

WHAT MAKES AN EFFECTIVE BOARD?

*Facilitated by Denise Pavey and Neil Casey
September 2013*

- The state of the voluntary sector*
- Research among GC members*
- Drivers for change and effectiveness*
- Boards exist to govern – models of governance*
- Fiduciary, strategic and generative*
- Key questions for Boards*

THE VOLUNTARY SECTOR CONTINUES TO GROW

- In 2013
 - 160,000 organisations, £38.3bn income, 732,000 employees
- On Boards
 - 580,000 trustees filling 834,000 board positions
 - 15% charities had too few trustees
 - 48% trustees are women
 - 42% are over 60 years, 35% are 45-59 years
- Ratio of trustees to paid staff is 0.97:1

Source *The UK Leading Social Civil Society Almanac* – NCVO – published annually – <http://data.ncvo-vol.org.uk>

THE SECTOR IN THE SPOTLIGHT

- Greater public scrutiny of charities
- Changing Role of Charity Commission
- Public confidence in the sector is being eroded
- Increased competition for funding
- Christian charities are not immune

THE STATE OF GOVERNANCE IN THE CHARITY SECTOR

- Charity Governance is stuck in the past
 - Dame Mary Marsh, Clore Social Leadership Programme, May 2013
 - *Leading Social* – led by Dame Mary Marsh, Clore Social Leadership Programme, May 2013 - <http://leadingsocial.org.uk/>

CHARITY GOVERNANCE IS STUCK IN THE PAST

Findings were presented in areas that needed to be improved:-

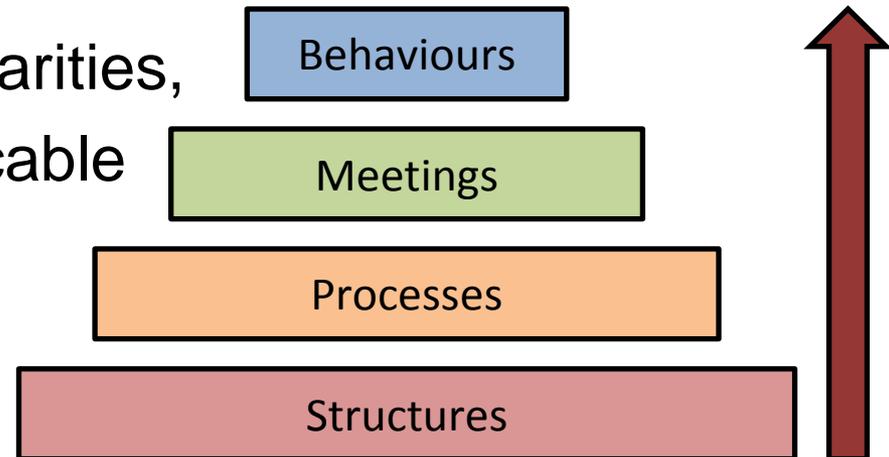
1. Strengthen governance
2. Attract and develop leaders
3. Routes into and through the social sector
4. Skills sharing
5. Digital fluency
6. Data-informed social change
7. Enterprise capability
8. Collaboration in the social sector

CHARITY GOVERNANCE IS STUCK IN THE PAST

- Overarching themes – *It's about people*
 - everyone has an individual personal responsibility to actively contribute to our own continuous development
 - the responsibility for developing and 'growing' people and making the most of potential has to be led from the top of organisations of all sizes including by their governance
 - there are some urgent and specific skills gaps

GOVERNANCE IS A COMPLEX ECOSYSTEM

- *Delivering Effective Governance* – Mike Hudson and Jacinta Ashworth – Compass Partnership 2012
 - Identifies drivers of governance performance
 - Highlights actions to achieve greatest improvements in governance
- Looked at the largest 500 charities, but findings are widely applicable
- Define a hierarchy of governance improvement



TOP TEN DRIVERS OF GOVERNANCE PERFORMANCE

1. Works well as a team
2. Ensures meetings deliver excellent governance
3. Has the required skills and experience
4. Focuses on strategy
5. Operates with openness and trust
6. Has great diversity
7. Praises management
8. Provides robust challenge
9. Uses committees effectively
10. Gives thorough induction

Source Hudson and Ashworth 2012

“A WORLD OF CHANGE”

The characteristics of Mission Agency Boards are generally similar to those across the non-profit sector, but they could improve their effectiveness by

- Increased diversity
- A wider recruitment pool
- Adopting good governance practice
- Recruiting marketing/fundraising expertise to the Board
- Reflective learning

**“I think we don’t
know what we don’t
know”**

Trustee

57 % of non-profit organisations expect to invest in developing Board leadership in the coming year, with 70% citing strategic thinking as their priority

Baker Tilly with ACEVO, 2011

BOARD STRUCTURE /ORGANISATION

- Officers
- Committees
- Processes and procedures
- Meetings
- Documentation
- Review

Average number of **meetings** is 5 per year, lasting an average 5 hours

Average of 6 out of 12
Policies & Plans in place

- Declaration of Board Eligibility
- Conflict of Interests Policy/Declaration
- Confidentiality Policy
- Board Code of Conduct
- Board Induction Pack/Process
- Board Handbook or Manual
- Role Description for Board members
- Role Description for Chair
- Terms of Reference for Board
- Board Skills Register
- Board Annual Work Plan
- Review/Appraisal of the Board

“As a young charity we are very much at the establishment phase. We are putting in place ways of working at board level which give consideration to the changing context.”
Chair

Source: *Slow Boat to Skype* – Denise Pavey, through Global Connections – Masters dissertation

BOARD INFORMATION

- Financial
- Operational
- Achievements
- Impact
- Independent/tested/comparative

Tracking Performance

- KPIs
- Targets in plans
- Progress reports
- Highlighted actions
- “Traffic lights”

Hudson & Ashworth

Information Sources

- Average 2.3 sources
- 35% rely on single source
- Staff are key, sometimes only, source

Source: *Slow Boat to Skype* – Denise Pavey, through Global Connections – Masters dissertation

BOARD PLANNING

- Risks
- Opportunities
- Context changes
- ‘Competitors’
- ‘New thinking’

Almost all review **Risk Register** every year, with 50% reviewing at least twice a year

Hudson & Ashworth

75% have a **Strategic Plan**, with most Boards involved in development/approval

“We are considering new models, scenarios and potential impacts”
CEO

“We will keep going”

BOARDS FELT MORE CAPABLE IF...

- The Board had a larger average number of members (10)
- Board members had generally served less than 10 years
- More diverse methods were used for Board recruitment
- More Board policies and plans were in place
- Board members had a greater range of expertise
- There was a Strategic Plan in place, developed jointly by Board and staff
- The Board considered 'new thinking'

GOVERNANCE IS DESCRIBED AS..

“the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and overall accountability of an organisation” Chris Cornforth

How can boards ensure that they are governing boards, rather than managing? Five models will be considered:-

- Policy governance (Carver)
- The Code of Good Governance
- The Relationship Model
- Governance as Leadership
- Conceptual framework for governance

1. THE POLICY GOVERNANCE® MODEL

- Created by John Carver, and commonly known as the Carver Model
- Uses the concept of “Ends” and “Means”
- The “Ends” are the organisation’s purpose.
- Policy Governance boards focus on the achievement of the organisation’s “Ends”
- Policy concepts are very helpful but often found to be too restrictive. Worth reading about
- www.carvergovernance.com

2. GOOD GOVERNANCE - A CODE FOR THE COMMUNITY AND VOLUNTARY SECTOR

- Commonly known as The Code of Good Governance
- First published by the NCVO in June 2005
- Developed by ACEVO, ICOSA, Charity Trustees Network and the NCVO



2. GOOD GOVERNANCE - A CODE FOR THE COMMUNITY AND VOLUNTARY SECTOR

Seven Principles of Good Governance

1. **Board leadership** Every organisation should be led and **controlled by an** effective Board of trustees which collectively ensures delivery of its objects, sets its strategic direction and upholds its values.
2. **The Board in control** The trustees as a Board should **collectively be responsible** and accountable for ensuring and monitoring that the organisation is performing well, is solvent, and complies with all its obligations.
3. **The high performance Board** The Board should have **clear responsibilities and** functions, and should compose and organise itself to discharge them effectively.

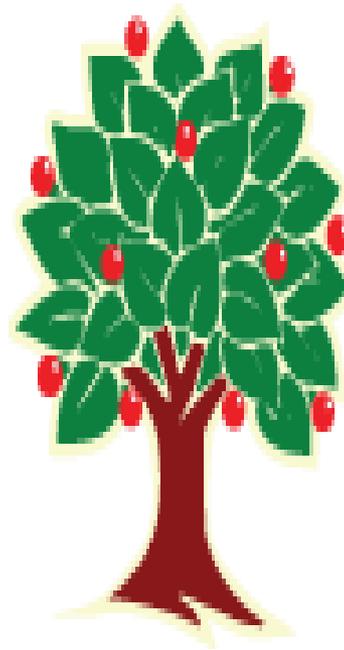
2. GOOD GOVERNANCE - A CODE FOR THE COMMUNITY AND VOLUNTARY SECTOR

4. **Board review and renewal** The Board should periodically review its own and the organisation's effectiveness, and take any necessary steps to ensure that both continue to work well.
5. **Board delegation** The Board should set out the functions of sub-committees, officers, the chief executive, other staff and agents in clear delegated authorities, and should monitor their performance.
6. **Board and trustee integrity** The Board and individual trustees should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.
7. **The open Board** The Board should be open, responsive and accountable to its users, beneficiaries, members, partners and others with an interest in its work.

www.governancecode.org

3. THE RELATIONSHIP MODEL™

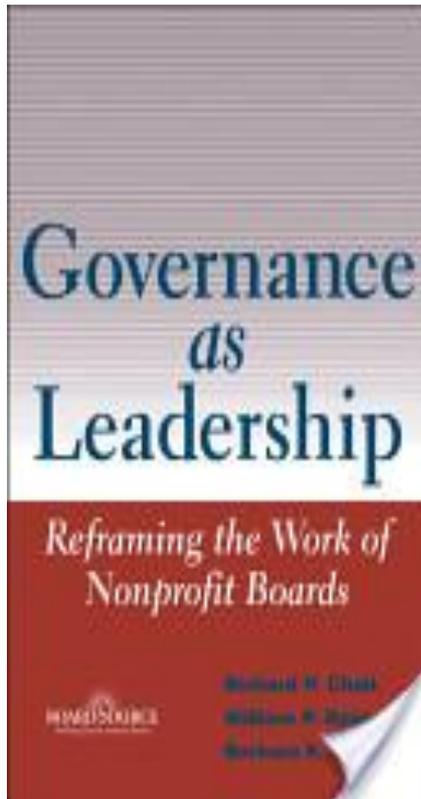
- Developed by Les Stahlke, former CEO of Mission Aviation Fellowship Europe
- Particularly for faith based and values based Not for Profit Organisation and churches
- Focuses on Values and their interplay with organisational processes and behaviour
- Affirmation, involvement and servant leadership
- www.relationshipmodel.com



The
Relationship
Model™

4. GOVERNANCE AS LEADERSHIP

Based on work done by Richard Chait and colleagues from Harvard University



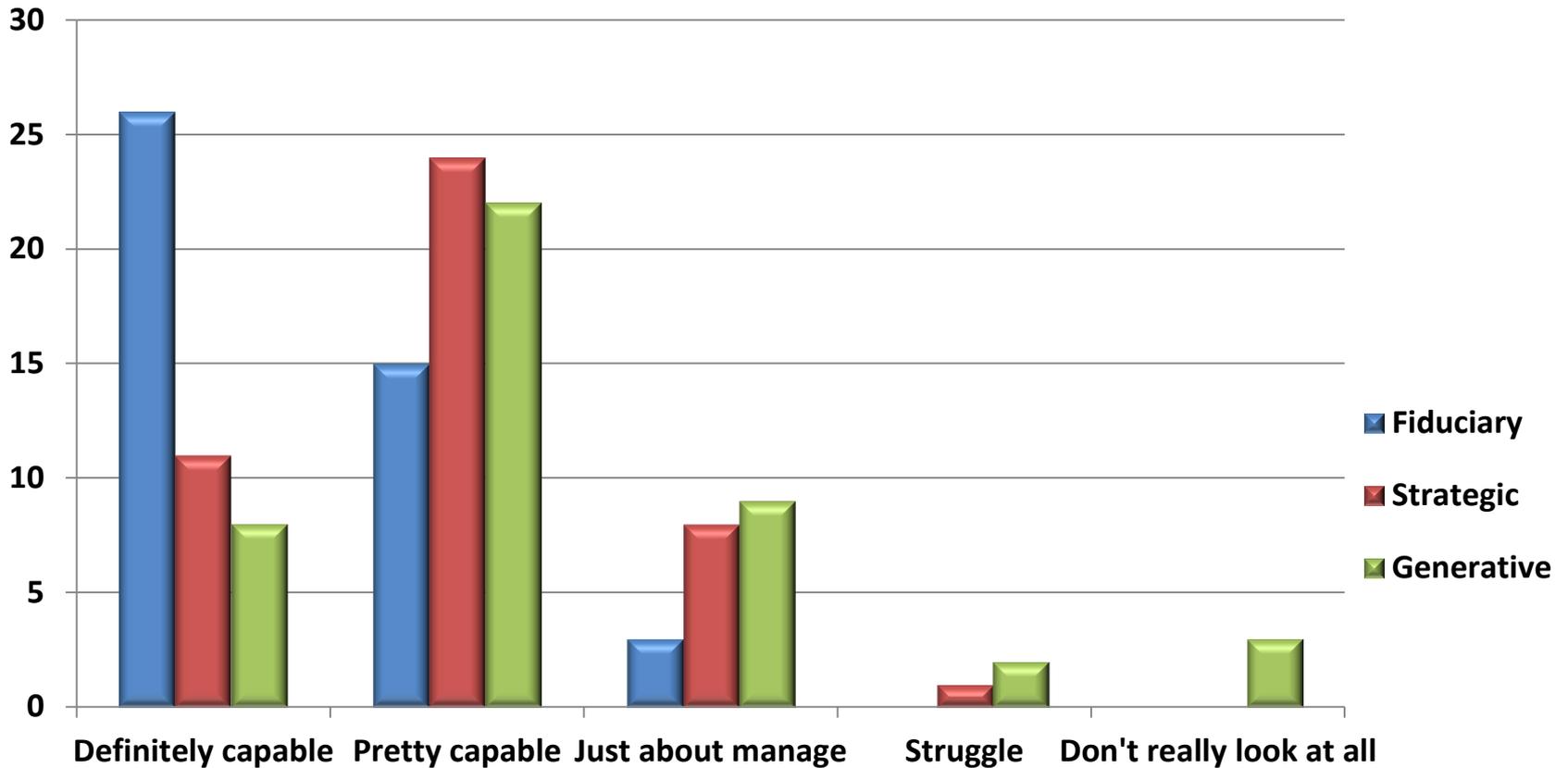
Frames Governance in three areas:

- Fiduciary - “Conformance”, control mechanisms
- Strategic – “Performance”, direction setting
- Generative – Organisational robustness, sense making, future

4. GOVERNANCE AS LEADERSHIP

	Fiduciary	Strategic	Generative
Key Question	“What’s wrong?”	“What’s the plan?”	“What’s the question?”
Board Focus	Define Problems Review results	Solve problems Shape strategy	Frame problems, make sense
Board Process	Parliamentary	Logical and empirical, discussion	Informal, creative
Problems are to be	Spotted	Solved	Framed
Decision Making	Resolution	Reaching consensus	Framing the question
Board sees their role as	Oversight and authority	Strategist	Fresh perspective
Performance Metrics	Facts, figures, finances	Strategic indicators, competitive analysis	Signs of learning and discernment

SURVEY ON BOARD CAPABILITIES



Source: *Slow Boat to Skype* – Denise Pavey, through Global Connections – Masters dissertation

5. CONCEPTUAL FRAMEWORK FOR GOVERNANCE



GOVERNANCE AND WORLD MISSION

Key issues to be addressed

- Economic difficulties in UK and elsewhere
- Increasing UK multiculturalism
- Declining and/or changing church membership
- ‘Long-term’ mission now seen as <10 years rather than ‘for life’
- Direct UK church engagement with mission overseas
- The rise of the ‘Global South’ in mission
- Global warming and other environmental concerns
- The rise in global communications and travel
- The growth of cities and ‘urban culture’

Source: Global Connections/Paul Hildreth research

SO WHAT CAN BOARDS OF CHRISTIAN ORGANISATIONS DO TO BECOME MORE EFFECTIVE?

QUESTIONS FOR BOARDS OF CHRISTIAN ORGANISATIONS

PEOPLE

- Is there a good diversity mix on our board?
- Do board members attend board meetings regularly?
- Do board members make a constructive contributions at our board meetings?
- Do we have the right mix of skills and expertise represented on our board?

QUESTIONS FOR BOARDS OF CHRISTIAN ORGANISATIONS

STRUCTURE

- Does our board agenda focus on governance rather than management?
- Do our board papers provide us with the right sort of information in an accessible way?
- Are we making effective decisions as a board?
- Are our board committees enabling the full board to govern?
- Does the board have a complete set of operating policies for itself?

QUESTIONS FOR BOARDS OF CHRISTIAN ORGANISATIONS

INFORMATION

- Are we able to answer the question “what does success look like” for our organisation?
- Do we get feedback from our staff about the work and the organisation?
- Do we get feedback from beneficiaries about the quality and impact of the work?
- Are we able to track the organisations progress towards achieving its goals?

QUESTIONS FOR BOARDS OF CHRISTIAN ORGANISATIONS

PLANNING

- Are we confident that we know what risks the organisation is exposed to and that they are been managed well?
- Do we have a strategic plan in place that informs the day to day business of the organisation?
- Do we give sufficient time at each board meeting to horizon scanning?
- Are we responding well to the changing world?