

Three Policy Sets

Aligned Influence™

Kenneth Schuetz

Founder, Aligned Influence, LLC

Consider this scenario: An educational foundation's board seems to never be in agreement about whether their fund balances are too large or too small. Some directors believe the board should develop "healthy" fund balances for future opportunities and others believe they should put their fund balances "to work" on behalf of the community they serve.

The discussion is always full of drama; dividing the board. Who is right? Neither is right or wrong, but the debate brings to light the core issue – the board does not have a clear answer to their fund balance debate because they have not established clear boundaries or guidance policies to direct their decisions.

Many organizations, particularly non-profits, begin with a small group of people trying to do the work of the organization while also providing oversight to the organization. As the organization matures, staff roles are separated and filled by new team members who accomplish the work of the organization and the board can begin to focus only on oversight. The same transition can be viewed in the maturation of organizational policy. When an organization is formed, the principles create bylaws which are used to establish the organization. Often, young organizations will be attempting to use those bylaws to *operate* the organization several years later, causing the organization to plateau in its growth.

Maturing organizations have three policy sets to match their maturing understanding of the roles played by the board and the executive director. The first is *bylaws* which are used to establish the organization. The second is *governing policies* which are used by the board to protect, direct and enable the organization. The third is *operating policies* that are used by the staff to lead, manage, and accomplish the work of the organization.

Bylaws

Bylaws are created with the assistance of an attorney as part of the process of establishing an organization. They commonly stipulate the officer roles, minimum and/or maximum numbers of board members, and term

limits for board members. They might describe how often the board must meet and what kinds of skills should be represented on the board. They most likely describe the number of votes necessary for a decision to be considered a valid action of the board and might designate some committees necessary to begin the initial work of the board. In short, the bylaws are intended to document key facts that establish the initial organizational structure and procedures of the organization. They inform and provide a foundation for governing policies, but were never intended to act as the sole governing policy document for the organization.

Governing Policies

Governing policies are established by and then used by the board of directors of an organization to

1. define the "strategic what" delivered by the organization
2. establish boundaries within which the organization should operate to ensure integrity, fiduciary soundness, and appropriate risk tolerances
3. establish guidance for the board regarding how they will enable the work of the organization

The policies do not, and are not intended, to tell the staff how to accomplish their task. Rather they are intended to give the staff clear direction on what the organization is to accomplish, to establish protective limits in key operational areas, and to document the board roles and in enabling the work of the organization.

Direct, Protect, Enable. The *directing* portion of the governing policy defines who is to be served and what product, service, or value is to be delivered. The *protecting* portion of the governing policy establishes operational boundaries to be respected by the staff. The boundaries are customized to the organization but commonly include statements about risk, financial and human resource management. The *enabling* portion of the governing policies define to whom the organization is responsible, establishes procedures and guidelines to inform and unite the board in its work, and establishes procedures for monitoring the direct and protect portions of the governing policies. Governing policies are not intended to be operating policies, but do inform the creation of operating policies.

Operating Policies

Operating policies are created by and used by executive directors and the staff to guide the accomplishment of

the organizational work as defined by the board of directors. In contrast to the governing policies, operating policies direct the staff how to accomplish their work in such a way as to be aligned with the direction and within the limits created by the governing policies. Many of those random pre-existing policies in a young organization are operating policies that are inappropriately placed in the board’s governing policies, thereby tempting the Board to micromanage rather than encouraging members to maintain their role of directing, protecting, and enabling the organization. Operating policies focus on the details of accomplishing the work the organization.

professionals at Aligned Influence, LLC are uniquely qualified to assist your organization in evaluating its current status in the area of policy sets. Our consultants will educate, facilitate and help your organization take the next step in maturation. These steps are transformational and our goal is to walk through the transformation with you; being your guide and your encourager. If you would like to discuss our services further, please visit us at www.alignedinfluence.com or contact us at 303-257-1794.

Table 1: Policy Breakdown

Policy Set	Created and Used By	Purpose
Bylaws or Articles of Incorporation	Created by the organization’s attorney and used by the board of directors	To establish the organization
Governing Policies	Created and used by the board of directors	To direct, protect and enable the organization.
Operating Policies	Created by the executive director and used by the organization’s staff.	To guide the leadership, management and accomplishment of the organization’s work.

Conclusion

Which of these policy sets does your organization have in place today? Each plays a critical role in a healthy organization and the absence of any one of them causes a “vacuum of influence” that invites boards to be involved in operational issues and staffs to become involved in oversight issues. All three fit together as a system of policies that inform and act as a foundation for the next nested policy set in an ordered fashion. As such, the creation of governance policies will require a review of the bylaws to ensure continuity and alignment. Governance policies will also indicate a review of operational policies for continuity, alignment and more importantly completeness. The existence of governance policies will often bring to light an area where important operating policies are missing. The