

A New Framework of Governance

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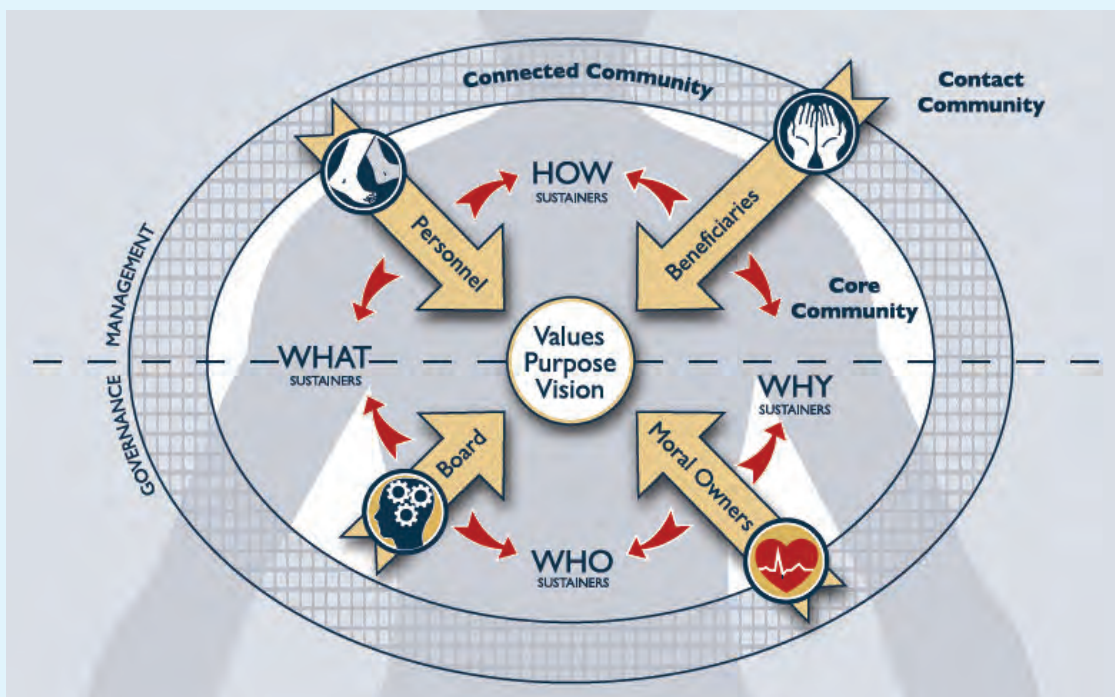


The task of governing a University or other Not for Profit organisation is becoming increasingly complex. Council members are sometimes difficult to find, hard to get committed to doing good governance, and are often juggling multiple roles and responsibilities outside their voluntary governance position.

As a result, most Not for Profits are being governed like a social club, run like a business, or operate somewhere in between. We often find that most Board members end up confused about their role and how they should be governing their organisation effectively. In this article we are going to present the idea of a new framework for looking at governance

of Not for Profits – a Community Governance Framework that centres on the key roles and relationships contained within that community. Central to the Community Governance Framework are relationships, as it is our belief that quality healthy relationships are critical to growing healthy organisations. In other words, it's all about people. Whilst there are many similarities and familiar elements used in the Community Governance Framework to other governance frameworks, the unique difference is that the Community Governance framework seeks to put all the pieces of the governance puzzle together in one place to show in effect what a healthy Not for Profit organisation actually looks like. The framework has been developed through our firm's practical experience working with the Boards of hundreds of Not for Profits.

The following diagram summarises the components of the framework and the interrelationships that exist within an organisation:



Values, Core Purpose and Vision

A healthy Not for Profit organisation has a clear understanding of their reason for being both over the longer term (Core Purpose) and within the current generation (Vision), and a clear understanding of the foundations and principles under which all aspects of the organisation are aligned (Values).

Simple, clear values, core purpose and vision statements that are held centrally to all that is done in the organisation helps keep everyone focused on the same course. Having clear statements minimises the risk of competing visions or factionalism entering the organisation, and allows for clarity and organisational energy to be focused for maximum impact for the resources utilised.

One of the Board's key roles is to keep the organisation accountable to its values, core purpose and vision. In ensuring that the relational linkages between the Board, Personnel, Beneficiaries and Moral Owners are strong and healthy, the Board is continually seeking to focus all four groups towards the Values, Core Purpose and Vision of the organisation. By keeping everyone's focus on the bigger picture in this way, the Board can maximise its governance effectiveness, as well as build personal ownership or "buy in" from all the stakeholder groups in the organisation through continually keeping the values and vision central to the organisation and how it operates.

Community

All organisations operate within community. This statement sounds obvious, but in the Community Governance Framework we make a distinction between three types of community that organisations operate within, and note some of the issues that can arise when, in making key governance and management decisions, we blur these distinctions. Active, healthy relational community is critical to a healthy Not for Profit organisation, and understanding the interplay between the three types of community described in the Community Governance Framework will help an understanding of how unhealthy community can compromise it. The Contact Community will have casual and sometimes no buy in to the core purpose, core values and vision of the organisation, the Connected Community will be aligned to them, and the Core Community of the organisation itself sold out to them. Understanding this distinction can aid in making decisions relating to leadership appointments within the organisation and its Board

Governance vs Management

In the framework you will notice a dashed horizontal dividing line that separates the top two member groups of the Core Community (Personnel and Beneficiaries) from the bottom two groups (Moral Owners and Board). This represents a different emphasis in the leadership style of these two groups. In a healthy organisation the Personnel and Beneficiaries are accountable for and concern themselves primarily with Management, whilst the Moral Owners and Board are accountable for and concern themselves with Governance. Recognising this distinction in roles will help the organisation implement good governance. Part of building a

healthy successful organisation is training CEO's and Board members to be able to distinguish between the two roles of the CEO, and facilitating rather than frustrating movement between these two roles by establishing good, clear Board policies!

Moral Owners – Board relationship

The relationship between the Moral Owners and the Board is strengthened by a number of key documents, legislation and events. These are referred to collectively as WHO sustainers as they help sustain a healthy relationship between the Moral Owners and the Board of the organisation. Similarly, relational linkages are strengthened in the other three sectors of the framework through the use of other key tools, policies, processes and practices.

In our experience, unhealthy Not for Profit organisations often have some of the following keys problems with linkages between the Moral Owners and Board:

- The Moral Owners are the Board – there is not a sufficient depth to draw from long term in the organisation to allow for growth of and changes in Board Members, new input from fresh thinking etc because the membership is too small. Alternatively, a key Moral Owner is also on the Board as a Director but frequently uses their position of Moral Owner to veto or control Board actions.
- The Moral Owners are asleep and the Board is very happy with this malaise from the membership. Whilst this appears to be a positive for Boards who are allowed to get on with governing without a potentially interfering membership, the problem that often happens in this situation is that a crisis occurs in the organisation, a member finds out, and the "sleeping bear" is awoken angry and unprepared. The sleeping members, if allowed to remain ignorant and uninformed can, once awoken, turn on the Board, often armed with only partial facts or rumour.
- The Moral Owners micromanage the Board and the organisation – in effect they become the real governors of the organisation which usually results in painfully slow and often uninformed decision making as the Moral Owners have no official link with the Personnel and day to day operations of the organisation.

Board – Personnel relationship

The two key groups that we spend most of our time working with in governance are the Board and Personnel. The WHAT sustainers, or relational linkages between the Board and Personnel have been the priority of most authors, conference speakers, and advisors to Boards on good governance for many years now.

Increasingly Boards that have adopted some form of governance approach have tended to delegate varying degrees of authority to their CEO's to manage the day to day operations of the organisation, while they attempt to focus on governing the organisation (with varying degrees of success). Under the Community Governance Framework, this style of governance

relationship between the CEO and board is only one of a number of tools necessary for a healthy relationship between the board and their personnel.

One of the major reasons that Resolve has seen the need to develop the Community Governance Framework is an over reliance of many Boards on their CEO. This arises for a number of reasons including the Board's lack of experience with governance, a misunderstanding of other governance frameworks such as Carver's Policy Governance model, or simply because many Boards are made up of good natured people who are happy to let the "professional" CEO and staff run the organisation. There has been a growing number of organisations that we have worked with where Board's have actually abdicated rather than delegated their governance responsibilities to their CEO. This is a disturbing trend. There is a need for Boards to strengthen the relational linkages between themselves and their CEO in appropriate ways to allow them to govern their organisations in a healthy way that respects the authority of CEO, but maintains the clear leadership and authority of governance within the Board. Regardless of the model of leadership you have in your organisation, you should examine what sustainers you are actively using to strengthen the relational linkages between your Board and Personnel.

Personnel – Beneficiaries relationship

Day to day management of a Not for Profit organisation rests with the Personnel of the organisation. They manage the organisation in relationship with and to the Beneficiaries who receive the services and/or goods of that organisation. A healthy organisation will develop strong HOW sustainers; relational linkages between Personnel and Beneficiaries - linkages that not only focus of strengthening the management issues associated with operating the organisation, but that also focus both groups toward the Vision, Core Purpose and Values of the organisation.

Beneficiaries – Moral Owners relationship

The fourth relational linkage is that between Beneficiaries and Moral Owners, the WHY sustainers. This linkage is quite restricted, noting that Beneficiaries typically move to become Moral Owners through a process of membership application and approval (usually by the Board) to the company or association.

During the formation stage of a new organisation, the Moral Owners respond to the "WHY" question, establishing the organisation in response to an identified need for services or products. This core purpose and Vision need to remain connected and sustained, able to bend and respond to changes in Mission (the things we do in response to our Vision) and even adopting a new vision as time progresses in the life of an organisation.

The Board, having been delegated governance responsibility to act on behalf of the Moral Owners for their interests as per the objects in the organisations constitutional documents, should be planning the long term sustainability of the membership of the Moral Owners group. In some organisations this is taken care of through provision

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of a Moral Ownership that are members of a particular predefined group (such as a Church denomination that runs a related charity), or have a passive Moral Ownership by virtue of their formation historically by an Act of Parliament or by the government directly. In these cases there are still Moral Owners to be identified, and the Boards role is to make sure that they remain connected to the core purpose, core values and vision of the organisation and can see the benefits of the organisation to the community.

The decline in the numbers or involvement of Moral Owners must be of serious concern to any Not for Profit organisation for its long term survival for a number of reasons:

- The Moral Owners usually provide the source of current and future Board Members, therefore a reduced membership reduces the pool of prospective and suitably qualified potential Board Members. The result long term is that the Board actually runs out of either quality membership or even actual members.
- Moral Owners provide overall input into the Vision and direction of an organisation. Without input from them it is easier for an organisation to "lose its way" and become disconnected from the Purpose, Vision and Values of the organisation.
- A declining Moral Owner base could also pose significant financial risks for an organisation if the Moral Owners are also the dominant providers of finance to the organisation. As the number of Moral Owners decline, financial support dwindles and ultimately the organisation will close.

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Conclusion

Over time, referring to the Community Governance framework can help the Board determine its areas of weakness or exposure, and provide priority areas to be worked on in a strategic planning context. The framework also provides an ongoing easy tool to perform a health check for the Board, to make sure that the organisations vision and mission are not being compromised over time. It also helps to minimize distractions and keep a strong focus on what is truly an important part of organisational community – relationships!

Whatever approach your Board works through, healthy community governance organisations ensure that there is a well informed, interested and strong membership base that understand their governance duties and the role of the Board that are acting on their behalf. ■

David Bartlett FCA BEc MEd GradDipCS Cert Gov JP is a founding partner of Resolve Consulting Group - a consulting business specialising in governance, leadership and financial management services. David has worked with hundreds of organisations across the not-for-profit and government sectors facilitating governance training and evaluation, governance process, policy and charter development, strategic plan formulation, business development processes and systems reviews, capital and financial master planning, CEO mentoring, mediation and organisational management issues.

He has previously managed an Independent / non government school as well as worked in a BIG 4 Chartered Accounting firm. David has co authored the book Community Governance, and authored a number of practical papers, articles, programs and training curriculum dealing with business management and governance issues. David is a presenter with Chartered Secretaries Australia, conducting governance education programs and seminars and has also presented widely as keynote speaker at numerous industry conferences across the not for profit sector.

David has undertaken national and international consulting projects, is a member of the Institute of Chartered Accountants in Australia and has several tertiary business and training qualifications.

He has experience as a Director, Company Secretary, Chairman and Public Officer of a number of organisations.

Ever wanted to know the WHY, WHO, WHAT and HOW of governance and management of a healthy Nonprofit organisation?

Have you ever come across terms like vision, mission, strategic planning, policy governance, core values, core purpose, accountability, management and governance and wondered not just what they are but how they fit together?

If you are involved as a leader in a Nonprofit this book is for you. The Resolve Consulting Group Community Governance framework puts together the pieces of the healthy Nonprofit organisational governance puzzle in an easy to use visual framework that is designed for your organisation.

Paul Campey and David Bartlett have more than 30 years combined experience in the governance and management of Nonprofits in Australia and internationally. They have responded to the call for a practical, hands on guide for Board members, management and leaders of Nonprofits and provided a framework that describes the key characteristics of a healthy Nonprofit organisation. The Community Governance framework is not a model of governance, rather it is a teaching tool that focuses on the key ingredient for effective, healthy Nonprofit organisations - relationships!

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