# Reinventing Your Board

## A Step-by-Step Guide to Implementing Policy Governance

REVISED EDITION

John Carver
Miriam Carver

JOSSEY-BASS
A Wiley Imprint
www.josseybass.com

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*John Carver on Board Leadership: Selected Writings from the Creator of the World's Most Provocative and Systematic Governance Model,* by John Carver

*Board Leadership: Policy Governance in Action,* co-executive editors John Carver and Miriam Carver

*The Board Member's Playbook: Using Policy Governance to Solve Problems, Make Decisions, and Build a Stronger Board,* by Miriam Carver and Bill Charney

*Corporate Boards That Create Value: Governing Company Performance from the Boardroom,* by John Carver and Caroline Oliver

The CarverGuide Series on Effective Board Governance (12 guides)

*John Carver on Board Governance* (video)

*Empowering Boards for Leadership: Redefining Excellence in Governance* (audio)

*The Policy Governance Fieldbook: Practical Lessons, Tips, and Tools from the Experiences of Real-World Boards,* editor Caroline Oliver

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# Preface to the Revised Edition

We are happy to present this revised edition of our 1997 text, which has been released at about the same time as the third edition of John Carver's *Boards That Make a Difference.* In the interim since our first edition, we have authored or coauthored three other books. An anthology of 112 of John Carver's published articles was published as *John Carver on Board Leadership* in 2002, assembling under one cover articles published in several countries over twenty-two years. Also in 2002, John Carver and coauthor Caroline Oliver brought book-length Policy Governance to the equity corporate world in *Corporate Boards That Create Value.* With coauthor Bill Charney in 2004, Miriam Carver wrote *The Board Member's Playbook,* a workbook for boards to enhance their Policy Governance skills by structured and regular practice.

As in the first edition, we assume the reader of this text is thoroughly familiar with the Policy Governance model, possibly through reading *Boards That Make a Difference* or attending seminars by qualified Policy Governance consultants. (We recognize as "qualified" only persons who have graduated from the intensive, limited-entry Policy Governance Academy.) However, as before we do provide a brief model overview in Chapter Two, "The Theoretical Foundation." Theory is extremely important in Policy Governance, though it is a largely overlooked idea in governance as generally practiced. We are aware some readers may be a bit suspicious of so rarified-sounding a word, but the need for a conceptually coherent foundation is as important for governance as it is for aviation, medicine, and physics.

The task that confronts implementation, of course, is accurately translating theory into practice, turning carefully crafted ideas into carefully crafted actions. Policy Governance as a theory of governance has evolved over the years since its inception in the mid-1970s. Although the model itself has not changed a great deal—probably not at all in its most important features—its practice has progressed substantially. We have found better ways to phrase the policies. We have developed far more rigorous ways to monitor performance. We have, in short, continued over the years to advance in terms of best practices within the model.

We need to point out that traditional boards cannot achieve the rigor of Policy Governance by following the best practices route. Best practices, as the popular term is currently used, merely improve action within the extant paradigm. That is undoubtedly a good idea, but is forever trapped in the old concepts. The vaunted changes in the past few years in corporate governance are good examples of such incremental change. The change promised by Policy Governance is not incremental but transformational. It is more like the change from football to tennis, one that cannot be made by any degree of improvement in one's football. Yet once the change is made, then the search for best practices begins all over again, just as it would after a change to tennis.

*Reinventing Your Board* is one of our contributions to best practices in the implementation of the Policy Governance model. Clearly, the practices in these pages will not be helpful—and may even be nonsensical—for a board committed to the old ways. This book is meant for boards that have boldly decided for governing excellence but have no access to qualified consulting assistance in moving forward. To help them, in this edition we have added new policy samples and a new chapter on monitoring

performance. Although the basic organization of the book is unchanged, we have edited the text in response to the many helpful comments we have received from our clients, our Policy Governance Academy trainees, our editors at Jossey-Bass, and the reviewers Jossey-Bass helpfully supplied.

*Atlanta, Georgia*
*December 2005*

John Carver
Miriam Carver

# Preface

Since you have picked up this book, chances are that you and your board want to use Policy Governance to bring your organization to new levels of achievement.

Perhaps you were initially frustrated because the very concerns that led you to be on the board in the first place were the ones seldom discussed. (We have met countless school board members who were confused because they rarely talked about children, and members of hospital boards who rarely discussed the health of the community.) Perhaps you have already made gestures toward implementing Policy Governance but have simply needed more guidance on how and where to begin.

Congratulations! Contemplating a radical change in the way your board works is a brave step. This book is your guide to the application of a robust new governance model to your board.

We will assume you realize that Policy Governance offers a powerful approach to governance, one that is conceptually whole and oriented toward obtaining results for people rather than promoting organizational busy-ness. But because Policy Governance flies in the face of so much received wisdom and tradition, old habits may be hard to overcome. Wouldn’t it be nice to start at the beginning with a brand new board, doing it all right from the start? But yours is an ongoing organization, perhaps with a rich tradition; your organization is also weighed down with structures already in place, ways of doing business that are hard to change, and personalities wed to old ways. You want to be a board that makes a difference, but you fear that implementing Policy Governance in a going business may be

as complex as changing an airplane from propeller-driven to jet in mid-air.

We believe that board members don't have time to waste. We believe that they want to make a difference. We believe that the board has a real, not a ceremonial, job to do. And we are sure that the system of governance used traditionally in our nonprofit and public organizations is inadequate to provide boards with the skills and mechanisms they require to be effective leaders.

In 1990, the senior author, John Carver, wrote *Boards That Make a Difference* (Carver, 1990), a book that exposes the shortcomings of traditional governance and that substantially redefines the job of the board. The Policy Governance model, as he called his new design, has become widely known, and many boards have begun to implement its principles. Since implementing Policy Governance involves developing newly defined types of policies, getting board commitment to act according to those policies, and delegating to a CEO in a new and exciting way, the boardroom and our concept of the board's job are extensively altered. With a change this big, it is no wonder that most boards need to secure help in moving forward.

Here it is! This book gives practical advice and assistance to your board in the process of making the change. It provides concrete policy examples for consideration and debate, and it offers practical counsel for the maintenance of the new system.

While this book does contain a brief description of the theoretical principles of Policy Governance, you will find that you can get more use out of it if you have already read *Boards That Make a Difference.* Since we are undertaking to assist in the implementation of a theoretical framework, knowledge of that framework is important.

The most difficult part of implementing John Carver's Policy Governance model is reaching a board resolve to follow any model. Boards have long been used to discussing anything that anyone wants to discuss, delegating the same job to more than one person, monitoring with no criteria to judge against, and failing to clarify the most important organizational value of all—the *purpose* of the organization.

If you want your board to achieve meaningful accountability for its organization, these habits and more must change. Your inquiry into Policy Governance is the first step to achieving these changes. If you are interested in rhetoric—new jargon but nothing new in action—put the book down. If you and your board are ready for an adventure in governance revitalization, read on. Here goes!

# How to Use This Book

We have divided this book into three parts, each addressing a different phase of making Policy Governance work. To a great extent, you can jump about in the book, not following the sequence in which we present it. But regardless of the sequence you follow, understanding the way we have elected to put the material together will help you.

# Part One

Part One gets you ready to begin. In Chapter One, we deal with some of the common queries boards raise prior to starting their Policy Governance implementation. In Chapter Two, we review the key theoretical principles of the Policy Governance model. This will assist you in your policy development work but will not replace the thorough understanding that results from reading *Boards That Make a Difference.* Chapter Three explores some of the implications of implementing Policy Governance for your board and staff.

# Part Two

Part Two deals with the core of Policy Governance: the creation of a set of policies so conceived and so crafted that they can bear the full weight of board leadership of your organization. These are unlike policies as traditionally conceived, so they must be developed from scratch. You cannot simply adapt previous board policies for this purpose. In Chapters Four, Five, and Six, respectively, we take your board in step-by-step detail through the development of your Executive Limitations, Governance Process, and Board-Management Delegation categories of policies. Throughout these chapters, we use sample policies in order to make the process go more quickly for you. Chapter Seven tackles the more difficult creation of Ends policies. Because organizations differ so greatly in their Ends, we use a series of exercises rather than samples for this final chapter of Part Two.

## Part Three

Part Three completes the book by addressing what comes after the initial policy development. Chapter Eight, added in the revised edition, deals with the board's obligation to be continually informed about organizational performance through a rigorous, yet fair monitoring system. In Chapter Nine we discuss board documents as used by a Policy Governance board. The documents most familiar to boards today are certain to change, for they are based on old ideas of governance. Chapter Ten answers the frequently asked question, What do we do now? by suggesting issues you should consider in moving from your present governance style to Policy Governance, including relationships with stakeholders and methods of keeping your board on track.

We are pleased to be able to work with you in the following chapters in preparing for change, in careful crafting of board policies in the new form, and in bringing a powerful coherence to the practices and documents of board leadership. As your board follows the steps we outline, it will be engaged in transforming its capability to govern, in nothing less than reinventing your board.

*Atlanta, Georgia*
*June 1997*

John Carver
Miriam Carver

# Acknowledgments

This book had its birth in our dealings with our many clients over the years—boards and CEOs leading organizations of many types in nonprofit, governmental, and business sectors, with many cultural backgrounds, and on five continents. It is to these leaders bold enough to pioneer a new vision of governance that we owe our most hearty acknowledgments.

Over the past ten years, we have enrolled more than 250 people from eight countries in our one-week intensive training in Policy Governance theory and practice—called the Policy Governance Academy. We limit enrollment each time to a small number of applicants, who must demonstrate a high level of proficiency in Policy Governance theory to be admitted to the training. A number of Academy graduates have developed improvements in Policy Governance practices from which we have learned. To cite one example relevant to this book, Jannice Moore made a significant contribution to our thinking about monitoring performance “from the bottom up.”

We must thank Jossey-Bass. Our editor, Alan Shrader, gave us wise advice, occasional prodding, and good humor during preparation of the first edition. Dorothy Hearst was encouraging and gave us a great deal of latitude as we prepared this revised edition. Because our writing is forced to coexist with our two very busy consulting schedules, we appreciate our executive assistant, Ivan Benson, who has managed our consulting practices for over ten years. We could not ask for a more faithful, helpful, and trustworthy person at our sides.

*—J. C. and M. C.*

# The Authors

**John Carver,** creator of the Policy Governance principles for board leadership, is widely regarded not only as the most published but also the world's most provocative authority on governing boards. He has served as CEO and as board member for various health organizations. He received his B.S. degree (1964) in business and economics and his M.Ed. degree (1965) in educational psychology from the University of Tennessee at Chattanooga. He received his Ph.D. degree (1968) in clinical psychology from Emory University, Atlanta. In 1968 he was inducted into the honorary scientific research society, Sigma Xi.

He has consulted with nonprofit, profit, and governmental clients on six continents. He has served as adjunct faculty at several universities and is currently adjunct professor in the University of Georgia Institute for Nonprofit Organizations and York University's Schulich School of Business.

He is author or coauthor of five books, over 150 published articles and monographs, and several electronic learning tools. He was founder of the bimonthly *Board Leadership* in 1992 and continues as its co-executive editor with Miriam Carver. He has published in eight countries.

**Miriam Carver** received most of her formal education in England, where she grew up. She received her B.A. degree (1973) from the University of East Anglia, Norwich. After moving to Canada in 1975, she completed her master's degree at Wilfrid Laurier University in Waterloo, Ontario. She has held a number of management positions in health and social service organizations. Her CEO experience was gained

first as executive director of Canada's first AIDS hospice and then as executive director of a provincial association of counseling agencies. She has consulted in North America, Southeast Asia, the Netherlands, and England with the boards of numerous organizations including health, education, social service, charity, association, mental health, and library organizations, as well as city councils.

She has coauthored three books, four monographs, and more than a score of articles on various aspects of governance. Since 2004 she has been co-executive editor of *Board Leadership,* a bimonthly organ dealing with the theory and practice of Policy Governance.

John Carver and Miriam Carver live in and operate consulting practices from Atlanta, Georgia. Together they conduct the Policy Governance Academy™, a specialized advanced training for consultants in theory and practice of the Policy Governance model. Their joint Web site is www.carvergovernance.com and fax 404-728-0060. John Carver can be reached at 404-728-9444 or johncarver@carvergovernance.com. Miriam Carver can be reached at 404-728-0091 or miriamcarver@carvergovernance.com.

# Part I

## Preparing for Change

Part One deals with the various factors a board must consider in setting out on its change process. We discuss the preparations that will help a board to implement Policy Governance successfully, and we answer some commonly asked questions. A brief theoretical overview of Policy Governance is presented along with our hints about the ways in which conceptual errors may hinder your board's implementation.

# 1

## Setting the Stage

### *Are You Sure You're Ready for This?*

In teaching the principles of the Policy Governance model to boards all over North America and, to a lesser degree, in Europe, Asia, and Australia, we have become accustomed to hearing some typical questions. This one is among the most common:

*This is great in theory, but how do you actually do it?*

People are generally drawn to the simple logic of Policy Governance, but they recognize that it differs radically from their experience of boards and the board-staff relationship. Indeed, how do you actually do it?

It's a good question. Policy Governance, like any important job, is a process that has to be done right. The board is at the top of any organization, with authority over and accountability for that organization. With that kind of leverage, getting governance wrong is costly.

Implementing the Policy Governance model means developing your governing policies according to the principles of the model, then consistently using these unique documents according to those same principles. The largest part of this book (Part Two) will guide you through a process of developing those policies. But first, how can your board get ready to embark on the process of creating policies?

In order to implement Policy Governance, your board members must understand its theoretical principles. We hope that all board members are already familiar with the model. Still, it will be helpful to refer frequently to *Boards That Make a Difference* or to our theoretical review in Chapter Two of this book.

This chapter helps you set the stage for a successful change process. What follows are some more of the frequently asked questions about the process of developing policies. They give us the opportunity to suggest methods and procedures that you may find useful in planning your work.

*What if we want to use another Policy Governance model?*

There are no other Policy Governance models. Of course, there is nothing new about the belief that boards should govern with policies. But Policy Governance is a service mark that can be used only in description of the complete, integrated conceptual paradigm created by John Carver. For reasons both ethical and legal, the term must be capitalized as done in this text. Thus there is no such thing as a board's choosing "among policy governance models." Informally, some use the term "Carver model" as a synonym for Policy Governance.

*Are there situations or organizations in which Policy Governance is not appropriate?*

Policy Governance was designed to be generic, so it should be applicable whenever a board faces the task of governing. The fundamental model does not require that an organization have a CEO, or even a staff, though these extensions of board authority make Policy Governance work

better. The model does not depend on the organization's being a start-up operation or a mature one. And it is not related to whether an organization is for-profit, nonprofit, or governmental. We have certainly found situations in which Policy Governance is more difficult to implement. We have found that some types of organizations and circumstances impose idiosyncrasies on the way the model is applied. But our interactions with board members and executives in widely different cultures from several continents support our confident assertion that the model works well in any situation.

*Since Policy Governance creates a powerful board, why would it be attractive to CEOs?*

Policy Governance does, indeed, strengthen the governing role, but it does not undercut legitimate CEO prerogatives. For most CEOs in public and nonprofit organizations, executive authority will be greater under Policy Governance than under traditional governance. To be more accurate, however, whether the CEO is more powerful or not is a function of how the board has been operating prior to Policy Governance. If the board has been rubber-stamping everything the CEO wants done, then perhaps the CEO loses some power. If the board has been intruding into management, then the CEO gains some power. But Policy Governance is not about the board controlling more or less. It is about the board controlling the right things appropriately. So what can always be counted on under Policy Governance is that board and CEO prerogatives are far clearer and more rationally derived. Since the greatest source of stress for most CEOs is board behavior (as distinct from the straightforward pressure to perform), Policy Governance offers a more sane, even if more demanding, work environment.