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## Defining And Agreeing on the Board's Role

By

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*The Board's job is to govern – providing direction and control – and the chief executive's job is to manage operations.*

### **Policy leadership: the need for effective 'policy'**

Many organisations rely on their constitutions almost exclusively for guidance on governance responsibilities and processes. As was described in the Governance Concepts section, a constitution or rules define the components of the contract between the owners (Members) and the organisation. While the contents of a constitution might be regarded as policy inasmuch as they provide clear guidelines about certain organisational matters, they are not policy in the manner outlined in the Policy Governance model.

The constitution (or rules) is, nonetheless, an important starting point for the development of policy. Any constitution needs to be interpreted and made operational. It is this process, and taking into account the Board's legal and other responsibilities, that gives rise to the Board's policy-making function.

The Board's policy framework provides it with the means to exercise effective 'remote control' over the organisation and to ensure important matters are handled effectively without the Board necessarily being directly involved in all decisions.

*A policy is an agreed basis for action, made ahead of time.*

### **Develop a Board charter**

Boards in all sectors private, public and not-for-profit – have adopted the process of developing and using a Board Charter as the basis for defining their governance principles and practices. While some organisations develop a short and succinct charter addressing just the basic principles, others develop a comprehensive document that leaves no stone unturned in defining the Board's role, responsibilities and processes. It is not uncommon for listed companies to have a charter that is more than 100 pages. This resource does not advocate such an extensive document but it does recommend that a Board charter be sufficiently comprehensive to make clear to all who might use it exactly what is required for good governance of the organisation. With a coherent policy framework, it is possible for a Board to govern based on predetermined values and agreements rather than on the basis of ad hoc or reactive decisions.

The development and adoption of a Board charter and/or explicit governance policies require a Board to:



- ❖ Develop a sense of its values;
- ❖ Understand effective governance-level leadership;
- ❖ Establish expectations of its collective and individual performance;
- ❖ Focus on its unique contribution to the organisation's success;
- ❖ Undertake regular evaluation;
- ❖ Plan for continuity, as Board members change;
- ❖ Facilitate the induction of new members; and
- ❖ Ensure there is a productive relationship with the chief executive.

Organisations sometimes reject governance-level policy leadership out of the mistaken notion that governance policy would be an inappropriate restriction on what the Board might be able to do. Others develop policies that are regarded as governance policies, but are actually operational policies that belong at the operational level under the authority of the chief executive.

*It's generally accepted that the role of any governing Board is to determine and monitor policy. It's management's job to implement that policy.*

### **What are policies and how are they made?**

What many organisations think of as *policy* is really *protocol* and *procedure*. It's useful to think of policies as a principles-based *framework* or set of guidelines within which action takes place. By comparison, protocols and procedures are usually *prescriptions* for *how* something should be done.

The policy making process should be proactive and conducted ahead of need. Unfortunately, in many organisations policy making is reactive. This is seldom as effective as policy made in advance.

When developing governance-level policy a Board should start by identifying and defining the highest, broadest or most abstract level of an issue requiring policy direction. Policy making should start with an overarching policy statement. This becomes the umbrella policy under which its expectations can be spelled out in progressively greater detail.

The Board shouldn't conclude its policy making until it's confident that whoever it is directed to (e.g. the Board members or the chief executive) can interpret and implement it. The Board's objective must be to ensure the desired *outcome* is achieved. The Board can then be certain it is willing to support its own or the chief executive's actions arising from the policy.

Within the Policy Governance model the Ends policies or statement of strategic direction, the Governance Process policies and the Board-CEO Interrelationship policies are all written in prescriptive form – that is, they say what must be done or must be achieved. The CEO Delegation policies, however, are written as a proscription stating what must not be done. The reason for this will be explained in greater detail in Step 3 Employ and Support a Chief Executive.



### Speaking with ‘one voice’

The policy development process gives all Board members the opportunity to consider what is required to give effective direction and to express their point of view. The Board’s policies embody the sum of its members’ values and perspectives.

It’s not always possible to reach unanimity. Governance is a collective decision-making process and a Board must be able to make a decision and allow it to be implemented even when there has been disagreement on the decision taken. Provided a Board’s decisions are properly taken it can speak with one voice, regardless of a dissenting minority.

### Developing, adopting and reviewing governance policies

- ❖ Governance policies can be initiated, altered or deleted by a Board as required.
- ❖ Committees or working parties may contribute but the Board as a *whole* must adopt policy.
- ❖ When using sample policies provided by a third party, ensure they are relevant to your organisation, the language is appropriate and the values reflect your organisation’s values.
- ❖ The chief executive and key staff should participate in the policy-making process.
- ❖ Policies must be realistic and achievable.
- ❖ If the underlying principle of any policy is unclear, it shouldn’t be adopted.
- ❖ All Board members are bound by governance policies once they’re adopted.
- ❖ Once a policy is made, it’s the Board’s policy regardless of the views of individual members.
- ❖ Review all governance policies regularly via a policy schedule which outlines when and how.

### Make sure the policies are workable

Effective leadership policies are:

1. Explicit and literal – everyone has a shared understanding of what the policy is.
2. Brief – ‘too long’ and ‘too many’ are the enemies of good leadership.
3. Rigorously followed – if a policy doesn’t work it must be either amended or deleted. Staff must believe the Board is holding itself and them accountable for each and every policy.
4. Developed with monitoring in mind – the wording should be written in results/outcome terminology so the Board and staff can clearly recognise if the policy is not being followed.

### Governance Process policies



In Step 1 the Board's internal operating policies are briefly explored. These define the scope of the Board's job and design its operating processes and practices. Governance Process policies may include:

- ❖ Board Terms of Reference;
- ❖ Board Code of Conduct;
- ❖ The Board's role in setting the strategic direction, overseeing financial performance, overseeing risk management and the overall organisational performance;
- ❖ Chairperson Role Description;
- ❖ New Director Induction;
- ❖ Management of conflicts of interest;
- ❖ Meeting Protocols;
- ❖ Board Committees; and
- ❖ Cost of Governance.

### **The Chair Is Not 'The Boss'**

Because of the importance of the Chair role in an effective Board, this function is singled out for discussion. The Chair is not the Board's boss. While holding special responsibilities, the Chair ideally is regarded, and regards him or herself, as primarily a first among equals. The concept of 'servant leadership' is a useful way to think about the role.

The Chair's primary role is to provide assurance of the Board's governance integrity via the effective management of governance processes and compliance with its policies. At a secondary level the Chair may also publicly represent the Board and its policies.

The Chair is bound by a range of formal authorities granted by:

- ❖ The organisation's constitution;
- ❖ The board's governance process policies and/or its charter; or informal authorities granted by
- ❖ Fellow directors.

The Chair should have no authority to unilaterally alter, amend or ignore the Board's policies. While the Chair may delegate certain aspects of their authority, they remain accountable for it.

Nor is the Chair the chief executive's boss. Any close working relationship between the Chair and the chief executive should not usurp the Board's collective responsibility as the chief executive's employer.

How the Chair carries out their role goes to the heart of the Board's success. A Board can stall with an unassertive Chair but a domineering Chair may run roughshod over participation. The point is that the Chair should be capable of melding a group of individuals into an effective leadership team.



### Different dimensions of the Chair's role

In carrying out their duties, the Chair should:

- ❖ Ensure the Board's behaviour is consistent with its own rules and those legitimately imposed upon it from outside the organisation;
- ❖ Chair meetings with the commonly accepted power of the position;
- ❖ Ensure meeting discussion focuses on those issues which, according to Board policy, clearly belong to the Board as opposed to the chief executive;
- ❖ Ensure Board discussions are timely, fair, orderly, thorough and efficient, adhere to time and keep to the point;
- ❖ Observe a recognised 'rules of order' process for Board discussion; and
- ❖ Ensure the Board manual is maintained and updated.

In carrying out their duties outside of Board meetings, the Chair should:

- ❖ Act consistently with agreed governance policies and processes;
- ❖ Avoid making independent operational decisions which are the prerogative of the chief executive; and
- ❖ Not directly supervise or direct the chief executive other than to provide support or a sounding Board within Board policy.

### Things the Chair should know

The role of Board Chair carries a high degree of responsibility seldom appreciated by other directors. In one way or another, each of the following represents an element of leadership, or competency, that any Chair should demonstrate.

#### 1. The Board's policies and delegations

The Chair should be familiar with the Board's policies or charter, and the Board's written delegations to the chief executive. They should ensure the Board acts with integrity. While all directors *should* know the Board's policies and delegations, the reality is many won't. The chief executive will often look to the Chair to interpret a Board policy or for protection from intrusion by directors. Directors, too, will look to their Chair to provide structural or procedural leadership. While the Chair may not need to know the policies or charter by rote, they should at least be aware of relevant policy, be able to access it quickly and provide a ruling or guidance.

#### 2. The standard rules governing meeting management

There will be occasions (e.g. the AGM) when formal rules need to be used. The Chair should be familiar with these rules so they are applied appropriately and fairly.



### **3. How to get the best out of the Boardroom team**

The Chair is the equivalent of the Boardroom team captain. They must lead by example while drawing on the skills of all team members. To achieve this, the Chair must know the strengths and weaknesses of all directors.

### **4. Their own strengths and weaknesses**

Directors have high expectations of whoever is in the Chairing role. Humility born of self-knowledge is a powerful leadership competency. All Chairs should develop the ability to self-assess their performance and be open to changing their behaviour to capitalise on their strengths and overcome or compensate for weaknesses.

### **5. Where the organisation is, or should be, heading**

Regardless of how the organisation's future direction is developed and articulated, the Chair must be its champion. Every Board Chair must be able to explain where the organisation is heading and why.

### **6. What is on the agenda and what outcome is sought from each item**

Managing the Board meeting is the Chair's most visible role. Less visible, but no less critical for meeting success, is the pre-meeting planning. Some Chairs will try to anticipate where the Board's discussion might go. This is to help ensure potential conflicts don't throw the meeting. At the start of the meeting the Chair might also quickly walk the Board through the agenda, checking that their pre-planning assumptions are consistent with those held by other directors and as a way of warming up the Board for the business to follow.

### **7. How to deal with conflicting views and perspectives**

While the Board should work as a team, directors are expected to exercise independent views and perspectives. Many Board members are strong-willed individuals who bring passionately held views to the Boardroom. It is almost inevitable there will be conflict. A skilled Chair will know how to manage such conflict to the Board's advantage.

### **8. When to draw a discussion to a close**

Knowing when a Boardroom discussion has run its course and should be wrapped up is one of the arts of good Chairmanship. This may involve denying Board members the opportunity to further advocate their position. This can be difficult to manage. On one hand, Board members expect the opportunity to air their views, but on the other they expect the Chair to manage the process to avoid the discussion becoming unnecessarily drawn out.

### **9. How to handle a maverick Board member**

Ideally, a Board should not comprise completely like-minded directors. Diversity is vital. However, diversity can also bring its challenges to the Chair. The presence, for example, of



feisty, strong-minded individuals who differ from the Board's general thinking and behavioural norms can be disruptive. Individual directors, prepared to break the team mould, can be seen as mavericks. One of the great challenges of group management is knowing how to harness the creative potential of someone who is 'different' while, at the same time, managing potential damage to team cohesion. The Chair is often asked to walk a fine line that typically needs to be informed by experience and strong intuitive skills.

#### **10. The chief executive's strengths and weaknesses, and how to provide mentoring**

An exclusive and close working relationship between the Chair and chief executive can detract from the full Board's relationship and responsibilities. Nevertheless, most Boards benefit from a strong working partnership between the two leaders. When this exists, the Chair can provide considerable support to the chief executive at times when the support of other senior managers is inappropriate. The Chair should appreciate the chief executive's strengths and weaknesses, and be able to offer appropriate counsel.

Boards and directors ask a lot of their Chair. They expect the role will be carried out fairly and with integrity even though at times the Chair is required to overrule them. The role typically demands a much greater commitment of time than that expected of other directors. The role is more than merely procedural or ceremonial. The Chair is the Board's leader and consequently bears the sometimes uncomfortable and lonely burdens of leadership.

#### **Other Governance Policies**

The remaining governance policy areas, Board-CEO Interrelationship policies and CEO Delegation policies, are discussed in detail in Step 3. Regardless of their placement in the Nine Steps model, they are, nonetheless, governance policies and sit alongside the Governance Process policies.

#### **The chief executive's own operational policies**

Once the Board has established its governance policies, the chief executive should develop *operational* policies necessary to achieve and manage the results and risks respectively. *The Board shouldn't adopt or approve operational policies.*

When a Board adopts or approves operational policies this removes the chief executive's ability to make operational policy changes when needed, without reference back to the Board. The chief executive shouldn't need to seek Board approval for matters that should have been delegated. Conversely, the Board shouldn't have to do the chief executive's job as well as its own. This doesn't mean the chief executive may not seek assistance from Board members about operational matters. When, however, assistance is provided, Board members put aside their governance responsibilities and are accountable to the chief executive.