

Seven Challenges Facing Charity Trustee Boards Today

The charity sector in the UK has demonstrated considerable resilience through the economic downturn since 2008 and many charities have emerged stronger and with a clearer focus on their mission priorities and funding mechanisms. Nevertheless, just keeping going may not be enough and it is the responsibility of the trustees in general and the chair of the board in particular to ensure the charity is constantly addressing the big issues. The trustees and senior management team need to work as one body, providing the leadership and management drive to deliver the strategy. What are the key challenges trustee boards face and how can they address them?

1. Strategy and Planning

The most common recommendation arising out of the review of boards concerns strategy and the role of the board in devising the strategy and its implementation. Do trustees really engage in the strategy setting process with the chief executive and senior management team? The default position for many charities is that the officers determine the strategic priorities. They therefore do this without the benefit of critical input from the board members themselves and this reduces the board's role in the process to one of challenge, which may or not be positive. An effective strategy and planning process takes time and boards need to carve out large amounts of time from routine trustee meeting agendas to ensure adequate focus. An annual away day is useful, with some boards seeking external facilitation in the discussion of strategy issues.

2. Sustainable Funding

The single most important element of the role of a trustee board is to ensure the funding model is appropriate and sustainable. This is especially important for those charities that deliver public services and rely on being able to negotiate acceptable contracts with local authorities and councils. Boards need to be able to engage with the principles of contracting and be alert to the core costs of the charity which may not be met in full. Most charities rely on fundraising and need to employ the very best techniques and communication strategies to reach donors. Many charities now provide more detail on their reserves policy but often the target has not been achieved and there is less information on the remedial action required.

3. Board Relationships

The relationship between the chair of trustees and the chief executive is crucial but hopefully not a super-charged one. For the

chief executive, having an experienced and engaged chair is a huge asset. The reverse is also true: a poor chair can create unnecessary difficulties. Unfortunately many organisations, both non-profit and commercial, suffer from poor relationships at the top. Both chair and chief executive need to build a strong and positive relationship in a climate of trust and mutual respect. There needs to be clarity about the trustees' role as a body and also that of the chair. The chief executive's attitude to the trustees will be a key determinant of how the relationship is seen. Smaller charities can suffer from the fact that their trustees undertake myriad tasks with the result that the boundaries between governance and general volunteering get blurred.

4. Succession Planning

Many charities rely on long-serving trustees. While this can be in the interests of the charity, the reality is that few trustee body chairs devote sufficient time and energy to succession planning and board recruitment. Even the smallest charities benefit from having clear terms of service for trustees, including the maximum allowed period of service. A model which stipulates, for example, that all trustees serve for a term of three years and should not normally serve for more than nine years in total ensures that boards are regularly refreshed by new appointments. In addition, few boards regularly undertake a skills audit to check that they have the skills and experience necessary. This can result in trustee appointments that are sub-optimal. Charities rely on the knowledge and experience that their trustees bring in a different way to corporate directors.

5. Board Effectiveness

The discipline of reviewing the effectiveness of a board of trustees rests with the chair. There is little empirical evidence available but anecdotally few charities seem to conduct formal reviews. The model now applied to FTSE 350 companies of an externally facilitated evaluation at least once every three years would benefit the voluntary sector. These reviews are now considered best practice and it would be unusual for the board not to learn something new about itself in the process. One very useful analysis is based on an agreed set of roles for the trustee board in question. Each trustee is then invited to assign to each particular role its relative (percentage) importance, followed by a score out of ten for how best s/he thinks the board performs that role. The results show the key 'gaps' in terms of board performance.

6. Governance

Governance is high on the agenda in all sectors today, public, private and voluntary. The issue for charities, particularly smaller ones, is how to deploy and monitor governance tools and to do this on a proportionate basis. There has been a tendency recently for boards to have become too governance focused, with the result that other board roles, such as strategic leadership and holding management to account, are given less emphasis. However, good governance is not a tick box exercise. Good governance and the effective board go hand in hand and are as much to do with behaviour and culture as process. The challenge for trustee boards that do not have the benefit of a board secretariat is that the members need to draw on best practice resources from outside the charity. This is particularly the case in terms of audit and risk management practices.

7. Competition and Impact

Overall, the biggest challenge for trustee boards is remaining vigilant to where their charity fits in the marketplace, what its distinctive characteristics are and to be reminded that no charity has a divine right to exist. It is interesting to note that whereas in the corporate world companies need to surrender to the discipline of the market (through mergers, acquisitions and takeovers) there is little comparable activity in the charity sector. Trustees tend to be overly protective of their brand and distinctiveness. The idea that “their charity” might flourish better as part of a larger, more diverse charity grouping is usually anathema to them. But how often do they consider such ‘big picture’ ideas, thinking the unthinkable. Effective trustee boards need to be honest about the strengths and weaknesses of their mission.

If the organisation you serve can identify with any of the seven challenges above, why not contact us for an introductory conversation?

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Bridgewater Leadership Advisory is a specialist consulting firm that advises on appointments and related governance issues. Its founder and Managing Partner, Anthony Archer, brings over 30 years’ professional services experience. He is a chartered accountant and former investment banking professional, whose core experience was more recently gained from high level executive recruitment for clients in the commercial, non-profit and Government sectors. He has served on a number of charity boards and has a particular understanding of the role and workings of nominations, audit and risk committees. He is also expert in board and governance reviews and skills audits.