BOARD EFFECTIVENESS AND MODELS OF GOVERNANCE

The charity sector has been through significant changes in the last few decades. However many people question whether the same can be said about its governance. Research by Dame Mary Marsh [1] (Clore Social Leadership Programme) in 2013, found that the governance structures of many charities are "stuck in the past".

This short paper is designed to help trustee bodies think through key issues such as:-
- How can a Board be helped to ensure it is more effective in its role?
- What does governance mean and what does it look like?
- What models could be used to help a Board govern effectively?
- How can a Board develop a robust framework suitable for the organisation?

1.   WHAT MAKES AN EFFECTIVE BOARD?

In their 2012 report *Delivering Effective Governance* [2] Hudson and Ashworth put together the Compass Cass Governance Model which lists the 50 most important characteristics of effective governance. These are compressed together under four key areas for Boards to address:
- Behaviours
- Meetings
- Processes
- Structures

Their conclusion was that the top drivers of effective governance are (in order of importance):

1. Effective team work	6. Having great diversity
2. Ensuring meetings deliver excellent governance	7. Praising management
3. Having the required skills and experience	8. Providing robust challenge
4. Focus on strategy	9. Using committees effectively
5. Operating with openness and trust	10. Providing thorough induction

Questions for a Board: It is important that a Board looks at these different drivers and asks itself questions about whether the Board is strong in these areas. It is recommended that a Board considers having a review looking at these various drivers and accessing its effectiveness in each area.

Looking more specifically at Christian mission agencies, Denise Pavey's *Slow Boat to Skype* [3] research *(*Masters dissertation published through Global Connections) found that the characteristics of Boards of mission agencies are generally similar to those across the non-profit sector. However there were some differences as well, with the following being key areas to address that could improve their effectiveness:
- Increasing the diversity of Board Members
- Having a wider recruitment pool
- Adopting a model leading to good governance practice
- Recruiting marketing/fundraising expertise to the Board
- Building in reflective learning

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[1] Research by Dame Mary Marsh (Clore Social Leadership Programme), May 2013, found at
www.cloresocialleadership.org.uk/research.aspx
[2] Mike Hudson and Jacinta Ashworth, *Delivering Effective Governance,* 2012*,* found at
www.dsc.org.uk/portal_products/products/149755/attachments/Delivering%20Effective%20Governance%20Look%20inside%20version.pdf
[3] From *Slow Boat to Skype*, Denise Pavey, dissertation summary found at
www.globalconnections.org.uk/sites/newgc.localhost/files/papers/Slow%20Boat%20to%20Skype%20-%20Denise%20Pavey.pdf

The research also found another key area that needed addressing as 35% of the Boards relied on information from a single source (usually the CEO). Indeed the vast majority only used staff within the agency to provide information. The research suggested that Boards should more deliberately seek other external sources of information.

There was also concern from the survey about how Boards are organised. Many did not have a full set of policies about how a Board should be run as there was only an average of six out of the twelve areas listed below:

- Declaration of Eligibility to Board
- Conflict of Interests Policy and 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

In terms of their responsibilities, Boards felt in general quite confident with their roles and tasks. However in general Boards felt more capable when:
- There was a reasonable number of Board members (10 thought to be ideal)
- Board members did not serve too long (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 skills and expertise
- There was a Strategic Plan in place, jointly owned by Board and staff
- The Board considered 'new thinking' and the external environment, looking to the future rather than just the present.

Questions for a Board:
- How could Board recruitment and diversity be improved?
- Where does the organisation get its information and how could this be improved?
- Which of the policies above does the Board have and what action will be taken so that all are in place?
- Does the Board provide enough opportunity for reflective learning using external sources?

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2.   UNDERSTANDING GOVERNANCE

One major problem for people who serve on Boards is understanding the term "governance". It has many meanings in different contexts Chris Cornforth provides a useful definition and describes governance as "the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and overall accountability of an organisation."[4] The challenge is then ensuring that boards govern rather than manage their organisations.

Exercise for a Board:
- How would your Board describe the term governance?
- Ask each individual Board member to write down things that governance is and things that governance is not. Then discuss in small groups. Come up with an agreed list for both WHAT IT GOVERNANCE IS and WHAT IT IS NOT.

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[4] *The Governance of Voluntary Organisations*, Cornforth 2003

In addition Pavey asked Boards about their role in the fiduciary, strategic and generative areas of governance[5]. Her results show that most boards find it easier to undertake fiduciary responsibilities rather than strategic and generative responsibility (chart 1).
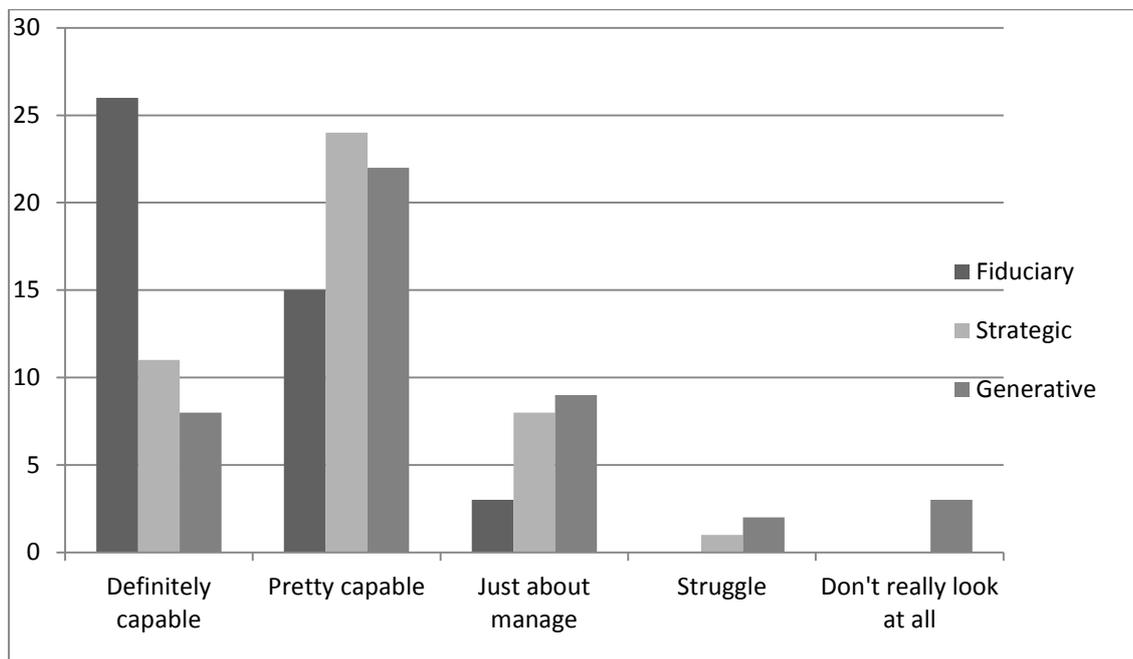

Chart 1 – Board capabilities

Boards performed reasonably well in the fiduciary area and it is important that an organisation is well run and acts legally and responsibility. Indeed a key role of the Board is in ensuring compliance be and that regulations are well followed in all areas. However for many Boards that can take up all its time whereas more time and training needs to be given to Boards to be involved in strategic thinking and protecting the future.

3.   MODELS OF GOVERNANCE

Research shows that adopting a clear basis for how a Board operates or a model of governance can lead to improving good governance practice. There are many different models available and it is important that a Board adopts its own model that enhances the values of the agency. Using one of the models below, or picking up some principles from these models, can help an organisation be governed well, and ensure that there is less confusion between the role of the Board and that of the executive.

3.1   The Relationship Model™
The Relationship Model™ of governance[6] was developed by Dr Les Stahlke whilst he was CEO of Mission Aviation Fellowship (Europe). It is a model of governance of particular interest for churches, faith-based, not-for-profit organisations and values-based organisations. It is designed to help the churches and not-for-profit organisations realise success in their ministry and fulfilment for their staff and volunteers through collaborative governance, leadership, and management.

In the Relationship Model™ values, structure and processes form the basis of governance, leadership, management and service delivery. The roles of governance, leadership and management differ, but the

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[5] Chait, R.P., Ryan, W.P. and Taylor, B.E. *Governance as Leadership - Reframing the Work of Nonprofit Boards*
[6] Further reading: http://www.relationshipmodel.com

principles that underlie them are the same. The model helps an organization clarify its basis in these three areas.

Values	Structure	Processes
Affirmation	Authority	Communication
Involvement	Limitations of Authority	Conflict Resolution
Servant leadership	Responsibility	Decision-Making
	Expectations of Responsibility	Strategic Planning
	Accountability	Delegating Authority/ Responsibility
		Monitoring and measuring

The combination of values, structure and process may be synthesised into **ten basic principles**:
1. The organisation seeks a balance between the fulfilment of the needs of those being served and the personal fulfilment of the staff and volunteers.
2. The affirmation, involvement and servant leadership of every individual and group at every level in the organisation are vital to the success of the organisation.
3. Authority, responsibility and accountability are the primary components of all relationships. Limitations of authority and expectations of responsibility are the secondary components.
4. Circles of authority and responsibility are defined clearly and are maintained equal in size by negotiating limitations of authority or by expectations of responsibility.
5. The Board, acting on information from all stakeholders, is responsible for strategic planning: defining beneficiaries, services/needs, vision, mission and priorities, monitoring performance and measuring results.
6. The CEO is responsible for managing the delivery of services in accord with Board-stated priorities and for achieving the strategic goals within the limitations of the authorisation and resources available.
7. Each individual has a share in responsibility for creating, owning, understanding and implementing the mission of the organisation.
8. Decision-making proceeds from shared values, vision and mission, not unilaterally from the Boardor the CEO. Decisions are made as close as possible to where they are implemented.
9. The organisation is results oriented. Indicators of results are identified. Strategic and tactical goals are set in balance with available resources. Results are measured.
10. Accountability is mutual. The source of authority is accountable to the recipient for providing adequate authorisation and resources. The recipient is accountable to the source for achieving results.

3.2   The Good Governance Model [7]
The Code of Good Governance was first published in June 2005 and is a generic model for the whole Community and Voluntary sector. It was re-issued in October 2010 by ACEVO, with a second edition published in November 2011 for small organisations.

The Code enables organisations to assess whether they are following good practice. Its purpose is to offer guidance and there should be flexibility in how it is used. It does not take the place of legal duties to charity law and regulation. It should assist Board members to provide strong leadership, to enhance decision making and to demonstrate accountability.

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[7] Further reading: http://www.governancecode.org

The Code is made up of six key principles, each with different characteristics and they are underpinned by the principle of equality. The principles are universal and applicable to all organisations. However, it is the practice and procedures that will vary.

An effective Board will provide good governance and leadership by fulfilling the six principles:
Principle 1 – Understanding their role
Principle 2 – Ensuring delivery of organisational purpose
Principle 3 – Working effectively both as individuals and as a team
Principle 4 – Exercising effective control
Principle 5 – Behaving with integrity
Principle 6 – Being open and accountable.

Some general comments about the Code of Good Governance Model are:
- The Code became popular and organisations were quick to adopt its use. According to a 2011 ACEVO survey, some 74 per cent of Chief Executives for charities utilise principles found in the code.
- All the materials offered by the Code Founding Group are free with only proper copyright attribution required.
- The six principles provide the foundation by which the Code can help board members improve their governance and leadership capabilities and performance. The principles themselves are concise but the Code also provides a thorough explanation of each along with the reasons why they are so important.
- By studying and implementing these six principles, charities and voluntary organisations will be in a better position to achieve the standards expected of them in today's society. Additionally, the Founding Group continues to fine-tune the Code in cooperation with the Charity Commission and other participating organisations.

3.3   The Policy Governance Model (Carver) [8]
This model was created by John Carver and is commonly known as the Carver Model. The model helps the Board focus on ensuring that the goals of what you want to achieve (the "**ends"**) are met; it is not about the **means** of doing of them. Many organisations have historically concentrated on the methods and activities, rather than the ends. As a minimum, this model states that "the purpose of governance is to ensure, usually on behalf of others, that an organisation achieves what it should achieve while avoiding those behaviours and situations that should be avoided."

According to this model of governance, the Board represents the "moral owners" (e.g. our supporters) of the organisation and corporately are the "servant leaders" on behalf of the owners. Board leadership is about ensuring that the organisation is carrying out the wishes of the moral owners, while complying with legal and regulatory requirements.

This model develops four sets of policies, set within a Policy Circle (Chart 2 below). They are:
- Outcomes (Ends) – what good shall we accomplish, for whom, at what cost?
- Executive Limitations (EL) – constraints within which the CEO is required to deliver those results ensuring what they do is both ethical and prudent (expressed in negative language - what the CEO shall not do).
- Board-Management Delegation – how the managing body interacts with the organisation through the CEO (delegation only via the CEO, reporting against Ends and EL Policies).
- Governance Process – how the governing body fulfils its roles and responsibilities.

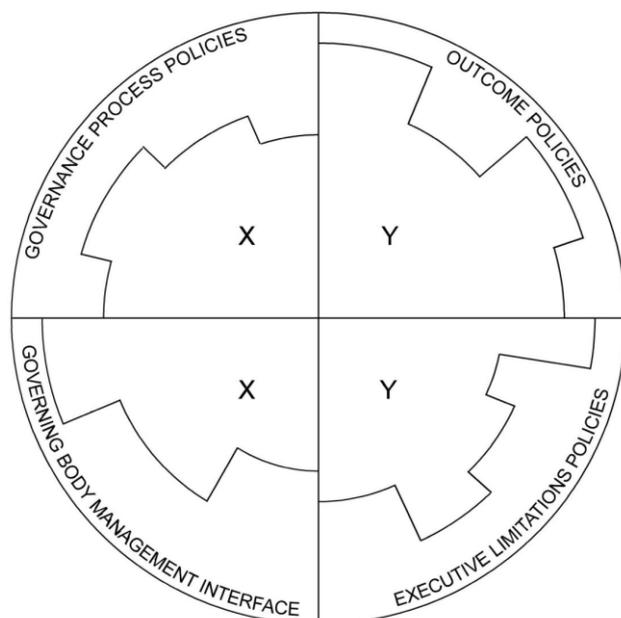[8] Carver Model of Governance www.carvergovernance.com

Chart 2 – The Policy Circle

Perceived strengths of the Carver Model:
- Potential to bring clarity to governance /management distinction
- Coherent system
- Writing Ends statements can be a positive process
- Identifies stakeholders well (or moral owners) though this can be complex, but even the process can be positive
- Research shows that Boards who sue it like the Executive Limitations approach.

Perceived limitations of the Carver Model:
- The position and role of CEO - the CEO does not report to the Board through the Chair but to the Board as a body, and vice versa. There is also little room for other internal reporting mechanisms
- Relationship between Board and CEO as one of 'supporting' as well as 'ensuring'
- The Ends / Means distinction can be very rigid?
- The model is very prescriptive
- Requires the Board to be well trained in order to make the model work and induction of new Board members takes a lot of time and explaining

Practical challenges of the Carver Model:
- Materials / tools / training needed to develop and implement this model
- Time needed to develop policies
- Need to help Boards make the transition to a new way of thinking and operating?
- Sustainability in view of Board turnover?
- Potential incompatibility with some aspects of the UK regulatory framework

3.4   Governance as Leadership Model
The Governance as Leadership Model [9] is based on work done by Richard Chait and colleagues from Harvard University and was published in 2004. The model redefines non-profit governance and it provides a powerful framework for a new way of working between trustees and executive staff: more macro-governance in exchange for less micro-management.

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[9] Further reading: 'Governance and Leadership: Reframing the Work of Nonprofit Boards' by R.P. Chait, W.P Ryan, B.E. Taylor (2004)

The model outlines three modes of governance which Boards should use. Each mode serves important purposes, and together, the three add up to governance as leadership. The three modes are:

- Fiduciary – in this mode, the Board's central purpose is the stewardship of tangible assets and its principle role is to guard these. It oversees operations and ensures efficient and appropriate use of resources, legal compliance and fiscal accountability. The fiduciary role requires the least amount of knowledge by the Board about the organisation and its mission. But organisations often have boards that focus almost exclusively on fiduciary concerns.
- Strategic – in this mode, the Board's central purpose is to ensure a winning strategy for the organisation, and its principal role is to be a strategic partner to senior management. Its core work includes setting priorities, reviewing and modifying strategic plans, and monitoring performance against plans.
- Generative – in this mode the Board's central purpose is to be a source of leadership for the organisation, and its principal role is as a "sense maker." The board "decides what to decide"; discerns challenges and opportunities; and probes assumptions, logic and the values behind strategies. Generative thinking is a cognitive process for deciding what to pay attention to, what it means, and what to do about it.

In practice, these three modes of governance can look as follows:

	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

Chart 3 – The three modes of governance

3.5   The RACI framework

The RACI framework [10] is not a governance model in itself, rather it is a project management tool than can be helpful in defining roles and responsibilities. It can bring clarity to ideas and thoughts and so can be very helpful in identifying the roles and responsibilities of the Board and the executive staff.

The RACI model is also known as the Responsibility Assignment Matrix. The four aspects are parameters used in decision making and is based on the following acronym: **R** – Responsible, **A** – Accountable, **C** – Consulted, **I** – Informed.

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[10] Further reading: http://racichart.org

A RACI chart is a matrix of all the activities and decision making authorities undertaken in an organisation set against all the people or roles. At each intersection of activity and role it is possible to assign someone who is **R**esponsible, **A**ccountable, **C**onsulted or **I**nformed for that activity or decision.

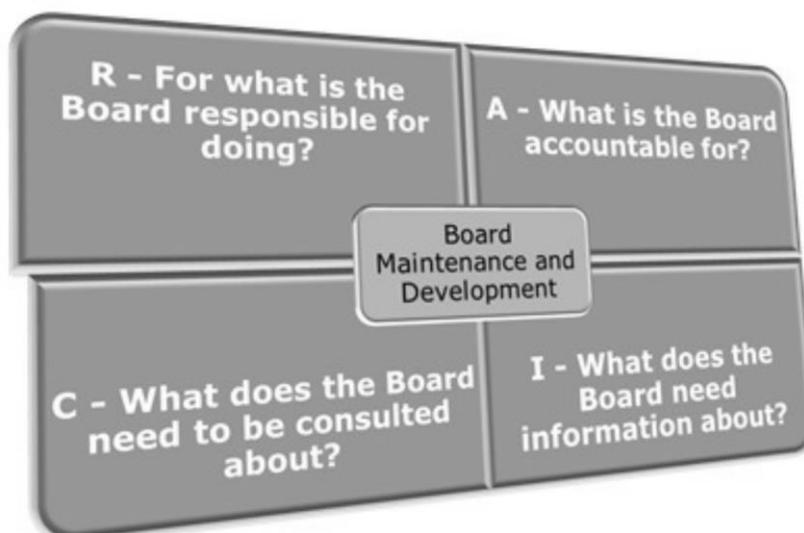In terms of Board governance, it could be applied as follows:

Chart 4 – Board roles and responsibilities.

A RACI analysis can be useful for:
- Work Analysis: It is easy to see who is doing what
- Re-organisation: To ensure that key functions and processes are not overlooked
- Board and staff turnover: Newcomers can quickly identify their roles and responsibilities.
- Work Assignment: Allows roles and duties to be redistributed effectively between groups and/or individuals.
- Conflict Resolution: Provides a forum for discussion and resolving conflict about decisions.
- Documenting the Status Quo: The output from RACI is a simple yet effective method of documenting the roles and responsibilities for different groups in an organisation.

The following is an extract from a RACI matrix in use in relation to the roles and responsibilities of a Board, its sub-committees and its executive staff:

Processes activities and deliverables describing the role of the Board	Board	Sub-committee	Staff
1. Governance			
1.1 Compliance with Charities Act & Company Law			
Charity run in compliance with Articles of Association	A		R
Annual report & audited financial statements	A	R,I	R
Annual returns sent to Companies House & Charity Commission	A		R
Conflict of interests of Board declared	A,R		I
1.2 Organisational effectiveness			
Management structure	C*	I	A,R
Organisational performance	A	C	R

Processes activities and deliverables describing the role of the Board	Board	Sub-committee	Staff
1. Governance (cont'd)			
1.3 Organisational viability			
Annual budget	A	R	R
Monitoring of income & expenditure against approved budget	A	R	R
Asset management	A	R	R
1.4 Board effectiveness			
Board and committee procedures and roles	A,R	C,I	R
Board skills audit, recruitment and appointment, including officers	R	A	I
Monitoring of Board performance	A,R		C
Effective Board meetings and follow up	A,R		C
Appointment and role of sub-committees	A,R	I	C
2. Vision and values			
Spiritual direction of organisation (seeks God's guidance, true to Christian values & ethos)	A	C	R
Vision statement, Mission statement & Values	A,R	C	R,C
Performance against vision and values	A	I	R
Feeding in consultation with stakeholders	I		A,R
3. Strategy			
Specific RACI analysis as above			
4. Policies			
Specific RACI analysis as above			
5. Support and monitoring of staff			
Specific RACI analysis as above			
6. Acquiring and maintaining knowledge			
Specific RACI analysis as above			

Chart 5 – RACI Chart (Roles and Responsibilities Matrix)

4.   DECIDING WHAT IS THE BEST FIT

There is no simple solution that fits all organisations. It is therefore important that an organisation finds a way to develop a model that best fits its own circumstances, values, size and history. It may be that one model stands out or different elements from different models are attractive while others are not.

Some of the following questions can help in the process of identifying the way forward.

Model of governance
- What principles of governance in the various models would you like to see present in your organisation – and what does you not like to see?
- Is the Board currently making appropriate and effective decisions?
- Does the way the organisation is governed fit with and enhance the organisations' values?

Structure and policies
- Does the Board have a clear set of roles and responsibilities based on being a governing body rather than a managing body?
- Does the Board agenda reflect this?
- Do the Board papers provide you with the right sort of information in an accessible way?

- Does the Board have a complete set of operating policies for itself?

Gathering information
- Does the Board receive feedback from key staff about the work and the external environment?
- Does the Board access feedback from "beneficiaries" and others about the quality and impact of the work?
- Does the Board seek information from a variety of external sources?

Planning both present and future
- Is the Board able to answer the question "what does success look like" for the organisation?
- Is the Board able to track the organisation's progress towards achieving its goals?
- Is there a clear strategic direction and strategic/action plan in place that informs the day to day business of the organisation?
- Is sufficient time given at each Board meeting to horizon scanning and thinking about the future, rather than just the immediate?
- Is the organisation responding well to the changing world?

Composition and relationship
- Does each Board meeting set aside enough time set aside for reflection and prayer?
- Does the Board ensure that the Board is united and works as a team?
- Is the Board appropriately diverse and skilled?
- Does the Board operate with openness and trust?
- How does the Board ensure staff are supported and monitored appropriately?

No organisation is perfect but ensuring that a Board is effective and functioning well can make a major difference to an organisation's future and impact. It cannot just be left to chance and Boards need to take their role seriously and prayerfully

Martin Lee
Global Connections (August 2015)

With thanks and acknowledgement for the use of a lot of material from Neil Casey (Wild Goose Consulting) and Denise Pavey.