Bibliographic information is located at the end of this pdf file.

CHAPTER SEVEN

MONITORING POLICIES TO ENSURE ACCOUNTABILITY

☐ The Challenge

A major part of the promise of Policy Governance is that boards will be more accountable to their owners. How boards connect with their owners to provide this accountability is discussed in detail in Chapter Six. This chapter concentrates on how Policy Governance boards gain the knowledge they need in order to be accountable. In other words, it addresses how boards monitor whether the organization is doing what the owners have a right to expect. Good monitoring is also necessary for a board to be able to focus on the future, knowing that the present isn't running out of control.

The chapter begins by looking at questions about monitoring and accountability that have been encountered by the organizations we have studied:

- What does monitoring involve?
- How do boards monitor Executive Limitations?
- How do boards monitor Governance Process?
- How do boards monitor Ends?
- What types of information do boards receive?
- How do boards evaluate CEOs?
- Does "reasonable interpretation" cause problems?

Later in the chapter you will find the key learnings from our review of these questions and some suggestions for improving your board's performance on monitoring.

The Experience

What Does Monitoring Involve?

Monitoring brings comfort to boards using Policy Governance. A board cannot be accountable if it does not have the information with which to provide that accountability. The Early Childhood Community Development Centre makes that link in this way: "The development of the monthly monitoring reports on scheduled policies has reinforced the power of Policy Governance in assuring accountability for the organization."

Experience has shown that it can take a fair amount of time to set up all the monitoring components. Once established, though, monitoring becomes a key determinant of the long-term success of Policy Governance. Board members often ask, "What should our board monitor?" and "When should our board start monitoring?" Essentially there are three categories of policy to be monitored: Governance Process, Executive Limitations, and Ends. In most organizations the board monitors itself on its Governance Process policies and works with the CEO to monitor Executive Limitations and Ends policies. Most boards seem to recognize that, in each instance, monitoring should start as soon as possible. All but one of the boards we have studied are monitoring at least their Executive Limitations policies to some degree.

How Do Boards Monitor Executive Limitations?

By articulating what it will not tolerate, the board essentially frees itself to focus on the future and allows the CEO and staff to use their education and experience in whatever way they believe best. For most boards, empowering the CEO through the use of Executive Limitations (see Chapter Four) involves a bit of letting go. Board members who are new to Policy Governance often think they are being asked just to trust the CEO. Understandably, many of the organizations we studied found that board members needed considerable reassurance that they were still in control. Putting their monitoring policies in place was what made the difference.

Determining Monitoring Methods and Frequency. To begin the Executive Limitations monitoring, the board discusses each policy and, as a group, decides on the method and the frequency of the monitoring. Preliminary discussion of the decision-making process can yield dividends. Most of the organizations in this book believe that a majority vote is sufficient. Even though monitoring decisions require boards to weigh the relative costs of using staff time, board time, and external services against their desire for the most thorough and objective reporting possible, the decision making seems to be a straightforward process that can be accomplished in one or two sessions.

The Policy Governance model (see *Boards That Make a Difference* by John Carver, 2nd edition, pp. 112–113) suggests three methods of monitoring: executive report, external audit, and direct inspection (that is, inspection by the board). Most of the organizations we studied use all three methods for Executive Limitations. Some have more than one method for a single limitation, especially for financial policies. For example, the Financial Condition policies of the Early Childhood Community Development Centre and of Weaver Street Market require that actual financial conditions be monitored (1) quarterly through an internal report generated by the CEO or designee and (2) annually by using an external auditing firm hired by the board.

Determining the frequency requires board members to decide how often they need to be reassured that Executive Limitations are being followed. The board members' decisions generally relate to how critical they perceive a particular limitation to be. Not surprisingly, financial policies are the ones most frequently monitored, generally on a monthly basis. In other policy areas semiannual or annual monitoring is most common. Typical board Executive Limitations monitoring schedules (see Exhibit 7.1) contain the name of the Executive Limitations policy, the monitoring method, and the monitoring frequency.

Under Policy Governance, in the board's Communication and Counsel to the Board policy, the CEO is also given the responsibility to report any anticipated or actual policy violations. Consequently the board has both the assurance of regular monitoring and the comfort of knowing that it should hear rapidly about any deviations from the agreed-on standards. Having these two assurances allows board members to say with confidence—both to themselves and to their owners—that they are not just trusting their CEOs to follow the rules. Rather they require CEOs to prove that they are adhering to preestablished criteria.

Reporting from the CEO. With the method and frequency of Executive Limitations monitoring in place, the CEO collects pertinent information and presents it in a form that helps the board readily judge adherence to the preestablished standard. The CEO's goal is to be as brief as possible while providing the data

EXHIBIT 7.1.
MONITORING REPORT: FREQUENCY AND METHODOLOGY.

Item in Executive Limitations Policy	Frequency	Methodology
1. Dealings with staff, volunteers, and citizens	Semiannually	Internal report
2. Budgeting	Annually	Direct inspection of budget
3. Actual financial conditions	Monthly and annually	Internal report and external audit
4. Information to council	Bimonthly	Direct inspection at council meetings
5. Assets	Semiannually	Internal report
6. Compensation and benefits	Annually (in October)	Internal report
7. Executive succession	As needed based on turnover	Internal report
8. Conflict of interest	Semiannually	Internal report
9. Action regarding operations of city attorney and city secretary	Annually	Internal report
10. Sharing information and being cooperative with city attorney, city secretary, and municipal court judge	Annually	Internal report

Source: City of Bryan, Texas.

and degree of specificity required to satisfy the board. These executive reports typically contain an overall conclusion and summary data that support the conclusion. In fact, having just the conclusion or just the data is not of much value to either the board or the CEO.

Having the CEO submit executive reports in this format generally ensures that boards receive far more targeted (and therefore less) information than they are used to getting. Some boards we studied therefore worried that they were becoming more distant from the organization. However, they also found that they were receiving a higher quality of information about the areas that most concerned them.

These boards learned to use their policies to solicit information about particular sources of potential problems. As areas of concern arose, the board members amended policies to reflect those concerns and subsequently required the CEO to report to them regularly on those policies. At the Colorado Association of School Boards, for example, a board member saw a particular flaw in the executive recruitment process. The board then decided to amend its Executive Recruitment policy to prohibit the filling of such positions without advertising. Correctly, the board did not chastise the CEO for any action or inaction that occurred before the limitation had been put in place.

The CEO is usually a full participant in Executive Limitations policy development discussions and is encouraged to voice any concerns. This makes sense, given that the CEO must ensure that the organization does not violate Executive Limitations. The CEO therefore has a responsibility to advise the board if a particular Executive Limitation is unrealistic.

In one example, the city council of Bryan, Texas, was considering an Executive Limitation that required that the CEO (the city manager) not allow any "unsafe" working conditions. Because some staff positions, such as police officer and electric line crew member, made potential danger an inevitable part of the workday, the city manager said he was unable to conform to this wording. After discussion, the council agreed to say that worker conditions could not be "unduly unsafe." This language allowed the CEO to account for appropriate training and accident prevention techniques when analyzing the safety of the positions.

As mentioned, most boards are justifiably concerned about the finances of the organization and often create Executive Limitations policies in this area first. During monitoring, the board should expect data from the CEO to demonstrate compliance and to demonstrate it clearly. Let us presume that in one of its financial policies the board has said that "cash balances should not fall below two months' operating expenses" and has requested monthly CEO reports. On a monthly basis the CEO will report the actual cash balance and the minimum balance allowed and will say whether or not the actual balance complies with the policy. With just two numbers and a statement, the CEO can fulfill the obligation, unless of course there is noncompliance. In a case of noncompliance the CEO should have a lot more to say!

How Do Boards Monitor Governance Process?

With the reassurance that the CEO is not going to run amok within the organization (given that the Executive Limitations corral is appropriately in place), boards usually turn to monitoring their own behavior and methods. When boards agree

EXHIBIT 7.2. BOARD SELF-EVALUATION POLICY.

Policy Name: Board Self-Evaluation	Date Approved: July 12, 1995
Policy Type: Governance Process	Review Date: Annually in March

In cooperation with the CEO, the board will establish a set of measurable standards in which the function and process of the board and individual board member performance can be evaluated.

Under the leadership of the chairperson, on an annual basis, the board will conduct a self-evaluation in conjunction with the appraisal of the CEO.

The board may request senior management or an external party or both to assist it in making this self-evaluation.

The board will evaluate itself in the areas outlined in the Board Job Description policy.

The chairperson will distribute a report to the board outlining the results of the self-evaluation.

The board will discuss and interpret the outcome of the self-evaluation.

The board will formulate a work plan that will highlight specific goals and objectives for improvement of identified areas.

The board will monitor its adherence to its own Governance Process policies on a regular basis. Upon the choice of the board, any policy can be monitored at any time. However, at minimum, the board will both review the policies and monitor its own adherence to them, according to the following schedule:

Policy Number and Name		Frequency of Reviewing and Monitoring
GP–1:	Governing Style	Annually in December
GP–2:	Board Job Description	Annually in December
GP–3:	Chairperson's Role	Annually in December
GP–4:	Board Committee Principles	Annually in January
GP–5:	Board Committee Structure	Annually in January
GP–6:	Reimbursement of Expenses	Annually in May
GP–7:	Code of Conduct	Annually in January
GP–8:	Charge to the Chief of Medical Staff	Quarterly and annually in March
GP–9:	Board Self-Evaluation	Annually in March
GP–10:	Board Education	Annually in March
GP–11:	Board Linkage with Community	Annually in February

EXHIBIT 7.2. BOARD SELF-EVALUATION POLICY (*continued*).

Policy Number and Name	Frequency of Reviewing and Monitoring
GP–12: Board Linkage with Other Organizations	Annually in February
GP–13: Board Planning Cycle and Agenda	Annually in February
GP–14: Allocation of Capital Reserves	Annually in August
GP–15: Client and Personnel Appeals	Annually in August
GP–16: Framework for Decision Making	Biannually in June and December
GP–16.1: Criteria for Decision Making	Biannually in June and December

Source: Parkland Health District.

about what they will work on, decide how they will carry out their work, and check adherence to their own standards, they can move quickly and surely toward their predetermined goal. Exhibit 7.2 shows the Board Self-Evaluation policy from Parkland Health District.

Self-Evaluation. Monitoring Governance Process policies need not be elaborate or onerous. Several boards simply conclude each meeting by having a board member give a short monitoring report on the use of Governance Process policies. By answering a series of questions aloud, the board member charged with monitoring helps the group focus on what went right and see what could be improved in the next meeting. For this purpose the City of Bryan uses a form (see Exhibit 7.3) and records it as part of each meeting's official minutes. Members of the council are free to disagree with the monitor's viewpoint, but reportedly they rarely do so, because each strives to achieve the high standard associated with the report.

As with Executive Limitations monitoring, it is essential that a Governance Process monitoring use the policies themselves as the only criteria for judging success. In our study, the boards with the strongest sense of being a team (a sense gained from thoroughly discussing their governance approach and arriving at common values) found it easiest to agree on their own behavior and to recognize when the whole board or any board member was getting off track.

EXHIBIT 7.3. COUNCIL MEETING MONITORING FORM.

In a continual effort to improve its Policy Governance process, the Bryan city council developed this form to evaluate its progress. The scheduled council member evaluator completes this form at the conclusion of each council meeting. The evaluator evaluates the council as a whole and not individual members.

Today's date: ____/____/____

Instructions: In questions 1–5, **S** indicates Satisfactory, **NI** indicates Needs Improvement, and **UNS** indicates Unsatisfactory.

1. The council was prepared for the meeting.	S	NI	UNS
2. The council's time was appropriately spent on Ends as opposed to means.	S	NI	UNS
3. Each council member was given an adequate opportunity to participate in discussion and decision making.	S	NI	UNS
4. The council's treatment of all persons was courteous, dignified, and fair.	S	NI	UNS
5. The council adhered to Robert's Rules of Order.	S	NI	UNS

6. The council adhered to its adopted governance style:

a. It emphasized outward vision:	____Yes	____No
b. It encouraged diversity in viewpoints:	____Yes	____No
c. It exercised strategic leadership more than overseeing administrative detail:	____Yes	____No
d. It maintained a clear distinction between council and staff roles:	____Yes	____No
e. It used collective decision making:	____Yes	____No
f. It looked to the future:	____Yes	____No

7. Evaluator's comments: ________________________________

____

____

Evaluator: ____________________ Signed: ____________________

Amended: January 24, 1998

Source: City of Bryan, Texas.

Evaluation by an Outsider. In all the cases we studied, the board itself does Governance Process monitoring. However, some members worry that the board could become complacent and that collegiality could prevent hard questions from being asked and answered. In a few cases, therefore, boards occasionally ask an outsider to observe and comment on their behavior. The problem is finding someone sufficiently well versed in Policy Governance to ensure that the reviews are consistent with the model. It is also possible that the board will be on its best behavior when the observer is present. Just going through the exercise is undoubtedly helpful, though. For information on boards' use of outsiders as coaches, see Chapter Eight.

Policy Reviews. As with any area of board policy, in addition to regular monitoring, Governance Process policies need occasional review. Especially, with board member turnover, values may change. Ideally policy reviews are done as part of a regular process, but they should be timed so that new members have some knowledge and experience of doing business under Policy Governance before the review takes place. For more on Governance Process monitoring, see Chapter Eight.

How Do Boards Monitor Ends?

Once Executive Limitations monitoring and Governance Process monitoring have been firmly established, boards can turn their attention to their most important tasks—developing and monitoring Ends. As we have seen, this is the most challenging and rewarding area for the board.

Of the eleven organizations studied in this book, only two have Ends monitoring fully in place. Two others have made a start, four are just beginning, and the remaining three have not fully developed their Ends policies and thus have nothing to monitor.

Having invested the time and energy it takes to envision the future, boards most certainly want to know that the CEO, staff, and organization are moving toward that future. For most organizations this means that once an End is adopted and some baseline information is established, periodic checking needs to be done to see what progress is being made. This information need not be elaborate. It certainly should not be monetarily or personally burdensome to collect or report. John Carver has said that "an imprecise measure of the right thing is much better than the most precise measure of the wrong thing." The board has set the targets by establishing the Ends; the CEO demonstrates progress by measuring critical components of the achievement of the Ends.

Monitoring Methods and Frequency. Just as with Executive Limitations, the board is not required to "approve" the details of Ends monitoring methodologies beyond specifying the type and frequency. In fact, the board should expect the

CEO to develop these reports. The board need only ask itself, "With what frequency do we want to monitor this End? What method should we use? An executive report, an external audit, or a direct inspection?" If an executive report is chosen, as in the vast majority of cases, then when each report arrives, the board will ask the next question: "Does this monitoring report give us the information that we need to be certain that the CEO has achieved a reasonable interpretation of our Ends?" If the answer is again yes, the board will want to ask the final question: "Given the resources that the board allocated, is appropriate progress being made toward achieving the Ends? If the answer is yes to all questions, then the CEO and the organization are on the right track.

If the board wants to talk about more detailed monitoring methodologies or Ends, the CEO should be asked to propose possible types of reports, because he or she is best acquainted with the details of operations. The board can then consider whether, if it received that type of information in the future, it could discern whether the CEO had made a "reasonable interpretation" of the Ends and progress was being made. No motion to approve the more detailed methodology is necessary. It is the CEO's methodology, and as such it needs no endorsement from the board, as long as the board later agrees that a "reasonable interpretation" has been made.

Ensuring That the CEO Submits Adequate Reports. Suppose the board concluded that the information it had received was not substantive enough to draw a conclusion about the CEO's interpretation. In this case the board would straightforwardly ask the CEO to develop alternative or improved methodologies. The board could repeatedly ask for this to occur until it got what it wanted. Because the CEO and the staff sit through the discussions and should therefore understand where the board is going, it should not take more than one or two iterations to reach the "reasonable interpretation" stage.

"Reasonable Interpretation" of Ends. In its Ends development, "reasonable interpretation," and monitoring process, the city council of Bryan begins with the mega-End (which is at the level of most mission statements) and then develops a related sub-End and a sub-sub-End in successively deeper amounts of detail. Thus the board members work until they feel they have said all that is necessary to allow the CEO to interpret their wishes further. With their need to work on a macro scale, most boards require only three or four levels of Ends.

Wherever the board stops speaking (that is, at whatever level of detail the board ceases its work), the CEO and staff will likely need to define the Ends further. Several additional levels may be required in order for the CEO to design and implement *means* in order to achieve the sub-Ends and ultimately the Ends themselves. While refining the Ends, staff members ask themselves, "As we speak to the next level and the next, what would a reasonable interpretation of the board's words be?"

Most staffs that have progressed to this point have found such questions enlightening. In this in-depth analysis staff members find themselves confronting the organization's programs, services, and systems virtually at the level of "reengineering" or of starting with a "blank page." While engaged in this process, the staff is working on Ends that are so specific and narrowly focused as to be outside the board's arena. These are not adopted Ends of the board, because the board quit speaking several levels ago, but they are Ends nonetheless.

The CEO and staff can then begin to articulate activities needed to accomplish the Ends. At this juncture virtually every activity (that is every *means*) should be able to be tied directly to one or more Ends. By using their expertise, staff members should be able to look at these activities and make good predictions about the progress the organization will make toward the broader Ends that the board has articulated.

In evaluating the accomplishment of Ends, board members sometimes talk about the CEO's or the organization's actions rather than about the outcomes. They may also insert comments about their own interpretations of Ends. They ask, "Is this what I would have done?" or "Is that the interpretation I would have made?" and they use their answers as the standards. Such a line of questioning is dangerous, for it will quickly lead the board away from a results or outcomes focus. The crucial question is, "Was the outcome a reasonable interpretation of what we previously said?" The board may not like the outcome, but if it was a "reasonable interpretation," there should be no ramifications for the CEO or the staff. Instead the board should reexamine the policy at hand and decide whether different language needs to be included or whether an Executive Limitation needs to be added or revised. Because CEOs are a critical part of this questioning about "reasonable interpretation," the CEO should certainly be allowed to explain how he or she sees the outcome as a "reasonable interpretation" of the board's Ends policy.

Developing Monitoring Indicators. Having refined the Ends as much as necessary to design and implement *means,* the CEO can now provide the board with Ends monitoring indicators (specific measures selected or devised to report progress toward the Ends). Two of the organizations we have studied, Parkland Health District and the City of Bryan, have reached this level of sophistication. These indicators do not have to be entirely precise, but they must be adequate for demonstrating to the board that the CEO understands the board's Ends and that progress commensurate with the priority and funding provided by the board is being made.

For each sub-End the CEO should articulate at least one monitoring indicator. Taken cumulatively, these monitoring indicators should give the board the information it needs to ensure acceptable progress. In most organizations some program information is already being collected. The CEO will certainly want to analyze this data to see if any of it truly addresses Ends or if it simply shows effort. Policy Governance gives no points for effort; it only rewards appropriate accomplishments. If the information meets the criteria, it is a good place to start, because it takes no additional effort to gather and report.

For example, the Bryan police department, like most such departments, is obliged to report various crime statistics to the state annually. By reconfiguring these numbers, the City staff members could supply monitoring information on the Ends related to community safety. They spent almost no new funds or effort. Information previously viewed as "bureaucratic" suddenly seemed quite relevant to the City's mission.

What Types of Information Do Boards Receive?

John Carver (*Boards That Make a Difference,* 2nd edition, p. 109) names three types of information that Policy Governance boards receive: decision information, incidental information, and monitoring information. Because information is so key to the issue of monitoring, it is worthwhile to discuss each briefly and to look closely at the roles of Ends monitoring information and Executive Limitations monitoring information in the total mix of board information.

Decision Information. Decision information is what the board needs in order to make choices. This is the arena that the board enters as it makes policy. Decision information includes environmental information and typically asserts what others are doing or perhaps what the state of the art is in a particular segment of the board's business. However, decision information may also be internal, such as information about the organization's ability to produce a certain result or information about an adverse staff reaction to a certain Executive Limitation. Because Policy Governance boards are primarily focused on the long term, decision information almost always has implications for the future.

Incidental Information. Incidental information is the information that a CEO gives the board principally to sustain the board's sense of connection with the organization. Because individual board members want different types of incidental information, a CEO generally packages it in a "take-it-or-leave-it" format. Some members read every word and wish for more, and others never open the packet. As long as the board recognizes this information for what it is, no harm is done at either extreme. It is perfectly acceptable for the board to want to know what is going on. In fact, through this incidental information the board will often find something that triggers thinking for a new policy or for a revision. It is when this incidental information is misused to judge performance that the board has wandered off course.

Monitoring Information. For true judging of the fulfillment of its policies, the board must look to monitoring information. As discussed earlier in this chapter, monitoring information from outside the board comes in two forms: Ends monitoring information and Executive Limitations monitoring information.

Ends Monitoring Information. Ends monitoring information is different from other information sent to the board in that it is highly specific to the Ends being monitored. It is also easy to read and understand, making it straightforward for board members to answer the question "Did the CEO accomplish what we said we wanted?"

The City of Bryan lists each council End, then supplies the information pertinent to that End. For example, one of the City of Bryan's sub-Ends is, "Residents and visitors are reasonably protected from emergencies and natural disasters." At the next level of specificity, one of the council's sub-sub-Ends is, "There is low loss due to fire." The CEO has interpreted this statement in two further sub-sub-sub-Ends, one of which is, "Property damage is minimized." He has then developed two monitoring indicators for this sub-sub-sub-End: (1) the number of structure fires per annum and (2) the percentage of fire calls responded to within five minutes.

In some cases, monitoring information can apply to more than one End. The City of Bryan has found it helpful simply to repeat the information. In this way council members who want to examine progress on a particular End can go to the End itself, rather than trying to deduce which monitoring information applies to which End.

Jan Moore, a consultant who works with the Policy Governance model and who has advised Parkland Health District extensively, correctly points out that "the nature of Ends related to health care frequently takes a long-term perspective," so it is difficult to find solid short-term evidence that will point to the achievement of Ends. When facing this dilemma, CEOs may tend to revert to reporting activities rather than giving the *results* of the activities. Moore also acknowledges that the art of accurately measuring health status is still relatively undeveloped. This further tempts CEOs in health care to provide measurements of *means.* She urges, "The board must insist on Ends monitoring indicators, even if they are gross indicators."

Executive Limitations Monitoring Information. Executive Limitations monitoring information is also used to judge performance. The CEO or other board-designated board member, committee, or external auditor reports on the CEO's compliance with the preestablished criteria provided by each policy. This information is also succinct and easily understood. Such compliance information is generally available in most organizations and must simply be customized to the specific Executive Limitation.

Information About Noncompliance. Most Executive Limitations policies include a policy that requires the CEO to notify the board whenever the organization is in danger of not being, or actually is not, in compliance with board policy. In addition to informing the board, the CEO is expected to provide information as to how the noncompliance occurred or is occurring, what steps are being taken to regain compliance, and the anticipated time line for regaining compliance. Depending on the nature and the severity of the noncompliance, the board may well ask for frequent updates on the organization's progress in regaining compliance.

As we have already seen, most boards monitor Executive Limitations on a biannual or quarterly basis. Parkland Health District monitors some policies at each meeting by formally placing an item on the agenda to do so. The board reads the monitoring information in advance and comes prepared with any questions about the adequacy of the information or about areas of noncompliance. When there is noncompliance, the board determines whether it wishes to receive a supplementary report before the next regularly scheduled monitoring date. But the board does not try to help the CEO "fix" the area of noncompliance. It is the CEO's responsibility to regain compliance.

The boards covered in this book seem to find that with clearly articulated Executive Limitations, the CEO stays well within policy. Knowing the criteria in advance allows the CEO to structure organizational behavior in such a manner as to achieve compliance most of the time.

How Do Boards Evaluate CEOs?

A crucial Policy Governance discipline is regular evaluation of the CEO's total performance against all the board's Executive Limitations and Ends policies. The boards we have studied provide several examples of how this can be achieved. The Southern Ontario Library Service board conducts an annual performance review of the CEO against all its Executive Limitations and Ends policies. The London YMCA-YWCA has an extensive annual process that includes assessment against Executive Limitations. Weaver Street Market uses "all the monitoring reports submitted during the year" and seeks the CEO's input when agreeing on its process.

For Parkland Health District, "The annual evaluation of the CEO has been completed as a cumulative review of previous monitoring data."

The fact that the board has made clear what it expects of the CEO and that monitoring data is routinely being collected makes CEO evaluation relatively simple under Policy Governance. But the tools are powerful; CEOs report feeling more accountable and liking it.

Does "Reasonable Interpretation" Cause Problems?

From the evidence provided by the eleven organizations examined in this book, the matter of the CEO's "reasonable interpretation" certainly does not cause problems. Only two boards cited any potential disagreements with their CEO about interpretation of their policies. In each instance the issue was quickly resolved to the board's and the CEO's satisfaction.

The design of Policy Governance leaves little room for a CEO to misinterpret a board's wishes, because (1) the board is required to say all it has to say to the CEO clearly and concisely, and (2) regular monitoring swiftly reveals any misinterpretations, which the board resolves either by further refining its policy language or by correcting the CEO. In our sample of organizations, the latter course of action had never been necessary.

☑ Key Learnings

We have learned several things about the way boards monitor and evaluate the whole range of their responsibilities.

Monitoring Is Essential for Accountability

Monitoring is the key tool for giving the board and the CEO the information they need to hold themselves accountable under the Policy Governance model. Ultimately, monitoring proves to the ownership (and to any oversight agencies) that the board is fulfilling its role responsibly.

Accountability Creates Trust and Improves Performance

In the organizations we have studied, Policy Governance seems to have produced better and more trusting relationships between the board and the CEO. There are no instances in which "reasonable interpretation" seems to have been abused, and there is some evidence that the CEO's empowerment under Policy Governance is trickling down to other staff levels.

Monitoring of Executive Limitations Is Well Advanced

Almost all the organizations covered in this book regularly monitor Executive Limitations. The financial policies seem to require the most frequent reporting and external verification. Monitoring gives boards confidence. One organization relates, "When the staff presented the budget, not for approval but to show that it met all the criteria of the Executive Limitations policy, the chair turned to the staff member and said, 'I'm so glad I don't have to turn to you and ask a pithy question about the miscellaneous line item.'"

Monitoring of Governance Process Creates a Team

Boards that are monitoring their own performance report an increase in their sense of being a team and ability to remain true to their commitment to govern rather than manage.

Monitoring of Ends Is Coming Slowly

Although boards recognize that they need to monitor Ends to measure organizational progress, this process is very much "under development" for most boards. In fact, only two of the eleven organizations have created detailed monitoring indicators for Ends. This reflects the fact that it takes considerable time and effort to develop Ends policies.

○ Taking Action: Strategies for Where You Are Now

When it comes to monitoring policies, your board may be a bit green, somewhat experienced and somewhat frustrated, or quite proficient. Wherever your organization is currently positioned in relation to monitoring, plenty of tools and tips can help you move along with greater efficiency and speed.

If Your Board Is New to Monitoring

If your board is relatively new to the model and is avoiding the monitoring component because it seems daunting, take heart. By creating the policies to be monitored, you have already done the most important piece; you have created the monitoring criteria. None of the boards we have studied found it difficult to make decisions about the monitoring method or frequency. It was simply a question of setting aside the time to put the structure in place. Look at the "Practical Tips and Tools" section that follows and the similar sections at the end of Chapters Four and Eight, which also contain relevant ideas for making your work run smoothly.

If Your Board Has Begun Monitoring but Has Become Stuck

If your board has started monitoring Executive Limitations and Governance Process policies but has become stuck on Ends monitoring, it may need to remind itself that the CEO is responsible for developing and providing the Ends monitoring indicators. Ends are the heart of the Policy Governance model, and work in this area offers the greatest rewards to the board and to the ownership. Don't fall at this last hurdle.

If the board has simply become tired or distracted, see the ideas in the "Practical Tips and Tools" sections of Chapters Three, Four, and Six for remotivating your members.

If You Are Monitoring Governance Process, Executive Limitations, and Ends

If your board is monitoring all three types of policies but is still not sure that it is getting the right kind of information, see the ideas in the "Practical Tips and Tools" section for increasing the board's confidence.

If your board is monitoring all three components well, it is among the growing numbers of boards that are truly reaping the benefits of good governance. Now all you need to do is ensure that your board is taking the monitoring reports seriously and always seeking to improve the process.

▶ Practical Tips and Tools

Practicing Policy Governance is not unlike learning to ride a bike. Your board will fall occasionally, but over time it will learn the skills and become quite accomplished without significant conscious thought.

Introduce Your Board to Monitoring Reports

Use the first monitoring cycle as a learning process. Observe how comfortable the board is with the content, level of detail, and format of the report. Consider the following questions when reading monitoring reports for the first time.

- Does the information presented relate directly to the policy criteria? If so, how?
- Does the information reasonably assure us that there is compliance with the policy?

Encourage discussion of monitoring reports and process by including monitoring as a specific agenda item at each meeting. Invite board members to bring up any item that concerns them. Remind board members of their obligation to review monitoring reports as their primary way of getting the information they need to be accountable.

Assuage the Board's Fears

If one of your board's continuing concerns in implementing Policy Governance is that something "bad" may happen while the board isn't looking, board members may want to create a worry list (see Chapter Two). This is a brainstormed list that puts everyone's fears on the table for discussion. Once the list is developed, the board and the CEO can discuss each fear. They can determine whether an existing Executive Limitation addresses the fear and whether a corresponding and adequate monitoring report is being provided. If so, that fear can be crossed off the worry list. If not, a new or revised Executive Limitation or monitoring report can be adopted. Using this process should reassure every member that they are behaving responsibly and that if something unpredictable and undesirable does occur, the board will be made aware of it very quickly.

Reassurance can also come from learning about the experience of other organizations. Ask other Policy Governance boards if they have had any trouble ensuring a "reasonable interpretation" or monitoring policies in general. Read relevant materials, such as John Carver's article in *Board Leadership* no. 24 called "Board Approvals and Monitoring Are Very Different Actions" or "Guest Presentation" in *Board Leadership* no. 34, which is about the City of Bryan. (See Resource C for details.)

THE POLICY GOVERNANCE FIELDBOOK

Practical Lessons, Tips, and Tools from the Experience of Real-World Boards

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Foreword by John Carver

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