

Reflections on Governance

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The Foundation for Good Governance

Summary

The writers have been operating as consultants supporting the development of effective governance in the Voluntary Sector for over 20 years. We have done this through direct consultancy, training and research. In this short paper we reflect on our experiences of governance in the voluntary and community sectors, what has changed and what the future holds for boards and trustees.

We offer a range of views and observations based on our experiences and hundreds of conversations with board members, staff, funders and regulators.

We (Christine and Rhona) felt it was important to extend these reflections beyond our own experience so we asked 3 of our colleagues, each experts in their field to contribute their reflections. As a group we have worked with organisations, of all shapes and sizes, covering a wide range of interests and constitutional forms, added to which we bring our own experience as board members.

Introduction

It is over 20 years since we began to focus specifically on governance. Over that time things have changed considerably. Without doubt the role of Voluntary and Community Sector (VCS) governance is generally better understood and delivered; more professional processes and standards are applied and individual board members/trustees have a greater understanding of what their job is and how to do it.

This is due in no small part to the fact that there is now a range of good quality guidance, information and training available from a wide range of sources as well as a solid cohort of experienced and skilled consultants supporting governance.

Governance then key issues that shaped our work

Looking back to the 80's, 90's (and perhaps earlier) a significant number of the organisational problems and issues that we were dealing with as advisers, trainers and consultants were rooted in issues of governance.

- a significant number of organisations were operating without the protection of limited liability and this placed trustees or committee members in a vulnerable position
- a general lack of understanding of legal structures, the options open to organisations the implications of the various structures on the organisation
- the role of the Board, individual trustees/board members was little understood – in many cases paid staff 'ran the committee'

- a growing interest and concern from funders and policy makers about how organisations were being run;
- a few high profile 'scandals' throwing a spotlight on accountability and transparency at board level.
- people joining boards for kudos or personal advancement with little or no understanding of the legal requirements involved.

These prompted a decision to focus on governance, provided a framework for developing assistance that would lead to greater organisational effectiveness and, we hoped, influence the way governance was understood.

That was then... this is now 2014

So what has changed and how has governance developed to meet new challenges. We have selected 5 areas that are, and/or, will have an impact on the further development of effective governance;

- Understandings of Governance
- Codes of practice, standards and increased regulation on governance
- Enterprise and business development by VCS organisations
- Independence of VCS governance
- Building trust and cohesion for board effectiveness

Understandings of governance - Chris Cornforth

Chris Cornforth is Professor of Organisational Governance and Management at the Open University Business School in the UK. Over the past 20 years his main research has focussed on the governance of third sector organisations. He has examined a range of topics including board effectiveness, board change, the relationship between boards and management, the role and effectiveness of chairs of governing bodies, and chair - chief executive relations. He is co-editor of the book 'Nonprofit Governance: Innovative Perspectives and Approaches' 2013.

How useful is the term governance?

I think it is useful to have a term that helps describe what the board or governing body of an organisation should be doing. The word governance derives from a Latin word meaning to steer, and steering the organisation is broadly what a governing body or board should do. A governing body or board has an overall responsibility for the organisation: setting its direction, monitoring how it performs and ensuring the organisation behaves in a responsible and accountable manner. Like the Cabinet in the UK Government a board has a collective responsibility for carrying out these governance functions, so the board has to work together to reach collective decisions. In reality a board may delegate aspects of these governance functions to the management or the staff of an organisation, so the boundary between what the board does and what management does is often not clear cut. However, it is important to recognise that it is ultimately the board's responsibility to ensure that these governance functions are carried out.

The boundary between governing and managing the organisation is particularly blurred in small voluntary and community organisation that have few or no staff. In these organisations the board or governing body also often acts to manage the organisation. Indeed many small organisations call their governing body 'the management committee'. This can sometimes lead to confusion over the difference between governance and management. But it is still worth remembering that these management committees also have responsibility for carrying out governance functions as well as managing the organisation.

Another problem with using the term governance is that many people may not be familiar with what it means, or may have different views of what it means. However, understanding of the term is becoming more common in the voluntary and community sector, which is something that is discussed next.

Has the voluntary and community sector developed a better understanding of governance and how it is used?

Over the last two decades a good deal of effort has been devoted to improving understanding of what is meant by governance and the practice of governance in the voluntary and community sector. Organisations such as the National Council for Voluntary Organisations (NCVO), the Association of Chief Executives of Voluntary Organisations (ACEVO), the Directory of Social Change and the Charity Commission have devoted considerable efforts to promoting a better understanding of governance and how it is practised. A Code of Good Governance, occupational standards for trustees and management committee members, and a wide variety of advice and training materials have been developed, along with training courses and consultancy support.

However, it is difficult to know how far this has penetrated into the sector, particularly among the myriad of small organisations that constitute the vast majority of voluntary and community organisations. Members often join the boards of these organisations because they are interested in what the organisation does not because they are particularly interested in or knowledgeable about governance. They may also be unaware of where to go for advice or even that they need advice. There is also a danger that the plethora of advice and information available may seem overwhelming, or that their legal responsibilities may be off putting. Reaching these board members, and providing advice that is appropriate to scale of their organisations is, and is likely to remain, an important challenge.

How is governance in VCS developing?

Given the growing recognition of the importance of good governance in the sector and the growth of advice and training it is perhaps not surprising that there has been a growing professionalization of governance, particularly among larger voluntary organisations. However, it is unclear whether this trend is set to continue. On the one hand there is a degree of momentum behind the push towards professionalization and a legacy of advice and training resources, much of which can be accessed online. On the other hand funding for voluntary sector support organisations has been cut quite dramatically since the 2008 financial crisis and the subsequent public austerity measures. These funding cuts have also affected many parts of the sector as a whole, and so there is likely to be a continuing squeeze on the training and consultancy budgets that could be used to support board training and development.

Those who govern voluntary organisations also face other important challenges. In particular there has been a growing concern in parts of the sector that an over-reliance on public sector contracts, or for that matter any large funder, might undermine the independence and mission of some voluntary organisations (Independence Panel, 2012). In their desire to ‘keep the show on the road’ boards and governing bodies may be distracted from the need to protect the mission and values of their organisation. The danger is that mission drift may occur gradually over a period of time, so that it goes undetected. It is very important in the drive to professionalise boards and recruit board members with financial and business skills that commitment to the mission of the organisation is not forgotten.

The impact of codes of practice, standards and increased regulation on governance - Shirley Otto

Shirley Otto is a specialist in governance and management in third sector organisations in Scotland. Based in Edinburgh she works as an independent trainer, facilitator and consultant. Shirley studied Psychology at the University of Hull and has a PhD from the Department of Organisational Psychology, Birkbeck College. She has a special interest in governance in women-centred charities and in tailor-made board development

Has the introduction of codes of practice, standards and increased regulation and legislation made a difference (negative or positive) to the VCS?

The impact of codes of practice and statutory regulators, on VCS governance, has been different, distinct and profound.

Codes of practice, especially the version published by the Governance Hub (June 2005) have done much to transmit a mainstream / standard version of the role and duties of trustees of charities. This influencing includes role of boards as leaders, the centrality of compliance, awareness of conflicts of interests and the notion in itself that boards have codes, be it off the shelf or tailor-made. Whilst codes can, at times, help in containing inappropriate or unacceptable behaviour by trustees it is open to question quite how significant their effect has been on standards of governance. Although it is likely that consultants helping boards generate in-house codes, in the aftermath of difficult dynamics, will have made a very real impression. For example, a serious conflict between staff and trustees of a training organisation dependent on a core of trustees to deliver specialised training eased after agreeing both a tailor-made code and its implementation.

Governance standards, like the Codes, have served to regularise expectations of boards. The most useful, like PQASSO and VISIBLE are self-administered yet based on external benchmarks.

Regulators, be they the Care Commission, Charity Commission (OSCR or CCNI) or the Health and Safety Inspectorate have knocked the idiosyncratic edges off many VCS organisations, for example collective structures in many feminist services; as indeed have funders who can too easily follow ‘fashions’ in expectations of board. We have witnessed examples that require inclusion at the same time as expecting boards to be made of professionals selected on the basis of a skills gap audit.

The standardising of VCS is far from all negative; procedures and policies are more robust; broadly speaking performance management and financial scrutiny have improved, all of which is as it should be. However regulation has strengthened the hand of paid staff – and especially senior managers -

where they have them. This development has the potential for intensifying the dilemmas, in governance, of part time, volunteer boards having oversight of specialist full-time staff.

What are the current needs of Boards and how should they be met?

Nothing is straightforward in the great creative mud pools that make up the VCS. Difference and diversity do still exist. The greatest need is for tailored support, and much more investment in learning and development. It is clear the timing and types of interventions are crucial to making a sustained difference to the functioning of boards and their relationship with staff. Yet this is not what is usually on offer - outwith the services of sole trader consultants and trainers.

To address this fundamental paradox requires three major, complementary, changes in circumstances:

1. The work of VCS boards to be made visible, to the public, on TV and radio and in the theatre. Less in the form of current affairs and more as integral to story-telling, for example, novels, soaps and documentaries using present and historical material. If the life of boards of VCS were more familiar to people through the media then new board members would be less thrown by the complexity what is expected of them. Board members would also be more able to name issues and seek the appropriate help as such circumstances would be somewhat familiar to them.
2. Consistency in the nature and quality of advice and guidance and in the interventions of consultants, CVS (Third Sector Interfaces or 'TSI's in Scotland) and settlements etc. There needs to be much better signposting and much less of a post code lottery for getting help. If investment in board centred governance is serious then help, in its various forms, has to be funded as out-house programmes and available as needed to individual organisations.
3. A return to innovative and inexpensive ways in which small to medium VCS organisations can access, buy-in, one-off and on-going specialist help with employment, Health and Safety and financial management.

Thinking forward what do you predict happening to Boards – what are the main issues going to be?

Governance is and will be even more problematic, and stressful for those involved, as social welfare is delivered in supply-chains, with VCS organisations interlinked with public and commercial agencies, for instance in health, housing and care.

Much depends on how the commissioning and tendering processes evolve, whether requirements become tighter or the present scepticism leads to greater flexibility and dialogue. If it is the latter then there could be scope for co-operation rather than competitiveness, for a return to (calculated) trust and reciprocity across organisations.

This may, however, create dilemmas for boards given the very singular expectation that they protect the assets of their organisation above and beyond those of others. For example Trustees of rape crisis and women's aid services wanting to co-operate as communities of women's organisations in an area to help deal with, or resist, competitive procurement.

These complex arrangements for delivering services will need guidance and consultancy that is fit for purpose. It might mean giving assistance locally, over wide geographical areas or across a range of types of services and organisations.

Other changes to the landscape will be more very large VCS, very like those in the present public sector. However the governance could reflect a more commercial model with paid trustees and the chair as the formal leader of the board. Selection onto boards could mirror or indeed be absorbed into the public appointments process.

The rest of the VCS organisations will be either very small or a niche provider. The former freed from the interests of government will flourish as associations used to do but not be in a position to buy help with governance. The latter will be very like the charities we are familiar with and will remain a vital resource as long as they can maintain their specialist role.

The Impact of Enterprise and Business Development by VCS Organisations - Charlie Cattell

Charlie Cattell describes his work as solving problems for organisations with a social purpose, particularly in the fields of legal structures and governance. He has a wide-ranging experience of governance issues in the charitable and social enterprise sectors – including ownership, control and accountability issues. Charlie has an in-depth knowledge of relevant legal matters, such as company, charity and trust law and a personal lifelong immersion in the values and principles that drive the social economy.

What has been the impact of the increased demand for enterprise and business development by VCS organisations?

Generally I would say the impact has been positive, in that the introduction of enterprise activity and thinking has required many VCS organisations to question historic structures and ways of doing things. A board structure that was devised to ensure representation from a wide range of stakeholders may not be so suitable for delivering a professional service on a low-margin contract. The prospect of borrowing money will bring into sharp relief issues of personal liability, and an organisation's capacity to use its assets as security for debt.

However attempts at addressing the questions that arise often illustrate just how much confusion and misunderstanding exists within the sector with regard to governance and legal structures. Here is just one example from last week. A childcare charity currently rents space in a building; they now have the chance to buy that building and hire out offices and rooms for additional revenue, whilst continuing to provide their own childcare service. They had been advised that it would no longer be appropriate to have a committee if they were to manage this building, and so they could no longer be a charity; and that charities can't rent out property anyway, so they would have to convert into a community interest company. How many misconceptions informed this piece of advice? First, that their committee structure (made up of parents and volunteers) was somehow an unavoidable result of their charitable status, rather than it just being the present governance arrangement, which could be altered within the existing organisation. Second, that community interest company status would somehow come pre-configured with an alternative, enterprise-friendly governance structure. Third, that a charity isn't permitted to hire out rooms in a building it owns. Fourth, that a charity can simply

convert itself into a CIC without any regard to safeguarding charitable assets. Their adviser also had not pointed out that they stood to lose tax and business rates relief if charitable status were given up.

Greater focus on enterprise activity will push groups into reviewing their structure and status and that's doubtless for the good; but if infrastructure organisations and consultants are going to advise VCS organisations on becoming more enterprising and entrepreneurial, they need to make sure they have the appropriate technical skills and knowledge to do so.

There is now a plethora of legal frameworks available for the VCS; are we just constantly trying to push square pegs into round holes?

In some regards, the abundance of available structures provides us with additional tools; subtle differences between the various options means we can design structures that are just right for particular circumstances. For example, community share issues are making really good use of the Industrial & Provident Society structure and the specific benefits it offers (with regard to public shares issues), where the rest of the sector has more or less forgotten all about IPSs. On rare occasions, the European Economic Interest Grouping can be exactly the right structure for a cross-border collaborative venture between VCS organisations. Thus having a large menu of structural choices can be useful in a development context.

We are all very familiar with the dual structure whereby a charity owns a trading subsidiary, to the point that no-one will usually remark on it, but this in itself is quite a sophisticated solution to a number of challenges. It enables a charity to benefit from commercial trading activity that it might not be permitted to engage in itself. It quarantines business risks within a separate limited liability corporation. It optimises tax benefits in the transfer of trading income, and it enables the charity to ensure that people have access to a useful commercial service which is run on an ethical basis.

With the multitude of legal frameworks presently available, we should be able to design equally elegant structural solutions to a range of issues that may be encountered in the voluntary and community sector.

Having said all that, it's true that many people struggle in the face of too much choice and decisions about structures are too often steered by somewhat cloudy perceptions. What I mean is that someone will decide (for example) that they need to be a charity before they have fully analysed what they are going to do, whether or not charitable status would be available to them, and whether or not they need the fiscal privileges that charities enjoy. They have a rather imprecise idea of the brand "charity" and start from that point rather than from where they are and what will suit them best.

This is particularly the case with the concept of social enterprise and the legal structure of the community interest company. The distinction between these two very different concepts has become blurred to the extent that I find people using one term when they mean the other; and many seem to believe that it is necessary to register as a CIC to qualify as a social enterprise. This ties in with the misleading advice referred to previously: many underestimate the extent to which charities may engage in primary purpose and ancillary trading (and refer to it as "social enterprise" if they wish), and an organisation may thus be pushed in some other direction, thus missing out on the tax and fundraising benefits available to a charity. Meanwhile what is often the most straightforward and flexible VCS structure – the simple company limited by guarantee, unencumbered by either charitable status or CIC status – seems to have disappeared almost entirely from the radar of many advisers.

In this regard we might say that people often seem to be trying to push a square peg into a round hole; but I don't believe that's inherent in the system, it stems from a lack of appreciation of how many holes are available and the various shapes they come in.

Thinking forward, what are the likely regulatory/legal challenges that lie ahead for the VCS?

Generally the complexity of our legal system with its multiple structures and regulators will inevitably continue to bamboozle many who wish to organise for the good of their community; the advent of the community interest company in particular seems to have created additional opportunities for confusion. Meanwhile there can also be tendency to put too much faith in the "right" structure to resolve fundamental problems. For example, a lone social entrepreneur will often wish to retain complete control of their enterprise and associated intellectual property rights, but also to access funding streams which demand that control is in the hands of an organisation with a governing body, not those of one person. Another common scenario is a consortium of VCS organisations who don't entirely trust one another and want a structure that will ensure the absolute safeguarding of the consortium project. It is simply not possible to devise a structure that reconciles the irreconcilable, or which guarantees anything absolutely, and things can turn out unfortunately if those involved believe otherwise.

Social Investment Tax Relief – introduced by the last budget – should be interesting. If people find they can receive a 30% tax benefit from lending to a social enterprise, will there be pressure on VCS organisations to offer qualifying investments? The government's definition of "social enterprise" for the purpose of SITR includes charities as well as community interest companies and IPS Community Benefit Societies. The consultation on SITR included a particular question on this matter: "Is there a risk that donations to charities will be displaced into investments and what would be the consequences of this?" Responses to this question were mixed.

As I write, the Charity Commission is complaining (in response to a highly critical Public Accounts Committee report) that it cannot fulfil its functions adequately without more funding. This argument is not without basis: in the last six years, the Commission's annual budget has fallen 40% while the number of registered charities has remained fairly constant at around 160,000. If the Charity Commission were to lose credibility as a regulator, this could impact negatively on the public perception of charities and the voluntary sector generally. With pressure on public sector budgets generally, similar concerns might apply to the other two charity regulators in the UK: the Charity Commission for Northern Ireland, and the Office of the Scottish Charity Regulator.

The independence of VCS governance - Rhona Still

Rhona Still comes from an entrepreneurial background, having set up and run several small businesses and social enterprises. She has acted as a small business development consultant, advisor and trainer in the UK and overseas. Working in support of traditional business as well as social enterprises and co-operatives, Rhona has acquired a very broad experience across a range of sectors and business styles. She has particular expertise in enabling effective governance and leadership. Rhona has many years' experience of working at board level in the VCS and is currently Chairperson for two organisations (Confusingly Rhona recently changed her name from Howarth to Still!)

Do VCS organisations have sufficient freedom to act independently?

The short answer to this is confusingly - yes and no! A wide range of factors are impacting on actual independence as well as the sense of independence held by individual organisations.

Regulation, the introduction of standards and the heavy spotlight on governance over the past 10 years has clearly had an impact on how independent an organisation might feel. It's not quite big brother but there would appear to be a greater sense of 'we better get it right'. What has impacted more on independence is the increased economic tie in between the VCS and public service delivery. The VCS are delivering a greater amount of public service than ever before. This alongside recent government efforts to restrict VCS campaigning has had a profound effect on the sense of independence of the sector. Lobbying, campaigning and advocacy work is a major way in which the VCS demonstrates its independence and it can be argued that there is a close link between the freedom to campaign and the economic independence of the sector.

Legally and structurally most VCS organisations are independent and independence is at the heart of charities. However as the funding environment within which they operate has changed over recent years this 'sense of independence' is also changing. At a local level independence is inextricably linked to the work an organisation does, how it is funded and viewed by its key stakeholders. The ways in which the VCS is funded has changed considerably and this has had an impact on the work the sector does and how it is delivered.

The recent report by the Independence Panel concluded that the independence of the voluntary sector as a whole is being undervalued and is under serious threat. I would urge everyone to read this report as it concisely sets out the challenges the VCS is facing and makes clear recommendations for defending the independence of the sector. I make no effort to summarise this report here rather to reflect on my experience of working with a range of boards at a local level and on how issues of independence are affecting them.

Mission versus market seems to be a constant and increasing challenge for VCS boards as they struggle with achieving financial sustainability for their organisation whilst staying true to their values and mission. It is no longer a simple matter (if it ever was) of an organisation saying to a donor 'give us the cash and we will do something good with it to benefit some specific often disadvantaged group or cause'. An growing number of organisations are now tied into delivering an increasing amount of their work with public sector bodies. And as a consequence a much larger percentage of their budget comes via 'commercial contracts'. It is the funder that says 'we want this done and it needs to be done for this cost and within a set timeframe'. VCS organisations have been encouraged to see these as desirable commercial contracts that allow them to pursue their mission whilst also meeting the needs of the contractor. Nice and simple, everyone wins! Or do they?

Much depends on the relationship between the buyer and the contractor in determining how independent a VCS organisation is or feels. Contracts must be based on a spirit of fairness, equality and trust. Unfortunately many voluntary sector boards talk about contracts not being fair and there are real concerns about entering into contracts where the price paid by the public sector contractor does not cover the true cost of service delivery – "we are just cheap suppliers".

The seemingly inevitable growth in contracts that must be delivered on a 'payments by results' basis is also a worrying development.

But how easy is it for individual voluntary organisations to challenge procurement and contracting that does not really work for them. Negotiating or even saying no and walking away from these arrangements is probably way too scary for most VCS organisations in the current economic climate and changed environment. Instead organisations often struggle to comply with procurement and contract conditions that are sometimes very unfavourable to them and certainly not designed with the voluntary sector in mind. The sectors values of social purpose, the real values that set the sector apart, can feel lost or devalued compared to commercial targets and compliance. The VCS must rely on infrastructure bodies to take on this battle at a regional and national level. Individual voluntary organisations do not have the resources to tackle these fundamental issues nor are they necessarily able to manage the risk "What if they see us as trouble makers? We might lose out on contracts if we start challenging the terms of the contracts that are offered".

Most voluntary organisations do not see themselves as stand-alone independent or commercial organisations – they very often have a strong identity as being part of something bigger, a broader network of organisations working together to bring about change. Boards and staff often see collaboration rather than competition as the natural way to work. This sometimes means giving up independence of view or action for the wider common good – the advent of local contacting consortia's is an example of this. It can also mean a reluctance to openly compete with other VCS organisations - although undoubtedly competition exists and goes on all the time through bidding for grants or contracts.

How can governing bodies ensure that they act independently?

This is a very difficult question as each board must consider issues of independence for itself. Increased levels of control over aspects of the work must be achieved if the sector is to continue to be a strong non-governmental sector, independent of state interference and able to challenge and campaign alongside delivering services to those in need.

At a practical level each organisation must question its independence and in the same ways as it measures the extent to which it is meeting its social or charitable purpose it should measure the extent to which it has maintained its independence. It should not allow itself to be forced into contracts and legal agreements that might hamper the way in which it delivers its services; impacting on the trust it has built with its client/user group or placing the organisation at risk of accepting terms and conditions that it would not otherwise do.

One such example is where four independent VCS organisations were required by a local authority to submit a joint bid for funding for work they were already delivering. Ultimately everything started to focus on trying to build relationships between the organisations – diverting valuable resources and time away from the direct work with clients. It is hard to picture such a scenario in the private sector but the local authority felt it had the right to force this position.

By entering into a contract with a public funded body, individual organisations must maintain the right to speak out and campaign on behalf of their client/user group and maintain the right to reject terms and conditions that would put the organisations or its work with its beneficiaries into danger.

Thinking forward what are the future challenges to independence?

Maintaining real independence from the state is a critical challenge for the whole voluntary community sector – if the sector is to thrive and to continue to deliver on its overall social mission then it must be able to challenge and campaign whilst also being free to negotiate for fair commercial contracts or grant funding with all sectors including statutory bodies.

When government's and public sector bodies say they want to work in partnership with the Voluntary sector then this must mean in a spirit of equality and fairness. At a national level most of the national infrastructure bodies recognise that there is a need for a better deal for the VCS when it comes to procurement – one that is fair.

The nightmare scenario for the future is that we could be on a slippery slope where the independence of the sector is eroded bit by bit ending up with a VCS that many people will view as simply another, but cheaper, voiceless delivery arm of the state.

The sector must also be prepared to fight to maintain its independence from the state as this is without doubt a hallmark of a healthy, open and democratic society as well as ensuring the future of the voluntary and charitable sector.

Building trust and cohesion for board effectiveness - Christine Morrison

Christine Morrison is a consultant and facilitator working with wide range of not for profit distributing organisations to develop robust structures and systems that will help them achieve their potential. Most recently she has found herself working with many groups on asset transfer and the implications of a rapidly changing financial landscape. And outside of 'work' Christine is getting her hands dirty as part of a new co-operative community enterprise that provides its members with veg.

How does a board build the necessary trust and cohesion to work effectively?

The first step in the development of an effective board is a shared understanding of the roles and responsibilities both individually and collectively. There are now many opportunities to learn about roles and responsibilities on the web, in print, via training courses, support organisation, and consultants. Many boards however seem to remain at the stage of information gathering regularly embarking on training in 'roles and responsibilities' assuming there is a magic ingredient that they missed the last time. As we know effectiveness demands that theory (or information) is translated into practice and, as every organisation is different this has to be done on a case by case basis. There is no blueprint, though many organisations and board members would wish there were.

At the heart of an effective board is a clear sense of strategy (long term thinking) with ideas of how it will be achieved (a plan), this provides direction for the organisation and a framework for decision making. To be 'that board' requires a cohesive approach ie internal agreement that enables the board to act as 'one'. Policies and procedures have a part to play providing guidance on what and how, risk is managed, work is delivered etc. However leadership within the board and by the board is also necessary. Traditionally voluntary and community organisations have had difficulty with the concept of leadership. There are plenty examples of the Chair taking control and of weak or

ineffective chairing that exposes the organisation to financial, reputational and legal 'meltdown'. The type of leadership that is required focuses on process and behaviour, on how the board works together and on the building of trusting relationships between board members. A cohesive approach depends on trust.

Trust breaks down when people are uncertain about decisions that need to be made, are unclear about their role, the role of the board, relationships with staff, the agenda and particularly the vision. When trust breaks down the organisation is often damaged both internally and in their relationship to the external world.

So how is cohesion and trust built and maintained? There has to be a desire within the board for the organisation to be successful and a recognition of the part that a board can play in creating success. Boards who have lived through some kind of crisis understand the impact an ineffective board can have (the current Co op troubles, though in a different sector and on a large scale, illuminate the point!), boards who are new or haven't faced a crisis can look for good examples of the organisation and the board they would aspire to be.

It is now well acknowledged that policies and procedures, good chairing and clear board leadership develop good practice, influence behaviour and help build a climate for cohesion and trust. As does the 'away day', not necessarily a whole day, away, but a term that reminds boards of the importance of having time together to think outside of the day to day. Trust and cohesion does not happen unless time is spent building relationships with fellow board members. This in turn will lead to the identification of shared values which underpin all decision making.

All this tells us that being part of an effective board is more than turning up to a meeting – in **my** experience however there is still a perception amongst many boards that being a board member simply means tuning up for a meeting once a month. Meetings are central to carrying out 'board business' and so they must be prepared for and well run to make best use of the knowledge, information and experience that is brought to the table to share.

What does having a 'balanced board' mean in practice?

The intention to improve board effectiveness led to the introduction of the term a 'balanced board', it attracted a good deal of attention, for a while. Heavy use of the term coincided with the rise of the 'professional' board i.e. board members being recruited for their professional skills and knowledge. A balanced board has often been interpreted very simply as 1 accountant, 1 marketing person, 1 business person, 1 HR person etc. However professional qualifications and skills do not necessarily equip people with an understanding of how voluntary and community organisations work or how to provide effective governance.

It is useful for a board to have a range of skills, abilities and experience to match the strategy, age and stage of development, as this helps an organisation achieve. So a balanced board is all about making sure that a requisite range is achieved including experience related to the organisations vision, for example, the board of a black women's organisation may need someone who knows about finance but must also include black women.

Those who have been recruited for their particular expertise are not there to make decisions on behalf of the board but to use their knowledge as part of a group decision making process. For this to work successfully the board has to develop the ability to listen, learn and decide collectively. In this way there is an educative aspect to board membership something that has acquired greater recognition in the recent past.

Perhaps the most difficult relationship to manage is the relationship between staff and board members. Staff are appointed for their skills and ability and often have a more detailed knowledge of the organisation's field. For this reason it is frequently the case that staff make major decisions for the organisation and anyway it's easier! Staff participate in board discussions alongside board members, they have the right to influence but not to decide 'for'. Building mutual respect with a clear understanding of boundaries between staff and board is an important part in the process of building cohesive and trusting relationships and practices.

Thinking forward what are the key challenges for Board effectiveness?

- Creating effectiveness at board level is a continuous process and something we should keep in the spotlight.
- Creating effective working relationships takes time - the discussion above demands good processes but relies on time. In our 24/7 society everyone appears to lack time. Creating enough time is one of the biggest challenges. The 60+ boom does provide a group of people in the population with more time on their hands (well in theory anyway) but we do not necessarily want all grey boards!
- Staying up to date, with the 'field or environment' in which the organisation works, changing legislation and requirements will become more difficult. A part of the difficulty will be in knowing where to go for advice. Larger organisations rely on their managers, but smaller organisations will remain oblivious and/or struggle to find the right advice at the right time. For these organisations there is a particular value to 'networking' or membership of a support organisation in their field.
- Board recruitment - whilst there has been a significant improvement in this area there remains a defeatist attitude to board recruitment 'no one is interested in joining the board' is a frequent refrain. There are now many examples of how a planned approach can create 'good' boards with a positive impact on the whole organisation. The challenge isn't so much the recruitment as our attitude to the task.
- Building the board you need - a board is not for life. Depending on the age and stage of development, and the organisations strategy particular things will be demanded of the board. To be successful a planned approach to building the 'right' board by focussing on; people, processes and frameworks is a whole new challenge and one many organisations do not get around to thinking about.

References

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