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Then...
Now...
Into The Future....

FEATURED

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JANNICE MOORE
PRESIDENT

Dream With Me

In 1994, due to a sea change in the industry, I lost my job. I had been an "internal entrepreneur" in an organization, working in the fields of consulting and governance education. For some time I had dreamed of starting my own business. This was the push I needed to make it happen. So I had a dream – the dream to continue doing similar work, but as my own boss.

In retrospect, that was a very small dream!

2019 marks twenty-five years since that time. What began as a small dream has grown. From "me, myself and I" we now have a coaching company that includes eleven consultants from Canada, the USA and New Zealand, serving clients globally. We are celebrating our 25 year Anniversary! But that's not the whole story.

My dream has grown. Working with the governance system known as Policy Governance®, we have coached over 500 boards to use this system as a tool to better serve those on whose behalf they govern. But that's merely a drop in the bucket when considering the number of governing boards that could benefit from this system. So my dream is now a bigger, collective dream, looking for ways to expand the reach of this value-adding system, partnering with others of like mind.

In this issue we reflect on where governance has come from in the past, where it might be headed in the future, how the practice of Policy Governance has grown, and what the future might hold.

With apologies to Robert Browning, I invite you to "Dream along with me! The best is yet to be."

Jannice Moore

Editor's Note

This issue traces the evolution of board governance through the years, both through articles and a timeline for your perusal. We invite you to reflect on the governance journey of your own board.

I'm very proud to join my colleagues at The Governance Coach™ in celebrating our 25th Anniversary this year. We look forward to moving with you into a future where governance makes a positive impact in the world.

Marian

Marian Hamilton
Editor

A Century of Governance Perspectives

ANDREW BERGEN - SENIOR CONSULTANT

What have we learned about good governance in the last century? How did we get from boards as super-managers to servant-leaders?

Boards as Super-Managers

Management Focus on Efficiency

In the 1930's the chief focus in many organizations was on what physical activity needed to happen. The most senior people were still operators. As an example, consider the name of the major business degree (still being offered today) – Master of Business *Administration*. This degree originated in the early twentieth century. The assumption still inherent in this term is that business leadership is centered around operational activity. Operational plans were focused on what needed to be done in order to keep the business alive in the current context. This perspective led to paying attention to physical and tangible realities and finding ways to stay in control. The major focus was efficiency.

Management Focus on Effectiveness

As organizations continued to develop, the science of management became more prominent, bringing the realization that simply doing the work was not sufficient to ensure organizational success. The management and leadership of people was necessary, as were long term goals and strategic planning. As this work emerged in earnest in the 1970's, the role of management became one of thinking things through and being deliberate about the actions that were asked of the staff. Budgets, short and long-term goals, and strategic plans were the main parts of management's work. The major focus was effectiveness.

Governance in the Eras of Efficiency and Effectiveness Focus

In the above two eras, boards naturally developed along the same lines. Boards were either "hands-on," doing operational work, or viewed themselves as management one step up. A clear delineation of where management stopped and governance began was missing

Many boards are still stuck in these two areas of focus. I've been on a board that looked at paint swatches to determine what color the bathrooms of the main office should be. Other boards are still heavily involved in creating or approving strategic plans and budgets.

Boards as Servant-Leaders

Governance as Distinct From Management

With the creation of the Policy Governance® model, John Carver identified the distinct difference between the role of governance and management. He defined governance as ownership one step down rather than management one step up.

Connection to Those on Whose Behalf the Board Governs

With the understanding that there is a clear difference between governance and management, the board's connection with the "ownership" – those on whose behalf it governs – is a fundamental priority. The board exists to ensure the organization is producing what it should, for the right people and at a cost worth producing those benefits. The board makes this determination first by coming to a deep understanding of the needs, values and perspectives of the ownership as a whole.

Setting and Monitoring Policies

Adding to this understanding of ownership, the board educates itself about the external environment in which the organization operates. The board then creates policy to strategically direct the organization in a way that reflects the ownership's values. It also ensures appropriate policies are in place to protect the organization from unlawful, unethical or imprudent actions. Finally, the board monitors these policies to ensure the organization remains in compliance. In doing so, the board demonstrates its due diligence to its owners and fulfills its fiduciary duties.

Strategic Foresight

Seeing governance in this light makes it clear the board's role is less about doing and planning and much more about exercising strategic foresight. Rather than focusing on efficiency or effectiveness (they are still important, but can be handled by management) the unique value the board can add is to ensure the organization remains relevant. What will the world look like in 2030 – and beyond? What unique value can the organization bring to that world? What results can it create that will remain relevant in a rapidly-changing society? This requires the use of imagination.

Acting as servant-leaders to their owners, it is imperative that boards look deep into the future and begin to create a desired future state by setting strategic direction for the organization.

This article has relied heavily on the work of Ruben Nelson of Foresight Canada.

"The board's role is less about doing and planning and much more about exercising strategic foresight."

THE GOVERNANCE COACH NEAR YOU..

As of this publication date, a member of The Governance Coach™ team will be travelling to the following areas in 2019/2020:

JUNE 2019
5 Edmonton, Alberta
6-7 Ann Arbor, Michigan
18-22 Quebec City, Quebec
22 Jackson, Michigan
AUGUST 2019
12 Stony Plain, Alberta
22 Toronto, Ontario
SEPTEMBER 2019
5 St. Louis, Missouri
6 Vernon, British Columbia
7-8 Boston, Massachusetts
26-28 Edmonton, Alberta
NOVEMBER 2019
14-16 Toronto, Ontario
20 Grande Prairie, Alberta
21 Red Deer, Alberta
DECEMBER 2019
5-6 Toronto, Ontario
FEBRUARY 2020
13 Toronto, Ontario
20-23 Orlando, Florida

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

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

THE EVOLUTION OF POLICY GOVERNANCE® PRINCIPLES

RICHARD STRINGHAM - SENIOR CONSULTANT

Those well versed in Policy Governance understand the system is not a collection of best practices, as is the case with traditional approaches to governance. Instead, the model is a "totally consistent, conceptually coherent system" defined by 10 principles. When we see each of the 10 principles being consistently used, we then believe the model is being applied.

There are best practices in Policy Governance, some of which may be appropriate for more traditional approaches to governance (e.g., the board speaking with one voice). But often, best practices in traditional approaches are not suitable for boards using Policy Governance.

Principles Unchanged but Application Clarified

In the decades since John Carver first published his ground breaking *Boards that Make a Difference*, the principles have not changed, although they have been stated in alternate forms. However, the applications or practices used by the Policy Governance community have evolved over time.

"Shall not Fail to" No Longer Best Practice

To illustrate, consider the phrase: "…the CEO shall not fail to:" This was commonly used in Executive Limitations policies, including those suggested by John and Miriam Carver. Over time, the community of consultants and practitioners, led by the Carvers, realized that the phrase frequently led to boards prescribing preferred means instead of identifying unacceptable means. As John Carver explained, add to the end of the proposed limitations statement the phrase: "…even if all other executive limitations and ends policies are fulfilled." If the statement would still make sense, then the board would know that it is creating a real limitation. If adding that phrase would make the sentence nonsensical, then it is a preferred means disguised as a limitation.

Consequently, the Policy Governance community has been working to eliminate the phrase "…the CEO shall not fail to" and any other wording which is really a ***pre***scription disguised as a ***pro***scription.

Limitations are Unacceptable Conditions or Situations

Another practice being adopted by the community is using Executive Limitations policies to describe the unacceptable *condition* instead of the unacceptable *process*. As an example, consider a policy which states: "The CEO shall not release public position statements without first consulting with members." If the CEO consulted with members and then released a public position statement which ignored the members' input, she would still be compliant! Is that really the intent?

Instead, the Executive Limitations policy could more effectively state the unacceptable condition in this way: "The CEO shall not release public position statements that are likely to create a backlash among members because their input has been ignored."

Insights from Other Disciplines Can Clarify Application of Principles

Granted, some of these changes are borrowed from other disciplines. In his article in this issue, "What's a Reasonable Interpretation?" Ted Hull describes how we have advanced in our thinking about "any reasonable interpretation" by tapping into the concept of operational definitions.

Similarly, we have drawn from other disciplines for ownership linkage practices (World Cafés anyone?), and our ability to apply the concept of "what worth" in Ends policies is being influenced by the field of Social Return on Investment (SROI). To be clear, we are not applying a pure model of SROI to "what worth"; instead we are learning from the insights that the SROI community have already developed and we are determining how to incorporate those learnings into applying Policy Governance principles.

We are also challenged by changing times. While social media creates challenges (e.g., distractions) to ownership linkage, it also presents new opportunities. Regardless, the concept that the board should engage in a two-way dialogue, rather than a one-way reporting relationship, remains a core concept at the heart of a servant-leadership philosophy when a board is using Policy Governance.

Growing Body of Knowledge

Finally, consider the growing body of knowledge regarding Policy Governance. From the first edition of *Boards that Make a Difference* in 1990 to the wealth of resources available today, there is a world of information about both the theoretical and the practical applications of the model. What will the next few decades bring? We anticipate even more sound and practical resources for the application of a sound and practical model!

What's a Reasonable Interpretation? Obtaining Clarity

TED HULL - CONSULTANT

Application of the Policy Governance® model has continued to become clearer and more precise over the twenty-five year history of The Governance Coach. This has happened without any changes to the principles of the model. One of those points of precision is the understanding of the ***reasonable interpretation*** principle.

Not a synonym

It's been my experience that articulating a reasonable interpretation is the most difficult concept for boards and CEOs implementing Policy Governance to get a handle on. CEOs can sometimes confuse a reasonable interpretation with simply providing a synonym. For example, the board may have an Executive Limitation that does not permit the organization to have inadequate insurance against property and casualty losses. A CEO may interpret *inadequate as insufficient*. This is not the intent, nor has it ever been the intent, of a reasonable interpretation.

Not just the CEO's own idea

In this example the board has only limited the CEO from having inadequate insurance. It hasn't stated what an inadequate level of insurance would be. So can the CEO provide his or her idea of the amount of insurance that would be required to comply with this limitation? Keep in mind that the CEO may have virtually no background or understanding of the insurance requirements that align with this type of organization.

A repeatable method of measurement

Over the last several years there has been an increasing emphasis on having a reasonable interpretation provide an operational definition. In our example, how can *inadequate* be measured in a way that that anyone could repeat that measurement independently?

While this may sound complicated, it is a procedure we use more often than we may realize. Suppose you are preparing to fly to a vacation destination. You already know that you cannot allow your luggage to be overweight. So how would you operationalize *overweight*? Is your luggage overweight if it strains your back – or your partner's back? Maybe it's overweight tonight, but not in the morning when you've had a good rest. Or is it overweight if you have too many clothes – and if so who gets to determine how much clothing is too much?

The subjective term "overweight" in terms of overweight luggage for the purposes of airline travel has an operational definition. *Please place your suitcase on the scale. If the weight is in excess of fifty pounds your luggage is overweight.* This measurement can be repeated by anyone and each will arrive at the same conclusion.

Based on defensible rationale

Let's take this idea and apply it to our interpretation of inadequate as it relates to insurance. We now understand that an interpretation isn't reasonable just because the CEO says so or because he asked a friend for an opinion over a beer at the bar. In the case of not allowing for inadequate insurance, the CEO can talk to a qualified insurance agent familiar with the risks associated with the type of organization who will recommend a certain amount of insurance. So the operational definition of *inadequate insurance* could be *coverage which is less than the recommendation of a qualified insurance agent.* Now the CEO has set a justifiable level of insurance which is clear to anyone seeking evidence of compliance.

A measure against which to assess compliance

A board should look for these kinds of reasonable interpretations. The CEO takes the subjective term of inadequate and assigns to it an operational definition. This can be done because the qualified insurance agent has a "scale" to define *inadequate.* The board can then objectively weigh or measure the current insurance coverage to determine if the CEO is compliant.

Thinking this way about the principle of the reasonable interpretation can provide the clarity that both a board and a CEO desire.

A Governance Timeline Then...Now... Into The Future...

Greeks & Romans

Marine Pilot
~
Gr: *Kubernetis* L: *Gouvernare*
Direct and Protect

1800's

Limited Liability
~
Modern Companies Acts

How Long Will It Take?

ROSE MERCIER - SENIOR CONSULTANT

About five or six years ago, I read *Uncharted: Big Data as a Lens on Human Culture*, by Erez Aiden and Jean-Baptiste Michel1. I was fascinated by the account of their quest to gain access to, and use, the "big data" available as a result of Google's scanning and digitization of 20 million books. They were "fascinated by how human culture changes over time" and saw the potential in the "big data" generated by the Google books project as a means through which they might track and measure human culture. (The Google Books project also triggered numerous lawsuits over copyright issues which remain unresolved, limiting access to the largest online library.[2])

Word Frequencies

However, the book's authors were able to analyze word frequencies over time using data shadows (n-gram) that did not compromise copyright. One area they explored was about how long it took an invented technology to take hold. They studied when words or phrases connected to the invention or technology, (for example, denim, cellophane, Martians) emerged and their ensuing pattern of frequency, and then researched the related patents or breakthroughs, for example, the Mariner explores Mars.

My favourite anecdote is about the fax machine. The word frequency of "fax" spikes, unsurprisingly, in the 1980's, leading one to surmise that it would have been invented in close proximity to that date. However, the authors discovered the first patent for the telefax was issued in the 1840's!

They conclude that while "big news travels fast, big ideas don't." They also note the gap between invention and adoption is shortening over time. There is a lot more to this

1920-30's

Shareholders Separated from Control
~
Stock Market Crash

1970's

Securities and Exchange Commission Reforms
~
Term "Corporate Governance" Appears

1990

Carver Publishes *Boards That Make A Difference*
~
Policy Governance® Model

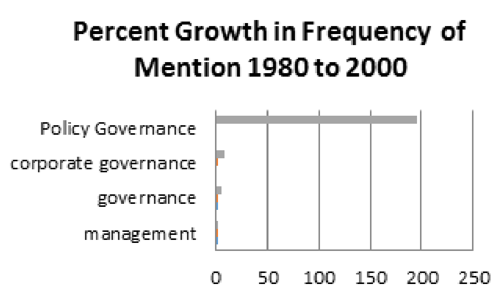
fascinating and absorbing story, but it prompted me to think about how long it might take for the big idea of Policy Governance® to spread.

Google N-gram Viewer

This leads me to the point of the opening paragraph: the book introduced me to the Google N-gram Viewer (https://books.google.com/ngrams) which remains online and allows you to search for word frequencies or compare frequencies from 1800 to 2000. I wondered what would happen if I searched for the words, 'management' and 'governance.' Would the result give me an interesting way to illustrate that "governance" has a much shorter history in English books than "management"? This proved to be the case.

Management vs. Governance

Then I wondered how the word frequency of "management," "governance," "Policy Governance," and "corporate governance" had changed between 1980 and 2000. I chose the start date of 1980 because it is when the word "governance" was beginning to be commonly used, distinguishing it from "management." While "management" was still mentioned fifteen times as often as "governance," the frequency of mention between 1980 and 2000 did not grow significantly. Not surprisingly, perhaps because "corporate governance" and "Policy Governance" were growing in prominence in the 1990's and after, the frequency of these words has grown by a significant multiple, as shown in this graph. What this means is that for every one time Policy Governance was mentioned in 1980, it was mentioned 195 times in 2000.



Visibility of Policy Governance

While the above is not presented as hard research, it does indicate that Policy Governance has become more visible. Wouldn't it be interesting to be able to use the data from the last two decades? Unfortunately, we must rely on the individual and sometimes collective observation that Policy Governance principles have become more evident in business and other literature. The principle of role clarity – differentiating the job of the CEO and the job of the board, the separation of CEO and Board Chair roles – is discussed in publications about boards. The impact of understanding that the board stands in for the organization's ownership is profound: there is more attention to the need for a board to proactively engage with its owners; it is generally accepted that a board must accept full accountability for everything that happens – there are no excuses for not knowing what's going on; the need for the board to develop strategic foresight is increasingly emphasized.

I am often impatient with a world in which the power of Policy Governance as a system capable of harnessing an organization to produce owners' expressed wishes for positive change is not more fully embraced. Ever the optimist, I prefer to concentrate on signs of progress and evidence of growing adoption of the model. I just hope it doesn't take as long as the fax machine!

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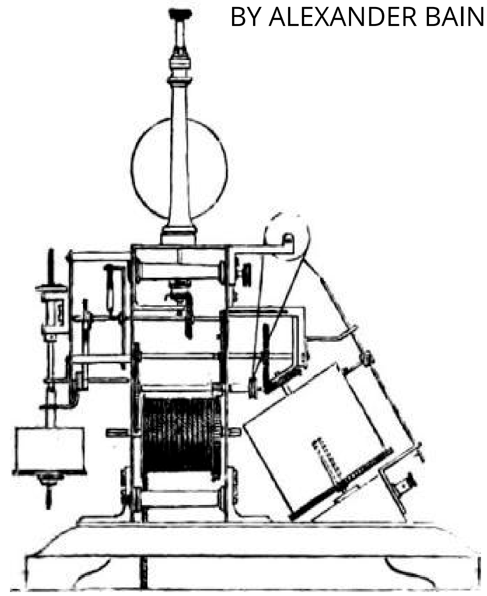
[1]Aiden, Erez and Michel, Jean-Baptiste. *Uncharted: Big Data as a Lens on Human Culture.* New York: Riverhead Books, 2013. Big data is described as "extremely large data sets that may be analyzed computationally to reveal patterns, trends, and associations, especially relating to human behavior and interactions."

[2]The Google book project has been in limbo since 2010 when the 2008 agreement between Google and representatives and publishers was thrown out by a federal judge who determined that the copyright issues should be decided by Congress. Google had by then (2010) scanned 30 million books. Source: "What Ever Happened to Google Books?" Tim Wu. *The New Yorker*. September 11, 2015.

FIRST FAX MACHINE
PATENTED IN 1846
BY ALEXANDER BAIN



"The impact of understanding that the board stands in for the organization's ownership is profound."

1994

Coaching Boards to Apply Policy Governance®
~
The Governance Coach™

2000

Collective Action to help Boards use Policy Governance® Effectively
~
International Policy Governance® Association Incorporated

early 2000's

Enron, Worldcom, Etc.
~
Corporate Governance Scandals

Board Members For The Future

DEE INCORONATO - CONSULTANT

What will board composition be like in the future? While there is always a danger in assuming everyone in a demographic cohort is alike, there are some basic similarities that reflect the characteristics of different generations which may be useful in imagining governance for the future.

Who Are They?

Board members in the next 20 to 40 years will be composed predominantly of the Gen X, Millennial and Gen Z generations.

- Members of Gen X, now aged between 38 and 53 years, are typically described as entrepreneurs, optimists, confident, patriotic and philanthropic. They are serving and will continue to serve on boards for another 20 to 40 years.
- Millennials, aged 23 to 38 today, are described as inclusive, confident, and tolerant. They believe in a work-life balance, in political correctness, have a strong social consciousness and highly value volunteerism. By 2020, Millennials will make up one-half of the workforce. They are serving and will continue to serve on boards for another 40-60 years.
- Members of Gen Z, aged 3 to 23 today, are described as loyal, compassionate, responsible, determined, open minded and curious; as digital natives, they have grown up with technology. This group could serve on boards into the 22nd century.

What Are Their Challenges?

What will boards of the future need to grasp to lead their organizations? They will need to know how to define success and set clear direction. Boards must understand trends in their organization's industry. In an evolving marketplace, they must continually be asking:

- Where is our industry going?
- What opportunities do our mission, vision, and values create (or not)?
- What do present opportunities say about the future?
- What should we be looking for?
- What gets in the way?
- What capabilities will our organization need in order to be optimally competitive in the emerging landscape?

In addition, they must be able to cope with continual disruptive forces, those monumental, unexpected changes that do not fit previous patterns. Nimble, flexible and discerning board members who can position their organization when disruptive forces hit will be needed. Circumstances will continue to create dramatic changes that transform existing industries or create new ones. The facts about organizational longevity are telling:

- The average life expectancy of a multinational Fortune 500 or equivalent corporation is between 40 and 50 years.
- A full one-third of the companies listed in the 1970 Fortune 500 had vanished by 1983 – acquired, merged, or broken to pieces.
- The average lifespan of a company listed in the S&P 500 index of leading US companies has decreased by more than 50 years in the last century, from 67 years in the 1920s to just 15 years today.
- Based on historical U.S. IRS data, in a period of five years, 16% of U.S. non-profit organizations go out of business.

Change has been most dramatic over the last 15 years and there is no reason to anticipate it will slow down – the opposite is more likely.

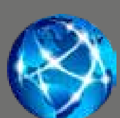
Future board members will have to be savvy, prepared to respond quickly to change, pivot as new trends emerge, imagine alternative futures, and articulate vision and values to guide their organization. Board composition and board recruitment can be expected to become more competitive, with increasing scrutiny of individual board members.

Boards of the future will continue to address recruitment and retention of good CEOs, and challenges regarding the appropriateness of CEO compensation. In the corporate sector, one can expect an escalation of shareholder activism, and increasing societal expectations that companies provide a social benefit, not simply a return on investment for shareholders at the expense of all else.

2017

BSI British Standard 13500
~
Focus on Effective Structures, Relationships & Accountability

2020



ISO Standard for Governance
~
Working Group Since 2016 for new International Standard

2030

Is Policy Governance® a Good Fit?

Will the Policy Governance® model be compatible with this demographic of future board members? The descriptions for the relevant generations look promising: entrepreneurial, confident, philanthropic, inclusive, tolerant, responsible, compassionate, loyal, having a social consciousness, being politically correct and embracing voluntary service. These adjectives infer responsibility and accountability. Since the Policy Governance model incorporates accountability as a key component of its design, future board members should find these universal principles to be in sync with their values.

Is the Policy Governance model itself positioned to help boards of the future navigate the challenges they will face? I would argue that it is. Designed as a system to enable boards to fulfill their responsibilities, it provides a point of stability in a rapidly changing world. With its emphasis on constant attention to desired future results, it provides a springboard for boards to be true leaders, well-informed about complex issues, and leading the way to a desired future.

Our "Dream" – a Reality?

~

Majority of boards are:

- **Fully accountable to owners**
- **Focusing on strategic foresight**
- **Continuing to refine and advance governance capacity**
- **Using a systems-based approach to governance**

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https://governance-coach.myshopify.com/pages/gc-place

GOVERNANCE IN 25 YEARS

JOSEPH INSKEEP - CONSULTANT

Making predictions about anything 25 years into the future is a fabulous fantasy adventure, but since I will likely perish before these comments can be fully disproven, I accepted the challenge. My approach is to examine two emerging forces - climate change and big data - to look for potential impacts on ownership, markets, the way organizations are structured, and the resultant implications for the governance of organizations.

Climate Change and Governance

Let's start with climate change. Most of us know that the harsh impacts of population and consumption levels on our little planet are building at an alarming rate. Though the science is increasingly persuasive and scary, the implications are not transforming our political will apace. In 2014, U.S. President Barack Obama said, "We are the first generation to feel the effect of climate change and the last generation who can do something about it." These urgent words suggest that a coordinated global response is required, perhaps of a magnitude we haven't seen since the major world wars of the 20th century.

The responses we have seen so far are largely at the margin. In one example, the *New York Times* Weekend Briefing on March 31, 2019 states that New York will impose a statewide ban on single-use plastic bags, and that to help subsidize mass transit, NYC is poised to become the first city in the U.S. to introduce congestion pricing on cars entering Manhattan. These changes, while certainly important in themselves, come nowhere near the urgency of Obama's warning. A grave concern implicit in the quote is that we may pass key tipping points before we gather the political resolve required to avoid potentially cascading effects. But however late we respond, we can expect that organized responses will become ever more vigorous as conditions deteriorate. This process will increasingly ramp up within our 25-year timeframe.

One response may be a shift in corporate privileges. Markets are driven by profits and profits rely on increasing rates of consumption. The prevailing mythology is that wealth from market activity trickles down in degrees to the benefit of everyone. Instead, we see structural inequality even as forests disappear, oceans warm and wealth is increasingly centralized. Regardless of personal and national politics, it may very well be that the market forces we have all grown up with are not sustainable.

As perhaps a harbinger of our governance future, U.S. Senator Elizabeth Warren's "Accountable Capitalism Act"[1] suggests that if corporations are going to have the legal rights of persons, they should be expected to act like decent citizens who uphold their fair share of the social contract. She wants large corporations to obtain a "federal charter of corporate citizenship," in which the company directors would consider the interests of all relevant stakeholders — shareholders, but also customers, employees, and the communities in which the company operates — when making decisions.

John Carver said that a board makes decisions on behalf of the organization's owners, whether that ownership exists in a legal or moral sense. In Elizabeth Warren's charter, we see a form of a distributed moral ownership, in which a board of directors must make decisions based on the organization's systemic impacts on the broad public. We can even imagine a future in which increasing numbers of organizations will include a net benefit to the ecosystem itself as an Ends policy.

These are American examples, and there may well be differing reactions in other cultures and countries. Dr. Katarina Sikavica, Director, Corporate Governance and Board Services with Ernst & Young in Zurich, makes a distinction among legal, financial, and "psychological" ownership of organizations. More research related to "psychological ownership" of corporations by members of society at large is a subject that might shed further light on what the future may bring.[2]

We also expect that governing bodies will have to pay a great deal more attention to the toxic side effects of production that until present have been largely tolerated. In Policy Governance®, a board constrains its CEO by defining unacceptable conditions and putting those off limits. The public's lawmakers may become increasingly proactive in legislating constraints that protect the public commons. One can imagine that boards will be accountable to do much of the oversight as the greening of the marketplace is enforced through taxes and fines.

Governance and Big Data

This brings us to big data. The vastly increasing amounts of information collected, as well as the computing power to perform meaningful analysis on it, are mind-boggling. Data sets are growing exponentially, partly because data is continually captured by ubiquitous, cheap devices and the internet of things. Sensors can be deployed nearly anywhere for nearly any situational need. This wild west of technology could potentially be corralled, tamed and put to good use in identifying the sources of unacceptable environmental impacts. We can imagine a near future in which nearly any externality could be traced back to its source.

Beyond environmental protection, technology could also be used to better understand the needs, values and pri-orities of the stakeholder public, potentially in something like real time. Airport restrooms increasingly have a simple panel at the exit with push buttons so travellers can rate the conditions (one face smiling and one frowning). Such simple data collection points will likely be ubiquitous in our near future. Maybe the city park will have a greeting panel at the gate allowing guests to describe the benefits they would like designed into the common space. This data could be sorted using voice recognition software so that users can contribute ideas to the design.

Collecting meaningful information about the needs of our communities and environmental impacts will be invaluable in stewarding the needed social change and governing our organizations. In the language of Policy Governance, this is ownership linkage and the monitoring of unacceptable conditions.

Organizational Structures

Lastly, let's look for a moment at for-profit and not-for-profit (NFP) organizations. If the for-profits require continually increasing rates of consumption, and if that increasing consumption pushes us ever closer to a carbon cliff, we must ask if the for-profit business model can carry us through the emerging crisis.

The not-for-profit business, on the other hand, is organized around an entirely different set of values.

There are three main legal attributes that distinguish NFP businesses from for-profit businesses: 1) they must have a core social or ecological mission; 2) they must use all of their profit for their mission (no profit can be privately distributed); and 3) they can have no private owners, or shareholders. (We mean "ownership" in the sense of appropriation rights—the right to take profit or assets. Some not-for-profits use the word "owners" to refer to their members, but these "owners" do not have appropriation rights.)[3]

Here the term "not-for-profit business" is used to mean those nonprofit organizations that are financially self-sufficient through the sale of goods and services (hence the term business). Our global economy already has any number of quiet workhorses that have been pulling steadily along for the common good. Think of the YMCA, with over 10,000 locations in nearly 120 countries.

Writing in the *Nonprofit Quarterly,* Douglas Rushkoff says:

"I think that the nonprofit sector in particular is perfectly situated to help us transition to a different economic landscape. You know, most nonprofits think of themselves as doing something good, but what I want to try to make them more aware of is that the nonprofit structure itself, the way the business is actually structured, may be doing more good than whatever their particular business is.

". . . while the public looks at nonprofits as do-gooders, I'm looking at the structure of nonprofits and not-for-profit corporations as business entities. Because they're not for sale, because they're not shareholder - or share value–maximizing companies, what they end up doing is promoting revenue and the exchange of value and the circulation of money, which revives a whole economy rather than enriching the few".[4]

As the need for sustainability increasingly shapes our global economy, nonprofit businesses may become a much more central form of organization. If so, it will be precisely because they de-emphasize the growth needed to fuel the acquisition of private wealth, and instead emphasize governance decision-making based on the welfare of the broadest circle of ownership: our communities and the environment. This decision-making will identify and prioritize social benefits, and protect against unacceptable social impacts.

Those familiar with Policy Governance will recognize that governing on behalf of a distributed moral ownership and monitoring for impacts are both core elements of the governance system. While the business model and our sense of urgency will no doubt be required to adapt, Policy Governance itself may already contain the basic elements needed to govern in this uncertain future.

[1] https://www.vox.com/2018/8/15/17683022/elizabeth-warren-accountable-capitalism-corporations

[2] Katarina Sikavica. "What is Ownership and Why Should We Care?" Paper presented at discussion forum hosted by UK Policy Governance Association, "Shaking The Foundations Of Governance – Ownership," November 2016.

[3] Jennifer Hinton, "Envisioning a Not-for-Profit World for a Sustainable Future," *Nonprofit Quarterly*, February 26, 2019.

[4] "The Sustainability Prerogative: Nonprofits in the Future of our Economy, an Interview with Douglas Rushkoff," *Nonprofit Quarterly* April 25, 2017.

From Dream to Reality?

JANNICE MOORE - PRESIDENT

The Past

Looking back is easy. Looking ahead is more challenging. When I reflect on the history of the governance of organizations, some things haven't changed – and that's a good thing. Our modern word "governance" is derived from the Greek word for the pilot who directed the sailing ship to reach its destination and avoid dangers; the job of governing boards is still to direct and protect their organizations.

Have boards done a good job of those responsibilities? While some boards have been exemplary, demonstrating a true sense of servant-leadership on behalf of their owners, that has not always been the case. Governance scandals over the last several decades have given us many examples of boards not doing their job of protecting from unacceptable situations, to the detriment of their owners. As the world has changed rapidly, boards have not always done a good job of setting direction: many organizations have become irrelevant because of a lack of strategic foresight.

Hope for the Future

John Carver's development of a systematic "technology" for governing boards has been, and continues to be, a bright ray of hope for the continued value and contribution of governing boards. While growth in its adoption has been slower than one might wish, we see increasing interest in the value of this system. As noted in Rose's article in this issue, we hope it will not take as long to gain significant traction as the fax did!

A very encouraging development has been the evolution of corporate governance codes that seriously consider the systematic set of principles in Policy Governance®. The British Standards Institute (BSI), well-respected as a leader in the development of international standards, published in 2017 a Standard for organizational governance, BS13500. The standard focuses on effective structures, relationships and accountability, and was strongly influenced by John Carver's work, thanks in large part to the involvement of the late Caroline Oliver, former CEO of the International Policy Governance® Association (now Govern for Impact) in its development.

In 2016 the International Standards Organization (ISO) began work to consider the feasibility of a new international guidance standard on the governance of organizations. Work on the new standard began in 2017 and is scheduled for completion by the end of 2020. It is anticipated that the BSI standard will have significant influence on this work.

The Possible Dream

While some may be discouraged by the slow pace of progress in improving governance, in looking back over the last 25 years, and forward to the future, I see a difference. In our own company alone, over 500 boards have been introduced to and assisted in using Policy Governance to better lead their organizations. We have seen its use spreading beyond North America and Europe. I believe governance will continue to improve, and boards' ability to use this system and refine its application will be a significant part of that improvement:

There are people who care deeply about the value strong governance can add, not only in the current composition of boards, but in the kind of people we expect to see in future boards.

There is a system available that governing boards can use to help them focus on their responsibilities to direct and protect.

There are supports available to boards such as those provided by The Governance Coach™ and other consultants with credentials in Policy Governance, and organizations such as Govern for Impact who want to see governance as a distinct, disciplined practice to enhance the common good.

I choose to see this, not as in Joe Darion and Mitchell Leigh's song, "The Impossible Dream," but as "the possible dream." Even when at times it may seem impossible, join us in challenging the governance status quo!

"So many of our dreams at first seem impossible, then they seem improbable, and then, when we summon the will, they soon become inevitable."—Christoper Reeve

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