**Using Policy Governance to Improve Board Leadership**

By Marilyn Scholl - September - October – 1998 in Cooperative Grocer Network

Food cooperatives around the country are talking about Policy Governance -- a system of board leadership developed by John Carver. While people are drawn to the simple logic behind Policy Governance, it is quite different from previous board experiences. Governance is an important job and should be done well. As the Food Front Cooperative board states in its policy manual, "Because poor governance costs more than learning to govern well, the board will invest in its governance capacity."

This article will go through the most important steps of implementing Policy Governance and provide experiences from co-ops using the model. I am assuming you have a basic familiarity with Policy Governance. For more information, please refer to one of the resources listed with this article.

**Why policy governance is effective leadership**

Directors and managers alike welcome a system of leadership that both distinctly defines the role of the board and clarifies the authority delegated to the general manager. Policy Governance is not designed to create a "hands off" board, but rather to ensure that the board has its "hands on" the right things. Through its written policies, the board gives clear guidance to the manager and through careful monitoring of these policies holds the manager accountable for organizational performance.

Specifically, the board develops four categories of policy: policies to guide the manager about what should be accomplished (ends policies) and what situations should be avoided (executive limitations policies). In addition, the board develops policies to guide its own internal operations (governance process policies) and to define its relationship with the board's only employee, the general manager (board/general manager linkage policies).

Policies are explicit statements of values and perspectives on various topics that guide current and future decisions. By debating and articulating its values, the board can gain efficiency. While the board discusses issues in many voices, it must speak officially in one voice. The policies are that one voice of the board.

Let's be clear: Policy Governance is a means, not an end. It is a tool for helping the board fulfill its responsibilities efficiently. The effective board provides leadership to the cooperative on behalf of the member owners.

**Making a commitment**

First, be sure that all board members and the general manager understand the basic principles of Policy Governance. Understanding the philosophy is critical to transforming leadership. There are a number of excellent resources listed below. At least two board members should read Carver's two books to gain a thorough understanding of the model.

I recommend training for the full board. Without attention to team building and group dynamics, a board can easily become less than the sum of its parts. A board "team" needs opportunities to explore new ideas together in a learning atmosphere.

The board as a whole must make a commitment to use Policy Governance. That commitment should be written as a policy -- the "largest" policy in the board process section. The vote need not be unanimous, but it must represent the voice of the board. Good governance makes a distinction between the position of the board and a minority position. A decision may be made with a 6-3 vote, but to be successful it must be pursued as vigorously as if the vote were 9-0. Part of the each director's work is supporting a group decision even if he/she would have made it differently alone. A board cannot allow a dissenting member to disrupt its resolve or undermine its work on this or any decision.

Once the board has made a commitment, you need a plan, a responsible party, and a time frame. An individual or an ad hoc committee takes responsibility for moving the group through the process. The board should use good delegation techniques by being clear about the results it expects and what guidelines must be followed.

**Developing and Adopting Policy**

It's time to start writing policies. While a sub-group can lead the process, the full board must participate in the development of policy. Since policies will guide all future activity, the full board needs to participate to ensure that they will know how to use them to accomplish board work. Actual word crafting is often best accomplished by an individual, but only after the board has discussed and resolved the issues.

Start by developing policies in three of the four categories: executive limitations, governance process, and board/manager linkage. Some cooperatives hold a retreat to develop these policies. Other co-ops set aside time at each meeting, and still others devote one meeting each quarter to policy development. Whatever your method, it is important not to stay in transition too long. After you have learned a new way of working, you will want to start as soon as possible. Consequently, a policy retreat is best, but other methods can work if you have a clear plan and timeline.

Begin with any of the three categories and continue to develop policies completing executive limitations, governance process, and board/manager linkage. Start with the broadest, most inclusive policy and then develop further detail and clarification. The board continues to define and clarify its values with written policy until it can accept any reasonable interpretation. Most co-ops start with sample policies from a consultant or other co-ops. Carver's new book, Reinventing Your Board, has an excellent set of sample policies.

Save the ends policies for the last, because they are the most challenging and time consuming. However, do not wait until ends policies are written before beginning to use the model. Write a temporary ends policy. Then adopt the whole policy document and begin the monitoring process. Now you will be ready to gain the full value of the model.

**Implementing Policy Governance: Directors Testify**

***Sarah Edwards, Board President***

***Brattleboro Food Co-op, Brattleboro, Vermont:***

As a new president, it is so helpful to have a system, so I don't have to keep it all in my head. When a new situation arises, I just go to the policies. The issue will either be guided by policy, or we will address it. The policies may evolve and change, but they are always the starting point. We passed all the policies at once, then developed the monitoring plan.

I feel very confident in the policies we have designed. Now our board can spend its time thinking about the direction of the co-op. We don't have to keep on top of everything; we just have to keep on top of the big things. I'm a fan of Policy Governance because it helps us do that.

***Ken Ross, Board policy committee***

 ***New Leaf Market, Tallahassee, Florida****:*

In the past, one or two board members understood Policy Governance. The rest thought it was a good idea but that we had more important things to attend to. Directors who wanted to implement the process were overwhelmed. When they left, so did Policy Governance. The general manager was frustrated with the board putting their hands in operations, so he suggested that we look at Policy Governance again. At that time, a new board was in place, and we decided to have board training on Policy Governance. Most of the board was excited by it and decided to make a commitment, and an ad hoc committee was formed to lead the transition process.

The things that worked for us were:

* Full board understanding their role and Policy Governance principles.
* Full board making a commitment to the process.
* Sticking to a timeline for getting things done.
* Having the board unofficially approve each section as drafted, then officially approve the complete document.
* Not getting stuck in the wording.
* Utilizing our resources.

***Linda Stier, Board President***

 ***Weaver Street Market, Carrboro, North Carolina:***

Since implementing Policy Governance, Weaver Street Market's board has stayed focused and is not tempted to abandon process to respond to crisis. While need and crises seduced the board in the past, the prospects of clearly distinguishing the roles of the board and the general manager and being proactive were so enticing that they strengthened the board's commitment. With consistent practice, the board was less likely to slip into an old way of reacting. Also, once policies were in place, simply abiding by them kept the board focused on its own job. To support the board, I keep a board calendar and keep discussions on appropriate board issues.

***Scott Anderson, Board President***

 ***Sevananda, Atlanta, GA:***

The Sevananda board has been working with the Policy Governance model since 1993. Previously, the board mostly relied on unclear authority, active oversight, and reactionary responses. As a result, the board was largely unfocused and ineffective, except when "driven" by the general manager. Since then, we have adopted an entire framework of policies. The model really began to function in 1997 when we installed our monitoring system. We numerically weight each policy to indicate its importance; we use these weights for quarterly general manager evaluations. Since then we've been able to focus more on dialogue with the membership to ascertain their values and perspectives.

Although we still have work left to do on policies, we have become more efficient, we are clearer about what our members expect, we are holding our manager accountable for fulfilling our policies, and we have provided her with a better working environment. Policy Governance has allowed us to do the best possible job of representing our members' interests and ensuring a co-op that meets their needs.

***Scott Burke, Organizational Review Committee***

 ***Food Front Cooperative, Portland, Oregon:***

After the 1997 CCMA, Food Front management presented the Policy Governance idea to the board. A "critical mass" of directors viewed it as having the potential to significantly increase our effectiveness.

We began with a training session. Then, we delegated development of the adoption process to a standing organizational review committee. Policy development became our focus for several months.

We chose to present one section of the register to the full board each month. Minor changes that were unanimously agreed to were implemented on the spot, but sticky changes were gently deferred back to the committee. We successfully performed a review of the executive limitations, governance, and board-general manager relationship policies in three months.

After development and board review of the sections, a full policy register was adopted. We also adopted a motion crafted by a lawyer to state that these policies supersede previous board documentation that conflicts with them.

**Using Policy Governance**

Writing the policies is only the beginning and, in fact, is not worth doing if you don't use them! Unfortunately, too many cooperatives have a set of finely crafted policies but have failed to gain the advantages the model offers by not using them effectively. Before adopting Policy Governance, many co-op boards spent most of their time reviewing and approving the manager's work and never had time to do board work. If Policy Governance has not fundamentally changed the way the board uses its time and does its work, the monitoring system is not working as it should.

The policies on ends and executive limitations are the monitoring criteria -- nothing more, nothing less. Policies in these areas authorize the manager to make all further decisions which reasonably interpret the policy. At the same time, the board establishes a monitoring process -- what type of report, how often and when. Through the monitoring reports, the board is assured that organizational performance meets the criteria they have set.

Monitoring reports are based upon data presented to show that board policies have been complied with. The only reason to spend agenda time on monitoring is if the report shows non-compliance. This allows the board to spend its time doing its own job. It is important to keep monitoring reports focused and concise to avoid the board getting lost in information that does not constitute monitoring.

The board can always change its expectations/criteria by changing its policy. But it should never judge a manager for not complying with a policy it meant to write. A manager has a right to expect that a board will be clear about the rules and then to play by those rules.

**Getting on to leadership**

With policies in place and the monitoring system working, the board is ready to lead. Most of the board's time will be spent on large, fundamental questions which will guide the cooperative into the future, not on the present or the past. Through developing ends policies, the board determines what the co-op is for -- what good, for whom, at what cost? Because these are complex issues, much board time will be spent in ongoing education.

Equally important, the board will develop linkages with the member owners, both to better understand them and their needs and to report to them on what the co-op is doing with their money on their behalf.

**Summary**

Simply stated, the board's job, on behalf of member owners, is to see to it that the cooperative produces what it should while avoiding situations that should not occur. Policy Governance is a tool to help the board do this job effectively and efficiently. Like any tool, it works best when used in the way it was intended to be used. Every board must tailor the model for its particular situation. But the principles of Policy Governance fit together in such a way that each incomplete application could significantly weaken the results. So, the board should:

* Learn the principles of the model and see if they will help you lead.
* Decide whether or not to use the model.
* Make a commitment and plan.
* Use the principles to design the board's job in a way that makes sense to you, yet maintains conceptual integrity.
* Establish and use a rigorous monitoring process.
* Boldly resolve to stick to it. Governance is too important to do poorly.