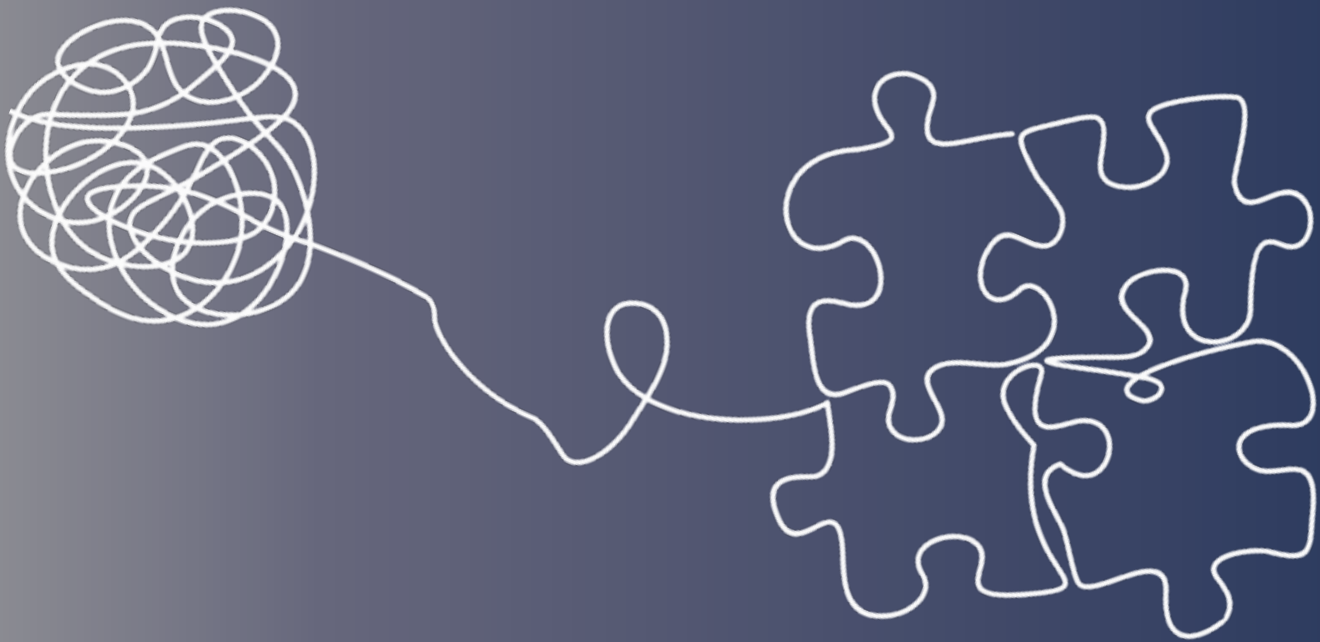


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Governing with First Principles



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Let's face it, effective board work is challenging! Board members need to know what their lane is, how to govern risk, and translate a vision of the future into organizational performance. All the while, doing so with an understanding of the values of those to whom they are accountable.

Throw in a dash of human dynamics as board members interact with one another and you have a recipe for overwhelming complexity.

Far too many boards grapple with this complexity by adopting “best practices” for their approaches to governance or, even worse, make it up as they go! Such approaches add to the complexity. For example, on what basis does a board determine who is responsible for a decision?

There is a better way. Governing boards have ready access to a resource built upon fundamental first principles: Policy Governance.®

In this issue, Jannice Moore and Rose Mercier unpack the concept and value of first principles and illustrate how they can be applied by boards.

Susan Meek explains how a board's values may shift with new and emerging issues and how to address such shifts in the board's decisions.

Michel Paulin explains the importance and methods that boards should use for deep dives to ensure that the board is making well-informed decisions.

And Richard Stringham reminds us that systems are at work in all aspects of our lives and why they should be in governance as well.

Richard Stringham & Rose Mercier

Editor's Note

At The Governance Coach Inc., we're geared up for learning this fall. We kick start the season with a free live 30 minute webinar that will introduce you to “The Blueprint for Governance Success”. Watch for the registration notice and sign up for this 30 minute September 27th session with two of our professional governance consultants.

We're offering two new start dates for our virtual “Introduction to Policy Governance” courses, 10 modules you complete at your convenience, and two live sessions with a consultant.

The first starts October 4 with live sessions on October 18 and November 8. The second course starts October 25 with live sessions on November 8 and November 29, 2023.

Registration is now open. Visit our website at www.governancecoach.com for more details.

We wish you a relaxing summer with plenty of fun and adventures! See you in the fall!

Marian

Marian Hamilton
Editor

Beavers, Golf Carts, and Governance Systems

RICHARD STRINGHAM - PARTNER



For Canadians, the beaver is an iconic image. It is found in various city and corporate emblems, Canada's first postage stamp, and it still graces one side of our five-cent coin: the Nickel. The industrious "critter" populates natural areas across the country.

It turns out beavers were once prevalent worldwide "ranging from Scotland to Spain, Syria to Russia, Canada to Mexico."¹ The fur trade of the 16th to 19th centuries decimated beaver populations; but now, there are worldwide conservation efforts to bring back the beavers.

The reason? The multiple benefits they bring to their habitat range from better water quality to more diverse animal populations, resistance against wildfires to carbon capture! In other words, they are an integral part of an amazing and complex ecosystem.

More than the Sum of Its Parts

Systems have multiple components. However, it is not the components themselves that make the system. It is the way those components interrelate that make the system. The changes in the stream flow caused by beavers' actions creates habitat for plants and animals which would otherwise be absent. Plant populations hold soil in place, preventing erosion from washing the habitat downstream. The food chain flourishes.

As a system, the wetlands are greater than the sum of their parts.

Although not as complex, human designed systems also rely on the interplay of their parts. Systems expert, Dr. Russell Ackoff² noted that placing all the parts of a car on the shop floor, does not make it a functioning machine. The steering wheel has no effect without being connected to the other parts. Likewise, the engine can't move anywhere on its own.

However, when assembled and activated, the vehicle is greater than the sum of its parts.

Indeed, the system is not defined by its parts. Instead, it is defined by its

purpose – in this case, a mode of people transportation.

System Benefits of Policy Governance[®]

If you've been exposed to Policy Governance, you've likely heard of it as a system, not just a collection of best practices. The system has ten (component) principles, each of which adds value. On their own, each principle is worth using. But when combined into a system, the real power and benefits of Policy Governance shine.

As just one example, when using Policy Governance, CEOs are empowered to respond to a myriad of changing circumstances. The form of empowerment is not only effective and efficient, but also safe.

This is the result of interplay between: a) the board acting with one voice, b) delegating to one point in the operations, c) clear expectations of the intended difference the organization is to produce, for whom, and what it is worth, d) clear boundaries of unacceptable operational means, e) the use of a unique policy structure, f) authority to use any reasonable interpretation, and g) rigorous monitoring.

As a system, Policy Governance enables the board to translate the principal stakeholders' values into organizational performance.

System Hybrids

What about hybrids you ask? Can a board combine parts of Policy Governance and parts of a more traditional approach to governance to create a hybrid?

Consider hybrids in nature. Each animal in a species is a living system. Livestock producers have long known that crossing two animals of distinctly different genetic backgrounds from the same species can lead to hybrid vigour. The progeny may experience greater health, faster rate of gain, and other benefits greater than either of the two parents.

Engineers have designed hybrid cars in which an internal combustion

REPLACING THE TERM “OWNERSHIP”

engine is a part of a system that captures energy and stores it in batteries which are drawn upon to run electric engines. The interplay between the parts creates a system that is different from a vehicle powered exclusively by either an internal combustion engine or an electric motor. As a result, the vehicle has superior energy efficiency without sacrificing driving range.

But not all attempts at hybrid systems work.

Mother nature has her way of dealing with non-viable hybrids (e.g., abortion, sterility of the progeny).

For an example where two human made systems are brought together without true hybrid benefits, check out comedian Steve Smith's (a.k.a. Red Green) vehicle conversion.³ Green pulls a gasoline motor from a golf cart and, using duct tape of course, lashes it together with an electric motor in another golf cart. The electric motor drives a wheel on one side and the gasoline motor drives a wheel on the other side.

Even if it could work in reality, it's easy to see it wouldn't have the system advantages of a real hybrid vehicle.

Policy Governance Hybrids?

Similarly, swapping out parts of the Policy Governance system and using practices from traditional governance in their place, likely won't result in a system, let alone a hybrid. We've seen several attempts, each of which resulted in a collection of best practices, albeit with some concepts from Policy Governance.

The results were akin to removing beavers from the wetlands. Dismantling of the system may not be recognized immediately; but it will be when the wetlands dry up and wildfires are more common.

¹ <https://www.bbc.com/future/article/20210713-the-beavers-returning-to-the-desert>

² <https://www.youtube.com/watch?v=OqEeIG8aPPk>

³ <https://www.youtube.com/watch?v=HxYe26CivuY>

Those who are familiar with Policy Governance® will recognize the fundamental nature of the principle of *ownership*.

The board exists to act as the informed voice and agent of the owners, whether they are owners in a legal or moral sense. All owners are stakeholders, but not all stakeholders are owners, only those whose position in relation to an organization is equivalent to the position of shareholders in a for-profit corporation.

Policy Governance Source Document

In a February 2022 article published by Govern for Impact, Dr. Hartger Wassink, an experienced Policy Governance consultant and professor of Education in The Netherlands and Dr. Monica Mitchell, founder and CEO of MERAssociates, LLC, a consultancy in the greater Washington DC area that addresses equity and access, made the compelling case that the term “ownership” with its historical and social contexts is offensive for many and that we need a different term for use in Policy Governance. We agree that using a term which is offensive is not appropriate and should not be necessary in Policy Governance. The concepts in Policy Governance are critical, not the labels.

This leads to the question: Which term shall we use in its place? Wassink and Mitchell suggest “careholder” as a possible alternative. The International Standards Organization's Governance of Organizations (ISO 37000:2021) uses the term “reference stakeholder”; however, this is not specific to Policy Governance.

From our perspective, neither term is as clear as “ownership” has been over the decades since John Carver invented Policy Governance. Can we find a replacement term which has as much clarity?

We believe that what's needed is a fulsome conversation within the Policy Governance community to find a term that works for the community's needs.

In the meantime, readers of REALBOARD ADVISOR will see that we are using the term: “Principal Stakeholder.” The term borrows from the board's agency relationship. The concept of agency, whether applied to boards or other relationships is that the agent must act on behalf of the principal(s). By applying that term to stakeholder, we are signifying this group of people as distinct from other stakeholders, much the same as shareholders of a corporation are a distinct group of stakeholders to whom the board is primarily accountable.

After the community has engaged in that conversation and arrived at a consensus, we may use a different term. Until then, thank you for your patience as we work toward that outcome.

FIRST PRINCIPLES THINKING: THE ROAD TO GOVERNANCE EXCELLENCE

ROSE MERCIER - PARTNER &
JANNICE MOORE - FOUNDER



When asked to explain why they are doing what they do, boards often say it's because it's like something they've done before, or it's like what other boards are doing, or they're applying best practices from their field that have been documented as guidelines, standards or even a code.

You might wonder: What's the problem with your board looking to what other boards have done to help you figure out how to govern effectively? What's wrong with adopting approaches to governance used by other boards like yours? If it works for them, surely it will work for us.

A board arrives at these conclusions as the result of reasoning by analogy. They look at what other boards are doing or at what they have done in the past for answers to today's problems. Reasoning by analogy leads to accepting other boards' prescriptions for effective governance because there is sufficient similarity in their situation for the prescription to be a plausible solution for your board.

That prescription might just work... for a while. Your board, in its quest for improvement, might not recognize that others' practices or processes, perhaps even their policies, are based on the assumptions and context in which they were developed. Adopting others' solutions may lead to short-term

incremental improvement and yet not prevent future problems.

And so, you embark on another quest for new methods or the latest best practice. Knitting together various best practices does not produce a coherent model. Instead, you do what others do or how others do it- without knowing why something is being done. Without knowing the 'why' your board's thinking about what might be possible is limited to tinkering with 'what' and 'how.'

Instead of reasoning through analogies to find a coherent system of governance, Dr. John Carver reasoned through first principles thinking.

A first principle is a foundational proposition or assumption that stands alone. Reasoning from first principles breaks down complicated problems - like governance - into basic elements and then reassembles them from the ground up.¹

First principles thinking is often described as the process that scientists use to uncover fundamental truths. Not surprising then is Dr. Carver's use of this process to uncover the "truths of governance." In an interview available on YouTube², Dr. Carver responds to a question posed by Larry Spears, then Executive Director of the Centre for Creative Leadership, about why he developed Policy Governance[®]. Dr. Carver responds in a sequence that beautifully illustrates first principles thinking:

"The more I read about what had been written about governance, the more confused I became."

"The reason I couldn't make sense of it was...that it didn't make sense."

"Can I think this through in a way that makes sense?"

"So, I started stripping away ideas - like a sculptor does to reveal the David"

"People said - it's not possible - all boards are different!"

"Yes but...the job of finding out what is true of all of them will get you to the foundation upon which all other variety is built."

Fortunately for governance, Dr. John Carver used First Principles Thinking³ in designing the Policy Governance[®] model, often emphasizing that he used "model" in the scientific sense - embracing all relevant elements of governance in a sensible whole.

He tested different principles that when applied together as a system, would allow a board to do its job effectively as well as efficiently. In his search for these first principles, he examined many possibilities. They had to meet two criteria to remain in the model: (1) they had to be essential for the model to function as an internally consistent system, and (2) they had to be universally applicable to any type of a governing board. This process resulted in the ten principles that comprise Policy Governance[®], a system that enables boards to govern effectively

and efficiently, to understand why they are doing what they are doing, and when confronted with a problem, to find a principles-based answer.

Following the first principles approach, when a board chooses to implement the Policy Governance system, it is important to understand there is a reason for every principle – it's not “We have to do it this way because John Carver said so” or “We have to do it this way because our Policy Governance coach said so.” If a board understands the reasoning behind the “first principles” it should be able to examine a variety of potential practices and see whether or not they fit in order to optimize its governance processes. Let's look at a few examples.

360 Degree CEO Evaluation

We are sometimes asked whether a board should use a 360 degree performance appraisal process for CEO evaluation. While a CEO may choose to use a 360 for self-development, it is not a tool for the board. Which principles lead us to say that? How would a board reason through them to decide?

The principles of Policy Governance are stated in the Policy Governance Source Document. Principles 4 and 6 state the board makes its expectations of CEO performance known through Ends and Executive Limitations policies.. Principle 7 outlines the board's policy architecture of broadest to smaller policy sizes until the board is ready to accept any reasonable interpretation from the delegatee. Principle 9 states only the CEO is allowed to make any reasonable interpretation of Ends and Executive Limitations policies, while Principle 10 states the board's evaluation of CEO performance is based solely on monitoring information for those two sets of policies.

Given that board policies should include statements similar to Principles 9 and 10, adding a 360 evaluation introduces an evaluation method which is not based upon the board's previously stated criteria. Not only is this unfair to the CEO, but also it undermines the CEO's ability to trust the board really meant what it said in its policies.

You may ask, “But we don't want the CEO's relationships with the staff or external connections to become toxic. How are we to know?” Go back to Principle 6: Executive Limitations in which the board identifies those conditions that would be unacceptable, even if they worked to achieve the Ends. If the board has values about what would be unacceptable in these relationships, make sure they are included in the Executive Limitations policies.

Subsequent monitoring (Principle 10) should provide real data of compliance with a reasonable interpretation of the policies (Principle 9).

Instead of a report from the CEO, the board may also choose to collect monitoring data via an external source or a direct inspection by the board or some part of the board. Regardless of who collects the data, the interpretation used is always the CEO's. Here's more information in this video with Senior Consultant Andrew Bergen:

https://youtu.be/K2foe_KFW0Q

Board Committees

If we apply first principles, we quickly realize that the appropriate roles for board committees differ from those often seen in more traditional approaches to governance.

Principle 3 states the board authority is held and used as a body – board holism – so only the board as a whole has authority to direct management. Individual board members have no authority to instruct staff. Principle 8 requires unambiguous delegation, stating the board should not create committees that interfere with the authority given to the CEO. If the CEO doesn't have the authority to determine the means to achieve Ends, the accountability chain is broken. Finally, Principle 5 says the board designs its own job – and because Policy Governance only works as a complete system, that design should not violate any of the principles.

Keeping these principles in mind, what about board committees?

1. If a board chooses to have a committee to help the board, doing so is consistent with the principles as long as the board clearly states its expectations of the committee and the delegated committee authority. Too many committees have the potential of damaging board holism, so wisdom as to which board committees are really needed is essential.
2. Committees in operational areas, such as human resources, finance, marketing, program development, or the board appointing a board member to this kind of operational committee, are not consistent with the principles. These operational committees are under the authority of the CEO, who alone is accountable to the board. If the board creates such a committee, or appoints a board member to it, Principle 8 is violated. The result is the board is no longer able to hold the CEO accountable for results, because the board or board member(s) have inserted themselves into the decision-making process. Link

below to find out more about the use of committees:

<https://youtu.be/m9MsOPlnAeY>

Be a Chef, not a Cook

We could examine many other practices touted by some boards as “best practices” such as the board approving budgets, or using a balanced scorecard for evaluation, using this first principles approach to show why they are not necessary, and inconsistent with proper function of the system, but space does not permit, so why not make this your homework as a reader? Try it out. Select a practice you are considering or using. With that practice in mind, examine the principles and their reasoning. Is the practice consistent with the principles?

Instead of being a cook – just following the recipe blindly – be a chef and invent the recipe. Understand the principles and how they work together so you can create a process that is based on first principles, but tailored to your board's specific situation.

Boards who continue to apply best practices might be wise to pay attention to the words of Harrington Emerson, American efficiency engineer and business theorist, who founded the management consultancy firm Emerson Institute in New York City in 1900 and said: “As to methods, there may be a million and then some, but principles are few. The man who grasps principles can select his own methods. The man who tries methods, ignoring principles, is sure to have trouble.”

Governing by applying first principles leads to sustained excellence.

*For the sake of brevity, we are paraphrasing the principles. Full statements of the principles can be found in the Source Document <https://www.governancecoach.com/policy-governance-source-document/> More detailed understanding of the reasoning behind the principles can be found in Carver's writings.

¹<https://fs.blog/first-principles/>

²<https://www.youtube.com/watch?v=cqlu1s-18soc&list=PL032BA3BCABEC4C75&index=18>

³First Principles Thinking is a tool to help clarify complicated problems by separating the underlying ideas or facts from any assumptions based on them. What remain are the essentials. If you know the first principles of something, you can build the rest of your knowledge around them to produce something new.

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Uncovering Hidden Insights: The Power of the Deep Dive Approach

MICHEL PAULIN - CONSULTANT



As a board director, have you ever wondered whether the board is sufficiently informed to make a well-reasoned decision? Has the board fully understood the potential impact of an opportunity or a risk facing the organization? Has the board collectively engaged in a critical thinking process to consider multiple viewpoints, to challenge assumptions and to reduce personal biases in order to make an informed decision?

You are not alone in raising these questions. Boards who have succeeded in attracting experts in their respective fields have also been challenged with ensuring that everyone around the table has a deep understanding of the variables that influence the business environment within which the organization operates. Several case studies cite boards of directors failing to exercise their fiduciary duties due to a lack of education and understanding of the business.

Pearl Zhu, an internationally recognized digital thought leader (*Digital Master* book series) wrote “A strategic board has a view of looking ahead, an insight to look deeper, and competency to look beyond.”

How can a board ensure its knowledge, skills, and competency are up to the challenge of successfully setting direction and governing in increasingly complex and rapidly changing socio-economic environments? In response, boards should consider the occasional “deep dives” to enhance their decision making.

To Depths of the Unknown

Just as scuba divers explore the depths of the ocean to discover new species and ecosystems, a deep dive approach involves fathoming the depths of a problem or issue to uncover hidden insights and information.

A deep dive is a thorough and comprehensive investigation of a particular issue, problem, or opportunity. It involves gathering and analyzing information from various sources, including data, expert opinions, and stakeholder perspectives.

The more in-depth examinations may result from queries arising in board education sessions examining industry trends or organizational risks, exploring innovations or an in depth look at a policy area, for example, how to appropriately instill justice, equity, diversity and inclusion principles and practices in the organization.

The board's deep dive can be assisted by internal or external experts or be a collaborative investigative exercise, for example, with a service provider or an industry partner.

In conducting a deep dive, the board can gain a better understanding of the issues at hand, policy implications, and potential associated risks, enabling more accurate forecasts about potential outcomes. This information helps the board make more informed decisions, reduces potential negative consequences, improves the probabilities of success, and mitigates risk.

In addition, deep dives can facilitate better communication among board members, management, principal and other stakeholders. By discussing the topic in depth, the board is able to develop a common understanding and share information more effectively. It can also assist individuals to identify personal biases in assumptions, conclusions, beliefs and gain a more objective perspective grounded on facts.

The Fiduciary Nature of Deep Dives

“Conducting deep dives on a topic is a critical responsibility of a board of directors. It demonstrates a commitment to transparency, accountability, and good governance, and helps ensure that all decisions are made with due diligence and careful consideration.” - Kenneth Chenault, former CEO of American Express.

Motivating a board to conduct a deep dive arises from its commitment to governance excellence. Fundamentally, a board governs on behalf of the organization's principal stakeholders to ensure the organization's sustainability and relevance. The board is accountable to the principal stakeholders for organizational performance.

Consistent with the interests of the principal stakeholders, the board must act as an informed voice to set direction by defining its expectations about the organizational outcomes, the value it produces for the intended beneficiaries and the ethical parameters within which management may make sound business decisions.

Enhanced communication on decisions resulting from deep dives on important strategic and policy matters could serve to satisfy principal and other stakeholders' expectation for improved governance by demonstrating the board's commitment to transparency and accountability that all decisions are made with due diligence and in the best interests of the organization.

Conclusion

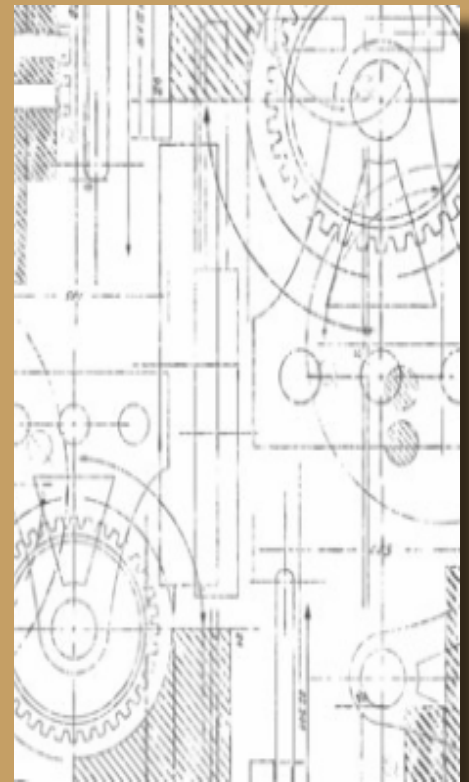
Investing time and energy to develop its knowledge of the organization and its environment is crucial to the board's fulfillment of its fiduciary duties to protect the organization and its accountability to principal stakeholders.

Deep dives support prudent decisions because they enable the board to gain a comprehensive understanding of the issues, identify risks and opportunities, develop foresight, encourage collaboration, and demonstrate due diligence. These factors are all essential to making informed and wise decisions that align with the organization's mission and values.

.....

“Conducting deep dives on a topic is a critical responsibility of a board of directors. It demonstrates a commitment to transparency, accountability, and good governance, and helps ensure that all decisions are made with due diligence and careful consideration.”

- Kenneth Chenault, former CEO of American Express.



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NEW AND EMERGING ISSUES FORCE BOARDS TO CONTINUALLY REEVALUATE THEIR VALUES

SUSAN MEEK - CONSULTANT



A new issue can cause us to question or reevaluate our values as it may challenge our existing beliefs or assumptions about the world. For example, if someone holds the value of individual freedom and autonomy, but then encounters an issue related to public health and safety, such as a pandemic, they may find themselves torn between the value of individual freedom and the value of protecting public health. This new issue may cause them to question, waiver, or hesitate about their values because they are now faced with a situation where their values seem to conflict with each other.

It is a board's role to reflect the evolving values of their principal stakeholders — those on whose behalf they govern — in board policies. That, of course, is easier said than done as these stakeholders are not singular in mindset. Being thoughtful and deliberate in this work is essential in order to authentically reflect values in policies.

In addition to new issues, a heightened awareness of issues also requires boards to review their governance policies to identify whether the current policies adequately and appropriately express the values of their principal stakeholders. For example, one of the biggest societal shifts that has happened in decades is the increasing focus on diversity, equity, inclusion, and justice (DEIJ) practices and policies. Boards are navigating the changes

required to reflect these values. For board members, this means you not only need to be prepared to make bold and tough policy decisions, but you need to lead and ensure these decisions have impact. Ultimately, DEIJ work creates a better, more equitable world for everyone, advances an inclusive culture where people can belong, and improves organizational effectiveness.

As a board fulfills its role of connecting with its principal stakeholders, the board will identify the need to revise policies in order to respond to a complex and evolving environment. This challenging work is central to advancing an organization's mission. It is an opportunity for growth and reflection, and will ultimately lead to a deeper understanding of the values of your stakeholders.

Making your principal stakeholders' values explicit in policy is an important step in ensuring that your organization's actions align with its core beliefs and principles. Here are some steps to consider when making your values explicit in policy:

Identify your principal stakeholders' core values

By having an intentionally created program of board dialogue and deliberation with your principal stakeholders to inform board policy development, you will uncover the new and emerging issues important to those on whose behalf you are governing. The values of diversity, equity, inclusion,

and justice have been elevated over recent years. As you deliberate as a board on what you are learning, make sure to ask whether these values are currently incorporated into your policies.

Develop a comprehensive set of empowering policies that reflect your values

Discussing what you hear from your principal stakeholders is a vital step in being able to identify changes or updates to policies. Language updates may include specifying that you operate with an inclusive and diverse board and staff. In the Policy Governance® system, Executive Limitations — policies that focus on operational risk — may be updated to include statements, that clearly state the unacceptability of unethical, imprudent, *inequitable or unjust* decisions and actions. Ends statements — policies that focus on the purpose of the organization — may be updated to ensure that outcomes reflect the organization's DEIJ values.

Monitor your policies

Conducting regular evidence-based evaluation as to whether your policies are being achieved is essential for effective governance. This will then provide a clear mandate for the Board and CEO to interpret the relevant policies, build operational action plans, and demonstrate

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measured progress in the relevant areas.

Finally, it is worth highlighting that boards can model and influence inclusive behaviors across the organization. According to research and a publication by Deloitte¹, six signature traits of inclusive leadership have been identified: commitment, courage, cognizance, curiosity, cultural intelligence, and collaboration. “Board members can use these traits as a starting point for modeling inclusive leadership in all of their daily interactions and behaviors, both inside and outside of the boardroom.” The behaviors of senior leaders influence employees’ perceptions about whether an organization is authentically committed to the organization’s values and supports diversity, and whether they feel included and have a sense of belonging. These values are central to the success of most organizations.

Building governance excellence by focusing on the board’s key roles — being accountable to those on whose behalf the board governs, ensuring direction for appropriate results, and protecting the organization from risks — will build a better world with better outcomes and more impact in an ethical, equitable, and prudent manner.

¹https://www2.deloitte.com/content/dam/insights/us/articles/4987_the-inclusion-imperative-for-boards/DI_The-inclusion-imperative-for-boards.pdf

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La pensée du premier principe : la voie vers l'excellence en matière de gouvernance

ROSE MERCIER - PARTNER &
JANNICE MOORE - FOUNDER

(TRANSLATED BY MICHEL PAULIN)



Lorsqu'on leur demande d'expliquer pourquoi ils font ce qu'ils font, les conseils d'administration disent souvent que c'est parce que c'est quelque chose qu'ils ont déjà fait, ou que c'est ce que font d'autres conseils, ou qu'ils appliquent des pratiques exemplaires de leur domaine qui ont été documentées sous forme de lignes directrices, de normes, ou même d'un code.

On peut se poser la question : Qu'y a-t-il de mal à ce que votre conseil s'inspire de ce que d'autres conseils ont fait pour vous aider à déterminer comment gouverner efficacement? Qu'y a-t-il de mal à adopter des approches de gouvernance utilisées par d'autres conseils comme le vôtre? Si cela fonctionne pour eux, cela fonctionnera certainement pour nous.

Un conseil d'administration arrive à ces conclusions en raisonnant par analogie. Ils s'intéressent à ce que font les autres conseils ou ce qu'ils ont fait dans le passé pour trouver des réponses aux problèmes d'aujourd'hui. Le raisonnement par analogie conduit à accepter les prescriptions d'autres conseils pour une gouvernance efficace parce qu'il y a suffisamment de similitudes dans leur situation pour que la prescription soit une solution plausible pour votre conseil.

Cette prescription pourrait

fonctionner... pendant un certain temps. Votre conseil d'administration, dans sa quête d'amélioration, pourrait ne pas reconnaître que les pratiques ou les processus des autres, voire leurs politiques, sont fondés sur les hypothèses et le contexte dans lesquels ils ont été élaborés. Adopter des solutions des autres conseils pourraient conduire à une amélioration progressive à court terme sans pour autant prévenir les problèmes futurs.

C'est ainsi que vous vous lancez dans une nouvelle quête de nouvelles méthodes ou de meilleures pratiques la plus récente. L'assemblage de diverses pratiques exemplaires ne produit pas un modèle cohérent. Au lieu de cela, vous faites plutôt ce que les autres font ou comment les autres le font, sans savoir pourquoi quelque chose est fait. Sans connaître le « pourquoi », la réflexion de votre conseil d'administration sur ce qui pourrait être possible se limite à bricoler le « quoi » et le « comment ».

Au lieu de raisonner par analogie pour trouver un système de gouvernance cohérent, Dr. John Carver a raisonné en s'appuyant sur la pensée du premier principe.

Un premier principe est une proposition ou une hypothèse fondamentale qui se suffit à elle-même. Le raisonnement à partir des

premiers principes permet de décomposer des problèmes complexes – comme la gouvernance – en éléments de base, puis de les réassembler à partir de la base.¹

La pensée du premier principe est souvent décrite comme le processus utilisé par les scientifiques pour découvrir les vérités fondamentales. Il n'est donc pas surprenant que Dr. Carver utilise ce processus pour découvrir les « vérités de la gouvernance ». Dans une entrevue disponible sur YouTube², le Dr. Carver répond à une question posée par Larry Spears, alors directeur général du Centre for Creative Leadership, sur les raisons qui l'ont poussé à développer la Gouvernance par politiques[®]. Le Dr Carver répond dans une séquence qui illustre superbement la pensée du premier principe:

« Plus je lisais sur ce qui avait été écrit au sujet de la gouvernance, plus je devenais confus. »

« La raison pour laquelle je n'arrivais pas à comprendre était... que ça n'avait pas de sens. »

« Est-ce que je peux réfléchir à tout cela d'une manière sensée? »

« J'ai commencé à dépouiller les idées – comme le fait un sculpteur pour révéler le David. »

« Les gens disaient - ce n'était pas possible - tous les conseils d'administration sont différents! »

« Oui, mais... le travail de découvrir ce qui est vrai pour chacun d'entre eux nous mènera à trouver les fondations sur lesquelles toutes les autres variétés sont construites. »

Heureusement pour la gouvernance, Dr. John Carver a utilisé la pensée du premier principe pour concevoir le modèle de Gouvernance par politiques®, en soulignant souvent qu'il utilisait le terme « modèle » au sens scientifique, c'est à dire en englobant tous les éléments pertinents de la gouvernance dans un ensemble cohérent.

Il a mis à l'essai différents principes qui, appliqués ensemble en tant que système, permettraient à un conseil d'administration d'effectuer son travail de manière efficace et efficiente. Dans sa recherche de ces premiers principes, il a examiné de nombreuses possibilités. Ces principes devaient répondre à deux critères pour rester dans le modèle : (1) ils devaient être essentiels pour que le modèle fonctionne comme un système interne cohérent, et (2) ils devaient être universellement applicables à n'importe quel type de conseil d'administration. Ce processus a donné lieu aux dix principes qui composent la Gouvernance par politiques®, un système qui permet aux conseils de gouverner de manière efficace et efficiente, de comprendre pourquoi ils font ce qu'ils font et, lorsqu'ils sont confrontés à un problème, de trouver une réponse fondée sur des principes.

En suivant l'approche fondée sur le premier principe, lorsqu'un conseil d'administration choisit de mettre en œuvre le système de Gouvernance par politiques, il est important de comprendre qu'il y a une raison pour chaque principe – ce n'est pas « Nous devons faire comme ça parce que John Carver l'a dit » ou « Nous devons faire comme ça parce que notre coach en gouvernance des politiques l'a dit. » Si un conseil comprend le raisonnement qui sous-tend les premiers principes, il devrait être en mesure d'examiner diverses pratiques potentielles et de voir si elles correspondent ou non à ses besoins afin d'optimiser ses processus de gouvernance. Prenons quelques exemples.

Évaluation à 360 degrés du PDG

On nous demande parfois si un conseil d'administration devrait utiliser la méthode d'évaluation à 360 degrés pour évaluer la performance du PDG. Si un PDG peut choisir l'évaluation à 360° pour son développement professionnel, ce n'est pas un outil pour le conseil. Quels sont les principes qui nous amènent dire cela? Comment un conseil d'administration pourrait-il raisonner à partir de ces

principes pour justifier sa décision?

Les principes de la gouvernance par politique sont énoncés dans le document source sur la gouvernance par politique. Les principes 4 et 6 stipulent que le conseil d'administration fait connaître ses attentes en matière de performances du PDG par le biais des politiques de Fins et des Limites de la direction générale. Le principe 7 décrit l'architecture de la politique du conseil, de la plus large à la plus petite, jusqu'à ce que le conseil soit prêt à accepter toute interprétation raisonnable de la part du délégué. Le principe 9 stipule que seul le PDG est autorisé à interpréter raisonnablement les politiques de Fins et des Limites de la direction générale, tandis que le principe 10 stipule que l'évaluation du rendement du PDG par le conseil se fonde uniquement sur les informations de suivi relatives à ces deux ensembles de politiques. Étant donné que les politiques du conseil d'administration devront comprendre des énoncés semblables aux principes 9 et 10, l'ajout d'une évaluation 360° introduit une méthode d'évaluation qui n'est pas basée sur les critères précédemment définis par le conseil. Non seulement cette situation est injuste pour le PDG et mais elle compromet également la capacité de ce dernier à croire ce que le conseil d'administration signifiait réellement dans ses politiques.

Vous pouvez demander : « Mais nous ne voulons pas que les relations du PDG avec le personnel ou les relations externes deviennent toxiques. Comment pouvons-nous le savoir? » Revenez au principe 6, dans lequel le conseil identifie les conditions qui seraient inacceptables, même si elles contribuaient à la réalisation des Fins. Si le conseil d'administration a des valeurs sur ce qui serait inacceptable dans ces relations, veillez à ce qu'elles soient incluses dans les politiques des Limites de la direction générale.

Le monitoring ultérieur (principe 10) devrait fournir des données réelles sur le respect d'une interprétation raisonnable des politiques (principe 9).

Au lieu d'un rapport du PDG, le conseil d'administration peut également choisir de collecter des données de suivi par le biais d'une source externe ou d'une inspection directe par le conseil d'administration ou une partie de celui-ci. Indépendamment de qui recueille les données, l'interprétation utilisée est toujours celle de la direction générale. Vous trouverez plus d'information dans cette vidéo avec le conseiller principal Andrew Bergen :

https://youtu.be/K2foe_KFW0Q

Comités du conseil d'administration

Si nous appliquons les premiers principes, nous nous rendons rapidement compte que les rôles appropriés des comités du conseil d'administration diffèrent de ceux que l'on retrouve souvent dans les approches plus traditionnelles de la gouvernance.

Le principe 3 stipule que l'autorité du conseil est détenue et utilisée en tant que corps intégral - holisme du conseil - de sorte que seul le conseil dans son ensemble a l'autorité à le pouvoir de diriger la gestion. Les membres individuels du conseil n'ont pas le pouvoir de donner des instructions au personnel. Le principe 8 exige une délégation sans ambiguïté et stipule que le conseil ne doit pas créer de comités qui interfèrent avec l'autorité conférée à la direction générale. Si le PDG n'a pas le pouvoir de déterminer les moyens d'atteindre les objectifs, la chaîne de responsabilité est rompue. Enfin, le principe 5 stipule que le conseil conçoit son propre travail - et comme la Gouvernance par politiques ne fonctionne que comme un système complet, cette conception ne doit violer aucun des principes.

En gardant ces principes à l'esprit, qu'en est-il des comités du conseil d'administration?

1. Si un conseil choisit d'avoir un comité pour l'aider, cela est conforme aux principes à condition que le conseil indique clairement ce qu'il attend du comité et les pouvoirs qui lui sont délégués.. Un trop grand nombre de comités peut nuire à la cohérence du conseil d'administration. Il est donc essentiel de savoir quels comités sont réellement nécessaires.

2. Les comités dans les domaines opérationnels, tels que les ressources humaines, les finances, le marketing, le développement de programmes, ou la nomination par le conseil d'un membre du conseil à ce type de comité opérationnel, ne sont pas conformes aux principes. Ces comités opérationnels sont placés sous l'autorité du PDG, qui est seul responsable devant le conseil d'administration. Si le conseil crée un tel comité ou y nomme un membre du conseil, le principe 8 est violé. Le conseil n'est alors plus en mesure de tenir le PDG responsable des résultats, car le conseil ou ses membres se sont immiscés dans le processus de prise de décision. Scannez le code QR pour en savoir plus sur l'utilisation des comités :

<https://youtu.be/m9MsOPInAeY>

Être un chef, pas un cuisinier

Nous pourrions examiner de nombreuses autres pratiques présentées par certains conseils comme des « pratiques exemplaires », telle que l'approbation des budgets par le conseil ou l'utilisation d'un tableau de bord équilibré pour l'évaluation, en utilisant cette approche des principes premier pour montrer pourquoi elles ne sont pas nécessaires et incompatibles avec le bon fonctionnement du système, mais l'espace ne le permet pas, alors pourquoi ne pas en faire votre devoir en tant que lecteur? Essayez-le. Choisissez une pratique que vous envisagez ou que vous utilisez pour examiner les principes et leur raisonnement. La pratique est-elle cohérente avec les principes ?

Au lieu d'être cuisinier et de suivre aveuglement la recette, soyez chef et inventez la recette. Comprenez les principes et leur interaction afin de créer un processus basé sur le premier principe, mais adapté à la situation particulière de votre conseil d'administration.

Les conseils d'administration qui continuent d'appliquer les pratiques exemplaires seraient bien avisés de prêter attention aux paroles de Harrington Emerson, ingénieur américain en efficacité énergétique et théoricien des affaires, qui a fondé le cabinet de conseil en gestion Emerson Institute à New York en 1900 et qui a dit : « Pour ce qui est des méthodes, il peut y avoir un million et encore plus, mais les principes sont peu nombreux. L'homme qui saisit les principes peut choisir ses propres méthodes. L'homme qui essaie les méthodes en ignorant les principes est sûr d'avoir des problèmes. »

Gouverner en appliquant les premiers principes conduit à une excellence durable.

¹<https://fs.blog/first-principles/>

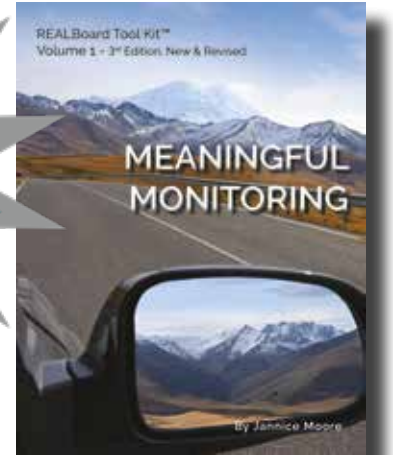
²<https://www.youtube.com/watch?v=cqlu1s-18soc&list=PL032BA3BCABEC4C75&index=18>

³La pensée du premier principe est une méthode qui permet de clarifier des problèmes complexes en séparant les idées ou les faits sous-jacents des hypothèses qui en découlent. Ce qui reste, ce sont les éléments essentiels. Si vous connaissez les premiers principes fondamentaux de quelques choses, vous pouvez construire le reste de vos connaissances autour d'eux pour produire quelque chose de nouveau.

⁴Par souci de concision, nous paraphrasons les principes. Les énoncés complets des principes se trouvent dans le document source <https://www.governance-coach.com/policy-governance-source-document/>. Les écrits de Carver permettent de comprendre plus en détail le raisonnement qui sous-tend les principes.

Références:

"First Principles: The Building Blocks of True Knowledge." Farnum Street 2018



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DÉCOUVRIR DES IDÉES CACHÉES : LA PUISSANCE DE L'APPROCHE D'ÉTUDE APPROFONDIE (« DEEP DIVE »)



MICHEL PAULIN - CONSULTANT

En tant qu'administrateur, vous êtes-vous déjà demandé si le conseil d'administration était suffisamment informé pour prendre une décision raisonnée? Le conseil a-t-il pleinement compris l'impact potentiel d'une opportunité ou d'un risque auquel l'organisation est confrontée? Le conseil s'est-il engagé collectivement dans un processus de réflexion critique afin de prendre en compte plusieurs points de vue, de remettre en question les hypothèses et réduire les préjugés personnels afin de prendre une décision éclairée?

Vous n'êtes pas le seul à vous poser ces questions. Les conseils d'administration qui ont réussi à attirer des experts dans leurs domaines respectifs ont également dû s'assurer que toutes les personnes présentes autour de la table avaient une compréhension approfondie des variables qui influencent l'environnement commercial dans lequel l'organisation opère. Plusieurs études de cas ont été citées concernant des conseils d'administration qui n'ont pas exercé leurs obligations fiduciaires en raison d'un manque d'éducation et de compréhension de l'entreprise.

Pearl Zhu, leader d'opinion internationalement reconnu dans le domaine du numérique (série de livres Digital Master) a écrit : "Un conseil d'administration stratégique a une vision qui lui permet de regarder vers l'avant, une vision qui lui permet de regarder en profondeur et une compétence qui lui permet de regarder au-delà".

Comment un conseil peut-il s'assurer que ses connaissances, ses aptitudes et ses compétences sont à la hauteur du défi qui consiste à définir avec succès des orientations et à gouverner dans des environnements socio-économiques de plus en plus complexes et en évolution rapide? Pour répondre à cette question, les conseils d'administration devraient envisager des études approfondies « deep dive » occasionnelles afin d'améliorer leur prise de décision.

Tout comme les plongeurs explorent les profondeurs de l'océan pour découvrir de nouvelles espèces et de nouveaux écosystèmes, une approche d'étude approfondie consiste de sonder les profondeurs d'un problème ou d'une question pour découvrir des idées et des informations cachées.

Une étude « deep dive » est une investigation approfondie et complète d'une question, d'un problème ou d'une opportunité particulière. Elle implique la collecte et l'analyse d'informations provenant de diverses sources, notamment des données, des avis d'experts et des points de vue des parties prenantes.

Les examens plus approfondis peuvent résulter de questions soulevées lors de séances de formation du conseil d'administration, portant sur les tendances du secteur ou sur les risques organisationnels, l'exploration d'innovations ou un examen approfondi d'une question politique, par exemple la manière d'inculquer de manière appropriée les principes et pratiques de diversité, d'équité, d'inclusion et de justice sociale au sein de l'organisation.

L'examen approfondi du conseil d'administration peut être assisté par des experts internes ou externes ou être un exercice d'investigation en collaboration, par exemple, avec un prestataire de services ou un partenaire de l'industrie.

En procédant à une analyse approfondie, le conseil peut acquérir une meilleure compréhension des questions en jeu, des implications politiques et des risques associés, ce qui lui permet de faire

des prévisions plus précises sur les résultats potentiels. Ces informations aident le conseil à prendre des décisions plus éclairées, réduisent les conséquences négatives potentielles, améliorent les probabilités de réussite et atténuent les risques.

De plus, ces « plongées en profondeur » peuvent faciliter une communication entre les membres du conseil d'administration, la direction, les propriétaires de l'organisation et les autres parties prenantes. En discutant le sujet en profondeur, le conseil est en mesure de développer une compréhension commune et de partager l'information plus efficacement. Cela peut également aider les individus à cerner leurs préjugés personnels dans les hypothèses, les conclusions et les croyances et à acquérir une perspective plus objective fondée sur les faits.

« Mener un « deep dive » sur un sujet est une responsabilité essentielle d'un conseil d'administration. Elle témoigne d'un engagement envers la transparence, la reddition de comptes et la bonne gouvernance, et contribue à faire en sorte que toutes les décisions soient prises avec diligence et attention. » - Kenneth Chenault, ancien PDG d'American Express.

La motivation d'un conseil à effectuer une analyse approfondie découle de son engagement envers l'excellence en matière de gouvernance. Fondamentalement, un conseil d'administration gouverne au nom des propriétés légaux ou moraux de l'organisation afin de s'assurer sa viabilité et sa pertinence. Le conseil rend des comptes aux propriétaires sur le rendement organisationnel.

Conformément à l'intérêt des propriétaires, le conseil doit agir comme une voix informée pour définir la direction à prendre en définissant ses attentes concernant les résultats de l'organisation, la valeur qu'elle produit pour les bénéficiaires visés et les paramètres éthiques dans le cadre desquels la direction générale peut prendre des décisions d'affaires judicieuses.

Une meilleure communication sur les décisions résultant d'analyses approfondies de questions stratégiques et politiques importantes pourrait répondre aux attentes des propriétaires et des autres parties prenantes en matière d'amélioration de la gouvernance, en démontrant l'engagement du conseil à l'égard de la transparence et de l'obligation de rendre compte, et en montrant que toutes les décisions sont prises avec la diligence requise et dans le meilleur intérêt de l'organisation.

Conclusion

Investir du temps et de l'énergie pour développer sa connaissance de l'organisation et de son environnement est essentiel pour que le conseil d'administration s'acquitte de ses obligations fiduciaires de protection de l'organisation et de sa responsabilité à l'égard des propriétaires.

Les études approfondies favorisent la prise de décisions prudentes car elles permettent au conseil d'administration d'acquérir une compréhension globale des enjeux, de cerner les risques et les opportunités, de développer la prévoyance, d'encourager la collaboration et de faire preuve de diligence raisonnable. Ces facteurs sont tous critiques pour prendre des décisions éclairées et judicieuses, conformes à la mission et aux valeurs de l'organisation.

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