

## What is Policy Governance?®

Policy Governance is a model of governance created by Dr. John Carver. It is often referred to as “Carver governance” or the “Carver model”.

Policy Governance principles form a complete governance system which enables boards to provide strategic leadership in creating the future for their organizations. Policy Governance is designed to ensure accountability of the Board to the owners or shareholders and of the chief executive staff person (CEO) to the Board. The model enables the board to focus on the larger issues, to delegate with clarity, to control management's job without meddling, to rigorously evaluate the accomplishment of the organization; to truly lead its organization.

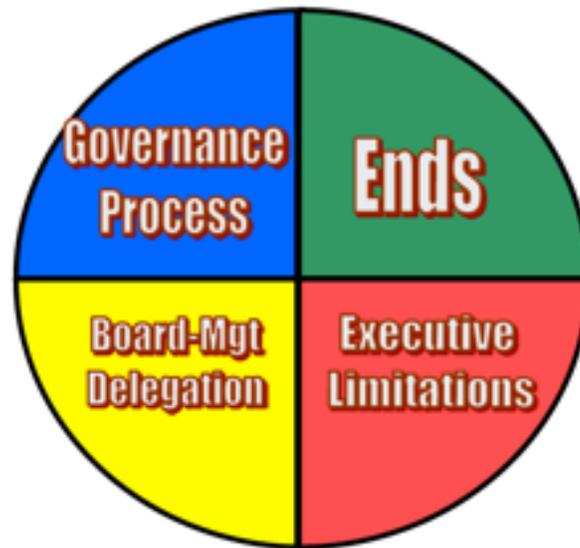
In contrast to the approaches typically used by boards, Policy Governance separates issues of organizational purpose (ENDS) from all other organizational issues (MEANS), placing primary importance on those Ends. Policy Governance boards demand accomplishment of purpose, and only limit the staff's available means to those which do not violate the board's pre-stated standards of prudence and ethics. Evaluation, with such carefully stated expectations, is nothing more than seeking an answer to the question, "Have our expectations been met?" The board, having clarified its expectations, can assess performance in that light.

Evaluation of achievement is done regularly through monitoring. Monitoring each policy, consists of comparing performance data against a reasonable interpretation of either ends policies or executive limitations policies. Consequently, only the characteristics or aspects of some topic (e.g., budgeting, personnel treatment) that are controlled by the board need to be checked. The board will have built those criteria into applicable policies, so the CEO knows up-front the expectations against which he or she will be judged. Therefore, the board does not do blanket approvals of budgets, program designs, or staff compensation plans, but it will have set out the limits of prudence and ethics within which the CEO must stay. Monitoring pointedly targets those board-stated criteria, making these criteria the board has chosen to control stand out in bold relief. In simple language, the board prescribes what it expects then it inspects the achievement—“inspect what you expect.”

The benefits of Policy Governance are multiple. For non-profit Societies, the Policy Governance system will help a Board:

- be accountable in the position of trust in which it has been placed by its “moral owners”
- provide strategic leadership to the organization—the board's key responsibility —by clearly defining, on behalf of the moral owners, ***what human needs are to be met, for whom, and at what worth***
- distinguish clearly between Ends (achieving results) and Means (ways of doing things)
- establish clarity between the roles of board and management

- unleash the creativity of management while holding management rigorously accountable for delegated areas
- be involved in appropriate decisions without "meddling" or "rubber stamping"
- set parameters for acceptable organizational performance and for itself by establishing broad policies in four logical categories that make intuitive sense



#### The Four Policy Categories:

- 1 **Ends** - *the benefits the organization is to produce, for which people, at what cost or worth.* Ends are developed based on the Board's knowledge of and interaction with the owners - those to whom the Board is morally accountable.
- 2 **Executive Limitations** - the boundaries of prudence and ethics within which the Board allows the CEO to make further decisions about means, the way things are done.
- 3 **Board-Management Delegation** - the manner in which the Board delegates authority to staff through the CEO and holds the CEO accountable.
- 4 **Governance Process** - the manner in which the Board itself operates, including its philosophy, accountability, discipline, and its own job.

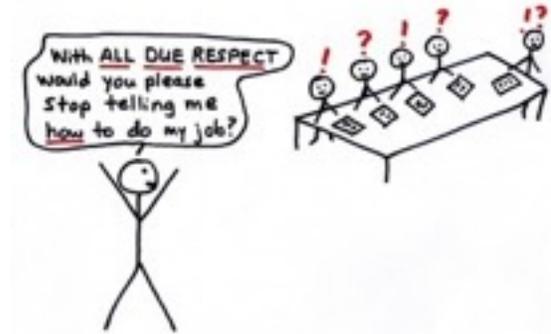
With these policies in place, the Board can delegate the achievement of the Ends to the CEO, be assured that they are in fact being achieved, and that the manner in which this occurs does not exceed the Board's boundaries of prudence and ethics. This assurance is based, not on trust, but on a carefully structured monitoring process.

Policy Governance® is a system that helps boards lead successful organizations. It ensures that board and staff are clear on who does what (and why), and maximizes board accountability to owners *and* the ability of staff to achieve relevant results.

## Six typical benefits of the Policy Governance Model:

### 1. CEO and staff are empowered to do their jobs with confidence and creativity.

For traditional boards, typically the CEO/staff make plans and decisions which they must present to the board for approval. Direction from the board is often unclear, incomplete, contradictory, or amounts to well-intentioned micromanaging. Confusion frequently results when staff cannot distinguish between advice or suggestions from individual board members vs. direction for which they will be held accountable.



Boards using Policy Governance create clear and complete criteria for successful decisions, plans and actions. CEO/staff have the freedom to apply these criteria within the boundaries of any reasonable interpretation.

### 2. The board saves time discussing operational details or minutiae.

Since traditional boards don't have a clear and consistent way of distinguishing between board and management responsibilities, preventing micromanagement usually depends on the fortitude of the board chair to establish and to stick to board-driven agendas.



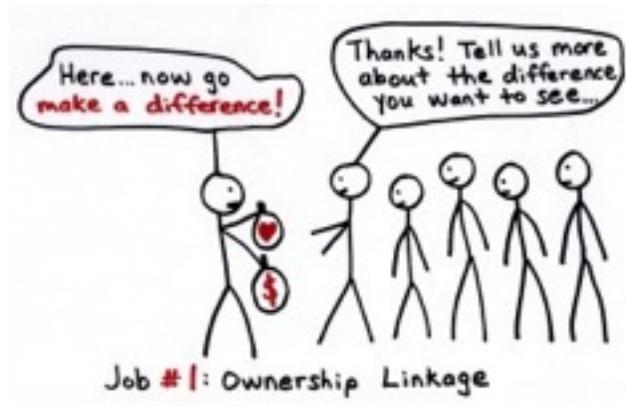
Policy Governance boards and their CEOs are clear on who is

accountable for what, and avoid the temptation to wade into each other's areas. Board meetings are about board (not staff) decisions and priorities.

### 3. Owners/shareholders are heard and see results.

Traditional boards don't use a comprehensive system to ensure that moral owners are happy. Often traditional board members don't even have a shared understanding of who their legal or 'moral' owners are, let alone have a system in place for having meaningful dialogue with them.

Boards using Policy Governance know that their accountability comes from the legal or moral ownership, and that the board is a servant-leader in the organization. As such, the board focuses on ownership linkage, and then develop policies and monitors performance in a way that maximizes alignment between ownership expectations and results.



### 4. Board members add value and make a difference.

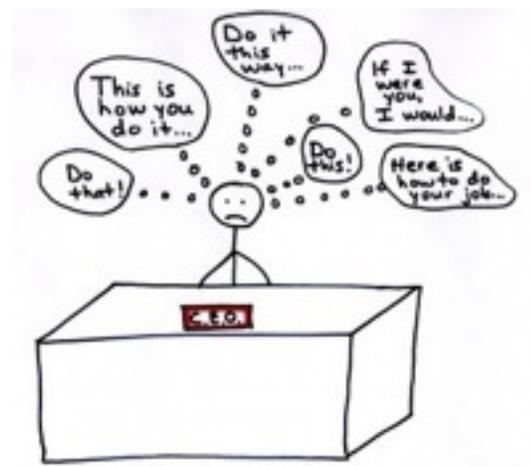
Traditional boards typically review decisions already made by staff, and then either question or rubber-stamp those decisions. It seems like the staff does all the important work and board meetings feel like "going through the motions."

Boards using Policy Governance set the "tone at the top," and direct and protect the organization with the greatest possible clarity and efficiency. Board members engage in rich, values-based conversations and make important decisions that have tremendous impact on the company or organization, and for the community, clients and beneficiaries being served.



### 5. The board has the ability to control risk (without stifling creativity).

Traditional boards usually control risk by requiring more approvals, paperwork, "oversight," and a greater overlap between board and management functions. Tighter and often costly internal controls usually come at the expense of the ability for staff to innovate, to respond to changes, and to take action quickly. A great deal of time and money is spent



approving plans and decisions.

Boards using Policy Governance apply principles that simultaneously control risk throughout the organization and maximize freedom for staff to get the job done. The risk that the organization might not achieve what it should is built into the system. Additionally, monitoring performance uses a simple, streamlined, evidence-based approach.

## 6. 'Politics' is kept to a minimum.

Traditional boards often encounter many overlapping functions of board and CEO/staff, with competing views of how things should be done, which typically fosters tension. In some cases this tension spirals into misunderstandings, intense politicking, frustration, loss of motivation, diminished results, and overall disharmony. It is never long before the absence of clarity is replaced with the presence of dysfunction.

Boards using Policy Governance enjoy a high level of clarity, empowerment, and accountability, in which room or necessity for tension, politics, and disharmony is minimized. When everyone knows the rules of the game, it is much more fun and fair for everyone to play!



*The authoritative website for the Policy Governance model can be found at [www.carvergovernance.com](http://www.carvergovernance.com)*