PG360

[GENERAL]
Policy Governance® is:

a) A structure for non-profit boards.
b) A principle-based operating system for governing.
c) Especially useful for large organizations
d) A set of best practices for boards.

Answer: b) A principle-based operating system for governing.

Explanation: Policy Governance® is a holistic system of integrated universal principles of accountability that can be applied to any organization governed by a board or board-like body. While these principles have implications for board structure, they do not dictate structure. Similarly, the principles have implications for the practice of governance, but they are not a list of best practices.

References:
BTMAD 331-335;
JCOBL Intro xxxix – xl;
CarverGuide 1.

[GENERAL]
Policy Governance® requires that boards:

a) Limit the number of committees
b) Not communicate with staff members outside of board meetings
c) Hire a CEO
d) None of the above

Answer: d) None of the above.

Explanation: Policy Governance® doesn't require or limit the number of committees a board can form. It does require that board committees only assist the board with its own work and never supervise or assist work in the staff's area of authority. It does not limit the number of committees but the use of committees must preserve the principle that the board's decisions are made by the whole board (board holism).

In Policy Governance, the board's authority is voiced in group decisions. 'Board member' has no authority unless specifically authorized in policy. Thus, as individuals, board members are free to speak with anyone and can be related to as individuals without specific authority.

Policy Governance® distinguishes between the role of governance in determining purpose and values and the role of management in realizing that purpose. These two roles are possible whether the board delegates to a separate CEO function or not. The board can be both the governing body and the staff, provided those roles are clear, and so is not required to hire a CEO. However, if there is a CEO, the board delegates operational matters only to the CEO.

References:
Committees: BTMAD p. 224-235, 332;
Communications: BTMAD p. 161, 176, 327;
CEO: JCOBL p. 227-230; RYB p.47; BTMAD p. 10.

[GENERAL]

Which of the following statements is correct?

a) The board decides on Ends but delegates decisions on means to the CEO.

b) The board makes policy decisions on Ends and means (both executive means and board means) but authorises its delegates (CEO and Chair) to make decisions within any reasonable interpretation of its policies.
c) The board may decide on both Ends and means but usually sticks to the former.
d) The board leaves it up to the CEO to decide what decisions he/she should bring to the board.

Answer: b) The board makes policy decisions on Ends and means (both executive means and board means) but authorises its delegates (CEO and Chair) to make decisions within any reasonable interpretation of its policies.

Explanation: The board is accountable to its owners for both Ends and means. The board governs Ends and means through setting and monitoring policies for itself and its CEO. Policies that govern CEO means require the avoidance of any means that the board *specifies in policy* as unethical or imprudent. Means that the board puts off limits to the CEO may be used only if the board agrees to change its policies.

References:
BTMAD p. 118;
RYB p. 8;
RYB p. 22.

[PRINCIPLE 1]

In Policy Governance®, the source of the board's authority and accountability is the owners. "Owners" refers to:

a) Those on whose behalf the board determines the difference the organization is to make in the world
b) Stakeholders
c) The CEO and staff
d) The largest constituency

Answer: a) Those on whose behalf the board determines the difference the organization is to make in the world

Explanation: Every organization has a variety of stakeholders or constituencies (employees, donors, vendors, neighbors, interest groups, customers, etc.) each having its own claim on the organization. But those persons who have been identified as owners are uniquely entitled to determine (through the board) the organization's purpose in the world, and to hold it accountable for realizing the same.

References:
BTMAD p. 185-188, p. 331, p. 336;
CarverGuide 1, p. 1-2;
JCOBL p. 55-56.

[PRINCIPLE 1]

Board members must represent the informed wishes of:

a) Customers
b) Stakeholders
c) Owners
d) All of the above

Answer: c) owners.

Explanation: An organization's body of owners is typically too unwieldy (large, dispersed, etc.) to be able to govern the organization directly. The board, as a specially empowered subset of the ownership, acts as proxy for all owners. Because the board holds the organization in trust for the ownership, its duty is to ensure that the owners' values with respect to the organization's purpose and comportment are identified and implemented. (These values will, of course, address the legitimate interests of all other stakeholders!)

References:
BTMAD p. 185-188, p. 201-207, p. 331, p. 336;
CarverGuide 1, p. 1-2;

JCOBL p. 57-65, p. 83, p. 101.

[PRINCIPLE 1]

Clarifying who the organization's owners are is crucial because:

a) Identifying them is required by parliamentary procedure
b) The board must know from whom it derives authority and to whom it is accountable
c) They are an organization's best source of funding
d) Organizations must prioritize service to those customers who are also owners

Answer: b) The board must know from whom it derives authority and to whom it is accountable

Explanation: Boards derive their authority and legitimacy from the organization's owners, whether they are shareholders in an equity corporation, members in a cooperative or membership organization, citizens in a governmental setting, or the "moral owners" of a nonprofit organization. The owners are entitled to direct (through the board) the organization's purpose and behavior, and to hold the board accountable for the same. If an organization has not determined the identity of its ownership, or if it has incorrectly determined this identity, it cannot properly represent its owners' values for the organization or express those values through board policy.

References:
BTMAD p. 185-188, p. 201-207;
CarverGuide 1, p. 1-2;
JCOBL p. 57-65, p. 66-67

[PRINCIPLE 2]

The board's position can be best described as:

a) The link between the owners and management
b) Advisor to the CEO
c) Accountable to the CEO
d) Between the CEO and the staff

Answer: a) the link between the owners and management.

Explanation: The board occupies that essential position linking an organization's owners (legal and/or moral) to its operators. The board determines the wishes of the owners and translates those wishes into policies that direct the organization's management. If the organization has a CEO, that executive then directs any other staff.

References:
BTMAD Prologue p. xxvii-xxviii;
BTMAD p. 6, 197-199, p. 331-333.

[PRINCIPLE 2]

Board decisions comprise direction to:

a) Board and CEO
b) CEO and staff
c) Owners and senior management
d) Board committees and senior management

Answer: a) board and CEO.

Explanation: The purpose of the board is to determine the wishes of its owners and to translate those wishes thoughtfully and intelligently into policies that provide direction to the organization. This direction is addressed to the board's own activities, to the activities of the CEO (who then directs any other staff), and to any other direct subordinates or officers of the board, such as the CGO and any board committees.

References:
BTMAD Prologue p. xxvii-xxviii;
BTMAD p. 6, 197-199, p. 331-333.

[PRINCIPLE 3]

Individual board members have:

a) More authority than staff members
b) No authority
c) As much authority as the CEO
d) Less authority than Executive Committee members

Answer: b) no authority

Explanation: A board is deemed to have taken action only when it makes a formal decision as a group, in accordance with applicable law and its bylaws. It follows that board membership confers no individual authority on board members. This also applies to members of board committees. Disciplined observation of this principle (the "one-voice" principle) supports board holism and preserves the integrity of the chain of command.

In contrast to board and board committee members, CEOs and staff members normally possess delegated authority. While they operate under the ultimate authority of their board, they carry individual authority and accountability, whereas individual board and committee members do not.

References:
Carver Guide 1, p. 2-6;
BTMAD p. 217-218, 332;
JCOBL, p. 131-135.

[PRINCIPLE 3]

The "one voice principle" refers to:

a) The need for board members to agree on a strategic plan
b) The board communicating one message to the media
c) Making decisions by consensus
d) The board communicating direction to the CEO and to other board subordinates.

Answer: d) the board communicating direction to the CEO and to other board subordinates

Explanation: This principle is not unique to Policy Governance® boards, but Policy Governance® boards observe it with strict discipline. It reflects the fact that a board is deemed to have taken action (spoken) only when it makes a formal decision as a group, in accordance with applicable law and the organization's bylaws. Board membership does not confer any individual authority on board members.

The one-voice principle means that the CEO (or other board subordinate or officer, such as the CGO) is bound only by formal decisions of the board, and is not answerable to one or more board members speaking on their own. Observance of this principle supports board holism and preserves the integrity of the chain of authority.

References:
Carver Guide 1, p. 2-6;
BTMAD p. 217-218, 332;
JCOBL, p. 131-135;
JCOBL p. 206-208.

[PRINCIPLE 4]

The board's Ends define:

a) At the least, the organizational results for specific beneficiaries and the worth of those results.
b) Results for specific beneficiaries and the worth of those results
c) Organizational results for specific beneficiaries at what worth and may include the kind of data and the measures to determine compliance
d) All of the above

Answer: b) Results for specific beneficiaries and the worth of those results

Explanation: According to *Reinventing Your Board* (135-136), "Ends in Policy Governance® refers to the effect an organization seeks to have on the world outside itself. It will cause something to be different for someone at some cost….You will sometimes hear Ends mistakenly equated with results only….the concept is broader than a simple designation of outcome."

Ends, by definition, are specific organizational benefits for specific beneficiaries that are worth the resources expended, no more, no less. Anything other than these (that is anything 'not Ends') are means by definition.

Kind of data and measures relate to operational determinants of compliance, thus they are means and not Ends. *Reinventing Your Board* (140-141) states, "Never allow the problem of measurement to come up as you decide Ends….The CEO will be required to convince the board that a reasonable interpretation of the board's Ends demands was delivered. So let measurement be the CEO's problem, but be realistically prepared to accept crude measures."

References:
BTMAD: pp50-53;
CBTCV: pp20-22;
RYB 135-136; 140-141;
BL Nov-Dec 2006.

[PRINCIPLE 4]

The type of cost the board is not concerned about in Ends is:

a) Priority among results
b) Worth of the result
c) Cost of the means to produce the result
d) None of the above

Answer: c) Cost of the means to produce the result

Explanation: Cost, as used in Policy Governance® is "the monetary expense, relative worth, or relative priority of a result or set of results, or the comparative priority of certain recipients rather than others getting the results." (*Reinventing Your Board*, 135-136). Further, "the intent of cost as an Ends concept…is to declare what some result is worth or how much of the result we want for the money or other cost entailed. (RYB 148). This is distinct from cost of organizational means to produce that result."

According to OBL p.257 (BL#23 Jan-Feb 1996), "The cost of a means is not automatically the cost of a result." Cost in Ends deals with cost effectiveness, the worth of the results for the resources consumed. That is, how efficiently have the results been produced.

References:
RYB 135-136, 148;
BTMAD 64-66;
OBL p.257.

[PRINCIPLE 4]

Ends:

a) State effect not effort
b) Don’t contain verbs
c) Are not specific
d) All of the above

Answer: a) State effect not effort

Explanation: Verbs are not necessarily inappropriate in Ends, although they should cause a second look. If a verb refers to an activity of the organization, it is not appropriate in Ends.

However, if the verb refers to an intended outcome of the organization's activity, it may be appropriate. For example, "train adults in life skills" is an activity the organization does, while "adults have life skills" states an intended outcome.

References:
RYB 139-151.

[PRINCIPLE 4]

The broadest Ends statement or global Ends policy defines the arena of achievement for an organization. The broadest Ends statement:

a) Describes the organization’s highest ambition
b) Is the organization’s vision of what should be
c) Uniquely describes the organization
d) None of the above

Answer:
d) None of the above

Explanation: The board's job is to set a purpose that is "realistically ambitious". That is, articulate the most that could be possible, not the most that could be imagined or even what might or should be.

As stated in Reinventing Your Board (p. 138), "Ends policies are not generic...(T)he uniqueness of any organization lies in its Ends...the results they seek to produce for...the particular consumers to whom they are targeted, and the worth or priority they assign to those results and recipients".

Also, Ends do not describe the organization. Ends uniquely addresses what the organization is "for", not what it "does" to accomplish what it is for.

References:
RYB pp 138-140;
pp 90-105 BTMAD.

[PRINCIPLE 5]

The board:

a) Must never assume direct authority of operational matters
b) Must never assume an integral component of the CEO's job unless it is prepared to be fully responsible for it
c) Must never relinquish accountability for owner linkage, written governing policies and assurance of executive and board performance
d) None of the above

Answer: c) Must never relinquish accountability for owner linkage, written governing policies and assurance of executive and board performance

Explanation: “The board’s first direct product is the organization’s linkage to the ownership….The board’s second direct product is explicit governing policies. …The board’s third direct product is assurance of executive performance.

"These three undelegable job contributions are the unique responsibilities of a governing board-unique because only the governing body can contribute these products. The board may add other products to this list, but it cannot shorten it and still responsibly govern." (BTMAD 132-133)

"[A] board must be very careful not to hold on to a job that is an integral component of the CEO's job. For example, a board can hold to itself all decisions about the safety and return on endowment without hampering the CEO's choices in attaining organizational Ends within limits placed on the means. However, if a board holds to itself decisions on the organizational chart or on hiring personnel, it cannot help but interfere in the CEO's means. As a further example, fund-raising can be a board affair without splintering the management task, but staff development cannot." (CarverGuide 11 p.4)

References:
BTMAD 132-133;
CarverGuide 11-4.

[PRINCIPLE 5]

To be consistent with Policy Governance® principles, which of the following cannot be part of the board or board process:

a) Board treasurer
b) Staff
c) Executive committee
d) None of the above

Answer: d) None of the above

Explanation: "[I]n the presence of a CEO, there is no role for a board treasurer that is both necessary and legitimate. If an unnecessary role is manufactured, great care must be taken that it is legitimate. One reasonable, albeit still manufactured role would be to monitor financial performance; however, this role is illegitimate if the treasurer monitors fiscal performance against criteria other than those embodied by the board's policies." [BTMAD p142-143]

With regard to staff, when governing roles are defined by accountability rather than personality or position, anyone, even those whose 'other' job is as a staff member, can be part of the board, as long as they otherwise fulfill criteria for serving as such and they execute their role as a board member.

Executive committees are ordinarily created to cover some insufficiency. "When decisions that are considered board decisions must frequently be made between board meetings, it could be a sign that meetings are too infrequent. More often, however, it's a sign that the board has not delegated enough decision-making authority to its CEO….[E]xecutive committees…are entirely optional." OBL[154-155]

"…[A]n executive committee can still perform a useful function. For example, it can be commissioned to oversee the board's own process, flow and balance of work, and perhaps even the level of board member preparedness. These tasks would not produce a board-within-the-board dynamic, though they would detract from what would otherwise be delegated to the chairperson." [OBL 155]

References:
OBL 154-155;
BTMAD 142-143.

[PRINCIPLE 5]

Policy Governance® principles related to board means specify:

a) Appropriate board size
b) Type and roles of officers
c) Types of committees
d) None of the above

Answer: d) None of the above

Explanation: Policy Governance® principles related to board means provide guidance to determining appropriate board size and type and roles of officers and the role of committees, however these principles do not specify or direct board size, types or roles of officers or types of committee. These principles do specify the overall role of committees in the board's process.

References:
BTMAD pp 140-156.

[PRINCIPLE 5]

Board means policies:

a) Are the board's opportunity to customize its job, practice and conduct
b) May leave any reasonable interpretation to the chief governing officer, by whatever title the position is called
c) Include board practice, process, discipline and value added, plus the board's relationship and accountability with its subcomponents and the executive part of the organization
d) All of the above

Answer:
d) All of the above

"Although Policy Governance® is a conceptual model…your board's model of governance can only be found in its Governance Process and Board-CEO Linkage policies. In other words, these two categories of board means policies are the governance model for you." [RYB 90-91]

1) Governance process policies are "those policies with which the board instructs itself and subparts of itself, such as officers and committees, about its own job" [RYB 89]
2) Board CEO linkage policies describe how the board "transfers a large portion of its authority to management" [RYB 113]

"[P]rerogatives that fall within board policies in the Board Process and Board-Executive Relationship categories may be given to the board chairperson….Within Ends and Executive Limitations categories, the CEO must be the person authorized to make further decisions.". [BTMAD p. 43]

References:
BTMAD p.43;
RYB 89; 90-91; 113.

[PRINCIPLE 6]

Executive Limitations should address:

a) Everything the board believes is important
b) Everything the board might wish to forbid
c) Those things the board feels it must forbid on behalf of its owners
d) Those means the board, acting on behalf of the owners, would find unacceptable for reasons of prudence or ethics, even if Ends were to be accomplished

Answer: d) Those means the board, acting on behalf of the owners, would find unacceptable for reasons of prudence or ethics, even if Ends were to be accomplished

Explanation: Executive Limitations govern means. Every limitation inhibits the accomplishment of Ends and therefore limitations should be kept to a minimum. In general, the only criterion for judging the effectiveness of means is the accomplishment of Ends. However to preserve the long-term ability of the organisation to produce Ends and to fulfil their obligation to reflect their owners' values, boards must also consider their standards of ethics and prudence.

References:
BTMAD p 120;
RIYB p 8.

[PRINCIPLE 6]

The most important reason Executive Limitations are stated proscriptively is because:

a) The board can allow far more than it needs to forbid leading to fewer policies
b) It reminds the board to govern CEO means only through policies that specify unacceptable conditions based on prudence and ethics
c) The board can avoid approving CEO means, thus preserving distinct lines of accountability
d) All of the above

Answer:
d) All of the above.

Explanation: The board is accountable for the organization. The board has delegated fulfillment of Ends to a CEO, who is accountable to the board. To be efficient, empowering and accountable, the board needs to ensure that no unjustifiable means are used to produce results, that the CEO has maximum freedom to accomplish Ends, and that who is accountable is crystal clear in any area of authority. If the board prescribes CEO means rather than proscribing (or limiting) them, it cannot hold the CEO accountable for means that the board prescribed either work or do not work. By addressing CEO means ONLY through proscribing or limiting them, the board frees itself from needing to approve any CEO means, leaving the CEO fully accountable for accomplishment of the board's stated Ends

Reference:
pp 121-131 BTMAD.

[PRINCIPLE 6]

Executive Limitations policies should be created:

a) To deal with all board member concerns about staff means
b) To make sure that the CEO does things the way that board members would prefer them to be done
c) To prohibit those means choices that the board would find imprudent or unethical whether or not they helped to achieve the Ends
d) To show stakeholders that the board is acting responsibly

Answer: c) To prohibit those means choices that the board would find imprudent or unethical whether or not they helped to achieve the Ends

Explanation: Board interference in means choices acts as a brake on Ends accomplishment and obscures CEO accountability. It is therefore important that Limitations policies are kept to the minimum necessary for prudent and ethical operation of the organisation.

References:
RIYB p 42, p 43, p 67;
BTMAD p 126.

[PRINCIPLE 7]

What does the concept of policy sizes mean?

a) A lower level (subordinate) policy describes the means used to achieve the higher level policy
b) A policy at a "higher" level is large enough that it includes all policy levels below it (subordinate levels)
c) A higher level policy is the introduction to a list of further details
d) All of the above

Answer: b) A policy at a "higher" level is large enough that it includes all policy levels below it (subordinate levels)

Explanation: As stated in *Boards That Make a Difference* (p. 60 - 63), “Larger values or perspectives logically contain – that is, logically limit the content of – smaller ones. . . .Policies within each category . . . can be arranged by size . . . after addressing the largest value choices (the biggest bowl), the board can either address the next level (the second largest bowl) or be content with having clarified the first level.”

References:
BTMAD, pp. 60-63;
RYB, pp. 23-24.

[PRINCIPLE 7]

Subsequent, more narrowly defined Ends statements:

a) Explain what the broad statement means
b) Further defines results, beneficiaries and worth
c) Gives further direction to accomplishing the Ends
d) All of the above

Answer:
b) Further defines results, beneficiaries and worth

Explanation: “Ends policies…are policies that address…organization’s results, recipients, and cost of results. To qualify as an Ends statement, a proposition must describe at least one of the three components. Taken as a whole…Ends policies will describe all three. The cost of results is the degree to which the results are worth the cost. It's the "efficiency of the production of results rather than some total amount to be expended".

“Board members debate and decide at the outset those group values that will be codified in Ends…the value dilemmas are resolved in the creation of the policy.” [RYB 136] “As in common with the other policy types, they [Ends] are developed to the point that the board can accept any reasonable interpretation of a delegate. In this case, the delegate is the CEO. [RYB 136] At the point the board chooses to accept any reasonable interpretation, no further explanation is needed.

References:
BYMAD: 102; 109-112;
RYB 136;
BL Nov-Dec 2006.

[PRINCIPLE 8]

Does using Policy Governance® require delegation through a CEO or equivalent single organizational leader?

a) Yes
b) Yes under certain circumstances
c) Highly recommended for efficiency but not required
d) No

Answer: c) Highly recommended for efficiency but not required

Explanation: Policy Governance® does not require delegation to a CEO or single organizational leader, though organizational efficiency is best served by delegation through one person. If the board has to manage the interface between different delegates, it automatically becomes drawn into management and unable to stay at a higher level. However, a board can use Policy Governance® to delegate to more than one person if either:

i. The delegates all stand or fall together, as if they were one, for accountability purposes.
ii. The board separates out the Ends that they are respectively responsible for.

IF there is a CEO, delegation is only through the CEO.

References:
RIYB P 47 – re CEO and no CEO;
BTMAD p 218 – re Chair and CEO;
BTMAD p 289 – re Treasurer and CEO;

BTMAD p 333 – re CEO.

[PRINCIPLE 8]

The problem with holding more than one person accountable for policy compliance is:

a) Leaving no one accountable, activities required for policy compliance often overlap and issues can easily fall between the cracks
b) It is hard for the board to discover the source of any non-compliance
c) If the board receives differing accounts for the same delegation, the board ends up being the CEO
d) All of the above

Answer: d) All of the above

Explanation: A key principle of Policy Governance® relates to the Board being the link in the chain of accountability between owners and management. Anything that contributes to lack of clarity in that chain makes it more difficult to maintain accountability.

References:
BTMAD pp157-180.

[PRINCIPLE 8]

A true CEO role requires:

a) Someone other than the board
b) Accountability and authority
c) One person
d) All of the above

Answer: b) Accountability and authority
Overall the quotes “ in the explanation below need to be aligned.
Explanation: Traditionally, the job of the CEO is described in terms of activities rather than accountability or authority. When “CEOs are unable to distinguish their jobs from the jobs of the board or board committees; and CEOs grapple with a job in which they are seemingly going to be held accountable for matters over which they were given no authority,” the role of Chief Executive Officer is not defined, leaving the board unable to clearly delegate. (CarverGuide 12..2-3)

A real CEO has “two features of the role: authority and accountability.”

The board is ultimately accountable for an organization it does not see that carries out a multitude of tasks it does not understand. It must therefore charge its CEO with a job that is clear and that carries an unambiguous authority to make decisions.

From the board’s point of view, the important lesson is that the board’s relationship with the CEO must be formed around the accountability of the position, not the position’s individual tasks. Being held accountable to the board for organization performance is a distinct characteristic of the CEO function.

Given that the CEO role is defined around the accountability of the position, there’s no requirement for the CEO role to be either one person or someone other than the board. In organizations without staff, “[b]oard members compose not only the governing body but the work force as well: The board “with no staff delegates staff work to itself. Just as would be the case if the board had a CEO.” [JCOBL 227]

References:
JCOBL p227 BL#9 Sep-Oct 1993;
BTMAD 106;
CarverGuide 12 2-7.

[PRINCIPLE 9]

Which of the following statements about CEO interpretation of Ends and Limitations policies is true:

a) The board should approve the CEO's interpretation
b) The board must accept the CEO's interpretation
c) The board should review the interpretation the CEO plans to use before the policy is scheduled for monitoring, to be sure the board agrees it is reasonable
d) The CEO should provide a reasonable interpretation of policy regardless of which monitoring method the board uses

Answer: d) The CEO should provide a reasonable interpretation of policy regardless of which monitoring method the board uses

Explanation: Since the monitoring report is the CEO's the board does not "approve" it, but rather "assesses" it for compliance with policy. "Monitoring is simply the comparison of what is to the CEO's interpretation of what was required." RYB, p. 190

The right to make any reasonable interpretation is the CEO's. It is also the CEO's responsibility to provide the board with sufficient rationale to convince the board why it is reasonable. The authority to assess whether or not the interpretation is indeed reasonable remains with the board, but the board does not "approve" the interpretation or "agree in advance" that it is reasonable, because the CEO has the right to change an interpretation, provided that the new interpretation is also reasonable. "Reviewing and virtually approving an interpretation in advance ensures the board has in effect made policy beyond the level at which it had already agreed to stop." (RYB, p. 193)

Regardless of the method of monitoring, the CEO's interpretation always needs to be available. As stated in *Reinventing Your Board*, "No matter who collects the data for monitoring reports, the interpretation of the board's policy must always be that of the CEO." (RYB, p. 182)

References:
BTMD page 61, 165-167;
RYB, pp.189-194.

[PRINCIPLE 9]

The right to make any reasonable interpretation is the CEO's, but the board has the final decision on whether it is reasonable. How does the board do this?

a) Voting to see if the board would have interpreted the policy in the same way
b) Considering whether a reasonable person might have made such an interpretation, using rationale provided by the CEO
c) Deciding if the interpretation is consistent with what the board originally meant when it wrote the policy
d) Asking the board "expert" on the matter whether it is reasonable

Answer: b) Considering whether a reasonable person might have made such an interpretation, using rationale provided by the CEO

Explanation: The right to make any reasonable interpretation is the CEO's, but it is also the CEO's responsibility to provide the board with convincing rationale for why it is reasonable. The board does not make a decision based on board preferences. "Would I have made that decision? is a different question from Is that decision or outcome a reasonable interpretation of what we said. The first compares CEO performance to an unstated and individually determined criterion. . . the latter compares CEO performance to a group expectation that was previously known." (RYB, p. 190)

References:
BTMAD page 61, 165-166;
RYB, pp.190-191.

[PRINCIPLE 10]

In order to allow the board to monitor achievement of Ends adequately:

a) Ends policies should include measurement criteria or indicators
b) Monitoring report should include CEO plans to achieve the Ends

c) Interpretation in monitoring report should include justifiable statement of what will demonstrate compliance
d) Ends policies must be in the SMART format (specific, measurable, attainable, realistic and tangible)

Answer: c) Interpretation in monitoring report should include justifiable statement of what will demonstrate compliance

Explanation: The policies themselves are the set of criteria for measurement. ". . . the board should be informed as part of the monitoring process what exactly the interpretation was. Indeed, the board should also expect to be shown why the CEO's interpretation should be considered reasonable. Only then can performance data be considered, because what the sequence amounts to is that monitoring data are measures of the CEO's accomplishment of that interpretation. . . . Hence we argue that all board policies no matter how broadly expressed are ultimately measurable, because they will all be interpreted."(RYB, pp. 181-2) The interpretation "includes the CEO's justification for the asserted reasonableness, measurably operationalized. . . . The CEO's interpretations of board policies transform those policies into operational definitions of performance standards." (RYB, p. 182)

References:
RYB, pp. 181-185.

[PRINCIPLE 10]

Which of the following statements about monitoring is true?

a) Direct inspection should be used only when the CEO is suspected of wrongdoing.
b) Monitoring is limited to times in the advance monitoring schedule.
c) The board has complete freedom to schedule monitoring or use any one of the three methods.
d) A purpose of monitoring is to give the board information to assist in coaching the CEO.

Answer: c) The board has complete freedom to schedule monitoring or use any one of the three methods.

Explanation: "[the board] must retain the option of monitoring any Ends or Executive Limitations policy at any time it chooses." RYB, p. 196
"The purpose of evaluating the CEO is not to become the CEO's coach. In fact, it is best for the board not to think of itself as evaluating the CEO at all. It should evaluate the organization based on relevant board policies and pin that evaluation on the CEO." (BTMD, p. 172)

References:
RYB, p. 196;
BTMAD, pp. 171-2.

[PRINCIPLE 10]

A good monitoring report, consistent with delegation to management within board policy controls, should not include:

a) CEO reasonable interpretation of what the policy means
b) CEO plans for achieving policy compliance
c) Evidence of compliance with a reasonable interpretation of policy
d) Rationale for why the interpretation is reasonable

Answer: b) CEO plans for achieving policy compliance

Explanation: CEO plans are not part of the criteria in the policy – the policies speak to the results expected by the board. The report should directly address the criteria in the policy. "Too much information is much worse than none; having none is hard to miss, while having too much may be falsely reassuring." (RYB, p. 192)

References:
BTMAD page 61, 165-166;
RYB, pp.190-193.

[PRINCIPLE 10]

For which of the following methods of monitoring is the CEO expected to provide written evidence of policy compliance?

a) Internal or executive report
b) Direct inspection
c) External report or audit
d) All of the above

Answer: a) Internal or executive report

Explanation:

In *Boards That Make A Difference* the methods of monitoring are described as follows: "Executive Report. The CEO makes available a report that directly addresses the policy being monitored.. . . External audit. The board selects an external resource to measure staff compliance with respect to a specific policy. . . . Direct inspection: The board assigns one or more board members to check compliance with a specific policy." BTMAD, pp 167-8.

References:
BTMAD, pp. 167-8;
RYB, p. 182.

[PRINCIPLE 10]

If the board chooses to do an annual CEO performance appraisal, it should:

a) Ask staff and external stakeholders what they think of the CEO's performance
b) Review the monitoring reports it has received and re-assess them to see if they still think the CEO is compliant with policy
c) Summarize the assessments it has already made as it assessed monitoring reports throughout the year, and identify any trends in CEO performance
d) All of the above

Answer: c) Summarize the assessments it has already made as it assessed monitoring reports throughout the year, and identify any trends in CEO performance

Explanation: "Periodic evaluations are no more than summaries of the ongoing evaluation, since adding other criteria at the annual appraisal would be both unfair and managerially sloppy." (BTMD, p. 170) "The formal evaluation, then, considers the findings of all the monitoring reports received in the interim since the last formal evaluation. Taken all together, these findings add up to the CEO's total performance." (RYB, p. 197)

References:
RYB, pp. 197-198;
BTMAD, pp. 168-172.