

## **Address to the Charity Trustee Network**

**9 November 2007**

### **Introduction**

My interest in governance is as a governor, advisor, author, consultant and chair – and now as a CEO. And my interest also lies in the charity sector, because I think that is where the challenge of governance is most demanding, and the rewards are greatest.

But at a time when the criticisms of governance have never been greater, and the fashionable world-weary pose is to talk about governance as a problem, I want to start with the huge strengths that I think a strong board brings to any organisation:

- At a time when we are all urged to focus on risk - the '360 degree' vision of a truly diverse board is the best protection against risk that I know of.
- At a time when boards in industry, boards running public services and boards of voluntary organisations all face challenges to legitimacy, trust and authenticity, the disinterested yet passionate board that many charities attract provides us in this sector with the best possible demonstration of legitimacy, and it is legitimacy that – all research shows – drives trust.
- At a time when shadowy decision making is the target of external criticism, the accountable, open and transparent board provides the best route to clarity, but also contributes powerfully to our notions of shared citizenship.

**But you have asked me to consider the questions trustees should ask.**

I am unashamedly breaking my questions into three, and equally unapologetically know that some of you will have heard some of this before. I am not a technical fixer of governance. Of course I think it matters who the remuneration committee reports to, and so on, and I believe that clarity on governance is a crucial, and frequently legal, minefield, but I want to talk about governance as I have practised it, observed it, and written about it.

My questions are these:

- Why are we here?
- Who are we?
- What are we doing?

## 1. Why are we here?

In the public sector, the new arrival in the governance and board building world, there are two common responses to the creation of a board for any organisation, be it a government department, a quango, or an executive agency, or indeed, dare I say it? A government inspired charity.

First there is the desire to get together all the possible **stakeholders** on the issue. Lock them in a room, argues the besuited mandarin, and they can sort it out. And stakeholder boards do bring quality of representation, and perhaps therefore legitimacy. They are excellent parliaments for deliberation, for reflection, for the identification of common interest. But can they make decisions? Can they truly act only in the best interests of the organisation they are appointed to serve? And if they do, what do their stakeholder organisations think? Does the tenants association, brought onto the Board of a housing association as a stakeholder, feel betrayed when the board member argues for the rent increase which is the only way that development can be financed? And who does the board consult as a stakeholder, if the trustees are themselves stakeholders? How can the board of trustees sort out the inevitable clashing and contradictory noises of stakeholder opinion if the stakeholder is on the board? The stakeholder board has legitimacy, it may have recognition, it may even have short term protection from the attacks of stakeholders, but stakeholder boards struggle to make decisions, and critically struggle to find open and transparent ways of engaging with stakeholders. And never forget, a job of any board is to make sure that the stakeholders are properly engaged.

This is not, incidentally, to argue against service users on boards. I think tenant directors, service user directors, customer directors, have all added value to the boards they are on, but first and foremost they are directors, or trustees, not stakeholders.

Ah, says the civil servant, in that case don't go for stakeholders. They are only vested interests. Appoint instead all the acknowledged **experts** on the issue. If they are so clever they can sort it out. And so the second

common response, the expert board, is created. Hugely expert on the issue, frequently divided in professional terms, often publicly wedded to very particular issues, now charged with making difficult decisions which inevitably start with a compromise between the views of different experts. The expert board has credibility in the field. All those who care about the issue breathe a sigh of relief. But the expert board now has to consider the propositions put by its staff. Where do they go for expert advice? How do they disentangle and evaluate the very different sorts of expertise they hear from? And how do they avoid privileging the experts who are their trustees or directors over the experts who are not? How do they analyse and process the different contributions made by experts? How does the board weigh the views of experts who are also board colleagues? Is your expertise bigger than mine? Does your doctorate trump his knighthood?

And so there is the third board, much more common now, and I would say much better represented in the charitable sector: the **public interest** board. The board that exists to stand in the shoes of the public, to consult the stakeholders, listen to their views, take advice from the experts, but in the end do the difficult task of making a judgement about where the interests of the public – today's and tomorrow's beneficiaries – really lie.

So my first question for all trustees to ask is: why are we here? If I am a trustee because I am a stakeholder, or because I am an expert, or because I want to represent the interests of the public, I will have a different set of questions, of weaknesses and of dilemmas.

## 2. Who are we?

My second set of questions is about how we behave. It is very easy to download from the internet, or ask your solicitor, for a list of roles and responsibilities. What does the honorary treasurer do? Should you have a senior independent director? What about the chair and chief executive officer? Does a company secretary serve the board or the organisation? This is all very interesting. But in my observation of boards, both as an adviser and as a member, I have identified a number of different roles, and these all pose different questions:

The **Peacemaker** asks – can't we find a common way? Surely there is a different approach?

The **Challenger** says - can't we do better? This is simply not good enough for the homeless people in this town. Is it just because it has always been done this way?

But the **History holder** says, do remember where we come from. When we started we thought that we could really change opinions about obesity. We need to go back to our roots, and remember what worked in the past.

And the **Compliance king or queen** will always say, can we afford it? What will the auditors say? Is this legal?

To which the **Passionate advocate** will respond, for goodness sake, surely we must take a risk. People are dying of this disease, we must do more.

And the **Data champion** says – it is all very well shouting, all the evidence shows that however often we do that, it makes no difference to the outcomes for mentally ill people.

And the **Wise counsellor** says, we are not the only people trying to tackle this issue, we need to think carefully, plan properly, and take this step by step.

But the **Inspiring leader** will describe her vision, will point to the hills, will enthuse and excite.

While the **Fixer** says, I think we can get together outside the meeting and sort this out.

And the **Risk taker** says, the crisis in Darfur is simply too great. Let's just spend the money, and it is such a good idea that the funds will flood in.

While the **Strategist** says, we need to think about what will happen in 2010, and recognise that if the Department of CPT does make the changes that they are planning, then our position will be much stronger and the whole environment will be different.

And the **User champion** says, I am worried that we are ignoring the interests of our beneficiaries. We haven't mentioned their needs all though this meeting.

All those voices, and all those questions, make a really strong board. All good boards hold in balance the entrepreneurialism of the strategist, and the risk taker, along with compliance king or queen, and the data champion. I have seen boards that are entirely entrepreneurial and they are pretty scary. I have also seen boards that are entirely compliance driven, and they are terrifying.

### 3. What are we doing?

And the third set of questions is about what we are doing, and I have described this as the number of 'S's' in governance. Again, we know what boards do - they receive reports, they set budgets, they make decisions, and you can get lots of guidance about that. But the things that boards really need to do all begin with the letter 'S'.

Boards need to offer **support**. They ask if the staff are coping with the recent crisis. They check – and are assured – that the ICT works sufficiently, that the resource is enough to do the job. They provide a safe place in which tricky issues can be discussed.

But they don't just support, they also **stretch**. They say, is this the best we can do? Can we do more? Are we sure this is the only possible way? Have you thought of it differently?

And while they stretch and support, they provide the **stewardship** function. They hold in trust the assets of the charity. In some charities those assets may be large sums of money; more frequently the biggest asset is the reputation of the organisation. They are stewards of these assets, and like wise stewards they will check, remorselessly and repeatedly, whether an action enhances or damages that asset.

But they are also agents of **scrutiny**. In classic governance mode, the job of the board is to receive the propositions from the executive and really test them. They challenge and examine, they compare and they contrast. They set the hurdle high, and they need to be persuaded.

And they set **strategy**. They determine not what the charity will do this week, but next year and in all the years to come.

Good boards have a wide register of behaviour. They can range across the 'S's' of governance and can both support and stretch, be stewards and strategists. But the really high performing boards are those which

know what mode they are in and when. They know that the correct response to a report about persistently missed targets is probably not simply support, just as a routine financial report requires stewardship and scrutiny, not necessarily strategy and stretch.

## **Conclusions**

You have asked me to reflect on the questions trustees should ask. I have thrown these back and said that there are questions that we should all ask of ourselves.

- Why are we here?
- Who are we? And who am I?
- What are we doing?

Behaviour drives performance, and really high performing boards behave in ways that build their charity's strength. But the central job of charity trustees is to hold the charity in trust for today, for tomorrow and for the future. In doing so, charity trustees make possible both the high level of public trust, and the very high performance of charities. Let's be as good as we can be at governance, but let's not be so self-critical that we forget the very real asset that is charity trusteeship.

**Julia Unwin**