

Building Better Boards Conference

WELCOME

Policy Governance® Workshop
Sunday 27th July 2018



This presentation is based on the works of Dr John Carver

Introduction

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Introduction

Wesley Carter

- ✓ Graduate of Policy Governance Academy (2007 UK)
- ✓ Participant of The International Policy Governance Association Conference, (2008 Vail, Col, USA)
- ✓ Experience as CEO in a Policy Governance organisation
 - ✓ Aged care and health care experience
- ✓ Surveyor and educational consultant with a healthcare accreditation organisation
 - ✓ 10+ years working with, for and on boards

What is Governance?

“Governance exists to translate informed owners’ wishes into organizational performance.”

Dr John Carver, creator of the Policy Governance model, “Boards that make a difference”, p375”

Governance is distinct from management because it is the bridge between the organisation and the external world within which it operates and to which it is accountable”.

A board is:

“The initial authority within an organisation”

“Group leadership rather than individual”

Caroline Oliver

Governance is defined as:

“Governance is ownership one step down

NOT

Management one step up”

Unknown

Principles of Good Governance

ASX, when defining the essential corporate governance principles, stated that a company should:

1. Lay solid foundations for management and oversight

Recognise and publish the respective roles and responsibilities for boards and management

2. Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

3. Promote ethical and responsible decision-making

Actively promote ethical and responsible decision-making

4. Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting

Principles of Good Governance (continued)

5. Timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company

6. Respect the rights of stakeholders

Respect the rights of the stakeholders and facilitate the effective exercise of rights

7. Recognise and manage risk

Establish a sound system of risk oversight and management and internal control

8. Encourage enhanced performance

Fairly review and actively encourage enhanced board and management effectiveness

9. Remunerate fairly and responsibly

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

Principles of Good Governance Can't

10. Recognise the legitimate interests of stakeholders

Recognise legal and other obligations to all legitimate stakeholders

Does your current governance model meet these principles?

Current Governance Structures

Can Often Result in:

- Ad-hoc approach to issues (planning, reporting, decision-making etc)
- Lack of clarity about roles / positions
- Allows boards to become operationally involved
- Strategic planning usually “an event”, normally once a year, rather than an ongoing process
- Limited reporting and monitoring of strategic plan
- Board meeting are rarely outcome focused

Current Governance Structures

Can Often Result in:

- The “horse has bolted” situation:
 - Accepting reports and practices after the event e.g. (financial reports)
- Adoption of recommendations that have been developed by staff (the staff telling the board what to tell them!)
- Limited if any ongoing education / development
- Series of committees that become proxy management groups or self interest groups

Policy Governance Provides:

Clear frame-work for:

- Delegation of authority
- Decision making process
- Clear role description
- Remain strategically focused
- Continual education
- Reporting and monitoring occurred at each meeting

So What is Policy Governance?

What Is Policy Governance?:

Policy Governance is NOT:

- A Nip and Tuck to your current practices
- Adopting some Policies and stepping back
- An Easy fix
- Complex model
- Off the self product of forms and Policies
- Not implemented as a part model

Policy Governance Overview

Carver Model or Policy Governance ?

- ✓ Created by Dr John Carver
- ✓ Governance Theory Model
- ✓ Policy Governance Organisations

Schools, Local Governments, Healthcare organisations, State
Authorities, Aged Care, Manufacturing

What is Policy Governance?

A Definition

Policy Governance is an operating system that efficiently focuses boards on their unique contribution to the organisations results

The Policy Governance model is grounded in universal governance principles and bespoke policy design.

A Policy governance board is able to control through creating and monitoring policy.

The Board is able to organise all its thoughts, activities, structures and relationships in one policy document or manual.

10 Principles of Policy Governance

1. The Trust in Trusteeship

- The Board as a whole holds the organisation in trust on behalf of a larger group. The Board must clearly identify and communicate with the group to ensure that the organisation is achieving what they want.

2. The Board speaks with one voice

- The boards policies are the boards voice. While unanimity is not required, the boards group decision must be unambiguous, recorded in policy and upheld by every member of the board as if it had been their own decision

3. Board Decisions are Policy Decisions

- The Board governs through policy because policy can encapsulate vision, perspectives and values in clear statements. The board decision making is always an amendment of, or addition to existing policy

10 Principles of Policy Governance

4. **Boards should formulate Policy by Determining the Broadest Values Before Progressing to More Specific Ones**
 - As the board creates policies that express its broadest to most specific values, it will come to a point at which it is happy to delegate any further interpretation of its policies to the CEO. The level that the board stops speaking is the level at which the CEO takes over, free to do anything that is consistent with “any reasonable interpretation” of the boards policies.
5. **Boards Define and Delegate, Rather than React and Ratify**
 - Defining what the organisation is for (ENDS) and defining the acceptable boundaries for accomplishment of the ENDS for the CEO (Limitations) is the boards own job. If the board is truly governing, it should not be simply reacting to and ratifying staff or committee idea.

10 Principles of Policy Governance

6. Ends Determination is the Pivotal Duty of Governance

- The Board must, on behalf of the ownership (as defined) paint the target towards which the staff must aim (Ends). There is no greater governance job than this, and this can not be delegated.

7. The Boards Best Control Over Staff Means is to Limit, not prescribe

- It is impossible for the board to oversee all details involved in the day to day running of an organisation. It is easier, and more complete to tell the CEO what is to be achieved by the organisation (Ends) and then allow them to use their own expertise and experience to determine how best to be there, within the limits of the law, prudence and ethics (Limitations Policies)

8. A Board Must Explicitly Design Its Own Products and Processes

- The board must define its own job and how it will do it. All board members must understand why the board exists.

10 Principles of Policy Governance

9. A Board Must Form a Linkage with Management that is Both Empowering and Safe

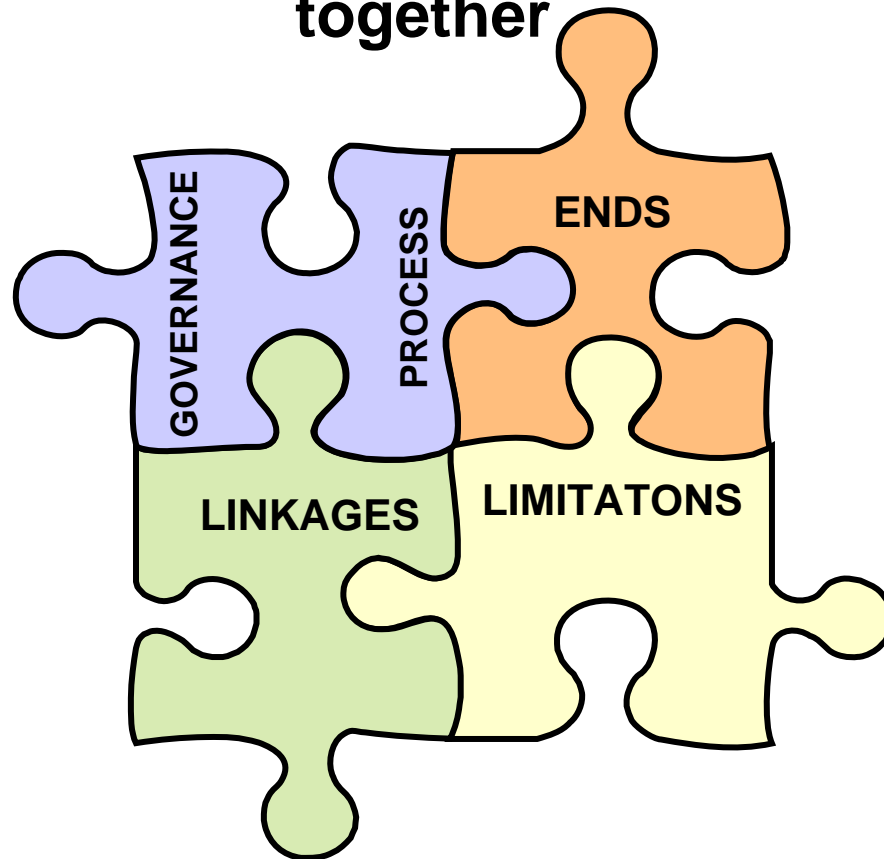
- The Board needs good managers to fulfil its policies. The governance function can be most efficiently performed when the board holds just one person accountable (CEO). The CEO needs to be empowered to do the job, but the board needs to be sure that the organisation is safe. The boards achieves this by saying "Here's what we want you to achieve (Ends), here's what we want you to avoid (Limitations)" and then leaves the CEO free to make all further decisions and polices within "any reasonable interpretation" of its words.

10. Performance Must be Monitored Rigorously, But Only Against Policy Criteria

- All policies are meaningless unless they are being acted upon. Policy Governance requires regular and rigorous monitoring of all board polices to ensure their fulfilment. The Ends and Limitations polices provide a fair performance evaluation for the CEO, while the Governance process and Board Executive linkages polices provide for the boards own evaluation.

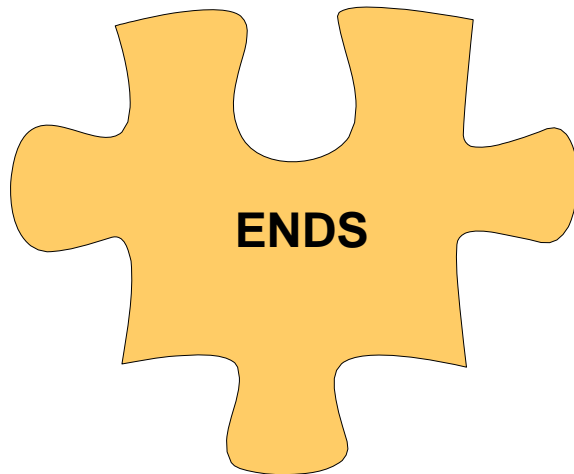
Together the pieces form the Policy Governance Model

**Bringing it all
together**



Policy Governance

- Overview of Policy Governance
 - 4 Key Policy Area's



Define the benefit

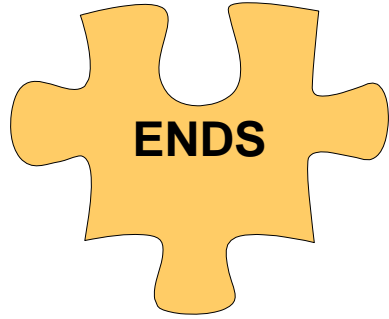
Identify the beneficiaries

Describe the cost / worth of the benefit

CEO responsible for achieving the
ENDS (strategic objectives)

Regularly monitored

Policy Governance



All citizens living within the City of Sydney will have access to public space to allow for recreational activity within a safe environment

Policy Governance

- Overview of Policy Governance
 - 4 Key Policy Areas



States what would be unacceptable means to achieve the ENDS

States the identified governance risks (Risk Management)

Regular monitoring for compliance



Policy Governance

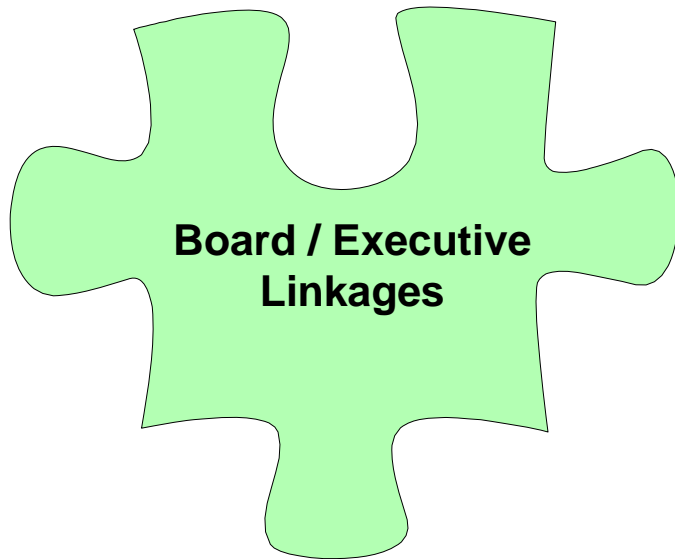
APPOINTMENT OF PERSONNEL/CONTRACTORS

With respect to appointment of personnel/contractors, the CEO shall not fail to ensure that:

1. Appropriate Qualifications are held
2. Insurance, e.g. Work Cover, Public Liability, Professional Indemnity are held.
3. Where required membership to the relevant licensing authority are held
4. The premises meet appropriate local and/or government standard's) and/or any other statutory or minimum code requirements.
5. All personnel/contractors are informed of and adhere and abide by XYZ organisation policies and procedures relating to them

Policy Governance

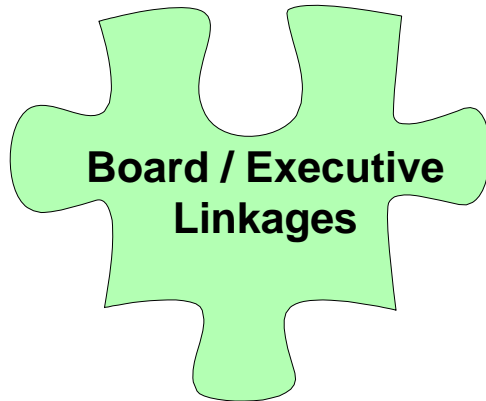
- Overview of Policy Governance
 - 4 Key Policy Area's



Board polices

Describe the interaction / relationship between the executive and the board

Policy Governance



UNITY OF CONTROL

Only decisions of the Board acting as a whole are binding on the CEO. Accordingly:

- Decisions or instructions of individual Board members, officers or committees are not binding on the CEO except where the board has specifically delegated such authority

Policy Governance

- Overview of Policy Governance
 - 4 Key Policy Area's



Board policies

Describe the role of the chairperson

Describes the role of board members

Conduct or "rules" including conflict

Meeting process, etc

Policy Governance



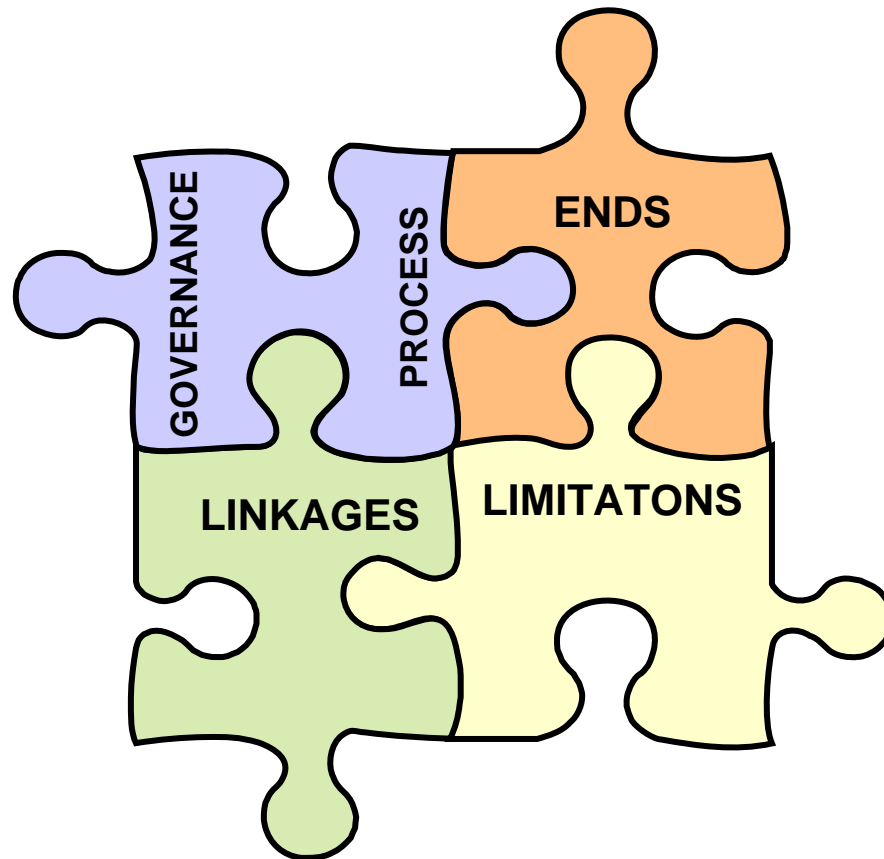
BOARD MEMBER INDUCTION

The Board will guarantee for all new Board members a thorough induction into the affairs of both the Board and XYZ organisation at large, its issues, current concerns, staff and current financial position.

- As such all new Board members will:
 - Receive an orientation pack containing:
 - Governance Policies
 - Year to date monitoring reports
 - Annual report and audited financial statements.
 - Meet with the chairperson for a governance familiarisation
 - Meet with the CEO for an operational familiarisation.

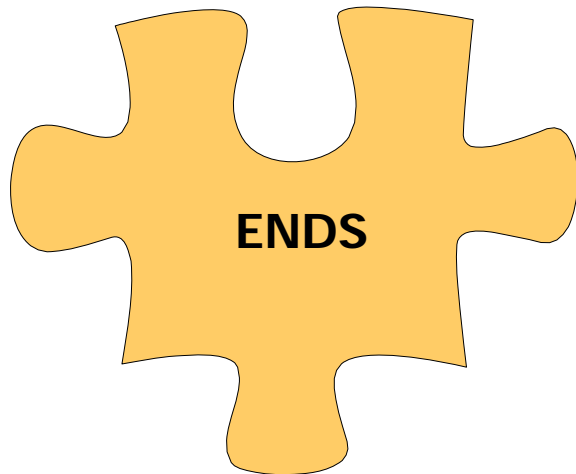
Policy Governance

- Regular Monitoring



Policy Governance

- Regular Monitoring
 - CEO Performance

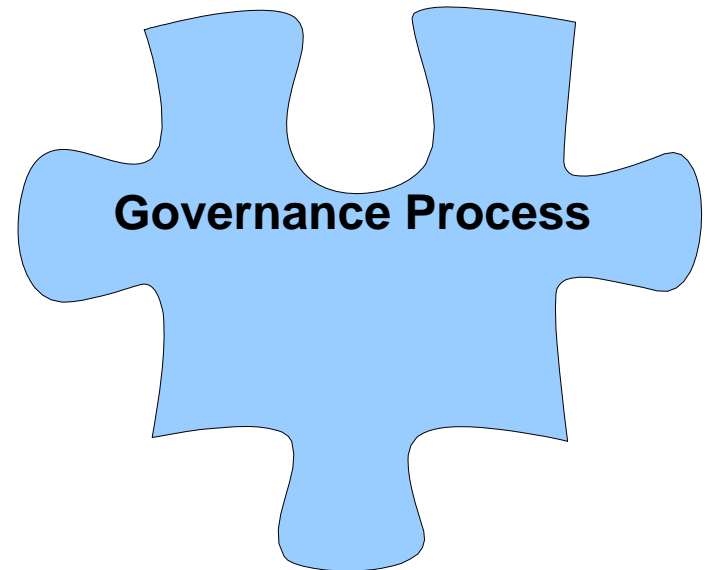
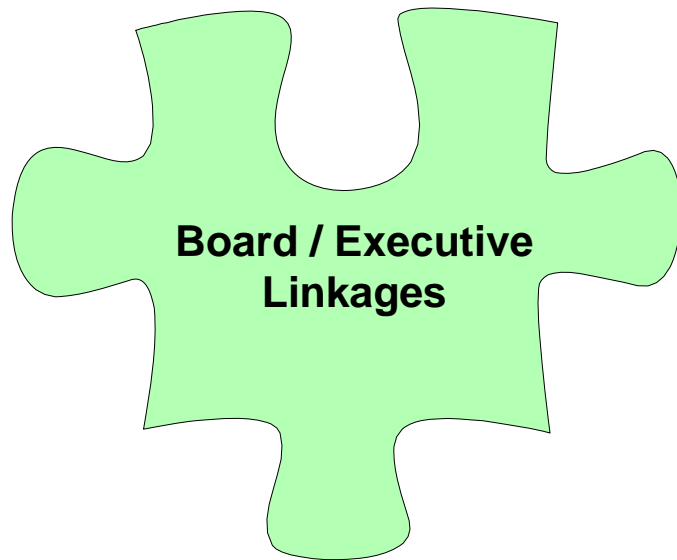


CEO's performance (appraisal) is against these two policy areas.

Cyclic reviews (monthly schedule)

Policy Governance

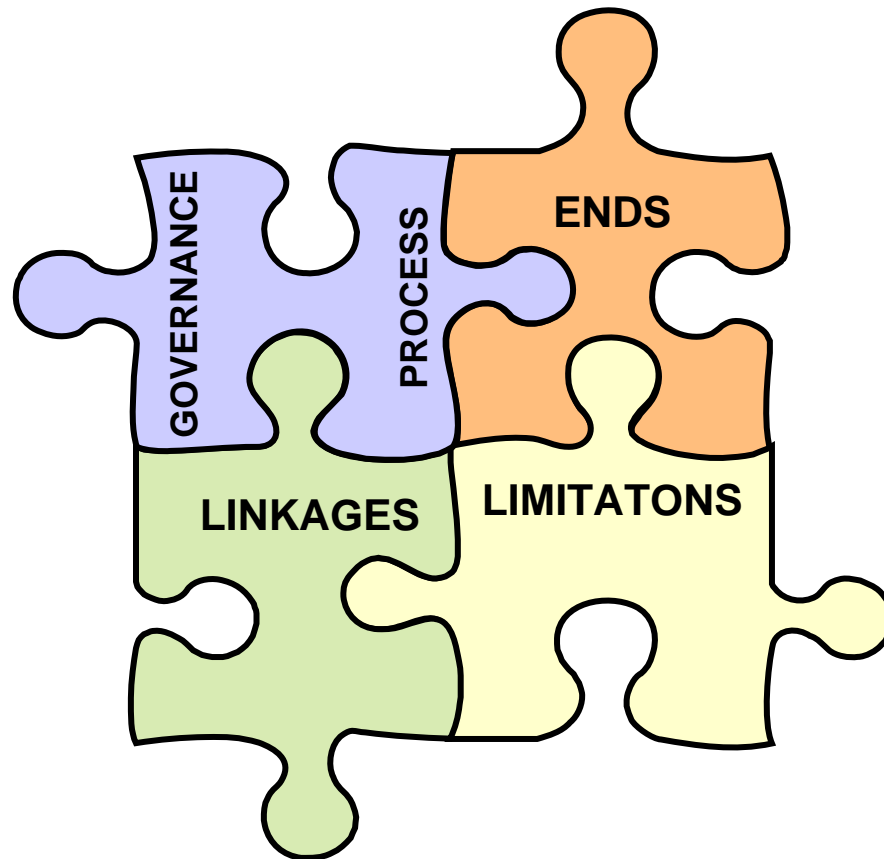
- Regular Monitoring
 - Boards Performance



Boards appraisal against these two policy areas

Policy Governance

- Regular Monitoring= Continual Improvement



Key Tasks of the Board

- In Policy Governance the board can and does delegate authority and tasks
 - ENDS *Achieving the strategic objectives of the organisation*
 - Executive Limitations *What can NOT be done*
- There are Keys tasks the board can not delegate away:
 - Representation & consultation with the owners*
 - Employment of & monitoring of the CEO's performance
- Creating and monitoring of Polices

Where to from Here?

- Implementation workshops
 - Group workshop
 - Sample policies, monitoring tools, writing workshop, ARI (any reasonable interpretation)
 - On site using YOUR data and examples
 - This is a great way to get the whole board involved upfront
 - Whole board to committee before implementing Policy Governance

Policy Governance is implemented in **one go!**

Questions?

Thank You