



Building better boards: what's the problem?

**A think-piece to stimulate sector debate from the
Third Sector Trends Study**

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1 Introduction

Many people in the voluntary sector seem to worry a good deal about ‘governance’, particularly the composition, abilities and performance of boards of trustees.¹ They are certainly being encouraged to worry – by the sector’s regulatory bodies, its representative organisations and public sector agencies, all of them raising concerns about the quality of voluntary sector governance. A view has developed that, all too often, the boards of voluntary organisations are not up to the job: they are not ‘professional’ enough; not ‘strategic’ enough.² There is a perception—not a consensus, but a fairly widespread view - that voluntary organisations are run by well-meaning, but ineffective people, who don’t have what it takes to respond to the challenges of the twenty-first century.

There may well be reasons to worry about voluntary sector governance and caricatures may not be entirely inaccurate. But how justified is the concern, how widespread are the problems? How difficult is it to recruit and build an effective board? What’s the problem?

2 Building the board

Over the past three years, we have been investigating the operation and development of the voluntary and community sector in the North East of England and Cumbria. The Third Sector Trends Study, commissioned by the Northern Rock Foundation, has been assembling quantitative and qualitative information, seeking to establish what’s happening to the sector and, above all, how it can work better to meet the needs of its intended beneficiaries.

Issues surrounding governance have frequently been raised in our discussions. Governance seems to be a popular topic of conversation – something that chief officers, managers and chairs talk about and reflect

¹ See Salman, 2010 for further discussion.

² See Vernon and Stringer, 2009.

upon when not talking about funding problems. That is hardly surprising, given the prominence of this issue in commentaries and critiques about the sector. It is also perfectly reasonable on account of the crucial role that boards of trustees have in shaping and steering voluntary organisations. The governing body of a voluntary sector organisation carries responsibility for directing its affairs. Whatever they are called – trustees, directors, board members, governors, or simply, ‘the committee’ – these people ultimately carry the can. They have a duty to ensure that the organisation is well-run, protects its assets, guards against unnecessary risks and conforms to its stated aims and objectives. Board members carry serious – and personal – legal and financial responsibilities.

In our initial interviews, with local Councils for Voluntary Service and other infrastructure organisations, we were often told that it is hard to recruit and retain committed, appropriately skilled and experienced trustees.³ On the face of it, this seemed unsurprising, given that it can be a difficult, burdensome and onerous role – and is unpaid too. However, delving a little deeper, it doesn't seem quite as simple as that.

There may well be some difficulties, in some organisations, recruiting and retaining trustees. In fact, we have ourselves seen this is the case. However, there does not appear to be an *overall* shortage of trustees. The *UK Civil Society Almanac* reckons there are about 650,000 trustees in the UK.⁴ The remarkable thing is, surely, that there are so many willing to do the job.

Moreover, in our survey of over 1000 third sector organisations in the North East and Cumbria, 79 per cent of respondents said their organisations are ‘able to appoint trustees with the necessary skills and knowledge’. That suggests, at least, that building the board is not actually commonly *perceived* to be a big problem. Does that indicate complacency, or is it a realistic assessment?

3 Tackling problems

While it is right to question whether there really is a problem with boards, it would be wrong to ignore or dismiss genuine concerns. There is no doubt that there are ineffective boards that muddle through, miss opportunities and make poor decisions. Probably many, if not most, board members lack certain key skills, especially in relation to financial planning and legal matters; it is therefore of real concern that only 20 per cent of the

³ See Third Sector Trends working paper: Chapman and Robinson, *et al*, 2009 *A Mosaic, Jigsaw or an Abstract?*

⁴ Clark *et al*, 2010.

organisations we surveyed provide training for their trustees. There is a lack of diversity too. Very few are young: the average age of trustees is 57.⁵ No doubt quite a lot of boards are made up of people who are ‘pale, male and stale’, as one of our interviewees put it. There are also boards where trustees seem very detached, don’t know the staff and don’t often see the organisation in action – they just turn up to board meetings to rubber stamp the chief officer’s decisions.

These issues are real, and do affect the voluntary sector. But they affect other sectors too. For example, the average age of councillors is 58⁶ and there is a lamentable lack of diversity not only in council chambers but also in Parliament. Similarly, most private sector boards lack diversity and, as recent events in the financial sector have shown, the (paid) non-executive directors of top businesses can also miss opportunities and make poor decisions. Perhaps some of the criticisms levelled specifically at the voluntary sector are unfair if such problems are more widespread and reflect more fundamental aspects of UK society.

The point we would wish to make, however, is that the voluntary sector can take steps to build better boards. Voluntary organisations *can* tackle these problems, *can* be proactive.

Some of our interviewees, complaining about their boards, considered that little could be done. They said, for example, that hardly anyone is interested in becoming a trustee because it’s a chore, meetings are mundane and boring and it is a heavy responsibility, carrying the risk of personal liability. They say they are stuck with the usual suspects: as one said, ‘we fish in a small pool’. In addition, they told us that existing board members can stay too long, often lack the right skills – and resist training and development. Moreover, some managers complain that their boards get bogged down in trivia and just won’t take a strategic view.

Fortunately, some of our interviewees were less pessimistic and have found ways to tackle these issues and develop their boards. Some undertake regular audits of their board members, identify gaps and actively recruit. Instead of the commonplace method of press-ganging friends and colleagues, they advertise board positions and even, as one said, ‘stalk’ likely candidates. More than that, they present and ‘sell’ board membership as a personal development opportunity and a chance to serve and contribute. They certainly don’t talk it down and they don’t start by supposing that no-one would want to do it. And they ensure board meetings move through the business at a reasonable pace and are opportunities for focused and relevant discussion. Furthermore, board members receive the training they need, are encouraged to learn and develop and are able to see that they have contributed to the organisation’s

⁵ Charity Commission, 2010.

⁶ National Federation for Educational Research, 2009

success. Some organisations have job descriptions for board members and go so far as having formal appraisals. Above all, these boards are consciously developed and nurtured – and their members are thanked.

Those who have taken this kind of positive, proactive approach generally do appear to have been successful. Of course, there will be organisations that, despite making an effort, will struggle to develop their boards, especially if they have little capacity and operate in places where active citizens are thin on the ground. What is of concern, though, is that some do not even try. There are chief officers and chairs who could not imagine openly advertising board positions or requiring trustees to undertake training. Often that is associated with a negative view of what their organisations can offer – a characteristic of parts of the sector. More worrying, in a way, is resistance to change. We have certainly encountered chief officers who are not unhappy that their boards are weak and therefore do not challenge them. In addition, there are undoubtedly boards that would not welcome newcomers, particularly if they are 'different' and raise questions. In the voluntary sector – as in other sectors – it can be convenient to believe that change is not possible.

4 Values and cultures

It is relatively easy to focus on better practice in recruiting and developing boards. Voluntary organisations can quite easily get guidance and support to help them think about what to do and how to do it. There is a good deal of help available from local and national infrastructure bodies.⁷ Sector-specific consultancy support and training programmes are also available. And, slowly, things are probably improving – they certainly should be, after years of 'capacity building' in the sector.

Beyond better practice, however, there is a bigger question: what is the 'right' board or the 'ideal' board? In particular, should it be made up primarily of people committed to the cause, or people with professional skills and business experience?

It is not a matter of either one or the other. Nevertheless, in our discussions we have found that there is a tendency to see it in fairly stark and simple terms. On the one hand, there is a strong belief that one of the sector's greatest strengths is its rootedness in the communities it serves; hence it is important to have board members from those communities. On the other

⁷ See, for example, guides from the Code Steering Group, 2010; Charity Commission, 2007; and Dyer, 2008.

hand there is an urge—or there is external pressure - to ‘professionalise’. These tensions can present important dilemmas in building the board.⁸

Many people become trustees because they care deeply about the work of their organisation. They often come from the community of place or of interest that it serves and have done voluntary work with the organisation. There is a grass roots interest, they have a particular kind of knowledge and insight and may have close connections with beneficiaries. Some may have skills and experience of running things, but many do not.

That lack of skills and experience is seen as a significant problem by some chief officers in the sector and also by critics from other sectors. In response, efforts are made to attract professionals onto the board, typically someone with a financial background to serve as treasurer and a legal professional to provide advice on HR issues, contracts and so on. Just having well-meaning amateurs isn’t enough.

It is easy to appreciate the motives for this – and it makes sense. The danger is that an organisation goes too far, developing ‘professional’ governance but losing its soul.

The pressure to professionalise is increasing as the role of the sector is effectively redefined. As organisations are drawn even further into becoming providers of public services, they have had to become more business-like.⁹ They need to be able to cost their services, tender for contracts, negotiate a competitive environment, be open to collaborations, perhaps mergers. So, understandably, chief officers want board members with business skills. However, that can result in the marginalisation, even alienation, of the grass roots members, including those people who originally saw the need, had the vision, started the organisation, are carriers of the history and custodians of its values. Furthermore, the space for service user representation on the board becomes even narrower. As it is, many organisations struggle to bring service users on to their boards, even though that is thought to be good practice and very much in keeping with the ethos of the sector.

These tensions are difficult and insufficiently recognised and discussed. What is needed is, of course, a balance. As one chief officer put it, there’s a need to ‘combine a passionate heart with a business head’ - and getting that balance right is especially important in a challenging economic climate.

⁸ See: Third Sector Trends Working Paper by Bell *et al*, 2010, *Forearmed with Foresight*

⁹ See Carmel and Harlock, 2008).

5 The future

The current economic situation evidently presents some hard challenges for the boards of voluntary organisations, and makes it all the more important that they are engaged, active and competent. They need to be able to lead and steer their organisations through turbulent and very uncertain conditions and, indeed, may even have to confront situations that threaten their organisation's survival. More than ever, they will need to be true to their values and seek to support their service users, while, at the same time, keeping focused on sustaining their organisation as a viable 'business'.

In good times, voluntary sector organisations may be able to get by with boards that are not particularly efficient or effective. When income is steadily growing and there are few external pressures, board members may not have to do very much and the role does not feel onerous. But now, in a time of austerity, the board needs to be passionate in presenting the organisation's case and take difficult decisions in a 'businesslike' manner.

Boards will be put to the test. Many organisations, established over the last few years, will have had no previous experience of managing a reduction in their funding and many chief officers will not have had to make people redundant before.¹⁰ Boards will have to make tough decisions. We think that those organisations that have invested time and effort in building their boards will be better able to cope, will be more resilient and more able to exploit new opportunities.¹¹ Over the next two years, through our longitudinal research in the Third Sector Trends Study, we will find out if that proves to be the case.

The problems of voluntary sector boards do need to be tackled and there is considerable scope to build better boards: many organisations could benefit from improving their governance. Awareness and implementation of good practice is needed, together with a thoughtful approach to board development. Moreover, it is a dynamic process: times change and boards need to be equipped to respond to new and different challenges. Building a better board should not be seen as an option; it is a necessity.

¹⁰ See Wilding, 2010.

¹¹ See Third Sector Trends working papers by Chapman *et al*, 2010a, 2010b.

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