



# BoardsCount™ 2007

Compare and improve your board's performance



## Governance Benchmarks for the Third Sector

### Sector Overview Summary Findings

**BoardsCount™** is a first and shows that investment in governance pays off: boards that put time and effort into recruiting the right people and to supporting and developing them into a coherent governance team yield the benefits in terms of feeling that they are doing an effective job

#### What are the key findings of BoardsCount™ ?

The organisations taking part in BoardsCount™ show many of the signs of organisations that provide good governance i.e. provide leadership and mechanisms of control and accountability

• They show they are spending their time working on the right things because:

- Nine out of ten organisations have a strategic plan and in almost all cases the board approves the plan, while board members tend to feel that they have a good understanding of beneficiaries and their external environments
- Other means of planning and control are also typically in place such as annual operating plans, budgets, risk plans and organisations tend to take time out to plan together
- Almost all organisations' boards receive performance management information, reports on the budget and other plans, and extensive use is made of external means to verify work quality such as Investors in People or PQASSO

Boards tend to take time to plan and receive performance information to help them assess progress on their plans

• They are working well together as a board in terms of how they organise themselves and their relationships, because:

- Two-thirds of organisations have a constitution that has been reviewed in the last three years, while board members usually feel their constitution is OK
- They use committees with terms of reference which have been reviewed within the last five years in over three-quarters of cases and all committee meetings are typically minuted
- Boards meet regularly (on average six times a year for three hours) and board members tend to feel that the amount of meeting time is about right and used well
- Board meetings have formal and structured agendas which the Chair approves in eight out of ten boards and three-quarters of board members tend to feel the agendas give most time to the most important things
- Board papers accompany the agenda in eight out of ten boards and these papers are on average 50 sides in length, which six out of ten board members tend to feel is about the right volume
- Board meetings are generally quite well attended with an absence rate on average of 15% and six out of ten board members tend to be

happy with attendance levels

- Relationships between board members and between the staff and board members are felt typically to be constructive and positive in about nine out of ten cases, while the decisions that the board makes are also viewed in a positive light in over 60% of cases
- They show they take the composition of the board and the support of their people seriously because:
  - Six out of ten board members are happy with the size of their boards which is 11 on average and over half are between eight and 14 members
  - In two-thirds of cases, Boards take steps to ensure the voice of their beneficiaries is heard directly by means of membership of the board
  - Over half of organisations have a standardised approach to inducting new board members into their roles
  - Three-quarters of board members say they feel that their contributions are valued by their colleagues, while the same number feel that morale on their boards is high
  - Board members feel that the arrangements for managing conflicts of interest work well in over nine out of ten cases

Morale is high on most boards and board members feel their contributions are valued by their colleagues

There are at the same time indications that the quality of governance is currently impaired by five key challenges:

1 An in-depth **understanding** of the organisation's **performance** as indicated by:

- Only around a half of board members feel they understand exactly where the organisation is in terms of delivering its plans and in terms of the quality of its work
- Only about a half of board members feel that they ask great questions that help develop the board's understanding of the situation under discussion

Only around a half of board members feel they understand exactly where their organisation is in terms of delivering its plans

2 Appropriate **delegation** and the work of **committees**, as indicated by:

- Only about a half of board members feel that the arrangements for delegated authority to staff are 'clear, unambiguously recorded and appropriate for our needs'
- Where a membership organisation has an assembly to advise on, for example the constitution and the strategy or to elect trustees, only about one in ten board members felt that these bodies really added value
- Only about half of board members feel that they have the right

committee arrangements and over 40% feel don't feel that these committees do high quality work

### 3 Taking time to **review performance and develop relationships** as indicated by:

- Only about a third of organisations always have informal time around board meetings for members to catch up and develop their relationships
- Only 13% of organisations review how the meeting went at its end
- Under a quarter of organisations have an approach to reviewing collective governance performance periodically, while only about a half of organisations feel that their current approach to assessing governance performance is useful
- Use of the Code of Governance is not yet widespread since only a third of organisations have discussed the Code formally at a board meeting and only an eighth have done any detailed work to review governance practice against the Code
- Only about a half of board members feel that their boards are good at following up on decisions and, more worryingly, that their board 'does a great job'

Only around a half of board members feel their board does a great job

### 4 Securing the right **balance of skills and other qualities** amongst board members, as indicated by:

- About half of board members feel that they don't have the right balance of skills and experience on their boards to do the job and the most common skills gaps are marketing and communications, human resources management and fundraising
- Just under 40% of board members typically feel that their organisations manage to meet the diverse needs of the membership of their boards
- A skills audit for the board is only in place in just over a quarter of organisations
- Just over 40% of organisations have no succession planning for the board and only a quarter have a succession plan for the chair while only seven percent have a succession plan for the CEO
- Only about a third of board members feel that there is a shared understanding about the board's skills gaps and gaps in terms of community or other perspectives
- Modern recruitment methods such as external advertising, use of websites, etc are rarely used and traditional and informal methods of direct and informal approaches remain the most common, while only a third of board members feel that the current methods suit them well
- Informal means are the most common method of selecting potential board members and only just over a third of board members typically feel that the current approach 'works well for us'

Only a quarter of organisations have a succession plan for their chair

### 5 Appraising and **developing board members** as indicated by:

- Few organisations (16%) have an agreed approach to board

member development and very few (9%) have individual board member development plans

- Almost half of boards had no training at all last year and for the half that did the average spend was £1000 for the whole board
- The National Occupational Standards for Trustees are not currently used at all although 16% of organisations are planning to adopt them
- Less than a quarter of board members feel that the level of training they receive is 'right...to support me to develop my skills as a board member'
- Board member turnover is relatively high at 17%, and over a third of leavers put their departure down to 'time pressures'
- Few organisations have an approach to recognising the contributions board members make and few board members feel that the approach to managing poor performance by a board member is appropriate
- Only 13% of organisations have in place a board member appraisal system and where such an approach is in place it is usually new, while virtually no board member would take the view that their board's current approach to reviewing board member performance is up to the mark

Over a third of leavers put their departure down to 'time pressures'

### Within this data, there are wide variations that should be noted

- On most measures there are significant differences in performance between participants
- Factors such as size and sector may explain some of the differences
- Smaller organisations are much less likely to have in place many of the systems and processes that larger organisations have – and their board members register lower satisfaction scores as well
- There are some sharp exceptions to this generality: for example, larger organisations have a lower proportion of women board members and board members from a black or minority ethnic background than smaller organisations
- But such factors do not account for all the variation observed in our view, and much of this variation is due to differences in approach between third sector organisations pointing to the opportunity for all organisations to improve their governance

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## What should happen next?

The most important thing that each organisation can do is to review its own board's performance and agree a development plan for the year ahead...

- Review your governance as a board each year using this report to help you
- Use the Code of Good Governance and consider publishing your compliance with it (and reasons for non-compliance) in your annual report
- Learn where you can access model approaches for the areas in which you need to develop that are appropriate for your type of organisation
- Ensure the positions you adopt on governance are appropriate to your organisation and to its mission and strategy

- Give special attention to how you recruit, select and support new board members
- Consider a set of 'tracking' performance indicators to show how your performance in the priority areas has improved over time – see suggested tracking KPIs at the end of each section in the main **BoardsCount™** report
- Secure income to develop your governance
- Stay involved with **BoardsCount™** as a way of tracking progress

**...and sector infrastructure bodies can support them in this task**

- Ensure your practice sets a good example so you can truly preach what you practice
- Ensure there are size appropriate models of good practice in all the areas of the this report that organisations can adopt with relative ease
- Focus on the organisations most in need, but also ensure examples of best practice are broadcast as beacons for the sector
- Continue to champion the importance of good governance in the sector and amongst its key influencers and to campaign for adequate resources to support the sector's governance

## What is BoardsCount™ ?

As the third sector increases in size and influence, the importance of good governance to control and lead third sector organisations becomes ever more important...

- There are estimated to be around a million voluntary sector board posts in England and Wales alone. Across the UK and incorporating other parts of the diverse third sector this large group of people have collective responsibility for over 200,000 organisations with an income of around £30 billion
- The sector is increasing in size and while its influence increases with growth, the risk of failure through poor leadership or inadequate governance control also increases
- Governance matters: studies show that there is usually a link between organisational failure and poor governance, but by the same token a great board can set the tone and take the decisions that will take an organisation to new levels of performance
- Governance has become a concern across all sectors in recent year and there is an industry of support to foster good practice and higher levels of board performance
- Within the third sector in the UK, national and local infrastructure bodies have taken a lead in identifying good practice and encouraging modern approaches to voluntary board membership
- In England, for example, the Governance Hub and other national and local infrastructure bodies have roles to support the voluntary and community sector in this area and have provided tools and forums for third sector organisations and for local infrastructure organisations. These efforts are paralleled in other jurisdictions
- Key amongst the initiatives in the last few years has been the launch of a Code of Good Governance for the voluntary sector in England

**...but while there are many tools and means to support boards and individual board members to do their jobs, it has not been easy before the launch of BoardsCount™ to compare what one board does with another**

- **BoardsCount™** was born out of a need to fill this gap by providing a tool to enable boards to compare their governance practices in confidence as part of their approach to continuous development
- Indeed, until now the sector has not had ready access to detailed information about what boards actually do, how they actually work and who is actually taking part in them
- The consultancy leading on this service, *transform management consultancy*, together with the Governance Hub established a Steering Group of sector representatives to discuss, design and oversee the launch of the service
- The Steering Group agreed to take a broad approach and selected twelve major governance topics for detailed consideration

Until now boards have not had ready access to information on how governance compares with others

### The topics

- Planning and envisioning
- Holding the organisation to account
- Constitutional arrangements
- Governance and committee structure
- Meetings
- Board performance
- Board composition
- Recruitment and selection
- Retention, support and recognition and appraisal
- Induction, training and development
- The governance function
- Future priorities

- But the approach was not just to collect facts about practice. Recognising that development starts with where people feel themselves to be, the methodology also sought to draw out the opinions of board members and the most senior staff in an organisation about the governance topics chosen
- This approach enables boards to check perceptions against the facts, as well as to check what they do with the other participants or a peer group of their choosing
- The Steering Group recognized early on that the presence of certain practices or policies does not necessarily indicate good governance. Good governance is essentially an intangible thing: a good decision today might lead to higher levels of organisational performance tomorrow – but there is no certainty that it will or that the latest management fads will help it do so
- What the results of this project show is that, in general, those organisations that have considered positions on the topics covered in **BoardsCount™** also tend to have board members and senior managers who express higher levels of satisfaction with how things are. And the reverse is also true: those organisations that don't have developed governance 'architecture', as shown by the indicators in **BoardsCount™**,

The more a board has a shared approach to its work as indicated by contemporary governance arrangements, the more likely its members feel they are doing a good job

tend to have board members and senior managers who are less content with the way things are. Thus, the more a board has a conscious and shared approach to its work as indicated by the presence of contemporary governance arrangements, the more likely its members feel they are doing a good job

#### How the process worked

The service was launched on line and at NCVO's 2006 governance conference. There were mail shots and advertising in the sector press, along with a number of articles to promote the service. Organisations registered interest and later signed up for the service during the first half of 2007.

The senior staff members with responsibility for governance completed a detailed fact-finder that used 227 metrics across the 12 topics. Meanwhile, each organisation's board members and members of the staff senior team were invited to complete a shorter questionnaire gathering their views on the 12 topics by means of 58 questions. This took place during late spring and early summer of 2007. The data was collated and analyzed to enable the preparation of the reports which each organisation receives.

In order to foster service sustainability, the service did not rely on grants, but charged a fee that varied according to the size of the organisation. The Steering Group took the view that even a modest fee could be a barrier to participation by very small organisations. The Governance Hub therefore provided a bursary to reduce to a very affordable level the cost of the service for organisations under £0.5 million in income .

#### What BoardsCount™ participants get

As part of the service, all participants in **BoardsCount™** receive three reports:

- The full version of this report, the Sector Overview Report, which is available to buy for non-participants of **BoardsCount™**
- The Sector Statistics report – available in CD-Rom form and enclosed in the jacket of the Sector Overview Report, this report provides all the data from **BoardsCount™** and allows users to go into the detail of the governance topics reviewed in the Sector Report, by means of easy to use tables
- The Individual Scorecard report – available to subscribers to **BoardsCount™** only, each report is created for that subscriber. It shows their organisation's scores on each of the indicators compared with those of the rest of the subscribers and – if they elect to do this – against a chosen group from amongst the subscribers

The best place to start for form information on third sector governance is the Governance Hub on [www.governancehub.org.uk](http://www.governancehub.org.uk). That site will link you to other resources

#### Who took part?

Seventy-one third sector organisations took part in **BoardsCount™**. Around 444 individual board members and senior staff completed an opinion questionnaire.

The organisations were spread across all the most common sub-sectors and covered all the regions of England. Representation beyond England was low. The sectors that were most represented were the disability sector, the education and training sector, the social care sector, the sector for children and young people, local sector infrastructure or umbrella bodies, the healthcare and medical research sector and the social housing sector.

There was a wide range of organisational sizes. Forty-one percent of the participants have an income of under £1 million, while 42% have an income of over £5 million.

In terms of the individuals who responded to the questionnaire, nearly three-quarters were board members (including 12% who are chairs of their boards) and just over a quarter of senior management team members (including 9% who are CEOs).

The ethnic and gender balance of individual respondents was similar to the balance of the sector as a whole.

No claim can be made that the data from **BoardsCount™** is representative of the sector as a whole. Participants were self-selecting and the service may indeed have attracted organisations that are keenest to take their governance forward. Nevertheless, the service did attract a good range of organisations in terms of size, location and sector and, with a combined income of £1 billion, it is a group of organisations of some magnitude

#### transform management consultancy and the Governance Hub

This service has been provided by transform management consultancy with support from the Governance Hub.

See [www.trans4mgt.com](http://www.trans4mgt.com) and [www.governancehub.org.uk](http://www.governancehub.org.uk) or more information and contacts

#### BoardsCount™ in the future

**BoardsCount™** aims to develop further.

Check [www.BoardsCount.com](http://www.BoardsCount.com) for the latest information



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