SJRB

# The Importance of Effective Corporate Governance

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# Why is Good Governance Important?

This eBook gives you a guide to governance and how it impacts on the successful running of a business, whether it is a private company, a sports governing body or a charity. But why is governance important?

In this booklet, we try to demonstrate that governance is not a dry and technical subject; that it is not esoteric nor to be left solely to the lawyers or the regulators; that it is not a subject that can be "glazed over".

## Flexibility and Creativity

Governance is all about creating the right structures for decision making. And if you can create the right structure, then decision making can be transformed. It can promote flexibility, the ability to be nimble and agile, to take advantage of opportunities and to respond to threats. It can also promote creativity and growth. The right governance structure enables teams to drive a business forward and to achieve results.

The best structures are robust enough and flexible enough to cope with any situation that a business or charity might face. It leads to good decision making, excellent management of stakeholders and allows you to respond to regulatory, statutory, environmental, economic and market-driven changes.

It allows for robust oversight and assurance by Directors and Trustees and simplifies and structures reporting by management.

## Constant Evolution

The best businesses will continually look at how they are governed and make changes to their decision making structures to ensure that they are always best able to respond to internal and external challenges and opportunities. Governance models change according to the prevailing circumstances and therefore you should be ready, from time to time, to conduct a Governance review to ensure that your business is best structured for growth.

## Best Practice

Most industries now have regulations and best practice guides that encourage compliance with standards of governance, and some even go further. So, good governance is not only good practice, but it is also increasingly a requirement. So, the general Corporate Governance Code applies to major companies, but smaller and mid sized companies are encouraged to also comply. The Sport England Sports Governance Code is about to publish its latest iteration - compliance with it remains a condition of Government funding. And Charities are encouraged by the Charity Commission to comply with the Charity Governance Code.

## About this eBook

This booklet will introduce you to what happens during a governance process, what are the options and key principles; what factors should you take into account; how to manage your stakeholders; what external guidance exists on governance in specific industry sectors; how to consult with stakeholders; the interplay between strategy and good governance and how to implement changes in decision making structures.



# About

SJRB is a consultancy and advisory business, whose key principal is Simon Johnson.

Simon is one of the most respected strategy and governance advisers having taken a central role in complex governance reviews of leading sports organisations, including The Football Association, The Rugby Football Union and World Rugby, each of which led to significant constitutional changes to these complex, high-profile, multi-stakeholder organisations. He has conducted governance reviews in a wide range of charities, including political charities, cultural charities, and philanthropic foundations and charities. As CEO of the Jewish Leadership Council he oversaw and implemented the recommendations of a Governance Review in 2019 as well as an Independent Review of Historical Allegations carried out on behalf of the Charity Commission. He has also overseen governance restructures in a number of private companies, primarily in the Sports and Leisure Sector.

Simon Johnson is an experienced NED and Chair. He is Chair of the Rugby Football League, and a number of related businesses, including the International Rugby League Ltd and Super League Ltd. He is also Chair of Sports Information Services, a leading supplier of betting services and content to the betting industry. Futhermore, he is a Director of Iventis Ltd, a provider of collaborative software for the events industry and is a Trustee of two charities.

# The Steps in a Governance Process

A Governance Review process need not be long nor expensive. It can be done remotely and quickly alongside business as usual. But it is best to work with a team who have wide experience of governance, as they will be able to guide the process efficiently and effectively, with minimal impact on the orderly and everyday functioning of the business Management time can be reduced to the minimum necessary.

## The Steps in a Governance Process

A governance review process generally follows these steps.

- Review and analysis of the effectiveness of the current governance structures in the context of the strategic plan, the business objectives and any relevant Codes and applicable Best Practice Guidance.
- Comparative analysis of similar businesses and other relevant businesses in comparative sectors
- Consultation with key stakeholders on the appetite for and scope for change and to explore likely reaction to possible areas of change.
- Prepare initial recommendations for change.
- Consultation with stakeholders on the impact of those changes and likely response to the recommendations.
- Drafting of legal documents (Articles, Resolutions etc) to give effect to the changes.
- Timetable agreed for implementation of changes.





# Key Principles of a Governance Review

In conducting a Governance Review, it is important to remember that the key objective is to ensure the best and most efficient decision making to allow the business to thrive, and to be able to respond quickly to opportunities, challenges and threats.

However, underlying this objective are certain key principles which should be considered in every review.

## Corporate Structure

It seems unusual to consider this question when you might imagine that corporate structure is set in stone. But, we have conducted a number of governance reviews where the first question is whether the business should be incorporated as a company, and if so, what form it should take.

It is generally accepted that it is best for a charity or business to be incorporated so as to protect the members from liability and to enable easier business transactions. There are different options for the form of incorporation, with advantages and disadvantages of each.

Expert advice can be given on which is the best option. These include:

- A Company limited by shares
- A Company limited by Guarantee
- A Charitable Incorporated Organisation
- A Limited Liability Partnership.

## The Board

The Board should be the supreme decision making body within the Business. That is now accepted best practice and the recommendation contained in all of the relevant Governance Codes.

Any review will look at the following principles in relation to the Board.

## Role of the Board

The role of the Board should be to oversee strategy, to ensure assurance and monitoring of performance, oversight of and support for management and to ensure sound decision making in the interests of stakeholders.

The review can look at how the Board would relate to other structures, including sub-committees and, where one exists, a Members Council.

The precise role of the Board is expressed slightly differently in the various Governance Codes which exist, but they all are based on this same overall principle.

## Corporate Governance Code

In the Corporate Governance Code, the key principles are these.

- A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned All directors must act with integrity, lead by example and promote the desired culture.
- The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.
- The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.



## Sports Governance Code

The Code of Sports Governance expresses this principle as follows.

The Board of the organisation shall:

(A) be the ultimate decision-making body and accordingly exercise all of the powers of the organisation;

(B) be responsible for setting the strategy of the organisation; and

(C) maintain and demonstrate a clear division between the Board's management and oversight role and the executive's operational role.

1.2 All directors must act in the best interests of the organisation, and in a manner consistent with their legal duties.

# The Charity Governance Code

The Charity Governance Code frames its guidance on this Board principle as follows.

The Board is ultimately responsible for the decisions and actions of the charity but it cannot and should not do everything.

The Board may be required by statute or the charity's governing document to make certain decisions but, beyond this, it needs to decide which other matters it will make decisions about and which it can and will delegate.

Trustees delegate authority but not ultimate responsibility, so the Board needs to implement suitable financial and related controls and reporting arrangements to make sure it oversees these delegated matters.

Trustees must also identify and assess risks and opportunities for the organisation and decide how best to deal with them, including assessing whether they are manageable or worth taking.

Key outcomes

4.1 The Board is clear that its main focus is on strategy, performance and assurance, rather than operational matters, and reflects this in what it delegates.

4.2 The Board has a sound decision-making and monitoring framework which helps the organisation deliver its charitable purposes. It is aware of the range of financial and non-financial risks it needs to monitor and manage.

4.3 The Board promotes a culture of sound management of resources but also understands that being over-cautious and risk averse can itself be a risk and hinder innovation.

4.4 Where aspects of the Board's role are delegated to committees, staff, volunteers or contractors, the Board keeps responsibility and oversight.





# Composition of the Board

This is often an area which provokes debate and can be controversial. Changes in the Board's composition impact on individuals and this can lead to tension during the consultation process.

Issues to look at include the size of the Board. Best practice guidance would suggest that the ideal size of a Board should be between 8 and 12 persons, although clearly differing circumstances will create exceptions. A Board that is too big, though, can be an impediment to efficient decision making.

Another important issue is the mix between representative or elected Board members and Independent Board members. Best practice guidance encourages there to be a sufficient number of independent members on a Board, to enable diversity of thought, experience, advice and expertise. Some Codes of best practice give specific guidance on the proportion of independent members that there should be. It is important therefore to consider how decision making can be enhanced by the addition and retention of Independent members.

# Term Limits

The best Boards have term limits in place for individual members, representing the maximum time that a person may serve on the Board. Usually, there is a limit of three years per term, and it is also common for there to be a maximum number of terms that a person may serve. In charities, the imposition of term limits requires sensitive handling, especially where there is a founder or major benefactor on the Board. But best leadership practice encourages the ability to refresh the Board from time to time and to bring in new thinking. Creating fixed and maximum terms for which a person may serve enables this refreshment of the skills and experience on the Board.

It is common for there to be the ability to agree short extensions to the end of a Term if somebody has essential value and it may take longer than expected to find a replacement or if circumstances require the extension of a Term. If term limits are going to be introduced for the first time, guidance can be given on transition to these so as not to create a sudden vacuum in leadership of the Board.

## Inclusion and Diversity

The understandable desire to demonstrate inclusion and diversity on a Board is being addressed in different ways in best practice guidance.

The new Sport England Sports Governance Code new Sport England Sports Governance Code (due for publication in Autumn 2021) will call upon sports governing bodies to publish their Inclusion and Diversity Plan and how it will impact upon the Board, and they will be measured on how they deliver against that plan.

The Charity Governance Code specifies that the board is more effective if it includes a variety of perspectives, experiences and skills. It advises Boards to undertake diversity training periodically and also to monitor their inclusion and diversity objectives and to publish the results in their communications with stakeholders, including their Annual Report.

## Frequency of Meetings

A Board should meet as often as required to ensure that it can properly fulfill its functions, having regard to the other commitments of the members of the Board and the time expected of them. Generally, it is good practice for a Board to meet no less than four times in a year, and many Boards will meet six times per year. Your constitution should specify the minimum number of meetings that there will be.

## Sub-Committees

It is common and good practice to introduce delegated decision making, where the Board delegates certain specialist and detailed decisions to sub-committees which are differently constituted to have specific expertise and/or to be representative of stakeholders.

It is usual, in businesses of the right size, to have an Audit and Risk Committee, a Nominations Committee and a Remuneration Committee.

There might also be specific expert sub committees established or in place. If the Board has such sub-committees, it is important to specify what authority and responsibilities are delegated to that Committee in an agreed set of Terms of Reference, and to make clear how and to what extent decisions of the Sub Committee need to be approved or signed off by the Board.



# Important Factors in a Governance Review

The right Governance structure is all about enabling a business to make the right decisions, to be flexible to enable the business to achieve its objectives and to ensure that the business is reflecting the aims of its stakeholders. It should also be robust enough to enable the business to respond to threats and challenges confidently.

In the previous section, we set out the key principles that any Governance Review should look at, and gave an introduction to the options that are available to a business.

Now we will look at the most important factors in a Review and what makes them so essential.

## The Board is the Key Decision Making Body

The Board of Directors or Board of Trustees is the most important body in any business. The Board is the supreme decision making body, and this principle should be maintained at all times The Board should be superior to any other body, and the Management of the Business should at all times be subject to the oversight, management and approval by the Board. The Board will oversee strategy, ensure assurance and monitoring of performance, oversight of and support for management and ensure sound decision making in the interests of stakeholders.

In the best businesses, this relationship flows smoothly in the interests of the company. Board members have appropriate oversight and approval of key decisions and awareness of the progress of the business from time to time.

At times of challenge, perhaps in a crisis, or when a key business activity is being undertaken, a good Board will meet as often as required and will be kept updated with all major developments. It will be able to make decisions collaboratively, with the management and Board members working in the interests of the business.

## Relationship Between Board and Management

It is important to ensure that there is the right relationship between the Management and the Board. If this goes wrong, it can test the best Governance structure. The Management manages the business from day to day, and the Board assures, oversees and monitors performance.

Problems arise when the Management does not sufficiently seek the assurance of the Board and acts unilaterally, failing to take the Board with them. Similarly, if the Board or individual members seek to micro manage the business or insist on assurance and approval without giving sufficient authority, that can also restrict the harmonious running of the business. The balance must be right.

For that reason, one of the most important relationships is between the Senior Executive and the Chair. If that relationship works well, then the whole relationship between the Board and Management should be satisfactory. The Chair and Senior Executive should meet regularly and should speak as often as necessary. The Chair should manage the Board and the Senior Executive should manage the staff, with the only difference being that the Board should oversee the overall performance and remuneration of the staff.

I have been both a Chief Executive and a Chair and can attest to the importance of this relationship. In both roles, I thought it important that there should be openness and transparency between the Chair and the CEO. I also, in both roles, have tried to ensure that there are “no surprises” on either side. The Chair should not be caught unaware of a major issue that should be brought to the attention of the Board, and the Senior Executive should be aware of how the Board is thinking on most issues.

It is good practice, before a Board meeting, for the Chair to agree the Agenda with the Senior Executive and to discuss major issues with Board members so as to ensure that there are no surprises in the meeting and business can proceed efficiently. Areas of conflict and disagreement are best dealt with outside the meeting.





## Managing Conflicting Interests

In businesses or charities, where Directors or Trustees are representative of shareholders, stakeholders or members, the risk exists that there will be times when the interests of the business and of the representative organisation are in conflict.

If Board members are Company Directors or Trustees of a Charitable entity, in Board meetings, they owe their primary fiduciary or legal duty to the Business. They must prioritise the interests of the business whilst they are in the Board meeting or conducting board business.

If they are unable to do so because of a conflict that can not be avoided (for example, because they are the CEO of a shareholder or member and has an employment responsibility that overrides a fiduciary duty) then they must declare a conflict of interest. The constitution of the Company will have a Conflicts of Interest Policy (or it should have) that would deal with the Conflict. The Chair and the Board should be able to manage such conflicts and businesses are becoming better at dealing with such situations without them needing to become rancorous.

The orderly running of the business should enable conflicting interests to be managed.

# Industry Specific Governance Codes

Sport is the third industry in which I am involved to have a Governance Code, the others being charities and general companies. I have seen the impact they have had on my roles, in particular, as a Company Secretary, CEO and Chair.

Governance Codes play an important role in industry, and have a beneficial effect; but there is a risk of developing a distortion of debate that flows from a Code on the important issues of diversity and inclusion.

## History of Governance Codes

The very first Code was the UK Corporate Governance Code, the first version of which was published in 1992 by the Cadbury Committee. It defined corporate governance as 'the system by which companies are directed and controlled". Building on the Corporate Governance Code, the Labour Governments of Tony Blair and Gordon Brown were keen to address what they saw as a need for much improved governance in Sports Governing Bodies. They encouraged the drafting of the very first Code of Sport Governance, and began to link continued receipt of public funding by Governing Bodies to implementation of the Code.





## Sports Governance Code

The first versions of the Code introduced much needed changes, such as introducing Independent Directors, setting maximum term limits for Directors, empowering decision making by Boards of Directors, broadening representation on Governing Councils, addressing conflicts of interest, and encouraging gender diversity in governing structures.

For sports that were not so dependent on public funding, like Football and Rugby Union, the Government still managed to exert pressure to persuade the Governing Bodies to adopt the Sports Governance Code's main provisions. The Lord Burns Report of 2005 led to the FA introducing a range of governance changes, including an Independent Chair, and the Slaughter & May Report in 2014 was followed by a Rugby Football Union (RFU) review process which introduced changes to the way that the RFU is governed.

The first versions of the Code undoubtedly brought huge improvements to the way that sports are run. Although it is fair to say that, even now, not every sport is at the same level of compliance with the Code of Sports Governance.

The most recent version, in 2016, introduced yet more welcome changes. But the debate, at the time of its introduction, was most noisily about the establishment of targets for gender diversity, with the requirement for 30% of the composition of a Board to be gender diverse.

There were many important other changes introduced, but the issue of gender diversity attracted most of the attention and tended to be the issue most focussed upon by Boards as they began the implementation of the Code.

## Introducing Codes for Charities

Meanwhile, the Cadbury Principles of the UK Corporate Governance Code were being introduced to charities much more slowly.

The first two versions of the Charity Governance Code were slow to attract widespread compliance from charities.

It was not until the third version of the Code that take up really accelerated. The third version of the Charity Governance Code was published in June 2017, and has been endorsed by the Charity Commission, giving it instantly better credibility.

With a renewed sector focus on good governance, the Charity Governance Code has had a much better take-up amongst charities.

The Charity Governance Code is voluntary. Its recommended practices are recommendations of best practice only and are not mandatory. It sets out to be aspirational and acknowledges that many charities will not want to or be able to comply in full. However, for charities that aspire to be outstanding in their field, the guidance of the Charity Governance Code is helpful.

This Code is designed as a tool to support continuous improvement. Indeed, where the Charity Commission mandates a charity to undertake a governance review, a step that they are taking much more often, the advisers conducting the review for a Charity will usually recommend that the charity adopts as much as possible of the Charity Governance Code.





## Principles of the Charity Governance Code

There are seven key principles in the code, which are

1. Organisational purpose
2. Leadership
3. Integrity
4. Decision making, risk and control
5. Board effectiveness
6. Diversity
7. Openness and accountability.

One of the key recommendations, and accepted best practice, is that the Trustees of a charity are responsible for the charity. You would be surprised how often this principle needs to be restated, due to the structures in charities.

The voluntary nature of the Charity Governance Code has meant that it is slower to be adopted than other codes. It also has less of a focus on issues of diversity, equality and inclusion on Trustee Boards than the other codes. This is no surprise, as many charities are, of their very nature, single issue with a specific remit on issues relating gender, race, religion, ability, identity, and so on. Diversity and inclusion in Boards of Trustees is therefore less of a focus, although the Equalities Act requires great care to be taken on the implementation of charitable activities for such single issue charities.

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## A New Sports Governance Code

Elsewhere, though, Sport England is poised to publish their new Sport Governance Code. There are many corporate issues which undoubtedly still require attention, such as ensuring that independent directors, conflicts of interest policies, and term limits apply at the levels below Governing Bodies, such as Leagues and Regional Associations.

But, media and public attention will invariably focus most on how the Code chooses to address the very topical issues of diversity and inclusion, especially ethnicity. There currently is a mandated proportion of a Board that must be gender diverse.

Doubtless great attention will be given to, and debate centred around, how the new Code proposes to address ethnic diversity. Will it create a new target for ethnicity on a Board? Will it instead combine targets for diversity and inclusion? How far down the pyramid of an organisation will any such targets apply?

These seemed to represent the larger part of the questions asked in the Consultation, which suggests that it is the area causing the most debate in the drawing up of the Code.

## In Summary

It shows that external Governance codes are having an increasing impact on the running of businesses, sports and charities. How you comply with those Codes will go a long way towards the perception by funders, donors and stakeholders of the values and professionalism of your organisation.





# How to Manage Stakeholders

A Governance Review should never be conducted in isolation. Many parts of an organisation will be likely to be affected by a Governance Review, as will your internal and external stakeholders. The best Governance Reviews proceed with a good level of consensus, with stakeholders taken along with you every step of the way.

Whatever the reason for the Governance Review, this is an essential element. Whether you have been obliged to carry out a Review by a regulator, a shareholder, an external funder, or if you have taken the decision yourself, you must bring your stakeholders along with you. But what is the reason for this?

Stakeholders will include your Directors or Trustees, the members or shareholders, the Governing Council (if there is one), and all those who have the right to vote on any governance changes. They are capable of blocking your changes so that is why we recommend that a consultation process is undertaken with your stakeholders during the Governance Review and once the recommendations have been made, so that all stakeholders feel that they have had a good chance to discuss the changes, that their views have been heard and that they have been made aware of the advisability of the suggested changes.

# How to Conduct a Consultation

Once you have conducted the initial review of the Governance, it is important to consult members, stakeholders and any other parties likely to be affected by the Governance Reviews. They need to be brought with you if the Governance changes are likely to be accepted. That means that consultation is a very important part of the process. The right amount of time spent on consultation will be rewarded with smooth implementation of any changes.

There are two distinct stages to an ideal consultation.

- Consultation with key stakeholders on the appetite for and scope for change and to explore likely reactions to possible areas of change.

- Consultation with stakeholders on the impact of those changes and likely response to the recommendations.

Selection of those to be consulted is important to assure the credibility and objectivity of a Governance Review.

We have conducted three significant stakeholder consultations as part of Governance Reviews, in the sports industry, with The FA, the RFU and World Rugby. With The FA and The RFU, the Stakeholder base was the Regional or County Associations, all of whom had delegates with a vote on the eventual acceptance of the proposed changes. With World Rugby, those being consulted were Member Associations.

We decided that the best approach was for the Chair, Chief Executive and the Governance Advisor to conduct a series of "roadshows" around the country, in which we would visit the regional headquarters, and invite the members in that region to a tailored presentation and discussion about the proposed changes. Bringing Senior Executives directly to those being consulted and then dedicating the time to listen to the views being expressed and persuading members of the benefit of changes, was appreciated as an effective method of consultation.





Our experience is clear that face to face consultation is optimal for the first contact with those being consulted. In these times, a consultation by Video Conference is the next best thing and can be just as effective, especially if the most senior people in the organisation make themselves available to participate in the consultation.. A range of future scenarios and options can be discussed in those meetings and the views elicited from those being consulted which will frame later consultation. We recommend, therefore, an initial consultation meeting for each group being consulted.

Once an initial consultation meeting has taken place, further discussions can then take place by phone, video conference or by E mail. We would also recommend making the consultation as comprehensive as possible, involving, in a cumulative fashion, as many of those as possible who will be involved in the final voting on any recommendations for change. This process allows consensus to be built as well as informing you of sticking points and politically problematic issues as they arise.

Therefore, we would suggest that, as well as consulting specific interest groups, the process should be designed to consult with those from as many representative groups as possible.

Consultation should proceed by presenting the main areas of change under each of the headings - Role of the Board; Composition of the Board; Term Limits; Sub Committees; Inclusion and Diversity and so on.

Give each consultee group the opportunity to understand the principles, the options considered and the reason for the recommendation, and listen to their views. You will gain a sense from these meetings of their willingness to support the recommended changes. If there are suggestions that require an alteration to the proposal, you should make it.

Any change to a constitution will require approval from your stakeholders. In a Company, the constitutions will be the Articles of Association of the Company. To make changes in any of the areas suggested in this paper will require an amendment to the Articles. Under Company Law, to amend the Articles, you need the support of a 75% majority of the Shareholders or those eligible to vote.

So, an open, transparent and respectful consultation process will be important to building the level of support necessary to make the changes.

Be aware of the timing requirements to make changes in your existing constitution. To amend the Articles will require a General Meeting of Shareholders. The Articles will require notice to be given of the business at the meeting, and this is generally 14 days, or more likely 21 days notice of a meeting to pass the type of resolution necessary to amend the Articles.

# Role of Strategy in Governance

As the business and charitable world returns to life free of restrictions and lockdowns after the 18 month impact of the Coronavirus pandemic, it is becoming easier to see which businesses and charities have the best chance of building back the best. Those businesses that had stuck most closely to their vision, mission, purpose and values through the challenges of 2020 and 2021, would be best placed to emerge the strongest when the economic environment improved.

The year 2020 has created massive uncertainty for businesses and especially for charities. Fundraising has been severely hampered, as donors' income has been threatened. Fundraising events and challenges have been cancelled, fundraising from the public in offices and on public transport has been decimated. Pressure has been placed on services and some service provision may have incurred significant additional cost. Reserves will have been plundered to ensure sustainability. In all this uncertainty, we have learned that sticking closely to your vision, mission, purpose and values is essential for a business or charity that wants to emerge stronger. This will dictate how you deal with your customers, suppliers, donors, service users and trustees, how you treat your staff and how the wider community perceives you. I have first hand knowledge that those organisations that set up a business strategy and stayed true to their values were rewarded by customer and donor loyalty.

## The Essential Elements of a Charity Business Strategy

Do all charitable organisations have a charity business strategy, setting out their vision, mission, purpose and values? Well, they should. The Charity Governance Code, a document which sets out best practice for charities, says the following:

"The board should lead the development of, and agree, a strategy or plan that aims to achieve the organisation's charitable purposes and is clear about the desired outputs, outcomes and impacts."

"The board should agree the values, consistent with the charity's purpose, that it wishes to promote and make sure that these values underpin all its decisions and the charity's activities".

To be fair, most charities have undergone a strategy review process. But, if you have not, now is the perfect time to do one. It is also a very good time to review your current strategy to ensure that it is fit – not just for purpose – but fit for the future.





Certainly, it is beneficial to fundraising, to develop a strong, sellable and inspiring message. A revised set of brand values can lead to clearer messaging, can help to inspire and motivate staff, Trustees and volunteers and can help to more clearly explain the charity to donors and the wider community.

The five elements of a clear and compelling charity business strategy are as follows.

- Vision: This is a single sentence statement that sets out the high level vision for what it is that the charity wishes to achieve. It should be aspirational and inspiring and capable of simply stating what the charity is all about. It is not a slogan, strapline or advertising message, although these ought easily to be developed from the Vision.
- Mission: This is a single or two-sentence statement which articulates the expected outcome that the charity will achieve from successfully delivering the vision.
- Purpose: The Purpose explains WHAT the charity does to deliver the Vision an Mission. It is broken down into three headings of no more than three words each which summarize what the charity seeks to do. Each heading has three statements which explain the detailed meaning of the headings.
- Values: The Values explain HOW the charity will go about delivering the Vision, Mission and Purpose. It explains the type of organisation that the charity seeks to be and the values that it seeks to live. It should be able to encapsulate everything that the charity wishes to be. There should be no more than six values that each have one sentence explaining the practical impact.
- Slogan: A slogan should be capable of being developed which can be used as a strapline on advertising, marketing and publicity materials and should be capable of attracting donors and volunteers to the charity's mission. I have found that, if Trustees/Directors and Staff, spend a few hours together at a special strategy session, and consider these categories, it should be possible quite quickly to agree a robust charity business strategy, or to refresh the existing strategy.

I have found that, if Trustees/Directors and Staff, spend a few hours together at a special strategy session, and consider these categories, it should be possible quite quickly to agree a robust charity business strategy, or to refresh the existing strategy.

## Governance and Decision Making

Strategy and Governance go hand in hand. Any business should be appropriately structured so that they have the appropriate governance and controls to support the needs of a modern business or charity and that they can adequately deliver the strategy. This involves the Management delivering the detail of the strategy and the Board overseeing it and assuring the performance against the strategy.

One of the key recommendations, and accepted best practice in all areas , is that the Trustees of a charity and/or the Directors of a Business are responsible for the business. You would be surprised how often this principle needs to be restated in the charitable sector, due to the structures in charities. And when it says Trustees, it means all Trustees, not some Trustees, or one Trustee, or the Founder, or the chair of a relevant committee. All Trustees have these obligations.

The Charity Governance Code states in Section 4:

The Board is ultimately responsible for the decisions and actions of the charity but it cannot and should not do everything. The Board may be required by statute or the charity's governing document to make certain decisions but, beyond this, it needs to decide which other matters it will make decisions about and which it can and will delegate.

Trustees delegate authority but not ultimate responsibility, so the Board needs to implement suitable financial and related controls and reporting arrangements to make sure it oversees these delegated matters.

Trustees must also identify and assess risks and opportunities for the organisation and decide how best to deal with them, including assessing whether they are manageable or worth taking.

Section 4.1 is clear about the Trustees' responsibilities – "The Board is clear that its main focus is on strategy, performance and assurance, rather than operational matters, and reflects this in what it delegates."

These are important provisions and easy to implement with proper support.

So, now is a very good time to look at your business strategy and the way that you make decisions. It will give you a firm strategy and values to sustain you through challenging and good times and allow you to make decisions that are fit for the future.





# Conclusion

I hope that we have shown that governance is not a dry and technical subject; that it is not esoteric nor to be left solely to the lawyers or the regulators; that it is not a subject that can be "glazed over".

It can help to free up creative and flexible decision making.

A Governance Review need not be frightening. It can be done efficiently in the hands of trusted and experienced advisers and can be conducted smoothly.

If you are interested in reviewing how your governance could be improved, please feel free to be in contact for a no obligation, focussed analysis and discussion of your options.

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