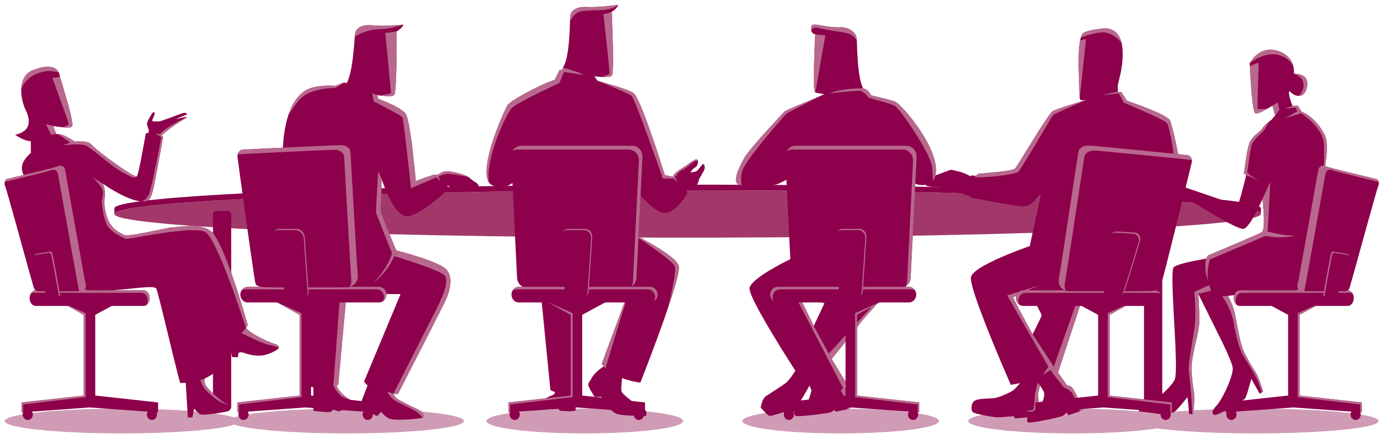


FOCUS ON WHAT'S ahead

MIKE HUDSON and **GEORGE LEVVY** reflect on the learnings from 100 governance reviews to determine how to maximise board effectiveness

You are sitting in another slightly tedious board meeting. The board pack is 150 pages long and an executive is going through the detail you have already read. There are another ten items to get through, most of which are headed "for information" or "for discussion". Some of them are matters that have already been addressed by committees and in previous board meetings. A few trustees and executives are checking their email. You leave concerned about what hasn't been discussed and wondering what substantive difference the meeting has made.

Sound familiar? We have conducted over 100 governance reviews, half using detailed questionnaires completed by more than 700 trustees and senior leadership team members. Analysing the findings across these reviews highlights some important messages for everyone involved in governance.

We are acutely aware that expectations of governance have risen and trustees are anxious to ensure they have examined every area of risk. Governance failures in recent years such as those at Kids Company (finance), Oxfam (safeguarding), Save the Children (executive behaviour) and the RSPCA (governance arrangements) are now seared into trustees' minds. Increasing public and regulatory attention to fundraising practices, safeguarding and data protection have added to trustees' concerns.

This fiduciary focus is absolutely right. However, our experience suggests that the focus on ensuring nothing is going wrong is sometimes being achieved at the expense of boards' strategic, forward-looking role. This is where boards can really add value: by bringing in fresh perspectives from their different worlds, by not being so closely involved in the day-to-day and by asking questions prompted by changes in the world outside the charity itself. It is the discussions that arise from those contributions that can potentially make the greatest difference to the organisation, and it is frequently in those kinds of discussions that trustees feel most useful and engaged.

We are not suggesting that boards should neglect their fiduciary roles but that they should strive to give sufficient attention to both the fiduciary aspects and to what we think of as value-adding governance.

But, if boards are already overwhelmed by a never-ending MOT on their vehicle, how can they find time to check whether they are still going towards the right destination or if they are on the best route? Analysis of our reviews has led us to conclude three actions are necessary:

1. Boards and executives need to think of themselves and work together as one team, with the trust and clarity of roles that requires
2. Greater delegation to committees and trust in their work is needed to free up

board time and still ensure that essential topics are given the right level of scrutiny

3. Boards and committees need the right agendas and papers with complete clarity about the purpose of each item.

We recognise that these are not new discoveries, but our governance reviews consistently show that they are not being pursued with sufficient vigour. Our experience is that when they are, boards are much more impactful and meetings more enjoyable.

So, how can this be achieved?

One team

The essential starting point is the creation of a "one team" culture of the board and executives working closely together to maximise the contributions each can make from their diverse perspectives. Respect for different views should be valued, responsibility shared by all and mistakes seen as learning opportunities.

This requires the establishment of deep, open and trusting relationships between chairs and chief executives and between board members and their executives. These are the essential cornerstones that allow the board to both provide respectful challenge and work together as a well-established team to position their organisation for long-term success.

The chair/chief executive relationship is well known as the linchpin. If either of them has different conceptions of their roles, different views on strategy or a lack of trust in each other, it is not possible to create a genuine one-team approach.

When that relationship is clear to everyone, board members and senior executives need regular time to get to know each other. They also need ample time to reflect on the organisation's mission, the strategies for achieving it and the really big opportunities and challenges to be faced in the future. We find that break-out groups that mix board and executive members on real issues the organisation faces help to strengthen relationships and build trust.

When these strong foundations have been established, boards and executives can work faster, more strategically and more efficiently, and deliver much greater impact.

Purpose-driven agendas

While some board time is needed to ensure proper oversight of programmes, finances and organisational health, this needs to be strictly limited to create time to do deep dives on critical issues such as reputation management, changes in external context, longer-term strategy, mergers, demergers, outsourcing and increasing overall impact.

To achieve this we suggest that board meetings should be divided into two parts. In one part, board members should be holding executives and committee chairs to account for delivering their delegated responsibilities. In the other part, board members and executives should be working jointly exploring opportunities, refreshing strategy and identifying challenges that might knock the organisation off course or damage its reputation. These sessions should integrate executives' deep understanding of the organisation's work and its immediate context – which they will generally understand best – with board member perspectives from their wider experience of other environments.

Anticipating and acting on risks is also a critical agenda item. In all the high-profile failures listed above, trustees failed to spot a significant risk that was well known by some people inside and outside the organisation but was not brought to the surface before it became a crisis.

> The focus on ensuring nothing is going wrong is sometimes being achieved at the expense of boards' strategic, forward-looking role MIKE HUDSON

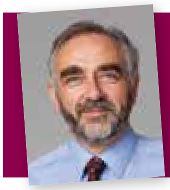
Trustees should also have opportunities to see the front lines of the organisation's work so they can combine an understanding of the way services and campaigns are delivered with their wider perspectives on quality, risks,

TABLE 1: BEST AND WORST SCORES FROM BOARD PERFORMANCE REVIEWS

Responses from 150 board and senior leadership team members, average scores on a 1–5 scale	
The best scores	
Good at declaring actual or perceived conflicts of interest and loyalty	4.4
Clear about responsibilities as board members or executives	4.3
Clarity of financial reports	4.3
Confident the board adheres to all relevant regulations, codes and standards	4.2
Effectiveness of governance and protection of the organisation's reputation	4.2
Effectiveness of the board's financial control system	4.2
Separation of restricted and unrestricted income and expenditure in reports	4.2
The worst scores	
Overseeing performance of commercial partnerships	3.3
Well informed about staff opinions, engagement and satisfaction	3.3
Communicating on major changes in policy, strategy and governance with stakeholders	3.3
Rigour in deciding overall allocation of unrestricted income to strategic objectives	3.2
Enable stakeholders to assess success in achieving strategic objectives	3.2
Effectiveness of succession planning for board officers and committee chairs	3.2
Understanding the process for reporting on the CEO's performance	3.1
Effectiveness of the board at open discussion about its own performance	3.1
Considered responsibilities to the wider community	3.1
Considered strategic partnerships with other organisations	3.0
Effectiveness of continuing professional development for board/committee members	2.8

and people. Only then can they bring unanticipated issues to the surface.

The results of our surveys show that respondents are satisfied that they perform the "hygiene functions" effectively but struggle with the "hard-to-deliver functions" (see table 1). These are some of the topics requiring greater attention on board agendas.



> To create the necessary space for strategic discussions, boards need to delegate much more authority to their committees and to trust them to take good decisions GEORGE LEVVY

Greater delegation

To create the necessary space for strategic discussions, boards need to delegate much more authority to their committees and to trust them to take good decisions. Our experience is that small groups of people are often much better placed to bear down on the detail of providing effective oversight, leaving the board to be a backstop that intervenes only when there are substantial risks to the organisation.

This requires really clear terms of reference for committees, identifying the authority that has been fully delegated to them and a matrix that summarises how decisions on different topics are taken. This needs to pinpoint which group or individual is expected to bear down on the detail of key decisions and be held accountable for the outcome (see table 2).

Clearly, boards must retain responsibility for committee decisions. This can be discharged through summary reports on the few big issues that need to be brought to the board's attention (not circulation of minutes). If committees are trusted, their decisions should seldom be reopened. Board members should remember that perfection is the enemy of progress.

This in turn requires that committees contain people with the required skills and experience to discharge their responsibilities and that means much more diligent succession planning for board and committee members and for the senior executives who support the board and its committees. Governance and nominations committees should be charged with ensuring that board and committee transitions are planned one, two and sometimes three years ahead and that none face a cliff-edge of changing membership that requires them to rebuild teamwork and trust.

When the decks have been cleared of the detail, boards and executives have quality time to do those things that only they can do – to see the view from the ship's bridge, to spot the hazards and the opportunities ahead and to steer the boat in the direction they and their stakeholders want.

When trustees and executives have open and trusting relationships, board papers can be shorter, attendance improves, people listen carefully to each other, meetings become more interesting and valuable – and no one is checking their email. G&L

***Mike Hudson** is director and **George Levvy** is senior consultant at Compass Partnership*

TABLE 2: MATRIX OF DELEGATED AUTHORITY

	Governance								Management		
Sample of items	Council	Board of trustees	Audit & risk committee	Finance committee	Governance committee	Remuneration committee	Chair of trustees	Chair of finance	Chief executive	Director(s)	Heads of department
C – Must be consulted											
D – Primary decision-maker											
F – Final approval (when required)											
Strategic plan	F	D							C	C	C
Appointment of chief executive		F					D			C	
Major changes to financial policies		F		D							
Sensitive public statements		C					F		D	C	
High-risk partnerships		F	C						D		
Budget variances over £100,000				C				D			
Contracts over £50,000				C				F		D	
Chief executive performance and pay		F				D					
Succession planning		F			D				C		