

Governance in NGOs (Non Profits and Charities)

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Non profits and charities are governed by Trustees who have general control of their organisation. The governing document (constitution, by-laws) will explain how trustees are appointed, how long they can serve for and how they should conduct themselves. When trustees are recruited, consideration should be given to the balance of skills on the trustee board. Some of the most successful boards are those that recruit its members from diverse communities. It is important that new trustees are aware of the responsibilities of charity trusteeship, and are given a proper induction.

Primary responsibilities of non profit/charity trustees:

- 1) Trustees are responsible for the proper administration of the charity.
- 2) Trustees must accept ultimate responsibility for everything the charity does (the trustees are responsible for the vision, mission and management of the charity. They are accountable if things go wrong).
- 3) Trustees have to act reasonably and prudently in all matters relating to their charity.
- 4) Trustees must safeguard and protect the assets of the charity.
- 5) Trustees have a duty to act collectively.
- 6) Trustees must act in the best interests of their charity.
- 7) Trustees must avoid any conflict between their personal interests and those of the charity.
- 8) In all the above matters, trustees must comply with the law.

Governance structure:

For many people, any structure is perceived as being inhibiting and bureaucratic. However an organisation needs a governance structure that will enable strategic thinking to take place, as well as the implementation that puts the flesh on the strategic framework. The structure should be such that governance, accountability, and openness are always linked.

Delegation:

Trustees are ultimately responsible for their organisation but they may delegate to staff and sub-committees depending on the nature and size of the organisation. In larger non profits and charities day to day management is carried out by paid staff under a Chief Executive. It is the interface between trustees and paid managers that can sometimes cause problems. Research in the US and UK have identified many barriers which prevent trustees from realising their full potential. They include friction with paid staff, the unwillingness of many trustees to offer firm direction to their organisations, and confusion about the ways in which a non profit /charity is accountable to its many stakeholders.

Liabilities of Trustees:

Explore and be aware of your potential liability before you agree to become a trustee. The potential liabilities of charity trustees to third parties depend to a great extent on the legal form of the charity. There are essentially three main legal forms used by a charity: Company, Trust, and Unincorporated association.

Problems with Governance:

US governance guru Barbara E Taylor urges trustees in non profits and charities to *add value* to their organisations. Most trustees are selected on the basis of demonstrated ability and achievement, and yet, as Taylor points out, most boards under perform, attending to operations rather than strategy, immediate concerns rather than long-term challenges and individual activity rather than collective action.

Taylor has explained the five interrelated approaches through which the Board adds value:

- *Help senior management determine what matters most-* Effective boards, with executive staff, identify the most significant organizational issues that require trustee and management attention.

- *Create opportunities for the Chief Executive to think aloud*- create situations in which the Chief Executive can reflect and ruminate with the board. Begin each board meeting with a 'Chief Executive's hour' - an executive session in which the chief executive can share with trustees the concerns that are uppermost in his or her mind.
- *Encourage experimentation*- A board should act as a stimulus for change by thinking creatively with the chief executive and staff about challenges and opportunities, by setting policies that require conscious choices or explicit tradeoffs.
- *Monitor progress and performance*- as they review plans and proposals, trustees should ask how results will be measured and reported.
- *Model the desired behaviours* - boards should model the behaviour they expect in others.

Developments in Governance:

The National Center for Nonprofit Boards (NCNB) is a leading organisation in governance based in Washington DC, USA dedicated to increasing effectiveness of governing boards and promoting change, innovation, solutions and tools to improve board performance worldwide. The NCNB along with a number of governance gurus such as Barbara E Taylor has developed the *New Work of the Non Profit Board*. Traditionally governance has been viewed as strategic, i.e the environment for policy and decision – making, and management is about implementation. In the new work, the board and management work together on both policy and implementation. Historically, the practice of most well established non-profits has been to recruit stars as board members. The assumption was that a collection of exceptional individuals would equal an exceptional board. The new work of the board cannot be done by a powerful inner circle. Instead all trustees must get involved. That will set off a chain reaction: the more trustees are involved in meaningful work, the more they know; the more they know, the more they can contribute to the team; and the more they contribute to the team, the more likely the stars will form a constellation. To function as a team, board members need equal and timely access to information. A mentoring programme that matches a seasoned trustee with a new trustee provides another way to foster fellowship and to engage newcomers faster.

Making use of available resources:

It has become increasingly apparent that trustees have lost ground to professional staff. Therefore it is important that trustees make use of the growing number of resources available to them including training opportunities, books, and best practice guides. In the UK a leading charity specialist firm of lawyers Bates Wells and Braithwaite (BWB) has created a separate governance unit 'BWB on Board' which provides training, advice and support for mission-led development. BWB and the UK National Council for Voluntary Organisations (NCVO) are actively collaborating with the Americans to help develop good governance practice in the UK. Another very useful resource in the UK is the practical bi-monthly 'Governance' magazine from Plaza Publishing, which can also be accessed on line.

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