DESIGNING GOVERNANCE PROCESSES

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In the public sector, good governance is based on a system of checks and balances between the different branches of the government (i.e. the legislative, the Judiciary and the Executive). In case of Not-for-Profit Organizations (NPOs), it works in very much the similar way. An organization exercises good governance when it has an internal system of checks and balances that ensures the public interest is served and it is in this context that ‘Boards’ play a very critical role since it is the principal governing body in an NPO. Boards reflect the collective efforts of accomplished individuals who advance the institution’s mission and long-term welfare.

The designing of the governance process involves four key elements namely;

1. Designing board structure and processes
2. Directing strategic plans and priorities
3. Delegating management authority & responsibility to the Chief Executive Officer (CEO)/Leadership Team
4. Determining Strategic Results & Exercising Board Accountability

1. DESIGNING BOARD STRUCTURE AND PROCESSES:

Boards tend to work effectively when they are structured. There should be a process for orientation and sensitization of the trustees regarding their responsibilities. A clear distinction between strategic matters and operational matters should be made. Areas like the vision, mission of the organization, core values, strategic direction, major policy decisions are some of the strategic matters that should be dealt primarily by the Board. Hiring, termination and supervision of staff, work allocation, managing and evaluating the overall program are few of the operational matters that should be taken care of by the CEO/Leadership team. A position paper on this issue (commonly known as Management Manual) should be drafted which should be revisited annually.

1.1. Bylaws/Trust deed/Articles of Association: These are key documents in designing the governance process itself. They are the set of rules under which the organization will operate. They typically include such items as (a) number of members, term length, nomination process, committees, and meetings; (b) fiscal year/accounting cycles, committees, and officers’ responsibilities; (c) methodologies, tools, and strategies, monitoring and evaluation etc.; and (d) how to amend the bylaws/trust deed/Articles of Association themselves. It should be noted that byelaws can also be called the NGO’s “constitution”, “article of association” “statutes” or ‘Trust Deed’ depending on the nature of the organization and the law of a particular country.

1.2. Election of Office Bearers: There should be a clearly defined policy for recruitment, election/selection of trustees or board members. The induction of new members should be through an open process providing the option of electing/selecting from a pool of people having substantial work experience and expertise from the voluntary sector.

1.3. Various committees: Committees are a useful structure for working efficiently. Dividing the
board into working committees is a common mechanism for:

- Organizing the board’s work to accomplish the NGO’s mission.
- Preparing board members for making informed decisions.
- Using board members’ skills and expertise.
- Providing opportunities to become involved and serve the organization.

Generally, board members are part of such committees along with other senior staff of the team. Each committee needs clear instructions about what it is to accomplish. Ideally, it should take the form of a written mandate, which includes meeting and membership guidelines and reporting timeframes. Some of the commonly formed committees are: Executive Committee, Finance Committee, Purchase Committee etc.

1.4. Board Meetings: The members of the Board should meet at regular intervals to discuss the policy issues and take strategic decisions with regard to the organization’s work. The board members need to be informed of the dates of the meetings well in advance so that they can prepare themselves well.

1.4.1. Agenda & Preparatory notes: Along with the notice of a meeting; it is desirable to enclose the list of items to be discussed or the Agenda. It is very important that the agenda for the meeting is sent in advance (preferably) as it helps the members to prepare themselves for the meeting. It should be accompanied by preparatory notes in order to give the board members a brief background of the issues on the agenda of the meeting.

1.4.2. Quorum: Quorum refers to the minimum number of members that must be present to make the proceedings of a meeting valid. If the quorum is not available in a meeting, then the meeting should be adjourned. For general meeting, the quorum should be at least one third of the total members. For Board members, the quorum should be at least 50% of the total members.

1.4.3. Minutes: All the important decisions taken during the meeting, suggestions made and feedback given by the board members should be well documented. The minutes can act as a reference point for further action as well as the next Board meeting.

1.5. General Body Meeting: The NGOs registered under the Societies Registration Act or under the Companies Act or any other law which requires formation of both the general body and the board should ensure that there is a transparent and appropriate policy regarding General Body Meetings. The membership should be open to all sections of stakeholders. The general body should be always larger than the board. The meeting of the general members should be at least once in a year.

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year to discuss and approve important matters like the approval of audited accounts, review of activities during the year, election of the board members, appointment of auditors etc.

1.6. Conflict of Interest: Conflict of interest is a situation in which outside interests affect or are perceived to affect the ability of an individual to make fair and impartial decision on behalf of the NGO. Conflict of Interest can exist when

- opportunities for direct material gain are involved;
- when close associates or family members stand to benefit
- personal interests or loyalties conflict and compete with those of the NGO

A conflict of interest policy helps in resolving such situations. It helps in dealing impartially with situations in which an individual’s multiple interests compete or collide. There should be a clearly defined policy to ensure that any conflict of interest is properly dealt with. A policy on conflict of interest has three essential elements:

1.6.1. Full Disclosure: Board members and staff members in decision-making roles should make known their connections with groups doing business with the organization. This information should be provided annually.

1.6.2. Board Member Abstention from Discussion and Voting: Board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and the other group.

1.6.3. Staff Member Abstention from Decision-Making: Staff members who have an actual or potential conflict should not be substantively involved in decision-making affecting such transactions.

1.7. Governance Manual: Governance manual can serve as a guide for the board’s operations. Governance manual refers to a set of well written basic documents, which give instructions in matter such as selection of members, meeting schedules etc. All rules of operation for the board should be collected together in the manual. The governance manual should include guidelines on the following areas like:

- Roles & responsibilities of the board members
- Guiding principles
- Conducting elections for the board
- Board member orientation
- Formation of committees
- Conflict of Interest Policy
- Meeting Procedures
- Policy on staff recruitment

2. DIRECT STRATEGIES, PLANS AND PRIORITIES:

Planning is a mission directed activity that enhances accountability. Planning is a process of setting goals and articulating a strategy to achieve them through the acquisition and disposition of resources. The role of the board is to oversee and monitor the planning process rather than engaging in the fine details of planning directly. The board should bring in the larger perspective to the planning and ensure that the plan is actually put into effect, adjusted or redirected, when required.
It is the duty of the board to uphold the organization’s mission, and to articulate a clear vision for its future and the values that will guide decisions and behavior.

A strategic plan does not guarantee attainment of goals. But, at the very least, it helps in setting goals and provides a clear, well-lighted path to reach them. A strategic plan, with attainable goals, should be developed and approved by the board, with staff input and support. At the same time, the board should receive regular progress reports from the chief executive officer regarding the implementation of the plan.

Board members should be involved in articulating a shared vision for the future of the organization and evaluating strategic choices in this light. They should draw on their individual resources to support progress in achieving the vision.

The strategic planning exercise should involve:

- Assessing external and internal environments
- Clarifying mission and values
- Identifying critical issues
- Determining goals and objectives
- Formulating strategies
- Implementing them
- And finally monitoring their effective implementation

Simply put, Strategic planning determines where an organization is going and how it is going to get there.

3. DELEGATING MANAGEMENT AUTHORITY & RESPONSIBILITY TO THE CHIEF EXECUTIVE OFFICER (CEO):

One of the thumb rules of a well managed organization is to make a clear distinction between governance and management. The underlying assumption is that this distinction induces the required checks and balances that ensure the organization is well run. One way to maintain the distinction between governance and management is to ensure that the same people do not perform both jobs. It is in this context that the role of the CEO/leadership team becomes very crucial.

3.1. Delegation of Authority: The board delegates authority to the CEO/leadership team for the overall management of the organization. The board hires the organization’s CEO, makes assignments to him, and monitors his or her performance. The CEO is a key decision making authority and is answerable to the Board.

3.2. Evaluation & appraisal of CEO: It is appropriate for the board to do a formal performance appraisal of the CEO at regular intervals. The appraisal should be based on predetermined criteria such as written job description and stated annual goals. Such processes will help the CEO understand the board’s expectations. The CEO’s performance should be measured in relation to his or her job description, and the evaluation may cover the following activity areas:

- staff relations;
- administration;
- planning;
- leadership;
fiscal management;
- external public relations;
- effectiveness in working with the board to fulfill the annual plan;
- and effectiveness in helping the board achieve its own accountability and level of responsibility.

3.3. Mechanism for CEO’s Accountability:
The Board should also ensure that a mechanism for CEO’s accountability is in place. The CEO owes the board accurate, thorough and timely information about the organization, its environment and its activities. The CEO should also provide quarterly/six monthly reports to the Board regarding his/her work and involvement in the work of the organization. Further, processes like evaluation and appraisal of the CEO can also act as mechanisms for ensuring his/her accountability to the board.

4. DETERMINING STRATEGIC RESULTS & EXERCISING BOARD ACCOUNTABILITY

For an NGO, being accountable means demonstrating regularly that it uses its resources wisely and doesn’t take advantage of its special privileges to pursue activities contrary to its not-for-profit status. By virtue of its registration under various laws, the board is held responsible for the organization. The board as a whole, and its individual members, are answerable for all that the organization does, and how it does it. The board therefore is the locus of accountability.

An explicit governance structure is the first step towards establishing a stable and predictable framework for Accountability in NGOs. The board of an organization should set goals and decide an action plan. The action plan should be revisited at periodic intervals to ensure implementation.

Procedures for evaluation of the Board should be in place. This will bring in board accountability. Being at the apex of the organization, the board is accountable to the staff of the organization as well as other stakeholders.

5. CONCLUSION:

NGOs are committed to the highest level of accountability and the board of an organization has the capability as well as the authority to steer the organization in the right direction. In doing so, the first step would be putting ‘SYSTEMS’ in place. The governance processes in an organization, to a great extent determine the organization’s effectiveness. Thus, an open, transparent and accountable governance system is quintessential for an organization’s growth, sustainability and effectiveness.