

ACOSVO Masterclasses

Making Circles from Squares: governance in complex organisations Issues and guidelines

Internal complexity

The dilemmas and difficulties, listed below, are based on research into commercial organisations and what third sector practitioners and board members have said in workshops.

General points

- ✚ Oversight of diverse and distinct activities and locations
- ✚ Management of expectations of diverse stakeholders, professions and practice
- ✚ Board acknowledgement of complexity and capacity to assimilate information
- ✚ Board has range of skills and experience /advice required either via its members or via co-option or bought from consultants
- ✚ Recognition of need for enabling policies and procedures to manage differences
- ✚ Impact on Board of weak structures and poor communication in an unstable and competitive economic climate

Specific to cross-border charities

- ✚ Governance roles – Board vague about the allocation of authority and liabilities (including the responsibility of advisory committees)
- ✚ Quality of trustee induction and training
- ✚ Dilemmas of affiliation and loyalty and related problems with conflicts of interest

Approaches and recommendations

- i. Report on across organisation communication/ co-ordination at Board (e.g. twice a year) meetings;
- ii. Joint projects / working
- iii. Cultivate common core culture; common vocabulary and 'thought worlds; across service awareness (e.g. staff conferences; joint training); give information about impact of working across internal boundaries on organisations work/performance;
- iv. Build communities of practice (occupational groups or team leaders); have collaboration modelled by senior management team; coaching and mentoring available to facilitate collaborative practice;
- v. Give time for formal and informal joint activities; allow time for socialising and networking;
- vi. Capacity building , for example training in interpersonal skills; conflict resolution; managing programme and HOW to collaborate;
- vii. Exploit IT tools including simple tools such as Skype. Ensure everyone is clear about decisions about shared services, such as IT.

External complexity

The difficulties and dilemmas most often mentioned in guidance and practitioner literature as listed below.

- ✚ Duties of trustees under charity law to protect their charity's independence and assets, including the ownership of the latter, when staff, knowledge, fund-raising maybe shared and dependent on the participation and performance of other organisations.
- ✚ How trustees ensure scrupulousness about conflicts of interest when members are also on joint boards or subsidiaries;
- ✚ Precision about the allocation and delegation of accountability and liabilities – even when it is not at all obvious who should decide/ have oversight of what. The complexity of partnership/collaboration makes decision making harder and needs time.
- ✚ Due diligence – charities preference for trust over due diligence (Charity Commission for England and Wales 2011).
- ✚ Risk – boards actively assessing risk and deciding about it; taking into account financial stability; reputation; data protection; competition and information-sharing;
- ✚ Ensuring balance of power / distributive justice if there are substantial differences in size and resources across partner organisations and between lead and other linked organisations.
- ✚ HR/employment – establishing clear, fair processes and ensuring consistent and sound support and supervision
- ✚ Identity and branding – who decides and how are processes negotiated and embedded?
- ✚ Boundaries – blurred gaps between them and ever changing; therefore boards keeping up to date and adjusting to relationships.

What do regulators expect?

Boards party to strategic alliances of any sort need to address how to ensure they fulfil their duties to (i) ensure independent decision making, (ii) safeguard assets and mission and (iii) manage conflicts of interest.

Good governance practice recommended by Charity Commission for England and Wales (2009) includes:

- Identifying key success factors to collaborative alliances
- Regular reviews of strategic position and collaborative arrangements – including processes that value each party's independence
- Ensure clear definition of what each party is responsible and liable for and the extent to which anyone party can make binding commitments
- Making agreements which are proportionate to the relative risk and complications of the collaboration; and a termination clause in formal contracts
- Ensure appropriate research and background checks and where necessary a full disclosure and due diligence exercise

When using an intermediary organisation:

- Draw up a formal agreement setting out the arrangement

Charities which are part of group structures should:

- Have a clear and transparent relationship with other organisations in the group
- Ensure charitable money funds are spent on their charitable 'objects' and be aware of the limits to which a charity can support a non-charitable organisation in a group
- Have governance arrangements in place which enables subsidiary's trustees to take decisions (i) solely in the interest of their charity and (ii) in accordance with the overall operational policy of the parent company.

Trustees of national structures with members should:

- Be very clear about the characteristics of their distinctive governance structure
- Seek to maximise the benefits which national membership can bring through collaborative working
- Ensure transparency and clear communication within their structure

Case Study 1

Women1st Scotland

Following the untimely death of young Fiona McDougal Women1st Scotland, a national housing organisation, raised hundreds of thousands of pounds to build a centre and accommodation for women in Angus. Women1st Scotland leased land from Dundee City Council and plan to delegate management of the facility to the Dundee Housing Association (DHA), a charity that is part of the Homes for People Group.

A disaffected ex-trustee of Women1st Scotland has formally complained to OSCR that the Trustee Board of Women1st Scotland is not fulfilling its duty to remain in control of its assets as it was likely DHA would have the final say in allocating accommodation, rather than Women1st Scotland.

Case study2

Barrmuir Development Partnership (BDP)

BDP is a newly established partnership set up to provide support to 20 youth clubs in Fife. The mission is to ensure that the Youth Workers, their Managers and Boards have access to up-to-date information, training and development. The Co-ordinator is Smina who is based in one of the larger organisations in Glenrothes.

There are strong political and financial imperatives for being in the partnership – the Local Authority made it a requirement for continuing funding. This makes for tensions in some of the planning meetings; and as the motivations for being involved vary, at times, Smina feels the original purpose gets lost.

Smina realises as there are different levels of commitment to the vision of the partnership that she needs to be flexible to enable things to work. However this is not easy. There is a

constantly changing membership at meetings and events. Key people were unable to make decision-making meetings and new people arrived at events which were slowed down by bringing the new people up-to-date. She is aware that many of the Managers are part-time and therefore simply cannot make certain days of the week. And if Smina worked with the Clubs that attended most of meetings it would advantage the larger, better off organisations.

Smina also noticed a certain amount of competitiveness for a moral position or for influence or about funding when key people did come together.

What are the key issues? What arrangements need to be put in place so that the 'partnership' (i) works for all the Clubs (ii) works as a process and (iii) Smina has the appropriate support and supervision?

Case study 3

YouthMattersUK

YouthMattersUK is a charitable company registered with the Charity Commission for England and Wales and OSCR. The charity campaigns for learning and development summer camps for disadvantaged young people in England and Scotland. The Board of Trustees, based in Newcastle, governs YouthMattersUK. In Aberdeen YouthMattersUK have a small office, a paid Manager, 3 staff including one who manages IT and prepares the annual budget, and a part time fundraiser, and volunteers. The Manager reports to a Scottish Committee. The Chair and Vice Chair of the Scottish Committee are trustees on the UK Board.

The Trustees, following a financial review, decided on a cost cutting programme including reducing administrative cost by locating all fundraising and IT, from Scotland, to the head office in York. The Board are anxious to reduce administration costs as surveys and media coverage confirms that these are an issue for donors throughout the UK.

These proposals were not well received by the Scottish organisation. They thought the trustees did not understand accountability for funds restricted to services in Scotland and HQ could not provide Scottish specific information without changes to the management systems. Nor did the Trustees, or indeed HQ staff, seem to appreciate the value of allowing the Scottish organisation to plan to suit local circumstances.

The Newcastle staff, and a number of Trustees, thought the Scottish branch acted as if the HQ did not exist; nor were sufficiently aware that the Board of Trustees had ultimate authority in the organisation. The Scottish staff tended to act as if they were semi-autonomous viewing information sharing and resources in terms of their situation without regard to the organisation as a whole.

What are the key issues? What measures would improve the UK / national relationship and the governance of YouthMattersUK Board?