The Policy Governance Approach at the Vancouver School of Theology

Origin: DG Evans, VST Consultancy, May 2007

The Context

The role and responsibilities of the VST Board of Governors is defined by the VST Act (see 5.1 “Statute”). The Act states (clause 14a) that: “the Board shall have full power and authority to determine the manner of governance and operation of the School.” The VST Board decided in 2006 to carry out its work on the basis of the “Policy Governance” approach, sometimes referred to as the “Carver” model.

John Carver developed his system on the basis of an analysis of Board performance in a wide variety of organizations. He found that many Boards suffered from a number of difficulties and dysfunctions that appeared to result from their structure and practice. These included:

- spending too much time on trivial details,
- reacting to problems rather than proactively moving forward,
- problem solving for the moment rather than looking to the long-term,
- getting bogged down in reports about past actions rather than planning future ones,
- having difficulty holding any individual accountable for getting things done, and
- having overlapping areas of authority and accountability.

Carver designed the Policy Governance model as an integrated system with a view to ensuring that those responsibilities that only Board can do (that is, if Board doesn’t do it no one else will) are fulfilled: exercising legal due diligence, providing a focus for accountability, and attending to the long term needs and vision of the organization.

“Policy Governance” means, essentially, that the VST Board focuses on these critical responsibilities and does its work primarily through or in relation to policies:

- By REVIEWING existing policies to ensure they are current, relevant, and sufficiently precise;
- By MONITORING the performance of those responsible for implementing existing policies;
- By CREATING new policies in relation to areas it deems necessary;
The Board constantly works with policy. The policies are live documents, always subject to revision. The Board Policy Manual is the one document Board members always make sure to bring to a meeting.

**Policy Governance Approach**

In the publication of his book *Boards That Make A Difference* (1990), John Carver presented an alternate, systematic approach for the Boards of non-profit organizations. His ideas include the following:

*Division of Power*

Central to the Policy Governance approach is the clear division of labour between the Board and the CEO/Executive Director, or in the case of VST, the Principal. The Board focuses upon the “Ends” of the organization; the Executive Director focuses upon the “Means.” These are two distinct areas of work. Each needs to be powerful and effective. Each relates to the other but also needs independence. This simple division of power is the single most powerful tool an organization can use to improve its organizational life, according to Carver.

Carver recognizes that an organization’s power legally rests with its Board. The Board, therefore, delegates much of this power to its Executive Director. The Board remains responsible for the appropriate use of this delegated power, however. It exercises this responsibility in two ways: by clearly defining the limits to the Executive Director’s power through “Executive Limitation” policies (see Board Policy Manual, section 2) and by constantly monitoring the Executive Director’s use of this power against the policies.

Executive Limitation policies define the limits to the power of the Executive Director. They start with broad statements and slowly move toward more detailed ones. They are written in the negative, outlining what is “out of bounds” for Executive Director decision and action. Action is not prescribed by the Board; instead, certain actions and behaviours are proscribed.

This discipline of naming what the Executive Director shall not do rather than what the Executive Director will do proves to be freeing and empowering for the Executive Director while protecting the Board’s authority. The goals and limits are clear; everything else is open for innovation, imagination and the whole skill set an Executive Director or Principal brings to the work.

While the Policy Governance system distinguishes between governance and management, it is with the purpose of establishing a clear and accountable relationship between the two functions and authorities rather than creating a separation of powers. A healthy relationship is one in which Board and Principal support each other in being as effective as possible in their respective
roles, rather than competing with each other over which is more powerful. The goal of the Policy Governance model is for each to be as powerful as possible in properly accomplishing their roles.

**Focus Upon Ends**

By giving its power to “get things done” to the Executive Director, the Board frees up time and energy to focus upon the “ends” it wishes to achieve. In the Policy Governance approach the chief job of the Board is to articulate the vision, to say clearly what the organization will accomplish.

The Board does this in a second type of policies, “Ends” policies (see Board Policy Manual, section 1). Ends policies define “what good, for whom, at what cost.” “What good” will the organization achieve? How will the world be different because of the things that will be done? “For whom” will the achievement be for? Who will benefit? “At what cost” will the results be achieved? How many and what kind of resources will the organization spend to achieve what it wants to achieve?

The development of Ends policies constitutes the long-range, strategic planning of the Board. By clearly naming what the organization will achieve for whom and, on a secondary level, prioritizing both the “goods” it will achieve and the “beneficiaries” of those goods, the Board provides the future orientation the organization needs.

**Connection With Ownership**

The “owners” are those on whose behalf the Board acts in trusteeship. The owners are those the Board cannot afford not to listen to, someone who cannot be fired. Defining and then connecting with the ownership constitute a major part of the work of the Board. The Board is proactive in seeking out the views, opinions, needs and concerns of its owners in order to faithfully represent them in Board decisions. Representatives on the Board from among the ownership are one way of connecting but Carver warns that it is not adequate. Through a variety of means such as polls, face to face meetings, consultations, fact gathering missions and more, the Board actively seeks to know the mind of the owners.

**Monitoring and Reviewing Policy**

The Board “monitors” the Principal in relation to the Ends and Limitations policies. That is, the Board monitors the Principal’s:

- Achievement of the Ends policies – the degree to which the goals and priorities of the School are being accomplished and fulfilled;
- Compliance with the Limitations policies – the degree to which the legal and other constraints on the Principal are respected.

Monitoring allows the Board to systematically exercise due diligence in relation to all areas of its responsibility. The attitude of the Board in monitoring the Principal is to seek assurance through proof, rather than relying on assumptions or trust. The attitude of the Principal in providing monitoring reports is to consider: what information will demonstrate that the policy is being achieved or
respected?

The Board also “reviews” policy. This means that over a two-year cycle the Board considers every policy in terms of whether it remains relevant, necessary, and whether it holds sufficient clarity and precision. Policies should be clear enough to avoid the necessity to assume an interpretation.

Other Types Of Policies

In addition to Ends and Executive Limitations policies, there are two other kinds of policies in the Policy Governance system.

Board-Executive Relationship policies (see Board Policy Manual, section 3) are those policies that outline the way power is delegated to the Executive Director and how it is monitored. They may also clarify other aspects of the Board’s relationship to the Principal.

Board Process policies (see Board Policy Manual, section 4) are those which deal with its own life, how it is organized and what commitments it makes to the owners and to the Board itself.

Other Principles

The heart of the Policy Governance is outlined above. Other principles in the Policy Governance approach, however, are helpful to recognize.

Values

The Board is primarily driven by the determination of values. Most policies are an articulation of the values and perspectives that shape the organization. “Values,” in fact, can be a helpful way of identifying the legitimate work of the Board. If an issue is a determination of values, then it properly belongs to the Board. If the issue is the establishment of a procedure it most likely belongs to the Principal.

Diversity and “One Voice”

The Policy Governance approach encourages a diversity of voices at the governing table. It is incumbent upon the Board to hear the widest range of views possible before making decisions, even if it means bringing in views from outside of the Board. Once the Board makes a decision, however, it is that decision which shapes the organization. The Principal is directed by the decision, not by the views of individual members of the Board. Decisions of the Board are always Board decisions, not the decisions of individuals or sub-committees. Individual members are always free to voice their opinions at any time, but the organization takes its direction only from actual Board decisions.

Few Board Committees

The work of the Board is always the work of the whole Board. Except in rare cases Boards do not delegate their power to committees, not even to an
Executive committee. Committees are only legitimate to help prepare work for the decision making of the whole Board. This discipline honours the principle of “one voice.”

*Define and Delegate, Rather than React and Ratify*

The Board is proactive. It follows its own agenda rather than primarily reacting to problems that arise in the organization. In this approach there should be no governance emergencies! Organizational issues may provoke a review of established policies but the Board does not focus on problem solving. If problems arise it defines who the problem belongs to and delegates authority (if necessary) to deal with it.

*Information*

Carver identifies three types of information:

1. Information needed to make a decision;
2. Information needed to monitor;
3. Incidental information.

The first two types of information are central to the work of the Board. The third type of information is not. Incidental information (which is all information that does not fall into the first two categories), while not unimportant to the life of a Board, should be recognized as such and kept to a minimum.

*Principal Performance Is Organizational Performance*

The Executive Director or Principal is the sole official connection the Board has to the organization’s operation. The Executive Director is accountable to the Board for the entire organization. A performance evaluation of the Executive Director is an evaluation of the organization, and *vice versa*. The Executive Director does not have to do everything but is accountable for how everything is done.

*Monitor Rigorously, But Only Against Policy Criteria*

The Board monitors the Executive Director regularly and rigorously but only against established policies: are the Ends being met? are the Executive Limitations not being transgressed? Any other criteria for judging the Executive Director are not permitted. To be fair, judgments must be made against commonly held and communicated policies.
Duties of A Board

PURPOSE
establish and understand the organization’s purpose or mission

CONTINUITY
provide continuity for the management and the implementation
of the organization’s affairs

PROGRESS
set the rate of progress that the organization takes in reaching its
mission

IDENTITY
secure community support for the organization’s objects, beliefs, vision,
misison, and long-term direction

INTEGRITY
ensure the organization fulfills its legal and ethical obligations

Carver: “What Goes Wrong” with Governing Bodies

• TIME ON THE TRIVIAL
• SHORT-TERM BIAS
• REACTIVE STANCE
• REVIEWING, REHASHING, REDOING
• LEAKY ACCOUNTABILITY
• DIFFUSE AUTHORITY
Carver's Basic Principles of Policy Governance

1. The Trust in Trusteeship
2. The Board Speaks With One Voice Or Not At All
3. Board Decisions Should Predominately Be Policy Decisions
4. Boards Should Formulate Policy By Determining The Broadest Values Before Progressing To Narrow Ones
5. A Board Should Define and Delegate, Rather Than React and Ratify
6. Determining Ends Is The Pivotal Duty Of Governance
7. The Board's Best Control Over Staff Means Is To Limit, Not To Prescribe
8. A Board Must Explicitly Design Its Own Products And Process
9. A Board Must Forge A Linkage With Management That Is Both Empowering And Safe
10. Performance of the CEO Must be Monitored Rigorously, But Only Against Policy Criteria

Functions of a Policy Governance Board

LISTEN

declare the legal and moral “ownership” of the organization and exercise accountability toward them in a proactive manner

HIRE

recruit and supervise an “Executive Director” to ensure optimal achievement of the purpose and goals of the organization

GOVERN

create and review policies, monitor their implementation, and promote its own diversity and ability to learn
Carver’s Four Categories of Board Policies

ENDS
What needs are to be met, for whom, and at what cost?

EXECUTIVE LIMITS
What are the legal, ethical and operational boundaries of staff discretion?

BOARD – EXECUTIVE RELATIONS
How will the Board monitor and evaluate the work of the Director?

BOARD PROCESS
What are the values and standards, and practices that will govern the Board’s own work and internal relations?

Policy Governance: Key Elements

• Policies are active and dynamic tools for guiding and measuring the work of the organization

• The work of the Board is Policy: creating it, monitoring its implementation, reviewing it

• The focus of the Board is on long-term goals and strategic direction

• Authority on operational matters is delegated to Management

• Control on Management is exercised through defining Limits rather than prescribing Means
Policy Governance: Costs and Benefits

- Requires front-end training and development of Board, and a commitment to ongoing learning
- Reduces satisfaction of some members due to limited direct contact between Board and Beneficiaries / Operations
- Requires high collective discipline and a degree of counter-intuitiveness
- Awkward terminology and difficult language

+ Increases leadership capacity of the organization: strong Board, Management
+ Strengthens clarity of responsibility and timeliness of decision-making
+ Establishes a systematic framework for accountability and due diligence
+ Enhances Board role in long-term strategic direction
+ Efficient