

# **Effective Governance**

**A Guide for Small and Diaspora NGOs**

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**INTRAC**



PEER LEARNING PROGRAMME

## Introduction

Boards<sup>1</sup> of charitable organisations can be a source of great joy and some heartache. When they work well they can give an organisation energy and vision, but can create painful dilemmas for the organisation when not working so well.

### **Common challenges** that small and diaspora NGOs face regarding governance

- Finding the best way to move forward from the individual vision of the founder(s) to a shared understanding of 'our values' as the organisation grows.
- An overdependence on some of the original trustees, leading to a lack of fresh thinking and new perspectives at Board level.
- The need to 'professionalise' the board – to facilitate effective management of its workload and enable it to operate at the strategic level.
- Getting committed trustees while recognising they are volunteers. Sometimes the boards are 'detached' – whether detached from CEOs, staff, or simply unmotivated.
- A board that works too much at the operational level rather than focussing attention on the strategic level. Often this is linked to a lack of resources, staff and funding, meaning trustees serve as 'volunteer experts' rather than in governance.
- Dealing with the dynamics between the different people in the governance system, managing strong personalities and building a team.
- Ensuring the governance team is 'self-critical' – reflecting on and reviewing practice

Source: [PLP Governance Workshop](#) July 2011

The aim of this guide is to share information, tools and tips that might help small and diaspora organisations strengthen the governance of their organisations. There is much material available on the topic of governance in general, and effective boards specifically. This guide will highlight some key points, but we encourage you to delve deeper by following the links and references provided.

The toolkit starts by highlighting the benefits of effective governance, then looks at:

1. **Understanding governance** – What do we mean by governance? Do we have a shared understanding of it in our organisation? How does governance relate to our organisational values?
2. **Key sector references** – What are the key references in the UK voluntary sector regarding legal obligations, guiding principles, and standards? How aware are we of these references, and how are we relating to them?
3. **Managing the board** – How do we ensure that we have a healthy board? Who has the oversight of this?
4. **The 'relational' dynamics** - How do we deal with the human dimension of governance? How can we ensure we have good quality and productive interpersonal relationships?

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<sup>1</sup> By 'the board' we mean the organisation's governing body. In your organisation it may be called the board of directors or board of governors, the trustees, the management committee or some other name.

The toolkit then provides some practical tips, based on key lessons learnt by small and diaspora NGOs.

## Why do we need effective governance?

*Members of boards play a vital role in serving their causes and communities and bring passion and commitment as well as skills and experience to the organisations they lead.*

Source: [Good Governance: A Code for the Voluntary and Community Sector](#) (2010)

Effective governance brings many benefits. Amongst other things, it can:

- Keep the organisation **true to its identity**, vision and values
- **Motivate** staff, volunteers and members through exhibiting quality leadership
- **Contribute to the impact** of the work undertaken by the organisation
- **Reassure stakeholders** about the way the organisation is being run
- Maintain and **enhance wider public confidence** in voluntary and community organisations and the sector.

Investing time and effort to strengthen the governance of our organisations is something which should take a high priority. The rewards are worth it.

### 1. A shared understanding of governance

It is important to check that people within your organisation have a shared understanding about governance. This means ensuring that there is clarity on:

- A. What the term 'governance' means
- B. The role and responsibilities of the board and the Executive
- C. The role of governance in safeguarding and promoting values

#### A. The term 'governance'

It is generally understood that the term 'governance' refers to primarily the board of an organisation, but also the organisation's leadership. NCVO, the network of voluntary sector organisations in England and Wales states that:

*Governance is about leadership and ensuring that an organisation is effectively and properly run. Good governance is the board's responsibility... it covers more than the board's duties and responsibilities. It includes how the board is appointed and supported; how it works to ensure decisions are taken properly and the work of the charity is effective and furthering its purposes...*

See more: [NCVO Trustee and Governance Information Centre](#)

Other aspects of governance that may be of particular interest to small and diaspora organisations are:

- The board **safeguarding and promoting the organisation's identity** – beyond concerns with the 'how' of the work
- The board holding the executive to account from the perspective of the beneficiaries.

## B. Roles and responsibilities

Being clear on the board's responsibilities is an absolute 'must' for any voluntary sector organisation. In the words of the Charity Commission:

*Trustees have and must accept ultimate responsibility for directing the affairs of a charity, and ensuring that it is solvent, well-run and delivering the charitable outcomes for the benefit of the public for which it has been set up.*

See more: [Charity Commission's Governance Resources](#)

The formal, legal responsibilities of the board include a 'duty of **compliance**':

- With charity law and the requirements of the regulator (Charity Commission)
- With the rules, and charitable purpose and objects of the organisation's governing document
- With the requirements of other legislation and regulators (if any) which govern the charity's activities
- Acting with integrity, avoiding conflicts of interest, or misuse of funds or assets.

The responsibilities of the board also include undertaking a 'duty of **prudence**', which essentially means taking good care of the charity's funds and assets, investing them wisely and not putting them at undue risk. The third duty is a 'duty of **care**', which means that trustees need to use reasonable care and skill to ensure the charity is well-run and efficient, getting outside help when necessary.

Individual trustees may also be personally liable for any debts or losses that the charity incurs - this will depend on the circumstances and the type of governing document for the charity. It is therefore very important that anyone considering becoming a trustee is made aware of their responsibilities and liabilities. There is a wealth of information available from sources such as the [Charity Commission](#) and [NCVO's Good Trustee Guide](#).

Whilst it is essential to be clear on the formal responsibilities, it is equally crucial to be clear on the **role** of a board in order for it to maximise its contribution. Many boards under-perform by failing to carry out their primary role of attending to **strategy and the long term-view**, rather than operations and short-term concerns.

When considering the *governance* role in relation to the role of *management*, there is sometimes a fine line between the two. There are areas where there may be overlap between what trustees do and what staff do, and the boundaries between the two are not always that clear. It may require trustees standing back and asking oneself, '*is what I am doing appropriate to my role as a trustee?*' Sometimes the answer is no.

Often there is a lack of clarity and an overlap in the roles of the board and executive (top level staff) in relation to policy, people management, governance oversight, decision making and monitoring performance. The diagram below illustrates the closely related, but separate roles, of governance and management – and the fact that they often overlap.

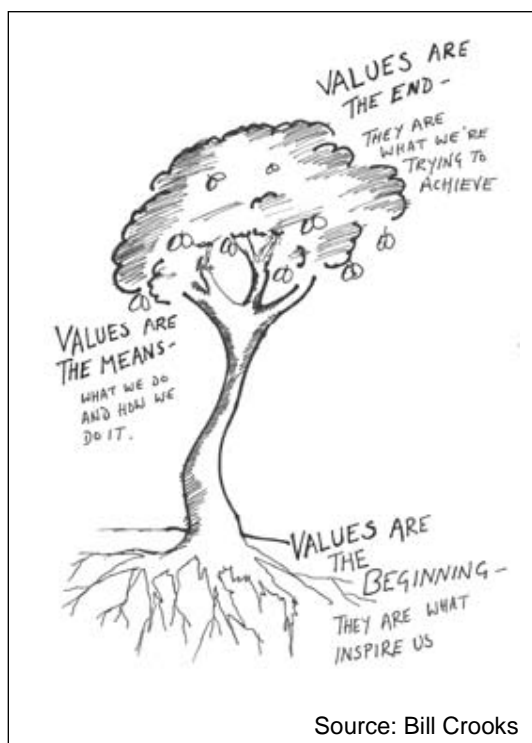


Source: Brenda Lipson adapted from NCVO

There is no clear-cut 'definitive' distribution of the roles – the main point is that there should be *reflection* on what are the appropriate roles for each set of actors. Organisations should have regular opportunities for dialogue to clarify where different actors might be too involved when it is not their role, or not involved enough.

### C. Safeguarding and promoting the values of your organisation

The final area where it is important to build a shared understanding is in how the governance function can effectively safeguard and promote the values you hold dear.



The values we see in the roots of the tree are those that *inspired* people to get together in the first place e.g. that people living with disabilities should be able to control their own lives.

These values are also expressed in *what we do and how we do it* – the trunk and branches of the tree. e.g. the value placed on people with disabilities controlling their own lives could be expressed in ways of working that encourage initiative and collaboration.

Finally, our values can be seen as the 'fruits' of our efforts – the '*end*' we are working towards. e.g. that can be expressed as a wish to see a society where everyone, including people with disabilities, has the opportunity to be heard.

But how often do we talk in this way? How often do we check the 'fit' between the decisions we make and the values our organisation stands for? Building a shared understanding that governance is about **safeguarding and promoting our values** means we need our trustees ensure that values are at the heart of everything we do. For more on this, see [NCVO's Living Values: A pocket guide for trustees.](#)

## 2. Sector References

These are key references that frame and shape the overall approach to governance with the voluntary and community sector in the UK. There are three main references:

### A. The Charity Commission

This is the regulatory body for our sector, but it also provides other services and is a useful source of information. Thus, as well as developing and managing the **legal and fiscal framework** which all registered charities must abide by, the [Charity Commission](#) also provides tailored advice on the legal complexities and offers a range of information materials to help you fulfil your obligations.

*Knowledge of this set of reference materials is essential to ensure that your organisation is effectively fulfilling its legal obligations.*

### B. Code of Good Governance for the Voluntary and Community Sector

'[Good Governance: A Code for the Voluntary and Community Sector](#)' was developed in 2005 by networks representing organisations from the UK voluntary and community sector, and was revised in 2010. It presents six principles which set out good practice and which are closely linked with the responsibilities of charity trustees and other legal requirements that may be imposed on board members.

The principles set out good practice and are linked with trustees responsibilities and legal requirements for board members. Each principle has a short description which helps the reader assess whether they are putting the principle into practice.

#### The Six Principles of the Good Governance Code

*An effective board will provide good governance and leadership by:*

1. Understanding their role
2. Ensuring delivery of organisational purpose
3. Being effective as individuals and a team
4. Exercising control
5. Behaving with integrity
6. Being open and accountable.

These principles are designed to be universal and applicable to all voluntary and community organisations. It is the *practice* and *procedures* which will vary according to the type and size of the organisation. Underlying each principle is the additional principle of equality - that of ensuring equality, diversity and equality of treatment for all sections of the community.

*Knowledge of this Code may be useful in reviewing how effective your board is.*

### C. National Occupational Standards

The [National Occupational Standards for Trustees and Management Committee Members in the Voluntary and Community Sector](#) were developed in 2005 by the Workforce and Governance Hubs in operation at the time. Drawing on the common method of occupational standards, they are structured in four units:

### **1. Safeguard and promote the values and mission**

This unit is about the role of the board in setting out the organisation's long-term direction, upholding its values and supporting the delivery of its aims.

### **2. Determine the strategy and structure**

This unit is about present and future strategic planning. It covers decisions about how the organisation's values and mission are expressed in aims and activities, and in the structures and processes needed to implement them.

### **3. Be effective, responsible and accountable**

This unit is about trustees working collectively to make sure their organisation is well-managed, is meeting its aims and needs, achieving good practice and complying with the law. It covers the trustees' role in leading the organisation, and also in making sure the organisation is managed properly and by the best people available.

### **4. Make sure the board of trustees functions effectively**

This unit is about helping the board of trustees to work as a team and reach fair decisions in the best interests of the organisation. This requires a range of people whose skills will make sure that the board functions effectively.

Within each unit there is a description of:

- What the trustees are responsible for
- What the trustees need to know and understand
- What the trustees need to have read

Finally, there is cross-cutting section which refers to the *qualities* needed by trustees in order to fulfil their responsibilities. This section may be very useful when recruiting new members of the board.

*Knowledge of these standards may be useful for preparing board training and development initiatives, as they provide references to the trustee skills and attitudes.*

You may wish to reflect on the following questions:

- How far are your organisations aware of these references?
- How relevant are they for you?
- Who is responsible for keeping an eye on being up-to-date on good practice?

## **3. Board Management**

Here we are referring to several aspects of managing your board of trustees:

- A. Ensuring you have the right mix of skills, experiences and perspectives
- B. Investing in trustee and board development
- C. Ensuring continuous learning and reflection

There are other aspects of board management which focus more on its structure, practical functions and ways of working. This booklet does not go into these areas, but there is ample information available on things such as board workload planning,

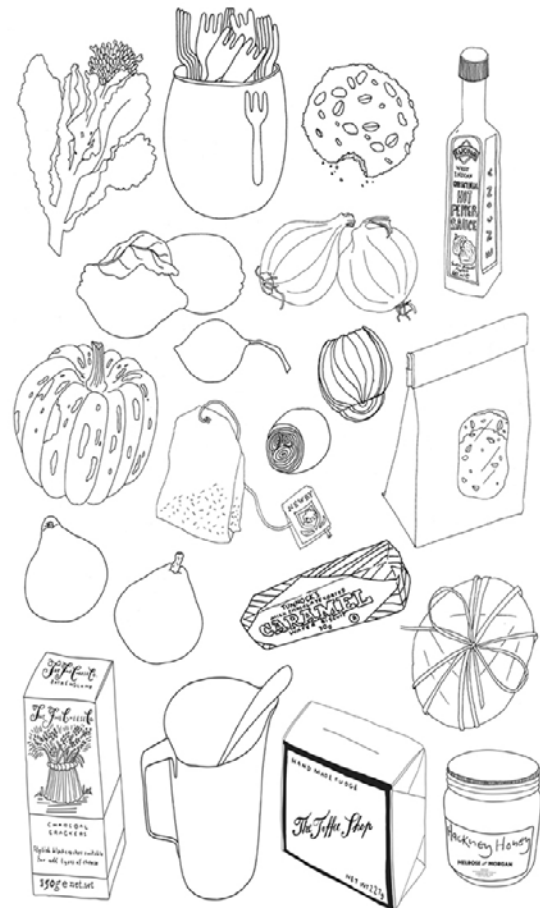
trustee job descriptions, use of sub-committees, delegation of powers and so on. One of the best sources of information on these matters can be found on the [NCVO Trustee and Governance Information Centre](#).

### A. Ensure you have the 'right mix'

Imagine you are the owner of a top class restaurant – you want to make sure that you have a menu of dishes that will guarantee customer satisfaction. This means ensuring that you have the right mix of dishes that can respond to diverse tastes and needs: fish, meat, vegetarian, sweet dishes and savoury.

Similarly, your board needs to have a full and diverse menu of skills, perspectives, experiences and relationships that will guarantee its effective service to the organisation's needs. It needs to continually review the menu, and ensure there are new dishes available in response to newly emerging needs of the organisation. Using tools such as board succession plans, and carrying out 'trustee skills audits' annually, can help ensure that you are regularly reviewing the mix.

As with the restaurant, you need to be ensuring you have all the 'ingredients' necessary to function effectively and that they are of a continually fresh and high quality. This means thinking about where you will be sourcing those skills and experiences.



Source: Nina Chakrabarti – [www.ninachakrabarti.com](http://www.ninachakrabarti.com)

Trustee recruitment is a critical activity and you need identify a range of ways in which you can reach out to potential trustees, once you have a clear idea of what you are looking for. It is not sufficient to rely solely on informal networks and friends of friends. If you can draw up a profile of the skills, experiences and attitudes that you are looking for, there are a number of locations you can identify for placing advertisements for trustees. These may be *sector specific* e.g. health related bulletins and websites; *function specific* e.g. fundraising specialists newsletters; *general voluntary sector websites* or *specific trustee recruitment sites*.

Do carry out a relatively formal selection process – invite interested individuals to send letters outlining why they are interested and what they think they can contribute. Hold a series of meetings with them, outlining the responsibilities of being a trustee as well as describing the organisation and its work. It is vital that potential trustees are given time to reflect on whether they really are able to commit the amount of time and energy to the organisation.



## B. Trustee and board development

This means ensuring that those people selected to be trustees are helped to contribute as much as they can, both individually and collectively. It starts with the induction programme – something which is key to ensuring the individual trustee is able to perform to his or her best. New trustees need to get to know the organisation, its people and its programme of work. If you have the resources, it is good practice to set aside an amount in your annual budget to facilitate a visit to the field of operation. If not, then a thorough briefing about your programme of work, its successes and challenges, will be essential before the new trustee attends their first board meeting.

Ongoing trustee and board development is something which should be factored into your annual planning. But you need to be clear on what it is that you wish to invest in, what it is that you want to strengthen. NCVO have a helpful checklist of questions:

***Why do you want to have better governance?***

e.g. is a particular area of weakness or are you thinking of expanding?

***Are you under pressure to improve your governance?***

e.g. from your funders or your membership?

***What results do you want from improving your governance?***

e.g. do you want better meetings or a more skilled group of trustees?

***Which aspects of your governance do you most want to improve?***

e.g. do you want to focus on strategy or on revising your constitution?

Source: ['Better Governance'](#) NCVO (2007)

## C. Ongoing learning and reflection

It is not just in the specific activities called 'trustee or board development' that learning and reflection take place. Ensuring that your board of trustees are continually learning and reflecting will contribute to their effective performance. Things to think about doing include:

- Have a short agenda point at the end of each board meeting when the trustees can reflect on how the meeting went, what went well and suggestions for the next meeting.
- Ensure that at each meeting you make the time for one agenda item which will inform trustees about one aspect of the work of the organisation – preferably in an exciting and motivating fashion!
- Make sure you invite trustees to participate in relevant strategy and programme discussions and updates that staff are engaged in. This needs to be carefully managed and appropriate moments identified for their participation, but trustees generally really appreciate the chance to participate.

So, overall you need to be sure that you have oversight on the functioning of the board. You will need to identify the best way to ensure this happens – it could be a sub-committee or it could just be the Chair and CEO together. The main thing is that responsibility for this *oversight on board management must be clearly allocated*.

## 4. Relational Dynamics

Ultimately, good governance is about us – the individual human beings who make up the leadership team of an organisation - and how we relate to each other and to others. It is about:

- A. The internal dynamics within the board
- B. The working relationship between the board and the executive
- C. The quality of relationship between the board and the staff.

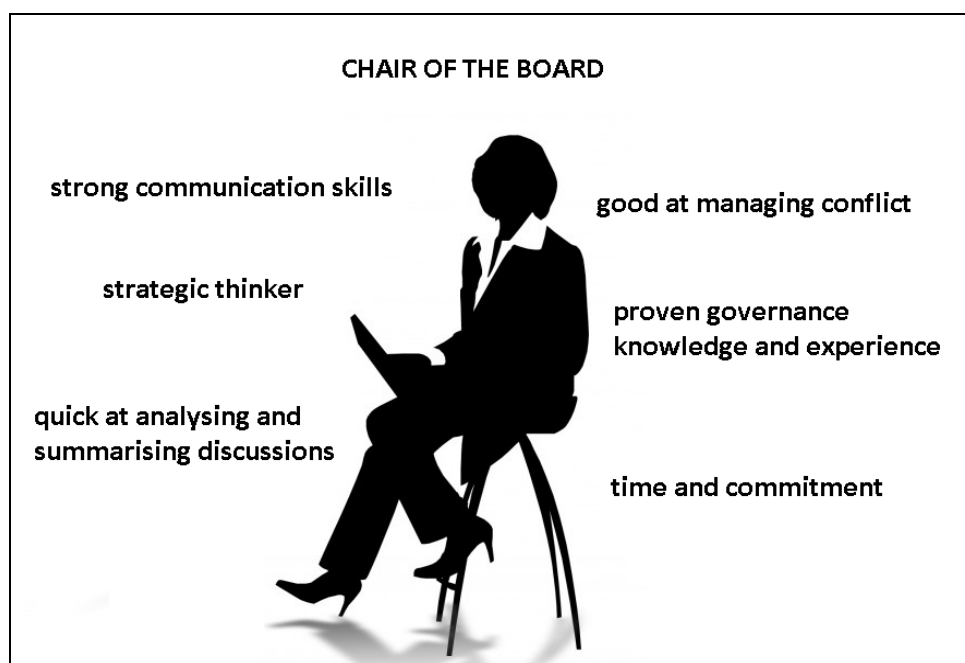
Paying attention to the dynamics of these relationships will provide us with a greater understanding of what is helping us to perform well, or conversely, to face difficulties and limitations in our governance effectiveness.

### A. Internal board dynamics

Interpersonal relationships and group dynamics play a crucial role in the effectiveness of the board. Everyone cares about the organisation – after all, the trustees are giving up their time voluntarily to dedicate to its well-being and effectiveness. However, as with any group of people working together, there may well be power dynamics to manage, communication strengths and weaknesses to address, people on their ‘hobby horse’, an ‘old guard’ who may feel emotionally attached the past, and so on.

Your board of trustees is a **team**, and there is an abundance of materials and tools available to help teams work effectively together. These can be helpful in strengthening the way trustees communicate with each other and make decisions together.

The **Chair** of the board has the specific ‘internal’ responsibility for ensuring that the meetings are productive and effectively organised, as well as representing the organisation to the outside world. To carry out this internal responsibility, the Chair needs to have a certain skill set and personal qualities, and it is advisable for the trustees to evaluate these when considering candidates for Chair.



Finally, the responsibility for ensuring effective team working does not just lie with the Chair – all trustees should be making every effort to make the experience as productive (and enjoyable) as possible. Being prepared to be held accountable for their behaviour is part of the picture, and it may well be worthwhile developing a trustee **code of conduct** to facilitate this mutual accountability. Often such codes are based on a set of principles including: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. A sample [Trustee Code of Conduct](#) from NCVO can be found on the PLP website.

## B. Chair-CEO relationship

This is a critical relationship and when it works well the organisation can benefit from a formidable duo! Building an effective working relationship and mutual respect can be helped by ensuring the following is happening:

### The Chair – CEO relationship

- The roles of both are clear, and any 'grey' areas of overlap are discussed and clarified
- The line of accountability of the CEO to the Chair is clear, agreed and there is a regular process of support and supervision in operation.
- A yearly appraisal of the CEO should be lead by the Chair (with another trustee preferably)
- However, the Chair should not micromanage the CEO
- The Chair is able to invest quality time with the CEO to create a strong partnership
- Appropriate forms and timeframes for communications are established.

## C. Board and staff

Whilst the Chair-CEO relationship is key, consideration needs to be given to building relationships across all levels of the organisation. Care should be taken by trustees to ensure they take the opportunity to get to know a range of staff, volunteers, or members – avoiding the pitfall of just relating to the senior staff or members who may attend board meetings.

## Practical Tips

Experience has taught us that there are some very practical steps that can be taken to strengthen the governance of small organisations. Here are a few to consider:

- Encourage your board to carry out a simple **self-evaluation** and discuss the results openly with each other. An example exercise is shown in Annex One.
- Be open to **learn from others** – identify some **similar-sized organisations** who seem to have effective boards and ask them about their experience,

seek out tips and good practice examples. Don't reinvent the wheel – ask to see templates of useful documents such as trustee codes of conduct.

- Invest in **quality time together**. Don't just rely on the regular board meetings as sufficient to form an effective leadership team – they always have crammed agendas and people often feel under pressure. Hold annual away days for the trustees and senior staff to go deeper into key issues and to get to know each other better.
- **Bring it all alive!** Don't forget that enthusiastic and motivated trustees can do a lot to promote your organisation's values and mission, but they need to get a feeling for what it is that you are achieving in ways which speak to them beyond the rather dry and formal board reports.

## Conclusion

Good governance is not a pipe dream – it is something that is obtainable by taking many practical steps. Knowing the basics around the legal and formal requirements is a start. Having a shared understanding of the different roles and responsibilities is another basic building block. Ensuring you have the procedures and mechanisms in place that will facilitate effective governance is another area for your attention. Being aware of the 'good practice' references out there in the sector will help you get a sense of where to invest your efforts to further strengthen your governance system. But fundamentally good governance is about your people. It is the human dimension that counts the most. The shared values, the commitment made by trustees and staff alike, the way people work together towards a shared vision.

## Further Resources

Click (or press ctrl + click) on the links below to get to further resources online.

Websites with links to various resources:

[NCVO Trustee and Governance Information Centre](#)

[Charity Commission's Governance Resources](#)

[PLP Online Resources - Governance and Leadership](#)

Specific documents referred to in this guide:

[Good Governance: A Code for the Voluntary and Community Sector \(2010\)](#)

[Living Values: A pocket guide for trustees \(2006\)](#)

[National Occupational Standards for Trustees and Management Committee Members in the Voluntary and Community Sector \(2006\)](#)

[Better Governance: An Introduction to Measuring and Improving Board Effectiveness \(2007\)](#)

## Appendix 1: Board Self-Evaluation Exercise

Please read each item in turn, and mark it according to how far you feel the description reflects the reality of your board. For example, if you believe the board agenda is indeed very well structured and really does enable the meetings to be effective, and this is consistently the case, then you would tick the box of 'strongly agree' against that item.

The questions are divided into two sections – the first refers to the principal functions or responsibilities of the board and the second refers more to the interpersonal ways of working of the board members. If you have any comments to make about any of the specific items, or on the board functioning in general, there is room at the end of the questionnaire for you to write your thoughts.

	Item	Strongly Agree	Agree	Disagree	Strongly Disagree
<b>Section One: Functions</b>					
1	Board members have a full and common understanding of the roles and responsibilities of a Board.				
2	Board members understand the organisation's Mission and programmes				
3	The Board has clear goals and actions resulting from relevant and realistic strategic planning				
4	The Board attends to policy-related decisions which effectively guide operational activities of staff				
5	The Board helps set fundraising goals and is actively involved in fundraising				
6	Board meetings facilitate focus and progress on important organisational matters				
7	The Board receives regular reports on finances; budgets; programme performance; and other important matters				
8	The Board regularly monitors and evaluates progress towards strategic goals and organisational performance				
9	The Board effectively represents				

	the organisation to the community				
10	The Board regularly evaluates and develops the Chief Executive				
11	The Board engages in the approval and monitoring of comprehensive human resource policies				
12	The Board engages in yearly assessments of the risks facing the organisation				
13	All necessary skills, stakeholders and diversity are represented on the Board				
<b>Section Two: Ways of Working</b>					
1	The Board works together as a team				
2	Board members communicate effectively with each other				
3	The decision-making process is effective				
4	Board members conduct themselves in a manner conducive to Board effectiveness (i.e. attendance, preparation, participation)				
5	Board members treat each other with respect and dignity				
6	The Board agenda is structured for effectiveness and the meeting is well chaired				
7	Agenda background materials are complete and received in a timely manner				
8	I, as an individual Board member, feel energized and more committed after the meetings				

**Further Comments:**