Your Policies Should be a Tool, not a Taskmaster

We recently responded to a call for help from one of our client boards that had become a slave to its policies. Directors were at the point where they were ready to throw the whole process away and go back to the way they had previously operated, that is with few policies and no governing discipline, as such. They had found themselves caught in a tangle. The board had adopted its policy framework with some enthusiasm believing that the policies would provide a systematic approach to its governing role. Indeed it became so systematic and disciplined that many of the directors felt caged and controlled. They deeply resented this.

Such a scenario begs several questions. Perhaps toughest is, 'should the board feel constrained by its policies?'

The easy answer is yes - it should. After all, it adopted them as the basis of its way of working. To adopt policies and then to breach them would be seen to be a breach of good faith and of the board's integrity. This is especially so when the board breaches those policies such as the Conflict of Interest policy or the board's Code of Ethics that speak to its own behaviours and actions.

The hard answer relates to the board's emotional response to a sense of feeling constrained or caged. To the question, 'should the board feel constrained in the sense of feeling caged-in?' the answer is no. Yet how can a board hope to demonstrate the integrity of its processes when it wants to break free from its own rules just because they feel uncomfortable?

The board that called for help found its meetings so constrained by the policies it had adopted that these came to dominate the meeting. Directors felt that they could not move without fear of committing a policy violation. They felt they constantly had to consult their policies. This then became the focus for the meeting and 'governance', in the sense of effective leadership, went out the window. Or at least that's how it felt to them.

Policies are an expression of the board's most fundamental values

Policies enunciate principles on which the board (and management) builds its operating framework. They define accountabilities around those principles that are fundamental to an agreed way of working. While this article focuses on the board's policy framework, management also gains strength from soundly developed policies. While the board and management are accountable to different masters or constituencies, nonetheless both are accountable and, where policies exist, these are an expression of that accountability.

Policies should say what they mean and mean what they say

Because policies are fundamental to accountability, it is imperative that they are carefully worded and clearly understood. All who are bound by them or who hold others to account for their implementation should know exactly what outcome is intended by the policy and why. For that reason a board, creating its policy framework, should not leave the development process to a subcommittee or, worse, to its management, which then presents a finished product to the board for adoption. This process often results in a lack of buy-in from the board as a whole which can feel like it is little more than a rubber stamp. The opportunity for the whole board to explore the policy, its wording, its intention and the consequences of its implementation is lost. With that there is insufficient understanding and agreement to enable the policy to enjoy a long and productive life. While the policy development should not be left to the CEO, neither should the CEO be removed from the development process. In respect of much of the board's policy it is the CEO who is responsible for implementation. He or she must, therefore, fully understand the board's intentions and reasoning.

This should not stop at policy directed at defining desired outcomes or to managing risks. Given the closeness of the board-CEO relationship, and the board's dependence on the CEO to support many aspects of its governing functions, the CEO should also understand how the board's own internal policy framework shapes the way it will determine its own work.

When boards fashion their policies, a process should be instigated that results in careful and thorough debate about why the policy is required, what is intended to be achieve through its implementation, what impediments there might be to such achievement and how the policy will be reported against and monitored. Writing policies often involves delicate and skilful craftsmanship. The best policies are usually the most elegant. That is they use the fewest and simplest words possible, they go right to the heart of the matter, and they are unambiguous.

If, as has been stated, policies are the foundation of accountability, there must be no room for misinterpretation or ambiguity. The board owes to itself, the CEO and all others on whom the policy impacts, an assurance that it says what it means and means what it says.

Policies are just a tool

At the heart of this debate must be the principle that the board's policies are, simply, a tool for governance. They do not, in themselves, constitute governance. Policies should be designed to be liberating, not constraining. They should provide clear agreements, *in advance,* about certain desirable governing and managing outcomes and behaviours. Policies, once agreed and in place, free directors from having to create operating rules or agree appropriate behaviours and actions 'on the hoof' or in response to unexpected or unanticipated events. Ad hoc, or emergency, policy-making often results in inadequate or too narrowly defined policies that, themselves, then require reworking at a later stage.

Any sense of being constrained derives from the discipline of working to those agreements. Ideally a board should never adopt a policy that is destructive of common sense and sound governance practice.

Systematic monitoring and evaluation

Should a policy, adopted in good faith, be found to result in an unintended negative consequence, the board should re-address and recreate it so that it achieves a positive and productive outcome. Policies should be the board's friend, not its enemy.

We, therefore, recommend that boards develop policy monitoring processes that are simple yet effective. Typically we advise a systematic approach that sees the board determining ahead of time how it intends to monitor certain policies, when, and to what depth. The monitoring process then becomes part and parcel of the board's ongoing governing role.

The board's role centres on the development and monitoring of policies that secure a strong and viable future for the organisation while at the same time ensuring that all compliance requirements are met. Policies, by definition therefore, are crucial to effective governance.

Just as the board should re-address an individual policy that has become an inappropriate taskmaster, so too should it address a renegade policy monitoring process.

Some boards choose to monitor the CEO's compliance with their policies on a regular, systematic basis, perhaps one policy category per meeting. Simultaneously with the CEO's compliance reporting, the board might assess its ongoing commitment to the policy as worded. When, like most other historical reporting, the CEO's policy compliance report is read prior to the board meeting, satisfying the board that all is 'as it should be' a simple acknowledgement of compliance, at the board meeting, will often suffice. The review of the policy as worded is the focus of the board's meeting discussion and it should take as long as it requires to achieve satisfaction, understanding and agreement about the policy and its ongoing relevance.

Post script

Some readers might be wondering what became of the 'trapped' board. The policy that was causing the most concern was their Agenda Planning policy. They had lost sight of the real purpose of the board meeting and the benefits to be gained from having eight intelligent, committed and widely experienced people sitting around the table. When we revisited this policy the board realised that the opportunity to consider and apply the wisdom of its members had been lost. There was little time spent in strategic thinking or discussion about results to be achieved or stakeholder issues. Rather board meetings had become tangled in policy compliance monitoring and endless policy review. Once the agenda design was realigned to maximise the time allotted to creative, futuristic consumer focused issues, the cloud of gloom lifted. Anger and frustration was replaced with a hopeful optimism. (See also *Good Governance # 17,* "Tools for Improved Governance – Making Better use of the Board's Time.") When we last checked all was back on track and the policies were in their rightful place as tool not taskmaster.