Effective monitoring is based on the board having first established the criteria upon which the CEO will be evaluated (4,6,7). These policies are developed by the board as a whole (3). Policies are grounded in the board's understanding of its responsibility to act in the interests of the owners (1).

Relevant Principles

Policy Governance Source Document

- Policies based on board's governance position of accountability for the whole organization (2)
- Board delegates all accountability for the operating organization through the CEO (5)
- Board holds the CEO accountable for achieving any reasonable interpretation of its policies (9)
- Board establishes policy in which it instructs itself on the process it will use to monitor (5)
The board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO's evaluation (10).

Relevant Principles

Policy Governance Source Document

The Accountability Culture™

In the Accountability Culture™ every board member is always aware that they are accountable to the owners. They fulfill this accountability by developing policies that govern operations, delegating to the CEO, and then holding the CEO accountable for the delegated areas.

What to Monitor?

- Achievement of Ends
- Compliance with Limitations

Each predetermined!
Monitoring

What the Board Sees

Monitoring Data → Board states policy → CEO’s Interpretation → CEO plans: Strategic and Tactical (Financial, HR, PR, etc) → CEO implements plans, adjusts as needed → Monitoring Data

Source: John Carver

Any Reasonable Interpretation

Any Reasonable Interpretation

- May be different than the interpretation preferred by board members individually or collectively
- CEO’s interpretation must have rationale
- Board must assess and make a decision (via motion) determining if it falls within the range of reasonable interpretation
Policy Governance is a registered service mark of Dr. John Carver. The authoritative website for Policy Governance is: www.carvergovernance.com. The Governance Coach is a registered trademark of Jannice Moore and Associates. www.governancecoach.com

Monitoring

Executive Limitations

Evidence should include data that is:

- Focused on the reasonable interpretation of the policy language (i.e., free of superfluous information)
- Clear, key data readily recognized
- Representative, unbiased
- Comparative where appropriate:
  - Trends over time
  - Similar organizations
  - Known standards

EL Monitoring Report

Board Policy:

- [The CEO shall not:] Allow Board members, staff and individuals engaged in activities on behalf of the organization, or the organization itself, to be uninsured against liability in an amount comparable to the average for similar organizations.

Report:

- We have insurance for coverage of $2 million liability.
EL Monitoring Version II

**Board Policy:**

[The CEO shall not:] Allow Board members, staff and individuals engaged in activities on behalf of the organization, or the organization itself, to be uninsured against liability in an amount comparable to the average for similar organizations.

**Interpretation:**

I interpret that this means that coverage is provided through:

- Directors and Officers Liability Insurance policy, and
- Commercial General Insurance policy

**Evidence:**

As of Feb 2012, our insurance coverage has increased:

- Directors and Officers Liability Insurance for $3 million (was $2 million)
- Commercial General Insurance coverage for $6 million (was $5 million).

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**CEO’s interpretation of the Board’s Policy**

- Addresses the Board’s policy
- Clarifies which alternative from a range of possible interpretations the CEO has chosen
- Speaks to what will be observed that will demonstrate compliance (regardless of who is inspecting for evidence).
- Supported with rationale to demonstrate the reasonableness of the interpretation
EL Monitoring Version III

Board Policy:
The CEO shall not: Allay Board members, staff and individuals engaged in activities on behalf of the organization, or the organization itself, to be uninsured against liability in an amount comparable to the average for similar organizations.

Interpretation:
Compliance will be demonstrated when we have Directors and Officers Liability insurance and Commercial General Insurance coverage in amounts at or slightly greater than the average of Alberta health care professional regulatory organizations with 1500 to 3000 members based upon a comparison conducted at least every two years.

These organizations are reasonably comparable based upon our similar liabilities under the same legislation as other health professions in the province and our similar number of members. [State the source of unbiased insurance expertise] has advised that rates do not climb enough to warrant a review more frequently than every two years.

The CEO shall not:

1. Allow Board members, staff and individuals engaged in activities on behalf of the organization, or the organization itself, to be uninsured against liability in an amount comparable to the average for similar organizations.

2. Conduct Officers Liability insurance and Commercial General Insurance coverage in amounts at or slightly greater than the average of Alberta health care professional regulatory organizations with 1500 to 3000 members based upon a comparison conducted at least every two years.

These organizations are reasonably comparable based upon our similar liabilities under the same legislation as other health professions in the province and our similar number of members. [State the source of unbiased insurance expertise] has advised that rates do not climb enough to warrant a review more frequently than every two years.

The CEO shall not:

1. Conduct Officers Liability insurance and Commercial General Insurance coverage in amounts at or slightly greater than the average of Alberta health care professional regulatory organizations with 1500 to 3000 members based upon a comparison conducted at least every two years.

These organizations are reasonably comparable based upon our similar liabilities under the same legislation as other health professions in the province and our similar number of members. [State the source of unbiased insurance expertise] has advised that rates do not climb enough to warrant a review more frequently than every two years.

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Interpretations Errors

- No interpretation
- Dictionary definitions
- Restating the board’s policy
- Rationale for the board’s policy
- Lacking statement of what will demonstrate compliance
- Lacking rationale
- Not addressing the policy
- Addressing only part of the policy

Interpretations: Layer by Layer

- Begin with the more specific policy/policies
- Each policy should be interpreted within the context of the broader level policy within which it is contained
- Move up to the next layer of policy and determine if the broader level policy is comprehensively interpreted by the more specific policies

Evidence should include data that:
- Demonstrates compliance with the reasonable interpretation of the policy
- Has clear language for the board
- Is free of superfluous information
- Is representative, unbiased
- Makes comparisons where appropriate:
  - Trends over time
  - Similar organizations
  - Known standards
**Board Policy:**

[The CEO shall not:] Allow Board members, staff and individuals engaged in activities on behalf of the organization, or the organization itself, to be uninsured against liability in an amount comparable to the average for similar organizations.

**Interpretation:**

Compliance will be demonstrated when we have Directors and Officers Liability insurance and Commercial General Insurance coverage in amounts at or slightly greater than the average of Alberta health care professional regulatory organizations with 1500 to 3000 members based upon a comparison conducted at least every two years. These organizations are reasonably comparable based upon our similar liabilities under the same legislation as other health professions in the province and our similar number of members. [State the source of unbiased insurance expertise] has advised that rates do not climb enough to warrant a review more frequently than every two years.

**Evidence:**

Insurance coverage is based upon the findings of an Oct 2010 survey of six Alberta health profession organizations in the province with membership ranging from 1630 to 2850. An inspection of the insurance policy files on March 12, 2012 confirmed that the following coverage has been in place throughout the reporting period:

<table>
<thead>
<tr>
<th></th>
<th>Oct 2010 Survey Average</th>
<th>Actual Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors and Officers Liability Insurance</td>
<td>$1.8 million</td>
<td>$2 million</td>
</tr>
<tr>
<td>Commercial General Insurance</td>
<td>$3.8 million</td>
<td>$4 million</td>
</tr>
</tbody>
</table>

I report compliance.

---

**Evidence Errors**

- Not giving evidence aligned with the interpretation
- Evidence addresses only part of the interpretation
- Confusing internal policies and procedures with actual conditions
- Numbers without comparisons or context
- Data dumps
- “Trust-me” reports

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The pigeon took flight half an hour ago
The pigeon has completed 20,000 wing flaps
Pigeon is on course, still has the letter, and is half way to destination
It is now 6 pm and letter has been delivered to intended recipient
Signed affidavit verifying letter has been received
Another board member has phoned the recipient and verified letter was received

Evidence of Achievement in Ends Monitoring

Ends Monitoring Report

*Ends Policy: The public is aware of what our profession does.*

**CE0 Interpretation:**
We have communications and educational activities to increase public awareness

**Evidence:**
1. The public side of the web site contains information about our areas of practice and typical activities it performs.
2. We submitted articles to local newspapers outlining the role of our profession.
3. Our communication plan includes a strategy to provide an information brochure about our profession in strategic locations frequented by the public.
Ends Monitoring Version II

Reasonable interpretations over time

Alternative interpretations of results over time
Formal motion indicating:

1. Board has read the report and has assessed it as a) demonstrating compliance/achievement of b) a reasonable interpretation of the board’s policies

What the board does with a satisfactory monitoring report

1. Assess seriousness of performance issue and act accordingly
2. Determine a date for reporting compliance/reasonable achievement
3. Schedule monitoring accordingly
4. Place decisions into formal motion

Non-compliance or lacking reasonable achievement
The Board has read the report and has assessed it as demonstrating compliance of a reasonable interpretation of the board’s EL-7 policies with the exception of item 4. The board expects to see compliance with item 4 by [date] at which time a monitoring report for that item shall be presented by the CEO.

Example of motion recognizing non-compliance

Methods of Monitoring

1. Executive reports (i.e., under the CEO’s authority)
2. External audit (i.e., expert directly accountable to the board)
3. Direct inspection (i.e., by the board or one or more board members)

Regardless of the Source of Monitoring

1. CEO’s interpretation must be used
2. If, source is other than an internal (CEO) report, then they should provide an opinion of the reasonableness of the CEO’s interpretation
3. As with internal reports, other sources of monitoring are to gather and examine evidence in comparison to policy
CEO Evaluation

CEO Performance = Organizational Performance

Suggested Process for CEO Performance Appraisal

1. Preparatory work re appraisal assigned or retained by board?
2. Collection of compensation options assigned or retained by board?
3. Prepare a summary of board’s recorded assessments of monitoring reports.
5. Should the board supplement internal reports with external audits or direct inspections?
6. If committee identifies concerns in step 5, ensure that the board makes the decision accordingly.

Suggested Process for CEO Performance Appraisal (cont.)

7. Arrange for external audit or direct inspection as determined in step 6.
8. Obtain necessary information regarding market, inflation, etc.
9. Committee (if used) provides board with information and options.
10. Board decision including what will be communicated to CEO re a) overall performance trend and b) compensation.
11. Board or delegate communicates to CEO.