Key Concepts of Policy
Governance
Legally...

• Boards always have *oversight* responsibility and must always be able to demonstrate that they are *managing* the affairs of the organization
Governance Models

• Two approaches to governance
  - Traditional: directors *manage* the organization by approving major decisions
    • Called an Administrative board in the literature, but popularly referred to as a Management board
  - Newer: directors have *oversight* of the organization to ensure it is effective and accountable. The board establishes its oversight through policies
    • Called a Policy board
“The purpose of governance is...

• To ensure, usually on behalf of others, that an organization achieves what it should achieve while avoiding those behaviors and situations that should be avoided.”
Governance Models

• The immediately obvious issue is the nature of the board-staff relationship
A Helpful Tip

“Nonprofits waste uncounted hours debating who is superior and who is subordinate - the board or the executive director. The answer is they must be colleagues. Each has a different part, but together they share the play. Their tasks are complementary. The two have to work as one team.”

Peter Drucker
Policy Governance

• Clear separation of governance and management
• Oversight exercised through setting expectations (policies) and monitoring for compliance
• Nested policies (primarily regarding mission and means)
Sample Policy

• Global Executive Limitation: The CEO shall not cause or allow any practice, activity, decision or organizational circumstance which is imprudent, unlawful, in violation of commonly accepted professional ethics or inconsistent with biblical faith and practice
  – More specific application of the global policy: With respect to actual, ongoing financial conditions and activities, the CEO shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies
    • Even more specific application: The CEO shall not disregard generally accepted accounting principles

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Figure 8.1. Board Policies Completed in All Four Categories.
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Board

Staff

Board-CEO
Linkage
Issues

Ends
Issues

Board-Staff
Division

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Other Key Concepts

• Policy makes values explicit (executive limitations)
• Reasonable interpretations by CEO
• Minimum necessary policies – “add details judiciously”, stay as high as you can
• CEO performance is organizational performance and vice versa
Other Key Concepts

- The board speaks with one voice
- Chair is not the CEO’s boss, the board is
- Minimal committee work
Policy Governance

• In many ways, policy governance is simply a disciplined approach to governing
• It adds clarity and governs by principles and policies
• It doesn't prevent the board from getting into operational details, but it does force it to do so by clarifying their concerns and discussing them in the context of policy
• A policy board has the right to do as much of the organization’s work as it feels is necessary, including making operational decisions
• Assumption: a solution that can be generalized and widely-applied is better than case-by-case solutions
Why Policy Governance

- Board spends all its time on what it alone can do – governing – most important!
- Empowers staff
- Greater accountability from staff
- Greater certainty about roles and expectations
- Ministry is more responsive
- Fewer board meetings
- Easier to attract staff (I suspect)
Some Useful Concepts

- Organizational Layers
- Delegation
Organizational Layers

Governance
Organizational Layers

Governance

Management
Organizational Layers

Governance
Management
Operating
Policy Board

Governance

Management

Operating
Administrative Board

- Governance
- All Management
- Operating
Administrative Board

Governance

Shared Management

Operating
Management Delegation

• How many senior staff leaders personally manage their entire staff?
  – Few, if any. They delegate to their managers

• How do they manage knowledge workers? Field workers?
  – Policies, goals, job descriptions etc. allow work to be delegated

• The senior staff leader retains responsibility for performance and is accountable for it

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Board Delegation

• Boards can manage the same way as senior leaders do
  – They can delegate to managers using policies, goals, job descriptions, etc. while retaining responsibility and accountability for the ministry's performance
Recruitment Implications

• Administrative boards require directors who are knowledgeable in the business of the ministry

• Policy board requires directors who are competent in governance

• Some ministries have great complexity either in their service or their environment and expert knowledge is more readily available in a paid staff member rather than a volunteer director. This indicates a policy board is the appropriate choice
Approval Implications

• Administrative board gives approval before staff can act
• Policy board gives blanket pre-approval within limits, allowing staff to act first
• Trust/risk issue

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CEO Implications

• Administrative boards in the for profit world may have the CEO serving as a board member; the CEO may report to the Chair.

• Policy boards keep the integrity of the oversight function intact by excluding the CEO from board membership (although the CEO may attend/participate); the CEO reports to the full board.
Carver Criticism

- It prevents the CEO from leading
  - CEO can have the right to attend board and committee meetings and fully participate, just not as a director and without a vote

- Board and staff become disconnected within their respective spheres
  - Staff can give program overviews at board meetings and board retreats can include the staff, just as long as the decisions that flow out of the retreats are board, not staff, decisions

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Carver Criticism

• Ends and means are artificially separated
  – The board can (and should) involve staff in defining the Ends. The board does not write the strategic and action plans, but they do critique them

• Erodes board control and accountability
  – Not if the board establishes policies and monitors compliance
  – The board can drill down as far as it wants to
Discussion Time!