

10 essential ingredients for good governance

The Foundation for Good Governance recently completed research for the Home Office on governance in nonprofit organisations, and concluded with a set of policy recommendations, which you can find here.

<http://partnerships.typepad.com/governancereview/>.

The authors have now reflected on the lessons from the research – and their own experience over the past 20 years in the field – to offer some practical guidance. Here are their ten essential ingredients for good governance – with some health warnings as well. Please feel free to email us admin@governance-works.org with your thoughts.

The TEN essential ingredients

1. Dig out the constitution, memorandum and articles, trust deed or other such governing document and read it. It probably needs to be read more than once to be understood – and it must be understood by the Board and staff, not just those who wrote it. Indeed, they may not be around,. So it is even more important to take a fresh look. Having got to grips with the document, there are two questions to ask. First, do the current systems and processes of your organisation meet the requirements of the relevant document? Second, does the governing document meet the requirements of the organisation and its current or future plans?
2. Make sure that all members of the board and staff have read and understand the organisation's business or other plans, and that there are clear priorities or targets, budgets and financial information to match the plan.

This information together with the legal framework provides a baseline for the board and senior staff outlining what can be done and what needs to be done. The board's role is to ensure that staff and volunteers are implementing the plan and that the organisation is meeting the regulatory requirements of its legal status e.g. company limited by guarantee, charity, industrial provident society, co-operative etc

3. Ensure you have the right mix of people, skills and abilities to support and develop your organisation and its plan. The recruitment and selection of staff generally receives, and rightly so, great care and attention. The same care and attention should be given to finding the right board members.
4. Develop a written set of policies and procedures to guide the organisation and ensure everyone is working in a coherent way, including a code of conduct for the Board. . The standard documents should match the ethos of the organisation, and cover equality of opportunity, health and safety, child protection, recruitment and selection of staff etc. In addition to these you should have a code of conduct on how to deal with conflicts of interest and removing ineffective board members. A set of policies and procedures that relate to the governance of your organisation should be standard.

5. Take meetings seriously. Most of the board's work is carried out in meetings – so how they are run requires regular attention. The structure, meeting skills and behaviours need to be focussed on the task in hand and the board's task is to ensure that the bigger picture and the implementation of the overall plan is being executed. So stay away from discussions of toilet rolls and find ways to discuss strategies.
6. Make sure your Board members are well informed – they can't fulfil their role without quality information. Well prepared reports, papers and proposals distributed in advance of meetings play a part in achieving quality decisions.
7. Ensure that financial reporting is given due importance, and that Board members can understand what is being said and recommended. Do not rely on decisions made 'on advice' or in good faith'. That is a high risk strategy.

Organisations need to prove their competence in managing funds and the board needs to be able to read and interpret information presented. So finding a system that delivers the relevant information and ensuring that everyone learns how to use that information has to be a priority.

8. Spend time on building good relationships. These underpin and determine the quality of discussion and decision making. Trust, openness and transparency are recognised as necessary qualities for the development of good governance. None of this can happen without good relationships. The starting point for developing this has to be clarity in boundaries, particularly those between the board and the chief executive, director or senior worker. Define clearly who has responsibility for what.
9. Ensure the Board understands that it is their role to manage the manager. It is the board's role to ensure that their key workers are well managed. Managing the manager or most senior worker has to be board's role and is crucially important in the development of systems and processes for accountability. This is an area where it is possible to utilise the particular skills, experience and abilities of individual board members.
10. Last – (or should it be first?) – organisations need direction and leadership. That's up to the Board. Workers play an obvious role but must do this in partnership with the board. Board members are often directors as determined by the legal status of the organisation. They should not be confined to the role of 'figurehead' but truly share in determining the direction and leading the organisation.

Health warnings

None of this is ‘rocket science’ or news – but it is useful to be reminded from time to time of the important place basic processes have in organisational systems. However, if you use this list as a 10 point plan – or indeed use any other checklist for governance – please do not expect a perfect organisation or an untroubled future. In the real world there are too many variables and circumstances to be able to legislate or determine what makes perfect governance. It is an ideal that we aspire to in an imperfect and irrational world, and as a consequence there are things that can get in our way as we work to improve our governance. For example;

- trust, openness and transparency cannot be grafted into an organisation – they have to be grown and nurtured. The board in its role as overseer of systems and processes can and should ask challenging questions. They provide an internal scrutiny of plans and proposals. In this way the board holds its workers to account and are in turn accountable for decisions made. But without trust, openness and transparency the board can be seen as the ‘awkward squad’ driving a wedge between staff and board members.
- provide the opportunity for board members to develop knowledge and understanding of one another at various levels. Values, beliefs and passions are important aspects of not for profit organisations, and understanding where each person ‘is coming from’ in discussion can assist the process of decision-making and enhance the direction and leadership offered. On a more practical note, the range of skills and abilities brought to the boardroom should be acknowledged and where possible utilised. This takes a long time to achieve if the people sitting round the table know nothing of one another.
- the importance of a shared vision for the organisation and an understanding of what it will mean in practice is often easier to achieve at the outset than as the organisation grows. However it should not be confined to founders or to the people writing the current plan. The problem is that shared vision and understanding is not a system, policy or procedure – it is not part of the organisational ‘hardware’. It cannot be introduced, it has to be worked at.
- the world in which we work is not static. It is an ever evolving or changing picture. To remain ‘fit for purpose’ we must stay in touch with changes to legislation, funding, policies, members or communities.
- time is of the essence. We can add in more and more requirements but these become ‘burdens’ to the board member who is giving their time.
- give and take. In defining the skills and abilities needed by the board it is not the intention to ‘professionalise’ the volunteers involved but to offer something in return for their commitment and time by ensuring they develop the skills to be an effective board member. This however requires a budget, a development plan and is part and parcel of organisational development.

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