



Franklin Community Co-op Bylaws

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Franklin Community Cooperative Corporation Bylaws (3.7.21)

Article I Name and Purpose

Section 1. We, the undersigned, do hereby constitute ourselves a cooperative corporation, under the name of Franklin Community Cooperative Corporation, hereinafter referred to as “the Co-op,” organized under the Massachusetts General Law Chapters 156B and 157. Chapter 157 is the set of statutes that applies specifically to co-ops, as opposed to the more general corporate law codified in 156B. Wherever there is a conflict between the two, Chapter 157 supersedes.

Section 2. Our purpose is to sell quality food and other goods to members and the general public, and to educate people about good nutrition, quality food, with awareness of its sources and cooperative management.

Article II Membership

Section 1. Membership is open to natural people, age 18 or older without prejudice.

Section 2. Membership is established by investment in the Co-op. Members invest by purchasing one or more shares of stock. The amount of investing required of members may be changed from time to time depending on the capital needs of the Co-op, and is set by amending the Articles of Organization. Per MGL157, Section 15, this requires a $\frac{3}{4}$ super-majority vote at a membership meeting. Also per MGL157, Section 15, when vote by mail or online voting is used, this $\frac{3}{4}$ vote is only valid when ballots are cast by at least $\frac{3}{5}$ of total stockholders. The need to meet this $\frac{3}{5}$ threshold can be avoided by holding a special general meeting, in accordance with the procedure set forth in Article IV, Section 2. Members may invest more than the minimum requirement up to the limit set by Massachusetts law. Policies regarding discount structure, working requirements, and payment plans for investment requirements shall be set by the Board of Directors.

a. Sales of Alcoholic Beverages: Any profits that accrue from the sale of alcoholic beverages must be accounted for separately from profits that accrue from other sales and those profits cannot be used to distribute to members or to reduce costs to members. All alcohol sales shall be available to the public without discrimination. Special discounts to members will not apply to the sale of beer and wine, however, any discounts that are available to the general public can apply to cooperative members.

Section 3. The interests of all members in the assets of the corporation shall be equal. Each member in good standing shall have one vote. A member is considered to be in good standing when they are current on their payment plan towards a member equity share, when their equity share is paid in full, or when they are on a need-based deferred payment plan.

Section 4. A shareholder may relinquish membership in the Co-op by selling their share(s) of stock back to the co-op at the price at which it was purchased.

Section 5. Outstanding shares of stock of any class cannot be sold or traded to any person or entity other than the Franklin Community Cooperative Corporation.

Article III Distribution of Profits

Section 1. At least every twelve months, the Board of Directors shall determine if any remaining profits are available for distribution to shareholders and/or employees.

Section 2. No distribution of profits shall be made unless at least ten percent of the net profits in any given year are first appropriated for a contingency of sinking fund until the contingency or sinking fund reaches an amount equal to 30 percent of the capital stock issued and outstanding.

Section 3. Any policy for the distribution of profits to shareholders and/or employees must be approved by a majority vote of the Board of Directors at a regular board meeting.

Section 4. Patronage Dividends

A. Allocations to members. The cooperative shall allocate and distribute to members the net profits from business done with them in such a manner as to qualify them as patronage dividends consistent with cooperative principles, applicable to state and federal laws and generally accepted accounting principles. The Board shall determine when and how such allocations and distributions will be made, including but not limited to the issuance of store credit vouchers in lieu of refund checks. Members shall have the right to redeem such store credit voucher for a refund check in accordance with procedures determined by the Board.

B. Consent of Members. By obtaining or retaining membership in the Cooperative, each member consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage refund received from the Cooperative. Each member also agrees that if their patronage refund check or voucher is not redeemed within 90 days of the date on which it was issued by the Cooperative, such member shall be deemed to have waived their patronage refund and the Cooperative shall have the right to make a contribution in the name of that member to support organizations aligned with the cooperative's purpose, in a manner as may be directed by the Board from time to time.

Article IV Membership Meetings

Section 1. There shall be an annual meeting of the general membership no later than six months following the end of the fiscal year. Date, time, and place for the meeting will be posted in the store at least 30 days prior to the date of the meeting. Written notice of the place, date, time, and purpose of the meeting shall be given to the shareholders at least seven days before the meeting by leaving such notice at the residence or usual place of business of each shareholder, or by mailing it, postage prepaid, to the address of the shareholder as it appears in the records of the corporation. A quorum shall be the lesser of 100 members or 5% of the membership, where quorum is defined as members in attendance and legally valid proxies. All decisions shall be made by majority vote.

Section 2. A special general meeting may be called by the Board of Directors or by petition of no less than ten percent of the members of the Co-op. A quorum shall be the lesser of 100 members or 5% of the membership. Date, time, and place for the meeting will be posted in the store at least 30 days prior to the date of the meeting. Written notice of the place, date, time, and purpose of the meeting shall be given to the shareholders at least seven days before the meeting by leaving such notice at the residence or usual place

of business of each shareholder, or by mailing it, postage prepaid, to the address of the shareholder as it appears in the records of the corporation. If the special general meeting is called for the purpose of changing the Articles of Organization, such meeting shall conduct voting by in-person balloting only (including paper proxy ballots), and the proposed changes to the Articles of Organization will be enacted only upon approval by 3/4 of the members in attendance (including proxies), in accordance with MGL 157, Section 15.

Section 3. As provided by Massachusetts General Law Chapter 157, Section 13, the Board will choose to conduct elections using in-person voting, voting by mail (including online voting, which is the legal equivalent), voting by proxy, or by a combination thereof. Proxies, when in use, must be in writing and dated within six months prior to the meeting. Voting by proxy is available only when voting by mail (including online voting) is not in use.

Article V Board of Directors

Section 1. The administration of the cooperative corporation shall be directed and controlled by a Board of Directors consisting of no more than eleven members. Directors shall be elected for three-year terms. The terms of office of the directors shall be staggered so that one-third of the terms shall expire each year. Directors may serve no more than two consecutive three-year terms.

Section 2. Nominations for the directors shall be made by petition signed by at least three members of the Co-op. Adequate notice to membership of nomination deadline shall be posted in the store at least sixty days prior to the annual meeting. All nominations must be submitted to principal office of the Co-op at least 30 days prior to the annual meeting. Names of nominees shall be given to shareholders along with the agenda of the meeting at least seven days prior to the meeting. Any nominee must have been a member in good standing of the Co-op for at least four months prior to the election.

Section 3. Employees shall be eligible as Directors. No more than two employees shall serve as Directors at one time. When the Board is discussing personnel matters in open session, employees may participate in the discussion but shall not vote. When the Board is discussing personnel matters in executive session, employee Directors shall not be present.

Section 4. A Board member may resign at any time by submitting a written resignation. The resignation shall take place immediately without acceptance.

Section 5. Incompetence, unwillingness, and/or fraud shall be cause for removal of a Board member, or of an officer from their position. This may include lack of attendance at three consecutive Board meetings. A decision to remove a Board member or officer must be made by a majority vote of the Board, after the person in question has been notified in writing of the intent of the Board to vote, and has had adequate time to respond and to be heard by the Board.

Section 6. In case of vacancy other than expiration of a term when there are two or more months until the annual meeting, the remaining members of the Board of Directors may, at their discretion, fill the vacancy. The Board shall elect the new member by a majority vote, after notifying the membership that it is actively recruiting a new member. Any nominee must have been a member in good standing of the Co-op for at least four months prior to the vote of the Board of Directors (see above).

Article VI Officers

Section 1. The Board of Directors shall elect officers from among its own members to serve for one-year terms. No employee shall serve as an officer. The officers shall be president, clerk, and treasurer. The Board of Directors may also elect from among its own members a vice president who shall perform the duties of president in their absence and shall, as requested, assist the president in the performance of their duties.

A. The president shall ensure Board of Directors' meetings occur on a regular basis, and general membership meetings occur when so petitioned. The president shall be authorized to sign contracts and other legal documents as necessary.

B. The clerk shall lead the Board in its responsibility to conduct its organizational business in compliance with the Massachusetts General Laws under which the organization is incorporated. The clerk shall ensure minutes are taken at all Board of Directors' and general meetings, and that they are filed at the Co-op and posted in the store. The clerk shall also ensure the completion and filing of the Massachusetts Corporation Annual Report with the Secretary of State. The clerk shall post or designate someone to post in the store the agenda, time, and place for all meetings at least a week prior to the next meeting.

C. The treasurer shall lead the Board in its oversight of the financial activity of the organization. The treasurer shall be authorized to sign checks, tax returns, and other legal documents. The treasurer shall give a treasurer's report at Board meetings, as necessary, and at the annual meeting.

Article VII Executive Committee

Section 1. The Board of Directors may designate an Executive Committee to exercise interim or other stated authority of the Board except as to matters involving long-range policies. The Executive Committee shall not operate to relieve the Board of general supervisory responsibilities in the management of the Co-op.

Section 2. The Executive Committee shall be designated at the first Board meeting following the annual meeting, and shall consist of four directors, including the president and the treasurer of the Board. The Executive Committee, in an emergency (as designated by the president) will meet and make decisions by consensus. All such emergency decisions shall be reported to and reviewed by the Board of Directors at its next meeting.

Article VIII Board of Directors' Meetings

Section 1. The Board of Directors shall meet at least bimonthly, and more often if necessary. Meetings will be called by the president or by someone delegated by the president. A quorum shall be fifty percent of the members of the Board. Each director shall have one vote. Any Co-op member present and in good standing may vote and shall have one vote. Decisions shall be made by a majority vote. In the case that the combined vote of members and Directors is against that of the majority of Directors present, the matter shall not be considered decided and shall be referred to the next Board meeting for decision. In the case that the combined vote is against the majority of the Board present at that second meeting, the matter remains undecided and shall be referred to a meeting of the general membership for decision.

Section 2. Upon petition of 1.5% of Co-op members, any decision of the Board of Directors shall be reconsidered at the next regularly scheduled meeting of the Board. Those signing the petition must be in good standing.

Section 3. The agenda for each Board meeting will be posted in the store at least a week prior to the next Board meeting. Any member of the Co-op may suggest an item to be discussed at a Board meeting by presenting the item in writing to the Board at least two weeks prior to the next Board meeting. The item will be placed on a meeting agenda as deemed appropriate by the Board.

Article IX Employees

Section 1. The Board of Directors shall hire a General Manager who is responsible for the day-to-day operations of the store.

Section 2. The Board of Directors shall review employee policy and evaluate the General Manager's performance. Staff shall have input regarding personnel policy designating employee's rights and responsibilities.

Article X Indemnification

Section 1. The cooperative corporation shall indemnify and hold harmless all directors, officers, employees and other agents of a corporation, and persons who serve at its request as directors, officers, or other agents of another organization, to the extent permitted by M.G.L.c. 156B, s.67, as amended. Such indemnification shall include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if they shall be adjudicated to be not entitled to indemnification under this section which undertaking may be accepted without reference to the financial ability of such person to make repayment. Any such indemnification shall be provided although the person to be indemnified is no longer an officer, director, employee, or agent of the corporation or of such other organization or no longer serves with respect to any such employee benefit plan.

No indemnification shall be provided for any person with respect to any matter as to which they shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in the best interest of the corporation.

Article XI Dissolution

Section 1. The corporation shall dissolve when the general membership votes for its dissolution by a majority vote.

Section 2. Assets remaining after paying all debts and liabilities shall be distributed by the provisions of Massachusetts General Laws, and by the membership's wishes, by majority vote at a general meeting.

Article XII Amendments of Bylaws

Section 1. Amendments to bylaws can be introduced by the Board of Directors or a petition of ten percent of the membership, to be voted and approved at a general membership meeting, by a majority vote.

Article XIII Acceptance of Bylaws

Section 1. These articles shall become binding and effective when they are accepted at a meeting of the general membership, by a majority vote.

(As amended and approved at the annual meeting of the corporation, March 2021)

Finance Committee Charter (1.13.21)

Approved 8/26/15; Amended 1/22/20; Amended 1/13/21

Purpose

This standing committee's role is to support the treasurer who ensures that the board creates and follows good policy related to the financial condition of the Cooperative and the Board itself.

Committee Composition

The committee shall be chaired by the board treasurer and membership on the Committee is by invitation of the Treasurer. Committee members should have a financial background in accounting, finance or economics or be current or former Board of Director members. Business experience is a plus. All members of the Committee should have the ability to read financial statements.

Staff - The Finance Manager and General Manager will be invited and encouraged to attend to stay informed and help guide/support planning considerations for the duties listed below.

Member-Owners are welcomed to attend and participate.

Responsibilities

1. Prepare a written Quarterly Review for the Board of Directors to correspond with the L5 GM Monitoring Report.
2. Create and monitor the Board Budget in a timely manner.
3. On behalf of the board, the Finance Committee will research and hire an auditor or financial reviewer as called for in Executive Limitations Policy L5.
4. Assist in writing the Treasurer's Report for the Annual Meeting.
5. Research financial topics and bring pertinent data to the board as a whole for consideration.
6. Educate the board in reading and understanding financial statements.
7. Communicate with the membership regarding the financial affairs of the cooperative (our financial history, status, and current affairs) through the newsletter and other means, for the purpose of having financial transparency with the membership and to further member linkage with the board.

Executive Session

Executive sessions will be held only after Board authorization, and in accordance with the G1.5.2 Policies.

Timeline

This is a standing committee.

General Manager Search Committee Charter (2.12.14)

Approved 11/13/13; Amended 12/11/13; Amended 2/12/14

Purpose

To coordinate the drafting of the job description, recruitment, screening, interviewing, preliminary selection, and negotiation of terms of employment of the next General Manager of Franklin Community Co-op on behalf of the Board of Directors and Co-op members and to maintain the highest level of integrity and transparency while doing so.

Composition

The Search Committee will include 2 to 4 board members, up to 2 member-owners, up to 2 employees, a representative of the Interim General Managers in limited non-voting advisory capacity. The quorum shall be 4, including 2 board members.

The interview committee will be a subcommittee of 4 people, including 2 board members, always the same members decided by the committee.

The Search Committee reserves the right to consult with advisers as deemed necessary.

The Search Committee is a closed and confidential committee.

Duties

1. Prepare a timeline for the search process including accounting for time needed for Board approval. Submit timeline for Board consideration, possible revision, and final approval. Monitor and stay within the budget approved by the board.
2. Develop/design an evaluation/feedback search process.
3. Review most recent General Manager job description and list of qualifications.
4. Consider our global Ends policy and co-op values and principles and use this information to direct changes to the GM job description and list of qualifications. Submit (revised if necessary) GM job description and list of qualifications to the Board for consideration and final approval.
5. If desired, the Board will contract with consultants or search firms, specifying services expected. Monitor consultant/search firm performance and make regular progress reports to the Board.
6. Research and propose range of General Manager compensation for Board approval.
7. Plan and implement recruitment strategy; research advertising media, write ad copy, place ads, prepare and distribute job announcements, network with industry contacts.
8. Foster and maintain high standards of transparency and communication throughout the search process through the collecting of feedback, the fielding and answering of questions from the Board and Co-op members within the bounds of professional confidentiality.
9. Provide monthly progress updates (of activities, accomplishments) to the Board, staff and the Marketing & Member Services for inclusion in The New Beet and/or other email notifications sent to co-op members and the board
10. Check references of preferred candidates using professional consultant.

11. Develop questions for first-round interviews and present to Board for approval. Revise as indicated/needed.
12. Establish an agreed upon protocol to receive resumes and to send acknowledgement email (format and content determined in advance) to all candidates.
13. Establish an agreed upon protocol to review resumes and to compare qualifications of candidates against predetermined qualifications list. Identify candidates best qualified for first-round interviews.
14. Notify and thank those deemed less qualified. Schedule and conduct first-round interviews (via conference call, video conference, or in person). Note: The same four committee members must be present for each interview.
15. Develop with Board the Co-op background materials packet to be sent to finalists (including cover letter stating Co-op's current state, vision, mission, aim, history, bylaws, process, size, etc.).
16. Present, for Board review, information for up to five (5) finalists for on-site interviews with Board and Search Committee, Schedule finalist interviews for full Board (and other formal or informal meetings with Board staff, and some community members, if desired). Will include background checks.
17. Notify finalists and send packet of background materials to them.
18. Arrange for logistics of on-site interviews (location, tour of co-op, travel, meals, lodging as directed by the Board).
19. Board to conduct final interviews.
20. Board makes decision and proposes negotiations.
21. The committee makes offer of employment to selected candidate and negotiates compensation and employment contract (as directed by the Board).
22. Conclude written evaluation of the process (see #2). Maintain records of the search process and evaluation for future hiring procedures. All confidential documents will be retained by HR department alone.

Food System Security Committee Charter (6.8.11)

Approved 6/8/11

Mandate

The Committee is charged with:

1. Developing short- and long-term strategies for the Board to effectively participate in—and provide leadership for—food system security initiatives.
2. Actively seek member-owner participation and input regarding food system security.

Committee Composition

The Committee Chairperson will be elected by the committee. At least two Board members will actively participate in the committee. The General Management will be invited and encouraged to attend—to stay informed and help guide / support the work of the committee. Member-owners are invited and encouraged to join the committee. Member-owner roles on the committee will be clearly defined.

Chairperson Responsibilities

The Chairperson or designee shall lead the committee by scheduling regular meetings, creating agendas, and facilitating the committee meetings. The Chairperson or designee shall report to the full Board as requested.

Committee Responsibilities

1. Maintain awareness of—and network with—other food security initiatives in our region
2. Maintain, improve, and revise the idea template tool, as necessary
3. Present ideas to the Board of Directors

4. Serve as a think tank and a sounding board for General Manger to support project development.

5. Member engagement

Timeline

The charter may be renewed or revised annually. The committee will stand, as described until such time.

Membership Engagement Committee Charter (4.9.25)

Approved 5/8/13; Revised 4/9/25

MEC Mission

The MEC is a standing committee that provides recommendations and support on matters related to Board communication and engagement with members.

Committee Composition

The Committee Chair will be elected by the Committee, and at least one Board member will actively participate in the Committee. Staff with member relations responsibilities will be encouraged to attend meetings to guide planning for activities such as Annual Meetings and other member-owner forums. Member-owners are invited and encouraged to join the Committee; ideally, at least half of the committee will consist of non-board and non-staff members. Member-owners interested in joining the MEC should contact the chair.

Responsibilities of the Chair

The Chair shall lead the Committee by scheduling regular meetings, creating agendas, and facilitating the Committee meetings. The Chair shall report to the full Board at least quarterly regarding MEC activities and outcomes.

Committee Responsibilities

The following is a list of possible ways to achieve the committee's mission:

1. Develop short- and long-term strategies for the Board to effectively communicate with the Membership.
2. Support the BOD's Communication Plan through BOD-requested activities.
3. Propose annual meeting outcomes and an agenda. Work with the Member Services Manager to plan the annual meeting.
4. Actively seek additional ways to receive member input in order to understand member-owner values, priorities, needs, and aspirations in the economic, social, and cultural spheres.
5. Coordinate Board communication through the New Beet by identifying topics of interest and board members to author articles.
6. Coordinate a Board presence at Co-op events.
7. Develop and support BOD recruitment methods.
8. Develop and support member-owner recruitment methods.
9. Plan member feedback events.
10. Maintain a presence on the FCC website.
11. Suggest store displays.
12. Research other co-op member engagement programs.

The Healthy Food Access Committee (10.14.20)

Approved 11/9/11; Amended 3/13/13; Amended 4/9/14; Amended 3/25/15; Amended 6/14/17; Amended 10/14/20

Purpose

Our Global Ends Policy calls on the co-op to be “an innovator and collaborator in the process of creating a regenerative and sustainable local community, economy and food system.”

Policy E7 specifically states:

“The Co-op will champion food justice in Franklin County and beyond by demonstrating leadership on issues of racial and economic justice throughout all levels of our food system, increasing access to healthy food for people of every socioeconomic status.”

Therefore, the Healthy Food Access Committee will:

- Lead the Board and the Co-op Community in understanding food insecurity.
- Examine how the Co-op currently works towards the Ends stated above, centering food security for all.
- Explore the possibilities for increasing access to healthy food for economically disadvantaged people at our co-op and present those to the BOD for consideration.

Committee Composition

The committee includes defined membership, set terms, consent decision making and regular minutes. Visitors are welcome to participate in HFAC meetings except for the final step of decision making. Any co-op member-owner wanting to join the HFAC can nominate themselves or be nominated by any member of the committee. Committee membership is decided by consent and will be prioritized for people who have lived experience with food insecurity. The committee roles include chair, facilitator and secretary; other roles may be developed as needed. The chair shall be a board member.

Responsibilities of the Chair

The Chair shall lead the committee by making sure regular meetings are scheduled, clear agendas are created in advance and meetings are facilitated. The Chair will act as a liaison between the GM and the Committee and will report to the BOD monthly, regarding the Committee’s progress or completion of specific goals reflected in its purpose.

Timeline

The charter may be renewed or revised annually. The committee will stand, as described until such time.

Personnel Committee Charter (3.13.24)

Approved 3/13/24

Committee Members

Three members of the Board of Directors, to include at least one officer (committee membership limited to members of the Board)

Mandate (Per Article IX of the FCC Bylaws Section 2):

The Board shall set up a Personnel Committee to prepare for and lead the Board's evaluation of the general manager's performance and assessment of the general manager's compensation on an annual basis, in accord with the schedules and process guidelines set by the Board.

Timeline:

The Personnel Committee shall be a standing committee of the Board of Directors.

Board Development Committee Charter (7.8.15)

Approved 7/8/15

Purpose:

On behalf of the Board of Directors, and at its direction, the Board Development Committee will support and strengthen Board effectiveness according to the Governance Policies G2.4, G2.5 and G2.6.

- will assess current Board effectiveness
- will increase the knowledge and skill level of current Board members •will suggest to the Board strategies for improving Board effectiveness •will plan Board retreats
- will provide a document of information for prospective Board members
- while adhering to our Bylaw Article V, Section 2 which controls the process for nominations, the committee will recruit a diverse, skilled and knowledgeable set of candidates for the Board
- will plan and implement prospective and new Board member orientation activities

Committee Composition

The Committee will include at least two Board members and will be chaired by a Board member. Member-owners are welcome to attend and participate.

Responsibilities of the Chair:

The Chair shall lead the Committee by scheduling regular meetings, creating agendas, facilitating the Committee meetings and reporting to the Board of Directors.

Reporting:

The Committee Chair will report to the Board of Directors monthly regarding the Committee's progress or completion of specific goals reflected in its purpose.

Timeline:

This is a standing committee.

Policy and Bylaw Revision Committee Charter (6.9.21)

Approved 7/8/15; revised 6/9/21

Purpose:

On behalf of the Board of Directors, and at its direction, the Policy and Bylaw Revision Committee will strengthen the clarity, usefulness and guidance of FCC's Policies and Bylaws:

- will assess, create and/or draft bylaw and policy recommendations suggested by the Board, the Committee or ownership, and present them to the Board for consideration
- in coordination with the Membership Engagement Committee, will communicate with members about proposed bylaw changes
- in coordination with the Board Development Committee, will facilitate the Board's deep familiarity with and understanding of our policies and bylaws.

Committee Composition:

The Committee will include at least two Board members and will be chaired by a Board member. Member-owners are welcome to attend and participate.

Responsibilities of the Chair:

The Chair shall lead the Committee by scheduling regular meetings, creating agendas, facilitating the Committee meetings and reporting to the Board of Directors.

Reporting:

The Committee Chair will report to the Board of Directors monthly regarding the Committee's progress or completion of specific goals reflected in its purpose.

Timeline:

This is a standing committee.

POLICY GOVERNANCE® SOURCE DOCUMENT

Why a Source Document?

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.”
(Webster’s)

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated.

Without a simply expressed clear source document on Policy Governance, Policy Governance is not reliably grounded and not transferable as a distinction. It is left vulnerable to interpretation, adaptation and impotence.

What Policy Governance is NOT!

- Policy Governance is not a specific board structure. It does not dictate board size, specific officers, or require a CEO. While it has principles for committees, it does not prohibit committees nor require specific committees.
- Policy Governance is not a set of individual “best practices”
- Policy Governance does not dictate what a board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change or anything else
- Policy Governance does not limit human interaction or stifle collective or individual thinking

What Policy Governance IS!

Policy Governance is a comprehensive set of integrated distinctions that, when consistently applied, allow governing boards to realize their accountability.

Policy Governance starts from certain principles about governing boards, which can be said to be true across all cases. These “universal principles” were not invented by John Carver, but are very clearly distinguished by him and are the basis for Policy Governance:

Principles of Governance

1. **Ownership:** The source of board legitimacy – to which the board must morally and/or legally connect its authority and accountability for the organization. Other “stakeholders” such as staff, customers and suppliers are *not* “owners” unless they independently qualify as such.
2. **Governance:** The job of the group granted full accountability and full authority for value produced on behalf of those who morally if not legally own the organization. The servant-leadership work of the highest and initial authority within the organization.
3. **Board Holism:** Board authority lies in the group’s one voice honed from the diversity of the whole group
4. **Accountable, Effective, Delegation:** In being accountable for an entire organization’s conduct, achievement, values, and destiny, a board has no choice but to exercise unambiguous control. However, the imposition of controls on delegates can be as destructive to owner interests as it is favorable to them.

Consequently, a board needs to exercise a type of control that safeguards owner values, optimally empowers human beings in the enterprise, and never delegates the same

responsibility or authority to more than one point.

The following design distinctions make the principles of governance operational.

Operational Design

Policy: Explicit, brief, written statements of values and perspectives, which guide **all** current and future decisions. These board decisions are made in categories, which separate what the organization is **for** from what it **does**. In each category, the board begins by making its decisions at the broadest level and, as necessary, continuing into more detailed levels that narrow the interpretative range of the higher levels, one articulated level at a time.

Policies, then, are grouped as follows:

Policies about Ends: The board prescriptively defines the intended results, changes, or benefits that should come about for specified recipients, beneficiaries, or otherwise designated impacted group, and at what cost or relative priority for the various benefits or various beneficiaries. In equity corporations, Ends typically describe shareholder value.

Policies about Means: All decisions that are not Ends, are “means” by definition.

1) The board defines in writing and takes full responsibility for agendas, behaviors, values-added, practices, disciplines, and conduct of the board itself and of the board’s delegation/ accountability relationship with its own subcomponents and with the executive part of the organization.

2) The board defines proscriptively and in writing, those conditions it requires staff to avoid even if they work. The board does not circumvent the spirit of this rule by using negative language merely to prescribe preferred means.

Reasonable Interpretation: In authorizing further decisions - beyond the ones recorded in board policies - the board grants delegates the right to use any reasonable interpretation of those policies. In each instance, the delegate is never ambiguous.

Monitoring: The board periodically receives information, providing evidence that performance in both governance and management complies with a reasonable interpretation of the board’s stated expectations in these domains.

These governance and design distinctions exist and are real when distinguished and don’t exist when they are not distinguished. When distinguished, and therefore brought into play, they allow for a governing board to realize owner accountability. When they are not distinguished, and so not brought to play, true owner accountability is not available.

Policy Governance boards live these distinctions in everything they are, do and say.

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