Good Governance

"Poor governance is always visible. Good governance is not always visible – but it can make a good organization great".

Definitions

Governance = the processes and structures that a Board uses to direct and manage its general operations, programs and activities

Good governance = governing so as to achieve desired results, and to achieve them the right way

Hallmarks of good governance

- Lean, clear, empowering bylaws
- A Board educated about its role
- An active and engaged Board
- Committees that address the key components of the Board's work
- Terms of reference (for committees) and position descriptions (for individuals)
- A vision, mission, and a plan
- Organizational values that are widely communicated and reflected in policies, plans, programs, decisions, actions
- Separation of governance and management roles
- Effective relationships within the Board, and between board and staff

How to implement good governance

- To succeed, the project requires a significant educational component. By this, we mean using various opportunities to inform the members and stakeholders through reading materials, in-person presentations and discussions. People need to have a broad understanding of the topic of governance.
- The organization has to be ready to consider change. Usually this readiness comes as a result of some crisis, either sudden or gradual. However, in a state of crisis there may not exist the necessary climate of trust. Confirming readiness is not an exact science.
- A phased project is recommended: firstly, educate and share; secondly, find agreement on guiding principles; and thirdly, find agreement on practices/organizational structure designs. If you rush to the structural changes, without doing the homework, you will be perceived as pushing through some specific agenda.

- Take the pulse along the way. This might mean using questionnaires/feedback forms to gauge attitudes about governance change. These can be very useful as the project unfolds (especially in the 'political' sense, as we can remind the members of what they said to us previously through these surveys).
- The process cannot be rushed. Like any good 'renovation' one usually has to increase both the time and the budget to complete the project successfully.
- The project needs a champion (or champions). Your existing Governance Committee may be that group. They need to be willing to put in the work and time on this, and they also need good support from staff.

What is Policy Governance®?

Under Policy Governance®, every Board has these three job responsibilities:

1. Linking the organization with its owners.
2. Developing four types of policies that reflect the organization's values.
3. Ensuring that the CEO (and through the CEO, all staff) comply with Board policy and achieve Board-defined Ends.

In fulfilling these job responsibilities, the Board should follow the ten principles of Policy Governance® which are explained below.

The Ten Principles of Policy Governance ®

Policy Governance was developed by John Carver in response to his long experience as an employee, Board member, Board president and consultant where he found available governance practices an inadequate guide for Boards. He describes Policy Governance as a conceptually coherent model that redesigns the logic of Board leadership. A Board does not exist to manage the organization, it exists to govern: to determine the purpose to be served, the ends to be pursued and the values to be exercised. This notion of governance as an ownership theory rather than a management theory asks the Board to rethink what it does and how it does it.

1. HOLDING THE ORGANIZATION IN TRUST FOR OWNERS

Principle: The Board exists to hold the organization in trust on behalf of an identifiable "ownership". The Board's primary relationship is with the "owners" rather than the staff.

2. SPEAKING WITH ONE VOICE

Principle: The Board's policies are the Board's voice. The Board's decisions must be recorded in policy and upheld by all members of the Board. No Governor has the authority to speak for the Board unless specifically authorized to do so by the whole board. The Board speaks to the CEO with one voice through written Ends and Executive Limitations.

3. MAKING BOARD DECISIONS THROUGH POLICY

Principle: Board decisions are predominantly policy decisions. The Board creates policy in four categories: Ends, Executive Limitations, Board Governance Process and Board-CEO Linkage.

4. FORMULATING POLICY BY DEFINING VALUES FROM BROADEST TO MORE NARROW

Principle: By "nesting" policies, the Board addresses larger values before addressing smaller values. When the Board reaches a sufficient level of policy detail, it delegates all further definition to the CEO and accepts any reasonable interpretation of its policies.

5. DEFINING AND DELEGATING RATHER THAN REACTING AND RATIFYING

Principle: If a Board truly wants to govern, then it must not be led by staff or its own committees. The Board must work continuously to define the results the organization wants to produce (Ends) and to define acceptable boundaries (Executive Limitations policies) within which it can delegate the achievement of those results to the CEO. A truly governing board is not simply reacting to, or ratifying staff or committee decisions or making event specific decisions.

6. DETERMINING ENDS AS KEY BOARD ROLE

Principle: The key role of the Board is determining Ends – what benefits the organization is to produce, who the benefits are for, and how much they are worth.

7. CONTROLLING STAFF MEANS BY LIMITING

Principle: The Board controls staff means by limiting rather than trying to develop a complete "to do" list for the CEO and other staff members. The resulting Executive Limitations policies act as a "fence" within which staff may exercise their freedom and creativity. This fence is created using negative language.

8. DESIGNING BOARD PRODUCTS AND PROCESS

Principle: Because the Board's governance function is distinct from the staff's management function, the Board must determine its own definition of governance and then decide how it will actually govern. The Board explicitly states what it expects of itself – what value it will add to the organization, what structures it will use and what code of conduct it will follow. In addition, the Board states how it will control its agenda, link to owners, and evaluate itself.

9. LINKING WITHIN MANAGEMENT

Principle: The relationship of the Board and the CEO is absolutely essential in an organization, regardless of the governance model used. Policy Governance provides a framework for this relationship that sets the stage for effective governance and management. The keys to this are the formal separation between the role of the Board and the role of the CEO, and the link between their contributions. Role clarity means the Board clearly knows its own role and the staff's role and that staff has a similar understanding. The Board's policies clearly state how the Board will delegate to the CEO and how the Board will monitor CEO performance.

10. MONITORING PERFORMANCE BASED ON PRE-STATED CRITERIA

Principle: The Board monitors performance of the CEO but only against criteria set out in policy.