HAPPY RELATIONS?

Ensuring effective partnerships between trustees and senior management

NPC briefing, November 2014

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On 18 November 2014, NPC and the Clothworkers' Company held a seminar on how to develop and maintain effective relationships between trustees and senior management. This report highlights the main themes discussed and summarises advice from our speakers, drawing on the experience of those in attendance.

The seminar was chaired by Dan Corry, Chief Executive at NPC. The panellists shared perspectives on how trustees and management could improve their partnership, focusing on the following themes:

Mike Hudson (Director, Compass Partnership) discussed the roles of governance and management, and the expectations of both parties, drawing on a previous survey of the top 500 charities. (Delivering Effective Governance, Directory of Social Change, 2012)

Penelope Gibbs (Director, Transform Justice; Fellow, Clore Social Leadership Programme) focused on the dynamic between trustees and senior management using qualitative research undertaken during her studies as a Clore Social Fellow.

James Lambert (Chairman, IntoUniversity) presented a case study about how the roles and relationships of IntoUniversity's board of trustees and senior management have developed over time.

Judith Miller (Partner, Sayer Vincent; Treasurer, the Small Charities Coalition; Trustee, Life Opportunities Trust) shared her experiences as both a trustee and treasurer and how this twin role allows her to support trustees and senior management with interpreting financial data, enabling better communication and decision making.

Introduction

The board of trustees should consider how best to support senior management through good times and bad, as an effective relationship between the two is key to good governance. Examples of great partnerships in the sector certainly do exist, but there are also stories of breakdowns in relations between chairs and chief executives; boards feeling that they do not always know the full picture; staff saying boards are not engaged with their work; and management teams seeing the board as an obstacle to progress. A balance needs to be struck so that relations are neither too close nor too far apart.

This briefing provides guidance for trustees and senior management to ensure that an effective relationship is built and maintained, touching on roles and responsibilities, boundaries and expectations, communication and power, and providing two case studies that draw on these themes.

The essentials of a good relationship

Our speakers agreed on a number of fundamental requirements when seeking to establish and maintain a good professional working relationship between governance and management.

Have a shared mission, values, purpose, objectives and strategy. A mutual understanding of these is absolutely critical to the success of not only the relationship but the organisation. It is fine to challenge each other's perspectives and views but there should be common ground about the direction.

Develop strong personal relationships. A board that meets for two hours four times a year is not as effective as a board where members also meet informally over lunch or at away days where they can spend more time shaping each others views, getting to know each other and how they contribute to the organisation. The chair and chief executive need to set a good climate of partnership that the board and management can see and observe, and the chair should hold annual one-to-one meetings with board members to discuss individual needs and how relations with management can be bettered.

Ensure excellent planning of board meetings and papers, and review regularly. It is the responsibility of the chair, helped by the chief executive, to shape the agenda of not only the next meeting but future meetings too. This can make the difference between a really good partnership and a less successful one. Holding end of meeting reviews to check what went well and what could be done differently next time increases effectiveness.

Acknowledge the tension of the board's different roles. The board should be a 'critical friend'—supportive, assisting, doing the best they possibly can to help the management and the organisation's cause, and being an 'accountable body'—and offering challenging and constructive criticism—being the ones to tell management if something is not good enough and ask for an explanation. To ensure the board continues to fulfil this role, conduct regular reviews of board performance to look at what is going well and what can be improved.

Get the chair recruitment right. Chairs can be given a tap on the shoulder or begged to take on the role not really understanding the responsibilities that come with it. In some cases, chief executives have no say in the recruitment of the chair, which runs the risk of appointing someone where the dynamic is not right. Telling the chief executive that *'if you can get me a damehood out of this, I'll get you an MBE'* (a true story) is not a good reason to become chair. Mike Hudson added that to improve the selection process, you need a good role description, to be honest about the time and commitment required and clear about expectations.

Maintain diversity on the board. The term 'serial trustee' also came up for discussion; a problem when recruiting. There are potentially thousands of untapped new trustees that have never been approached, and speakers agreed that it is important to find ways of widening the net. Introducing a fixed tenure for the board and chair to usher in new people who may bring a new perspective and ask challenging questions.

Understanding roles and responsibilities

Mike Hudson began by discussing the roles and responsibilities of governance and management in charities. Figure 1 is the most widely shared diagram from his book, *Managing Without Profit*, and highlights ten key roles that the board and management must separately fulfil.

Figure 1. Roles of governance and management
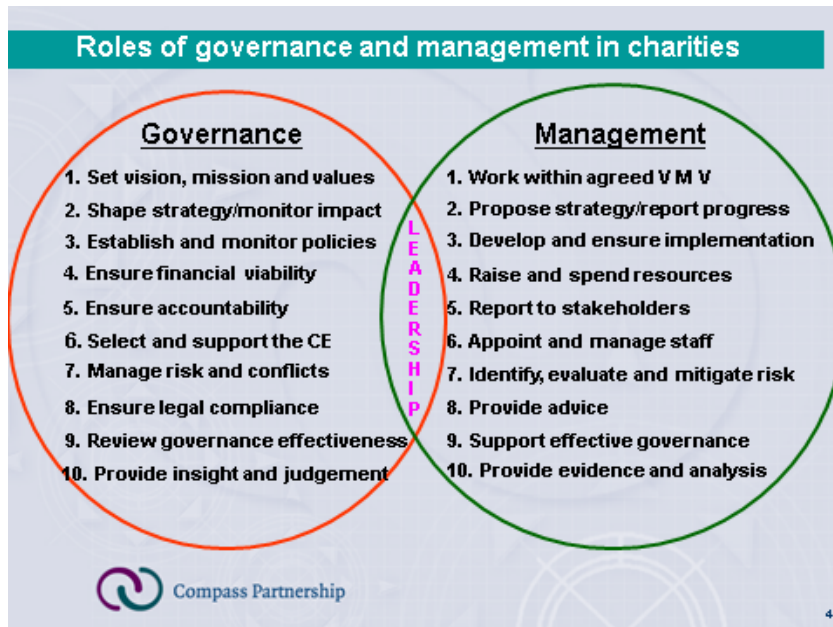
The roles can be read from left to right to highlight the differences between governance and management within a certain area of responsibility. For example—at number two—the board should help shape the strategy and monitor its impact, while senior management should actually create the strategy and report back on its progress. Looking at number seven, the board should manage strategic risks and conflicts of interest, accepting ultimate responsibility if anything goes wrong, while the management team should deal with any operational risks on a day to day basis. At number eight, the buck stops with the board, and while management should advise, the board holds ultimate responsibility for ensuring the organisation is legally compliant across all areas of the business.

'A chair should be able to ask questions, share information and stand back from the detail.'

Mike Hudson, Compass Partnership

Setting boundaries and expectations

Figure 1 also acknowledges that the boundaries between governance and management inevitably and necessarily overlap. As Mike Hudson described it: *'This is where the leadership of the chair and the chief executive is crucial so that the governance and management work together in tandem towards the same objectives.'*

When the board intervenes in the detail, or the management team tries to manage governance, the overlap can leave both sides wondering what their role actually is. But no overlap at all can mean too much separation: two parallel universes, in which each carries on with their own work as if the other does not exist, leaving the chair and the chief executive to hold it all together. The best situation is a partnership that starts with and maintains an effective overlap—one that is understood, well managed, and allows both sides to work in tandem.

To get to this stage, it is not enough simply to agree on roles and responsibilities; understanding the expectations each has of the other is equally vital. To establish what these are, the board and management need to demonstrate respect and trust for one another—without this, relationships will crumble very quickly.

Mike Hudson explained that, in his experience, the trustees expect management to:

- consult the board early on when it comes to decision making;

- provide well thought out papers with options and recommendations circulated in advance;

- accept that the board is ultimately responsible for the organisation, and be open and not defensive when challenged;

- give the board reminders of context (board members come and go so a regular refresh is key to keeping everyone engaged and on board); and

- express trust and confidence in the board.

'It is always a changing relationship; sometimes you are prodding and directing, other times you are listening and mentoring, and other times you are trying to understand the chief executive's challenges with his own team.'

Penelope Gibbs' research interviewee

When asked the same question, management said they expect the board to:

- be committed to the organisation with a good attendance record;

- read and consider papers thoroughly (they find it infuriating when trustees ask questions that have already been answered);

- hold the management team to account, and question and challenge but also encourage and coach;

- ensure there is clarity on decisions taken (a discussion is great but what are the actions?);

- not micro-mange each step when a decision has already been made, for instance, on operational budget management;

- bring expertise, insight and contacts;

- be aware of the impact of their demands on management; and

- celebrate success.

Case study: James Lambert, Chairman of IntoUniversity

IntoUniversity offers young people from disadvantaged backgrounds, unlikely to go to university and who generally lack the support and aspiration taken for granted by others, academic support and encouragement to have a fair chance to realise their full potential. A triple stranded programme is in place that includes: after school academic support, one-to-one mentoring, and study weeks in partnership with universities. Launched in 2007, IntoUniversity originally had one centre in London. James Lambert became involved when the founders (currently the chief executive and development director) wanted to expand, and the organisation now has eighteen centres across the country seeing eighteen thousand students a year.

'It's an obvious point but to have good relations you have to have a good board'

James Lambert, Chairman of IntoUniversity

Choosing a board. There has to be care and hard work in doing this. You ideally need the optimum number of people with the right skills asking the right questions. If there are gaps, address these sooner rather than later. To test the water for new potential trustees, IntoUniversity has a nominations committee, chaired by a trustee. This can sometimes be easy and they fall in your lap but often you have to go out and find them. With a finite number of places on the board, how do you keep them warm before others move on? IntoUniversity have a plan in place, so potential trustees sit on an advisory panel, and a pipeline is available when a vacancy occurs. This also offers an opportunity to get to know each other to see if the fit is right.

Involving the board in an integral way. IntoUniversity have a number of other committees . The nomination, investment and events committees and the funding development group all have a mixture of trustees and staff . As well as involving the board, they additionally support the development of effective relationships between trustees and management.

Fostering good relations. You need a good trustee appraisal system. James meets individually with the trustees each year to talk openly and honestly. The system works on the whole and rather than the chief executive appraising the chair, at IntoUniversity the deputy chair appraises the chair.

Sustaining the interest of trustees. Ensure management does not bombard trustees with endless reports. IntoUniversity makes time at board meetings for staff to present. Even more effective is that each trustee is expected to visit centres and talk to staff, volunteers and students.

Maintaining enthusiasm. Chairing requires a high degree of enthusiasm for the charity. If James feels his own dropping, he visits a centre. It is also very important as a chair if you do not feel excited about the work to recognise it and make plans to find a successor to avoid this being done at the last minute. Lastly, you need to realise as a chair (especially if the organisation grows) that you cannot know everything that is going on. You need to be properly informed but not drowning in detail, and you should talk to the chief executive and management team to strike the right balance.

Ensuring effective communication

Mike Hudson presented findings from a study conducted by Cass Business School in 2012, which found that 47% of chairs and chief executives at the top 500 charities have an extremely good relationship, while a further 41% enjoy a very good relationship. It also revealed that the majority of one-to-one meetings between the chair and the chief executive take place monthly, at just under 50%, and around 20% meet fortnightly. Over 40% email two to three times a week and just under 40% speak on a weekly basis. In terms of their time, around 33% of chairs spend more than forty days a year carrying out the role.

Open and honest communication is an essential ingredient in establishing a good relationship. It should allow the board and management to challenge each other's thinking, share worries and concerns, and feel confident enough to say *'you have that totally wrong'*. Here forgiveness is also an important behaviour, helping as it does to encourage an understanding of what went wrong so both parties can learn lessons for the future.

But how much communication is too much?

Our speakers sought that space between becoming too cosy and too detached. If a chair and chief executive relationship becomes too close and personal, the chair may be insufficiently detached to see problems relating to the chief executive; or they may see them, but find dealing with issues in a personal situation uncomfortable and so avoid resolution. Another risk here is that the rest of the board ends up in the dark.

Penelope Gibbs said one chief executive spoke to his chair every day. Some may think this excessive, but it worked for them; they could see an issue unfolding and decide either to deal with it straight away or park it for later. Too little communication can cause problems and hinder the development of the relationship. All too often boards have infrequent, formal meetings with nothing informal in between, which is often indicative of a chair not being engaged with the chief executive and the organisation. The chair can also distance themselves from the chief executive, perhaps mindful that they do not want to interfere, but without realising the impact that withdrawing the offer to act as a regular sounding board has on the chief executive. Sometimes it is not necessarily the frequency, but more the lack of context and critique.

'Sometimes it is quite lonely to be a chief executive and there is a sense of isolation in the role and the only person you have got is the chair.'

Penelope Gibbs, Director Transform Justice

To ensure effective communication, governance and management should consider:

- **Allowing for 360 degree feedback/appraisal of the chair and chief executive** to see what the senior management think about their leadership.

- **Providing exit interviews** for all staff and trustees to give them the opportunity to feedback when they leave, offering the chair insight into how the senior management team interacts with staff.

- **Conducting staff surveys** to gauge concerns across a range of organisational themes and allow management to take action.

- **Encouraging trustees to take time to meet staff**—without this, any ideas or issues among staff may go undiscovered and unchallenged. Penelope Gibbs' research indicated that seldom do chief executives encourage trustees to talk to and get to know staff. It needs to be managed so that trustees and staff do not form too closer relationships but it can help to pick up problems.

- **Getting out there**—often trustees are too internally focused on the organisation to really understand what funders, stakeholders, and beneficiaries think, so it is important to get out and meet them or conduct surveys and have sight of the results.

Acknowledging the power dynamic

Once the roles, responsibilities, and expectations of the chair and chief executive are clearly understood, it is vital to be aware of and explore the potential areas of conflict when it comes to power and control. Penelope Gibbs explained that while it is very important for both parties to challenge one another, the best chief executives acknowledge that the chair is boss. However, she said that all too often this does not happen.

'Power is largely based around time and contact. If the chair does not invest time to develop an effective relationship with the chief executive it can sometimes end in a power struggle.'

Penelope Gibbs, Director Transform Justice

During her research, Penelope Gibbs interviewed a chair who was also the chief executive at another organisation and who said that *'if the chief executive wanted to fob you off they could; they would spend time making sure the chair only knew what he thought the chair needed to know'.* The chair needs to be able to see through this situation by asking questions, being around to listen, offering support and challenging decisions. Conversely, if the chair dips too much into the detail, they can potentially undermine their relationship with the chief executive, particularly if they are pushing for something that goes against the strategic aims of the charity.

A chair who is also the founder of the organisation can be problematic if decisions about the organisation's future are made on an emotional basis. Keeping this in check can be difficult to manage. Chairs or trustees who have been around a long time can become too close to the charity's mission, no longer able to look at it objectively. Others can become too distant, thinking that the chief executive can manage without their support or input. This can lead to hero worship of the chief executive, and the assumption that they can do no wrong.

'Not having any conflict is a problem; there needs to be a bit of conflict to indicate that challenge is happening.'

Penelope Gibbs, Director Transform Justice

Focus on finances in relationships from Sayer Vincent

Judith Miller explained that, as a treasurer, her role involves demystifying finances and interpreting them for fellow trustees. She said that a lack of confidence when reading balance sheets or reticence about asking questions can turn finance into *'the elephant in the room at board meetings.'* This is exacerbated by information presented from an expert's point of view rather than in a way that meets their needs.

'We know that trustees are collectively responsible but I have lost count the number of times where I have sat on a board and they say to me "if you are happy with the numbers can we sign the accounts off?"'

Judith Miller, Partner at Sayer Vincent

Financial information should act as a tool for trustees to exercise their role properly, providing them with sufficient oversight in order to make decisions. Judith found that implementing a few changes to the financial information and how it was created made a real difference. These included:

- attaching a simple glossary of terms to the back of the management accounts;
- colour coding the information so it is simply easier to read;
- showing how the key statements and balance sheet tie together;
- one-to-ones with the chief executive and finance director prior to the board meeting to flag any questions the board might ask, what they might not ask but need to know, and address particular concerns. A one-page narrative was developed with all this information in advance of the board meeting.

These steps made the information more accessible for trustees to pick up and read, but did not dumb it down. Judith also helped to:

- improve the language on the balance sheet by keeping it simple, accessible and easy to interpret; for example, 'debtors' was changed to 'money other people owe us', and 'creditors' to 'money we owe other people';
- bring on the skills of the board with regard to financials by meeting trustees on a one-to-one level, including at induction;
- ensure the rest of the board papers dove-tails with the financial information to give clarity;
- coach the staff team to develop essential financial processes, like cashflow forecasts; and
- find a volunteer bookkeeper to plug gaps.

When it comes to risk, bring it alive at the meeting as much as possible, splitting strategic from operational risks, especially in larger charities, and talking about them. Ideally, strategic risks should be discussed at board level and operational risks only on exception. If an audit committee exists they should own the process of identifying and developing the risk register, and the board should look at the content and ask questions. Be sure to keep the risk register in proportion to the size and income of the organisation.

Final thoughts

An effective partnership between the board and management, particularly the chair and chief executive, plays an incredibly important part in the success of an organisation. When roles are understood, and behaviours and expectations are clearly managed, relationships can flourish and evolve. Effective communication is the golden thread tying all those different functions together. Lastly, acknowledging and understanding the power dynamic is crucial to ensuring the relationship can survive during good times and bad. The relationship between governance and management is like a marriage; it requires a bit of effort from both sides to succeed.

Top tips for improving trustee and management relationships

- Honesty, openness and constructive criticism to challenge each other's thinking.
- 'End of meeting' reviews to discuss what went well and what could be done differently next time.
- Annual away days to discuss the bigger picture and deepen relationships.
- Regular performance reviews of the board (at least every two years) to discuss what is going well and what can be improved.
- Annual one-to-ones between the chair and other board members to discuss individual needs and what can be done to improve relationships with management.
- Mix of professionals on the board, with different insights and backgrounds.
- Role descriptions and an induction process for trustees to clarify roles and responsibilities.
- Fixed tenure to allow the board to manage its composition to best effect.
- A pipeline of potential trustees to replace those that move on quickly and effectively.
- Trustees to be visible, taking time to meet staff to help pick up potential problems.

Further resources

Hudson, M. (2009) *Managing without Profit*

Hudson, M., Ashworth, J. (2012) *Delivering Effective Governance, Directory of Social Change*

Gibbs, P. (2011) *A marriage made in heaven? The relationship between Chairs and Chief Executives in charities*

Wharton, R. (2014) *Financial oversight: what trustees need to know about finances and accounts*

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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