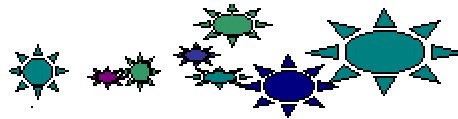


PRINCIPLED GOVERNANCE™

The Principled Governance approach responds to our experience in the field, from international organizations to local boards, and with information technology, and to our familiarity with differing opinions in the rapidly expanding governance field (eg. Carver, Lorsch).

If **governance** is defined as the exercise of authority within an organization, then **good governance** is defined as the effective exercise of informed authority within an organization.

Visualize a drive-train gear box -- the gears of financing, human resources, product development, operations, market development, administration and even IT are whirling away... but it's the governance which provides the housing, drive shaft and oil to keep everything engaged and focused.



(Fushtey, 2001)

Exercising Authority. Implicit in the governance concept of "exercising authority" are notions of systems to identify, direct, control and hold responsible [eg. Cadbury Committee Report, UK 1992).

Effective and Informed. Implicit in the good governance concepts of "effective" and "informed" are the existence of information assembly and access systems to support (a) timely decisions and (b) good judgment for responsible, long-term value. Value, being a relative term, must in itself be defined for each organization or enterprise.

Principled Governance™ is an approach to the effective exercise of informed authority within an organization . Key to Principled Governance is having documents which allow you to take the best ideas and practices, and consider and adopt them in a disciplined way, to save time (and money).

Words are used somewhat indiscriminately around governance concepts, particularly among different jurisdictions, differing expertise in business and law, and different sectors. There are no international standards to date, no GAAP for guidance (although the International Standards Organization is thinking about it). A basic Governance Reference Protocol is an example of a document necessary to provide the foundations for basic governance literacy and understanding – namely, helping people use and understand a few basic terms of reference.

Principled Approach.

Our concept of **Principled Governance**™ is that of an approach based upon,

- (a) clarity;
- (b) comprehension;
- (c) currency;
- (d) continuity, and
- (e) communication.

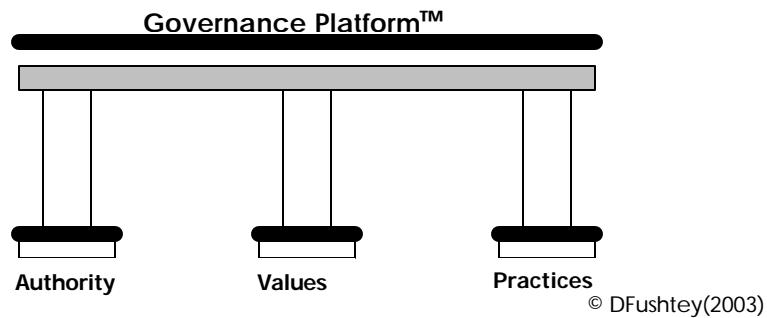
It is a means to an end. It enables good governance.

Various authors attribute qualities of leadership, stewardship, empowerment, sustainability, and fairness to governance (see, eg. Conference Board of Canada (2003)). Governance though, of itself, is a value-neutral term – it can be good or otherwise. Such admirable qualities, are the outcomes of a governance-process framework, rather than principles of the process itself. These qualities are based on the underlying values of the organization or enterprise itself, which is the topic of another governance brief.

Disciplined Documentation.

The **Governance Platform**™ is a means to take the organized Principled Governance approach to applied documentation. The critical intent is the focus on time management and risk management concerns – how to be more effective, not merely more regulated.

Each of the documents of a Governance Platform rest on pillars of authority, values and practices. Each pillar is alive to changes in the market, political policy, community trends, and enterprise values.



The scope of these documents is outlined in the Governance Gateway assessment summary.

Authority. Authority speaks to the constitutional authority (under democratic jurisdictions), and how that is delegated through to the individual who exercises discretion or judgment. It speaks to accountability, as the counter-balance. Examples of documents to clarify authority are the constating documents of constitutional

purpose and bylaws of organizational structure (from shareholders to committees); resolutions or decisions which authorize the delegation of authority, and; contracts and agreements which crystallize the scope of such delegation. The need for clarity of scope increases with successively lower levels of delegated authority.

Values. Although fundamental for reliable decision-making over time, the documentation of values is often overlooked as an important reference guide for directors and governors. High-level values need to be articulated to be more broadly understood, and then clarified through as applied values in the form of principles and standards for specific circumstances.

If a Board Value Statement is the high-level touchstone which should be entrenched at least as a bylaw (or article, depending upon the jurisdiction), individual core areas of finance, human resources, and operations among others, could or should have successively more detailed Principles, Standards, and Guidelines. [which differ based on the level of detail, and procedural safeguards and constraints on changes].

Practices. The Practices which support the Governance Platform™ and associated documents are reflected among:

- (a) the best practices across different sectors and jurisdictions, as a heads-up long-term perspective;
- (b) best practices within the relevant industry, as a reference point of both time and risk management concerns, and;
- (c) applied practices of the enterprise.

The Governance Platform™ documents are intended to focus on board governance practices, not operational, finance or other areas of core business or institutional concern. Examples of these documents include:

- (a) information-management systems for boards, both electronic and hard-copy (Directors/Governors Manuals);
- (b) decision-making protocols through a Board Charter, Committee Charters and supporting documents such as a Knowledge Management Policy, Reference Protocol, and a Meeting Protocol;
- (c) communication and documentation protocols; and
- (d) accountability and review protocols.

A recommended approach is the Governance Gateway assessment and status process (outline copy attached).