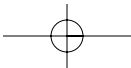
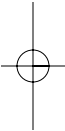
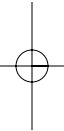
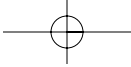


# Chapter One

## A Theory of Governance

### *The Search for Universal Principles*

Conventional wisdom in governance did not develop out of credible theory, but from trial and error, tradition-blessed familiarity, and the dominance of either managers or management mentality. Policy Governance, a total system of thought designed specifically for governing by a group of peers, borrows from—but does not mimic—management. It is a paradigm of concepts and principles applicable to any governing board, whether profit, nonprofit, or governmental, and whether appointed or elected. That there should be universal principles of governance is no more surprising than that there are universal principles of molecular biology for a variety of organisms.



*Toward a Greater Relationship Between the Public and  
Its Representatives*

# A Theory of Governing the Public's Business: Redesigning the Jobs of Boards, Councils, and Commissions

*PUBLIC MANAGEMENT REVIEW*, VOLUME 3, ISSUE 1, MAR. 2001

THE MOST VEXING element of public management is that which links *public* and *management*. Municipal councils, utility commissions, school boards, hospital trustees, college and university governors, and many more public bodies—all of which I will refer to as *boards*—are charged with connecting the public to public enterprise. That dynamic connection, which I will refer to as *governance*, has long been beset with meager theory development and discomfiting pragmatics. While management of the public's business has become continually more sophisticated, much of public governance ranges from the merely ineffective to the frankly embarrassing.

Although these boards' pivotal role in society is founded in political philosophy, their customs and conduct are normally not rooted in the profound, but in a hodge-podge of tradition-blessed practices and individual personalities. Most scholarly attention and most practical study of public management continues to be just that, a focus on *management*. Despite its authoritative oversight role, governance remains the most understudied, undeveloped, least rational element in enterprise.

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The job confronting a public board is staggering. Is it even possible to design a part-time leadership role with any hope of addressing the massive burden of accountability thrust upon it? How can a board do more than rubber-stamp the rapid flow of

choices when there is no time for relaxed deliberation? How can boards fully exercise their authority without intruding into CEO prerogatives, thereby damaging the executive force crucial to success? In the case of elected bodies, can independently elected officials be expected to coalesce into a responsible group? How can a board know what it needs to know without being overwhelmed with data? How can a public board get

**FAQ** →

What other governance models are available?

its arms around the organization while keeping its fingers out? The conventional wisdom provides insufficient guidance for these issues. The problem is not simply that traditional *practices* are inadequate—existing *concepts* of governance are not up to the task. The need seems obvious for governance theory capable of rationally framing the myriad issues that confront governing boards.

To my knowledge, other than the Policy Governance model described in this article, there is no complete or conceptually coherent theory of governance in existence. Mueller claimed “that there is no accepted theory of governance” (1996, p. 11). Indeed, not everyone agrees that such a framework is possible. Leighton and Thain, for example, observe not only that “there is no existing generally-agreed description, theory, or

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model of the board system” (1997, p. 29), but also express a belief that it is “impossible to frame a statement of board system rules that would be universally valid” (p. 64). I have challenged this position (Carver 1997, 1998, 1999a) and proposed the Policy Governance model as first—and so far the only—candidate for the thus-far missing theory.

## Public Governance and Social Contract Philosophy

Any public organization—that is to say, any enterprise “owned” by the public at large—is a microcosm of the state. Social contract philosophy saw the state as a creation of the general public—an incorporeal construct existing merely because real persons will it to exist. Rousseau calls that crucial fiction the “sovereign,” but then goes on to clothe it with a tangible legislature to divine and define the public’s will. Although this article is not concerned with the nature and administration of whole countries, every public organization can reasonably be considered a creation of the general public. To that extent, the nature of public organizations can be enlightened by social contract philosophy. Hence, when Rousseau ([1762] 1999b) describes the totality of the “sovereign” and its relationship to the general will, we are justified in relating his comments to, say, a city council, though the council is limited to a domain

(city government) enclosed within the larger entity (the sovereign state). In other words, within limits a single public organization can be constituted with as broad a portfolio as the public wishes. Therefore, by adjusting for recognition of partial rather than total domain, social contract philosophy can be applied to public boards.

### **Board as Owner-Representative**

One might refer to the public as the *ownership* of public enterprise. The relationship of the public to the public organization is one of ownership in that both the state and the public organization are creatures of the public and wholly subject to its dominion. (The concept of ownership applies, of course, to nonpublic entities as well. For equity corporations, ownership is represented by shares. For some nonprofit organizations, ownership is represented by membership—as in professional societies or trade associations. For nonprofit organizations of a more quasi-public nature, such as public hospitals or charities, ownership may be more akin to the “moral” ownership of social contract than it is to a legal kind of ownership.) I will use the term *ownership* to refer to the legitimacy base formed by the general public. I will use *owners* when referring to members of the ownership but in their individual capacities. Borrowing further from Rousseau, I will refer to the aggregate desire of the ownership, as does Rousseau, as the *general will*.

Determining the general will is so formidable a task that Wolfe (1996, p. 97) hints that it may be impossible. However, I will assume that the existence of a public organization is itself proof that some manner of general will, however imprecisely interpreted, underlay its formation. Certainly, the size of the population of owners and the breadth of an organization's charge will contribute to the difficulty in determining the general will. Hence, discerning the general will is harder for a city of one million than for a village of five hundred. Similarly, the general will of a population with respect to a city government will be more difficult to make out than the general will with respect to a community library. In a joint venture company with only two parent corporations, the directors will more easily know what owners want than in a publicly traded company with a million shareholders.

Having conceived of an ownership, we must next contend with giving that disembodied entity presence and voice. Except for very small populations, the ownership is easy to envision but hard to find. People-as-a-whole makes an inspiring anthem but an ambiguous ruler. It is necessary to attach to the ownership—possessed as it is with compelling moral authority but encumbered with an incapacitating indistinctness—a function intended to borrow its moral authority but to lend it back explicit articulation. For Rousseau, the embodiment of this role is the legislature; for this article, it is the board.

Of course, the ownership can make its will known through town meetings and elections, but these devices hardly work for larger groups, more complex issues, or where decisions are more numerous. Hume saw the ability of a population actually to know its best interest as problematic:

Were all men possessed of so perfect an understanding, as always to know their own interests, no form of government had ever been submitted to, but what was established on consent, and was fully canvassed by every member of society. But this state of perfection, is likewise much superior to human nature. (Hume, 1817, p. 469)

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A smaller, more focused body has the possibility of minimizing both social complexity and human imperfection.

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Because a smaller, more focused body has the possibility of minimizing both social complexity and human imperfection, Hume, Mill (1867), and the conventional wisdom all lead us toward representative forums in which the voice of ownership is expressed largely through small groups

speaking on the ownership's behalf. This *owner-representative* role of the board is the source of both board authority and board obligation for servant-leadership (Greenleaf, 1991; Carver, 1999b).

For the owner-representative to know what the ownership wants is a daunting task. It is perplexing to determine what a heterogeneous population wishes, particularly on contentious and controversial issues. Public board members who form their ideas of a general will based on a few phone calls, random interactions with constituents, or even public meetings (due to the non-randomness of their self-selected participants) would disappoint Rousseau, who maintained that the general will “must be

**FAQ** →

What is the role of an advocacy group in effective governance?

clearly distinguished from the particular will, beginning with that of the individual self” ([1758] 1999a, p. 10). Just as in the familiar ink-blot exercise, interpreting that which is obscure invites projection of the perceiver's own needs into the “reality” thus perceived. For individual board members, this projection is a seductive and powerful impediment to properly assessing the general will.

The board member is to take care not only to prevent his or her personal wishes from diluting or contaminating calculation of the general will, but also to prevent the cacophony of splinter groups from causing the same perversion. Rousseau would deter boards from the easy path of pleasing advocacy groups, political parties, or other such subgrouping of an otherwise amorphous and perplexingly diverse ownership.

These groups, each of which must deal with its own internal diversity in order to present a united front to influence the board, act to mask the board's task by appearing to assume part of the difficulty. That is, when the board contents itself with the more attainable goal of appeasing interest groups, it disenfranchises owners who are not members of these groups or perhaps not members of the more effective groups.

So while relating to groups of influence eases the board's burden, it does so by diminishing the integrity of governance. As Wolfe interpreted Rousseau, "When 'interest groups' form, and people vote for the interest of their particular group, then there is no reason to believe that the general will would emerge from the process of voting" (Wolfe, 1996, p. 91). That is, a board will more likely fail in its fidelity to the public when influenced by lobbyists, citizen groups, and other ownership segments, for a collection of interest groups is unlikely to illuminate the general will. Rousseau ([1762] 1999b, p. 67) argues that it would be better if there were no "partial societies," for the number of owners, in effect, becomes the number of associations rather than the number of persons. But if partial associations cannot be prevented, the ability of a board to discern the general will is greater if there are more rather than fewer associations and less rather than more inequality among them. In any event, this seductively appealing shortcut is not an acceptable tool for governance but an abdication of board responsibility.

A theory of governance must address the integrity of a board's relationship with the ownership, including strategies to overcome the snares inherent in exercising group responsibility, discerning the general will, and rising above personal agendas.

### **Board as Governor**

Even a masterful job of defining the general will is for naught unless that will propels action toward its satisfaction. "Freedom can not produce its best effects and often breaks down altogether, unless means can be found of combining it with trained and skilled administration" (Mill, 1867, p. 129).

The public board must interact with an executive function in a way most likely to ensure realization of the general will the board has painstakingly defined. Consequently, the measure of accountability for any public board is the *fulfillment* of public will—the

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product of two separate functions: first determining that will, then ensuring its execution. This is an unremarkable conclusion, albeit one that requires adroit handling of the governance-management relationship—the first quandary of which is to properly conceive the difference in these roles.

**FAQ** →

Why is governance necessary?

Mill (“there is a radical difference between controlling the business of government and actually doing it” [1867, p. 100]) and Rousseau (“It is not good that the person who makes laws should execute them, nor that the body of the people should turn its attention from general considerations towards particular matters” [(1762) 1999b, p. 101]) both recognized a substantive difference between governance and management. They clearly argued for the separation of three distinct roles: the ownership as seat of legitimacy; board as translator or definer of the general will; administration for actual accomplishment of that will as it is defined by the board. But Mill and Rousseau contributed little to understanding the form a board’s expressions should take to optimize its Janus-like role—a subject to which I shall return in describing the Policy Governance model of board leadership.

They did, however, recognize that delegation to management is fraught with pitfalls. Mill warns that boards should not “dictate in detail to those who have the charge of administration,” for “the interference is almost always injurious. Every branch of

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Enlightened delegation is more than pulling the strings of puppets.

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public administration is a skilled business, which has its own peculiar principles” (1867, p. 103). With reference apparently to board review of managerial acts, he refers to the board tendency toward “inexperience sitting in judgment on experience,

ignorance on knowledge” (1867, p. 104). With further insight into the foibles of public boards, Mill also points out that boards “may give power by wholesale, and take it back in detail, by multiplied single acts of interference in the business of administration” (1867, p. 121). These phenomena are known to public administrators all too well.

Crafting an effective relationship between the board and those who administer must honor the separation of these roles. The board cannot be timid about being in charge (lest the general will be weakly expressed), but must at the same time delegate powerfully to maximize the managerial product (lest the general will be weakly executed). Enlightened delegation is more than pulling the strings of puppets. The public’s business deserves the full engagement of professional, scientific, or other competence even while it is being controlled in a larger sense by the board’s translation of the general will.

The phenomenon is not unlike one I might have with my solicitor. He or she must be free to use the full range of training and experience, yet always toward ends that I control. My intelligence must go toward clear enunciation of my needs; my solicitor's intelligence must go toward how best to satisfy them. There is a legitimacy in the roles of both principal and agent. In other words, a board would be wise to stick to its own knitting, rather than to meddle in the proper roles of its subordinates.

Just what the board's "knitting" should be and how it is best carried out are, of course, the central questions for a theory of governance. Ironically, an important part of the answer is found in the argument of Plato's antagonist in a fictional account by Hospers:

It is reasonable to consult an expert on what means we should adopt once the end is specified, but the situation is not the same with regard to the ends at which the governmental policies should aim . . . . But whether the end aimed at is itself a good thing—whether the ideology in question is really an evil one—is a moral question which is not the special prerogative of the expert. . . . It requires men of great vision and understanding, with the *assistance* of experts who can inform them of countless details that they cannot possibly know, to rule the state. I gladly leave the means to experts—that is what they are trained for; but I do not willingly leave the choice of ends to them. The freedom to choose ends must be left, ultimately, to the people themselves. (Hospers, 1970, p. 370)

A theory of governance must address the integrity of a board's relationship with management, including strategies for empowerment, fairness, and accountability. The result of that relationship should be that the board is rigorously in control and, simultaneously, management is optimally empowered. Practices popularly labeled "micromanaging," "meddling," as well as "rubber-stamping" have no place in such a theory.

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A theory of governance must address the integrity of a board's relationship with management, including strategies for empowerment, fairness, and accountability.

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## The Policy Governance Model

The profound intimacy between a board and the ownership should both precede and dominate the relationship between a board and management. The board is foremost a voice from ownership to management and only secondarily a link in the other direction. The board's rightful fidelity is to the ownership, not to management. The pertinent

consanguinity is board-ownership, not board-administration. Therefore, *the governance function is a derivative of ownership rather than of management*. A theory of governance does not begin with considerations of the needs and language of management, then, but considerations of the needs and language of ownership.

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The board is foremost a voice from ownership to management and only secondarily a link in the other direction.

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This point of departure flies in the face of common practice, in which boards are counseled that the deluge of managerial material, formats, and concepts is precisely what they should master. Because governance is less developed than management, boards have accepted managerial concepts as the *lingua franca* of the boardroom.

Boards have construed their job as looking over the shoulders of managers, reviewing the same reports, confronting the same questions, operating with the same time horizons, and trudging through the same details. Governance, in other words, has been treated as a subcategory of management rather than as a distinct function with its own principles and concepts. It is no wonder that distinguishing governance from management—board and CEO roles—has been perennially difficult. Indeed, some contend an adversary relationship to be inevitable.

To the extent a theory of governance is conceptually coherent and complete, it creates a framework in which a host of familiar, concrete issues can be resolved. These include all the questions that come up around CEO evaluation, board role in planning, fiduciary responsibility, constituent relationships, board training, agenda control, role of the chairperson, committee assignments, and many others. Since public boards so commonly exhibit a great deal of indecision, confusion, inconsistency, and even outright incompetence in the face of these familiar issues, there is reason to question the adequacy of underlying assumptions about governance and, I maintain, reason to strive for a more effective paradigm upon which boards can operate.

**FAQ** →

Is there a philosophical basis for Policy Governance?

The Policy Governance model is a complete theory of governance built from social contract philosophy, from Greenleaf's concept of servant-leadership, and from modern management.

Rather than a theory of execution, it is a theory of ownership and the expression of ownership in the organizational context. It positions the board as a completely separate function facing the ownership in the primary direction and the executive organization in the other—quite different from seeing governance as an extension or subdiscipline of management. It requires board members to be servant-leaders rather than either demagogues or administrators.

What follows is an explication of major themes of the Policy Governance model, a theory of governance. As a shift in the very paradigm by which we conceive of the board role, it cannot be properly understood as a set of tips or incremental improvements in board life. One must approach it as a whole, never as separable parts to be evaluated on their own merits. (Indeed, a single segment of even a superb paradigm might, if taken alone, cause more harm than good.) Further, as a generic model, Policy Governance addresses the needs of governance in all settings. It was not constructed to solve specific problems but to leap beyond problems to a new ideal. So while it can be used to resolve problems, it is not a reaction to the flaws peculiar to a specific board. Consequently, its various prescriptions should not be used to address problems *qua* problems but to *redesign the logic of board leadership*.

To set the stage for this logic, let me emphasize that the board is not seen here as “running” the organization it governs. The municipal council is not running city government and the hospital board is not running the hospital. (American corporate law still has outdated language which speaks of the board “managing” the company.) Put another way, the board does not exist to help management manage—its purpose is not to advise but to govern. The literature and practice in quasi-public nonprofits and in public organizations commonly present the board as augmenting management and concerning itself with the specifics of managing. The Policy Governance model, in concert with Mill and Rousseau, conceives of the board as a body having its arms firmly around public purpose rather than its fingers in the execution of that purpose. To be consistent with this peculiar role, differentiating among the complex aspects of the public’s business requires concepts and language different from those of management.

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### **Customizing the Distinctions of Governance**

Even a superficial inspection of an organization finds an impressive array of people in action. These people are deciding, acting, moving, planning, and doing. Newcomers to the boardroom as well as to the executive office are confronted with a bewildering set of facts, issues, and personalities. One issue or another attracts attention; one wheel squeaks louder than others. Boards must make their way through these distractions. If a board is to lead, it must not only keep up with the dazzling array, but also get in front of it.

Of course, no organization is an undefined, diffuse mass of activity. There are distinguishing characteristics that allow us to make sense of it. Certain expenditures are

for operations, some for capital items. Some activity addresses the design of a service while other activity seeks to influence public perception of that service. Personnel are divided into salaried and hourly. Some intentions are goals, others are objectives, still others are long-range strategy. Each of these and many other *distinctions* are utilized to enable understanding and control. Moreover, different advisors are advocates for different distinctions: measurable departmental and individual objectives for one; reduction of variation and continual improvement for another; degree of leverage for yet another. We live and affect life through the defining and handling of these distinctions.

In management, as would be expected, the distinctions enable better *management*. If governance were simply management writ large, perhaps boards might use the same distinctions productively. But governance, as Mill pointed out, is not an enterprise of action, but of talk. He claimed not to know:

how a representative assembly can more usefully employ itself than in talk, when the subject of talk is the great public interests of the country . . . talking and discussion are their proper business, while *doing*, as the result of discussion, is the task not of a miscellaneous body, but of individuals specially trained to it. (Mill, 1867, p. 117)

The principles governing the politics of talk and the creation of group vision differ from those that guide division of labor and administrative specificity. Hence, effectively distinguishing segments and aspects of governance calls for distinctions designed for governance rather than borrowed from management. The Policy Governance model embraces a small number of unique but powerful distinctions peculiarly instructive for the board's otherwise indistinct role. These begin with distinctions among organizational values pertinent to governance and the structure of their articulation.

### **Governing by Values**

I mean nothing esoteric by the word *values* in this context. In fact, *values and perspectives* is likely more accurate, inasmuch as I mean to include not only judgments about what is worth what (values), but in what ways we choose to look at various aspects of organizational life (perspectives). We may have certain values about liquidity and certain perspectives about proper CEO performance monitoring. For brevity's sake, I will use the word *values* to cover both concepts.

Everything we do is a function of our values as they encounter various environmental conditions. A choice, an action, an activity, a decision, an intention . . . these all are behavioral manifestations of the values that we bring to the existing circumstances. I may have little control over the environment, but my values are mine and are therefore subject to philosophical molding and conscious intentions. Although

the organization embodies uncountable decisions, activities, goals, and circumstances, this mass of action occurs as the result of values held by persons at all levels.

Rousseau recognized that the amount of detail under a board's purview would be overwhelming, but that some salvation lay in "the spirit of the law which must guide decisions in cases which it has been impossible to foresee" ([1758] 1999a, pp. 12–13). Just what constitutes the "spirit" of a law has always been a source of difficulty. A straightforward resolution is for boards to speak in terms of the spirit to begin with. In other words, boards would focus on making clear the values underlying decisions rather than making the decisions themselves.

The variety of organizational levels at which choices are made, the variety of points in time when choices are made, and the variety of subject matter within which choices are made yield an infinite set of decisions and practices. But these uncountable decisions are based on a more manageable number of values. Mastering organizational values offers an economical way to get a handle on the organization in all its complexity. That is, it would if values themselves were not a relatively undifferentiated mass. To illustrate, we have values about filing systems, carpet cleanliness, and machinery repair as well as about markets, supervisory techniques, and acceptable variation in productive processes. We have values about family life, about tariff protection and free trade, and about glass ceilings for women executives. If organizational values offer a route for boards to translate the general will into organizational reality, just which values are relevant and how must they be articulated?

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Which values are relevant and how must they be articulated?

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### **Distinguishing Ends from Means**

Consider a simple distinction that divides all organizational values into two sets: values about *ends* and values about *means*. The definitions are more developed than those voiced by Hospers but are consistent with his expressed intent.

**Values about organizational ends.** The organization causes the world to be different. First, the world is different in that something of worth is produced. Hungry people have food. The homeless have shelter. Children acquire literacy. Municipal residents have safety. The organization creates results for consumers or other beneficiary groups. All possible results

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Consider a simple distinction that divides all organizational values into two sets: values about *ends* and values about *means*.

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compete for scarce resources. Designation of which results are to be produced is a value choice.

Second, those results make a difference for some recipients and not others. Persons of a certain family income may be chosen for certain benefits. Residents on one side of town may have sewerage before others. Children with special needs might receive particular benefits. All of these possible recipients compete for scarce resources. Designation of beneficiaries is a value choice.

Third, results for certain recipients have a certain worth. That worth might be expressed in coin of the realm or in priority among results. In any event, there are an infinite number of choices about what is worth what. Designations of cost or priority of results is a value choice.

To borrow the terminology of Argenti (1993), ends deal with what the organization is *for*; not what it *does*. It is in its ends that the economic worth of an organization is demonstrated. The ends concept in Policy Governance comprises the designation of consumer results, designation of recipients, and designation of the worth of those results. Ends are not concerned with designation of activities, methods, ways of doing business or any choices that do not meet the strict ends definition. It is obvious that what results a public organization has, for whom it produces those results, and what quantity of results are produced for the funds spent are all legitimized by the general will.

**Values about organizational means.** With its point of departure on ends values, the Policy Governance model simply classifies all other values as means. Whatever the desired ends, there are innumerable points of view on how to achieve them. We bring our values to these “how to” questions as well as to the “why.” How should the table of organization be arranged? Should we own our fleet or lease? How much liquidity must be maintained? Is an executive incentive plan justified? Should we self-insure? There is an unending stream of means issues in organizational life.

As important as means issues are, they do not embody why the organization exists, but how it can best function in the service of its ends. Dividing all organizational issues into these two general categories, the board now has available a very simple, yet powerful principle:

*The ends-means principle:* Prescribe organizational ends and the board’s own means, but stay out of executive means except to declare that which is unacceptable.

The board attends to both ends and means, but dealing with executive means exclusively in a negative or limiting manner leaves far more room for managerial innova-

tion. The board does not tell management how to do its job but how *not* to do it. The effect is to give managers wide latitude on means (which pleases Hospers' concern), but within board-controlled boundaries.

The familiar management terms, *goals* and *objectives*, are not used here because they do not observe the ends-means distinction. (Managers regularly establish both goals and objectives for both ends and means.) A board using the Policy Governance model uses the distinctions most powerful for purposes of governance and allows management to employ whatever tools serve its purposes best.

### Distinguishing Values of Differing Sizes

Dealing only proscriptively with executive means reduces the amount of board work inasmuch as the board is not drawn into planning or problem solving about managerial issues. Managers know that as long as they stay within the boundaries (ordinarily ones of prudence and ethics), they are authorized to select any means they wish.

Because the board need not become involved in specific acts, the time available for more profound debate is increased. But even though values about ends and unacceptable means are fewer than the managerial decisions that subsequently flow from those values, there are still far too many organizational values to enable careful board attention to each. To our great fortune, however, *values come in sizes*. There are large values about ends and small ones. There are large values about means and small ones. Decisions upon larger value issues act to contain the possible range of subsidiary or smaller, related values.

Choosing to produce shelter for the poor encompasses many "lower" decisions, for example, about which poor will have top priority during the next strategic period or what degree of shelter is intended. Taking advantage of this "nesting" of smaller value choices within larger ones, the board first resolves the largest value choice within each category of board values before attending to smaller ones. The board thus defines a field within which all narrower value choices must lie. Therefore, with regard to both ends and means values, the board indirectly controls all levels of organizational values by dealing directly only with the larger ones.

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Because the board need not become involved in specific acts, the time available for more profound debate is increased.

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#### ← FAQ

Why doesn't Policy Governance use standard terms like *goals* and *objectives*?

#### ← FAQ

How can relatively few board policies possibly cover everything?

I will call the resultant board statements which set forth the board's values *policies*, though principles, guidelines, or other such label would serve as well. It is important to remember that policy is thereby defined as *the value or perspective that underlies action*.

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The board thus defines a field within which all narrower value choices must lie.

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The policy categories—within each of which the nesting phenomenon is possible—will be referred to here as ends policies, executive limitations policies (inasmuch as they are constraints on executive means), governance process policies, and board-staff linkage policies (these last two are the board's

own means). Extensive instruction in writing policies in this way, along with numerous examples, can be found in Carver and Carver (1997b).

The first policy in each category, then, is a statement of the largest or broadest value in that category. The broadest level of such policies might take a brief and summative form like the following examples. *Governance process policy*: "The board as a whole will govern on behalf of the people of Jefferson by dictating the largest organizational ends and precluding unacceptable management means, especially those of long-term significance." *Board-staff linkage policy*: "The board will connect governance and management through a single chief executive officer, to whom all executive authority is delegated and upon whom all organizational accountability devolves." *Ends policy*: "Children will have the skills and understandings necessary for a successful life for a cost not to exceed that of comparable systems." *Executive limitations policy*: "The CEO shall not cause or allow any action or practice which is unlawful, unethical, or in violation of commonly accepted business practice and probity."

If the board is willing to accept *any reasonable interpretation by the CEO* of its broad ends and executive limitations policies, then it need say no more. Invariably,

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Invariably, however, policy at so great a breadth leaves a wider range of interpretation than the board can accept.

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however, policy at so great a breadth leaves a wider range of interpretation than the board can accept. Consequently, the board addresses the next lower (narrower) level of value and so on until the board majority is willing to accept any reasonable interpretation of the policy language thus narrowed.

For example, the proscription against violating commonly accepted business practice and probity can be taken to the detail of specifying lower limits for liquidity or protection of assets. This logic yields a pivotal principle for policy development:

**FAQ** →

How does a board develop board policies?

*The logical containment principle:* The board declares organizational values in a sequence from broadest toward narrower, but stops at the level of detail at which any reasonable interpretation of its words would be acceptable.

While this principle is simple, it requires more verbal discipline than groups can achieve without studied attention. Issues are not allowed to come up for discussion simply because they are of interest to someone or because they arise from wheels that squeak. Moreover, board pronouncements must be articulated one “level” at a time, each level being subjected to the “any reasonable interpretation” test before going into more detail. Resulting board documents encompass a variety of value “breadths” and will have emerged from a disciplined *level-by-level* discovery and enunciation of board values.

The nature of the board’s role can be stated concisely: The purpose of a governing board is to ensure, on behalf of some ownership, that an organization achieves what it should and avoids that which is unacceptable. That is, the board is accountable for all practices, achievements, and failures of the organization, both of ends and means and both large and small. Yet it can fulfill this pan-accountability while still preserving an empowered, innovative, and creative management. It is through judiciously employing the ends-means and logical containment principles that the board fulfills its accountability for organizational details without being entrapped in them. Board policies tend to be few, brief, and seamless when carefully crafted according to the foregoing principles.

## Implications of the New Governance

Implications of this paradigm shift extend to all facets of board operation and the board’s relationship with the CEO, constituents, and other entities. While far more complete explications of the Policy Governance model appear elsewhere in the literature (among them, Royer, 1996; Carver, 1997; Carver and Carver, 1997a; Oliver, 1999), these brief illustrations will suffice for making the point here. Consider the

### ← FAQ

What is the logical containment principle?

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major changes in the practices of public boards caused by these practical implications of the model.

### **Board Connection to the Public**

Social contract philosophy and common wisdom indicate that the link between

ownership and board is tantamount to the relationship between principal and agent. Yet most public boards have little exposure to the public at large, though they hold meetings to which members of the public may come if they choose. What results is a

tradition of open meetings to which a negligible segment of the public comes if, indeed, anyone does at all. Moreover, the segment is self-selected due to personal interest in the organization's service or purchases—vendors and disgruntled customers. At any rate, public boards spend most of their time relating to staff and staff issues rather than to pursuing ever-better methods to connect with the ownership. This leaves them vulnerable, as Rousseau

warned, to lobbyists, pressure groups, splinter delegations, and others who represent themselves but hardly represent the public.

#### **FAQ** →

How does a board member deal with constituency expectations?

### **Public Input**

In some jurisdictions, particularly with elected boards, there is an ethic referred to as “citizen participation.” It is considered democratic for the board to engage constituents in the workings of government. A consequence of the contemporary failure

to distinguish governance and management properly is that the participation engages citizens with managerial rather than with governance activity. Curiously, at the same time that the board fails to engage extensive public input into governance, it foists a lesser kind of input into the execution domain. In the United States, it is common for a city council to delegate to a parks

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Most public boards have little exposure to the public at large, though they hold meetings to which members of the public may come if they choose.

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board authority that conflicts with that granted to the city manager. The city manager delegates running of the parks to a parks director, who is faced with how to deal with the council-empowered parks board. The council can tout its commitment to citizen participation, when actually it has only granted a few citizens meddling rights at the expense of municipal effectiveness for the many.

Wolfe's interpretation of Rousseau is that "it would be absurd to organize this task democratically, in the sense of involving universal participation" (1996, p. 88). In the Policy Governance model, the board reaches out with extensive mechanisms to tap into the general will but leaves the CEO to his or her own devices as to public involvement in managerial prerogatives. In other words, public input at the true governance level is more extensive and of more effect due to engaging the public in determination of the general will, not in the technology of execution. Carefully designed interplay with the public should go far to address the failure of boards to engender, in Greenleaf's terms, a "*mechanism of consensus*, a way of making up our collective minds" (1991, p. 34).

An additional outcome of greater board interaction with the public in this way is that traditional expectations by the public for board involvement in administrative detail can be lessened. Boards often use public expectations as their excuse for inappropriate board activity but disregard that the public has been educated to these expectations by long years of inappropriate board engagements.

### **Delegation to the CEO**

CEO authority begins where the board has chosen to stop descending into greater detail in its ends and executive limitations policies. All further decisions in these domains belong to the CEO without any need for obtaining board or committee approval. By stating its values ahead of time, the board has, in effect, already given the CEO all the criteria to define what is approvable. Moreover, the CEO is only obliged to use a reasonable interpretation of what the board has prescribed and proscribed, not the particular interpretation the board might have had in mind and certainly not the interpretation favored by specific board members, regardless of their personal power or persistence. In other words, the CEO operates in an environment wherein board words can be trusted. In turn, the CEO is able to delegate to others more confidently because he or she need not worry that board intrusions will frequently "undelegate" specific decisions.

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By stating its values ahead of time, the board has, in effect, already given the CEO all the criteria to define what is approvable.

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### **Delegation to the Chairperson**

Chairperson authority begins where the board has chosen to stop speaking in its governance process policies and board-staff linkage policies. All further decisions in these domains belong to the chairperson. The only exception is when the board elects to

delegate some specified portion of these areas to another officer or to a committee. That is, all decisions about how the board does its own job—after being defined by the board to whatever detail it wishes—automatically belong to the chairperson, absent a contrary decision by the board.

### Policy Making

Because policy has been defined to include all possible pronouncements within a carefully crafted arrangement, the compendium of board policies is at the same time exhaustive and brief. It is the single, central repository of written board wisdom, rather than one of several board products. Replacing reams of previous board documents, these documents often number fewer than fifty pages—board members can actually master all of them, using them as working documents and making frequent amendments. Moreover, board policies are truly *the board's* policies, having been generated from board deliberation, not parroted from management recommendations. Explicit, comprehensive governing values of the organization enable new board members to find quickly what the board stands for. The chairperson and CEO have an unambiguous source for knowing board expectations of their roles. To find what the board has said, there is no need to search through years of minutes and document approvals, along with all the chancy inferences needed in such a process, or to listen to single board members' versions.

#### FAQ →

How do Policy Governance policies differ from conventional board policies?

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### Board Approvals

The familiar process of board approval of management documents in their exhaustive detail is unnecessary, awkward, trivializing to appropriate boardroom mentality,

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Explicit, comprehensive governing values of the organization enable new board members to find quickly what the board stands for.

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and frequently demeaning to management (when board members choose to chase small points or grill managers on inconsequential issues). As to plans carefully constructed by administrators, Mill lamented that the House of Commons “will not forego the precious privilege of tinkering it [*sic*] with their clumsy hands” (1867, p. 110).

The approval process offers only the appearance of probity. Board members can be seen asking sagacious questions, demonstrating their scrutiny of administrative actions, and posturing for political gain—all of which elected boards in particular enjoy demonstrating. But this is only the appearance of leadership, for the board has

neglected to create with one voice explicit criteria, the rigorous monitoring of which would have made this hit-and-miss show unnecessary. The approval process constitutes tinkering more than governing—a phenomenon painfully obvious when boards approve budgets. The peculiarly proactive approach in Policy Governance, by causing the board to set its criteria out in carefully crafted form at the outset, both empowers and constrains budgets, long-range plans, personnel packages, and the like. The board's need to be reassured of organizational fidelity on a regular basis can be done more succinctly and with less pretense simply by receiving monitoring data that disclose whether the policy-based criteria have been met.

### Monitoring Performance

Board approvals are suspect as a monitoring device largely because they usually occur in the absence of pre-stated criteria upon which the approval-disapproval decision will be made. Should criteria be in place, other monitoring approaches are far more efficient and have fewer deleterious effects.

Since the board will have stated all its expectations in ends and executive limitations policies, it has thereby established criteria for CEO performance. To monitor, the board demands to receive data that disclose the degree of performance on these criteria, and to do so at whatever frequency the board wishes. Discrepancies between policy expectations and monitoring data may signal a failure in CEO performance or a need to change the board's policies. It is not appropriate to judge the CEO on other, unstated criteria (which commonly happens in approvals).

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The approval process constitutes tinkering more than governing—a phenomenon painfully obvious when boards approve budgets.

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### Board Holism

The board is a legitimate owner-representative only as a group. Holism does not require unanimous votes but does call for agreement that a passed vote defines what the board has said. To preserve its ability to be a responsible governor, the board must clearly state that the operating organization need never heed the wishes of a board member or even a group of members. The CEO's obligation must be to the board speaking as a whole rather than to board members. This board position saves management from board members—but its primary effect is to preserve the integrity of governance.

Elected board members often arrive at the table with more investment in voicing their individual opinions than in helping generate a collective group voice. Governance theory will not change that, but it can guide boards to a process that only recognizes

decisions made by the group. When board members come with the intent of individually controlling the organization and even, in some cases, hindering its performance, the governance rule that the board speaks authoritatively with a group voice or none at all can overcome the deleterious effects this political reality frequently causes.

**FAQ** →

Why does the Policy Governance model see board committees in such an unfavorable light?

**Committees**

Wholeness is damaged when dominance over specific turfs is bestowed on board committees. It is best that board committees should (1) engage only in helping the board with its work, never the CEO, and (2) never instruct the CEO. Audit committees, as an example, pass the first test. They can easily fail the second, however, if they go beyond monitoring performance and impose expectations of their own. The CEO would thereby become

accountable for committee criteria, not board criteria. Executive committees, for all their ubiquity, serve chiefly to concentrate power in a few or to make up for a board, which due to size, commitment, or other factor, is too awkward to do its job.

**Agenda Control**

Board meetings should be the board's meetings, not management's meetings for the board. As long as boards fill their time with the examination of managerial material

and as long as they allow management to move ahead only after detailed approvals, board agendas will necessarily be filled to overflowing with management matters. Managers, of course, know these matters better than anyone, so come to be masters of their masters' agendas—a formula for

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Wholeness is damaged when dominance over specific turfs is bestowed on board committees.

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poor governance. The board can own its own agenda simply by attending to the policy concepts already discussed. It merely looks several years into the future and plans its own job of clarifying values. There is no need to exclude the CEO from this process; indeed, to do so would be wasteful of the board's greatest resource. But the CEO can be helpful as the board does its job rather than by his or her assuming ownership of the board's job. Regardless how pure the CEO's motives, taking more responsibility for governance than do the governors cannot create good governance but only its superficial appearance. As Wolfe contended:

Who . . . sets the agenda? This is not a trivial question. Often the most powerful person is not the one who decides yes or no, but the person who puts the questions in the first

place. Participatory politics becomes far less appealing if the agenda is to be set by appointed officials. (1996, p. 101)

### Board Members as Advisors

Board members as individuals have traditionally been a supportive or, at least, usefully critical resource to management. Among nonprofits more board seats have been filled as if to provide panels of advisors than bodies of authoritative leadership. But with the board role construed as the voice of ownership, the board's primary function is not to counsel and advise, but to *own the business*. It is best that the board as a whole only govern (never advise), while individual board members advise if they wish (but never govern). In other words, the CEO can use board members as advisors *when the CEO chooses to do so* and only as individuals, never as a body. Since the CEO does not work for board members, but for the board, it is possible with sufficient discipline to keep the respective hats separate. Greenleaf warns, however, that despite due care, board members who cross over even on an individual basis into administration "compromise the objectivity that trustees need" (1991, p. 10). Advice from the convenient pool of experienced board members should never be allowed to jeopardize the integrity of either governance or management, even if certainty on this matter calls for sacrificing the advisory role.

#### ← FAQ

Shouldn't board members be chosen for their management expertise?

### Interaction Among Boards

A public or quasi-public board works on behalf of an ownership that also "owns" other public and quasi-public boards. Considered as an array of servants of the same ownership, these boards cannot perform optimally in ignorance of each other. Moreover, one aspect of a board's connecting with the ownership might be connecting with other organs of the same ownership. Public boards should have a far greater investment of time in their communications and joint reasoning with each other than is now the case. The two major topics on which these public servants might work together are their ends policies and the governance function itself. The former focus is due to the fact that the aggregate product of all public and quasi-public organizations makes up much of what affects people, particularly in a given community. The latter focus is due to the fact that problems of governance tend to be generic, so that learning is transferable across dissimilar organizations (for example, city councils, hospital trustees, social service boards).

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Public boards should have a far greater investment of time in their communications and joint reasoning with each other than is now the case.

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## Conclusion

The public board's job is political science that partakes of management and management that partakes of political science. But it is not informed enough by either field to attain the sophistication demanded by modern circumstances. Exercising authority over complex and technical organizations by a group of peers demands concepts and principles sufficient to assure the public voice as well as to delegate powerfully to professional management.

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The public board's job is political science that partakes of management and management that partakes of political science.

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expectations were forged under the very misconceptions that good theory attempts to escape. The future of governance has little to gain, however, from imagination impoverished by the bounds of today's limitations as if they were universal constants. If good theory must wait for the absence of such impediments, there will never be good theory with which to overcome the impediments.

Nevertheless, uncomplicated implementation of the ideas presented here is thwarted in certain kinds of public organizations. In those cases the task in the short run requires

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Transforming today's governance of the public's business calls for a conceptually compelling logic around which forces for improvement can coalesce.

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compelling logic around which forces for improvement can coalesce. A full-fledged theory of governance, offering a coherent framework with which to rationalize complex leadership issues, provides that logic. But realizing its potential depends on our ability to look beyond time-blessed methods, existing legal requirements, and the ubiquitous bad habits of public governance.

An assessment of governance possibilities, if circumscribed by today's reality, would suggest some aspects of the Policy Governance model to be impractical, arrested by the grip of conventional wisdom. Clearly, current law and tradition in most jurisdictions are in conflict with responsible governance reform, for statutes and public

a creative effort to devise lawful and publicly acceptable ways to govern well. (One such tactic is liberal use of the "consent agenda" for legally required but conceptually unwarranted board actions.) The challenge in the long run is to educate public understanding, modernize laws, and create new traditions.

Transforming today's governance of the public's business calls for a conceptually

*How Can Any One Model Work for the Vast Variety of Boards?*

## Is Policy Governance the *One Best Way?*

BOARD LEADERSHIP, NUMBER 37, MAY-JUNE 1998

THIS QUESTION was raised at a recent workshop. It reminds me of an article with that question as a title published a few years ago in a prominent Canadian journal. Unfortunately, the author's failure to understand Policy Governance rendered his commentary of little value. But it is a legitimate question, though sometimes I hear it asked with an undertone of "surely you can't be saying this is the only way for boards to operate!" So, is Policy Governance the one best way?

We are all offended by extreme claims. However, in order to engage in a truly honest inquiry, we must neutralize our natural suspicion of absolutes and even of presumptuousness. If Policy Governance is not the best way, then claiming it to be is not just presumptuous, but wrong. On the other hand, if Policy Governance is the best way, then saying it is constitutes not presumptuousness but accuracy. One nice feature of an extreme claim is that it is likely to be either a true breakthrough or a mad raving—there isn't much in between. The most startling breakthroughs in the long human story must have seemed strange when first they were voiced. But the same could be said for the most bizarre ideas.

In other words, bombast aside, the proof is still in the pudding. Is it the best way or not? Even if it is not, it may still be a *good* way, of course, but let me explore the question in its extreme form. Is it the *best* way? The first problem with a straight answer is obvious to any student of Policy Governance: This is a judging action, an

evaluation. Evaluations are always done against criteria (unfortunately, often unspoken ones), but done best against explicit ones. So what criteria are to be used to decide what is “best” in this case? That is, what would one want a governance scheme to do? Only with this clearly in mind can we evaluate any scheme and, by extension, evaluate whether the Policy Governance model is even acceptable, much less superior.

In order to take a stab at coming up with criteria, let me say what I want a governance approach to do. (While it might be ideal to start with what board members would like from a governance approach, I know of no research that shows what a cross section of board members want one to do.) For example, I want an approach to be conceptually coherent enough that it goes beyond being an “approach” or a “scheme” or a “plan” and can truly be called a “model” in the scientific sense. That is, I want a view of governance to wrap up all relevant aspects in a sensible whole; a set of tips won’t be good enough. I won’t be satisfied with a mosaic with only a few nice stones. I want one that gives me the whole picture. So, to return to the question, what should a governance model do? It would

**FAQ** →

What should a model of governance do?

- Guide board wisdom to the most important issues (large ones, long-term ones, the most cogent ones), particularly the explication of *values*
- Facilitate and encourage real board leadership rather than rubber stamping or ritual roles
- Enable board control without meddling, that is, full exercise of authority without unnecessary intrusion into managerial prerogatives
- Offer a logical way to construe the interrelationships of roles
- Provide a clear basis for knowing whether roles have been fulfilled, that is, that acceptable performance has occurred
- Allow managers as much room as possible while still assuring board accountability for the total
- Use board and management time efficiently
- Connect the board to its constituencies
- Be generic, applicable across all or a wide variety of organizations because of its focus on underlying truths rather than superficial and situation-specific features

Notice that I’ve formed these desires at an overview level in order to leave as much possibility for discovery as possible. For example, “Clarify the role of the third vice pres-

ident” doesn’t show up on the list, for there might not need to be a third vice president.

Let’s assume that other people agree that the actions proposed in this list represent important criteria. Then let me pose a question in response to the initial question: Can an approach to governance be found that fulfills these requirements as well as Policy Governance does? Of course, we don’t know what approaches are yet to be invented. And we might not know of approaches currently unpublished or otherwise unheralded. To my knowledge, however, there is no other approach known that even comes close. But isn’t that what you’d expect the creator of a model to say? As intellectually honest as I might try to be, I do still have a vested interest in the matter.

Keep in mind that the Policy Governance model has within it many areas of flexibility and possibilities for “tweaking” that allow tailoring to specific circumstances. For example, Policy Governance doesn’t require a small board, a CEO, a board’s relinquishing all control over “means,” or board decision making about only the very broadest of issues—as many apparently think it does. Similarly, it doesn’t prohibit committees, board members as operational volunteers, an executive committee, a treasurer, or board fund raising—as many apparently think it does.

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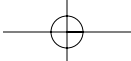
The Policy Governance model has within it many areas of flexibility and possibilities for “tweaking” that allow tailoring to specific circumstances.

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Finding the flexibility in Policy Governance to embrace many varied circumstances is not outside the model’s applicability, but clearly within it.

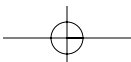
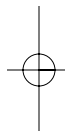
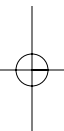
To be sure, there are situations in which using Policy Governance principles is quite difficult. For example, lawmakers often design bizarre arrangements of boards and executives. When they do so, it is hard then to devise *any* process that makes managerial sense, including Policy Governance. I don’t count such instances as ones in which the model fails to apply. I count them as ones in which the statutory authority (often a legislature) has simply made good governance almost impossible. In other words, the model is consistently appropriate, but often faced with legally prescribed, impossible circumstances, ones that doom any governance to mediocrity.

In the final analysis, the answer to the question must be an empirical one. For example, what opinion would emerge from a group of unbiased “judges” as thoroughly familiar with Policy Governance as with other, more traditional governance approaches? Even more to the point, the real test would result from research on the effectiveness of organizations whose boards use different governance arrangements. This kind of research has not, to my knowledge, occurred anywhere. A few studies have been published, but in each case researchers either were incapable of distinguishing



when a board was using Policy Governance and when it was not or were unable to find research subjects using the model well enough and long enough to affect organizational outputs. How to interpret research about boards that *claim* to be using Policy Governance is puzzling at best; most boards that say they are using it are not anywhere close. This is not an easy research topic.

I would welcome research of this sort as well as research about what attributes would be considered crucial in a governance approach. Until that time, while experience and impression are the only guides, I've no hesitation in answering that yes, given the distressingly primitive state of the governance art, Policy Governance for the time being is the best way.



*Do Good Boards Produce Effective Organizations?*

# Rethinking Governance Research

UNPUBLISHED ARTICLE IN THE COLLECTION OF THE UNIVERSITY OF GEORGIA INSTITUTE OF NONPROFIT ORGANIZATIONS, ATHENS, APR. 10, 2001

WORK WITH BOARDS is predicated on the supposed importance of governance to organizational performance. Certainly, governance participants, consultants, and writers seem to think so. There is, of course, a widespread suspicion that governance is rather irrelevant to organizational effectiveness, though this belief is normally uttered *sotto voce*. Although we commonly ascribe “ultimate accountability” to governing boards with rhetorical flourish, we just as commonly let boards off the hook when criticizing the organizations they govern. School boards and public education are an instructive example.

Still, the ultimate test of a governance method is generally thought to be whether an organization actually performs better. Let me introduce, if not an outright rejection of that point of view, a strong caution about taking it too seriously.

Considering the role I have enjoyed in the advancement of governance theory, that statement may seem an odd one. But I believe any inspection of the relationship between governance and organizational performance is prone to a deadly trap.

First of all, people have a firmer hold on what they mean by organizational effectiveness than by governance effectiveness. About organizations, we assume there to

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Any inspection of the relationship between governance and organizational performance is prone to a deadly trap.

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be relative agreement about the value (and, to a great extent, the definitions) of efficiency, productivity, climate, and financial performance. When people speak of whether governance improvements enhance organizational effectiveness, these are the indices of organizational effectiveness they typically mean.

But when outside observers or researchers look at effectiveness indicators, will they decide upon the specific definitions of effectiveness that the organization's board chooses? Will the board's choice of types of results, the balance among various results, the targeting of those results among competing potential consumers, and the costs of those results be the same as observers'? Will a board's values about the ethics of the workplace be the same as outsiders'? There is no reason to believe so.

**FAQ** →

Has research shown that Policy Governance is better than other approaches?

A governance system is designed to enable a board to govern. If "to govern" means less than determining the organizational outputs and its place in the world, it doesn't mean enough to dwell on. A governance system is simply a process by which a board explores, expresses, and achieves its intentions about that which it governs. A governance system does not exist so that observers' intentions are achieved, nor even that commonly accepted wisdom concerning what should be achieved is achieved.

The test of a governance system *per se*, then, cannot be whether outside definitions of effectiveness are realized, but whether the board is able to determine, enunciate, then control its own definitions. Will a school system with a good governance system be a better school system than one with a poor governance system? The answer is not

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It seems perverse somehow to divorce one's assessment of governance from its effects.

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so readily apparent as we would like. It is perfectly possible that a board unable to determine, enunciate, and control those definitions is blessed with an operational organization that is excellent in the eyes of the rest of the world. It is also possible that a board of exceptional capability justifiably

chooses and sees to the achievement of definitions which the rest of us find not only ineffective but reprehensible.

When we make informal, off-the-cuff evaluations of organizations and their boards—as we constantly do, especially of public, highly visible organizations like schools and municipal governments—we typically confound the issues of governance and management effectiveness. Perhaps in our offhand remarks we need not hold ourselves to a high standard of rigor. But when we set out to find a serious answer to the serious question of governance effectiveness, rigor is mandatory. Can excellence in governance be considered apart from independently judged excellence of the orga-

nization governed? Even with the argument I've just made in that direction, it seems perverse somehow to divorce one's assessment of governance from its effects.

To be sure, governance does not exist for itself. There is little value in having a carefully crafted governance system if it is of no effect on organizational behavior, thus on organizational performance. And yet, as I have shown, to test whether the organization meets some generally agreed upon (by outside observers) definition of effectiveness is not a proper test of governance. Where are we to go with this dilemma? Good governance can be associated with ineffective organizations and bad governance can be associated with effective organizations . . . as these judgments are made by outsiders.

Consider this purpose of governance: *Governance exists in order to translate the wishes of an organization's owners into organizational performance.* That simple statement is not simple to carry out. In fact, measured against this *raison d'être* for governing boards, I'd argue that most boards are mediocre at best. In other words, typical governance systems are ineffective whether or not their organizations are performing well according to commonly accepted expectations for that performance. Their ineffectiveness lies in their inability to know, translate, then assure the organizational performance the owners desire.

Let me explain my repeated reference to "owners." Shareholders of an equity corporation are owners in a very direct and concrete way. Nonprofit corporations and governmental entities ordinarily have no such owners. But clearly all boards operate on someone's behalf rather than simply their own. Boards of membership associations, for example, operate on behalf of members in much the same way as though those members were owners in a legal sense. City councils operate on behalf of municipal residents just as though they are shareholders. So the ownership function exists in a moral sense in organizations where it does not exist in a purely legal sense of holding title. A local hospital board, for example, might act as though its owners are the local community. Moreover, this ownership concept exists separately from concepts of customers, clients, students, or other consumers, though conceivably persons can be more than one.

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Good governance can be associated with ineffective organizations and bad governance can be associated with effective organizations.

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← FAQ  
Why is governance necessary?

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Governance exists in order to translate the wishes of an organization's owners into organizational performance.

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Assume a board operates with complete fidelity to an ownership that desires organizational performance thought by outside observers to be inadequate. These observers would judge the organization to be ineffective. But the board performed its function well. Assume, however, an organization whose performance pleases outsiders, but whose board has no fidelity to owners or fails to hold staff accountable. In these scenarios, good governance is paired with poor organizational performance and poor governance with good organizational performance. The conundrum arises in having spoken of “good organizational performance” apart from achieving what owners want, that is, in allowing an outside viewpoint to be the arbiter of what good organizational performance is. The presumptuousness of this proposition is obvious.

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Is translation of the wishes of owners into organizational performance not the heart of servant-leadership?

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So it is that governance research must confront the unhappy predicament that the seemingly sensible relationship between better governance and better organizational performance is not as straightforward as it would appear. We can escape the enigma only if we have the audacity to elevate outside

notions of organizational performance above a board’s fidelity to the ownership. Is translation of the wishes of owners into organizational performance not the heart of servant-leadership? With what will we replace that fidelity if we, in effect, grant outside observers the right to define the organizational effectiveness that owners *should* want?

Paradoxical and counterintuitive as it might be, my argument is that governance systems must be evaluated in their own right, apart from organizational effectiveness as it is commonly construed. Does organizational effectiveness matter? Of course it does. But the test of organizational effectiveness is not whether it meets the expectations of some outside source of wisdom. The test is whether it meets the expectations of those who own the enterprise.

This implies that organizational effectiveness is not a meaningful concept without having first made governance a meaningful concept. Unless the owners have spoken, we cannot judge the fulfillment of their wishes. The board is owner-representative and, as such, is the authoritative and only channel of owner expression as far as the staff organization is concerned. Unless the board plays its role with fealty and accuracy, there can be no rational judgment of organizational effectiveness.

This argument, then, establishes governance as the independent variable and management as the dependent variable, rather than the reverse as most governance research conversations would have it. Simply put, we cannot back into discovery of governance effectiveness by using commonly accepted definitions of organizational effectiveness as our point of departure. We cannot rationally discuss the models,

forms, and complexions of management until we first know the expectations for management that emanate from a board practicing good governance. The relevant research question, therefore, is not what processes of governance best contribute to organizational performance (as some separately existing phenomenon), but *what processes of governance best enable a board to ensure that its definition of effectiveness is achieved, that is, that organizational performance translates board values into actual accomplishment*. Organizational performance is thus the board's tool for fulfilling board accountability. Given any meaningful definition of governance, organizational performance has no meaning outside this context.

Research inquiry must begin, in other words, with considerations of governance, not of management. To do so means conceiving of governance—reinventing governance, if you will—*without any reference whatsoever* to the tools, practices, documents, and language of management, lest once again we find ourselves conceptually chasing our own tails. And, while we need not regress so profoundly as did Descartes to find a substantive starting point, make no mistake—giving new birth to governance is a task of philosophical proportion.

The task, however, is not so daunting as at first it might appear. The beginning point is with the ownership—one person perhaps, but more likely a collection of persons with at least some purpose in common or largely in common. The common purpose might be explicitly stated (as members of a trade association can do) or implied (as the “community” in “community mental health center” can rarely do). Residents of a jurisdiction wish the benefits of public education or of medical intervention in disease and trauma. Practitioners of a trade wish the benefits of interchange and information. Holders of capital wish a financial return. Determining who is the legitimate ownership of a nonprofit enterprise can be easy or difficult, but it is never irrelevant.

Then what are the elements of governance effectiveness—each independent from *a priori* indices of organizational effectiveness—that cry out for research inquiry? At the outset, they would seem to include at least these factors: First, to what extent does a governance paradigm take the true owners into serious account at all? Second, to what extent are the board's proceedings driven by fidelity to that ownership? Third, to what extent is the board, in expression of its owner-representative role, capable of demanding its desired organizational performance? Fourth, to what extent is the board able to craft those demands in a way that optimizes the potential of the performing organization (avoiding the bull-in-a-china-shop shortsightedness of command style)? Fifth, to what extent is the board able to forge an accountability link between itself and its organization that assures the performance it has specified? Sixth, to what extent is a board

← **FAQ**

What are the elements of governance effectiveness?

able to discipline its conduct, marshal its wisdom, inform its deliberations, stimulate its vision, and summon its assertiveness in this servant-leadership role? No doubt, as the history of all research has repeatedly taught us, these beginning questions will be enhanced, surpassed, and even later appear simplistic and amateurish as we learn not only how better to answer, but also how more wisely to question.

That the scientific investigation of governance should begin somewhere other than with organizational realities (the seemingly obvious place) may seem counterintuitive but really should not surprise us. How we even look at governance and management arises from our paradigms about these things. Then what can be seen through our paradigms becomes to us the concrete reality—more real than the ideas that made them possible. It may be easy to accept, as the eminent biologist Edward O. Wilson observed, that nothing in either science or life makes sense without theory. But it is harder for research scientists to integrate Wilson's further observation that scientific theory is itself a product of imagination. Certainly Einstein did not pursue the mysteries of light by staring at the sun or by turning his lamp on and off. He relentlessly pursued the integrity of his own thoughts.

If we are to consider the servant-leadership work of Robert Greenleaf with more than passing interest, is it even a stretch to anchor our governance search in questions that precede and are independent from all the intricacies of organization—to whom is a board servant and on whose behalf does it exercise leadership? If the board role is imbued with an accountability susceptible to description and analysis, these “first cause” questions—with our knowledge of organizations carefully held in abeyance—are the ones that both inform and compel serious inquiry into the nature of governance and the duties requisite to its fulfillment.

*Governance Research Is Still a Primitive Field*

# Watch Out for Misleading Interpretations of Governance Research

*BOARD LEADERSHIP*, NUMBER 40, NOV.-DEC. 1998

EVER SINCE Policy Governance attained a measure of popularity, it has been clear that a board's claim to be using the model has little to do with whether it really is using it. Policy Governance requires considerable discipline of process and clarity in written values (policies), characteristics that are desired more often than achieved. For years, most calls that I've gotten from boards that say they are using the model are not doing anything I'd recognize as Policy Governance.

That fact, so obvious to anyone who fully understands the model, is not obvious to persons who know the model less well. Research published by Vic Murray and Jeff Brudney (1997) put a great deal of stock in self-reported use of the model. The authors reported the response of 851 Canadian non-profit leaders (92 percent of them CEOs) to several questions, including, with respect to "changes in your board's functioning," "in the past three years, . . . did it matter whether you used board models (such as John Carver's well-known model)?"

Their research showed that boards that used a "model" (I suppose that means "some identifiable approach") were more satisfied with their changes than boards that

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A board's claim to be using the model has little to do with whether it really is using it.

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## ← FAQ

Has research shown that Policy Governance is better than other approaches?

did not. But they also found that “Carver users were no more satisfied than users of any other model or combination of models.” Even though the authors do note that “Carver insists that his approach will work best only when adopted in its entirety,” at that time they did not correct for or even note that Policy Governance may not have been adopted in its entirety or even substantially. So a “Carver user” is defined in their study as any board whose CEO says that the Policy Governance model was used in the change effort.

This research does yield information but is open to erroneous interpretation by virtually anyone who is unaware of the large gap between Policy Governance lip service and reality. Already, writers are misconstruing the research, despite the researchers’ subsequent disclaimer: “We intended no implication that the Carver model was proven to be no better than others. We fully agree that such an inference is not possible based on the data reported” (Murray and Brudney, 1998b). In a later publication of the same research (Murray and Brudney, 1998a), the authors were more careful to point out that their findings could have been due to several reasons, including that “some models were applied ineptly” (p. 343).

Ruth Armstrong (1998a), arguing the side against Policy Governance, states that the Murray-Brudney study found that “Carver users were no more satisfied with their board changes than the users of any other model or combination of models. This leads me to challenge Carver’s insistence that his model will work best only when it is adopted in its entirety” (p. 14). Not only has Armstrong announced a finding not supported by the research, but she has built in a non sequitur as well. If the model had been shown to be unremarkable, the very possibility that it was not used fully is enough to explain the results. The findings do not “lead to” challenging the insistence that the model be used fully but may even suggest the opposite.

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No one would expect a sophisticated navigation instrument to work if one “sort of” uses it.

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Moreover, with no explanation that the term “Carver user” might be completely misleading, Armstrong (1998b) again claimed that the Murray-Brudney study shows that “Carver users were no more satisfied with their board changes than the users of any other model or combination of

models” and concludes that “using a model of governance is useful; however, the type of model should fit the organization’s characteristics.” Apparently, the final comment is an argument against the possibility of a generic model.

There are two major problems with the interpretations being made of the Murray-Brudney study. First, as already explained, I would expect any Policy Governance ben-

efits that might otherwise be shown to exist would be washed out when the “Carver user” group includes everyone who simply claims to use Policy Governance. Second, whether a board is “satisfied,” useful as that information might be, may have little to do with assessing the effectiveness of governance methods. (For example, one might be more satisfied by attainment of mediocre goals than by falling short of more ambitious goals.)

The Policy Governance model is a technology of governance that fulfills its promise only with precise use and consistent application. No one would expect a sophisticated navigation instrument to work if one “sort of” uses it. I fully agree that the extensive claims for Policy Governance cry out for research. If research indeed finds that faithful application of the model produces no better governance, integrity is served. But research that fails to distinguish when it is or isn’t in use can provide no data on its effectiveness. Neither can unwarranted interpretations of existing studies.

*System Thinking Works in Governance as Much as in Aeronautics*

# Why Is Conceptual Wholeness So Difficult for Boards?

*BOARD LEADERSHIP*, NUMBER 39, SEPT.-OCT. 1998

ONE OF THE CONSTANT impediments to board leadership is the difficulty boards have in maintaining consistency. Our expectations of boards with regard to conceptual wholeness have been so low for so long, boards themselves seem not to notice the most glaring inconsistencies in their approach to governance.

Perhaps an analogy will help make the point. The airline industry makes a great deal of fuss about ensuring that counterfeit parts not be used when maintaining and

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Boards must ensure that what they do fits into the total system of organizational leadership.

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repairing airplanes. With lives at stake, the appropriate bolts, fasteners, cables, and other components of an aircraft must be used to ensure that the total system operates properly. It is not simply a matter of high standards for individual parts (though that is important) but rather one of guaran-

teeing the right fit in a total system. Similarly, boards must ensure that what they do fits into the total system of organizational leadership.

However, most boards use a governance approach cobbled together from bits and pieces of each board member's experience and opinions, rather than a carefully constructed, integrated system of governance thinking—more of a hodgepodge than a pattern. One board member prefers a certain way of conducting meetings. Another has a strong opinion about what policy should look like. Still another wants budgets to be in a certain format.

It is folly for any board to resolve such issues (and hundreds of others) without beginning first with a model or framework of governance in mind. The folly is so common, unfortunately, that it is the rule rather than the exception. But commonplace or not, that approach is just as unfruitful as trying to construct a clock by putting together whatever separate cogged wheels strike each member's fancy. I am continually astonished at the primitive states of governance I encounter, in which the idea of a system is still an alien concept.

Policy Governance is a *system* of governance, a complete paradigm or conceptual framework. Rather than a collection of separate opinions, even good ones, it presumes to build from basic beliefs (for example, that the board is accountable for the whole) a set of generic principles of governing. (I'd argue that only from thoughtfully constructing such a "theory of governance" can we transcend the current fragmented state of board leadership.) But implementation of Policy Governance requires boards to value conceptual wholeness and the consistency that goes with it in ways most boards have never even discussed, much less approached. This feature may be the single greatest impediment to full Policy Governance implementation.

This problem would be true no matter what paradigm a board sought to follow. Boards seem to have difficulty being committed to, true to, and disciplined to any single paradigm. Yet board members, individually, are disciplined, responsible, intelligent persons. Undoubtedly, they are quite committed to consistency in their individual pursuits. Physicians, pilots, educators, farmers, and persons in almost any walk of life commonly operate from a framework of concepts and principles that make sense as a whole. People don't go to school to become board members; we've fallen into regarding board service as something any reasonably competent person can do.

Closer to home, good parenting rests on one's philosophy about learning, confidence, moral and intellectual growth, self-concept, and other aspects of healthy development. To be sure, as parents we tend not to act consistently with these factors, but without them inconsistency is the rule instead of the frequent exception. So why is the idea so hard for boards? I do not presume to know the full answer to this perplexing

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I am continually astonished at the primitive states of governance I encounter, in which the idea of a system is still an alien concept.

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question. But I do think the following characteristics figure in the problem. To the extent that they do, any board seeking to ensure its own leadership must come to terms with these tendencies, finding strategies to deal with them.

**FAQ** →

What are the most common obstacles to the implementation of Policy Governance?

**Allure of eclecticism.** Everyone, it seems, wants to be eclectic. No one wants to “swallow whole” someone else’s way of doing things. This is quite understandable and even commendable. Besides, there is something attractively democratic about each person (or each board) blazing its own unique trail through the wilderness. The problem with eclecticism when designing systems (of thought or of machinery), however, is that all the parts

must work together for the benefit of the whole. One wouldn’t switch the little wheels from various watches in the name of eclecticism and expect the devices still to tell accurate time.

**Self-affirmation of previous successes.** Board members, just like managers, are full of “how we did it where I used to be” stories, particularly when their approach was associated with success (in reality or merely in their own minds). Even if every idea adopted by a board has previously been proved by the hard-won experience of the several board members, combining them could result in disaster. The point is not that experience is worthless as a teacher but that when truths learned in one paradigm are tried in another setting, they must prove themselves all over again.

**Worship of compromise.** Life demands compromises, board life perhaps more than most other areas. One cannot conceive of a group of assertive people being able to

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Life demands compromises, board life perhaps more than most other areas.

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function without compromise. In democratic societies, the art of compromise lies at the foundation of all politics. Surely compromise will be necessary as a board makes choices, but compromise has a downside that should give any board pause. The compromise between choice A and choice B

may be worse than either A or B. Nowhere is this phenomenon more threatening than in choosing whole systems.

**Fear of having all the eggs in one basket.** Choosing a formal, fixed framework and going all out with it intentionally shuts out other choices. Maintaining as many options as long as possible has its value, to be sure. But at some point, commitment

to a single course is the only path to a worthy result. That doesn't mean that boards should make premature decisions and not consider alternatives. But there comes a time when, as Tom Peters has said, the most effective plan is "ready, fire, aim."

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But at some point, commitment to a single course is the only path to a worthy result.

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**Easy mosaic of best practices.** The term *best practices* has become popular—it refers to a more studied version of the "self-affirmation" trap already discussed. Imitating what others have done well makes sense. But best practices taken one at a time about various aspects of the board job may become the poorest practices when combined. A good system is not made from parts. Good parts are made from systems.

**Mental laziness.** Board members, although disciplined individuals, often welcome the unstructured way in which board dynamics allow members to talk about or engage in virtually whatever they please. What will a board talk about? The all-too-frequent answer is, anything someone brings up. Conceptual wholeness requires that board behavior, not just board documents, be consistent with an overall scheme of governance. Board discussion that splinters across different issues simultaneously and also across several levels of each issue may be a natural phenomenon, but it dashes any chance for a disciplined process. In my coaching role with boards, getting the group to stick to the issue at hand until it is settled is frequently the hardest challenge I face.

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A good system is not made from parts. Good parts are made from systems.

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**Unfamiliarity of conceptual wholeness in governance.** Board members, staff, and funding organizations are not accustomed to conceptual coherence in governance. Governance has so long been a collection of practices workable here and there that few analysts even notice how conceptually fragmented the topic is. Before engineering and physics had aerodynamics and other scientific paradigms, they were incapable of making much progress in flight. It is not that what they previously knew was false. But reliance on trial and error rendered the striking advances of modern aeronautics impossible. Nothing is as practical, Kurt Lewin said, as a good theory.

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What will a board talk about? The all-too-frequent answer is, anything someone brings up.

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*Is It Possible to Find a Universal Model for Governance?*

## Are Boards Searching for the Holy Grail?

*ASSOCIATION*, VOLUME 16, ISSUE 1, DEC. 1998–JAN. 1999

**A**SSOCIATIONS VARY one from another: traditions, histories and personalities are different. Chambers of commerce, professional societies, and advocacy groups live in almost different worlds. Surely no single model structure applies to them all. Moreover, circumstances in Canada are different from those in the United Kingdom or United States. Certain committees or board sizes that work in one setting will not necessarily work in another. Organizations today differ from what they were yesterday and what they will be tomorrow. Can one solution apply to all stages and permutations? Is the answer to the question “How is it best to govern?” always destined to be “It depends”?

While we might discuss what is best for one specific association, is it not folly to talk about what is best for them all? Perhaps. But if it is possible to isolate widely applicable principles of governance, boards everywhere can gain a profitable foundation for their task. If there are principles and concepts that can take us beyond the anecdotal wisdom that insular experience offers, each board will be able to struggle with its own peculiar situation rather than with the underlying nature of governance. Without a model, a hospital board must contend not only with issues of health care, but with the nature of the board job itself. Without a model, an association board must grapple not only with the realities of its trade or profession, but with the character of governance as well.

Western medicine made scant advances as long as it depended on the anecdotal wisdom of experience. It only began to leap ahead when it could be built on models

of biochemistry, microbiology, and other technologies. As individuals, each of us is different in so many ways, but the physician who treats us must begin with a basic model of how the human body works. Individual application is important, to be sure, but without the generic, there is nothing to apply.

The challenge for association boards—as, indeed, for any other organization—is to find what is universally true about governance, then apply it to their particular circumstances. But is *anything* universally true about governance? Is there anything we can say that would apply to *any* board that governs *any* organization? Let me offer a few simple characteristics that are least likely to encounter dissent:

- Any governing board is the initial authority in any organization—barring the role played by members, shareholders, or their equivalent.
- Because the board has initial and therefore dominant authority, other roles in an operating organization can only obtain the authority that the board chooses to grant.
- The board's wishes will more likely be achieved by those to whom the board has granted authority if it holds them accountable for satisfying its expectations and if it is clear about these expectations.

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The challenge for association boards is to find what is universally true about governance, then apply it to their particular circumstances.

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This simple list easily illustrates universally desirable characteristics of governing boards that are totally unaffected by the size, type, or age of the organization governed, just as they are unrelated to whether the board is large, small, elected, appointed, paid, or voluntary.

But even with universal applicability, the most extensive list of piecemeal characteristics would not constitute a model in the more scientific sense of the word. So would it be feasible to devise a universal or near-universal *model* of governance? Indeed, can there even be agreement on just what a universal model of governance—if one is possible—should do for associations or other organizations? And what can associations expect from a governance model? Quite a lot, actually.

However, seeking a universal governance model can easily be discredited as a search for the “right way” to do something in a field where alleged right answers are

← FAQ

What are the essential characteristics of boards?

← FAQ

How can Policy Governance be the “one size” that “fits all”?

immediately suspect. Yet throughout history, many advances have resulted from a quest for the correct way to, for example, prevent polio, send messages over long distances, or harness the power of steam. The “right way,” of course, is not synonymous with the “only way,” and surely there can be more than one equally right way. But the best method at a given point in time and capability can reasonably be considered “the right way” at that moment. As applied to governance, the search for a model is therefore a reasonable quest for conceptual integrity greater than other alternatives and “right” only until a better way comes along.

Even the very idea of a “model” can be either elusive or offensive. The word suggests applicability across many distinct situations, insulting to our investment in uniqueness. But without this generic quality no model can justify our attention and we are then faced with an idiosyncratic “model” for every organization. The search for a model is the search for common denominators within complexity and diversity. It

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The search for a model is the search for common denominators within complexity and diversity.

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is the creation of a theory of governance. “There is nothing as practical,” Kurt Lewin said, “as a good theory.”

Let me emphasize that my use of the word *model* does not refer to a structure or even an arrangement of currently popular “best practices.” Sound theory must run

much deeper than mere structural ideas and arrangements of practices: A given conceptual model may be manifest in various structural arrangements. Assigned a more bedrock definition, a model is a collection of principles and concepts that make sense as a conceptually integrated whole, is internally consistent with external utility, and is crafted from elements logically derived from postulates.

For association boards, what is the use of a model with the broadest possible applicability? Why not just work out something specific to associations (or for each

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A governance model conceptually elegant enough to be universal today will be replaced as more sophisticated models come along.

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type of association)? The scientific mindset answered this question long ago. For uncharted time, common knowledge provided familiarity with motion, gravity, and other physical phenomena. Isaac Newton discovered principles at work underlying observable phenomena that could be applied far beyond everyday experience.

Celestial orbits became more understandable and the calculation of longitude more accurate. Then Albert Einstein demonstrated that Newton’s laws were not generic enough. Through his theories of relativity, Einstein took humankind to a far more

generic level of understanding of the universe. Minor variations in orbital mechanics that frustrated Newtonian physics now fit neatly into Einsteinian physics.

But the story doesn't end there. Modern work with string theory, worm holes, the hoped-for "theory of everything," and even the "consilience" of Edward O. Wilson (1998), continue the grand human challenge of discovery. Similarly, a governance model conceptually elegant enough to be universal today will be replaced as more sophisticated models come along. If there is a "right" fundamental model of governance, it will not be the best answer for long.

What does this code for association boards today? It means that the opportunity for professionalization of association governance is greater to the extent that generic concepts can be found upon which specialized association applications can be built. It means that the first step in advancing association governance lies in looking outside association governance to governance in general. It means that responsible board members are compelled to become students of governance quite as much as experts in their fields.

Looking to a generic governance model as the proper point of departure for organizing a given association's governance calls for great care. First, it is essential to choose a conceptually coherent, rigorously rational model at the outset. I know of no governance approach worldwide that either claims such universality or is widely regarded as generic other than my own Policy Governance model—a presumptuous claim, to be sure, and one that cries out for knowledgeable research. Second, care must be taken to apply the model so that its conceptual wholeness is preserved. The legitimate need for tailoring should not become a masquerade for conceptual sloppiness. Clockworks don't work if only some of the wheels are used.

For students of governance, settling for the "everybody's different" approach is either a truism or a dumbing-down of the search. As a truism, it adds nothing and, if anything, opts for seat-of-the-pants governance. It is no revelation that every organization is different; who can possibly argue otherwise? As a dumbing-down, it obstructs and demeans the imperative taken on by every trustee: the obligation to pursue ever greater integrity in our conception of board leadership.

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Responsible board members are compelled to become students of governance quite as much as experts in their fields.

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The legitimate need for tailoring should not become a masquerade for conceptual sloppiness.

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## What Associations Should Expect a Governance Model to Be

### FAQ →

What should a model of governance do?

- Generic—applicable across all or a wide variety of organizations because of its focus on underlying truths rather than superficial or situation-specific features
- Conceptually coherent enough to go beyond simply an “approach” or even a compendium of brilliant tips—and be a *model* in the scientific sense, embracing all relevant aspects of governance in a sensible whole
- A connection between the board and its constituencies, particularly those whom the board represents
- A focus on the most important issues facing the board (large ones, long-term ones and the most cogent ones), particularly the assurance of probity and explication of *values*
- A mode to enable substantive board leadership, along with elimination of rubber stamping and purely ritualistic behavior
- A mechanism to establish control without meddling, that is, undiluted exercise of board authority with minimal intrusion into prerogatives more productively left to others
- A means to allow delegates as much latitude for decisions, creativity, and performance as possible while still assuring board accountability for the total

*Even Policy Governance Cannot Promise Perfection*

# Can Things Go Horribly Wrong for Boards That Use Policy Governance?

BOARD LEADERSHIP, NUMBER 56, JULY-AUG. 2001

CAN THINGS GO horribly wrong for boards that use policy governance? Yes. But first let me be clear that I am referring to boards that are *really* using Policy Governance. Boards that merely pretend to be using Policy Governance routinely encounter failures ranging from unpleasant to disastrous. But in twenty-five years of practice, I have never heard of a board that is sticking to the discipline of Policy Governance getting into the kind of trouble that a better governance framework could have prevented.

So in answer to the question “Can things go wrong for a board that is *partially* implementing the model?” the answer is a resounding yes, just as partially using the controls in your automobile can produce unintended effects, some of them catastrophic. But what about a board that has followed all of the rules? It is that kind of board that I want to talk about in this article.

Let’s review what such a board has done (and is doing). The board has created policies in all four categories, carefully following the principles with respect to descending breadths and proscriptive boundaries on staff means. The board is receiving and absorbing routine monitoring reports that disclose the organization’s performance compared to the relevant policies. I’ll assume the board has established a CEO role to make the governance-operations linkage easier. If

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Can things go wrong for a board that is *partially* implementing the model? The answer is a resounding yes.

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so, all executive delegation and accountability is routed through the CEO. Board committees help the board do its job but never interfere with, overlap, or even help the staff with their jobs. These are ways of doing business that Policy Governance boards observe religiously.

So far, so good. This board already sounds like it is better than 95 percent of the governing boards in the world. Can things still go horribly wrong?

Yes.

**FAQ** →

Does the Policy Governance model cure all board problems?

Why? This board is using the Policy Governance model and using it correctly. Isn't that supposed to be the magic cure for what ails the boards of the world? Actually, no. The model establishes a framework of thought and action that enables a responsible, intelligent group of people to govern with excellence.

Without the model, we get what the average board does—confusing governing with managing, speaking with multiple voices, confounding delegation, monitoring the wrong things, leaving ends unspecified, mixing up beneficiaries and owners, and on and on. But even with the model, there can still be crucial failings. Let's look at some of them.

**Focusing on the short term.** Even if a board is rigorous about driving the organization toward an adequate magnitude of results in the lives of the right persons for the money spent, it may be projecting its vision over too short a time period. In other words, board members might limit themselves to thinking only about ends that could be achieved, for example, in the next six months, rather than thinking creatively about ends that could only be achieved given a longer period of time. We must remember that boards and their staffs have traditionally been more focused on annual budgets than long-term plans. (Many organizations have no credible long-range planning, but rarely do you find one without an annual budget.) Moreover, boards and their staffs have been accustomed to board meetings that deal more with last month than with the next decade. The history of near-term preoccupation can easily infect the way boards think, even after they've made the big switch to Policy Governance. Here are a couple of specific influences that encourage short-term thinking.

**FAQ** →

What is the effect of frequent turnover in board members?

■ Short *terms* encourage the short *term*. Frequent turnover in board seats biases members against a long-term view. Board members like to see the difference they can make in the time they serve. If that is a short period, say, two years, the board can forever be locked into thinking short-term. It is hard to think in terms of results that can only be achieved over longer time peri-

ods, yet frequently the results that really make a difference in the world require that kind of time line. Why is it common to have such a high board member turnover rate? For some organizations—for example, associations—there is more interest in passing the honor around than in having good governance. High turnover makes substantive governance development extremely difficult and unlikely. There is a very high price to pay for rapid turnover in both time horizon shortening and in general governance competence.

■ Measurement anxiety tempts toward the short term. How boards approach monitoring often leads to short-term thinking. Board members worry that if they set expectations that only bear fruit over a multiyear period, they will be at a loss to monitor organizational performance in the short term. “How can we wait five years to see if things turned out right?” they might ask. “Given longer-term ends, how can we know we are getting there?” I would remind them that they don’t know *now*. But easy monitoring (which is hard with longer-term aims) is only one tool the board has to enforce its expectations. Another is incessant, obsessive focus on the ends it has decreed, even if measurement is difficult or impossible in the short run. This is much better than not setting the longer-term expectations at all.

**Narrow vision and limited ambition when determining ends.** Short-term thinking is not the only way boards can limit themselves when establishing ends. To get started creating ends policies, many boards simply convert the *current* results, recipients, and costs into ends policies. In other words, they “jump-start” the process by accepting present performance as sufficient. If this approach prevents a board from putting off the difficult process interminably, then it is justified. But it is very easy for the board to get stuck in this mode, thereby establishing a practice of allowing the present to determine the future. A community college board I know, working on its ends, was able to avoid getting stuck by going beyond the usual listing of student skills to the unexplored region of setting the college’s sight on a community with high average educational attainments (compared with national averages). This bold stroke means that the college cannot succeed simply by doing well with the students it has; it must influence

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The history of near-term preoccupation can easily infect the way boards think, even after they’ve made the big switch to Policy Governance.

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High turnover makes substantive governance development extremely difficult and unlikely.

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the whole community's attitude toward education, the performance of the local public schools, and other difficult tasks for which it is not now organized and for which it does not now have the competence. Can it possibly succeed? Will this bold ends expectation set the college up for failure? Perhaps; perhaps not. But if our organizations are not swinging for the fences, why aren't they? The purpose of inspired ends work is to envision the future, not to memorialize yesterday's achievements.

**Not adequately considering constraints on staff means.** Some boards are so determined not to get into detail that they fail to do enough "what if" thinking. Conse-

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The purpose of inspired ends work is to envision the future, not to memorialize yesterday's achievements.

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quently, they leave far too much latitude for the non-ends organizational behaviors and situations (staff means), allowing dangerous financial or other sensitive circumstances to jeopardize the institution, even though the CEO is staying within the inadequate policies the board does have. I remember one very persuasive board member who

thought that any policy over a couple of sentences constituted "micromanaging." He convinced his board to leave the policies excessively broad. The proof that the breadth was excessive is that the members of this board found later that they were quite displeased with the CEO's performance even though the CEO was using a reasonable interpretation of their words. They were disciplined enough to stick to the model—that is, to recognize the problem was in their words, not in the CEO's performance. Despite how much some board member thinks the board is micromanaging, the board *must* go into as much detail in policy setting as it will later go into in monitoring; otherwise, it is misleading the CEO and shortchanging its own accountability.

**Not monitoring often enough.** The frequency of monitoring is a board decision based on the jeopardy posed by various conditions and actions. Most persons would think that monitoring financial condition once every five years is too infrequent—that is obvious. But how many other policy violations could become serious threats within the board-established monitoring cycle? And is such a critical matter settled once and for all, or should a board not revisit its monitoring frequency routinely? To illustrate, consider an executive limitations policy that at its global level prohibits the CEO from allowing "development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in ends policies." Assume—as is fairly common among Policy Governance boards—that there is a substatement under this broad heading that says the CEO shall not "allow tax payments or other government-ordered

payments or filings to be overdue or inaccurately filed.” Knowing how disastrous it is to fail to submit withheld taxes, prudence might dictate that monitoring this policy provision once a year is too lax.

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The Policy Governance model does not guarantee wise governance; it *enables* wise governance

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It is easy to see the thread through these sources of misadventure—all facing boards that are following all the rules in Policy Governance—and that thread is *responsible care and judgment exercised by servant-leaders*. The mechanics of the model are important; they have been designed as carefully as the works of a watch. But the board that uses the model must also concern itself with using it wisely. The model provides the vessel; only probity, care, and wisdom provide the wine. The Policy Governance model does not guarantee wise governance; it *enables* wise governance.

