts confidence, and Joe Inskeep talks of the value of organizational culture. Interviews by Dee Incoronato with board members from Intermountain point to board holism as a success factor in a confident board.

As we begin a new year filled with best intentions and new resolutions, we invite you to browse through the list of resources on page 14 to assist you with board governance. There you will find topics and questions answered by books, online documents, webinars and much more.

We wish you all the best in 2018, a year to celebrate governing with confidence.

*Marian*

Marian Hamilton
Editor

## Featured Articles

# "Clarity generates confidence."

## – Gary Mottershead

# THE CULTURE OF CONFIDENCE: TRUST AND HEALTH IN ORGANIZATIONS

**by Joseph Inskeep**

In biology, a "culture" is a medium suitable for growing something. We could use a similar metaphor for the culture of our institutions and organizations. What is the social culture growing these days? In the US, at least at the moment, the culture feels increasingly inhospitable to trust and confidence. There is instead a growing uncertainty about the degree we can trust the sources of information around us, the intentions of the actors, or that people in positions of prominence mean what they say and will behave accordingly. It appears there is an expanding culture of mistrust in U.S. institutional life.

As a local countermeasure, there is the opportunity to work intentionally towards increased health and trust in our home organizations and work relationships. After all, this is where we live. This is where we can make the first difference. If so, what might we do? The simplest steps may be quite profound: practicing good listening, mutual respect, living our values and protecting the integrity of the information that flows between us. With these ingredients, we can immediately begin to foster a culture of civility and learning, one that contributes to increased trust, health and vitality in the relationships we inhabit.

As leaders, we are in conversations every day. Good dialogue involves both genuine listening and meaningful speech. That is as true for organizations as for individuals. So let us become subtle and exceptional listeners. We have to ask good questions and listen carefully and regularly to the perspectives of the communities we serve. As board members, that inquiry and listening results in giving voice to a renewed expression of organizational purpose and values. Our purpose and values serve us best when they are explicit, and Policy Governance® places them front and center. Here we have the clearest opportunity to say what we mean, and mean what we say.

Effective leaders also pursue meaningful feedback about organizational impacts and relevance. "Are we bringing the right benefits to our communities? Are we avoiding causing harm or undue risk? What has changed in our world and how shall we adapt?" Again, we must listen. We shouldn't filter out what doesn't suit us. This ongoing dialogue is critical for organizational health and will include, to some degree, the voices of everyone significantly impacted by the organization.

> "The simplest steps may be quite profound: practicing good listening, mutual respect, living our values and protecting the integrity of the information that flows between us."

The organization's leaders, whether board members or executives, set a tone for trust and health through their openness to good information and tolerance for dissonance. With cynicism on the rise, a leader's openness is a measure of credibility and one important way to earn the trust and confidence of constituents. Board members and managers who invite and value feedback can expect to see increases in both personal confidence and organizational trust. Feedback is sometimes disconfirming, but it also nearly always offers genuine opportunity, and we are at significant risk when we try to operate without it.

Policy Governance is grounded in the very processes that can help foster a culture of confidence and trust: ongoing linkage and consultation, clear statements of organizational values and purpose, and transparency in assessing impacts. It supports effective dialogue, learning and renewal. What we can bring is respect for one another, an inquisitive mind, and the authentic voice we can speak with every day.

# ARE YOU MEASURING WHAT MATTERS?

**by Jannice Moore**

Has your board identified what matters? If so, does it then get measures of what matters? If you can answer "yes" to these two questions, you can be confident you are governing well.

In general, organizations are good at measuring things, and boards receive a lot of information: dashboards, balanced scorecards, and often reams of charts and graphs are all commonly provided to boards.

But how much of this information actually *matters* in order for a board to make sound governance decisions? As a board member, when you have finished plowing through the thick package of material for the next board meeting – whether it be electronic or hard copy – how much of that information really matters to the decisions the board will make? Will the information reduce your uncertainty about an issue sufficiently to make a well-informed decision about the results your organization should be producing? Will it help you determine how much risk is "too much" so the board can develop a policy about an acceptable level of risk?

If your board already has those policies in place, does the monitoring information you receive *matter* in order to assure you that your organization is actually producing those results, and that those policies about unacceptable levels of risk are being followed?

In short, is the board receiving measures of the right things – the things that matter?

If not, there are typically two major reasons: (1) the policies the board has written are not actually about things that matter, or (2) the CEO has not figured out how to provide measurements that matter. Let's look at each of these.

## Are Board Policies About Things that Matter?

If your board is using the Policy Governance® system, you will have two categories of policy in which the board is instructing the CEO – the Ends policies, which describe the organizational results to be produced, who those results are for, and what it is worth to produce them, and the Executive Limitations policies – the boundaries of prudence and ethics within which the CEO may make choices of the means used to achieve the Ends. You will also have two categories of policy in which the board is instructing itself about how it will delegate to the CEO and assess CEO performance, and about how it will carry out its own governance tasks. For the purposes of this article, I will focus on the two categories directed to the CEO.

## Ends Policies

Let's talk about Ends first. Why do Ends matter? To answer that question, we need to take a step back: why does your organization exist? What difference is it intended to make in the world? Well-crafted Ends policies answer those questions. In our consulting practice we are often asked to provide constructive comment on board Ends policies. Too frequently, we find policies that are labelled "Ends" but don't answer those crucial questions. Instead,

they address what the organization will do, or will provide, or how others will view the organization. None of these things answer the crucial question of why it exists. That is what really matters!

When crafting your Ends policies ask this question: If we started this policy with the words "because our organization exists" would it make sense? For example: "Because our school exists, students achieve above the provincial average in math." "Because our credit union exists, members can receive credit at competitive rates." "Because our housing society exists, low income seniors have comfortable, secure homes." "Because our company exists, shareholders receive a return on their investment in the top quartile of mid-cap companies."

Notice how different this is from statements like the following, masquerading as Ends: "[Because our school exists,] we have excellent teachers." "[Because our company exists,] we are known as the best employer." "[Because our credit union exists,] we are the premier credit union in the state." Obviously, when you place "because our company exists" in front of those statements, they don't make sense. That's because the statements don't describe a result or purpose of the organization. They describe what the organization does, how it does it, or they describe the organization itself. However, what really *matters* is the purpose.

Once you have identified your organization's purpose, and narrowed it down to sufficient lower level statements you are willing to let the CEO interpret, only then is it possible to begin to get measures of success. The board does not need to make the Ends statements themselves measurable, but, as described in later sections, it is the CEO's task to bring some form of measure back to the board to demonstrate achievement of the purpose.

## Executive Limitations Policies

Executive Limitations policies are about prudence and ethics – values-based limitations on the range within which the CEO makes decisions about how to achieve Ends. These policies say, in effect, "even if it worked to achieve the Ends, certain means would not be acceptable. Either they are too risky, or they are not consistent with the ethics and values we know our owners would want expressed." If the board has done a good job here, it will have avoided including preferred methods that the board or some board members would like to see used. Preferences are not what *matters.* It does matter that the board protects the organization from inappropriate levels of risk and the use of means that are unethical or inconsistent with values. When CEOs run into difficulty trying to provide measures here, often it is because the board has strayed into prescribing preferred methods.

## Measuring to Provide Monitoring Information

CEOs faced with the task of providing monitoring information to their boards frequently struggle. Douglas Hubbard, in his book, *How to Measure Anything*, maintains that when you don't know how to measure something, it may be because you haven't figured

out what "it" is. Take, for example, "quality" or "public image." If we care about it – that is, it matters –then it must be detectable in some way. If it weren't, we wouldn't care about it. So if it is observable in some way, you can observe more or less of it, and if you can observe it in some amount, it must be measurable.

A measurement doesn't always have to be about a "quantity" in the way we normally think about it. For example, we could measure something where the answer is "yes" or "no," as long as the degree of certainty about the observations is expressed quantitatively – such as, "70 % of respondents to a survey agreed with statement x, and we have an 85 % level of certainty."

Hubbard provides some thought-provoking statements about measurement. Often we think of measurements as being very precise. In reality, there is always a degree of error. However, a good measurement always reduces the amount of uncertainty we have about something. Measurements are observations that *quantitatively* reduce uncertainty. They are "more than you knew before about something that matters."[1] When uncertainty is reduced, confidence is increased. Clarity always generates confidence. Measurement itself lowers uncertainty. Measurement is about developing confidence, not necessarily nailing the data perfectly. As John Carver has long maintained, "a crude measure of the right thing beats a precise measure of the wrong thing."[2]

CEOs may be tempted to claim something is "intangible" just because the measurement method isn't immediately apparent, but as Hubbard maintains, "If something can be observed in any way at all, it lends itself to some kind of measurement method. No matter how 'fuzzy' the measurement is, it's still a measurement if it tells you more than you knew before."[3]

A good start at figuring out how to measure something is knowing *why* it should be measured.

Why does the board measure achievement of Ends? If you don't measure Ends achievement, how will you know if your organization is making any difference in the world? Are you just going through the motions – like the fabled field hospital that was still fully staffed years after the war, waiting for patients, that didn't know the war was over – or are results actually being produced? Monitoring (which includes some form of measurement) is the only way to find out. However, measuring the right things is crucial. Measuring activities the organization undertakes does not tell you what you need to know. Knowing how busy the employees are, no matter how well-intentioned that busy-ness is, does not tell the board if the desired results are being achieved.

Similarly, why does the board measure compliance with Executive Limitations? If imprudent and unethical means are not to be used, then the board needs assurance that they are not being used. As an aside, we've seen CEOs who have to spend a lot of time and energy coming up with measures of things that don't really matter, because the board has written Executive Limitations policies to unnecessarily detailed levels, or because they aren't really limitations, but rather prescriptions. If it's important enough to put in a policy, it's important enough to measure, so when writing Executive Limitations policies, be sure they are about things that really matter!

To sum up, knowing what matters, and why it matters, stating those things clearly, and getting measures about them, significantly reduces uncertainty. Reduced uncertainty means more clarity. Finally, more clarity generates more confidence – confidence that your organization is spending its resources on results that really matter, and making acceptable progress in achieving those results.

[1] Douglas Hubbard, (2014, p. 37), *How to Measure Anything,* third edition. Hoboken, N.J.: John Wiley & Sons, Inc.

[2] John Carver, (2006, p. 110) *Boards That Make a Difference*, third edition. San Francisco: John Wiley & Sons, Inc.

[3] Hubbard, p. 3.

# ONE VOICE: NECESSARY FOR CONFIDENT OWNERSHIP OF BOARD DECISIONS

**by Dee Incoronato**

"The One Voice principle for my board has brought complete ownership of its mission and operations with tremendous results. Unlike other styles, everyone on the board is responsible, and at the same time enjoys its policies, causing total success!" (*Intermountain Board Member Jim Lawrence*)

Feeling confident about your role as a board member and your ability to make a difference may depend upon how board members function as a team. The board of directors is the group of people entrusted with and accountable for the leadership and governance of an organization. In the best of circumstances, board members work as an effective governance team to the betterment of the organization. In the worst of circumstances, a board has one or two personalities that rule board business.

In many approaches to governance the board acts as management advisor. Committed board members acting as management advisors regarding operational decisions leave the door open to a power differential; individual personalities versus clear processes may begin to take over.

There is a better way. Policy Governance® is an integrated system that includes the functions of setting direction through policy, overseeing and monitoring organizational performance, and ensuring overall accountability. This is done through a well-defined set of comprehensive principles, designed to work together, that help board members recognize the reason their board exists and the nature of their authority, providing a process specifically designed to help the board do its work.

One outcome of such a system – a well-defined set of comprehensive integrated principles – is clear accountability. The board of directors leads with purpose and clear direction. Focused direction leads to increased organizational capacity. "Capacity building is the process of focusing all your energy on what 'really' moves your mission, building internal and external momentum around it, and intentionally stopping any activity that does not contribute significantly to positive return."[1]

A foundational principle of Policy Governance® is that the board is accountable to the organization's legal and moral owners, and serves as the link between them and management. Another principle is that the board delegates clearly to the operational organization through one person, the CEO. Through clear policies, the board describes who it is accountable to, how it will act as the link in the chain of command between ownership and management and how it will delegate to management, Then, again through policies, the board sets clear expectations of intended effects to be produced, limits about operations that protect the organization from unacceptable situations and how the board will do its own job.

Yet another principle related to the board's own job is "board holism." "The authority of the board is held and used as a body. The board speaks with one voice in that instructions are expressed by the board as a whole. Individual board members have no authority to instruct staff."[2]

This is the principle that controls personality through policy. Boards who follow this principle are confident in decision making because prior to the board making a decision, the full board has an opportunity to weigh in. "There have been times when I disagreed with a particular motion. I have spoken my mind and felt heard by the board. Once the vote was taken, I knew there was no need for further voicing my minority perspective in a 'parking lot debate' because I was committed to being part of the Board's One Voice. Policy Governance is remarkably freeing!" (*Intermountain Board Member Cathy Barker*)

Board holism guides all the work the board does, including committee work. "Our board has very active and productive committees that do the pre-work of our board. They bring their recommendations to the next board meeting, then all decisions are reached by the entire board. This ensures we always speak with one voice, allowing us to accomplish our work in a timely manner, be future focused, and not be impeded by the necessary research that has already been done by the committees." (*Intermountain Board Member Pam Schapper*)

How is your board doing? Does your board give instructions only with "one voice"? Boost your board's confidence in the ownership of its decisions by vigorous discussion of many perspectives, followed by a clear decision expressed in "one voice."
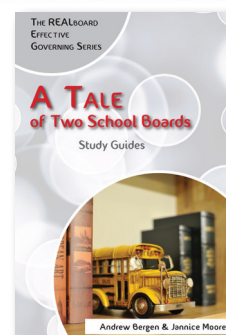
[1] Brown, C. (2007).p. 8, *The New Rules Capacity Building Report: The New Rules for Effective Capacity Building in the 21st Century* (p.8, draft 2.0). Mission Movers Group.

[2] International Policy Governance Association in consultation with John and Miriam Carver (2005-2007-2011). *Policy Governance Source Document.*
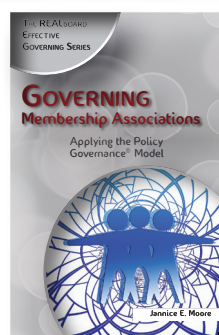
Joseph Inskeep and Rose Mercier discussing sustainability in Policy Governance®

Members of The Governance Coach™ team meet with A.J. Crabill to discuss Policy Governance® in schools

Ted Hull, Consultant

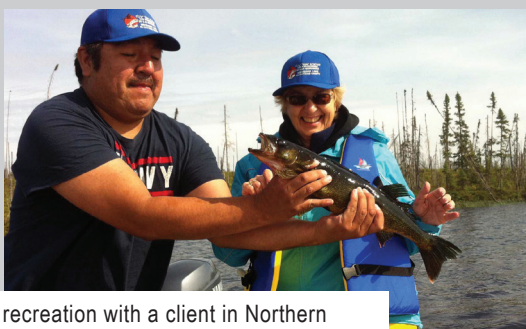Richard Stringham discusses ownership linkage with a board.

Rose Mercier, chair of the IPGA, presents Jannice Moore with a Certificate of Appreciation for her contribution as a Policy Governance® Proficiency Program Tutor in 2017.

Andrew Bergen and Jannice Moore, co-authors of the novel, *A Tale of Two School Boards:* Applying the Policy Governance® Model

Some recreation with a client in Northern Quebec.

It's an adventure getting to some of our clients.

# WEATHERING THE STORM

**by Rose Mercier**

What types of storms could possibly beset an organization? The first type that comes to mind is the "ripped from the headlines" variety – long-standing fraudulent behaviour, or undisclosed conflicts of interest of the CEO, the Chair, or one or more board members. Sadly, there are many such examples, but the point of this article is not to delineate a rather long and sorry list. There other types of storms that organizations need to weather that don't create headlines or are not even obvious outside the organization: a sudden decline in funder or donor revenue; changes in leadership (retirement of the founder, end of terms for visionary directors, resignations, even death); investor or member unrest; undeclared conflicts of interest; organizational structures which have exceeded their "best before" date; changing demographics of customers, students, neighbourhoods, etc.; shifting political or societal values; and new legislation. This is not even an exhaustive list!

The purpose of this article is not to cause you to lose sleep but rather to help you appreciate how Policy Governance® can be an anchor in a storm.

What drives an organization to do the right thing when faced by a storm – to take appropriate action when problems come to light, or better, to seek problems before they occur? Organizational culture plays a significant role in weathering a storm. Fortunately and unfortunately, culture can function like our immune system. Fortunately, because culture is felt at all levels of the organization so that threats to the organization – what is not like us – are quickly detected. Unfortunately, because that same cultural immune system can be a strong defense against any kind of change, even though desirable or necessary.

In 2016, ACCA (an international organization for Chartered Accountants) published the results of an extensive look at organizational culture through the lenses of governance.[1] Their findings suggest that culture is decisive in determining whether an organization will do the "right" thing. How can a board lead the development of organizational culture that will prompt "right," in other words – lawful, ethical and prudent actions? If you are reading this article, you might guess the answer has something to do with Policy Governance.

Applying the principles of Policy Governance will help a board "create a culture that will deliver sustainable good performance."[2] How does this happen?

First, the board sets Ends policies which clearly state *why* the organization exists and for whom it will make a difference – this is the foundation of organizational culture. These policies direct the organization to achieve specific results for specific individuals or groups at a justifiable cost. An organization that knows what it is to accomplish, and why, is more likely to do the "right thing."

Then, the board translates its values about ethics and prudence into policies which provide direction to the operational organization.

Because these Executive Limitations policies are comprehensive in their coverage of operational activity and because they specify what is unacceptable because it is imprudent and unethical, there is a greatly increased likelihood these values are lived throughout the organization on a daily basis.

Next, the board identifies in policies its values about its own processes, including those through which it delegates authority and holds accountable all to whom authority is delegated.

Finally, the board assures itself that the organization is true to the reason it exists and achieving what it should, and true to the values about ethics and prudence by monitoring the organization's performance against its policies. Through data provided by the CEO, or an external authority, or the board's own inspection, the board determines that there is verifiable evidence that the measurable indicators of compliance developed by the CEO are being realized. The board also monitors its own performance. Is it acting consistently with the values which it has translated into its policies about how it will govern, how it will delegate authority and how it will hold others accountable for the use of authority?

So what does this have to with weathering a storm? In a survey of 1800 of its members, the ACCA found that 61% of them said it was the values demonstrated in the decisions and behaviour of leadership that influences organizational behaviour. "Tone at the top" far outpaced the influence of incentives (20%) and rules and procedures (10%) in encouraging the "right behaviour." Requiring compliance with prescriptive rules is the least effective.

Contrast this finding with the response to corporate scandals in the U.S. in the late 1990's, largely agreed to have been fostered by corporate cultures that looked the other way or implicitly condoned unlawful and unethical procedures and behavior: the Sarbanes-Oxley Act (SOX). SOX set out an extensive array of requirements with which organizations are compelled to comply, but in the words of Jim Hyatt and Bill Charney,[3] the Act's "most glaring omission lies in its reinforcement of the board's obsession with management operations at the expense of the forward looking role of the board." Yet it is just this role – the board scanning the organization's internal and external environments and ensuring its policies give right direction – that is essential in developing a positive organizational culture.

The processes and procedures that staff, volunteers, members, constituents, donors, and others see and experience need to be aligned with the Ends (direction) of the organization – inconsistency between what people do and how they make decisions, and the values expressed in Ends and Limitations policies leads to dysfunctional behaviour.

In articles that use the immune system as a metaphor for organizational culture,[4,5,6] it would seem that culture can function to ensure an organization stays on the right track – both in terms

of purpose and behaviour. To do so, the adaptive systems of leadership (board and CEO) need to scan and shape the organization's internal and external environments, so that it can weather the storms of activities which could take the organization off-track.

However, it is equally important that the far reaches of the operational organization need to be able to detect when there are storms brewing, pick up signals there may be problems in achieving the organization's Ends, or imprudent or unethical behaviour, and correct the course or bring it to the attention of the organization's leaders.

A board that uses the full power of Policy Governance can weather storms it might face if it sets and regularly reviews its policies, rigorously and systematically monitors compliance with them, and takes the time to understand future potential problems and possibilities in its external and internal environments.

Given that organizational culture is an interlocking set of elements – values, purpose, processes, attitudes and assumptions – the systematic approach inherent in Policy Governance makes a board more appreciative of the connectivity among elements that shape culture, and hopefully more adept at sustaining an organizational culture that supports ongoing relevance and effective performance.

[1] Retrieved from: http://www.accaglobal.com/ca/en/professional-insights/risk/acca-culture-governance-tool.html

[2] *Corporate Culture and the Role of Boards: Report of Observations*, The Financial Reporting Council Limited, (2016).

[3] Jim Hyatt and Bill Charney. "Sarbanes-Oxley: Reconciling Legal Compliance with Good Governance. *Board Leadership* No. 79 (May-June, 2005)..

[4] Michael D. Watkins. "Organizational Immunology: Part 1: Culture and Change". , *Harvard Business Review* (June 11, 2007).

[5] Michael D. Watkins. "Organizational Immunology (Part 2: Brains and Immune Systems)" *Harvard Business Review* (June 15, 2007).

[6] Anne Gilley, Marisha Godek, and Jerry W. Gilley. "The Organizational Immune System". *Contemporary Issues in Education Research* (Third Quarter, 2009).
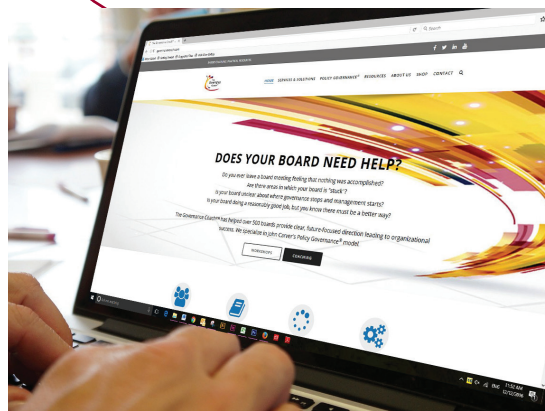
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~ What is GC Place? ~

# PLACE YOUR CONFIDENCE IN THE RIGHT INFORMATION

**by Richard Stringham**

The CEO was frustrated. He had presented his monitoring report and board members weren't satisfied with his interpretation and evidence for a policy statement: "The CEO shall not allow staff to be unprepared for emergencies." For the CEO, with a staff of three (one of whom was part-time), this insistence for evidence was obviously annoying. Finally he blurted out: "Look, everyone knows where the first aid kit is!"

A couple of days later I went to the offices of the same organization and found a brand-new first-aid kit still wrapped in cellophane on the front counter. As it happened, the organization had been sharing office space with another organization until several months prior to the above mentioned meeting, when the two organizations had gone separate ways. Apparently, the first-aid kit travelled with the other organization.

I had no reason to doubt the CEO when he said that, in the event of an emergency, he believed that staff would have been able to locate and use the first-aid kit. Obviously though, believing a first-aid kit would be available is no substitute for a needed real first-aid kit in an emergency.

If, in part, the CEO's reasonable interpretation included staff being able to readily access the first-aid kit, then the evidence the board needed to be confident the condition existed, was not a matter of knowing what the CEO believed, but rather, how he knew that the staff could indeed do so.

In this case, the board was on its toes and wasn't settling for anything less than real evidence. But it is easy for boards to be swept up in good news stories, forgetting about the criteria under examination.

Consider a policy that states: "The CEO shall not allow staff to be without documentation… that provides for effective handling of grievances and protects against wrongful conditions." A board receiving evidence indicating that, in response to an anonymous survey, a majority of staff rated working conditions as good or better, might miss the crux of the policy. How many staff outside of the majority would the board be concerned for if they were suffering from workplace harassment but without an effective channel to lodge a grievance? For that matter, even if 100% of staff rated working conditions good, does that show the necessary documentation is in place?

The board can also be swept up in the excitement of activities. It seems ironic the board would painstakingly develop Ends policies which articulate the results to be achieved for intended beneficiaries without stepping into the means of achieving them, and then be willing to accept reports of activities as evidence of Ends achievement. A slick media campaign is not a substitute for evidence that a particular audience has an awareness of a particular issue. More to the point, if both the board and management place their confidence in such a campaign without measuring whether or not the campaign is making any difference, the organization can be wasting resources which could be used more effectively elsewhere.

Generally, when a board receives information from its the officers or professionals hired by the board, the board can accept that information in good faith. In doing so, it is important the board distinguish between what is presented as fact and what is presented as belief. The board also needs to be clear as to whether the information it receives is addressing the policy it is monitoring. If the board does not do so, it becomes overly confident.

# ARE YOU CONFIDENT IN YOUR BOARD TEAM?

(Originally published January 2014 as "A Tale of Two Teams")

## by Andrew Bergen

Starting in 1996, the New York Rangers were unable to make the playoffs in the National Hockey League for the next 7 seasons. This is remarkable for a few reasons. First, every year, 16 out of the total of 30 teams make the playoffs. More than half of the entire league ends up in the postseason. This notoriously makes the NHL one of the *easiest* leagues in which to end up in the playoffs. A team just needs to be about average and they get a chance to play for the Stanley Cup.

What is even more remarkable about this particular team's playoff drought is the fact that for many of those seven seasons, they had the league's highest payroll. From the outside, it appears that their team strategy was to contract with the biggest stars the game had to offer, including perhaps the biggest star that ever played the game – Wayne Gretzky. The team also included such high-powered players as Pavel Bure, Jaromir Jagr, Alexei Kovalev and Bobby Holik among others. By all rights, not only should the team have made the playoffs, but it should have been a strong contender to survive all four rounds and win the cup.

Consider another team, this time from Major League Baseball – the Oakland Athletics. Perhaps you remember the movie "Moneyball," the movie based on the experience of the A's. From 2000 to 2003, the Oakland A's were able to make the playoffs in every year – AND, in every year since 2003, they have either made the playoffs or fallen short by just a game or two. MLB is a league in which it is notoriously *difficult* to make the playoffs. Until this past season, only 8 teams of 30 make the playoffs – meaning that to make the postseason, a team must be in the top 25% or higher.

What makes the A's story remarkable is that they have one of the lowest payrolls in baseball. So, how is it that one of the highest paid hockey teams can miss the playoffs consistently while one of the lowest paid baseball teams can consistently compete? Analysts will debate and likely disagree for eternity – but it begs the question; what is more important? High powered superstars? Or a team mentality where everyone contributes to a common goal? The Athletics' General Manager at the time operated from a philosophy that it wasn't necessarily highly paid superstars that win, but rather talented players that were willing to accept the team's goal as their own – and contribute to it in the way they were hired to do.

Board recruitment can be similar to the story of either of the teams above. Often, little thought is given to recruitment of members and the default mechanism is to find the most well-known players in the association, community, organization, etc. to fill the empty seats – regardless of whether these individuals are qualified to govern – or have the requisite attitude and approach to assist the board team to govern well.

This will sound ridiculously simple, but you are not ready to recruit if:

- you don't know what you are looking for in a board member
- you don't know how to qualify prospects once you find them
- you are willing to take anyone who is willing to serve

We've seen this: "Warm blood and a pulse." If only we had a nickel for every board who told us those are their recruitment criteria. If prodded, they might offer that they are seeking "business people" or "people with connections." On the other hand, when we ask what criteria and processes they have in place for recruiting their staff, they rattle off a whole litany of qualifications and reference checks. If our boards are accountable for everything our organizations do, shouldn't we have at least as good a process for "hiring" board members who are responsible to set organizational direction as we do for the staff who implement it? How can a board have confidence in its decisions if it doesn't know it has done everything possible to have the right people on the governing team?

*"To determine who will be the best people for the task, then, we must understand governance as a productive part of the organization... before boards reach out to fill their vacancies, they had best give considerable thought to the leadership qualities they ought to seek"*[1]

It is important for a board to consider several things:

1. Determine what attributes make for a successful board member or trustee. The following are a good basis for sound governance:

   - Commitment to linking with the ownership. Understanding that they stand in for an ownership of diverse people; willing to actively seek to access and understand that diversity.
   - Ability to think in terms of systems and context — to see the big picture.
   - Interest in and capability to discuss the values underlying the actions taken in the organization, and to govern by stating these values in policies.
   - Willingness to delegate the operational detail to others.
   - Ability and willingness to deal with vision and the long term
   - Ability and willingness to participate assertively in deliberation, while respecting the opinions of others.
   - Willingness and commitment to honour board decisions.
   - Commitment not to evaluate the CEO on criteria previously stated in policies

2. Create a Governance Process policy that includes the above list and any other criteria important to your board. Even if your board is publicly elected, having such criteria and making them known can improve the quality of candidates. This will bring two benefits. First, it will let the board and potential board members know what they are looking for. This will make desirable attributes of board members clearer for those who are recruiting and for those being recruited. Second, and equally as important, *"codifying the desired characteristics of new members serves to guide existing members in their own contribution to board leadership"*[2]

3. If desired, strike a committee to assist the board in this important task and arm that committee with the above policy. *"If the nominating committee had board-stated qualifications in hand (recorded as a Governance Process policy), it can render better service. The board should phrase its committee charge . . . so that finding the right people is given greater priority than filling vacancies"*[3]

4. Consider, if possible, an interview process for potential board members – and allow them to observe a board meeting prior to board selection or election. It will allow potential members a chance to see the board in action and determine if this is how they can best spend their time and energy.

Boards do not exist to have a star team in a large market in order to make a name for themselves. Boards exist to achieve real results for specific beneficiaries that make a difference in this world at a reasonable cost. Being intentional in the recruitment and selection process will allow a board to move forward with confidence.

[1] John Carver, (2002, p. 165). *John Carver on Board Leadership*. San Francisco, Jossey-Bass.

[2] Carver (2002, p. 168).

[3] John Carver, (2006, p.295). *Boards That Make a Difference*, third edition. Hoboken, N.J.: John Wiley & Sons, Inc.

# Welcome to The Governance Coach™ Team

The Governance Coach™ is pleased to welcome our newest consultant, Eric Phinney, based in New Brunswick, Canada.

Eric has a certificate denoting successful completion of the accredited Policy Governance Proficiency program from the International Policy Governance Association.

Over the last 15 years, he has facilitated the transition of several organizations to Policy Governance® including Alpha Ministries Canada, Fencing Association of New Brunswick, and the Cherry Brook Zoo. He has pioneered and led many different organizations on both the local and national stages at the governance level. With a background in Civil Engineering (University of New Brunswick), Business Administration (University of New Brunswick), and Divinity (University of Toronto), he brings a wealth of diverse organizational experience. Eric has 25 years experience as a pastor in the diocese of Fredericton and is a member of a wide range of boards and committees with a view to adding value to the communities he is involved with through volunteer and non-profit organizations. Eric is an experienced gifted communicator and facilitator in small groups and large audiences. He has recently completed 8 years as the Board Chair of Alpha Ministries Canada and is the new Board Chair for Wycliffe Bible Translators Canada, having served on that board since 2013. He also serves on the Boards of Cherry Brook Zoo, Kennebecasis Squadron CPS-ECP, and The Mission to Seafarers Canada.

Eric can be reached at eric@governancecoach.com

# You Asked Us…

**Our Consultant Paul Zilz answers your question:**

## IF WE USE POLICY GOVERNANCE®, HOW CAN WE BE SURE THAT THE CEO DOES NOT GAIN TOO MUCH POWER?

If your board uses all ten principles of the Policy Governance system, then the board can be assured that it has delegated in an accountable manner to the CEO the achievement of the Ends within the ethics and prudence policy limitations established by the board and reasonably interpreted by the CEO.

Accountable delegation is the exchange of authority for demonstrated performance and requires all four of the following: 1) The board clearly expresses its expectations in policy regarding who is to receive what benefits and what those results are worth (Ends) as well as which means the CEO is prohibited from using to achieve those Ends, even if they worked (Executive Limitations), 2) The board unambiguously assigns one person, the CEO, to meet those expectations, 3) The CEO provides a reasonable interpretation of each of those policy expectations, and 4) The board ensures that the evidence provided demonstrates compliance with those reasonable interpretations (monitoring).

If the board omits the last step above, then it has delegated its expectations, but it has not done so in an accountable manner. Only when the board checks to ensure that its expectations are met, using a rigorous monitoring process, can the board have confidence that the authority it has given the CEO is not being abused. More to the point, a rigorous monitoring system is necessary to ensure that the CEO, properly empowered to use every ounce of authority granted by the board, is both achieving the desired Ends and complying with the board-established limitations on the means used to achieve those Ends.

To submit your questions about Policy Governance®, please email us at:

info@governancecoach.com

with the subject line:
Questions for 'You Asked Us'

# Behind the Scenes of Policy Governance®
## Webinar Series

This live webinar course designed for administrative staff who support boards was offered for the first time in April. If you were unable to attend, you can now purchase a recording of the course.

## This three session course includes the following content:

- basic principles of Policy Governance
- agenda planning
- minutes
- maintaining board policies
- maintaining a Governance Information System
- agenda packages –distinguishing different types of board information
- what should really be in a "CEO Report"
- supporting Board Committees
- supporting the board's monitoring function and tracking to make CEO performance appraisal easy
- supporting board self-evaluation

## Here's what you'll receive for your investment:

- Video recordings of all three sessions (total of almost 6 hours)
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# A Guide to Policy Governance® Resources from The Governance Coach™

| Your Questions and Concerns | Resource | Description |
|---|---|---|
| *How do I write a monitoring report?* | Volume 1 REALBoard Tool Kit Series: *Meaningful Monitoring* | Detailed explanations and tools for writing and assessing monitoring reports |
| *How do I assess a monitoring report as a board member?* | A Quick Start Guide to Assessing Monitoring Reports | Fold-out Guide with step by step instructions to keep with your agenda materials |
| *How does the board evaluate itself?* | Volume 2 REALBoard Tool Kit Series: *Board Self-Evaluation* | Detailed explanations and tools for board self-evaluation |
| *We want to link with our owners* | Volume 3 REALBoard Tool Kit Series: *Connect! A Guide to Ownership Linkage* | Details of the why and how of ownership linkage, including deciding who to link with, sample questions, comparison of various methods, and tools and templates |
| *How can we make our agendas more meaningful?* | Volume 4 REALBoard Toolkit Series: *Future Focused Agendas* | Details on developing agendas that truly lead your organization into the future, with tools and templates to assist |
| *Does Policy Governance® work for schools?* | REALBoard Effective Governing Series: *A Tale of Two School Boards* | A novel to introduce the ten principles of the Policy Governance® system with specific application to schools |
| *We are a membership organization. How does Policy Governance® apply to us?* | REALBoard Effective Governing Series: *Governing Membership Associations* | How to apply Policy Governance principles to membership organizations. |
| *How can we reinforce our early learning?* | PINGO™ | A fun bingo style game with introductory level questions about the principles of Policy Governance |
| *How can we continue to reinforce learning as we use Policy Governance?* | PGIQ™ | A Jeopardy style game with 50 questions to initiate discussion, complete with answers and references for more depth |
| *We've had lots of turnover. How can new board members catch up?* | REALBoard Online Learning Modules™ | An online introduction to Policy Governance®; nine modules, web-based for convenience, each 15 – 20 minutes long |
| *What kind of information should we provide to incoming board members?* | Board Orientation Manual™ | A Word template document including basic information about Policy Governance, with headings and space for you to customize by adding your own organization's specific details |

> "When leaders are learning & growing, everything about them communicates the same opportunity to other people."
>
> ~ Douglas K. Smith

| Your Questions and Concerns | Resource | Description |
|---|---|---|
| *We need new board members. How do we create a well-rounded board?* | Best Fit Board Member Matrix™ | A simple method to determine the characteristics of a great board member based on custom criteria |
| *What type of questions do we ask a prospective board member?* | Best Fit Board Member Builder™ | A question bank of interview questions based on customized criteria to ask prospective board members |
| *How does Policy Governance work in health organizations?* | *Governance for Health System Trustees* | A guide to the ten principles of Policy Governance® and their application to the health care field |
| *Can church board, large or small, benefit from the Policy Governance® model?* | *Focusing Your Church Board* | Deciding whether Policy Governance is a good fit for your church board, and if so, why |
| *We're not sure if we are governing effectively.* | Board Practices Profile™ | A free online questionnaire regarding your governance practices. Submit your responses online to our consulting team for a customized evaluation. For boards not currently using Policy Governance® |
| *How can we determine we are using the model correctly?* | Policy Governance® Application Check-Up™ | A free online questionnaire to submit to our consultants for a customized evaluation; for boards currently using Policy Governance® |
| *How can our administrative support team support the board more effectively?* | Behind the Scenes of Policy Governance Webinar Series | Recording of 3 live webinars, including brief introduction to Policy Governance principles, agenda planning and support, minutes, and supporting many other board functions |
| *I'm a new Chair, or incoming Board Chair. Where can I get help to do a great job?* | Board Chair Forum Webinar Series for Governance Officers | Recording of 3 live webinars, covering details of designing and leading future-focused agendas, leading the board's operational oversight, and leading the board's accountability for its own performance. Available mid-February. |

**All resources are available on our website www.governancecoach.com**

~ Stay tuned for more information about GC Place! ~

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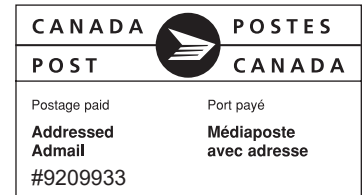
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*For Board Chairs, Vice Chairs, Chairs – Elect*

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Here's what our participants have to say:

> "Though we have been using Policy Governance for years, it was very informative… it [the webinar] should be a must for all chairs and future chairs."
> – Board Chair, Credit Union

> "I found the seminar quite useful, especially where there was amplification of material on the slides with real world examples. I also appreciated the handbook as a source of more detail that I could take away to reflect and study with."
>  – Board Chair, Association

To register, go to http://governancecoach.com/policy-governance-webinars/

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