

# THE IMPORTANCE OF BOARDS IN DEMOCRACY

**Caroline Oliver**

*This article is based in part upon the keynote speech 'Can you Hear the Future Calling?' given to the 6<sup>th</sup> International Policy Governance Association Conference, Montreal, Canada, 11 July 2009*

I believe that democracy is a good thing. I believe that getting better and better at running ourselves as democratic societies is essential for tackling the critical and complex social, economic and environmental challenges of our age. Most importantly for this article, I believe that the boards of our collaborative enterprises - our hospitals, colleges, corporations, financial institutions, charities and the like – form an essential cornerstone of democracy.

Before seeking to justify these statements, I need to discuss the meaning and nature of democracy for, while we often talk about democracy as if we all know what it means, it can in fact mean many different things to different people and entities.

## **The Meaning of Democracy**

For example do you believe that democracy means that whatever the majority wants should be done? If so, capital punishment would exist in many democracies in which it is banned today. If so, many acts that could be called heinous, including, for example, ethnic cleansing, would be automatically legitimised. If so, how can the UK which is currently governed by a political party elected with only 35.3% of the popular vote, be called a democracy?

Turning to another issue, do you believe that democracy means that, whether or not we choose to participate in a decision, we can rightfully be assumed to have consented? Have you forgone the right to protest the outcome of any and every decision in which you were entitled to have a say but did not exercise that right? Do you even know all the decisions upon which you have rights to a say, let alone have the time and commitment needed to exercise those rights responsibly?

I suspect many readers of this article, would agree that the above questions make it clear that our notions of democracy are often inextricably linked with our notions of what is right for society overall no matter who may be in power, including the protection of individual freedoms and rights. Indeed we would be likely to say that in order for our

definition of democracy to be present certain fundamental values and liberties must be in place. Thus, for the purposes of this article, I am suggesting that democracy is an ideal system of human organisation essentially based upon constitutional liberalism.

In the same way that democracy cannot be perfectly defined, neither as Sir Winston Churchill suggested, can it be perfectly implemented:

*“No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except all those other forms that have been tried from time to time”.*

My assertion that the continuing struggle to perfect our definition and practice of democracy is essential for tackling the critical challenges of our age is based upon the assumption that no solutions will work that do not honour all peoples and that democracy is the only form of government we currently know that does that job.

## **Boards and Democracy**

So where do boards come in? Fifteen years ago, I had been a member of several boards and seen many more in action and none of what I saw made any sense. Then someone lent me a book - John Carver's *Boards that Make a Difference*<sup>1</sup> - in which I found not only a wonderful vision of what groups of people could achieve on behalf of us all but also a really practical approach as to how they could go about it.

Boards are about group leadership. Boards, like democratic parliaments, are essential mechanisms for the expression of the views of the people and accountability back to the people. In the case of boards “the people” refers to the organisation's owners be they defined by the board in purely legal terms or as a wider moral ownership encompassing but not limited to legal owners.

In other words boards are the key link between society and organisations – our key safeguards which if ignored lead to the abandonment of accountability. It is important to remember that in society and in organisations, democracy is not the default. Democracy has to be fought for, continually developed and maintained. Without care and attention, democracy falls away and is replaced by dictatorship or worse. I believe that if we allow

boards to be pushed aside, ignored or diminished in any way, we weaken the structure of our democracy and therefore of our society.

Franklin Roosevelt said:

*"The liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is fascism."*

I would like to reword that quote and apply it to board leadership.

*"The liberty of a democracy is not safe if the people tolerate the growth of personal power in our organisations to a point where it becomes stronger than the boards that represent them."*

If we have already allowed that to happen, if we have already allowed personal power to rule our organisations it makes for a tough road back. In the same way that trying to sell democracy to a dictator does not usually go down well, selling the importance of collective board power to those who are ruling the roost in its absence is no easy task. Imagine saying to a dictator "You know, we have this idea – we'd like to have a democracy instead, maybe have free elections and as a result there's a good chance you may not be running the place anymore." You might meet some resistance – in fact in many parts of the world you might not live long.

Some people however would understandably maintain that a mild or benevolent dictatorship is no bad thing. Some boards are dominated, for example, by a highly efficient Chief Executive Officer (CEO), or, in some cases, Chair, who has single-handedly brought success to the enterprise after a period of dysfunctionality. Boards then sometimes feel that it is not worth risking a return to the old days by exerting their authority over the CEO, by say, limiting his or her bonus compensation or their Chair, by say, insisting on whole board decision-making. The result is to jeopardise the organisation's future for individual CEO's and Chairs come and go but the board as a group is a permanent authority. The result is also to place more distance between the organisation and its ownership, more scope for divergence between the interests of

those operating the organisation and those who own it, and finally a board that no longer represents the ownership. In other words, an undemocratic board.

### **Tools for Democracy**

Saying that democracy is not the default, is the same thing as saying that operating a democracy is not a natural act. Therefore boards need to find tools that can help them create and maintain themselves as democratic entities while avoiding inevitable dangers such as the oppression of minorities, failure to delegate, indecisiveness, lowest common denominator thinking, and group-think, or its obverse, fragmentation..

John Carver's "Policy Governance"<sup>2</sup> system is specifically designed to help boards achieve the democratic ideal because it frames everything a board is and does in the context of ownership. With its emphasis on creating and maintaining ownership connection, and the use of diversity to hone ethical, prudent and visionary policies for accountable and empowering delegation, Policy Governance makes practical the notion that the work of the board is "ownership one step down rather than management one step up"<sup>1</sup>. The result is clear job descriptions for the board and executive which enable people to be freed up to be their best and organisations to be efficient and accountable.

To this point in the evolution of the world of governance I have seen no other comprehensive approaches to board work (by which I mean approaches that tackle the why, what and how of board work in one coherent operating system) only more and more additions to the vast array of individual tools and recommendations already on offer.

### **Rising to the Challenge**

If people are to lead safe, healthy and productive lives, if our planet is to survive, we have to be capable of running ourselves. Not an easy task given the complexity of the issues involved. And clearly I am not alone in seeing boards as playing a crucial part. .

Boards are surely at the centre of what Joseph M Besstte has called deliberative democracy<sup>3</sup>, also sometimes called discursive democracy, a system of political decisions

based on some trade-off between direct democracy and representative democracy that relies on citizen deliberation to make sound policy.

Boards are surely also examples of what have been called “mediating structures” and therefore part of the framework that stands between an individual and his or her private life and the super-structures of society. And, as such, boards surely have enormous potential for enhancing democracy through reducing inequalities, increasing our sense of community and developing and increasing our social capital. Richard Couto and Catherine Guthrie<sup>4</sup> describe the importance of mediating structures as follows:

*“Mediating structures are a prerequisite to democracy. They preserve the liberty of citizens to act on public matters apart from government. They permit their members representation and participation in the sociopolitical arrangements of the neighbourhood, community, nation, or state.”*

Of course this all serves to add to the existing pressure boards face in living up to their responsibilities for organisational success and failure, but a large part of my message is that as the pressure increases we need to recognize that the solution cannot be heaping more and more onto the board plate. Instead we need to be concerned about the quality and level of board decisions. The right kinds of decisions for boards to be focussing on are about fundamental corporate directions and values, at a level well above the pressures and temptations of the daily swirl.

Boards need to be addressing questions such as which kinds of owners they believe they should be primarily accountable to? How do those owners want the world to be different because of their organisation’s existence? Should their organisation to be “built to last” or operated for short-term returns? Are the interests of minority owners sufficiently protected and why should the majority care? How does the board see the organisation’s duty to the public interest and why is it in owners’ interests for that duty to be fulfilled? What are the board’s ethical standards? How much risk do they think is justified?

Yet the board cannot responsibly spend its time addressing these crucial issues unless it is also confident that all the lower level details are being appropriately handled. All this

can never be achieved the way many boards are currently organised, yet nothing short of this is going to have boards really count.

Policy Governance makes it possible for boards to fulfill their true purpose, because it offers owners a level of transparency hitherto unknown. I believe it offers greater enfranchisement – a greater possibility of being responsible owners. If owners don't know what boards are talking about or why, if they don't understand who does what and why, how can they possibly participate? Boards are key agencies in society, bringing democracy to the highest level of every organisation. It is their job to define and demand organisational success and standards of ethics, the law and prudence on our behalf. This is true board leadership and we need it more than ever.

#### References:

<sup>1</sup> Carver, John, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, Jossey-Bass, An Imprint of Wiley, San Francisco 1990; 2nd edition, 1997; 3rd edition, 2006)..

<sup>2</sup> Policy Governance® is an internationally registered service mark of John Carver. Registration is only to ensure accurate description of the model rather than for financial gain. The model is available free to all with no royalties or licence fees for its use. The authoritative website for Policy Governance is [www.carvergovernance.com](http://www.carvergovernance.com).

<sup>3</sup> Bessette, Joseph, *The Mild Voice of Reason: Deliberative Democracy & American National Government*, University of Chicago Press, Chicago 1994.

<sup>4</sup> Couto, Richard A. with Guthrie, Catherine S., *Making Democracy Work Better, Mediating Structures, Social Capital, and the Democratic Prospect* University of North Carolina Press, Chapel Hill, 1999.

#### About the Author

Caroline Oliver is a specialist in efficient board governance who has been exploring how boards can excel at group leadership for almost 15 years in Canada, the USA and the UK. Now based in the UK, Caroline has facilitated many hundreds of interactions uniting and inspiring boards of all descriptions.

Today, she enjoys bringing all she has learned not only to her consulting work but also to her writing which encompasses three books and contributions on governance issues to journals and magazines around the world. Her 2009 book ***Getting Started with Policy Governance: Bringing Purpose, Integrity and Efficiency to Your Board's Work*** is published by Jossey-Bass/Wiley and can be ordered through Amazon and other leading booksellers.

Caroline is also the founding Chair of both the International Policy Governance Association (2000 – 2005) and the UK Policy Governance Association (2006 to present) as well as being the Chief Executive of the international consulting firm Good to Govern Limited, and founder of The Governance Corporation Network.

**Contact Information:**

Caroline Oliver  
Chief Executive

**Good to Govern Ltd.**

Email: [coliver@goodtogovern.com](mailto:coliver@goodtogovern.com)

Website: [www.goodtogovern.com](http://www.goodtogovern.com)

Member of The Governance Corporation Network

**UK Office:**

41 Highgate, Beverley, East Riding of Yorkshire, HU17 ODN

Phone: +44 (0) 148 286 2535

Mobile: +44 (0) 776 627 3837

**Canadian Office:**

1332 Deerwood Trail, Oakville, Ontario, L6M 2H4

Phone: (1) 905 825 1475

International Phone: 001 905 825 1475

Cell: (1) 289 242 8658

Good to Govern Ltd. is a Canadian Corporation No: 6211101

Registered Office: 1332 Deerwood Trail, Oakville, Ontario, L6M 2H4