

Boards that *Really* Work!

Ruth Lesirge and Hilary Barnard

People who sit on governing bodies of not for profit organisations are increasingly alert to, and concerned about, the responsibilities of their role. There have been valuable initiatives in recent years to improve the way they function. This has included trustee development work, undertaken for (their members and other organisations) by NAVCA, BTEG, CTN, NCVO, CVs etc, as well as the research and publications generated by the Governance Hub and its successor the National Support Service for Leadership and Governance.

But does that mean that they operate more effectively? Not necessarily...

Can a governance review make a difference?

Codes and good practice guides are important but good governance takes a slightly different form in each organisation. While there will be a commonality of solution with some organisations, formulaic approaches to governance have a poor track record in helping organisations to serve their users better.

By undertaking periodic – but not necessarily frequent - governance reviews you demonstrate an explicit intention to ensure that your governance structure and processes are regularly updated to fit the changing conditions in which you work. Whichever way you carry out the review, internally or with external help, it is important that the changes you make are not just technically correct and therefore comply with changing legislation, but also command widespread support within the governing body and beyond.

Thus, although we know that governance reviews are quite often prompted by a specific critical incident, our experience is that such reviews need to look beyond the short term and examine the best way for people to fulfil their duty of trust, keep the focus on the purpose of the organisation and add value to the delivery of its services.

The scope of governance reviews

We know that all governing bodies aspire to make a significant contribution to the work of their organisation, and always concerned that a governance review should reflect the nature of their organisation. This entirely reasonable requirement is supported by the fact that charity and company law allow significant variation in the way charities govern themselves. Despite this requirement, in our experience, governance reviews are likely to benefit from the exploration of some or all of the following:

- The quality of relationships that exist both within the governing body and between it and senior staff.
- How the governing body maintains meaningful and useful communications with its members, users and external stakeholders,
- How effectively it represents and reflects the views of those the organisation supports

- The real split in work between senior staff and governing body members, including its schemes for delegation
- Whether those on the governing body make a real contribution to developing strategy, exercising oversight and guarding the values of the organisation
- The added value that sub-committees or sub groups provide (or not!)
- The kind and quality of data and information about organisational performance that is available to both governing body and senior staff
- What oversight exists over subsidiaries, particularly trading companies,

Example: Learning from the private sector's experience

In no sector is governance an island. At Cass CCE, we are interested in how we can learn from the experience in other sectors. For example, the not-for-profit sector is touched, like everyone else, by whether corporate governance in the private sector is working well. Recent events have thrown up significant issues for those seeking to improve governance:

- The failure of many Non Executive Directors in banks and financial institutions to probe sufficiently the risks being taken by top executives
- The strains of the tripartite responsibilities of oversight exercised by the Bank of England, the Financial Services Authority and the Treasury
- Who controls the salaries and bonuses of top executives, particularly in questioning whether incentives encourage short term-ism or more strategic thinking and action

In the commercial sector, for a number of reasons, an emphasis on light touch governance has not worked too well, so that banks and financial institutions have recently been reappraising their approaches to risk.

So, what won't governance reviews do?

Reviews are not a magic wand for righting all ills. They will not immediately:

- Sort out a difficult governing body member
- Deal with a problem of an organisation no longer functioning under its objects
- Make up for a weak or indifferent Chair
- Guarantee improved relations between the Chair and the Chief Executive/ Director
- Improve attendance at governing body meetings

However, they can and will highlight the areas where you can improve and how together you might set about it – including some 'quick wins' to raise morale and set you on the road to improvement.

Final word

Good governance helps an organisation pursue its goals and ambitions, balance risks and opportunities, and be accountable internally and externally. There is still insufficient value placed on the contribution of Trustees, particularly Chair of Trustees.

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