



Muskegon Community College

BOARD OF TRUSTEES BOARD RETREAT MINUTES

January 5, 2015 – 8:30 a.m.

Shoreline Inn – Marina View Room

Facilitator: Dr. Pat Keir, ACCT

Present: Chair Crandall, Vice Chair Osborn, Trustee Frye, Trustee Moore, Trustee Mullally, and Trustee Portenga

Absent: Trustee Oakes

Dr. Keir began with introductions and the purpose for the retreat, stating that Policy Governance keeps the Board doing what they want to do, which is high level visionary thinking and planning.

I) REVIEW OF POLICY GOVERNANCE PRINCIPLES AND ELEMENTS

Policy governance requires work.

- There is one central reason to have a board: Simply put, the board exists (usually on someone else's behalf) to be accountable that its organization works.
- The board is where all authority resides until some is given away (delegated) to others.
- This simple total authority-total accountability (within the law or other external authorities) is true of all boards that truly have governing authority.

Carver's Policy Governance Model in Non Profit Organizations, <http://www.carvergovernance.com/pg-np.htm> – all quotes that are not otherwise identified come from this source or from Carver J. and Carver, M. The Policy Governance Model and the Role of the Board Member, available free at www.carvergovernance.com.)

Benefits of Policy Governance

- The Policy Governance model is based on the functions rather than the structure of a governing board. The practices of the Policy Governance board, which are consistent with the principles, allow it to control without meddling, focus on organizational outputs, powerfully delegate to a CEO and staff, and discharge its fiduciary responsibility in a visionary, strategic manner. Because the model is a total system, it does not fulfill its promise when used piecemeal.

Direction to the CEO

- CEOs who work for Policy Governance boards do not have to guess what it will take to make their boards happy. They know that to get a positive evaluation from their board, they must provide 2 things: a reasonable interpretation of the boards Ends and Executive Limitations policies (justified according to any reasonably well informed person test) and reporting data that substantiate accomplishment of those policies, as reasonably interpreted. (Charney, B. (2013). *Noncompliance: Who's to Blame? Board Leadership*, 2013(128), 4-8)

Basic Principles of Policy Governance – (from Carver’s Policy Governance Model in Non Profit Organizations, <http://www.carvergovernance.com/pg-np.htm>)

- In policy governance the board acts as a unit, no one single person represents the board.
- The Board needs to review the Ends Policies on a regular basis.

1. Ownership

The board exists to act as the informed voice and agent of the owners, whether they are owners in a legal or moral sense. All owners are stakeholders, but not all stakeholders are owners, only those whose position in relation to an organization is equivalent to the position of shareholders in a for-profit-corporation.

2. Position of Board

The board is accountable to owners that the organization is successful. As such it is not advisory to staff, but an active link in the chain of command. All authority in the staff organization and in components of the board flows from the board.

3. Board Holism

The authority of the board is held and used as a body. The board speaks with one voice in that instructions are expressed by the board as a whole. Individual board members have no authority to instruct staff.

4. Ends Policies

The board defines in writing its expectations about the intended effects to be produced, the intended recipients of those effects, and the intended worth (cost-benefit or priority) of the effects. These are Ends policies. All decisions made about effects, recipients, and worth are Ends decisions. All decisions about issues that do not fit the definition of Ends are means decisions. Hence in Policy Governance, means are simply not Ends.

5. Board Means Policies

The board defines in writing the job results, practices, delegation style, and discipline that make up its own job. These are board means decisions, categorized as Governance Process policies and Board-Management Delegation policies.

6. Executive Limitations Policies

The board defines in writing its expectations about the means of the operational organization. However, rather than prescribing board-chosen means – which would enable the CEO to escape accountability for attaining Ends, these policies define limits on operational means, thereby placing boundaries on the authority granted to the CEO. In effect, the board describes those means that would be unacceptable even if they were to work. These are Executive Limitations policies.

7. Policy Sizes

The board decides its policies in each category first at the broadest, most inclusive level. It further defines each policy in descending levels of detail until reaching the level of detail at which it is willing to accept any reasonable interpretation by the applicable delegatee of its words thus far. Ends, Executive Limitations, Governance Process, and Board-Management Delegation policies are exhaustive in that they establish control over the entire organization,

both board and staff. They replace, at the board level, more traditional documents such as mission statements, strategic plans and budgets.

8. Clarity and Coherence of Delegation

The identification of any delegatee must be unambiguous as to authority and responsibility. No subparts of the board, such as committees or officers, can be given jobs that interfere with, duplicate, or obscure the job given to the CEO.

9. Any Reasonable Interpretation

More detailed decisions about Ends and operational means are delegated to the CEO if there is one. If there is no CEO, the board must delegate to two or more delegatees, avoiding overlapping expectations or causing confusion about the authority of various managers. In the case of board means, delegation is to the CGO unless part of the delegation is explicitly directed elsewhere, for example, to a committee. The delegatee has the right to use any reasonable interpretation of the applicable board policies.

10. Monitoring

The board must monitor organizational performance against previously stated Ends policies and Executive Limitations policies. Monitoring is for the purpose of discovering if the organization achieved a reasonable interpretation of these board policies. The board must therefore judge the CEO's interpretation for its reasonableness, and the data demonstrating the accomplishment of the interpretation. The ongoing monitoring of board's Ends and Executive Limitations policies constitutes the CEO's performance evaluation.

- All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands board actions inconsistent with Policy Governance the board should use a 'required approvals agenda' or other device to be lawful without compromising governance.
- Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing board to realize owner accountability. When they are not used completely, true owner accountability is not available.

What Your Board Needs to Define (Policies)

1. **ENDS** (what benefits will the organization produce for whom at what cost?)
2. **Management Limitations** (limits that CEO must adhere to in achieving the ends...The CEO shall not fail to or the CEO may not)
3. **Governance Process** (Board's description of, and the rules to be adhered to, in doing its job.)
4. **Board-CEO Executive Delegation** - (How the board will delegate to the executive and hold the executive accountable for achieving the Ends within the bounds of the Management Limitations.)

2. DEFINING BOARD ENDS

- Define the effect to be produced by the organization for an intended recipient of the effect and the worth of the effect (cost or priority). Every designation of the intended recipient of the effect.

NOTE: Designation of organizational results, who gets the results, and the cost or priority of the results – but do not designate the methods to be used to achieve or support them. Also ENDS can move from general to more specific as the Board wishes.

ENDS not Means

- Means include governance, finance, human resource issues, and all organizational actions including programs, services, and curricula.
- The Board is only concerned with whether the means chosen prove effective in meeting the ends within the parameters and restrictions named by the Board.
- Rather than identifying the means that the CEO should use, rather the Board defines what means would be unacceptable ... even if effective, are imprudent, unlawful, of unethical ... Clarify as closely as necessary what means would be unacceptable to the Board *even if effective*.

3. LIMITATIONS AND RESTRICTIONS

- Rather than describing means or activities the CEO should take to achieve ENDS, the Board delineates what the CEO must not fail to do, or must not do, to achieve those ENDS, even if those approaches could prove effective.
- The CEO knows that as long as the disallowed means are avoided, any means decision he or she makes is authorized by the Board (as long as it is a reasonable interpretation.)

Defining Limitations and Restrictions

- Don't let this occur Watch out for limitations which are “back door” ways of describing the means to be used ... The CEO should not fail to use the Balanced Scorecard management approach.

Governance Policies

- These are policies about the Board's Ends and Means.
 - **Governance Process Policies** describe the board's job, its connection with “owners, and its expectations about the performance of itself, its chair, its committees, and its members.”
 - **Board-Management Delegation Policies** describe the manner in which the board connects governance to management. (Board's decisions to use a CEO function, to monitor that CEO's performance in a defined way, and to establish CEO authority.)

4. BOARDS ROLE IN MONITORING

- Monitoring CEO performance is the same as evaluation of the organization.
- The Board should also monitor its own adherence to its Governing Policies.
- When the Board seeks to evaluate itself, it compares its actual behavior and accomplishment with the behavior and accomplishment it committed to in its Governance Process and Board-Staff Linkage policies (Carver, 1997b). Policy Governance boards tend to

self-evaluate on a frequent basis—we recommend every meeting—because a more sophisticated system requires continual tending. <http://www.carvergovernance.com/pg-np.htm>
Carver's Policy Governance® Model in Nonprofit Organizations
by John Carver and Miriam Carver.

How to Proceed Now

- Be sure that board members and the CEO understand the model.
- Make a full board commitment to adopting the model.
- Put the board's commitment to move ahead on paper.
- Develop all policies except ends. (Ends will be saved until last.)
- Adopt a single temporary ends policy.
- Do an administrative and if necessary legal check.
- Prepare the first few agendas for board meetings ready to go.
- Design the first steps in connecting with the ownership.
- Set a specific date to inaugurate the system.

Most boards take from six to twelve months to implement this process. Completing the nine steps above means only that the real governance work can begin. Three efforts will demand the majority of board time and energy forever. First, the ends will need continual attention in perpetuity. Second, finding ways to gather owners' input is not easy. Third, sufficient self-evaluation and redevelopment are needed so that board leadership can continue to improve.

<http://www.callipygia600.com/callnugget/lessons/handouts/carver.htm>

Implementation Planning

- To-Do List
 - Begin to broadly define ENDS. Apply the “reasonable interpretation” criteria to ENDS to further delineate them.
 - Begin to generate EXECUTIVE RESTRICTIONS for ENDS to the point where the Board is comfortable delegating their achievement to the CEO. Avoid identifying MEANS, even by back-dooring them.
- Identify and describe Board Ends and limitations.
- Determine the process the Board will use to determine the extent to which ENDS are being met.
- Determine how the Board will self-evaluate and engage in continuous improvement.
- Determine how the Board will continually refine, and often add, ENDS.

Write Policy Language for Governance and Relationship with the CEO

- **Develop Board Policies in concurrence with the principles of Policy Governance for its own Governance and Functioning.**
- **Develop Board Policies Clarifying the Relationship and Responsibilities of the Board and the CEO.**
- Clarify what evidence the BOARD would require and when to monitor CEO achievement of Board Ends without breaching Board restrictions.
- Create and implement a process for orienting new Board Members to policy governance.

Steps and Tasks for MCC's Transition to Policy Governance

1. Begin a task list (who, what how, by when . . .) to complete the work needed to install the policy governance system.
2. Governance Policies – Need to write or have them written. Most books suggest that these need to be written first.
3. Make a resolution and vote on it at an upcoming Board meeting that the Board is going to practice policy governance.
4. Monitoring Performance: for the ENDS, what would the board do . . .
5. Go through existing policies and bylaws
6. Board - Define the minimum of what you need to know.

The Board discussed the following to-do list to move forward:

1. Decide on when the board will spend the time developing this. It was the consensus that during current study session committee time, at 2:30 p.m. on the Monday before the Board meeting would work best.
2. Determine who will do what?
 - Trustee Portenga will review the bylaws.
 - Chair Crandall and Vice-Chair Osborn will review current policies to determine Governing policies, Executive Limitations, which ones are means-to get rid of, etc.
 - Cindy DeBoef will order Carver booklets (Reinventing your Board, and Evaluating your CEO and Board for the Board to read – review samples from other colleges
3. Start to develop board governance, board policies, and executive limitations/relationship with the CEO.
4. Develop ENDS.

The target date to fully implement Policy Governance will be July 1, 2015.

The Board will meet on January 20, 2015, as a committee as a whole to discuss policy governance at 2:30 PM in the MCC Board Room, Room 400Z. This meeting will replace the Finance Committee and Personnel Committee meetings.

Minutes submitted by Secretary, Nancy Frye.

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