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Building Better Governance

Developing the whole top team:

a good practice guide

Caroline Copeman, Centre for Charity Effectiveness (CCE)

[Centre for Charity Effectiveness]

CENTRE FOR CHARITY EFFECTIVENESS

Inspiring transformation within the nonprofit sector.

The vision of the Centre for Charity Effectiveness (CCE) at Bayes Business School is that of a nonprofit sector leading positive social change. We support the sector to achieve this through the services that we deliver: education, knowledge sharing, research and independent consultancy advice.

As one of Bayes Business School's centres of excellence, impactful knowledge exchange has been at the heart of what we do since our inception over 20 years ago.

CCE aspires to see a voluntary, community and social enterprise sector constantly extending its own knowledge boundaries and driving performance excellence – whilst developing and inspiring the next generation of leaders.

Foreword

The unwavering vision of the Centre for Charity Effectiveness (CCE) is that of a strong nonprofit sector leading positive social change. We support the sector to achieve this through the services we deliver: education, knowledge sharing, research and independent consultancy advice.

We know that the need for good governance in our sector is greater than ever with recent public concern and media scrutiny which is often about the effectiveness of an organisation's governance. As the Charity Governance Code says, 'good governance in charities is fundamental to their success'. Our governance practice team is regularly commissioned to undertake reviews or other activities in support of more effective governance.

This is one of a series of updated Building Better Governance (BBG) good practice guides covering key governance activities including:

- Board & trustee performance review
- Board involvement in strategy and planning
- Board reports that add value
- Developing a balanced scorecard & dashboard
- Developing the whole top team
- Effective board meetings.

We are confident that, taken together, these guides will be an extremely useful resource for trustees and the senior team, covering the key areas of practice that make the difference between a board that does the minimum and one that is truly effective. If you need further information or advice, please get in touch.

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Why a focus on the top team relationship?

The board and senior staff working together in harmony – each clear about their respective roles, exploring and challenging to get growth in impact and sustainability, sharing leadership and governance responsibilities – is the single biggest driver of nonprofit success.

Neither the board nor the executive can effectively fulfil their role without the other; there is mutual dependency, and the relationship is the key element in good governance. If the relationship is working, it will lead to better quality decision making.

We are operating in a rapidly evolving and increasingly complex external environment. This presents us with uncertainties and dilemmas, and is a constant challenge to effective decision-making. Only when the top team works together can nonprofits ensure the right combination of knowledge, skill and experience to make the best quality decisions.

Trust is at the heart of all relationships and if trust is a strong bedrock for your top team, then this effect will ripple out across the organisation, and indeed the sector. And of course, the opposite is also true.

The Charity Governance Code (2017) is very clear about the need for the board and senior staff to work together in the best interests of beneficiaries and the need for a variety of perspectives and high quality decision making. Relevant aspects include:

- The board is clear that its main focus is on strategy, performance and assurance, rather than operational matters and reflects this in what it delegates

- The board acts in the best interests of the charity and its beneficiaries. The board is not unduly influenced by those who may have special interests and places the interests of the charity before any personal interest. This applies whether trustees are elected, nominated or appointed. Collectively, the board is independent in its decision making
- The board safeguards and promotes the charity's reputation and, by extension, promotes public confidence in the wider sector
- Members of the board and those working in or representing the organisation are seen to be acting with integrity and in line with the values of the charity
- The board's culture, behaviours and processes help it to be effective; this includes accepting and resolving challenges or different views
- The board's approach to diversity supports its effectiveness, leadership and decision making
- The board is more effective if it includes a variety of perspectives, experiences and skills
- The board ensures that the charity follows the principles of equality and diversity, going beyond the legal minimum where appropriate.

The shared functions of the top team¹

Leadership	Governance	Management
Create the purpose and define the impact	Challenge, test, & assess the ongoing merits of the purpose & impact	Implement the delivery of purpose & impact
Align with external context and stakeholders	Scan the environment for mismatches between the purpose, stakeholders & context	Provide feedback on effectiveness
Encourage others to take part	Understand the implicit power & political dynamic	Organise, control and hold others to account

Leadership, governance and management are different but inter-linked functions integral to effective delivery of beneficiary impact. They are also functions that are shared (in those nonprofits that employ staff) by trustees and senior staff.

This makes role clarity, the boundary between different roles and the need to be explicit about shared power vital elements of effective governance. The balance of these elements will be different according to the size of the organisation, stage of lifecycle, the external context and the skills and experience of the players.

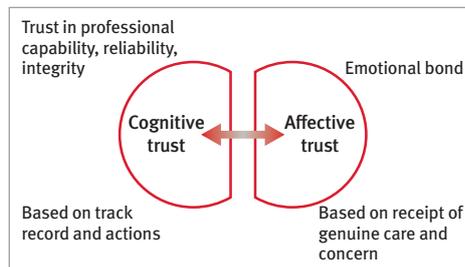
It is vital that you regularly visit and review the boundary between trustees and senior staff to ensure that it continues to be clear and enabling of each to fully carry out their role.

1. Building on the work of Bradshaw, P., (2002) "Reframing Board-Staff Relations: Exploring the Governance Function Using a Storytelling Metaphor." *Nonprofit Management and Leadership*. 12. 471 - 484.

Trust as the bedrock of quality governance

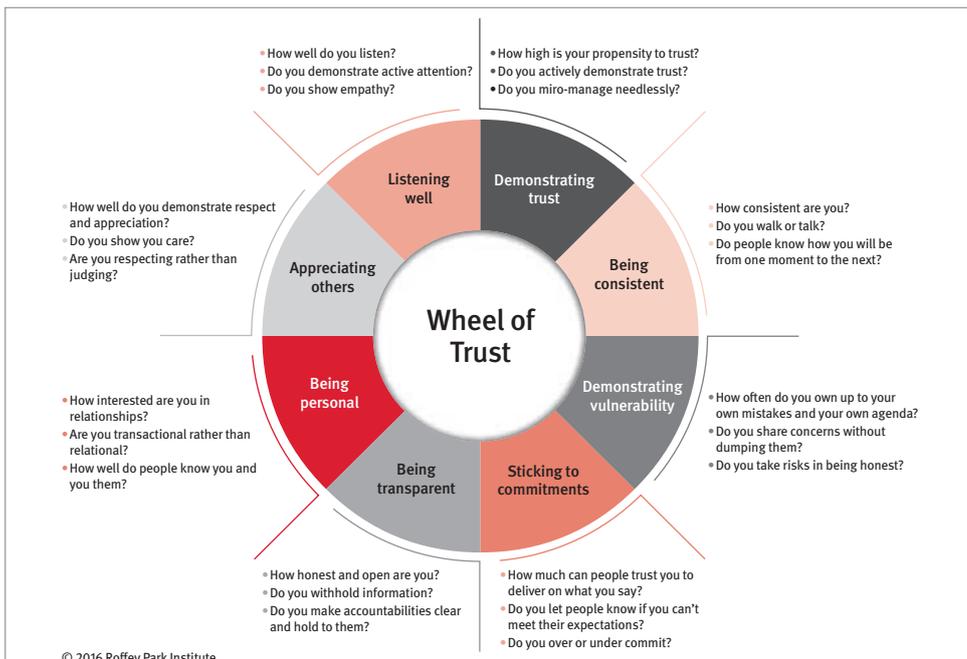
Trust is seen in academic literature as a product of positive human interactions² (i.e. it doesn't just happen, and is an outcome of a continuing relationship not a given).

Trust is an individual's belief in, and willingness to act on the words, actions and decisions of another; in trusting, you make something that is important to you vulnerable to the actions of others. McAllister³ suggests that trust has both cognitive (the mental process involved in knowing, learning, and understanding things) and affective (relating to moods, feelings, and attitudes) elements:



Trust is a vital element of top team relationships and is the glue that enables effective governance. It's complicated and needs to be worked at.

Roffey Park have identified eight trust building behaviours in their Wheel of Trust⁴



SOME QUESTIONS TO AID REFLECTION

What can I do differently to strengthen people's trust in me?

What can I do to strengthen trust between members of the top team in my organisation?

2. Steare, R., (2009) Ethicability – how to decide what's right and find the courage to do it. Roger Steare Consulting Limited.
 3. McAllister Source: The Academy of Management Journal, Vol. 38, No. 1 (Feb., 1995), pp. 24-59 Published by: Academy of Management.
 4. Poorkavoos, M., Hatcher, C., and Smith, A., (2016) "The lived experience of trust" Roffey Park Institute.

Thinking and exploring together

STIMULATE BOTH DIALOGUE AND DISCUSSION

Groups of people make better decisions than one person acting on their own. The more knowledge and the greater the range of different perspectives you can have, the better the quality of the decision.

Harnessing this by eliciting information, building on the perspectives of others and challenging the ideas that others bring is central to high quality decision making:

- Design the board meeting to tap the collective intelligence and emotions of trustees and senior staff
- Switch 'my' brain on to critical thinking: 'the art of analysing and evaluating thinking with a view to improving it' – be self-corrective
- Ensure you challenge the idea (cognitive conflict) not the person: relational conflict can be very damaging, especially across a boundary such as that within the top team
- Focus on sense-making, framing and asking questions, and engage in real dialogue – listen with intent to understand
- Use dialogue to really understand different perspectives before you start discussion to assert your argument – the best decisions come when top teams balance dialogue and discussion⁵.

Discussions	Dialogues
Different views are presented and defended	Different views are presented as a means of discovering a new view
Decisions are made (convergence)	Complex issues are explored (divergence)
Action is often the focus of the discussion	New actions emerge as a by-product

5. Trower, C., (2013) *The Practitioner's Guide to Governance as Leadership* (page 78 and 79). Jossey Bass: San Francisco

AVOID GROUPTHINK

We tend to give more weight to ideas from those who think like us, especially when we're from the same backgrounds and have the same information (such as a board pack).

We know groups perform better at decision making, but it's the diversity they bring that makes this the case, so focus on ensuring diversity across the whole top team. Too much cohesion can be damaging (we tend to seek to get on, feel more confident when we all agree, often look for confirmation of our own views – confirmation bias); this reduces independent critical thinking and has a negative impact on the quality of decision making.

CREATE OPPORTUNITIES FOR GENERATIVE THINKING

Generative thinking⁶ is the thought process prior to acting; it comes so naturally to us we usually don't even need to name it. It's the genesis of work that is later translated into policies, plans, strategies and tactics. Generative governance is about bringing the board into discussions early, to generate different insights while the subject is still ambiguous and subject to multiple interpretations; before you narrow down and frame it. Decision making is likely to be at its most effective when the board and senior team are first engaged together in generative thinking:

- Generate alternatives
- Decide what to decide
- Discern and frame problems
- Pursue perspectives,
- Consider hypotheses
- Pose catalytic questions.

Think about creating opportunities for generative discussion:

- Open questions on the agenda, early on in the board meetings, briefed only by a 'one-pager' from senior staff giving background context, not options/views
- Have a guest at a meeting or an away day specifically briefed to provoke with alternative scenarios or markedly different assumptions and views
- Recruit people who bring disruptive contributions and think differently from you: create space to explore with them, when you're not watching the clock.

SOME QUESTIONS TO AID REFLECTION

What questions and reframing can we use to fuel our creativity?

How can we create a climate where generative thinking is a natural state?

How can we draw people who don't think like us into our dialogue and discussion?

How can we come to a board meeting with an open mind/prepared to be persuaded?

6. Chait, R. P., Ryan, W. P., Taylor, B. E., (2005) *Governance as Leadership: reframing the work of nonprofit boards*. Wiley: New Jersey

Balancing power dynamics and respecting the boundary

By asserting that the top team need to work in harmony to ensure optimum governance and leadership, we are not saying that power, roles and responsibilities are the same.

Trustees are accountable and have ultimate decision making power, including the power to delegate to staff. But some things do need to be shared to ensure effective governance (shared beliefs and values; a shared sense of purpose; shared power, even though it will be differently distributed), and it is useful to have these aspects of the relationship made explicit, surfaced and explored periodically to ensure they remain relevant, and made clear to all stakeholders – inside and outside the organisation.

EFFECTIVE TOP TEAMS:

- Share information openly; keep each other in the loop: no surprises
- Are clear about boundaries (Role Descriptions; Matters Reserved for the Board; Schedule of Delegation)
- Have clear frameworks (e.g. Business Case template; Summary report covers)
- Are clear about expectations of each other,
- Have trustees that challenge; staff welcome and thrive on it
- Have congruence in philosophy that drives behaviour
- Presume goodwill: seek each other's success
- Have clear open communications: frequent; informal; purposeful
- Are close but not cosy – have professional distance: it is a superior/subordinate relationship.

MAKE THE BOUNDARY EXPLICIT

In nonprofit governance literature, much is rightly made of the importance of the boundary between the board and senior staff, and of the need for the top team to invest time in both exploring shared meaning and beliefs, and in being explicit about the shared power relationship.

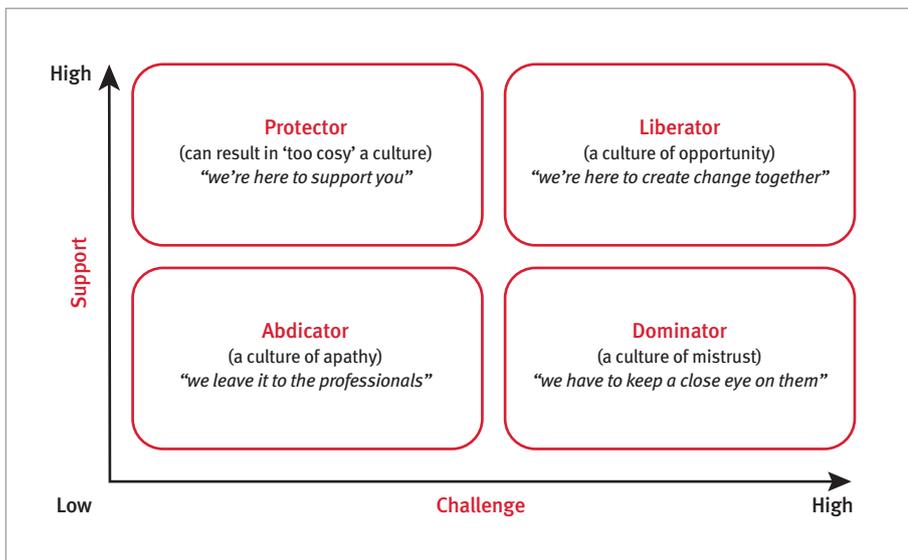
This work of shared definition is important not least because of an inherent tension in our governance system driven by the asymmetry of information⁷: managers have knowledge and expertise advantages, and greater access to power sources such as information, time and resources, and thus the opportunity for a greater influence in decision making. This creates a Trust-

Control tension ('trust them to do the right thing' versus 'we need to put controls in place because what they do needs regulating by us'), and requires exploration to get the right balance for the context: too much weight on either side can cause crisis:

Trust ←————→ Control

BALANCE SUPPORT AND CHALLENGE

High support and high challenge – with sensing to determine when the right time is for each – strengthens trust and stimulates growth (in the relationship, in the quality of decision making, in impact):



SOME QUESTIONS TO AID REFLECTION

How could our top team add even greater value to the work and to our impact by working differently together?

Can trust and proper control exist together, and what might this look like for us?

Are we sufficiently explicit about the difference in top team roles, and where we draw the boundary?

Does the board have the right amount of accountability for what is happening? Does the senior staff group have the right amount of operational freedom within the agreed framework to act as required for impact, beneficiaries and the business model?

7. Reid, W., & Turbide, J. (2014). Dilemmas in the board-staff dynamics of nonprofit governance In C. Cornforth & W. A. Brown (Eds.), Nonprofit governance: innovative perspectives and approaches. Routledge

Top tips

VALUE ROBUST CONVERSATIONS AND BECOME A 'CONFLICT CONFIDENT' TOP TEAM

If you have conflict that has a negative effect, address it – don't avoid it! Nurture and relish cognitive conflict.

RECRUIT TO ENSURE DIVERSITY OF MINDSET across the whole top team.

DO YOUR HOMEWORK AND PRESENT CHALLENGING IDEAS AS TRUSTEES AND AS SENIOR STAFF

BRING IN OTHERS TO PROVOKE, STIMULATE DEBATE AND BROADEN DISCUSSION

CALL OUT PRESSURE TO CONFORM

BE CLEAR ABOUT THE KNOWLEDGE SKILLS AND BEHAVIOURS REQUIRED BY TRUSTEES AND SENIOR STAFF FOR EACH TO BE EFFECTIVE

TALK ABOUT THE INFORMATION NEEDS OF EACH

The information trustees need to carry out their role effectively (and how it can best be presented), and the information (often by way of decision making criteria, risk appetite, decisions) staff need from trustees to carry out their mandate effectively and efficiently (see *BBG: Board reports that add value* for more information).

REVIEW YOUR MEETINGS TO ENSURE HOW COGNITIVE CONFLICT AND CHALLENGE HAVE ADDED VALUE

see *BBG: Effective board meetings* for more information.

Resources

USEFUL LINKS

NCVO's Road Ahead summary gives a broad overview of the complexity in our external environment. If you have time, NPC's State of the Sector programme, especially Flipping the narrative provides interesting analysis of what lies in our sector's future, and how we might equip ourselves to get ready and take advantage.

'How to build (and rebuild) trust', Frances Frei, Harvard Business. Her examples are perhaps extreme in our context but the essence is a very helpful description of the component parts of trust. If you have more time, you might find this summary (and you can also link to the main report) from Roffey Park on trust building behaviours interesting.

Margaret Heffernan discusses the value of deep disagreement and avoiding groupthink/echo chambers in this TED talk.

The Stanford Social Innovation Review has a great article on engaging constructively in conflict.

Richard Chait talking about his seminal book 'Governance as Leadership', highlights the value of Generative Governance – make sure you read the article The Power of Generative Thinking in Organizations as well as the interview with Richard.

Closely linked to generative thinking (though they are different) is creative thinking, and then its close relative 'innovation' (when creative thinking is turned into action). If you have a bit more time, take a look at this animation on 'Where good ideas come' from by Steven Johnson.

Reid and Turbide's article (see article/book list below) on dilemmas in board/staff relations isn't available electronically, but there's a blog by Sarah Hanks that gives a good overview.

BOOKS AND ARTICLES

Reid, W., & Turbide, J. (2014). Dilemmas in the board-staff dynamics of nonprofit governance In C. Cornforth & W. A. Brown (Eds.), Nonprofit governance: innovative perspectives and approaches. Routledge

Stea (2009) Ethicability – how to decide what's right and find the courage to do it. Roger Steare Consulting Limited

Trower, Cathy (2013) The Practitioner's Guide to Governance as Leadership. Jossey Bass: San Francisco

Resources from the Association of Chairs

A Chair's Compass A guide for Chairs

A Question of Balance: A guide to the relationship between the Chair and Chief Executive

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