Why is it that the Carver Policy Governance Principles can seem so hard to Honour?

Many of our readers are directors of boards that have adopted John Carver's Policy Governance model; or at least a version of it. Most will readily acknowledge that this has made a positive difference to their board's governance effectiveness. Our experience is, however, that even those boards that believe that they are working to the model either have gaps in its implementation or find it something of a chore to remain true to the model's principles.

When we have re-engaged with organisations that have adopted the Policy Governance model, it is not uncommon that we find a number of problems. These include:

- Few board members are aware of exactly what is stated in the policies.
- Some board members do not understand how the policy model works.
- The CEO has greater knowledge of the policies than any of the board members including the Chairperson (the opposite is also sometimes true).
- Policy decisions are made without reference to the policies adopted by the board.
- There are no 'Ends policies' as defined in the model, rather the board works to a traditional strategic plan that, more often than not, is based on a hodge podge of organisational activities rather than clearly stated outcomes.
- Neither new directors nor executive staff members have been inducted into the model.
- Despite the clearly defined Board-CEO boundary that makes explicit what actions the CEO can take without requiring board approval, many directors expect the CEO to seek permission for many of those actions.

So why should it be that, despite the good intentions expressed at the time of adoption, so many boards wander from the fundamental principles espoused in the model?

The 10 Principles and how they are honoured

The Policy Governance model is based on a set of 10 principles. These are:

Principle # 1 - The Trust in Trusteeship

This principle centres on the role of the board to represent an 'ownership' to which the board is accountable. The importance of the board hearing "…the voices of the owners"1 is emphasised. Carver stresses that the ownership should extend beyond those stakeholders who might have a legal ownership, e.g. shareholders and members, to also include all those whose stake-holding is more in the nature of a 'moral ownership', i.e. all those for whom the organisation exists but who do not sit at the board table, or attend the AGM with voting rights.

Some boards have not explored the question of ownership. They simply get on with the business of governing which, for many, equates with overseeing management. The notion that 'clients' might also have an ownership stake, albeit of a different nature, in the organisation can cause confusion. Because clients' voices are not heard at the AGM or in the boardroom, it is not uncommon that they are little heard by board members at all.

The concept of trusteeship is widely accepted. Sadly, however, this is often interpreted to mean a narrow oversight of the organisation's finances. As important a board function as this is, it is no more than one element of the trusteeship role. Trusteeship then becomes something that focuses in on the inner workings of the organisation rather than focusing outwards on the needs, issues, expectations and aspirations of both the legal and 'moral' ownership.

Typically, this principle is only partially understood.

Principle # 2 - The Board speaks with 'one voice' or not at all

Policy Governance lays a foundation for good governance premised on the board reaching a single position on a wide range of matters. This is then codified as policy. In this way, the board's decision making is collective rather than individual. Carver points out that the 'one voice' principle can be breached when the board appoints office holders and grants them executive powers or establishes committees and allows them to become involved in operational matters. It is not uncommon to find that the Chairperson has assumed a supervising role over the CEO or that individual directors lobby the CEO or, worse, senior staff, in order to achieve a boardroom decision.

Policies form the basis for the single board voice. Once adopted, these provide the board with its primary tool for leadership. Without the basis for the 'one voice', the board can become fragmented and idiosyncratic in its decision-making. Working with such a board places a CEO at high risk, vulnerable to the whims of individual directors and subject to political game playing at the board level. Such a board also struggles to provide coherent and consistent leadership. Without the unifying function of the single voice, the boardroom can be an unsafe place to be.

This principle is generally well respected and honoured by most boards.

Principle # 3 - Board Decisions should predominantly be policy decisions

It is widely accepted that the board's role is centred on the development, review and monitoring of policies that control the organisation at the highest level. Yet few other approaches to governance are quite so explicit in stating exactly what policies the board should develop. Carver defines four groups of policies. The first of these are the Governance Process policies that define the board's actions and behaviours. The second are Board-CEO Linkage policies that define the interrelationship between the board and the CEO. The third are Executive Limitations policies that establish the delegation to the CEO. The final group are what Carver refers to as Ends Polices. These define the desired results of the organisation's work and are the equivalent of a statement of strategic direction. Carver is very explicit in what he means by Ends, being a statement that defines which results are to be achieved, for whom and at what cost. Ends policies define what the organisation intends to *achieve*, not what it intends to *do*.

While most organisations that adopt the model are keen to adopt the first three groups of policies, there is widespread resistance to the development of Ends policies. Most prefer a more traditional approach to writing their statement of strategic direction. The consequence of this is twofold. Firstly, the strategic statements define actions rather than outcomes. Secondly, the concept of the strategic direction statement as policy is lost.

Our assessment of compliance with this principle is that most of the decisions made by the vast majority of boards that we encounter are policy decisions but not fully so in the sense that Carver proposes. Few have Ends policies as defined by Carver.

Principle # 4 - Boards should formulate policy by determining the broadest values before progressing to the more narrow ones

Carver uses the image of a set of stacked mixing bowls to describe this concept. The small mixing bowl (a policy detail) can be lifted from the stacked set without moving the large bowls (the higher level polices). When the largest bowl is lifted (say the purpose or mission statement), it takes with it all of the smaller bowls (the KRAs, the KPIs etc). As boards develop their policies (whether or not they are using the Policy Governance model) they should always commence with the big picture before drilling down to the details. In this way a cascading set of statements is developed that has a logic that flows upwards and downwards.

We have found that while this concept is typically explained in the training that accompanies the adoption of the model, it is rarely recalled or used to guide further policy making or review. Having said this, however, it is our opinion that most directors understand the concept intuitively.

This principle is not so much dishonoured as taken for granted or forgotten.

Principle # 5 - A board should define and delegate rather than react and ratify

The Policy Governance model is, in effect, a criterion-referenced approach to governance. The board defines the criteria that guide its actions and those of its directors and creates the conditions for the delegation to the CEO. Such criteria ensure that the board does not have to react to management initiatives which have no pre-determined basis upon which directors can judge suitability or appropriateness.

This principle is often breached. Despite the existence of the criteria that define the delegation, many boards using this model still require their CEO to seek permission to carry out actions that are within the CEO's board-approved prerogatives. There are, it seems, many directors who have a secret yearning to be the CEO or a programme manager. They struggle to honour the delegation they have made to their CEO. Having expressed the delegation to the CEO as a policy, board members have a moral duty to honour this. Asking the CEO to seek further permission in a piecemeal fashion is both duplicating and demeaning.

This principle is frequently proclaimed as a guiding standard but breached in practice.

Principle # 6 - Ends determination is the pivotal duty of governance

Carver reminds boards that not-for-profit organisations exist to make a difference in the world, to make the world a better place. The board's focus, therefore, should be on the 'outer' workings that define the reason for the organisation's existence rather than on the 'inner' workings of budgets, personnel, programmes or buildings. In essence, the board's focus should be on the delivery of outcomes rather than on the methods used.

The vast majority of strategic plans and statements of strategic direction that we view focus on organisational activities or actions rather than outcomes or Ends. A traditional way of writing strategic direction statements draws a board into dialogue around methods rather than outcomes. Boards might think that they are engaging in strategic dialogue at board meetings when in fact they are merely acting as a top tier of management.

Without a focus on 'Ends' or outcomes in board-adopted planning statements, this principle is difficult to honour.

Principle # 7 - The board's best control over staff means is to limit, not prescribe

This principle refers to the Executive Limitations approach to defining the board's delegation to the CEO. (See Good Governance #3 and #26) While some traditional approaches to delegation (e.g. powers reserved to the board) reflect similar thinking, the clarity of Carver's formulation is one of his most useful contributions to governance thinking. By stating which actions or situations are unacceptable, the board in effect creates a boundary or enclosure within which the CEO is free to act without further board involvement or approval. Decisions that fall outside the boundary are the board's to make.

This concept has strong support from CEOs but can cause uncertainty for some directors. Firstly, many are not comfortable with what is often described as the "double negative" language, e.g., "the CEO shall not fail to…" etc. Others struggle to come to terms with the concept that once the boundaries have been defined, the CEO is empowered to make all further operational decisions. This, some feel, gives the CEO too much authority. Of course, this is not the case as the board, in establishing the boundaries, has total control over the extent of freedom granted. Carver readily acknowledges that the "negative" language is counter intuitive and can cause conceptual problems.

Our experience is that many boards that have adopted policies written in this way do not fully understand how they work. To that extent, there is mixed adherence to this principle.

Principle # 8 - A board must explicitly design its own products and services

In other words, the board should design its own job. An increasing number of boards accept this as a basic building block to good governance. Provided that boards adopting this model have not just mindlessly 'rubber-stamped' a policy template, they have met this ideal.

Our experience is that this principle is generally well understood and honoured by boards using this approach.

Principle # 9 - A board must forge a linkage with management that is both empowering and safe.

By this Carver means that the CEO must know that the board's delegation is designed to facilitate the maximum agreed freedoms to manage. Secondly, the CEO must be confident that the board will honour its policies. In Carver's words, "The CEO has a right to expect the board to be clear about the rules and then play by them."2 We have witnessed examples, however, where a board has done the opposite. Ad hoc changes in the interpretation (and selective application) of the delegation policies by the board create a work setting that is anything but safe for a CEO. Many CEOs respond by delegating upwards thus further reinforcing the role confusion that led to the problem and response.

Our experience is that there is mixed adherence this principle.

Principle # 10 - Performance of the CEO must monitored rigorously, but only against policy criteria

This principle echoes the 'criterion-referenced governance' approach mentioned previously. In effect, it states that the CEO's performance should only be assessed against those criteria that have been defined by the board as Ends policies (or as stated in the strategic direction) and as Executive Limitations policies. Carver sums up this principle with the comment that, "If you (the board) haven't said how it ought to be, don't ask how it is."

Few boards honour this principle to the letter. It is our experience that CEO performance assessment is carried out in a variety of ways, if at all. We have heard of processes that are not referenced against any board-stated policy, the criteria for assessment being, in effect, 'dreamed up' at the time that the assessment is conducted. Other approaches use the CEO's job description as the basis for the performance assessment. In our experience, this document is typically unsuitable as the basis for performance assessment in that it usually describes tasks to be carried out rather than outcomes to be achieved.

When boards do not have policies, or when the policies are not known or used, it is virtually impossible to design a criterion-referenced system. Similarly, when the strategic direction is written as a set of actions rather than as intended outcomes, a CEO's performance can only really be assessed in terms of his or her activity or industriousness rather the achievement of desired results.

Our experience is that this principle is among those least honoured.

To Summarise

What, then, gets in the way of adherence to the model as designed? We think that there are several inhibitors to its implementation. Firstly, Carver's language can be irritating and awkward. The use of terms such as 'Global Ends Policies' rather than 'Strategic Direction' and 'Executive Limitations Policies' rather than 'Delegation Policies' can come between a sympathetic reading of the model and its implementation. The requirement for all board members to understand the model and its principles can also create a challenge. Having a dissenter, or someone who simply does not understand the principles, can seriously disrupt the board's work. Effective induction of all new board and senior staff members into the model and its principles and processes is vital. Some organisations do this well; others do not.

Many boards inadvertently wander from the governance principles that they have adopted, whether these are Policy Governance related or based on other frameworks. It's easy to slip into old habits without realising that this has occurred. We know of some boards (in the USA) that have appointed "Carver Cops" whose role it is to ensure that the board remains true to the principles that it has adopted. This may be seen as 'going too far' but it does indicate a level of seriousness about remaining 'model consistent'. And therein lies the rub. Policy Governance is a 'model'. Carver argues that it is a complete model and therefore it needs to be implemented completely. To tamper with it or to implement only parts of it would be seen by Carver as the equivalent of purchasing a car without an engine or with only three wheels, and still expecting it to function.

We had the privilege of spending time with John and Miriam Carver some years ago. We commented that some board members could see the model as overly complex and rigid. The response was that "it's not rocket science". And we agree it isn't. But it does require a certain discipline that some board members are reluctant or unable to apply. It also requires adherence by the full board to its principles. That is not always how things are.

None of this is to say that the model is flawed or that it doesn't work. Our experience is that neither is true. Our own research indicates that even partial use of the model can bring about improvements in governance practice. The ideal, however, is that there should be a full understanding of Policy Governance model supported by correct implementation.

We have used the Policy Governance model as the basis for much of our consulting work for around twenty years and can state with full confidence that it is conceptually sound and thoroughly thought through. We must also state, however, that in all this time we have met few, if any, boards that are governing in a way that is 100% true to the principles and processes John Carver has advocated.

Readers whose boards have adopted Policy Governance, or a version of it, might reflect on the extent to which the principles are both understood and enacted in their organisation. Better still, the board might review the ten principles with a view to ascertaining the level of understanding and sense of adherence. This could be a good short annual workshop for any board using the model. We do not advocate the appointment of Carver Cops but we do think regular reference to the ten principles could help to keep a board true to the commitments it has made on paper. And that can only be a good thing.

1 Carver John and Miriam Mayhew Carver. Basic Principles of Policy Governance. Pg 2 Carverguide Series. Jossey-Bass Publishers. San Francisco. 1996.
2 Ibid Pg 19.