

Governance

GOVERNANCE

Governance refers to the systems and processes needed to ensure the overall direction, effectiveness, supervision and accountability of an organization. This is typically the responsibility of the Board of Directors who make the policies that the executive director and staff carry out day to day.

Good governance is essential to effectively operating any non-governmental organization (NGO). Many NGOs, founded to address pressing social needs, start with just a few people doing multiple tasks and often make no clear distinction between governance and management functions. However, as an organization grows, distinguishing governance from management is critical to enabling the organization to fulfill its mission, live up to its values, and be successful over the long term.

This section introduces basic governance concepts, the distinctions and relationships between management and the Board of Directors and offers an overview of strategic planning, a key process for setting an organization's future direction.

Topics:

- 1.1 Governance, Management and the Role of a Board of Directors
- 1.2 How to Set Up a Board of Directors
- 1.3 An Overview of Strategic Planning

1.1

Governance, Management and the Role of a Board of Directors

Q What is the difference between governance and management? Who provides governance, and why is it important?

A As an organization grows and expands, it is important to understand the difference between governance and management and who is responsible for each. Governance is about vision and organizational direction, while day-to-day implementation of policies and procedures is the role of management.

In most civil society organizations, governance is provided by a Board of Directors, which may also be called the management committee, executive committee, Board of Governors or Board of Trustees. This group oversees the organization, making sure it fulfills its mission, lives up to its values and remains viable for the future.

Although by no means an exhaustive list, essentially, the Board has the following responsibilities:

- *define expectations for the organization*
 - set and maintain vision, mission and values;
 - develop strategy (for example, a long-term strategic plan); and
 - create and/or approve the organization's policies.
- *grant power*
 - select, manage and support the organization's chief executive.
- *verify performance*
 - ensure compliance with governing document (for example, a charter);
 - ensure accountability and compliance with laws and regulations; and
 - maintain proper fiscal oversight.

Management takes direction from the Board and implements it on a day-to-day basis. Management has the following responsibilities:

- *communicate expectations*—mission, strategy, policies—to the entire staff;
- *manage day-to-day operations* and program implementation to fulfill the expectations; and
- *report results* to the Board.

When the balance between the responsibilities of the Board and management is established and functioning well, the organization is better able to:

- *meet expectations* of clients, beneficiaries and other stakeholders;
- *deliver quality programs* that are effective and efficient; and
- *comply with laws, regulations* and other requirements.

DEFINITIONS

Governance—The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization; typically the purview of a Board of Directors.

Management—The art of directing the day-to-day operations of the organization.

By-laws—Rules governing the operation of a nonprofit organization. By-laws often provide the methods for selecting directors, creating committees and conducting meetings.

| Board | Executive Management | Results |
|----------------------|---------------------------|--|
| Defines Expectations | Communicates Expectations | = Stakeholders' expectations met |
| Grants Power | Implements | = Effective, quality programs |
| Verifies Performance | Reports Performance | = Compliance with requirements and regulations |

REFERENCES

A Handbook of NGO Governance
http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Governance at a Glance
http://www.ngoconnect.net/c/document_library.pdf

Governance & Board Mechanics
www.help4nonprofits.com/H4NP.htm#Boards

Next Steps

If your organization is struggling with finding a balance between the roles of the Board and executive management, review your organization's charter or other governing document, the Board's terms of reference and the job descriptions of senior management staff to see what parameters are defined.

If these sources are insufficient to provide clarity, then consider asking the Board to define responsibilities and procedures more precisely. In the end, it is part of governance—and therefore part of the Board's responsibilities—to ensure that organizational roles and structures are clearly defined.

1.2

How to Set Up an Effective Board of Directors

Q Why does our organization need a Board, and how do we create an effective one?

A One of your organization's key assets is its Board of Directors. The Board, needed in most countries to enable an NGO to register and operate legally, mainly provides oversight, but its members may also serve as advocates and fundraisers.

Governance 1.1: Governance, Management and the Role of a Board of Directors discussed the differences between governance and management and introduced the broad responsibilities of a Board of Directors. Here we focus on how to form a Board.

An NGO's Board of Directors is typically made up of volunteers and is separate from the organization's management and paid staff. The Board's primary function is to provide oversight to the organization, including ensuring that the NGO fulfills its mission, lives up to its values, and remains viable for the future. It may be composed of community leaders, representatives of beneficiary groups, and/or private donors. A Board typically meets regularly with the organization's executive director and management team to review progress.

Organizations are governed in different ways. Some Boards meet frequently, especially when organizations are young or facing challenges. Other Boards are more hands off, meeting quarterly or annually to review financial and performance reports and to set goals for the coming year.

Like it or not, your Board members will be seen in the community as a reflection of your organization. In this way, the Board can be both the face and fate of your organization. Therefore, it is very important that you find Board members who will represent your organization well and be able to attract support for your cause.

Define Eligibility Criteria

Although each NGO is unique, there are some qualifications for Board members that are nearly universal. First, a Board member should be committed to the mission of the organization. You want someone who cares about your work and is willing to volunteer to support it. Second, a Board member must be willing to commit to fulfilling the Board responsibilities set forth by the organization. These responsibilities can include attending Board meetings, participating on a committee, and helping raise funds. Third, determine how long a Board member's term will last. Establishing the length of the term at the outset will help candidates decide if they can commit to the position and will help the organization maintain a fresh and vibrant Board.

Once you determine the qualifications that you are looking for in Board members, write up position descriptions to refer to when evaluating Board candidates.

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Management—The art of directing the day-to-day operations of the organization.

AVOID CONFLICTS OF INTEREST

It is assumed that an NGO's Board members act in the best interests of the organization. There are, however, situations that cast a shadow on this statement. Here are some examples:

- The Board member also serves on the Board of a rival NGO.
- The NGO buys office equipment from the company of the Board member's cousin.
- A Board member hires a staff person to provide services privately.
- The NGO gives a stipend to the son of the chair of the Board.

There may be reasonable explanations for these situations that do not necessarily involve actual wrongdoing. But in all of these cases there are *potential* or *perceived* conflicts of interest even if no actual wrongdoing exists. Because the Board is a reflection of your organization, it is best to steer clear of even the appearance of a conflict of interest.

Source: *Questions Every Board Member Should Ask* by the CEE Working Group on Nonprofit Governance, The Global Forum on NGO Governance, www.NGOBoards.org, http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Take time to get to know your candidates for the Board and carefully consider what they will bring to the Board if selected to serve.

Below is one example of a Board member position description. To see other examples, visit www.bridgestar.org, managementhelp.org or www.scoreknox.org.

Example of Position Description for Board Members

1. Know and support the mission of the organization
2. Attend (specify monthly, quarterly, etc.) Board meetings regularly
3. Prepare for meetings in advance
4. Maintain confidentiality
5. Offer informed and impartial guidance
6. Avoid special agendas and conflicts of interest
7. Participate in committees and special events
8. Advise the chief executive
9. Take part in resource development
10. Promote the organization in the community

Source: *A Position Description for Board Members* from *A Handbook on NGO Governance* by CEE Working Group on Nonprofit Governance, http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Next, consider what you want the composition of your Board to be. Although all Board members should meet the qualifications in the position description, a diverse Board brings a wide range of perspectives to the organization, which in turn generates more thoughtful approaches to realizing its mission. Think about what skills are needed and whether an individual can help with resource mobilization. For example, an organization focused on HIV/AIDS prevention or water and sanitation issues may want Board members who have expertise in those technical areas. Diversity in Board make-up may be reflected in gender, age, religious affiliation, income, skills, professional experience and so on.

Where to Look for Board Members

Consider recruiting individuals who are:

- *leaders in the communities your organization serves.* This is a good way to ensure that your organization's strategies are relevant and in line with the needs of the community. Also, such leaders often have connections to groups and networks that may be able to support your work.
- *active in professional associations* such as those that represent business, accounting, law or the technical sector within which your organization works. These individuals can offer services that might otherwise be very costly for the organization.
- *prestigious or famous.* Weigh the potential benefits and disadvantages of famous Board members carefully. Before you approach them, you may want to determine whether they have expressed an interest in your cause. Also, be aware that often such celebrities may not have enough time to fulfill the commitments asked of Board members.
- *from your beneficiary group.* Doing so will ensure that the voice of the people you serve is heard in the Board room.

Every member is expected to contribute to the Board's governance of the organization. The level and type of contribution will vary depending on the individual Board member's situation, skills and experience. Do not exclude a candidate because he/she does not have the same material resources as others you are considering.

Board members can contribute in different ways, and a unique perspective may be just as valuable as fundraising ability, depending on your organization's circumstances and needs.

Develop a standard process to recruit and select candidates

Recruiting Board members is not a one-person or one-time job. It is good practice to enlist a small committee who will follow a systematic process of recruiting, interviewing and selecting new Board members. Recruitment and selection processes should be described in the organization's by-laws so that they can be referred to whenever a position on the Board needs to be filled.

To start, survey your community to identify a pool of potential candidates the committee believes could be a good match for Board positions based on the descriptions you developed. As when filling a staff job, try to find at least two candidates for every open seat on the Board so you can have some choice when it comes time to make final decisions.

After identifying candidates, contact them by mail, if possible and appropriate in the country context, to explain the recruitment process, position description and information about the organization.

If a candidate is open to serving on your Board, schedule an interview as soon as possible. This is a chance for you to learn more about the candidate and for the candidate to learn more about the position and your organization. It is also the best opportunity to screen a candidate for potential conflicts of interest. If a Board member has a conflict of interest, it can threaten the integrity of the entire organization. Thus, it is very important to ask about any relationships the candidate has with the organization's executives, staff and competing organizations.

At the end of the interview, ask whether the candidate is still interested in serving on the Board so you do not waste time considering someone unwilling to accept the position if offered.

After concluding all interviews, convene the selection committee. When deliberating, take into account the position description, as well as the goals of the organization and desired make-up of the Board. Make your selection and inform the candidates.

Although it can be challenging to find effective Board members, it is worth the effort because having the right people with the right skills on your Board can help you realize your mission and increase your impact in your community.

Sample Orientation Agenda

- Welcome and introductions
- Overview of mission, vision and goals of organization
- Overview of roles and responsibilities of the Board
- Review of the Board position description detailing specific expectations
- Opportunity for Board candidate to ask questions
- Inquiry into candidate's willingness to serve on Board
- Next steps discussion

Source: *Sample Orientation Agenda* by Create the Future, Developing a Board Recruitment Plan <http://www.createthefuture.com/developing.htm>

REFERENCES

A Handbook on NGO Governance http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Developing Board Recruitment Plan <http://www.createthefuture.com/developing.htm>

Governance & Board Mechanics www.help4nonprofits.com/H4NP.htm#Boards

Recruit Nonprofit Board Members <http://www.bridgestar.org/LearningCenters/Recruiting/RecruitingBoardMembers.aspx>

An Overview of Strategic Planning

DEFINITIONS

Action Plan—A series of specific steps describing what needs to be done, how, when and by whom, to accomplish one or more objectives. Written action plans can be used at the organizational, project or activity level.

Horizon—The amount of time an organization will look into the future when preparing a strategic plan. This time frame typically ranges from two to five years, but the appropriate horizon depends on the industry.

Vision—An inspiring statement of what an organization is striving to achieve. NGOs often focus on the problem they hope to solve by painting a picture of a vision they have for the future after the problem has been solved or the situation measurably improved.

Mission—Takes the vision a step further by summarizing the actions the organization is going to take to make its vision a reality. It is a statement that clarifies the purpose of the organization and its daily business.

Stakeholders—Individuals or organizations that can influence or be affected by your program.

Q How do we get started planning for the future?

A Strategic planning is a participatory and structured process for setting your organization's future direction. It is a management tool that will help your organization identify its current capacities, its needs and its goals. There are various methods for conducting strategic planning, but at its simplest it is a process of collectively answering four basic questions:

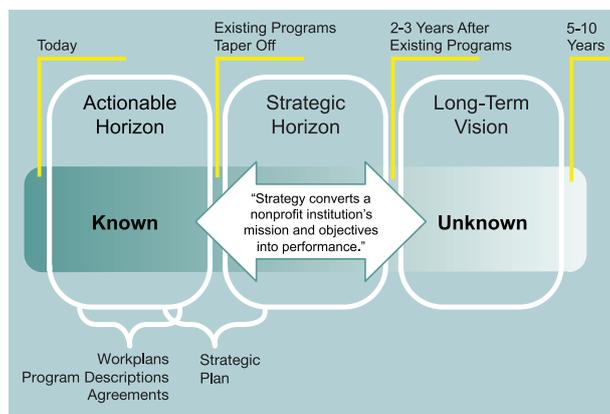
- Where are we now?
- Where are we going?
- How will we get there?
- How will we know if we have arrived or not?

A strategic planning process and its results are only as good as they are honest and useful—honest means looking at internal and external factors objectively, and useful means putting into words the specific goals and actions steps to help guide the organization forward.

The Planning Timeframe

The future of your organization can be thought of as divided into three phases: the actionable horizon, the strategic horizon and the long-term vision. Each organization will be at a different place on this continuum, and each will be at a different place at different times in its organizational life span. Regardless of where your organization is today, strategic planning is a critical process to help you move forward.

The **actionable** or **short-term horizon** is defined by program descriptions, agreements, staffing arrangements and workplans currently in place. Your actionable horizon may be a year or it may extend through the end of your USAID award. Your **strategic** or **medium-term horizon** is typically a two- to five-year period, which begins when your actionable horizon starts to taper off. Variables such as funding, staffing and workplans tend to be increasingly uncertain as funding for specific programs ends.



However, some variables may not be completely open-ended. For example, you may not be able to identify future funding sources precisely, but you likely have some good ideas and leads. This is the phase during which your strategic plan is especially relevant.

Beyond your strategic horizon lies your **long-term vision**. This is where variables become unpredictable, but your organization's long-term vision is the driving force for charting your course.

Ten Steps in Strategic Planning

1. **Agree on a strategic planning process.** To get buy-in and improve the chances that the plan will not sit on a shelf, involve the people who will be responsible for implementing the plan. At a meeting with the key staff, Board members and even some external stakeholders, clarify the mandate and scope of work and discuss the value of strategic planning and its costs in terms of time and resources. Develop a workplan and timetable and assign specific tasks to individuals.
2. **Define or review the organization's vision and mission.** Be sure there is a consensus on why the organization exists, what it seeks to achieve and whom it serves. This forms the basis for writing or reviewing your vision statement. For example: "XYZ NGO envisions our community free of hunger, where every person has secure access to sufficient and safe food to sustain a healthy and productive life." Then, write or review your mission statement. For example: "Our mission is to fight poverty and hunger in our community by building agricultural, educational and economic development programs that meet the needs of the community."
3. **Conduct an environmental scan.** Look at strengths, weaknesses, opportunities and threats (a SWOT analysis). Strengths and weaknesses refer to internal workings of the organization; they are akin to current assets and liabilities. Opportunities and threats exist outside the organization, and they refer to the future.
4. **Identify key issues and choices.** Discuss and specify the organization's priorities in terms of time and importance.
5. **Develop strategic goals.** Link your strategic goals to your vision. This is essentially a picture of what the organization will be like if it successfully implements the strategic plan. For example: "Increase the income of female-headed households in X province through better animal husbandry and marketing."
6. **Develop strategic objectives.** Develop objectives that describe how you intend to accomplish your goals. For example: "By [year], our NGO will support [N number of] initiatives aimed at increasing the income of [Y number of] female-headed households in X province through improved livestock breeding and raising practices and better marketing."
7. **Create an action plan.** Describe the specific steps—what needs to be done, how, when and by whom—to accomplish each strategic objective.
8. **Identify the resources needed to carry out your action plan.** Answer basic questions including: What funding sources do we have? Where else might we find funding? What human resources do we need? Who among our staff has the necessary knowledge, skills and experience? Add the answers to your action plan.
9. **Create a budget and implementation plan.** Once you have developed the action plan and identified the necessary resources, estimate how much it will cost to carry it out over the next three years.
10. **Monitor and evaluate progress; adjust the plan as required.** The strategic planning committee should continue to meet regularly to look at internal progress and external realities and then, modify the plan as necessary to reflect new circumstances.

“Strategic planning is a process by which we can envision the future and develop the necessary procedures and operations to influence and achieve that future.”

—Clark Crouch

REFERENCES

Civicus Strategic Planning Toolkit
<https://www.civicus.org/view/media/Strategic%20Planning.pdf>

Problem Solving: SWOTS & Strategic Plans
http://www.networklearning.org/index.php?option=com_content&view=article&id=118:problem-solving-swots-a-strategic-plans&catid=21:management&Itemid=145