BOARD LEADERSHIP
INNOVATIVE APPROACHES TO GOVERNANCE

NUMBER 148, NOV.–DEC. 2016

www.boardleadershipnewsletter.com

Linking Governance and Management

by Gerry Moulds

Retired governance consultant Gerry Moulds looks back on his experience and shares his thoughts on how best to build an accountability framework that links governance and management.

During my career as a Policy Governance® consultant, I found that, although boards had genuinely accepted the principles of the model, the process of implementation was often frustrated by the tendency of CEOs to continue providing the board with copious reports on means. CEOs often welcomed the fact that their board had accepted Policy Governance, but failed to recognize that their role had also changed.

It seemed to me that, unless there was a complementary change in the way that the relevant organization was managed, the whole endeavor could be jeopardized. John Carver's assertion that board problems are not so much about people as they are about process[1] certainly has a lot of validity. However, if staff don't have the capacity to support the processes adopted by the board, things are bound to go awry.

My concern is that it is too easy for boards and their staff to become disconnected from each other, and this is what took me toward developing what I have called a "Policy Management" system to complement the Policy Governance system. My intent with Policy Management is to provide a framework for the CEO and their staff to transition to a viable means to support the board's use of Policy Governance.

Like Policy Governance, Policy Management utilizes four quadrants (see Table 1, page 2).

The following illustrates the kind of Policy Management documents I have created to help CEOs.

The first document sets out the overall Policy Management Framework:

THE POLICY MANAGEMENT FRAMEWORK

What Is to Be Achieved

The AnyPlace Society operates consistent with the Policy Governance system as developed by John Carver. Therefore, AnyPlace Society believes that it exists solely to create certain benefits for certain people at a certain worth. The Society has established the following "Ends" statement to represent what it exists to accomplish, and therefore what it is accountable for:

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EVENTS

February 24–25, 2017

IPGA Consultants' Forum

— Las Vegas, Nevada, USA

This is the main opportunity for Policy Governance Consultants and board and staff members with extensive experience in using the system to get together to discuss a range of issues of mutual interest. This forum will include a particular focus on the meaning and implications of governance as "ownership one step down."

For more information, please go to http://www.policygovernanceassociation.org or contact: ceo@policygovernanceassociation.org

BoardSource

Throughout the year, BoardSource organizes a range of webinars and training events for US nonprofit board leaders.

For more information, see http://bit.ly/BdSourceEvents

Harvard Business School

The HBS programs on governance can be seen here: http://www.exed.hbs.edu/programs/Pages/program-finder.aspx?HBSTopics=Governance

Haines Centre

The Haines Centre for Strategic Management is a team of strategic

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> *"The AnyPlace Society is a non-profit organization that exists so that AnyPlace residents with disabilities are able to participate fully in the community life of AnyPlace.*
>
> *This includes but is not limited to:*
> - *Residents with disabilities are valued by the community;*
> - *Residents with disabilities enjoy quality support*
>
> *These outcomes to be produced at a cost comparable to that incurred by other similar organizations."*

This statement is an instruction to the CEO regarding what the organization is to accomplish. The board has developed this statement to a level of specificity that permits it to accept "any reasonable interpretation" made by the CEO.

How It Is to Be Achieved

Regarding how these outcomes are to be accomplished, the board confines itself to setting boundaries of ethics and prudence around the CEO's potential choices. The rationale for this approach is based on the following:

1. For effective delegation, those who are made responsible for accomplishing a result need to be accorded the right to choose the most appropriate means for achieving that result. If the board chooses the means and the means do not produce the Ends, the CEO cannot be held accountable for accomplishing the Ends.
2. As a group authority with a limited amount of time in which to do its job, the board must delegate in order to get things done with optimal speed.
3. CEOs are recruited because they have the requisite expertise to determine the best means to achieving the Ends. Board members do not necessarily have the expertise.

As with the process of *prescribing* Ends, the board starts at the broadest level first by making an all-encompassing statement that *proscribing* will not be tolerated:

> *The CEO shall not cause or allow any practice, activity, decision or organizational circumstance, which is either imprudent or in violation of commonly accepted business and professional ethics.*

Table 1: The Four Quadrants

The Four Quadrants of Policy Governance	The Four Quadrants of Policy Management
ENDS	ENDS; Management Accountability for
EXECUTIVE LIMITATIONS	MANAGEMENT LIMITATIONS
GOVERNANCE PROCESS	MANAGEMENT PROCESS
BOARD-CEO LINKAGE	CEO-MANAGEMENT TEAM LINKAGE

Apart from the common management limitations, individual managers might be restricted in ways entirely specific to their own experience, skills, or demonstrated trustworthiness.

Again, in recognition that such a statement represents instruction to the CEO, the board goes on to expand that general statement to a level of specificity that permits them to accept "any reasonable interpretation" by the executive director. Those more specific statements are referenced as Executive Limitations.

Making Reasonable Interpretations

The CEO's accountability to the board is thus phrased in a succinct way:

> *Achieve any reasonable interpretation of the Ends described by the board's Ends Policies and use any reasonable interpretation of the board's Executive Limitations policies to avoid imprudent or unethical situations, activities, and decisions*

The CEO's interpretation must clarify the board's instructions by translating them into "operational definitions" that provide defensible measures and standards against which policy achievement can be assessed. In accordance with the latest International Policy Governance Association (IPGA) *Policy Governance Consistency Framework Report*, defensible measures and standards are those that:

1. Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena).
2. Are relevant and conceptually aligned with the policy criteria and the board's policy set.
3. Represent an appropriate level of fulfillment within the scope of the policy.[2]

Thus, the CEO's interpretations can be phrased as "Operational Outputs" for all management personnel and provide transparent criteria for job evaluation. It is the CEO's interpretations, rather than the board policies themselves, that directly impact staff performance.

Delegating Operational Outputs

Given that the CEO cannot personally accomplish all the operational outputs, he or she must determine which of them are to be delegated. Consistent with Policy Governance principles of delegation, it makes sense to empower senior managers as much as possible, retaining direct responsibility only for those outputs unique to the CEO role or unable to be assumed by

others (due to workload or lack of requisite skills).

Operational Outputs that can be delegated are assigned to appropriate Managers and Job Outputs are negotiated as "values added." Jobs exist so that life is different for someone else or some group outside the job. The reader will note that the organization was defined as existing "solely to create benefits for certain people at a certain worth." As a parallel, jobs throughout the organization also exist to produce some benefit for someone else.

Sometimes the someone else (for whom the production is generated) is the employee's superior, but sometimes the someone else is a co-worker who needs his or her colleague's value-adding production in order to complete his or her own job. The paramount "someone else" are those for whom the organization exists, that is, those designated as beneficiaries by the board. The CEO, therefore, differentiates between the productive focuses of managers as follows:

1. **Line managers (program directors and managers):** Those who are primarily concerned with creating value-added products that lead directly to accomplishing the Ends the board has prescribed, in other words, to directly supporting the realization of benefits for those the whole organization exists to support; and
2. **Staff managers (directors of HR, Finance, Operations, Development, etc.):** Those who are primarily concerned with creating value-added products that contribute to the line manager's capacity to produce Ends; for example, administering, tabulating, safeguarding, maintaining, or otherwise controlling aspects of the organization.

Consistent with the board's example, I recommend that the CEO delegates authority by establishing the limits within which managers can operate by publishing his or her "reasonable interpretation" of the board's executive limitations as management limitations. The management limitations are common across all managers and include what are generally referred to as standard operating procedures. Thus, procedural integrity is imposed and harmonious work across the organization is facilitated.

Apart from the common management limitations, individual managers might be restricted in ways entirely specific to their own experience, skills, or demonstrated trustworthiness. Consequently, the CEO can build the description in the individual's job (value-added job outputs) by adding appropriate individualized restrictions. Once the individual value-added job outputs and any specific limitations have been established for each line manager, the roles of staff managers can be developed and described.

Having progressively deduced the expectations of the board, the CEO, and his or her management team will have created a clear and rational way in which to be accountable to the board for the fulfillment of its instructions. The members of the team will be aware of the limits within which they have the responsibility to provide benefits for someone. They will also understand that they are accountable for their own behavior and cumulatively responsible for the behavior of all subordinates.

Meeting the needs of individual beneficiaries involves further consideration. One of my clients (an organization akin to the *AnyPlace Society* referred to above) has developed a *Person Centered Planning* process through which beneficiaries, along with their family and friends, can establish the "Outcomes" (conditions and goals) that must be met in their particular situation in order to satisfy the aggregate of individual needs of the beneficiaries referenced in the board Ends.

The individual's Outcomes are a subset of the benefits to be achieved in the board's Ends. Each Outcome includes what is to be accomplished, by whom, by when (specific date), and at what cost. Each identified Outcome is supported by a series of necessary Action Steps. The Action Steps are developed, as part of the process, with individuals and their family and friends, and may be changed frequently in order to allow for experimentation with other approaches.

The organization then assigns a program manager as responsible for accomplishing the Outcome(s) that have been chosen by the individual and identified in his/her Plan. In assuming that responsibility, the program manager accepts that they are accountable to the beneficiary and/or their personal network and to a program director. The organization also assigns someone (usually a member of the program manager's staff) to be responsible for undertaking the Action Steps designated in the Plan in order to accomplish the chosen Outcome.

By inductively aggregating the degree to which individual Outcomes have been achieved within the Ends and management limitations, the organization can:

- Focus on the needs identified by the individual and/or their personal network.
- Measure the degree to which it has been accountable to its beneficiaries.
- At least in part, measure the degree to which the organization has achieved the board's Ends and stayed within management limitations.
- Ensure that the beneficiaries and/or their personal networks are integral to determining the degree to which the Outcomes have been achieved.

To summarize, I believe that the whole Policy Management system, as described above, can:

1. Describe a management system wherein accountability accumulates.
2. Establish Job Outputs for the CEO and line managers, and

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Events

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management consultants, whose work is based in Systems Thinking. http://hainescentre.com/training/public-workshops/

Holacracy

Holacracy is not a system for the work of boards but does bring structure and discipline to a peer-to-peer workplace. HolacracyOne offers a range of events from free introductory webinars to advanced immersive trainings.

For more information, see http://events.holacracy.org/

National Coalition for Dialogue & Deliberation (NCDD)

NCDD also regularly provides useful training events. For more information, see http://ncdd.org/events/ncdd2014

National Council for Voluntary Organisations (NCVO)

NCVO provides a range of programs across the United Kingdom and online. Topics relevant to boards include understanding financials, mentoring (for new board members) and outcome measurement.

For more information, see https://www.ncvo.org.uk/training-and-events ❑

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then staff managers, through deductively making reasonable interpretations of the board's instructions to the CEO.

3. Establish Job Outputs of staff responsible for responding to the needs of beneficiaries.
4. Establish a means to aggregate the degree to which the organization has responded to the needs of individuals, or groups of beneficiaries, to measure, in part, the degree to which the organization has achieved the board's Ends.
5. Establish, within the roles of the CEO and line managers, a means to integrate and link the processes of making (a) deductive interpretations of the board's instructions and (b) inductive inferences of the degree to which the needs of beneficiaries have been satisfied.
6. Establish an Information Management System.
7. Define a means to cumulatively integrate staff performance so that the performance of the CEO is synonymous with organizational performance.
8. Determine the criteria reference and the process against which the CEO provides reliable reports to the board on the degree to which he or she is in compliance with the board's instructions.
9. Define a framework within which any organization can measure the degree to which it is accountable to its ownership, to its other stakeholders, and to its designated beneficiaries. ❑

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Notes

1. Carver, J. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, 3rd ed. (San Francisco: Jossey-Bass, 2006).

2. *What Makes an Interpretation Reasonable and What Are the Expectations for Operational Definition?* IPGA Policy Governance® Consistency Framework Report Number 2, June 11, 2016. http://www.policygovernanceassociation.org/images/IPGA-Consistency-Framework-Committee-Report-2.pdf

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BOARD LEADERSHIP: INNOVATIVE APPROACHES TO GOVERNANCE, (Print ISSN: 1061-4249; Online ISSN: 1542-7862), is published bimonthly by Wiley Subscription Services, Inc., a Wiley Company, 111 River St., Hoboken, NJ 07030-5774.

Postmaster: Send all address changes to *BOARD LEADERSHIP*, John Wiley & Sons Inc., c/o The Sheridan Press, PO Box 465, Hanover, PA 17331.

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Editor: Caroline Oliver. **Production Editor:** Richard Reicherter.

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