



Test Your Ability to Recognize Policy Governance Principles in Practice ANSWER KEY (Revised 08/2011)

SCENARIO 1) A NEW CEO

The board has hired a new CEO. They are pleased with their appointment but concerned about her lack of previous CEO experience. The board decides that in order to give their new CEO a good start and themselves assurance that all is well, they should form a sub-committee to advise the CEO for at least her first six months in the role.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT):

2. Governance Position
3. Board Holism
8. Delegation to Management
9. Any Reasonable Interpretation
10. Monitoring

COMMENTS:

It is unnecessary and unhelpful for the board not to maintain the clarity of its delegation to its CEO. The board needs to ensure that their new CEO is fully aware of:

- I. The Policy Governance model itself with special attention to:
 - i. The required components of a monitoring report
 - ii. The continuing monitoring schedule
- II. Their ability to request help or advice from any source including individual board members (in a personal rather than board capacity).

The board may also wish to reset their monitoring schedule to ensure that they receive early monitoring reports on key policy areas in order to ensure their new CEO is on track.

SCENARIO 2) A TROUBLESOME CHAIR

The board's long-time Chair treats board meetings as mere formalities to be got over and done with as quickly as possible. He also has conversations with the CEO which he reports to the board as decisions made by him and the CEO. Some of these concerns emerge at a board retreat and the board decides to schedule time for developing more governance process policies to cover their concerns.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT):

2. Governance Position
3. Board Holism
5. Board Means Policies
8. Delegation to Management

COMMENTS:

Rather than writing more policies, this board needs to require its Chair's compliance with the policies it already has (assuming that those policies reflect the above principles).

SCENARIO 3) INCOME SLASHED!

The organization has just experienced the loss of a substantial source of income. This is going to mean staff redundancies, the recasting of budgets and an urgent search for new income sources.

The board asks the CEO to bring them a plan for showing what his/her intentions are for board members' discussion and approval.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT):

- 4. Ends Policies
- 6. Executive Limitations Policies
- 8. Delegation to Management
- 9. Any Reasonable Interpretation
- 10. Monitoring

COMMENTS:

It is unnecessary and unhelpful for the board to abandon the clarity of its delegation to its CEO.

The board can ask for interim reports on any policy areas it wishes to at any time.

The board can have a policy that requires the CEO to notify the board of any actual or anticipated noncompliance with any Ends or Executive Limitations policy, regardless of the board's monitoring schedule.

The board can require that the CEO's reasonable interpretation of the relevant policies include a reasonable estimate of by when the board can expect compliance to be restored.

The CEO has the ability to request help or advice from any source including individual board members (in a personal rather than board capacity). The board has the ability to ask for any incidental information it wishes at any time.

SCENARIO 4) WHAT REGULATORS WANT

A school board becomes subject to new legislation that requires the board of trustees to approve a long list of matters (such as teachers' evaluation and compensation) that the board had hitherto delegated to its CEO within any reasonable interpretation of its policies. The board decides to change its policies to make it clear that the board rather than the CEO is now directly responsible for these matters.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT):

1. Ownership
6. Executive Limitations Policies
7. Policy "Sizes"
8. Delegation to Management
9. Any Reasonable Interpretation
10. Monitoring

COMMENTS:

It is unnecessary and unhelpful for the board to change the extent of its delegation to its CEO.

Compliance with regulations is essential but should not unnecessarily distract the board from its primary job which is to translate a wise summary of owners' wishes into organizational performance.

Executive Limitations policies and the regular monitoring thereof should already be sufficient to ensure the organization is operated in full compliance with all current regulations. The board's policy on communication to the board should ensure that any formal board approvals necessitated by law or contract are brought to the board on a Required Approvals agenda and agreed subject only to sufficient monitoring assurances regarding the relevant board policies.

SCENARIO 5) CEO EVALUATION

A board is due to discuss its annual CEO performance evaluation at its next meeting. A board member is designated to produce a summary of the results of all the past year's monitoring report assessment results. Several board members express concern that such a summary will not address some of the "soft" issues that they believe should be considered. The Chair schedules a portion of the performance evaluation meeting to discuss these issues as part of the evaluation.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT): 10. Monitoring

COMMENTS:

Evaluating a delegate against uncommunicated expectations is ineffective and unfair. The scheduled session should be used for board members to identify any *full* board expectations that are not covered by any reasonable interpretation of their current policies. These policies can then be amended so that these expectations are automatically incorporated in subsequent annual evaluations.

SCENARIO 6) REPRESENTATION

Fred and Susan are elected to the board to represent District A on the board of a Legal Aid agency. District A is an area that includes many low income families. Fred and Susan consistently advocate for the people of District A to receive a greater share of the agency's resources. The other board members consistently defend their areas against any diminution of resource. The board agrees that it is locked in an unproductive debate. The board decides to embark upon a needs survey of the entire geographic area covered by the agency. This is to be followed by a series of ownership linkage initiatives that will inform its collective decision-making around the "for whom" aspect of its Ends policy.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? Yes

In this scenario the board is acting in accordance with its role as a group authority which is accountable to all its owners.

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT): N/A

SCENARIO 7) BOARD COMMITTEE

The board wants to review its Executive Limitations policies to make sure that they are all still saying what they want to say. The whole board has an initial discussion to identify policies that may need to be changed. The board then decides to create a committee to take a more in depth look. The committee is asked to come back to the board with further discussion points. The committee is also informed that they will eventually be asked to draft policy language for board decision.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? Yes

While the board is using a subgroup do preliminary work, it is holding to itself the responsibility for making the policy decision.

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT): N/A

SCENARIO 8) MONITORING REPORT

The CEO of a hospital submits a monitoring report that reveals that the organisation is seriously out of compliance on patient safety. The board is extremely concerned and immediately forms a committee to investigate and suggest solutions.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? No

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT):

- 3. Board Holism
- 6. Executive Limitations Policies
- 8. Delegation to Management
- 10. Monitoring

COMMENTS:

It is unnecessary and unhelpful for the board to abandon the clarity of its delegation to its CEO.

The board needs to continue to focus on assessing whether the CEO's monitoring reports are sufficient to convince it of the reasonableness and performance of his or her interpretations.

The board can require that the CEO's reasonable interpretation of the relevant policy include a reasonable estimate of by when the board can expect compliance to be restored.

The board can ask for interim reports on the policy at any time.

SCENARIO 9) RENAMING POLICY QUADRANTS

Board members struggle with the commonly used names for board policy quadrants i.e. Ends, Executive Limitations, Board-Management Delegation and Governance Process. They feel that the "foreignness" of these terms interferes with their sense of ownership of their own policies. They decide to change the names to: Strategic Outcomes, Risk Management Framework, Performance Management Framework and Board Operations.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? Yes

The titles do not matter. However, it would not be wise to use titles that board members (and particularly new board members) could easily misinterpret.

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT): N/A

SCENARIO 10) WHAT OWNERS WANT

The board of a charitable organisation has taken on the creation of “supportive public policy” as part of its board job. The board comes under enormous pressure from a clear majority of the organisation’s owners to take a particular political position. The board believes that its owners do not understand that this is likely to lead to the organisation’s demise. However, the board also believes that its owners’ wishes are paramount and takes up the position they request.

DOES THIS SCENARIO DEMONSTRATE PG PRINCIPLES IN PRACTICE? Yes

In this scenario, the board had a choice of making a decision in keeping with owners’ opinions or making a decision that was not in keeping with owners’ opinions. Both decisions would have been in line with Policy Governance principles. The principle in question demands that boards be as aware as the circumstances allow of owner values and that the board act in owners’ interests. The board is not obliged to follow owners’ values in an unquestioning way, nor is it obliged to contradict those values.

It is easy to question the wisdom of the board’s decision in this scenario. However, Policy Governance does not dictate the content of board decisions and it does not prevent boards from making decisions that may seem or actually be unwise.

MAIN PRINCIPLES NOT UPHELD (IF RELEVANT): N/A