

Board Governance from First Principles:

**An introduction to the
Policy Governance approach
to building effective boards.**

Good
^{to} Govern

Policy Governance®

**A FRAMEWORK FOR GOVERNING WITH
PURPOSE, INTEGRITY AND EFFICIENCY**

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Common Issues

- Who are We Accountable To?
- Who Does What?
- What's it All For?
- How Can We Control it All?

SYMPTOMS

- Reacting not Leading
- Approving/Rehashing/Reviewing the Past
- Role Confusion

WHAT'S A BOARD FOR?

We're All in
This
Together,
But What is
"This"?



THE BOARD'S JOB



Success
and
Safety

BUT

BY WHOSE DEFINITION?

FOUR POLICY GOVERNANCE PRINCIPLES

- OWNERSHIP
- ACCOUNTABILITY
- GROUP AUTHORITY
- EFFECTIVE DELEGATION

PRINCIPLE ONE

Ownership:

The source of board legitimacy – to which the board must connect its authority and accountability for the organisation.

NOTE: The board can (subject only to legal owners' sanction) choose to recognise not only its legal ownership but also a wider “moral” ownership.

More on OWNERSHIP

- Board Authority is Owners' Authority
- Other "stakeholders" such as employees, customers and suppliers are *not* "owners" unless they independently qualify as such.
- Linking with Owners – the board's first job

PRINCIPLE TWO

Accountability:

As the highest and initial authority within the organisation, the board is fully accountable for the value the organisation produces on behalf of its owners.

PRINCIPLE THREE

Group Authority:

Board authority lies in the group's one voice honed from the diversity of the whole group

BOARDS CAN'T DO IT ALL

*All board members
are accountable to all owners
for everything that does and does
not happen in the organization -
but they can't all be in the
drivers' seat!*



BUT THEY MUST CONTROL IT ALL

Boards are obliged to exercise unambiguous control on behalf of owners - yet the imposition of controls on delegates can be destructive to owner interests

Boards need controls that:

1. Safeguard owner values
2. Optimally empower their delegates
3. Provide for clear accountability

PRINCIPLE FOUR

Accountable, Effective, Delegation:

Pre-states ALL Expectations

Gives Freedom to Do the Job

Enables Rigorous Monitoring

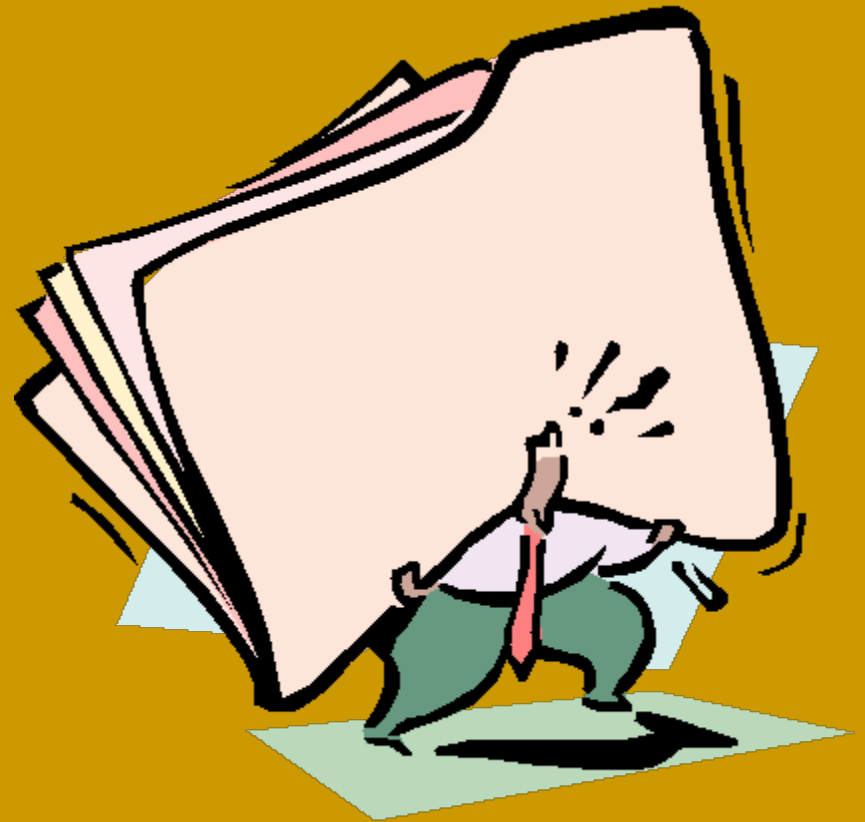
POLICY GOVERNANCE SYSTEM FEATURES

ONE VOICE = POLICY



THE PROBLEM WITH POLICY

So much
to say ...



DIFFERENTIAL CONTROL

ENDS



MEANS



THE WRONG WAY TO CONTROL MEANS

WE KNOW
BETTER
THAN
YOU HOW
TO DO
YOUR
JOB



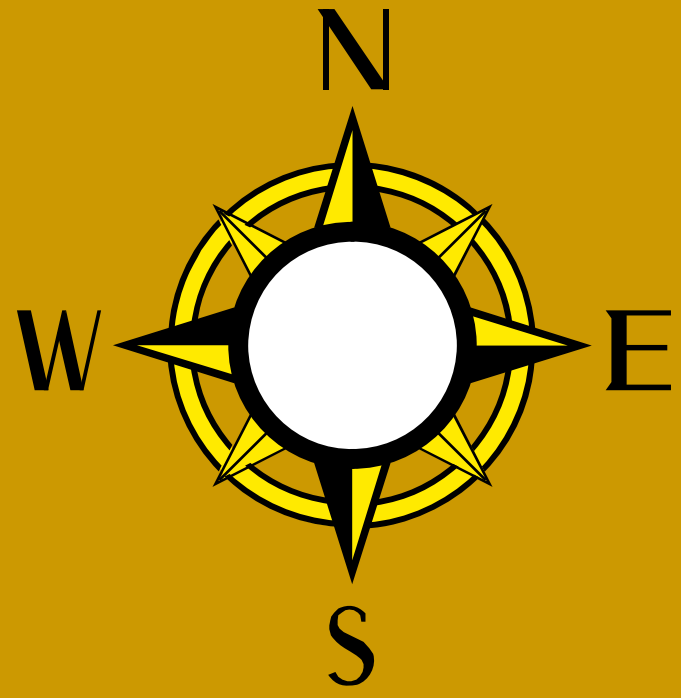
**EVERYTHING IS
PERMITTED**

UNLESS IT'S FORBIDDEN

ENDS

WHAT THE ORGANIZATION IS **FOR**:

- What Benefit?
- For Which People?
- At What Cost or Relative Worth?



MEANS

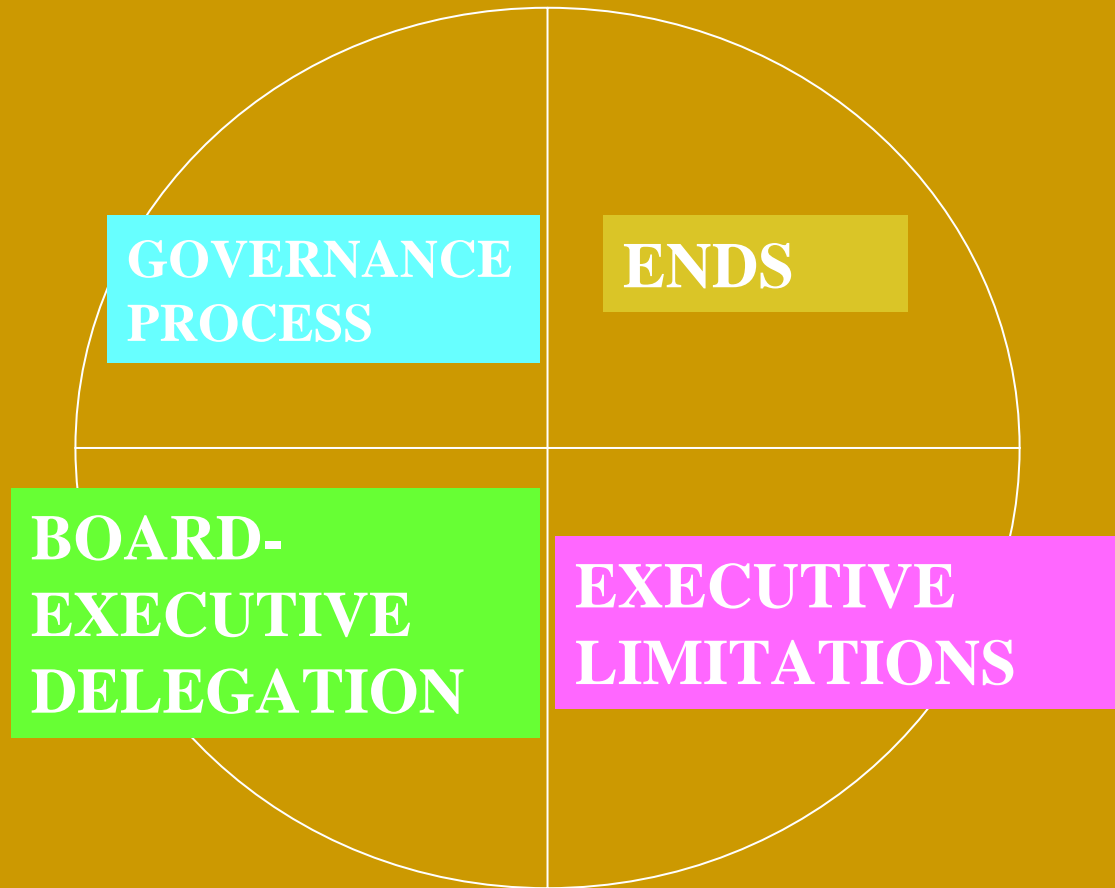
ANYTHING THAT ISN'T ENDS

DELEGATED AND BOARD'S OWN

FOUR POLICY CATEGORIES

- + **Ends/Strategic Outcomes** – The specific benefits that must be produced for specific people at a specific cost or relative worth.
- **Executive Limitations/Risk Management Framework** – The ethical and prudential *means* boundaries that the executive cannot breach (even if doing so could help to produce the Ends)
- +/- **Governance Process** – The board's *means* choices regarding its own conduct
- +/- **Board-Executive Delegation** – The board's *means* choices regarding how it delegates and monitors use of its authority

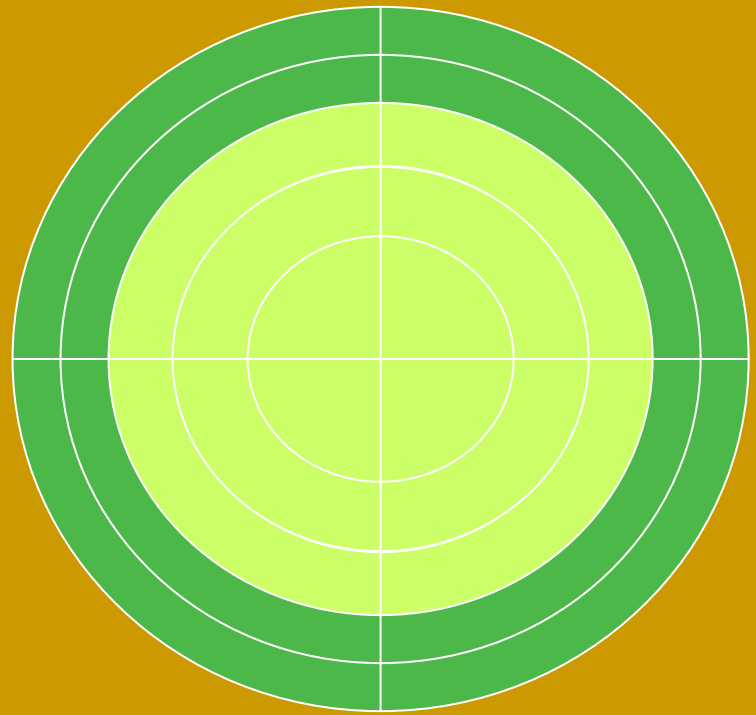
THE POLICY CIRCLE



CONTROL THROUGH POLICY BREADTH



Decisions Come in Sizes



ANY REASONABLE INTERPRETATION

The board pre-authorizes
all decisions and actions
that are made within

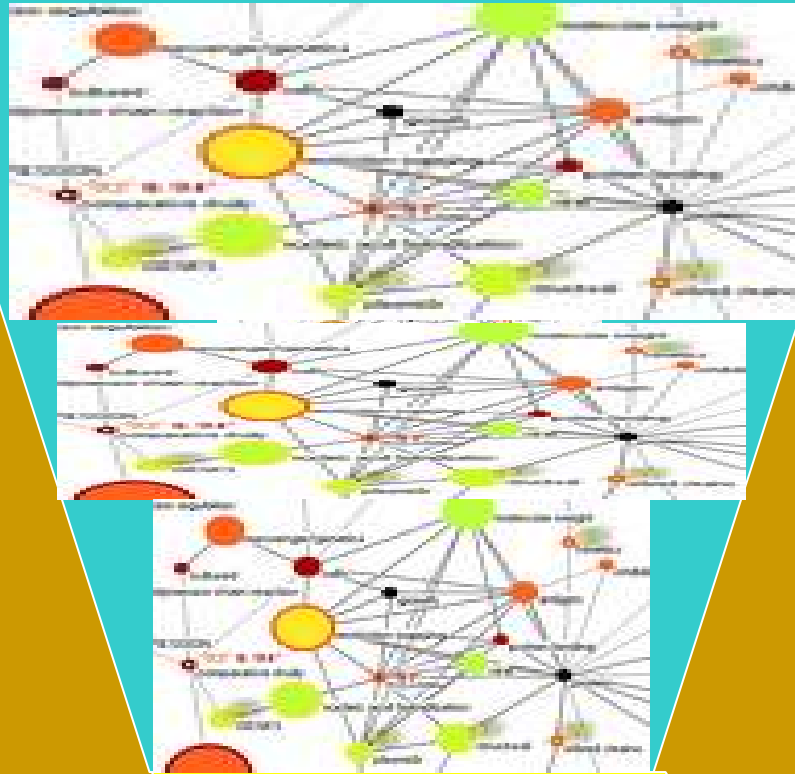
**“Any Reasonable
Interpretation”**

of board Policy

LEGAL

ETHICAL

PRUDENT



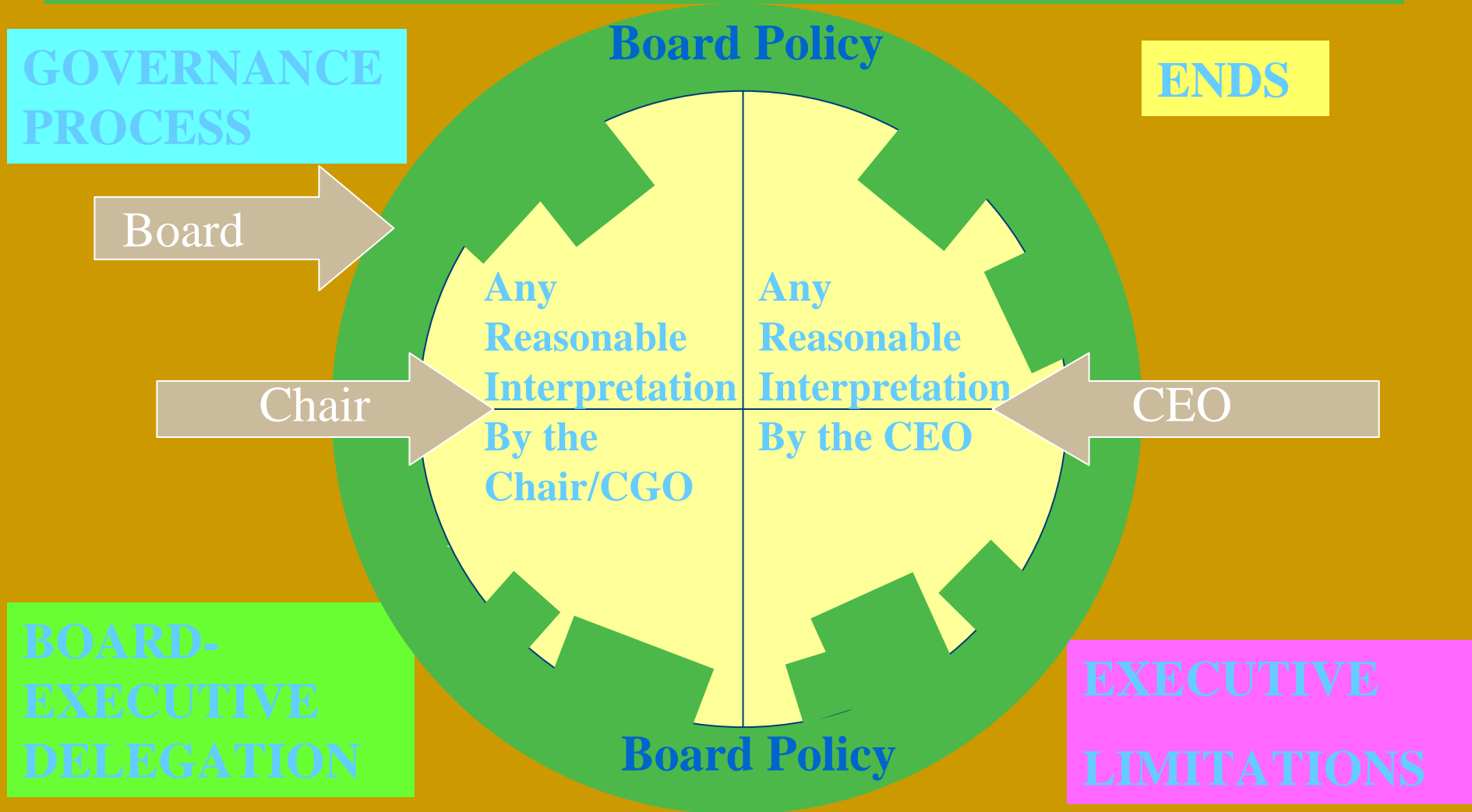
ENDS

**Specified Benefits for
Specified People**

At a

Specified Cost or Relative Worth

THE BOARD, CHAIR AND CEO DOMAINS



MONITORING

“Any Reasonable Interpretation”



SIX SYSTEM FEATURES

- 1) One Voice = Policy
- 2) + Ends - Means = Precision Delegation
- 3) Four Policy Categories That Encompass
- 4) Broadest to Narrowest in each Category
- 5) Authorize "Any Reasonable Interpretation"
- 6) Monitor Compliance



ROLES

- Board
 - a) link with owners
 - b) produce written policies in the four categories
 - c) assure performance against those policies
- Chair
 - keep a group of equals to their word
- CEO
 - fulfill the Ends within the Limitations
- Committees
 - assist (rather than replace) the board with specific, usually time-limited, governing tasks

THE MONITORING SCHEDULE

FREQUENCY

- monthly
- bi-monthly
- six monthly
- annually
- other

METHODOLOGY

- internal report
- external audit
- direct inspection

Reporting Anticipated and Actual Non-Compliance

MONITORING REPORTS

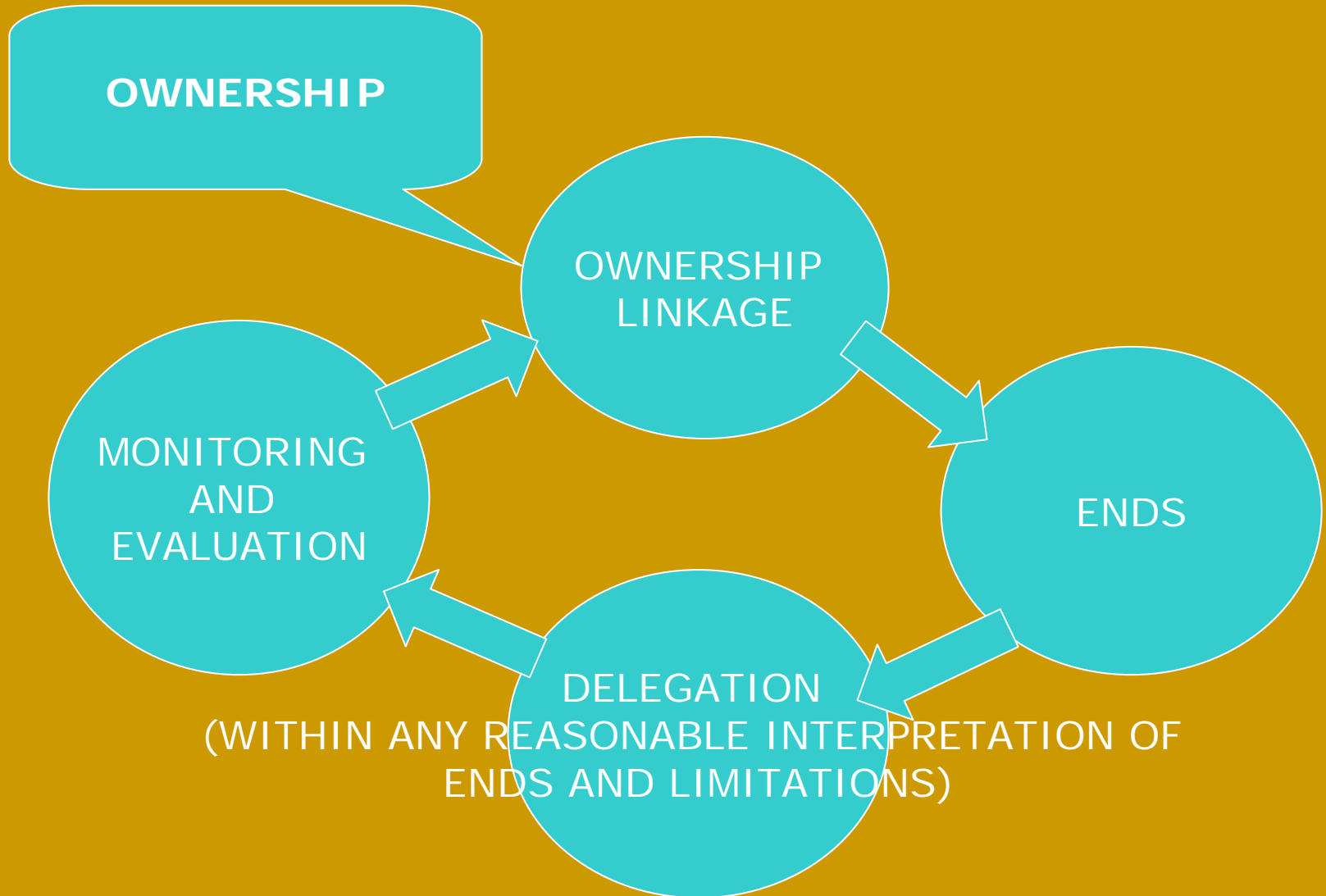
- **Restate** the policy being monitored
- Give the CEO's **interpretation** of that policy (including compliance standard(s) and any justification for “reasonableness”)
- Give **data** which demonstrates compliance with that interpretation

THREE QUESTIONS



1. What have we already said about this issue?
2. Are we happy with what we have already said?
3. If we are not happy, how do we want to change what we have already said?

THE BOARD'S LEADERSHIP JOURNEY



Governance Paradigms

Traditional Board

Compliance Driven

Inwardly Focused

Short-term view

Mainly considering reports

Command and Control

Approval without Stated
Criteria

Lots of Approvals

Judgment without Stated
Criteria

More Rules

Individual Rules

Pinning Things Down

Policy Governance Board

Vision Driven

Outwardly Focused

Long-term view

Mainly considering future

Empowerment and Safety
Pre-stated Criteria

Pre-approved if Criteria met
Judgment against Pre-stated
Criteria

Fewer, More Effectively
Framed, Aligned and
Clarified Rules

Freeing Things Up

NHS ISSUES FROM A POLICY GOVERNANCE PERSPECTIVE

WHO OWNS YOUR NHS ORGANISATION?

- Parliament as representative of the national public interest
- Government as the executive of Parliament
- NHS regulators as monitors of compliance with parliamentary legislation and government policy
- Local communities as representative of the local public interest
- Patients as consumers of NHS services
- Staff as employees of NHS organisations
- Other stakeholders.

MORE NHS ISSUES FROM A POLICY GOVERNANCE PERSPECTIVE

- Complexity versus clarity - multiple measures from multiple perspectives
- Shooting ourselves in the foot - confusing means and Ends
- Balancing quality of care for individual patients with sustainable care for all

“Leadership is about making
shared meaning out of
complexity”

*From 'The Leader's Edge: Six Creative Competencies for Navigating Complex
Challenges' by David Magellen Horth and Charles J. Palus,
both of The Center for Creative Leadership, Greensboro, North
Carolina, USA*

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