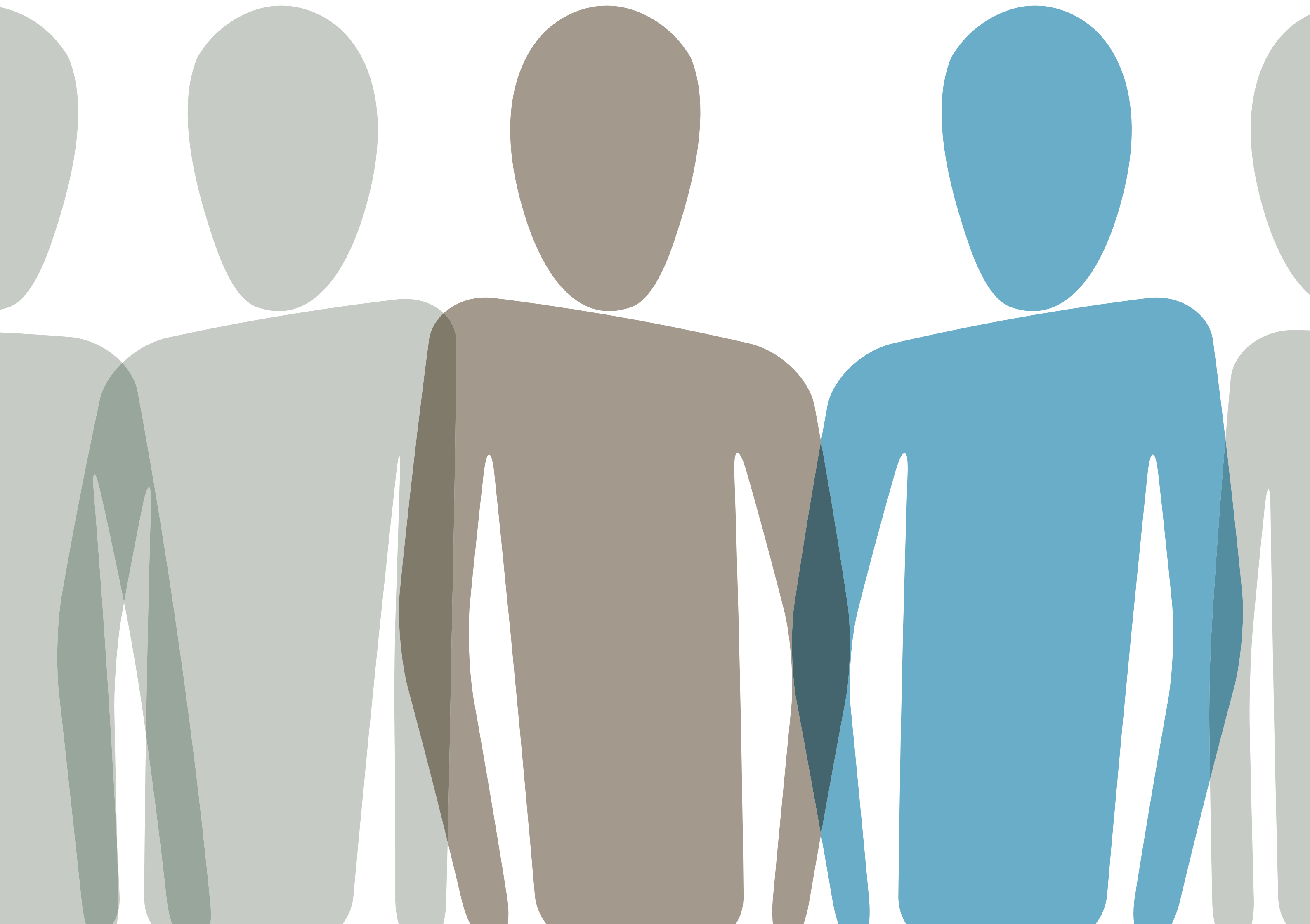
Third Sector Leaders
ACEVO

Leading the CEO and Chair to Effective Governance



Combining updated versions of previous ACEVO publications

• *Appraising the Chief Executive*

• *Leading the Organisation*

• *Your Chair and Board –a survival guide and toolkit for CEOs*

Updated to comply with the Charities Act 2006 and the Companies Act 2006

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Contents

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- Stefan Kuchar, Chief Executive, WVSDA
- Sir Stephen Bubb, CEO, ACEVO

This publication is a combined and updated version of the 2002 editions of *Appraising the CEO* and *Leading the Organisation*. Special thanks to Katia Herbert who wrote the original guides.

Nick Aldridge, CEO of Missionfish UK and formerly Director of Strategy at ACEVO, combined, updated and contributed new material to produce the book in 2008.

All job titles were correct at the time of the original publication and may have changed since.

This book was then revised by ACEVO in 2012.

Foreword

By Sir Stephen Bubb, CEO, ACEVO

This new edition is extremely timely as I hear from ACEVO members that Governance remains their key concern, that they need strong advice and clear guidance to support them in their role as CEO. But, its not just for CEOs - I am a CEO and a Chair (of The Social Investment Business) and need this information in both capacities, as many will.

It has been referred to as the 'Survival Guide' and never needed more than now when public expectations of our work is at an all-time high.

The purpose of this publication is to define what is regarded as good practice in leading non-profit organisations.

It is split into four parts:

Part One: Introduction to the Guide and Leadership

Part Two: Third Sector Governance and Board Structures

Part Three: The Chair and the CEO

Part Four: Appraising the CEO

Each section is then split into three sections:

Guidance, which summarises established best practice

Tools, techniques which can be adapted for use in a CEO's own organisation

Case studies, which illustrate how specific organisations have adapted the techniques to their own needs

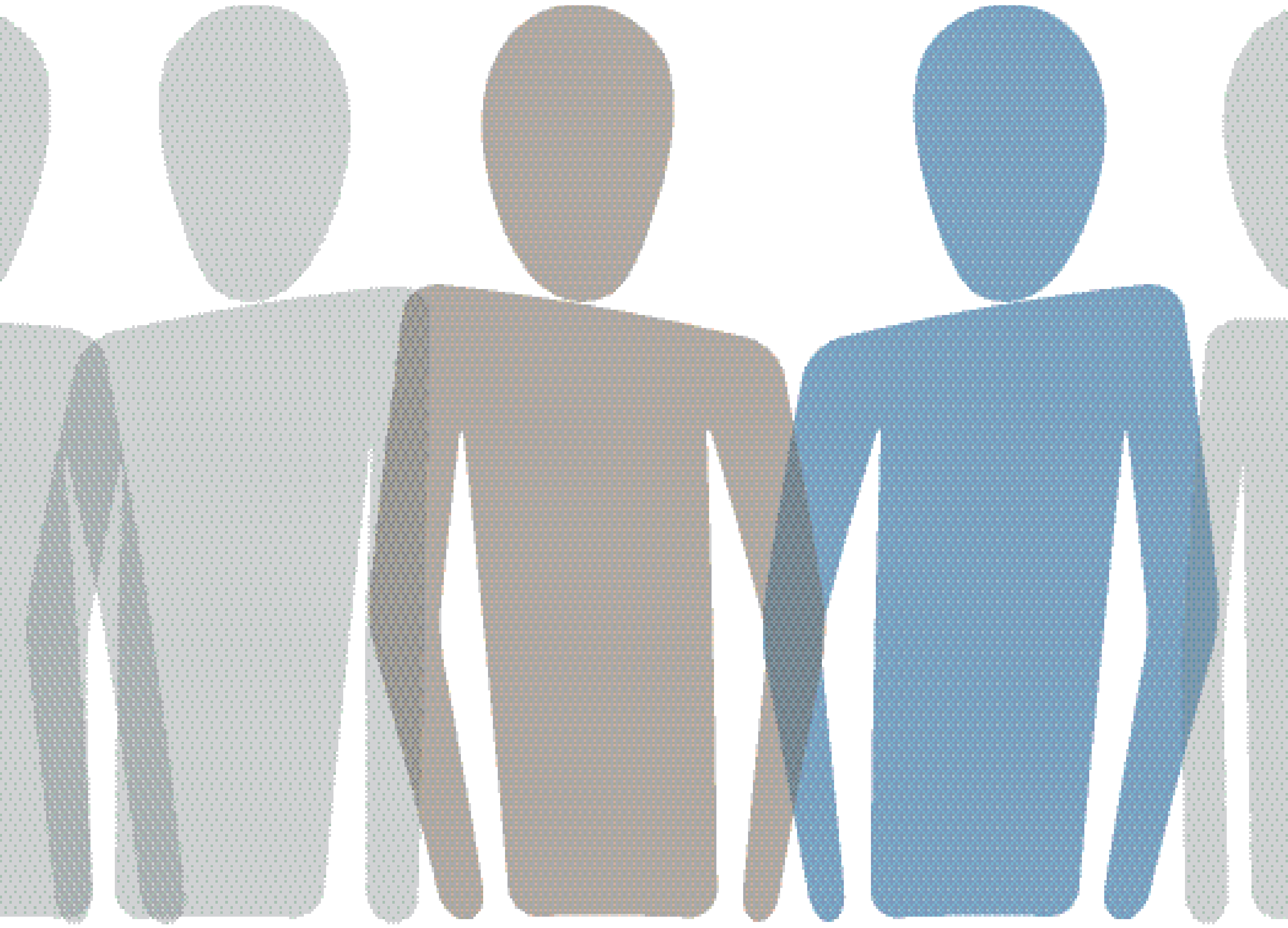
We have heard from previous readers of this guide that many have directly benefitted from and used the table entitled: 'A leadership framework for third sector CEOs leading public service-providing organisations' which covers:

- Strategic perspective
- Customer service orientation
- Visionary communication

- Affinity and integrity
- Confidence, courage and resilience
- Motivating and developing a team
- Networking and influencing.

This table is followed by a case study of personal and development objectives, which lists five key objectives each with a target date for delivery. This, too, is a practical template which could be readily adapted for use by many CEOs.

Part One
Introduction to the Guide and Leadership



Part One

Introduction to the Guide and Leadership

1

Introduction to the Guide and Leadership

1. Purpose of the guide

Sound governance and dynamic leadership are essential qualities in the best third sector organisations. A solid relationship between Chair and chief executive (CEO), and an effective system for appraising the CEO, are core components.

Combining and updating ACEVO's bestselling publications *Appraising the Chief Executive, Leading the Organisation* and *Your Chair and Board – a survival guide and toolkit for CEOs*, this guide provides vital information and advice to third sector chief executives in working with their Chairs and board members to lead the organisation.

It will enhance the governance and leadership ability of those at the top, by:

- Updating third sector leaders on recent developments in thinking on third sector governance and best practice in other sectors
- Guiding and supporting CEOs in developing a constructive working relationship with their Chairs
- To provide advice and tools that will support CEOs in agreeing an effective appraisal system with their Chairs and board members.

The guide will prove particularly relevant to CEOs and their Chairs, but is recommended reading for all those involved in the governance of third sector organisations.

2. How to use the guide

The material is divided into four sections:

- **Introduction to the Guide and Leadership** – this section, which provides background information on the guide and advice on how to use it.
- **Third Sector Governance** – a refresher, which provides a summary of recent developments in thinking on third sector governance.
- **The Chair and the CEO** – focuses on the working relationship between CEOs and their Chairs.
- **Appraising the CEO** – covers the development of a CEO appraisal system.

At the end of each section, there are three additional types of material:

Guidance, which summarises established best practice.

Tools, which can be adapted for use within your organisation.

Case studies, which show how individuals and organisations have characterised, approached and resolved the issues discussed.

To ensure maximum flexibility and ease of use, relevant material has been provided in editable format as a download from our website. Subject to the terms of the licensing agreement, you may use the material in any way you wish.

Download

This sign is used in the hard copy to identify which forms are available for download at:

www.acevo.org.uk/governancedownload

To ensure maximum benefit from the guide, we advise you to approach the material in the following way:

- Begin with the narrative for an entire section. For ease, we have kept this as brief and clear as possible.
- Then consider how the best practice guidance on each topic might be applied to your organisation.
- Finally, adapt the tools for use in your own organisation, according to the processes set out in the guidance. In doing so, you may wish to consider the relevant case studies.

3. About ACEVO

ACEVO is the professional association for third sector chief executives, with nearly 2,000 members. We work to connect, develop and represent the sector's leaders.

We promote a modern, enterprising third sector, and call on third sector organisations to be:

- Professional and passionate in achieving change and delivering results
- Well-led with a commitment to professional development, training and diversity
- Well-governed and accountable, with robust and fit-for-purpose systems to protect independence and enable effective decision-making
- Enterprising and innovative, taking a business-like approach to funding issues and striving for continuous improvement and sustainable development.

Visit our website at www.acevo.org.uk

4. Leadership and governance

Leadership is regarded by experts as difficult to define, and impossible to teach. It concerns the ability of individuals to inspire others to pursue desirable goals. Leadership can be viewed in opposition to management, which it complements. While management skills concern planning, organising, controlling and monitoring processes, leadership skills focus instead on setting direction, garnering support, and inspiring followers.

Leadership is vital to the effectiveness of individuals at all levels within any organisation. Chief executives should therefore prioritise the development of leadership within their organisation. John Adair (ADAIR, J. (2006) *Effective leadership*. London: Chartered Institute of Personnel and Development) has defined seven core principles for the development of leadership within organisations:

- A strategy for leadership development, as part of the overall business development strategy
- Selection of potential leaders, in the organisation's recruitment process
- Training for leadership, with the organisation investing in, and overseeing, leadership development
- Career development, through which the organisation provides practical development opportunities for leaders and potential leaders
- Line managers as leadership developers, sharing their knowledge and understanding of leadership with their direct reports
- A culture in which leadership is valued and expected
- A CEO who places a high priority on selecting and developing leaders.

The third sector has benefited from a growing recognition of the importance of leadership. The most effective third sector organisations now accept that effective leadership is crucial to their long-term success. They therefore foster leadership and invest in its development.

While fostering and developing leadership throughout an organisation is important, particular attention should be paid to those in its most senior roles. The impact on an organisation of the leadership ability of those in the Chair and CEO roles, both individually and collectively, cannot be over-emphasised.

To operate effectively, Chairs and CEOs should have a solid understanding of the law and good practice relating to governance. The CEO is the lynchpin of good governance, as well as leading staff and volunteers. The CEO works with the Chair and board members to develop and review the organisation's strategy and performance. The focus should be on both performance and compliance for the board to operate effectively.

Section II of this guide provides a short 'Governance Refresher', summarising good practice and recent thinking on third sector governance. CEOs and Chairs should familiarise themselves with the material it contains before moving on to Section III, which focuses on the Chair/CEO relationship in more detail.

Further information

Guidance: Charity Commission CC60 – The Hallmarks of an Efficient Charity.

Guidance: Overview of key leadership theories.

Case studies: Perspectives on leadership.

Guidance: Charity Commission CC60 – The Hallmarks of an Effective Charity (abridged)

This guidance sets out the standards that will help trustees to improve the effectiveness of their charity, and the principles that our regulatory framework exists to support. We have divided these into six Hallmarks or principles. For each of these, we have listed a number of ways in which the Hallmarks might be demonstrated, but not every example will apply to every charity. Whilst a few of these are legal requirements, most are matters of good practice.

Although these Hallmarks will be relevant for all charities, the way in which they can be demonstrated or achieved will vary depending on the size, income, complexity and activities of each charity, although some charities may find different routes to the same end. Our experience shows that, whatever its size and activities, trustees can use these Hallmarks as a means of reviewing how their charity is performing and to identify the areas in which the charity is strong and those areas which need further development.

Compliance with the law is an integral part of good governance and effective performance. This guidance does not attempt to set out all the legal requirements that apply to charities and charity trustees. Detailed guidance on particular areas of legislation and charity administration can be found through our website.

Clear about its purposes and direction

An effective charity is clear about its purposes, mission and values and uses them to direct all aspects of its work.

A strong board

An effective charity is run by a clearly identifiable board or trustee body that has the right balance of skills and experience, acts in the best interests of the charity and its beneficiaries, understands its responsibilities and has systems in place to exercise them properly.

Fit-for-purpose

The structure, policies and procedures of an effective charity enable it to achieve its purposes and mission and deliver its services efficiently.

Learning and improving

An effective charity is always seeking to improve its performance and efficiency, and to learn new and better ways of delivering its purposes. A charity's assessment of its performance, and of the impact and outcomes of its work, will feed into its planning processes and will influence its future direction.

Financially sound and prudent

An effective charity has the financial and other resources needed to deliver its purposes and mission, and controls and uses them so as to achieve its potential.

Accountable and transparent

An effective charity is accountable to the public and others with an interest in the charity (stakeholders) in a way that is transparent and understandable.

Guidance: Overview of key leadership theories

By Julia Richards, Head of Leadership Development, ACEVO

There are so many different leadership theories that knowing which one to follow can be confusing. My best advice is to assess your own leadership and organisational needs then choose a theory which best suits these needs or create a new model based on ideas from a few theories. The following will give you an idea of some of the most recent and earlier leadership theories.

The most recent theories

Adaptive Leadership

Heifetz, Grashow, Linsky (2009)

Adaptive Leadership is a practice that matches with the current conditions the leader faces. It is about leading and learning at the same time. It focuses on the processes the leader consciously changes or does not change in response to interactions with his/her environment. It involves capacity for continual reflection, identification and management of factions and conflict, building partnerships and alliances and innovative thinking.

Authentic Leadership

Avolio and Gardne (2005)

Authentic Leadership draws on the previous theories of servant, transformational and charismatic leadership. It begins with developing authenticity which then increases self-awareness, self-regulation and development, transparency and positive psychological capabilities such as confidence, optimism, hope and resilience.

Tipping Point Leadership

Chan Kim and Mauborgne (2003)

Tipping Point Leadership is based on the study of epidemics and asserts that in any organisation changes can occur quickly when the beliefs and energies of a critical mass of people create an epidemic movement towards an idea. It focuses on identifying and then leveraging the factors of disproportionate influence in an organisation to break the performance/cost trade-off and topple the four hurdles that block a leap in performance. These include: the *cognitive hurdle* that blinds employees from seeing that radical change is necessary; the *resource hurdle* that is endemic in firms today; the *motivational hurdle* that discourages and demoralises staff; and the *political hurdle* of internal and external resistance to change.

Values-Centred Leadership

Secretan (2000)

Values Centred Leadership is based on timeless values that help the leader be of service to others whilst assisting in their own personal growth. These include: Mastery (undertaking what you do to the highest standards you are capable of); Chemistry (relating well with others so they seek to associate themselves with you); and Delivery (identifying the needs of others and meeting them with respect and a passion for service).

Charismatic Leadership

Conger and Kanungo (1994)

Charismatic Leadership uses vision to build group cohesion. Charismatic leadership behaviours include: vision and articulation; sensitivity to the environment; sensitivity to the member needs; personal risk taking; and performing unconventional behaviour.

Principle-Centred Leadership

Covey (1990)

Principle-Centred Leadership involves commitment to self-improvement processes.

Transformational Leadership

Burns (1978); Bass (1985)

Transformational leaders transform organisations and people in the process. They have a view of the future that excites and thus motivates the followers to help make the transformation.

Servant Leadership

Greenleaf (1977)

Servant Leadership is about involving others in decision-making because the leader can only be successful if they serve those they lead. The principles include: active listening; empathy; healing of relationships; awareness; persuasion; conceptualisation; foresight; stewardship; commitment to growth of people; building community.

Action-Centred Leadership

Adair (c.1970s)

The three core management responsibilities of the model are: achieving the task; managing the team or group; managing individuals. Being able to do all of these things, and keep the right balance, gets results, builds morale, improves quality, develops teams and productivity, and is the mark of a successful manager and leader.

Earlier theories

Great Man Theory and Trait Theories

Leaders are born not made.

Behavioural Theories

Leaders are made not born.

Organisational theories of contingency

Transactional Leadership

Reward and punishment are used to motivate people. Leaders have a clear chain of command and a clear structure for followers.

Contingency Leadership

Fielder (1964)
The leader's ability is based on situational factors including their style and the motivation and abilities of their followers.

Situational Leadership

Hersey and Blanchard (1972)
Leaders adapt their style to meet the developmental level of the follower. The four styles include: Telling/Directing; Selling/Coaching; Participating/Supporting; Delegating/Observing

Case studies: Perspectives on Leadership

Influential quotations on leadership

The literature on leadership contains a wide range of quotations from academics and practitioners. A few of the most influential are included here:

"Management is doing things right; leadership is doing the right things."
Peter F. Drucker

"Do what you enjoy. If you enjoy it you are normally quite good at it; if you are good at it and you are enjoying it people will follow."
Neil Kerfoot, CEO, Village by Village Ltd

"One cannot teach leadership – it can only be learned."
John Adair

"Self-awareness is central to being a successful leader."
Kouzes & Posner (2001), *The Future of Leadership*

"Leadership is vitally important at all levels within the company, from main board to the shopfloor."
Lord Sieff, Marks and Spencer (1991)

"The best executive is the one who has sense enough to pick good men to do what he wants done, and self-restraint to keep from meddling with them while they do it."
Theodore Roosevelt

"The question, 'Who ought to be boss?', is like asking, 'Who ought to be the tenor in the quartet?' Obviously, the man who can sing tenor."
Henry Ford

"Leaders are made, they are not born. They are made by hard effort, which is the price which all of us must pay to achieve any goal that is worthwhile."
Vince Lombardi, American Football Coach (1913-1970)

A few perspectives from third sector CEOs:

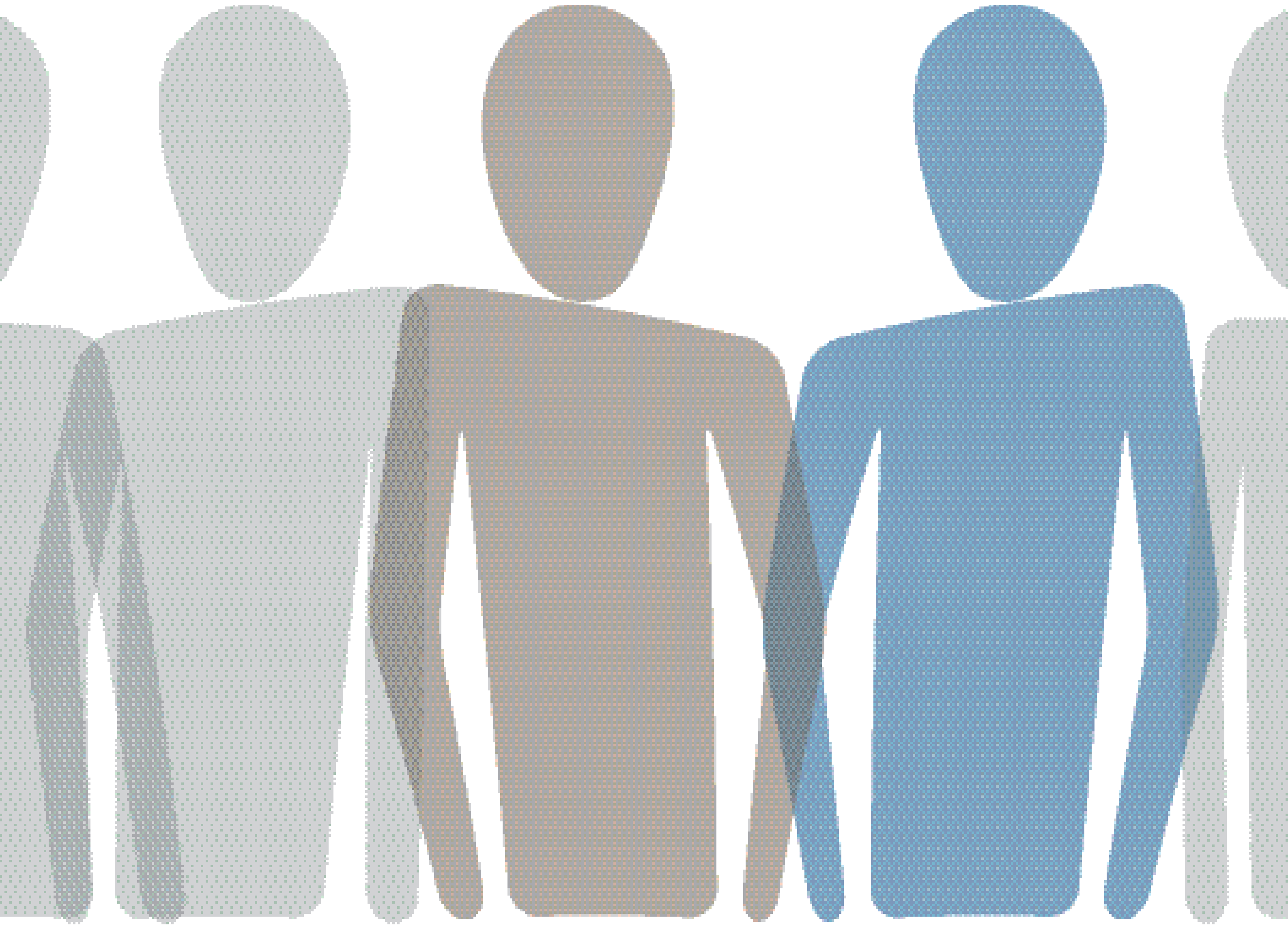
"Know where you want the organisation to go. If you're not clear about the future then it's impossible to communicate it effectively to your people."
Lesley Dixon, PSS

"My tip for leaders is to keep on learning."
Stephen Gilbert, CEO, Printers' Charitable Association

"The best advice I ever received was that the chief executive's three priorities should be communication, communication and communication..."
Joanna Elson, Chief Executive, Money Advice Trust

"There's a lot to get angry about. As I've learned, though, anger is not enough. Active leadership needs to channel that anger and passion."
Jo Williams, CEO, Mencap (2007), *Management Today*

Part Two
Third Sector Governance and Board Structures



Part Two

Third Sector Governance and Board Structures

This section provides a summary of essential knowledge and recent developments in thinking on third sector governance.

2

Third Sector Governance and Board Structures

1. Context developments in the sector's approach to governance

ACEVO's 2003 Governance Inquiry, *Rethinking Governance*, has proved highly influential in changing practice within the sector. Drawing attention to the perceived under-performance of many boards within the sector, it suggested ways in which this issue could be addressed.

Its main findings included:

- One size does not fit all: different governance structures are appropriate in different organisations.
- Board skills, performance and diversity remain major problems for third sector organisations, exacerbated by informal and inward-focused trustee recruitment. For example, skills such as marketing, HR development, IT and fundraising are not present in 50% of boards.
- There is a need for, and drive towards, increased professionalism, which is seen to be compatible with third sector values. Fewer than 10% of board members and 5% of Chairs were appraised, compared to 75% of CEOs.
- Board members should undertake continuous professional development, and there is scope for an (optional) professional qualification.

There was support for the following initiatives:

- A code of good practice on governance (98% CEOs, 95% Chairs).
- Regular review of governance practices by external experts (68% CEOs, 58% Chairs).
- More flexibility with respect to board structures (50% CEOs and 33% Chairs thought that CEOs should be voting board members).

Following the inquiry, ACEVO called for third sector leaders to conduct an audit of their governance structures to see if they are 'fit-for-purpose'. Conducted in accordance with the Code of Good Governance, the audit should consider changes to governing bodies, such as making chief executives voting board members, establishing unitary boards, and trustee remuneration. It should look particularly at establishing open recruitment processes and effective professional development and appraisal for board members.

We also argued that the Charity Commission should adopt a more 'enabling' role, becoming more open to different forms of governance structure. We called on the Commission to publish advice to charities on how they can move to different structures to meet 21st century demands.

ACEVO undertook a similar inquiry in 2007 through a commission chaired by Sir Rodney Brooke, Chair of the General Social Care Council. It showed that although there had been some considerable improvements, more work needed to be done to address the problems raised in the 2003 inquiry.

A review of progress since 2003 shows some impressive changes.

ACEVO and other key organisations published the sector's first Code of Good Governance in 2005. Of those surveyed in the *ACEVO Pay Survey 2010/2011*, 84% were both aware of the Code of Good Governance and implementing it. A refreshed Code was released in Autumn 2010 and is based around six principles of good governance:

1. An effective board will provide good governance and leadership by understanding their role.
2. An effective board will provide good governance and leadership by ensuring delivery of organisational purpose.
3. An effective board will provide good governance and leadership by working effectively both as individuals and as a team.
4. An effective board will provide good governance and leadership by exercising effective control.
5. An effective board will provide good governance and leadership by behaving with integrity.
6. An effective board will provide good governance and leadership by being open and accountable.

- The Charity Commission published *CC11 – Trustee Expenses and Payments* and has updated advice on trustee payment, and the conditions on which it will permit charity executives to sit on boards.
- *Leading the Professions*, ACEVO's governance benchmarking exercise for professional associations, suggested that 50% of such associations are currently reviewing and reforming their governance structures.
- ACEVO's *Guidance on the Legal Status of Charity Chief Executives*, published in 2006, clarified the ambiguous legal position of its members in relation to governance.
- ACEVO's *A CEO's Guide to Board Development*, published in 2007, provided a practical guide for chief executives to encourage board performance in order to improve governance and effectiveness.
- ACEVO's 2010 Taskforce on Regulation called for a change in the regulatory default option on governance to allow charities to determine, adopt and disclose their most appropriate governance structure.
- Through the establishment of ACEVO's Governance Review Service, we have developed a benchmarking data set, summarising the scores and opinions of over 200 trustees that have participated in the review.

  www.acevo.org.uk/Governance/Governance+Review+Service

- A growing number of ACEVO members have successfully sought permission from the Charity Commission to establish a 'unitary' board structure, including senior executives to pay (all or some of) their trustees as well as non-executives.

This concept needs to be analysed as the separate and not necessarily related issues of:

a. Providing compensation where the prospective trustee is unable to afford the indirect expense and time associated with acting as a trustee.

b. Providing compensation to attract greater diversity of perspectives around the board table including from beneficiaries if judged appropriate.

c. Including chief executives and potentially other senior managers on the board to take advantage of their greater knowledge of the organisation.

d. Providing compensation to all or some trustee board members (the Chair or the treasurer perhaps) where some of their service to the organisation goes beyond a purely 'non-executive' role and becomes more time-consuming to involve more public representation of the organisation for example or more detailed involvement in financial management.

e. Providing compensation to trustee board members as a point of principle for acting as trustees in order publicly to value commitment and professional service.

A growing minority of third sector organisations are taking a more professional approach to governance. According to a Charity Commission study in 2005[1]:

- a larger percentage of charities now undertake a skills audit of board members before recruitment (17% compared with 11% in 2001);
- a larger percentage of charities now use job descriptions to attract suitably qualified people (22% compared with 18% in 2001); and
- 22% of all charities surveyed now prepare a trustee job description (2001: 18%). The likelihood of this happening increases with the size of the charity.

Trustee recruiting practice has improved. According to the Charity Commission, in 2005 81% of charities relied on word of mouth recruitment, However, *The ACEVO Pay Survey 2009/10* has shown that only 12.6% of ACEVO members still rely on this method.

There is still much work to be done in other areas:

- Use of formal board appraisal has increased from 25% in *ACEVO's Pay Survey 2003/04* to 44% in *The ACEVO Pay Survey 2009/10.* However, this still suggests that less than half of all charities perform a board appraisal.
- According to the *ACEVO Pay Survey 2010/2011*, 9% are unaware there is a code. Some work needs to be done to ensure that all those in senior positions are aware of the Code and put it into practice.
- The 2007 report recommends that, where applicable, organisations may consider measures to improve governance, such as the payment of trustees, the inclusion of the chief executive on the board and the creation of a 'senior trustee' role. More work needs to be done to promote these ideas.

ACEVO has emphasised the importance of governance and leadership in retaining public trust in charities, and in the third sector as a whole. Sir David Omand chaired a research inquiry[2], which made the following recommendations to third sector CEOs:

1 Charity Commission (2005) *RS10 - Start as you mean to go on: Trustee Recruitment and Induction*

2 ACEVO (2005), *The End of the Affair? Public Trust in the Management of Charities*

Governance and leadership

1. **Plan for the unexpected: talk through the risks you may face in the future, and make sure you have an action plan in place. Ask what keeps your managers or trustees awake at night. You should know how you will respond, and who will lead the initiative. You should consider using the following prompts:**
   a. What actions can others take that will affect us? How should we respond and who is in charge of preparing?
   b. What is our business (e.g. delivering services, campaigning for change, connecting members), and what could go wrong?
   c. What self-imposed risks are we taking on (e.g. staff expansion, new IT system), and how are we managing them?
2. **Ensure that your priorities and strategy protect your independence and closeness to service users and the public, which is crucial in maintaining public confidence in your ability to achieve your mission.**
   a. When working with government, you should seek to ensure that the outputs and performance measures attached to contracts also protect these features. If you are in a position to be selective about your funders, only accept funding from those who support your mission, objectives and strategy. Work hard to maintain the trust of service purchasers and commissioners.
   b. Be transparent about deals done with the private sector, for example in fundraising collaborations or in allowing access to your membership, and make sure the tone and relationship are appropriate to your organisation.
   c. When working with external partners, be bold from the beginning of the negotiation and collaboration about the rules of engagement, and about protecting your organisation's own interests and strengths.[3]
3. **Work closely with your board to ensure that governance structures and practices are fit-for-purpose, ensuring accountability while enabling effective decision-making.**
   a. Trustees may have joined the board because they believe in the cause. Be clear about what good governance means, and about the role of non-executives. The same applies to patrons and presidents: define their role and make sure they are informed and guided.
   b. Seek to establish board development procedures within your organisation, and push for a skills audit where possible. The board should recruit, select, develop and, if necessary, remove trustees in accordance with good practice.
   c. Ensure you have robust procedures and practices in place to improve customer service and respond to any complaints.

3 For more information on how to negotiate effectively, see ACEVO's publication *Win-Win – a guide to negotiation*

2. Defining governance and management

The greatest potential for conflict between executive staff and non-executive board members lies in uncertainty concerning their respective remits. This uncertainty may lead to confusion and poor organisational performance, with roles duplicated or forgotten. It may also result in conflict, particularly between the Chair and CEO.

The respective remits of board members and staff are usually termed 'governance' and 'management'. An extensive literature has developed concerning the distinction between the two. This distinction is briefly summarised overleaf.

'Governance' is usually defined as dealing with the systems and processes that concern the overall direction, oversight, performance and accountability of an organisation. Thus, according to the Charity Commission, board members have "ultimate responsibility for directing the affairs of a charity, and ensuring that it is solvent, well-run, and delivering the charitable outcomes for which it has been set up".

Thus governance embraces the following duties:

- The exercise of accountability to an organisation's key stakeholders
- The delegation of powers downwards through the organisation, usually through the CEO
- The established framework of constraints and incentives to influence working practices within the organisation.[4]

'Management' is then defined in opposition to governance. It concerns the practical, operational, day-to-day activity involved in implementing the higher-level, longer-term decisions of the board.

In the non-profit sector, some organisations use a vision statement to inspire staff and stakeholders, characterising the type of world they are ultimately working towards. This may be helpful, provided it is backed by an achievable statement of purpose.

Definitions of governance and board membership rely heavily on terms such as 'overall' or 'ultimate' responsibility. Further thinking is needed to judge when individual issues that may arise are sufficiently important to constitute governance rather than management. It is not enough simply to state that CEOs are responsible for "day-to-day management of the organisation", and leave them to work out what this means in practice.

The legal term 'material', which identifies those matters which should concern board members, can be roughly translated as 'important' or 'significant'. These should be understood as the decisions that board members should not attempt to delegate, and for which they cannot (legally) delegate their responsibility.

Organisations should formalise a general statement of the types of decision requiring board consideration, or "matters reserved to the board". In addition, they should develop an understanding of the relative importance of decisions, so that they are able to determine whether one should be referred to the board.

4 Paddy Fitzgerald, (2002), *Corporate governance in the public and voluntary sectors*, RSA

A working definition of 'significance' may also prove useful. This could be defined with reference to the risks involved, in legal, financial, and reputational terms. Organisations often term relevant decisions as being of 'strategic importance'.

Decisions which are not of strategic importance are properly delegated to management, through the CEO. It is therefore crucial that the CEO has a clear understanding of the extent of delegated authority they are granted by the board. This should be understood by the board and formally recorded, for example in the CEO's job description.

Governance can also be distinguished from management by reference to the type of skills it requires. Governance is a more reflective and intellectual activity than management. Its aim is to provide effective leadership by showing an organisation the way forward. It therefore demands a more far-sighted, and less 'hands-on' approach than management.

In general, company directors have only recently begun to recognise directorship as a separate activity from management, requiring a distinct skill set.

Bob Garratt, a corporate governance expert, and author of ACEVO's board appraisal guide, commented in 2003:

> *"The problem is that virtually all the boards I have seen… do not see directing as a 'proper job'. It is often seen as an add-on luxury to be fitted in after the real work of managing is done, or as the reward for a long and successful executive career. The idea that this is a new and different career step for which they need to retrain rarely occurs to them."* [5]

Garratt suggests that the non-profit sector is also susceptible to complacency over the governance role:

> *"The corporate governance of NGOs is a hot topic at present. I have worked with some of them on this very issue and have come away disappointed by their innate conservatism and short-sighted need to keep a firm grip on the levers of existing organisational power. The corporate governance values of accountability, probity and transparency are not yet well developed in many NGOs, but need to be if they are to maintain their own long term reputations."* [6]

Organisations should ensure that a skills-based approach pervades all aspects of their governance. The recruitment, selection, induction, development and appraisal of board members should focus closely on the skills and competencies required by effective board members.

The legal duties of board members constitute one basic expression of their governance responsibilities. The Charity Commission divides these duties into three categories: *Compliance*, *Prudence* and *Care*.

5 Garratt (2003a), p.3
6 Garratt (2003b)

- **Compliance** covers board members' duty to act with integrity in ensuring the charity conforms to relevant laws and regulations, and its own governing document, remaining true to the purposes for which it was established.
- **Prudence** concerns board members' financial responsibilities, ensuring that the charity remains solvent, that funds are properly used, and that proper care is taken in managing financial risks.
- **Care** involves board members' duty to use reasonable care and skill in their work, and to consider getting professional advice on matters that involve material risk, or where they may be in breach of their duties.

Legal definitions of governance tend to emphasis the 'negative' aspects of governance: those that require a cautious approach to managing major risks and avoiding wrong doing. However, governance also involves more 'positive' responsibilities: driving the organisation forward in the right direction, as well as preventing it from making major mistakes as emphasised in ACEVO's *Taskforce on Regulation*.

This positive role is often termed 'performance', as opposed to the more negative duties of 'conformance'. As a minimum, the performance role should include:

- Ensuring the organisation has a clear, ambitious and achievable statement of vision or purpose
- Ensuring the vitality and long-term well-being of the organisation, as well as its solvency
- Agreeing a strategic plan for the organisation, and holding the executive to account for its delivery.

The Institute of Directors characterises the balance between performance and conformance as a dilemma for company directors: "The board must simultaneously be entrepreneurial and drive the business forward whilst keeping it under prudent control."[7]

Reflecting this dilemma, there are two opposing philosophies of governance reform:

- Improving performance by facilitating dynamism and entrepreneurship, and
- Demonstrating more secure accountability through enhanced regulation and legislation.

7 IoD, *Standards for the Board*

3. Board performance: creating a learning culture

The Code of Good Governance stresses the importance of board development and performance improvement.

ACEVO members report frequent difficulties in working with their boards. Such difficulties often concern a low level of performance.

According to a recent ACEVO survey, only 40% of ACEVO members could agree with the proposition "My board is highly effective in developing and reviewing our strategy".

As a result, many have expressed concern that stakeholder demands for greater accountability through regulation and legislation may undermine the flexibility and independence that are vital to the performance of third sector organisations.

Creating a strong culture of board performance improvement poses particular challenges in third sector organisations. The following factors may go some way to explaining this difficulty:

- Most third sector trustee boards meet relatively infrequently, typically four times per year. This can mean board members devote relatively little time to governance, and are resistant to the considerable extra effort that performance improvement may involve.
- Many board members regard their (unpaid) board memberships as a 'gift of time', and undertake it – at least in part – for altruistic reasons. Boards may show a corresponding reluctance to 'look the gift horse in the mouth' by reviewing board performance and encouraging board development.
- NPC's 2009 report *Board Matters* finds that almost half of charity trustees are 60 or over (in comparison to the 2001 census which suggests the over 60s comprise a fifth of the population). They may feel that their experience adequately qualifies them for board membership, and therefore be offended by development plans that appear to question this qualification.
- 81% of board members are recruited through personal recommendation or word of mouth. This can create a 'club' culture characterised by friendship, which does not fit well with performance improvement.

Board cultures vary between organisations, and have marked effects on levels of board performance. The following matrix illustrates four types of culture prevalent in the third sector:

Trust culture	Membership culture
Run by unpaid board members with shared accountability and a focus on beneficiary benefit.	Under membership control through elected Governing Bodies.
Stakeholder culture	**Strategic culture**
Fluid, consensus-building, non-bureaucratic, providing services to empower all stakeholders.	Adoption of private sector models, concentrating power in the board and chief executive, focused on strategic direction.

Organisations cannot take for granted a commitment to board development, and may have to work hard to create one. The key steps in creating such a commitment are as follows:

- Securing buy-in from the Chair and CEO, either directly or via members or stakeholders.
- Securing buy-in from the remaining board members, often by appointing a sub-committee to review the organisation's governance in general.
- Undertaking a board review, in which board members provide anonymous feedback for collation, identifying board strengths and weaknesses.
- Drawing up a board development plan to address the weaknesses identified as high-priority.
- Placing ongoing board development within the organisation's context, for example as part of a goal to become a 'learning organisation'.

To gain the confidence of all board members, the process of board review should:

- Engage all board members.
- Promote robust and impartial feedback on a confidential basis.
- Use external standards and/or expertise to promote objectivity[8].
- Not take too much time.

Boards should pay particular attention to the process of induction for new board members. Boards will only become cohesive teams if new members are made to feel welcomed, valued, and included. Board performance demands that new members become useful and integrated in the shortest possible time.

An induction process should have two objectives:

- To give the board member a more detailed knowledge of the organisation.
- To ensure that the board member fully understands their governance role.

The key elements of an induction programme include:

- Holding (separate) meetings with the Chair, the other board members, the CEO, and other key members of staff.
- Visiting the organisation's head office and other key sites.
- Participating in conferences or fundraising events organised by the organisation.
- Reading specified documents on governance.
- Reading the organisation's governing document, strategic plan, policies, and other key documents.
- Undertaking training to begin the process of continuing professional development.

8 See the Tools under further reading for sample board review questions.

ACEVO's Governance Review Service

ACEVO has developed a Governance Review Service for third sector boards. The Governance Review Service assesses a board's performance against the Code of Good Governance. The service is comprised of an initial consultation, an online assessment and a practical feedback session, providing full anonymous, qualitative and quantitative reports on each session.

A benchmarking document is also available which allows the board to benchmark their performance against 200 other trustees. Best practice recommends that boards undertake a review every three years.

To find out more about this service please visit the ACEVO website www.acevo.org.uk or call 020 7014 4600.

4. Board structures

There is much debate concerning the appropriate level of executive involvement in governance. At the most basic level, this relates to the structure of organisational boards.

Thought on board structures is sometimes dismissed on the grounds that people are more important: the right individuals can make most structures work. However, as Cadbury notes[9] this does not imply that structures are unimportant: the best possible structure makes it as easy as possible for those involved to undertake the roles and tasks they are assigned.

Board structures fall into four categories:

- **The wholly executive board** is found most often in small commercial companies. For obvious reasons, such boards usually struggle to offer any independent scrutiny of executive decisions. Such boards are rarely found in the non-profit sector, and it is unlikely that the Charity Commission would permit such a structure for registered charities.
- **The two-tier board**, found in parts of Europe, comprises a 'supervisory board' to represent stakeholder interests, and an 'operational board' to drive the organisation's performance. Some charity boards may in practice resemble this structure, delegating operational decisions to a 'senior management team'. However, a genuine operational board, unlike a senior management team, has a legally recognised governance role.
- **The unitary board**, the classic model for business in the UK and Commonwealth countries, includes both executive and non-executive directors, with equal legal status. Despite the ambiguity concerning executive directors' roles, this model is recommended by many experts on corporate governance. The structure embodies the tension between conformance and performance. If working properly, it can combine executives' detailed knowledge of the business with the more detached scrutiny of non-executives.
- **The wholly non-executive board**, found commonly in commercial companies based in the USA as well as in the British third sector. Third sector board members are usually, but not always, unpaid.

Amongst ACEVO members, opinions on board structures are divided. Our 2003 survey suggested that 50% believe they should have full legal status as a trustee, and 20% believe that other executive directors should also be members of the board.

Some third sector organisations have recently moved to unitary boards, including paid executives as board members alongside the unpaid non-executives. They argue that such a move reflects the reality of charity governance, in which executives must take on significant responsibilities, and that the model helps to engage board members more closely in the direction of the organisation. For registered charities, such a move requires legal authority from the charity's constitution, the Charities Act 2006 or the Charity

9 Cadbury 1990, p.106

Commission. However, according to the 2007 governance inquiry, only 4.3% of ACEVO members are aware that permission from the Commission is a possibility.

Others have decided to remain with wholly non-executive boards. They argue that this structure best embodies the voluntary spirit of the sector, and helps to maintain a clear separation of executive and non-executive roles. As a matter of good practice, they usually seek to involve the CEO and other senior executives in board discussions. The 2008 research 'Trustee Leadership of the Top 100 Charities' found that 12 of the top 100 charities included at least one executive on the board. *The ACEVO Pay Survey 2009/10* found almost half of our members attend board meetings but are not trustees, with a further 23% being a full board member.

Recognising that no one model will be perfect for every organisation, ACEVO has recommended that its members conduct an audit of their governance arrangements, which should include an examination of governance structures as well as good practice.

The following table summarises some potential aspects of wholly non-executive and unitary boards that they may wish to consider:

Unitary board	Wholly non-executive board
This structure can deliver: • Improved board information, leading to greater non-executive knowledge of the organisation's activities. • Greater board focus on performance. • More relationship-building between executives and non-executives. • Greater CEO ownership and ultimate accountability for board decisions.	This structure can provide: • Clear differentiation of executive and non-executive roles. • Greater board focus on conformance. • Visible board independence from operational decisions.
But: • Executives may struggle to combine governance and management roles. • Stakeholders may consider the board to be insufficiently 'independent'.	But: • The CEO may exercise excessive control over board information. • Non-executives may become detached from operations, weakening the board. • CEO may wield excessive power, without ultimate accountability. • CEO can become distanced from board decisions, and lack ownership.

5. Board and CEO

Where the board of an organisation has appointed a CEO, the board members act collectively as the 'line managers' of the CEO. In practice, particular aspects of the role may be delegated to the Chair, or a sub-committee of the board. These tasks include:

• Defining the CEO's role, through a written job description.

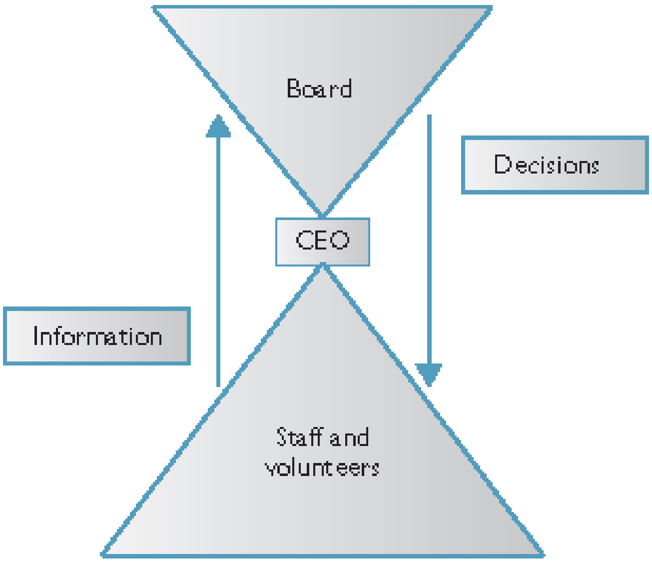
• Overseeing the recruitment process for the new CEO.

• Deciding the level of remuneration for the post.

• Facilitating the professional development and appraisal of the CEO.

• If necessary, acting as the disciplinary body for matters concerning the CEO.

It is worth noting that the CEO is the pivotal point on which organisational governance depends, whether or not they are a full member of the board.



The CEO has lead, and on occasions sole, responsibility for the flow of information up to the board, and the communication of decisions downward through the organisation.

This position places considerable pressure, and confers considerable power, on the role of the CEO. It is therefore particularly important to develop a clear understanding of the CEO's role and remit, and to ensure that the CEO has access to relevant peer support and continuing professional development.

Regardless of the particular structure used by a third sector organisation, the CEO has a central and crucial role in governance. The CEO shares responsibility with the Chair for enabling effective governance, with particular reference to the interaction between the board and the rest of the organisation. These two crucial roles are explored in more detail in the next section, *The Chair and the CEO*.

Further information

Guidance: Guidance: The Voluntary and Community Code of Good Governance. www.acevo.org.uk/Governance

Guidance: Charity Commission Guidance on Trustee Expenses and Payments. www.charitycommission.gov.uk

Tools: Sample board review questions for third sector organisations, based on the Code of Good Governance.

Tools: Sample skills assessment questions for board members.

Case study: Matters reserved to the board.

Case study: St Andrew's Healthcare – an example of a completely unitary board.

Case study: Anchor Trust – an example of an organisation paying all of their trustees.

Purchase: ACEVO's *A CEO's Guide to Board Development* – www.acevo.org.uk/publications

Download

Tools: Sample board review questions for third sector organisations, based on the Code of Good Governance

How effectively do board members individually and collectively…

1. Understand their role

a. Demonstrate and understand their legal duties.

b. Take a considered, proportionate and balanced approach to risk management.

c. Demonstrate a clear understanding of which matters are strategic and which are operational in relation to board oversight of the organisation.

d. Ensure the independence of board decision making.

2. Ensure delivery of organisational purpose

a. Ensure that all activities, services and functions match the objects of the organisation as stated in the governing documents.

b. Assess and review service provision against relevant comparators.

c. Remain alert to external or environmental factors which could cause a material change to the way the organisation operates or the services it delivers.

d. Measure outcomes and assess the organisation's impact.

3. Work effectively both as individuals and as a team

a. Ensure they have the requisite mix of knowledge, skills and experience relevant for the organisation's circumstances and needs.

b. Demonstrate they embody diversity in its widest sense.

c. Demonstrate their strategy for board renewal induction and review is fit for purpose.

4. Exercise effective control

a. Ensure the organisation understands and complies with all applicable legal and regulatory requirements.

b. Review the range and impacts of the organisation's risks and controls.

c. Allow the proper exercise of delegated authority whilst retaining ultimate responsibility for decisions and actions taken.

5. Behave with integrity

a. Ensure all conflicts of interest and conflicts of loyalty are identified and managed in accordance with provisions in the governing document and any applicable legislation.

b. Ensure that the board always takes decisions in the best interests of the organisation's beneficiaries.

6. Exercise openness and accountability

a. Demonstrate they comply with all equality legislation.

b. Identify and communicate with all those with the legitimate interest with the organisation's work.

c. Demonstrate they learn from mistakes and ensure they can be held accountable.

d. Recognise and act on broader organisational responsibilities towards communities, wider society and the environment.

Download

Tools: Sample skills assessment questions for board members

In your own opinion, to what extent do you possess the following personal attributes or skills?

Personal attributes

- Active listening.
- An eye for detail.
- Commercial acumen.
- Decisiveness.
- Empathy.
- Integrity and honesty.
- Insight and judgment.
- Creativity and vision.
- Analysis and problem solving.
- Knowledge and sensitivity to broader community and sector issues.
- Ability to challenge and ask the 'hard questions'.

General skills

- Providing effective strategic leadership.
- Chairmanship.
- Working and communicating within a team.
- Governance and compliance.
- Financial and business skills.
- People management and diversity.
- Understanding of the organisation's operating environment.

Specific skills

- Fundraising.
- Human resources.
- Legal expertise.
- Political expertise.
- Knowledge of the organisation's beneficiaries and users, and of their needs and aspirations.
- Information and communications technology.
- Public relations and the media.

Case study: Matters reserved to the board

The following statement is drawn from a medium-sized organisation, with a well-established staff team.

The board must:

"take ultimate responsibility for directing the organisation's affairs, and [ensure] that it is solvent, well-run, and delivering the charitable outcomes for which it has been set up."[10]

The board's key functions, which cannot be delegated, are as follows:

Developing strategy

- Agreeing the organisation's vision, values and strategic plan.
- Approving, through the budget, the allocation of resources to achieve the objectives set out in the strategic plan.
- Agreeing or ratifying all policies and decisions on matters that might create significant risk to the organisation, financial or otherwise.

Monitoring implementation

- Setting and maintaining a framework of delegation, performance monitoring and internal controls.
- Approving the appointment, employment and remuneration of the organisation's chief executive.

Compliance

- Ensuring compliance with the organisation's objects, purposes and values, in accordance with its governing document.
- Ensuring that the organisation complies with all relevant laws and regulatory requirements.

10 Charity Commission CC3, *The Essential Trustee*

Case study: An example of a completely unitary board

(St Andrew's Healthcare)

St Andrew's is the UK's largest not-for-profit mental health care charity. They offer men, women, adolescents and older people specialist services across mental health care, learning disability, acquired brain injury and progressive and neurodegenerative conditions.

In 2004, St Andrew's realised a requirement for a more efficient approach to the organisation's governance in order to compete successfully for business with private organisations. They decided that the best way to promote organisational effectiveness was to have a unitary (business) board bringing together the non-executives and executive management. This was part of a wider organisational change as St Andrew's was also seeking to restructure as a registered charity. They engaged with the Charity Commission in articulating these changes and carefully worked through the practical complexities of their expression. A key aspect in succeeding with the unitary board was St Andrew's commitment to the Combined Code.

The unitary board now comprises five unpaid trustees (including the non-executive Chair and Vice-Chair) sitting alongside the five senior executives (CEO/Medical Director, Director of Nursing, Director of Finance, Director of Development and the Head of Legal/General Counsel).

St Andrew's has found this structure to be very effective in driving the ethos of a business culture – faster decisions, clearer strategic thinking and an increased success in the market place - throughout the organisation whilst retaining its base mission and values.

As Professor Philip Sugarman, CEO and Medical Director of St Andrew's, stated, "In short, St Andrew's has been very successful since the unitary board came into being, thriving despite commercial competitors, developing innovative services no-one else offers, and nearly doubling the number of service users we help. The board upholds the principle of voluntarism, brings in great business expertise, and allows quick and effective decisions closely involving the charity's staff. The charity's impact on public benefit has never been stronger."

From ACEVO's *Taskforce on Regulation Report – Public Impact Centred Regulation for Charities* (2010).

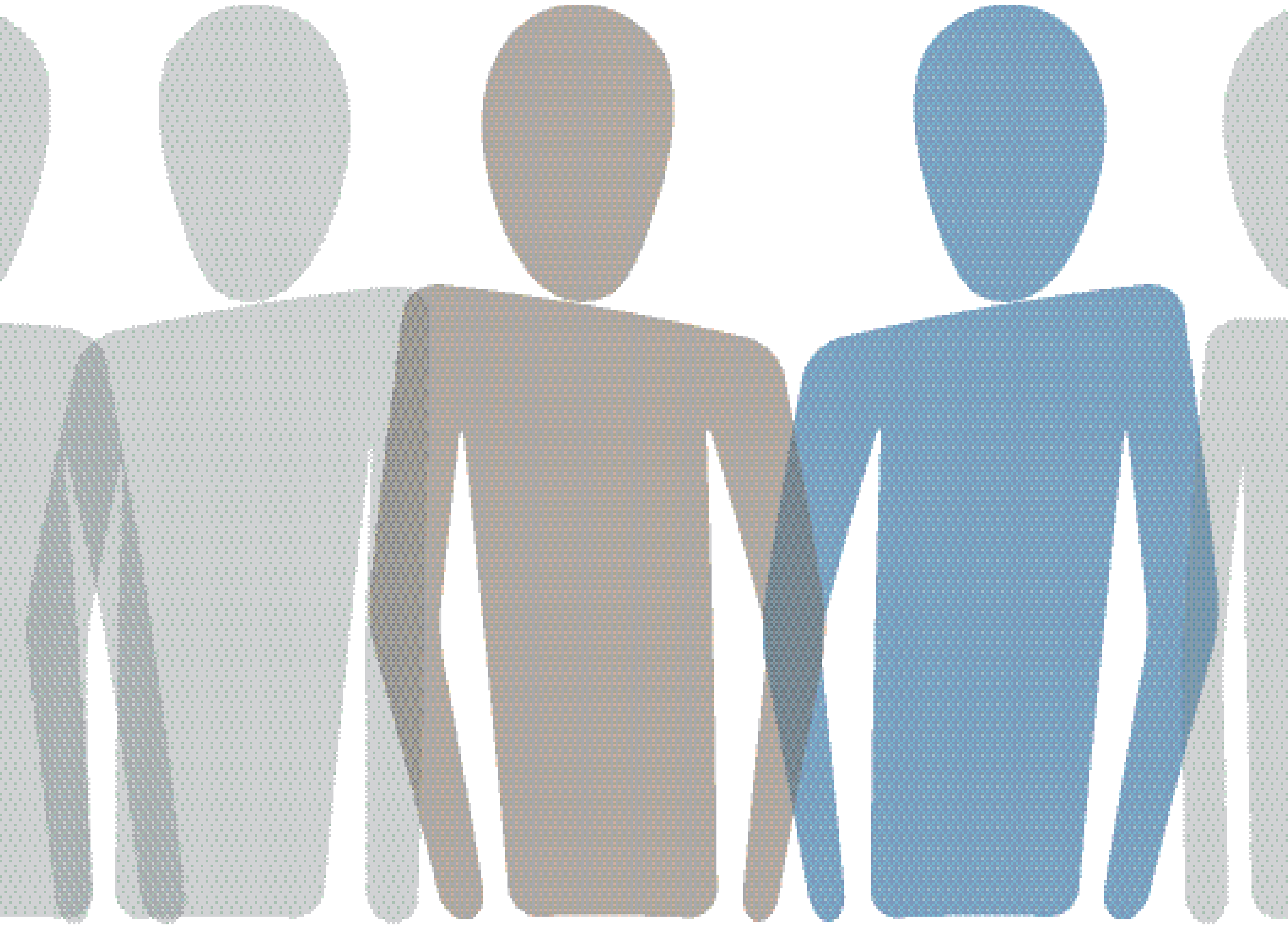
Case study: An example of an organisation paying all of their trustees

(Anchor Trust)

Anchor Trust describes itself as England's largest not-for-profit provider of housing, care and lifestyle options, with the aim of improving the lives of older people. It has an annual turnover of £247.4 million and is a Registered Social Landlord. In 2003 the Charity Commission authorised the remuneration of all of Anchor's trustees. The level of remuneration is in line with the levels determined by the Housing Corporation. Jane Ashcroft, Managing Director for Care Services, explained that Anchor Trust had taken the decision to pay its trustees to attract experienced non-executive directors and to recognise the scale of the responsibility of being trustee of such a large and complex organisation. They have received excellent responses in recruitment campaigns and the trustee board scored highly in an independent review of their effectiveness, carried out by ICSA. In addition, they have found that paying trustees has led to improved attendance.

Taken from www.charity-commission.gov.uk

Part Three
The Chair and the CEO



Part Three

The Chair and the CEO

This section focuses on building an effective working relationship between the Chair and the CEO.

3

The Chair and the CEO

1. Importance of the relationship

The quality of relationship between Chair and CEO reflects, in microcosm, the quality of governance within an organisation. It is a fundamental building block on which an organisation's governance structures and practices rest. The relationship is particularly crucial for every organisation because the Chair and CEO of an organisation occupy important leadership roles. Their effectiveness in these roles is heavily affected by the quality of relationship between the two.

- The Chair supports the CEO and activities of the CEO in their role.
- The Chair is responsible for leading board members in fulfilling their governance role.
- The CEO leads the staff and volunteers, with particular emphasis on the senior management team, if one exists.
- The Chair and CEO work as a team to provide leadership for the organisation as a whole, with respect to both internal and external affairs.
- Board members may feel they have to 'tiptoe' around a poor relationship between the Chair and CEO, limiting their ability to contribute fully to board decision-making, and compromising the quality of board scrutiny with respect to the organisation's work.
- Where disagreements between Chair and CEO persist, board members may feel forced to, or appear to, take sides, leading to the breakdown of other relationships between board members and the CEO.
- With no peers internal to the organisation, the CEO tends to rely on the Chair as a regular source of advice and support. A poor relationship will make the CEO feel under-supported and isolated, damaging their performance.
- In many organisations, the Chair and CEO both act as ambassadors for the organisation, meaning that the quality of their relationship may be obvious to the organisation's key stakeholders, damaging its reputation.

The majority of calls to ACEVO's helpline for CEOs in crisis concern situations where the relationship between Chair and CEO is breaking down or has already done so. In extreme situations, the Chair and CEO no longer operate as a team, and each regards the other with growing suspicion and distrust. Communication between the two is increasingly acrimonious, making the conduct of board business extremely difficult.

Martin Farrell, who runs the helpline with Lois Graessle, says that the Chair/CEO relationship is always at the centre of the problems:

"My first question is always about the CEO's relationship with the Chair. If it really is solid and sound, then it's unlikely that any irresolvable difficulties will have arisen. Even where the relationship is healthy, the crisis challenges it profoundly and may well sour it. For example, the Chair will feel compelled to side with the board (or a faction of it) in taking a view on the CEO's performance.

"Of all the situations we've advised on, none needed to happen. Every crisis could have been averted or resolved internally through timely communication and sensible, structured discussions."

Some of these situations can be salvaged, but often end with the resignation of one or both parties. More often than not the CEO ends up leaving the organisation. On occasions the Chair steps down or other changes are made, accepting the need for the CEO to take the organisation in a new direction. Such disruption can be damaging for the individuals and organisation involved, but may be necessary for the future of the organisation.

On other occasions, both Chair and CEO are able to unite around a shared cause or common endeavour, and repair the relationship. Often this involves getting new people on the board in order to reform its make up and approach, rather than merely focusing on the Chair and CEO. The use of mediators or mentors often plays an important part in building shared commitment.

During the recession, ACEVO saw a dramatic rise in members calling the CEO in Crisis helpline. It is during these tough times that the relationship between chief executive and Chair is truly tested especially if an organisation faces a financial crisis. In these circumstances, good relationships could turn sour quickly as the board rightly or wrongly looks for someone to blame, usually the CEO. These times can also act as an excuse for a Chair to begin proceedings against a CEO simply because of a difference in views, opinions or personalities.

In 2007, ACEVO surveyed over 400 of its members, and asked about the quality of CEO's relationship with their Chair.

- 83% said the relationship was good or very good.
- 12% said their relationship was neither good nor bad.
- 5% said it was bad or very bad.

These representative findings suggest that out of ACEVO's membership base of nearly 2,000 members over 300 should pay attention to improving their relationship with their Chair. Of these, at least 90 should make it a matter of urgency and high priority.

2. The relationship in context

The roles of Chair and CEO, and the relationship between the two of them, should be considered in the context of the organisation as a whole. Flaws and ambiguities in the organisation's governance structure and practices will manifest themselves in the Chair/ CEO relationship, and vice versa.

For example, where an organisation's board has a poor understanding of the distinction between governance and management, and a dominant Chair, the Chair is likely to encroach actively on the management responsibilities of the CEO.

In contrast, where an organisation has a weak or inactive Chair, who is unable to lead the board, the CEO is likely to take on a growing role in directing the governance of the organisation. In organisations where the CEO is not a full board member, they may nevertheless find that they are operating as one.

The relationship between structural and personal factors poses a dilemma for the leaders of third sector organisations. They may feel unable to address deep-rooted governance problems without a strong working relationship. They may also feel that it will be difficult to improve their relationship while more significant organisational problems persist.

Since the Chair and CEO are most able to resolve governance problems as a team, it is often advisable for them to work on their own relationship before tackling other issues. In so doing, they should first seek to develop a sound understanding of good governance practice. Such an understanding will guide them in clarifying their roles, improving their relationship and resolving any disputes.

Debby Ounsted, Chair of the Joseph Rowntree Foundation, says:

"It's crucial to invest time, thought and energy in the relationship between Chair and CEO. It needs hard, honest work – this can be difficult but it is absolutely necessary."

3. The Chair's role: first among equals

The role of a Chair is often poorly understood by those working in third sector organisations, including – in some cases – by the Chairs themselves. A solid understanding of this role is a prerequisite for a constructive Chair/CEO relationship, and therefore a useful place to begin.

The quality of board leadership provided by the Chair is the single most important factor in determining board effectiveness. Sir Adrian Cadbury, a founding father of corporate governance, compares the Chair's role to that of an orchestra's conductor.[11] The Chair must encourage all board members to contribute to the debate, while keeping it constructive and tightly focused.

Lechem suggests that "The Chairman should be part visionary, part consensus builder, but most important a leader". At board meetings, for instance, the Chair should provide and establish a leadership style, structure the agenda to reflect priorities, and control the balance of discussion.[12]

Every Chair should bear in mind Sir Adrian Cadbury's remark that "The role of the Chairman is a personal one. It will vary with individual Chairmen, with the boards for which they are responsible, with their chief executives… and with their companies."[13] He emphasises that it should be the role that makes the most of the Chair's own abilities and those of their board.

Moreover, the role of Chair must respond, adapt and evolve in relation to the board. The Chair's responsibility is to provide the form of leadership that will make the biggest contribution to board effectiveness. As the team evolves and develops, so must the Chair.

The Chair is typically the Chair of the board, or of the board members, rather than the organisation as whole. The Chair is appointed by the board members from among their own number, to serve a term determined by them, in accordance with the organisation's governing document.

In company law and charity law, the Chair of a board has no particular status beyond that of a board member. For this reason, the Chair is sometimes described as "first among equals". The only special powers, responsibilities or duties possessed by the Chair are those delegated by the board, whether in the organisation's governing document, some other written document, or in the course of a board meeting. The Chair should recognise that his or her responsibilities as Chair must be exercised in addition to, not in place of, the responsibilities common to all board members.

The board retains ultimate responsibility, including legal responsibility, for the actions taken on its behalf by the Chair. For clarity, the extent of delegated authority to the Chair should be formalised in a written role description, and monitored by the board.

Challenging the Chair: the role of the senior independent trustee

The board should contain individuals with the understanding and confidence to talk openly to the Chair about his or her own performance as Chair. The commercial sector has formalised this requirement by recommending the identification of a "senior non-

11 Sir Adrian Cadbury, (2002), *Corporate Governance and Chairmanship: A Personal View*, OUP

12 Lechem, (2002), *Chairman of the Board*, p.8, Wiley

13 Sir Adrian Cadbury, (2002) p.101

executive director". These nominees are available to shareholders if they have concerns that contact through the normal channels has been unable to resolve.

> *"The Higgs review builds on the view expressed in Hampel and codified in the Combined Code that a senior non-executive director should be identified in the annual report. The Senior Independent Director (SID) should be available to shareholders, if they have a concern that contact through the normal channels of chairman, chief executive and finance director has failed to resolve or where such contact is inappropriate."*
>
> *"To be in a position to undertake this role, the SID should attend 'sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns. The chairman should ensure that the views of shareholders are communicated to the board as a whole'. It must be emphasised that these are meetings that management would have as part of their normal Investor Relations programme, they are not special events or one to one meetings with the institution and SID, unless the shareholder has raised a concern with the SID that has not been dealt with in the normal manner."*
>
> *"Under the revised Code the SID should also lead a meeting of the non-executive directors at least once a year, without the chairman present, to appraise the chairman's performance and on such other occasions as are deemed appropriate."*[14]

Jeremy Swain, CEO of Thames Reach, suggests that charities should nominate a "senior independent trustee" to act as a focal point for the concerns of board members and other stakeholders that cannot be resolved through the Chair and CEO:

"Whilst it is important that the Chair and CEO relationship is effective, friendly and mutually supportive it mustn't be perceived as impenetrably exclusive and lead to other board members feeling disregarded or ostracised. A relationship of this type can block other board members from holding the CEO to account. As a safeguard, boards and the senior team need other ways of raising issues concerning the performance or behaviour of the Chair or CEO, such as through an SID who is formally vested with this responsibility."

Boards look to the Chair to provide a focal point for board leadership and management. The basics of the Chair's role therefore concern the effective direction and supervision of the board's business.

14 CSA Guidance Note, *The Roles of the Chairman, Chief Executive and Senior Independent Director under the Combined Code*

In supervising board meetings and business, the Chair should consider the following principles:

- Meetings, including strategic away-days, should take place regularly.
- The agenda should balance long-term strategic issues against shorter-term performance.
- All board members should have the opportunity to put items on the agenda.
- The CEO should have an opportunity at each meeting to update the board on the organisation's activity.
- Agenda items should be supported by concise, informative papers with clear recommendations, distributed in good time.
- Board members should come to all meetings well prepared.
- All board members should feel able to contribute at meetings and should do so.
- Contributions should be constructive in tone, rather than seeming to be an attack on management.
- High levels of attendance should be expected and achieved.
- Major decisions should only be taken after a full discussion at board meetings.
- Where necessary, votes of the board should be conducted properly and all decisions should be formally minuted.

It is the responsibility of the Chair to ensure that all decisions are made by the appropriate authority and at appropriate times – and to ensure that it is understood that decisions made outside those boundaries are not binding. Problems can arise when:

- Trustee decisions are not clear (so are open to differing interpretations).
- Individual board members dissent from decisions that have been made **or**
- Individual board members or sub-committees of board members make decisions which should be taken by the board members as a whole.

Following discussion and decision-making, board members need to speak with one clear voice. Those who strongly disagree with a particular board decision may ask to have their objection minuted. A trustee who regularly and strongly disagrees with board decisions should consider resigning.

In managing the business of the board, the Chair should be able to count on the support and assistance of the CEO, company secretary, and, in organisations able to provide it, a degree of administrative support.

No Chair is wholly non-executive, where 'executive' implies having the executive authority to put decisions into effect. However, this does not imply that departments of the organisation should report to the Chair.

Hugh Parker, in his influential *Letters to a New Chairman*, suggests that a Chair, "will need some high quality staff to back you up, e.g. to provide you with legal, financial, corporate planning, PR and perhaps other functional support – and therefore these corporate staff units should almost certainly report directly to you."

However, this approach has become increasingly unpopular, due to its tendency to divide and confuse line management, and undermine the CEO. Even in organisations where the board is exceptionally well resourced, this support should not undermine the CEO's line management structures.

The Chair should pay particular attention to those aspects of the board role that involve delegation, and holding to account:

- Monitoring the implementation of decisions taken at meetings by the CEO and executive team.
- Monitoring the authority delegated to the CEO, sub-committees, and any other agents of the board.

In exercising leadership of the board, the Chair should seek to promote its long-term effectiveness, as well as its short-term efficiency. This will involve:

- Ensuring that board appraisal and development takes place.
- Ensuring that individual board members receive adequate induction and development on joining the board.
- Monitoring the board mix of skills, experience and diversity, and seeking to address gaps through board recruitment and renewal.

In most organisations, the Chair of the board takes on additional duties connected to board leadership. Working in partnership with the CEO, the Chair may:

- Help him or her to deliver the mission of the organisation.
- Optimise the relationship between the board and staff/volunteers.
- Take a leadership role in promoting the organisation, representing the organisation to its external stakeholders.

The Chair should also take responsibility for liaising with the CEO between board meetings, ensuring that the CEO is able to talk regularly, whether at a formal or informal level, with the leader of the board. The responsibility for liaison with the CEO between board meetings fits well with the Chair's leadership role in 'line-managing' the CEO on behalf of the board.

In general, the boards of third sector organisations do not meet very often, making this activity a particularly important part of the Chair's role. Liaison with the CEO between board meetings can, and should, occupy a considerable part of the Chair's time commitment to the organisation.

Chairs in the third sector take a wide variety of approaches to action between board meetings. Some are as powerful and authoritative as any Chair in the commercial sector, particularly if they were the founder of the organisation. Others are far more timid about making decisions without the full and explicit consent of the other board members.

Chairs need to earn the confidence of board members to take things forward between meetings, rather than demanding or avoiding it.

Chairs should take care not to develop too close a relationship with the CEO. This can lead to board members feeling that decisions are taken by a team of two, outside the board meetings, rather than by the board as a whole. It can also limit the Chair's ability to hold the CEO properly to account.

4. Governance: the Chair's domain?

At the most basic level, the Chair and CEO typically have different modes of interacting with the organisation. CEOs usually work full-time and are paid, while third sector Chairs in general work part-time and are unpaid.

They have contrasted management, which concerns planning, organising, controlling and monitoring, with leadership, which focuses instead on setting direction, garnering support, and inspiring followers. Many people naturally assume that the Chair's province is the latter, while the CEO's role concerns the former.

In fact, both CEO and Chair roles combine leadership and management responsibilities. The Chair leads the board and manages its business, while providing an element of leadership for the organisation as a whole. The CEO provides assistance for the Chair in relation to the board, while focusing primarily on the leadership and management of the organisation as a whole.

As Adrian Cadbury puts it:

"The Chairman is in charge of the board and all its works, and the chief executive is responsible for everything outside the board." [15]

However, effective governance is a concern of the CEO as well as the Chair, to the extent that it will have an impact on the effectiveness of the organisation as a whole. This provides the rationale for a CEO in helping a Chair to drive and support effective governance, while recognising that the board remains primarily the domain of the Chair.

These considerations emphasise the importance of Chair recruitment and selection, an issue to which third sector organisations are devoting increasing time and thought.

John Low, CEO, Charities Aid Foundation and previous ACEVO Chair, says:

"The third sector places great emphasis on recruiting first class CEOs but it needs to do better at recruiting quality Chairs. The combination can be a powerful force for good and truly transformational."

In particular, interpersonal and communication skills are supremely important in an incoming Chair. Cadbury points out that:

"Joining a chief executive who is in place and who perforce will be the new Chairman's main source of information and understanding, will call for commitment to making the partnership work… and sensitivity over how to do so." [16]

Elizabeth Balgobin, CEO, London Voluntary Service Council, highlights the need for CEOs to recognise the natural nervousness of incoming Chairs, and the need for CEOs to manage their induction effectively:

"If the Chair is new, they may well be nervous. In particular, they may wonder if you accept their presence and will support them, or are already looking for ways to sideline them. For this reason, good induction is crucial for new Chairs."

15 Cadbury (2002), p.117
16 Cadbury (2002), p.117

Internal candidates have the advantage of a basic working knowledge of the organisation and its people; their appointment sends a positive message to the board. CEOs will know their other board members and so can form an opinion over how well they could work with one of them as Chair.

Cadbury recommends that boards should aim to have at least two potential successors to the Chair. He has found no problems in signalling to a new director that you have them in mind for Chair, though you cannot make a commitment. For obvious reasons, Chairs should be wary of suggesting this to more than one candidate.

External candidates may find it easier to signal and initiate a change of direction; their appointment may send a positive message to the organisation's stakeholders. The board should aim to select a candidate who will complement and add value to the CEO, rather than clashing with them. It is therefore good practice to involve the CEO in the recruitment process for a new Chair and other board members. They should have an input to the decision, but not the responsibility for making it.

The board should not focus solely on personal chemistry when selecting a new Chair. Such chemistry is a short-term consideration, and may not prove sufficient to deliver tangible results.

Executive recruiters

Michael Naufal, a Partner at Ray and Berndtson, points out:

"There is no doubt that having a Chair and CEO with compatible personalities is helpful. However, for a number of reasons, it should not be the only consideration when selecting a new Chair or CEO. A comfortable Chair-CEO relationship does not necessarily produce value; it is important that this relationship delivers measurable results. In addition, because a CEO will have to deal not only with the current Chair but also with future Chairs, Chair-CEO chemistry will likely be short-lived. A selection committee should therefore apply real rigour while a candidate gets along with his or her current potential partner."

David Fielding MBE, Director, Executive Search and Selection Practice, Tribal says:

"Over the years, I have had the pleasure of supporting numerous Charity boards recruit high calibre diverse Chairs and Trustees. The likes of Action for Children, SCOPE, The Scout Association and FutureBuilders would be cases in point. I have been impressed by the power of conviction and consensus that can emerge from organisations like these that are genuinely committed to diversifying their own ranks.

However, if I'm honest, I still see two unfortunate tendencies with nomination committees: 1. a pattern of appointing to the lowest common denominator (the person of whom there is the least disagreement, and most can 'live with'); and 2. a trend of playing safe and not taking any risks.

Inevitably, this approach manifests itself in reinforcing stereotypical boards, entrenching existing comfort levels, maintaining the status quo and, as surveys of boards within the sector have shown repeatedly, year after year, making almost no headway of any meaningful kind towards the greater and healthier diversity of Chair and board representation that we all talk about – but generally fail to deliver."

5. The relationship: getting the basics right

Cadbury specifies two fundamental conditions for an effective Chair/CEO relationship:

- First, "that the Chairman and the chief executive see their jobs as complementary and not as competing… they have to ensure that their responsibilities match to make up a coherent whole".
- Second, "that the two individuals have to trust one another".[17]

> The following priority areas should be addressed by every Chair and CEO in building an effective working relationship:
>
> - **Mission:** Chair and CEO need to develop and communicate a shared understanding of the organisation's purpose and strategic priorities, keeping everyone's focus on the organisation's mission.
> - **Governance:** to assist each other in making the board stronger ensuring good governance.
> - **Roles:** these should be defined and respected, with the emphasis on preventing gaps, overlaps, and any territorial disputes.
> - **Results:** the relationship should have a positive impact on the organisation, rather than being (merely) positive and enjoyable for the individuals.
> - **Mature communication:** dispassionate and high quality communication are essential. Emotions should be kept firmly in check: passionately expressed views can be damaging in some contexts.
> - **Public unity:** Chair and CEO should aim to present a solid and united public front on issues of fundamental importance.
> - **Mutual support:** the Chair and CEO should ensure each other is aware of any important and relevant information, and be willing to act as confidential "sounding boards".

A tangible expression of the effectiveness of any Chair/CEO relationship can be found in the ability of the board to perform its functions. Since most board members have little time to devote to their own development – and some remain unwilling to do so in any case – the Chair and CEO usually take the lead in improving board performance.

Hugh Parker sets several basic tests as a measure of board performance.
The effective board:

- Devotes significant time and thought to longer-term objectives.
- Reaches formal conclusions on basic organisational philosophy and values.
- Periodically reviews organisational structure and systems.
- Routinely receives all the information it needs, so does not experience any unpleasant surprises.
- Routinely requires the CEO to present a proper plan and budgets for approval.

17 Cadbury (2002), p.117

- Has adequate time and knowledge to make major decisions, and does not find itself overtaken by events.

RSM Robson Rhodes identifies six types of dysfunctional boards:

- The Talking Shop: all options are considered, but no important decisions are made.
- The Number Crunchers: board members focus on financial prudence, but have little imagination.
- The Rubber Stamp: the board makes clear decisions, but is dominated by executives and does not consider alternatives.
- The Dreamers: board members focus on long-term strategy, but have little appetite for current issues and risks.
- The Adrenaline Groupies: clear decisions are taken and implemented, but the board lurches between short-term crises.
- The Semi-Detached: board members have intellectual debates concerning the external environment, but are out of touch with company decision-making.

These basic dimensions of board performance depend heavily on the ability of the Chair and CEO collectively to lead, organise, steer and inform their board. They therefore illustrate again the fundamental importance of the relationship.

The Chair/CEO relationship will also set the tone for interaction between the board and the executive more generally. It is a mistake to think that informal and friendly interaction is the ideal: constructive tension and critical friendship usually reap better results.

Elizabeth Balgobin, CEO, London Voluntary Service Council says:

"The key is always to build up a relationship of trust, but keeping clear boundaries. Being too friendly is difficult – you need to know when it's not appropriate to say something to your Chair, because they are your manager. Having a friend as the Chair makes it difficult to identify and keep these boundaries.

"You also need to understand what your organisation's constitution means for your relationship with the Chair. If a new one is elected every year, building up a good relationship will be a race against time."

As suggested above, it is crucial that the Chair and CEO roles are distinguished and clearly understood by the Chair, the CEO, and the rest of the board.

The distinction between board and organisation provides a basis for separating the two roles, but leaves important questions unanswered. For example:

- "Who represents the organisation to its stakeholders and the public?"
- "To what extent is strategy and planning a matter for the board and therefore the Chair?"

As Cadbury notes:

"More is shared than is divided, since both the board and the executive are jointly involved in the running of the business. These lines can be drawn in different ways, in order to maximise the effectiveness of the two individuals and the team. However, it is of the utmost importance that lines are drawn.

"It is still essential for Chairmen and chief executives to start by agreeing on their respective roles, in order to establish a basis for the sharing of responsibilities. Apart from anything else, the board has to know what the Chairman and the chief executive have agreed between them and endorse it."

"It is precisely because there is so much common ground between the two posts that the mapping of their respective territories should be the starting point." [18]

Baroness Jill Pitkeathley, a founding member of ACEVO, says:

"There is a great delicacy in defining the roles of Chair and CEO within third sector organisations. It doesn't really matter who is performing the role of leader in most contexts. What's important is that you know who is." [19]

Very often, the respective territories of Chair and CEO are understood and agreed purely through verbal means, relying heavily on implicit knowledge, instinct, and a kind of 'case law developed from specific situations. This approach has a number of disadvantages:

- Gaps in implicit knowledge can lead to unnecessary tension and conflict.
- 'Case law' takes time to develop, and may not be in place for major incidents, placing the organisation at risk.
- Other board members will not have the opportunity to develop the same degree of implicit knowledge as the Chair and CEO themselves.
- It becomes difficult to separate roles from personalities, "Is the CEO trying to retain control over campaigns, or just take the credit for them?"
- It becomes difficult to separate particular issues from the overall relationship: "Does the Chair want to be involved in all campaigns, or just this campaign?".

The Chair and CEO should therefore begin by writing down and agreeing basic role descriptions. These should focus on areas of potential conflict or confusion. Sample role descriptions have been provided as a starting point for this exercise.

Our experience suggests that the following areas require particular clarity:

- Board engagement with the development of organisational strategy, in which front-line staff will also need to take an active role.
- Communications and stakeholder relationships.
- Finance and risk management, reporting and oversight.
- Managing interaction between board members and staff, and responsibility for the recruitment and oversight of the senior management team.

18 Cadbury (2002), pp. 117-120

19 From a speech made at ACEVO's Summer Forum, (7 June 2007)

- The purchase and management of major assets, where decisions may have to be made very quickly.
- Board performance and review, including the recruitment and selection of board members.

In many organisations the CEO is actively involved in the recruitment of board members, and the Chair participates in the recruitment of senior staff. It is vital in both cases to establish the limits of this participation, which should fall short of actual decision-making. The Chair and CEO should be encouraged to comment candidly during the selection of executives and non-executives respectively, but should leave final decisions on recruitment to their counterpart.

Chair and CEO 'crunch points' depend on the scale and maturity of the organisation. A more detailed role analysis exercise is provided as a tool at the end of this section.

The stage at where the organisation is should also be taken into account. The organisational life cycle is a useful tool to reflect on what stage the organisation is at. This model, provided by Winmark, leadership and networking experts (www.winmark.com) who also run the ACEVO One Day MBA programme, note the stages as:

Launch

- Identify and create the leadership team and then set the direction (who then what).
- Focus on developing an overwhelming proposition that you are all passionate about.
- Build market influence, contacts and awareness with key people and organisations.
- Recruit to establish the culture that you will then develop and nurture.

Growth

- Develop and evolve key business processes and structures, including cash management and debt collection.
- Establish the key information flows and KPIs and take personal responsibility for the big decisions.
- Create alliances to drive growth and help manage potential capacity surges.
- Keep the board and key contributors on side incase of a need for increased support.

Shakeout

- Stay the champion of the vision, internalize in everyone how you create value and stay away from 'one off shiny opportunities'.
- Clarify responsibilities and who is accountable to who for what.
- Keep it real and benchmark your organisations performance externally.
- Lose any unnecessary baggage that you may have developed during the growth phase.

Maturity

- Never be satisfied and demand proof that your organisation's economics are working.
- Encourage an open, trusting and challenging environment.
- Keep the pressure on key management roles, and move executives who become too comfortable in role.
- Identify your skills gaps and keep developing all people.

Decline

- Use symbolic leadership to demonstrate confidence.
- Have the difficult conversation you have been avoiding today.
- Stop doing the things that do not offer a sufficient return on money donated.
- Build on the pockets of strength that still exist.

The size of the organisation should influence your approach to role mapping:

- **Small organisations:** Chairs should ensure a new CEO has sufficient autonomy and support to take operational decisions, avoiding the temptation to micro-manage or second guess management decisions on services and activities.
- **Medium-sized organisations**: Chairs and CEOs should focus on providing effective leadership, developing their own skills and establishing systems as the organisation develops. Both Chair and CEO must ensure sufficient time is devoted to long-term strategic thought, as well as short-term operational concerns.
- **Larger organisations** need to be invigorated and refreshed by the Chair and CEO, who should clarify their roles and concentrate on their most fundamental tasks. The roles should be well coordinated, and provide a sound basis for the organisation to improve its systems.

Written role descriptions should be presented to the board for approval. The exercise will send a clear message to the board that Chair and CEO are committed to developing a constructive partnership.

6. Communication

The effectiveness of any interpersonal relationship depends heavily on the quality of communication between the individuals involved. As a bare minimum, the Chair/CEO relationship requires:

- Regular and scheduled face-to-face meetings, with a clear understanding of any preparation to be undertaken.
- That they be available for each other – generally all the time – but with an understanding between them about when they are not to be contacted.
- An expressed understanding that they can be confidential sounding boards for each other and within that confidentiality can deal with (and forgive) the mistakes that they both will inevitably make.
- An expressed understanding that they can challenge each other within safe boundaries.
- A clear understanding of each other's preferences regarding communication style and format.

As a way of establishing and refining these principles, the Chair and CEO should develop shared communications plans for major events or issues, such as the organisation's AGM, or the launch of a major publication.

Some types of communication with the board deserve special consideration by the Chair and CEO. These include:

- How to inform board members about important issues before decisions need to be made.
- The implementation of a board appraisal and development system.
- The presentation of bad news to the board in a constructive way.

Lines of communication between the board members and staff should be clearly defined and understood. In general, the board should not give instructions directly to any staff other than the chief executive, as this could blur the line of management accountability and can give staff the impression that the board members lack confidence in the chief executive.

Communication with the CEO by the board as a whole is normally through the Chair, although individual board members may have informal contact with the chief executive and other key staff members between meetings. CEO and Chair should be aware of any more formal meetings between board members and members of staff.

CEOs have a fundamental duty and responsibility to provide their boards with high quality, timely, and relevant information, and should do so through the Chair. Our sample role description for the CEO therefore includes as a main responsibility, "Work with the Chair to ensure that the board receives appropriate advice and information on all relevant matters and enable it to fulfil its governance responsibilities".

To discharge their functions, board members need the right information, in the right quantity and at the right time. Information is needed:

- To make well-informed decisions on matters of strategic importance.
- To monitor and measure performance – including financial performance.
- To build knowledge and understanding of the work of the organisation.

Bad news as well as good news needs to be delivered. The reaction of the board to bad news is all important. If the CEO and other senior managers feel they cannot admit to any mistakes without suffering severe consequences, the board will not hear about major problems until it is far too late.

The board members need to discuss with the chief executive what sort of information they need to enable them to carry out their responsibilities, how often it will be needed and in what format. Given the limited time that board members can devote to the work of the organisation, the format for presenting information is of particular importance and should also be agreed between the chief executive and the board members.

The board and CEO should also agree how urgent business should be disseminated – for example, in response to a crisis or an exciting opportunity. The most efficient method will be through a group email from the CEO or Chair. However, both parties should bear in mind that the speed and ease of email format should not be allowed to detract from the quality of information provided.

It is the responsibility of the chief executive to ensure that board members receive sufficient background information to develop a thorough understanding of the work of the organisation. However, this can draw them away from their role of governance, since it is all too easy to concentrate on operational detail and overlook the far more important material which is required for decision-making and monitoring performance.

Presenting information to the board

- Boards should always be told the purpose of the information being given to them, whether it is the basis for a major decision, for comment (though perhaps not for present decisions to be made), or purely for information.
- Being swamped with mountains of unnecessary paperwork can be as unsatisfactory as receiving too little information. Getting the balance right is not easy. Individual board members may require more detailed information on some things (for example, financial information), but board members should avoid asking for unnecessary background information which requires significant staff time to produce.
- When information is essential to their decision-making or monitoring role, board members must insist on obtaining clear, accurate and timely material.

Not all communication between Chair and CEO should be formal and focused on the governance of the organisation. Both individuals should take the time and make the effort to learn about the other, including their personalities and motivations. Such learning takes place most effectively at an informal level, for example at networking events, or over dinner.

Developing the relationship through facilitated retreats for Chairs and CEOs is an excellent way to learn about each other and by observing other CEO and Chair relationships.

However, the ideal relationship between Chair and CEO is not one of cosy friendship. The two should be able to challenge each other constructively, and should not appear to make important decisions without input from the board. In building their relationship, Chair and CEO should keep in mind the need to retain at all times an appropriate element of distance, independence, and detachment.

7. Further factors affecting the relationship

Experience and time in post

A new and inexperienced CEO may rely more on the Chair than one who is well-established in the role. As Cadbury notes, "A newly appointed chief executive may well leave more to the Chair than will seem appropriate as he gains experience. What is essential is that the split between them should be unequivocally clear when their partnership is established."[20]

- Experienced Chairs should therefore make the induction and development of any new CEO a top priority, ensuring they have access to the support networks and development opportunities they will need to find their feet.
- Experienced CEOs should devote considerable time and attention to supporting a new Chair, ensuring that they can rapidly become an effective leader of the board.

The induction and development of Chairs has been neglected. However, professional networks of Chairs are beginning to develop, with support from Capacitybuilders and organisations such as Charity Trustee Networks.[21] CEOs should recognise that Chairing a board is an important skill in itself, and should support their Chair in identifying and undertaking relevant professional development.

Elizabeth Balgobin, CEO, London Voluntary Service Council recommends that new CEOs also spend time early on developing their relationship with their Chair:

"Spend time in your first 100 days focusing on your relationship with the Chair, as well as with the staff. This early period sets the tone for the future relationship, and will be very difficult to recover if you get it wrong."

"So don't wait for the annual away day or residential to come round – it probably won't come early enough. By then the relationship will be set, and you'll have to unpick it."

"Instead, start working with your Chair very early in the relationship, then extend that work out to the rest of the board. Then do it again. Keep tending the relationship – it's like gardening."

The Chair and CEO will need time to establish a solid working relationship, and both parties should expect a few difficult situations in the early days. The speed with which they are able to address their own relationship will depend on the quality of their induction, and the current state of the organisation.

For example, interpersonal relationships will not be a priority if the organisation is in crisis, and may need to be repaired after the crisis has been resolved or averted. Organisations should therefore aim to review and improve their governance, including the Chair/CEO relationship, during a hiatus between crises!

One risk is that an experienced CEO or Chair may see their new counterpart, particularly an external candidate, as a threat to their existing way of working and potentially disruptive to decision-making structures.

20 Cadbury (1990), p.94

21 www.trusteenet.org.uk

The new arrival will need to balance several conflicting priorities:

- The need to establish authority and credibility as a leader within the organisation.
- The need to review and address aspects of governance and board performance.
- The need for the Chair and CEO to develop a constructive alliance, rather than reverting to mutual suspicion.

John Low, CEO of the Charities Aid Foundation and previous ACEVO Chair, says:

"Recruiting a new Chair and CEO at the same time is not ideal, but does create the opportunity for fresh leadership to bring new ideas and a candid review of strategic direction."

These challenges can only be overcome if both Chair and CEO recognise the benefits of a balance of power.

Bob Garratt says of the two roles:

"They are both powerful positions and the two people concerned need, therefore, a mutual respect and to agree a way of working together. If this is not the case then the power balance swings unhealthily and the directors are left with a lop-sided board: either the Chair tries to run the total business, or the chief executive tries to run the business, deal with the crises, and still find plenty of time to think reflectively about the long term."[22]

Organisations should consider carefully the timings for appointments of new Chairs and CEOs. If both posts are vacated at the same time, it may be better to wait until the new Chair is in place before recruiting a new CEO.

Catherine McLoughlin, Chair of Age Concern, says:

"New Chairs often inherit their CEOs, who may only have been recruited just before the new Chair. They may well be able to work together effectively, but organisations should be wary about such timing. Ideally the new Chair should have a role in appointing a new CEO."

Personalities

Although personal friendship between Chair and CEO is not a priority, and perhaps not even desirable, they ignore dimensions of personality at their peril. Similarly, although personal 'chemistry' with their counterpart should not be the top priority in recruiting a new Chair or CEO, some level of compatibility is extremely helpful.

Cadbury notes that the effectiveness of the Chair/CEO split "depends on the way in which two people share power between them… The issue is as much a question of personalities and of the effort which both partners are prepared to put into making the partnership work, as it is to do with structure." [23]

It is likely that Chair and CEO will share at least some of the characteristics of effective leaders. They may both be able to express a clear vision and provide direction for the organisation, while inspiring and involving staff in delivering it. They will make effective and responsible use of power, by delegating, motivating, and holding people to account.

Chair and CEO must work as a united team on major issues. Two effective leaders pulling

22 Garratt (2003), p.51
23 Cadbury (2002), p.120

in different directions can be extremely damaging for any organisation.

Since both Chair and CEO are likely to have strong personalities, there is a risk that substantive issues of organisational strategy may come to be seen solely in terms of personality. In the worst cases, a genuine debate over priorities may even be seen as a personal feud between Chair and CEO. This risk can be averted by

- ensuring that the organisation's vision and mission are clear;
- the Chair focusing on a 'conductor' role, ensuring that all board members are able to contribute to strategic discussions.

Personality profiling through a system such as the Myers-Briggs Type Indicator will provide a helpful insight into your own strengths and weaknesses. Sharing these insights into your own personality traits and preferences will help to build trust in the relationship.

One personality type common amongst leaders is the "ESTJ".

"ESTJs are take-charge people. They have a clear vision of the way that things should be, and naturally step into leadership roles. They are self-confident and aggressive. They are extremely talented at devising systems and plans for action, and at being able to see what steps need to be taken to complete a specific task.

"They can sometimes be very demanding and critical, because they have such strongly held beliefs, and are likely to express themselves without reserve if they feel someone isn't meeting their standards. The ESTJ needs to watch out for the tendency to be too rigid, and to become overly detail-oriented. Since they put a lot of weight in their own beliefs, it's important that they remember to value other people's input and opinions." [24]

Current thinking on leadership development suggests that potential leaders should seek to maximise and utilise their strengths, while developing an understanding of their weaknesses. CEOs should try to understand how they may be shaping their view of their Chair. We tend to project our early attitudes towards authority figures onto those we encounter later in life, preventing us from relating properly to our Chair as a person. Duncan Fraser, Managing Director of The Way Ahead Group, recommends that CEOs strive to develop a better relationship with their Chairs by better understanding them as a person.

The healthy Chair check

Duncan Fraser

How would you describe your relationship with your Chair? How much time does it occupy? Are you predominantly happy, angry, sad or scared when you are with them? How do you relate to them? Do you sometimes want to gang up with your senior team against them? Do you think them unnecessarily meddling in detail? Are they controlling or nurturing?

24 Adapted from www.personalitypage.com

Our attitudes to authority figures are formed in early years, initially in our attachment to our primary caregivers, then our first experience of teachers, that first day at school and then they are reinforced by rules we are given about how to behave when we are about ten. We carry these thoughts and feelings in our heads and bodies and out of awareness react to our Chair or those in authority as though they are these early authority figures, projecting on to them characteristics or attributes that may or may not be theirs. Then of course we respond to them as though they really have these characteristics. This invites the Chair to respond to us as though they are our authority figures and in some existential sense they do have our life and livelihood in their hiring and firing hands. This web of relationships we co-weave often needlessly complicates our already difficult lives as CEOs, takes time away from other things and often leaves us driving away from board meetings wondering how it all happened again.

This critical relationship is complex and can lead to a strong and productive force for good for you and for the organisation. I work with CEOs who are at a loss to understand the nature of their relationship with the Chair and why it can create so much tension. Unconsciously they see and feel in their Chairs the mother who abandoned them at 7, the military father trained never to show emotion, or the headteacher who exposed them in front of the school for getting dirty on the playing field.

And what about the Chair? What is their motivation? There's the sense of giving something back, especially from those who have been good CEOs themselves, of adding value to something, hopefully a passion for the organisation and its aims, the opportunity to network and to learn from others. They may also be meeting their own parental injunctions to Be Good, to Try Hard, to 'give and not to count the cost, to labour and not to seek any reward'. There is also the shadow side: authority seeking; playing with a better train set than they have in their job; the founding Chair still gripping on to his baby after 40 years when it's clear that it has long since grown up and left home; the ever-so-subtly unstated wish for the knighthood; or at worst the playground of the bully. It is not unknown for Chairs to be less professionally experienced or capable than you are and this situation can lead to the parent/child roles being reversed.

So how do you have a healthy relationship with the real Chair and not the projected one?

Four ways to understand your Chair better

1. Write a pen sketch of your Chair, what you thought they were like as a child, identify their strengths, development needs and put yourself in their shoes.
2. Find a way to see them as real adults with needs, histories, thoughts, feelings and behaviour as rich and complex as yours. This will help you to relate to them in a real way and not to the projected mother who humiliated you in public all those years ago.
3. Get to know how they are under pressure; sad, scared or angry and note how they behave.
4. Consider them with unconditional positive regard, respect, acceptance and mindful loving kindness. Model it – you might just get it back!

Six ways to understand how you relate to each other

1. Note any similarities of characteristics with your early authority figures.
2. Identify what they need from you.
3. Be clear about how you can meet their needs.
4. Reflect carefully on what it will feel like for you to meet their needs, is it giving away power, does it feel demeaning or frustrating, what patterns are you acting out from your early years and what are truly based in the reality of now.
5. Develop strategies to protect yourself and get your own needs met.
6. Remember you can't change them, only your attitude and behaviour to them.

Ten practical steps to improve the relationship

1. Use the Miracle Question. You go to sleep tonight and wake up tomorrow and the relationship is really effective, adult, productive and supportive. As you get out of bed, what's different? As you arrive at work who notices the difference and what is it? As you see the Chair what does s/he notice is different about it? What does the board notice is the quality of the relationship? Be really specific, body language, feeling, attitude. Now you have seen it, identify how you can live it.
2. Ask them directly why they do it and what they need from the organisation and from you.
3. Communicate your needs too in an adult way, using your thoughts and feelings.
4. Be very clear about boundaries of responsibility, verbally and in writing, and have clear, written, transparent, board-agreed responsibilities, accountabilities and levels of delegated authority. If you haven't already, use ACEVO's excellent guidelines on Job Description for the Chair.
5. Encourage them to have a role for what the Americans call 'getting, giving or going', networks, profile, money, with key performance indicators.
6. Practise what you are going to say. Imagine your Chair sat on a real chair opposite you. This is powerful; be really aware of what you are thinking before you talk, identify one or more of the core feelings and calmly practise what you want to say – remembering to focus on your breath.
7. Get support. Walking the road between Chair and senior staff is a lonely one. Be really clear about where you are going to get confidential support, a partner, a peer network or a coach (it's inappropriate for it to be your staff or other board members).

8. Encourage and model learning – be really clear, in writing, about evaluation/appraisal of and with the Chair, make sure that s/he is trained and supported in this and both you and the Chair get into the habit of using our 6 Golden Learning Questions constantly:
   - What was good about it?
   - What contributed to that?
   - How do I/we build on it in the future?
   - What was not so good?
   - What contributed to that?
   - What do I/we learn from it for the future?
9. Be on the board yourself if your rules of governance allow you to join. If not, change the rules!
10. Go and be a Chair in another organisation and practise giving its CEO what you want yourself.

8. Resolving problems and conflicts

While disagreements are inevitable, Chair and CEO should be able to avoid serious conflicts by:

- Developing a good understanding of each other's personality, motivation and goals, as well as the vision and mission of the organisation.
- Formalising and agreeing complementary roles.
- Engaging each other and the whole board in free and open discussion about organisational strategy and priorities.

Constructive tension, tempered by mutual respect, is perhaps the most effective form of the Chair/CEO relationship. Excessive closeness in the relationship can make it difficult for the board to challenge the CEO and hold them to account. Even an element of rivalry can be positive in spurring Chair and CEO to perform at their peak.

Constructive tension can spill over into destructive conflict, where either party loses respect for, or trust in, the other. Potential conflicts should be identified by the Chair and CEO as early as possible. The two should seek to defuse these disagreements by seeking to explore, understand and test each other's perspective.

Potential causes of conflict include:

- Treading on toes, due to a failure to develop and clarify distinct roles and remits.
- Substantive disagreements over organisational policy, that become entrenched personal views.
- Causing offence, due to a lack of understanding of each other's preferred style of communication.
- Aggravation deriving from incompatible personality types.

Martin Farrell, who runs ACEVO's helpline for CEOs in crisis, stresses the need to identify and confront problems as early as possible:

"The most common mistake is that CEOs and Chairs avoid dealing with the problem. They do not want to address the difficult issues, because it will be uncomfortable. The problem then rumbles on and saps energy from the relationship, compounding other difficulties. Structured and open contact between the Chair and CEO makes it easier to surface and confront these issues."

When the relationship deteriorates due to conflict, CEOs and Chairs tend to consider each other in a highly negative light. CEOs regard their Chairs as interfering, micro-managing, and perhaps domineering or even bullying. Chairs regard their CEOs as under-performing, and lacking the understanding or willingness to fulfil the organisation's true purpose.

Should these develop into deeper conflicts, Chair and CEO may seek to secure allies from among the board members or senior staff. This can lead to a personal conflict spreading, and causing a major rift within the organisation.

Signs that the Chair/CEO relationship is in trouble include:

- The Chair bypassing the CEO and issuing instructions directly to staff.
- The CEO failing to provide the Chair with comprehensive and honest information, due to a lack of trust.
- Either party being unwilling to invest time in making the relationship work, or even to come to meetings.
- A lack of direct dialogue and communication between the two individuals on important issues.
- Appraisal processes remaining incomplete or not agreed, leaving issues to drag on.
- The board or a group of board members meeting for private sessions of which the CEO is not made aware.
- The board and/or senior staff beginning to fragment into rival alliances.
- The Chair and CEO feeling they cannot approach each other for support or advice.

Deeper conflicts and disputes may require mediation from a third party. Impartial board members who are trusted by both parties should be the first point of call. If none exists, help should be sought from an expert consultant or professional mediator. [25]

Both parties should aim to learn from the dispute and its resolution, establishing a more effective system for resolving disagreements in the future. However, many serious disputes are resolved only by the departure of the Chair or CEO from the organisation.

Many respondents to a survey by Ray and Berndtson recommended that CEOs simply bide their time, and wait for a new Chair to be elected. The desire to avoid rocking the boat by addressing major problems may, however, result in a serious leadership deficit in the organisation.

Further information

Guidance: Key principles for an effective Chair/CEO relationship.

Guidance: The CEO and Chair in Crisis – Positive Steps for Recovery

Tools: Role Analysis Exercise for Chairs and CEOs.

Tools: Sample role descriptions for Chair, Vice-chair, Treasurer and CEO including case studies and private sector examples.

Tools: Exercises for the Chair and CEO.

25 CEDR, the Centre for Effective Dispute Resolution, runs a subsidised mediation scheme with NCVO

Guidance: Key principles for an effective Chair/CEO relationship

Both Chair and CEO should:

- Actively seek to develop a relationship based on mutual respect and trust by meeting and communicating on a regular basis.
- Develop an understanding of each other's personality, motivation, and communication preferences.
- Pay attention to each other's induction and development, recognising the importance of effective leadership from both people.
- Clarify and formalise roles and responsibilities so that each complements the other, leaving no major gaps.
- Maintain a solid and united front on issues of fundamental importance and urgency.
- Address disagreements early in a constructive manner, focusing on how best to achieve the organisation's mission.
- Work to establish a strong relationship between board members and executive staff.
- Aim to optimise the relationship's positive impact on the organisation, rather than developing a friendship between two individuals.
- Agree on a process for disseminating and discussing urgent information.
- Learn from the resolution of any disputes or conflicts.

They should avoid:

- Taking personally any disagreements over organisational strategy or priorities.
- Keeping important information secret – there should be no 'surprises'.
- Closing down or neglecting direct communication channels, allowing the relationship to deteriorate.
- Encouraging other board members to take sides in any disagreement.
- Becoming excessively close as a team, limiting the board's ability to scrutinise and challenge executive performance.

The Chair should:

- Ensure clarity over the extent and nature of delegated authority, to avoid ambiguities and misunderstandings.
- Avoid bypassing the CEO by giving executive instructions directly to staff, other than when exceptional circumstances make this necessary.
- Take a leadership role in line managing the CEO on behalf of the board.
- Develop self-awareness and work to strengthen his or her communication skills.
- Make sure that the CEO has 'air time' at every board meeting.

The CEO should:

- Offer advice, support and assistance to the Chair in fulfilling his or her task.
- Always provide the Chair with high quality, timely and relevant information on issues of strategic importance.
- Devote time and energy to cultivating an effective relationship with the board members, and especially the Chair.
- Demonstrate clear ownership of decisions made by the board, and act as a champion of the board's role to staff.

Guidance: The CEO Toolkit

This toolkit was written by James Barrett of JB Consulting (www.jbconsulting.co.uk), a human relations service specialising in conflict resolution and change management.

The CEO and Chair in Crisis – Positive Steps for Recovery

Why?

It is acknowledged that a key factor in running a third sector organisation successfully is a good relationship between CEO and Chair. If the CEO and Chair do not stay tightly aligned, tensions between them can escalate into a complete breakdown in their working relationship. At the same time the CEO role is very exposed and therefore vulnerable to critical judgements from trustees, staff and members. If a problem emerges it can be easier for a frustrated Chair and Board to single out the lone CEO to blame for this, rather than try to tackle any wider organisational issues.

Once an organisation slips into a blaming mode, it risks getting into recurring cycles of hiring and removing its CEOs. This can have a devastating effect on the individuals and a very damaging impact on the organisation, which is why it is essential to try to restore solid working relations wherever possible.

On a positive note, if a CEO and Chair are able to work through their conflict effectively, and can model a constructive way of relating to each other, this can have a powerful impact on the wider organisational culture.

What?

This toolkit is designed for CEOs whose relations with their Chairs and Boards have reached crisis point, to help you identify what options you have for restoring your working relations. The strategies described in this toolkit are also useful for CEOs who are in conflict with their Chairs, so that you can be proactive in managing the tensions before they escalate into a crisis.

How?

The strategies outlined in this booklet were identified through James Barrett's cross-sector qualitative study into executive relations that had broken down.
The toolkit follows three key stages for resolving the crisis:

1. Think before you act

- Take care of your health
- Know where you stand
- Have a back-up plan
- Make sense of your crisis

2. Consider these options

- Do nothing – sit it out
- Challenge with conviction
- Try to resolve the conflict yourself
- Request independent support
- Fight your corner
- Leave with dignity

3. Realign your roles

- Establish a joint formulation of what the problem is
- Establish each person's role in tackling the problem and the processes that each is to follow
- Negotiate your mutual needs in your roles
- Speak the same language
- Establish a shared mental model about how change can be implemented effectively

The following pages outline practical hints and tips for undertaking the strategies outlined above.

1. Think before you act

When relations reach breaking point, our imaginations tend to run wild with nightmare scenarios of what might happen - losing jobs and homes, or never working again. We become entrenched and tend to demonise our opposite number. We also lose our personal authority, and avoid saying what needs to be said to bring relations back on track. So before you do anything about the conflict, stop and assess the situation accurately. You need to get yourself to a state of readiness to have difficult conversations, and to take appropriate action.

Strategies	Key questions
Take care of your health	
If you are deeply stressed get yourself signed off work to recover. If meetings with your Chair are fractious, call them to a close and make it clear that you aren't prepared to be harassed – for your sake, and for the sake of the organisation, insist that you are treated with dignity. You won't be able to represent yourself effectively in high-stress situations anyway, so it's better to stay away until you are calm enough to engage effectively.	• How am I performing under these circumstances? • Am I fit enough to handle this crisis? • How do I conduct myself with dignity? • How can I ensure I am treated with dignity?
Know where you stand	
Get reliable legal advice to know your rights, then follow instructions for documenting evidence and protecting yourself. Review your organisational protocols, particularly the disciplinary, grievance and performance appraisal procedures.	• Where do I stand legally? • What are my rights, and how do I safeguard them? • How might the organisational procedures be applied, and who would apply them? • What do I need to document in writing?

Strategies	Key questions
Have a back-up plan	
Develop a financial survival plan for your worst-case scenario. If you dread a punitive sacking, think about what you would do to stay solvent while you look for alternative work. Be aware of your transferable skills and your value in the jobs market. You can stand your ground and challenge your board more courageously if you know that you will survive whatever happens. You might also discover that the worst-case scenario never materialises, or something more positive emerges!	• What is the likelihood of my worst-case scenario really coming true? • How can I take a reality check? • What is my financial survival plan in the worst-case scenario?
Make sense of your crisis	
Work intensively with an executive coach, mentor or peer to make good sense of what is happening, and to develop a complex understanding of your organisational dynamics. Work out your options, and decide the best way forward. The following structure can help with this.	• Who can help me make sense of what is happening in my organisation? • What is going on for me, what might be going on for my Chair, and what might be going on between us? • How do I handle myself in my role?

2. Consider these options

Consider these options in the sequence below, assessing whether there is any space in which to engage constructively, how best to do this effectively, and whether you need help to achieve it.

Options	Key questions to ask
Do nothing – sit it out	
You may have to endure further distress while you wait to see how the organisation responds. So direct your energy into invigorating projects that you can enthuse about in future job interviews. It may be a reality check to see whether your worst-case scenario actually materialises. It may also buy you time to plan for your future.	• How can I manage the stress and minimise further conflict? • What projects will keep me inspired? • What plans do I need to make about my future?

Options	Key questions to ask
Challenge with conviction	
Be conscious of your knowledge and expertise, and manage upwards when you need to. Speak truth to power. If you see the board taking a decision that puts the organisation at risk, take up your authority and speak out. If you find yourself tied up in knots with contradictory instructions about what you are supposed to achieve, point this out and seek clarification. Do so thoughtfully and respectfully, in a way that they are most likely to respond well to.	• Are the trustees' actions genuinely a clear risk to the organisation? • How can I explain this authoritatively, in a way that will be taken on board? • How do I stay in role and not overstep my remit?
Try to resolve the conflict yourself	
This can be tough! By the time working relations reach crisis-point, it is extremely difficult to repair them yourself. Conflict radically reduces our capacity to be insightful, each individual gets entrenched in a particular defensive interpretation of the problem. If you want to restore a co-operative relationship, you have to step out of your defensive position, and take up two challenges: • To let go of any of your own insistence that you are right, and to be curious about your Chair's position. What legitimate points does your Chair make that you can agree with? • To give ground and step into a neutral zone – to invite your Chair to think collaboratively with you about how you can both work together differently in the future. In other words, you only have direct control over your actions. So if you want to alter what the other person does, you first have to change what you do. Concentrate on what is actually happening and what you can do about it, rather than on the way things ought to be. Sometimes the most powerful thing you can do is to apologise!	• What assumptions do I need to test out? • How can I give ground and meet in the middle? • How can I be curious and ask questions despite the pressure?
Request independent support	
Someone experienced in conflict resolution can help both parties to step out of the fight and find a shared 'vantage point' from where you can take stock of the situation together. An independent facilitator or mediator has the advantage of being trusted by all sides, a lack of vested interest, and the skills to keep people on track, so the process can be quicker and more thorough.	• Who can facilitate us to resolve the conflict? • How can I say that we need support without making it worse? • What exactly is the dilemma that we are trying to resolve?

Options	Key questions to ask
Fight your corner	
If you believe you have a clear case to argue then take up the challenge formally through the bullying or grievance process – there are times when you have to set limits and stand up for yourself. Equally, if the organisation thinks it has a case against you, insist that you be formally disciplined or be allowed to get on with your work. Know that cases are seldom clear-cut, the fight will be draining and can last a long time, and you may not win. Once you decide to fight it is almost always an 'endgame' for your working relationship and either you or somebody else will have to leave the organisation. The issues are similar though more intensive if you take your fight to an external employment tribunal: the pain will be drawn out for longer; the financial compensation is seldom worth the distress; and it raises moral complexity if you are seen to be raiding the organisation's limited income.	• How important is it to me to be vindicated? • Will I get a fair hearing? • What are my chances of winning and of losing? • Is this the best use of my time and energy? • Am I ready for the 'endgame'?
Leave with dignity	
It is not always possible to repair a broken workplace relationship – you and your Chair may be unable to find common ground, or there may have been too much personal harm inflicted during the conflict for trust and respect to be restored. If you feel stitched up and you have genuinely run out of options for improving your working relationship, consider negotiating a compromise agreement. If you feel completely depleted of energy, consider resigning, recuperating, and then invest time positively in finding a workplace where you are appreciated. This might be an emotional wrench if you are passionate about the mission of your current organisation, so allow yourself time to recover fully.	• Can I negotiate a compromise agreement? • What recovery time do I need? • What do I need to do to let go of my organisation psychologically? • How can I turn this into an opportunity for progressing my future career? • What have I learnt from this experience? • What will I need to do differently next time?

3. Realign your roles

What makes conflict so tough to resolve is that we tend to experience it as a personality clash, so we immerse ourselves in attempting to find interpersonal solutions which aren't appropriate or effective, and which mask the real root causes of the problem. Instead, what needs to happen to resolve the conflict, is for you and your Chair to come back into alignment via five key themes:

Key themes	How to achieve it
Establish a joint formulation of what the problem is	Examine the same raw 'data', then establish a shared 'diagnosis' of the cause of the problem, and only then try to find a fully rounded joint solution. Much conflict arises when these elements are muddled together.
Establish each person's role in tackling the problem and the processes that each is to follow	Work towards a viable framework for your roles where trustees govern and the CEO has the autonomy to lead the staff body.
Negotiate your mutual needs in your roles	Be explicit about what you need in order to be effective in your role. Check whether it is feasible to get this from your Chair. Then do the same in reverse to identify what your Chair needs from you.
Speak the same language	Be conscious and accommodating of each other's personality preferences that determine your different communication styles, approach to decision making, or attitudes to change.
Establish a shared mental model about how change can be implemented effectively	How will you engage staff and other stakeholders? If they object strongly to the changes, how will you and your Chair handle the fallout consistently so you aren't played off against each other?

Tip

These five frameworks are profoundly simple but notoriously difficult to stick to when under pressure, so keep returning to the structure to ensure that you are on track. If you are able to follow this process effectively, it often identifies unspoken assumptions that are out of alignment between the CEO and Chair, and yields remarkable insight into what is going on in your wider organisation.

This toolkit was written by James Barrett of JB Consulting (www.jbconsulting.co.uk), a human relations service specialising in conflict resolution and change management.

Download

Tools: Role analysis exercise for Chairs and CEOs

The role analysis exercise is based upon one published by the national Center for Non-Profit Boards (now BoardSource), Washington, USA and is reproduced here with their permission.

Subject area	Board's role	Chair's role	CEO's role
Goals and operations			
Setting long-term goals			
Setting short-term goals			
Day-to-day operations			
Communications			
Chief spokesperson			
Lobbying			
Fundraising			
Strategy			
Policy recommendation and development			
Project planning			
Strategic planning			
Service delivery planning			
Partnerships, joint working and mergers			

Subject area	Board's role	Chair's role	CEO's role
Finance and risk			
Risk analyses			
Budget preparation			
Budget approval			
Capital expenditure (major equipment, cars, buildings etc.)			
Building renovation/refurbishment			
Expansion decisions			
Leasing decisions			
Purchase of major services			
Major / minor repairs (>£.........)			
Emergency repairs			
Monthly financial reporting			
Monthly financial approvals			
People – staff			
Personnel policies			
Staff salaries			
Staff appraisal, including the chief executive			
Hiring staff			
Dismissing staff			
Allocating work/projects to staff			
Staff grievances			
Staff disciplinary procedures			
Staff appeals (grievance, discipline, appraisal)			
People – board members			
Board appraisals – individual and collective			
Board meetings, agendas, notices etc.			
Recruiting new board members			
Briefing new board members			

Download

Tools: Role description – Chair of the board

Main tasks:

- To lead the board in ensuring that it fulfils its responsibilities for the governance of the organisation by ensuring that the organisation acts in accordance with its constitution and by managing its activities.
- To work in partnership with the chief executive helping him to achieve the mission of the organisation.
- To optimise the relationship between the board and staff/volunteers.
- With the CEO, to take a leadership role in promoting the organisation, representing the organisation effectively to external stakeholders.

In more detail:

Board members

- In close consultation with the chief executive, to make recommendations on the composition of the board, and future Chairs and officers of the board (with a view to succession).
- To ensure that the board regularly reviews its structure, role, relationship to staff and implements agreed changes as necessary.
- To define and keep under review selection and performance criteria for board members.
- With the chief executive, to ensure that all board members receive appropriate advice, training and information relating to their role.
- To work in consultation with the chief executive to recruit board members with specific/relevant expertise.
- To relate the concerns of the board and other constituencies to the chief executive.

Meetings

- With the chief executive, to develop appropriate and relevant agendas for meetings, ensuring all matters requiring board review are discussed.
- To chair meetings of the board, ensuring that it functions effectively and carries out its duties.
- To monitor the implementation of decisions taken at meetings.
- To ensure that, where necessary, votes of the board are conducted properly and that decisions are formally minuted.

- To preside over the annual general meeting, and ensure that a proper representation of the organisation's activities is provided to members.

General management

- To ensure that the board members set strategy and policy objectives in consultation with the chief executive (and other staff as appropriate).
- To ensure that appropriate resources (personnel, financial, material) are secured with which to achieve agreed goals.
- To monitor the progress of the organisation in the light of its objectives.

Management of staff

- To define and monitor an appraisal process for the chief executive.
- To support, monitor and review the work of the chief executive.
- To ensure that the organisation has appropriate procedures, e.g.:
  - To comply with current employment and equal opportunities legislation and good practice
  - To advertise, interview and select the most senior executive staff
  - To receive regular informal progress reports of the organisation's work through the chief executive
  - In consultation with the chief executive, to agree an annual calendar of meetings of the board members and major events for the organisation.
- Through the chief executive, to ensure effective communication between the board and the staff group, and in particular the senior managers.

Financial management

- With the chief executive and other board members, to set the financial strategy of the organisation and ensure it is adhered to.
- To ensure that the organisation's financial dealings are prudently and systematically accounted for, audited and publicly available.
- To ensure that where appropriate monies are invested, this is to the greatest possible benefit of the organisation within the constraints of the law.

Promotion of the organisation

- To promote the organisation to a wide audience of stakeholders.
- With the CEO, to represent the organisation to external audiences as appropriate.

Some of the duties listed above may be delegated to individual board members, or sub-committees of the board. In these cases, the Chair should ensure that delegations are made only to those with appropriate skills, and that all delegation is managed effectively.

Download

Tools: Role description – Vice-Chair

Main tasks

- To support and advise the Chair and CEO in performing their responsibilities.
- To undertake the responsibilities of the Chair when he/she cannot be available.
- In consultation with the Chair, to participate closely in the development and implementation plans for officers of the board, and
- Perform any other responsibilities assigned by the board as necessary.

Download

Tools: Role description – Treasurer

Main tasks

- To monitor the financial matters of the organisation and report to the board at regular intervals about the financial health of the organisation.
- To oversee and present budgets, accounts and financial statements to the board.
- To ensure that proper accounts and records are kept, ensuring financial resources are spent and invested in line with good governance, legal and regulatory requirements.
- To be instrumental in the development and implementation of financial, reserves and investment policies.
- To ensure that adequate financial controls are in place and are being operated effectively by staff.

Duties

- Liaising with the Finance Director and CEO concerning the financial activities of the organisation.
- Overseeing the organisation's relationship with its auditors, chairing an annual meeting between the auditors and the finance and audit committee, and reporting back to the board.
- Chairing the finance and audit committee in line with standing orders and terms of reference, and reporting back to the board.
- Monitoring and advising on the financial viability of the organisation.
- Implementing and monitoring adherence to specific financial controls and systems.
- Advising on the financial implications of the organisation's strategic plan.
- Acting as a counter-signatory on charity cheques and any applications for funds.

Download

Tools: Role description – Board member

Job purpose: To further the organisation's mission, keeping within its charitable objectives.

Main tasks

With other board members:

1. To provide strategic leadership for the organisation by taking part in formulating and regularly reviewing its strategic aims, setting overall policy, and evaluating performance.
2. To ensure that the activities, policy and practices of the organisation are in keeping with its objects and aims.
3. To ensure that the organisation complies with the legal and financial requirements of a charitable organisation and its own governing documents and strives to achieve best practice.

Main duties

1. Providing strategic leadership

- Consider the organisation as a whole and its beneficiaries, whether as a member of the board members or any of its committees, sub-committees, groups etc.
- Reflect the organisation's vision and principles, strategy and major policies at all times.
- Contribute specific skills, interests and contacts and support the organisation in fundraising activities.

2. Ensuring policies and practices are in keeping with aims

- Follow the Code of Conduct at all times, particularly when exercising the functions of the board members, or any of its committees, sub-committees, groups.
- Attend meetings of the board members.
- Reflect the board members' policies and concerns on all its committees, sub-committees, groups.

3. Ensuring best practice

- If the organisation employs staff, to appoint the CEO and monitor his/her performance.
- To ensure the effective and efficient administration of the organisation, and its financial health.
- Be an active member of the board in exercising its responsibilities and functions.

- Maintain constructive relationships with senior managerial staff.
  - Take part in training and development sessions provided for the benefit of the board members.
  - Fulfil such other duties and assignments as may be required from time to time by the board.
  - To use specific skills, knowledge or experience to help the board members reach sound decisions. This may involve scrutinising board papers, leading discussions, focusing on key issues, or providing advice and guidance on new initiatives.

Download

Tools: Exercises for Chair and CEO

The following exercises can help to develop an effective working relationship between Chair and CEO. Each exercise should involve a face-to-face meeting, supported by some preparation by both parties.

Governance review

Chair and CEO should meet to discuss the quality of governance in the organisation. They should each familiarise themselves with the recommendations of the sector's Code of Good Governance, and have a structured but open discussion on how well the organisation complies with its recommendations. They should seek to develop a strategy for improving governance in the organisation, perhaps through a dedicated sub-committee or working group.

Strategic away-days

Chair and CEO should schedule a strategic away-day for board members and senior staff. They should meet to agree on the strategic issues and priorities to be discussed, and put together an outline format and agenda. They should develop a shared plan for engaging all the participants in constructive discussion.

Conferences and continuing professional development (CPD)

Chair and CEO should make time to participate in relevant continuing professional development activities together; for example, attending a conference on governance or emerging policy issues. They should report back to the board on any important news or learning from these events.

Personality profiling

The Chair and/or CEO should each undertake a personality profiling exercise. They should meet to discuss the results, and share the strengths and weaknesses of their personality type.

We have included a selection of role descriptions from third sector organisations that kindly agreed to share their documents. Please note that these not are suitable for all organisations, and are provided to give the right context.

Download

Case study: Role description – Chair

(Bield Housing Association)

Main tasks

- To lead the board in ensuring that it fulfils its responsibilities for the governance of the organisation.
- To work in partnership with the chief executive helping him or her achieve the mission of the organisation.
- To optimise the relationship between the board and its staff/volunteers.

Main duties

1. Ensuring the board fulfils its responsibilities

- To chair meetings of the board; see that it functions effectively and carries out its duties.
- To ensure that the board set overall strategy and policy objectives.
- To ensure that the organisation's financial dealings are prudently and systematically accounted for, audited and publicly available.
- To monitor that decisions taken at meetings are implemented.
- With the chief executive, to develop appropriate and relevant agendas for meetings.
- In close consultation with the chief executive, to make recommendations on the composition of the board, and future Chairs of the board (with a view to succession).
- To work in consultation with the chief executive, to recruit board members and co-optees with specific/relevant expertise.
- To ensure that the board annually reviews its structure, role, relationship to staff and implements agreed changes.

- To define and keep under review selection and performance criteria for board members.
- With the chief executive to ensure that all board members receive appropriate advice, training and information relating to their role.
- To serve as an additional spokesperson for or promoter of the organisation.

2. Helping the chief executive achieve the organisation's mission

- To ensure that the board develop a long-term strategy for the organisation together with the chief executive, with objectives which can be monitored.
- To monitor progress of the business plan.
- To ensure that appropriate resources (personnel, financial, material) are secured with which to achieve agreed goals.
- With the chief executive, to define and apply assessment criteria for the most senior paid managers.
- To support monitor and review the work of the chief executive.
- To promote the organisation to a wider audience of potential donors and beneficiaries.

3. Optimising the relationship between board and staff/volunteers

- To ensure that the organisation has appropriate procedures.
- To comply with current employment and equal opportunities legislation and good practice.
- To assist the CEO in advertising, interviewing and selecting senior staff.
- To receive regular informal progress reports of the organisation's work through the chief executive.
- In consultation with the chief executive, to agree an annual calendar of meetings of the board.
- Through the chief executive, to ensure regular written communications between the board and the staff group, and in particular the senior managers.

Note: some of the duties listed above may be delegated to other board members.

Download

Case study: Role description – Chair

(Whittington Park Community Association)

General responsibilities:

- To ensure that the organisation complies with its governing document, charity law, company law and any other relevant legislation or regulations.
- To ensure that the organisation pursues its objects as defined in its governing document.
- To ensure the organisation applies its resources exclusively in pursuance of its objects.
- To contribute actively to the board's role in giving firm strategic direction to the organisation, setting overall policy, defining goals and setting targets and evaluating performance against agreed targets.
- To safeguard the good name and values of the organisation.
- To ensure the effective and efficient administration of the organisation.
- To ensure the financial stability of the organisation.
- To protect and manage the property of the charity and to ensure the proper investment of the charity's funds.
- If the charity employs staff, to appoint the chief executive officer and monitor his/her performance.
- In addition to the above statutory duties, each trustee should use any specific skills, knowledge or experience they have to help the board of trustees reach sound decisions. This may involve:
  – Scrutinising board papers.
  – Leading discussions.
  – Focusing on key issues.
  – Providing guidance on new initiatives.
  – Other issues in which the trustee has special expertise.

Additional duties of the Chair:

- Provide leadership for WPCA, its board of trustees/directors, staff and members.
- Planning the annual cycle of board meetings.
- Setting agendas for board meetings.
- Chairing and facilitating board meetings.
- To have the casting vote if board cannot reach majority.
- Giving direction to board policy-making.

- Monitoring that decisions taken at meetings are implemented.
- In emergency situations authorise immediate action required to minimise damage to the organisation.
- Representing the organisation at functions, meetings.
- Acting as a spokesperson as appropriate.
- Bringing impartiality and objectivity to decision-making .
- Where staff are employed:
  - Liaising with the chief executive to keep an overview of the organisation's affairs and to provide support as appropriate.
  - Leading the process of appraising the performance and act as line manager of the chief executive.
  - Sitting on appointment and disciplinary panels.
  - Liaising with the CEO to develop the board of trustees.
  - Facilitating change and addressing conflict within the board and within the organisation, liaising with the CEO (if staff are employed) to achieve this.

This role description is neither prescriptive nor totally inclusive of all the possible tasks or roles that are or may be expected of the Chair. The role holder may be from time to time called upon to undertake other tasks not explicitly stated here but which are consistent with the nature of the role and of WPCA's work.

Person specification

- Commitment to the organisation.
- Willingness to devote the necessary time and effort.
- Strategic vision.
- Good, independent judgement.
- Ability to think creatively.
- Willingness to speak their mind.
- Understanding and acceptance of the legal duties, responsibilities and liabilities of trusteeship.
- Ability to work effectively as a member of a team.
- Nolan's seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- Leadership skills.
- Experience of committee work.
- Tact and diplomacy.
- Good communication and interpersonal skills.
- Impartiality, fairness and the ability to respect confidences.
- In most circumstances it would also be desirable for the Chair to have knowledge of the type of work undertaken by the organisation and a wider involvement with the voluntary sector and other networks.

Download

Case study: Role description – CEO

(ACEVO)

Main responsibilities

- Work with the Chair to ensure that the board formulate and regularly review the organisation's mission and strategic plan, and ensure it is able to monitor annual plans and targets.
- Lead the implementation of the strategic plan as agreed by the board.
- Be responsible for staff leadership, management and administration of the organisation in the execution of the board's decisions.
- Take a leadership role in promoting the organisation, representing the organisation effectively to external stakeholders, and overseeing the organisation's brand, image, and policy development.
- Work with the Chair to ensure that the board receives appropriate advice and information on all relevant matters and enable it to fulfil its governance responsibilities.

Tasks

Working with the board

- Ensure appropriate presentation and reporting on the progress of the organisation and on all matters relevant to the discharge of its responsibilities.
- As agreed with the Chair, develop policy proposals for board discussion and decision.
- Support the Chair in ensuring the continued engagement/involvement of all members of the board.
- As appropriate, monitor and advise on the composition of the board, its committees, and the process of board appraisal and development.
- Ensure an annual calendar of meetings of the board and its principal sub-committees is in place.
- Present an annual operating plan and budget for approval by the board.
- To reflect to the board any concerns staff have in regard to the role of the board, its sub-committees or members.
- To attend board meetings.

Leading and managing the organisation

- Ensure that a long-term strategy is in place which can guide the organisation in achieving objectives.
- Enable the organisation to articulate its corporate philosophy and value base; ensure that these are consistently applied across the organisation.
- Be responsible to the board members for the overall financial health of the organisation; ensure that expenditure is controlled in line with budgets as approved by the board.
- Ensure the organisation discharges its constitutional and legal obligations.
- Provide leadership to the senior management team, and keep under review and appraise the work of staff reporting directly to the chief executive.
- Ensure that the organisation has the resources (human, material and financial) to operate as effectively as possible.
- Establish and maintain an HR system which ensures leadership and maximises the potential of staff and is in keeping with the mission and values of the organisation.

Promotion and representation of the organisation

- Maintain effective networks with all principal supporters and stakeholders.
- Seek opportunities to expand and promote the role of the organisation.
- Ensure the organisation is presented in an appropriate and professional manner to its stakeholders, both directly and through the media.

The above list of duties is indicative only and not exhaustive. The chief executive is expected to carry out all such additional duties as are reasonably commensurate with the role.

Download

Case study: Role description – CEO

(Bield Housing Association)

The post:	Chief Executive
Responsible to:	Board of Management
Responsible for:	Management Group; Secretary of the Association (under Board), Administrative Assistant
Contacts: **Internal:**	Board and Committees; Management Group; Staff Representatives; Bield Housing Trust
External:	Communities Scotland; Scottish Executive; Local Authorities; Association's Bankers and Solicitors; other RSLs; Professional Bodies; Consultants

Objectives of post

The chief executive is responsible to the board of management for the effective planning, performance, direction and leadership of Bield Housing Association. In particular, the chief executive will ensure that:

- The work of the association is well planned, executed, controlled and monitored to achieve its objectives and secure its resources.
- The board has at its disposal sufficient resources, information and professional advice to control the affairs of the business and its interests.
- The board is able to define the needs that it is seeking to meet and develop a coherent, innovative and effective strategy for meeting its objectives within appropriate statutory and policy requirements.
- The association has an effective structure enabling the best use of all human and financial resources and assets.
- The management group is effective in developing and implementing co-ordinated strategies and plans, and that all parts of the business work together productively in pursuance of the objectives set by the board.
- The work of all business operations is promoted effectively.
- The association operates in partnership with Bield Housing Trust.

Key tasks

Board and governance

- Ensure that the Chair of the association is effectively supported and the board and its committees are effectively serviced and provided with the plans, policy proposals, financial, performance and other information required to monitor and control all business activities.

- Ensure that all statutory, regulatory and legal obligations are met on behalf of the board.
- Maintain effective working relationships with the Chair of the board, between board members, and between board members and senior staff. Keep under review the structure and composition of the board's committees to ensure that effective governance is maintained.

Strategy, business planning and control

- Develop, for the approval of the board, corporate strategies and policies and an effective framework for implementation of these strategies.
- Maintain and develop an effective business planning system, which ensures that appropriate financial, staffing and other resources are deployed and that services to tenants and other service users meet the strategic objectives.
- Maintain and review the overall framework of standards, policies, procedures and specifications covering all areas of the association's work. Maintain appropriate mechanisms for checking compliance and evaluating the performance of these policies and procedures.
- Ensure that there is an effective risk and asset management framework in place enabling risks to be assessed and controlled and assets protected.

Senior management team

- Lead the management group so that it operates effectively in the development of co-ordinated strategies, policies, plans and initiatives including regular appraisal of performance against objectives.
- Ensure that the team delivers clear and cohesive direction and management to all aspects of the business.
- Ensure that senior managers are effective in carrying out their various responsibilities and work together productively.

Promotion and funding

- Maintain and develop effective external networks with local authorities, funding institutions, Communities Scotland and other organisations that are crucial to the work and business interests of the association.
- Ensure that staff at all levels maintain good working relationships with such external bodies.
- Effectively promote the work of the association in all dealings with external bodies and contacts.
- Ensure a consistent corporate approach exists on strategy and funding between the Association and Bield Housing Trust.

Other responsibilities

- On occasions the board will require the chief executive to undertake other responsibilities consistent with those set out above.

Download

Case Study: Role description – CEO

(London Voluntary Service Council)

Status: Permanent

Department: Directorate

Purpose of job

To lead the Council in the achievement of its objectives. In particular:

- To create and maintain an appropriate role for LVSC, and develop, review and implement its strategic goals and its profile.
- To consolidate and deliver the LVSC's services to members, including new projects and programmes, and facilitate and develop relationships with existing and new members.
- To broaden the LVSC's income base.
- To maintain and develop the LVSC's commitment to London's diverse communities and to ensure that discrimination is not tolerated.

Accountable to:

The London Voluntary Service Council Trustees. The chief executive reports to the Chair of the Council.

Staff responsible for:

Directly Deputy Chief Executive, Directors; Company Secretary and PA to Chief Executive.

Indirectly All other staff.

Main working contacts:

The Chair of LVSC and Board of Trustees; LVSC Deputy CE, Directors and staff; various external bodies such as the Association of Local Government, the Government Office for London, the London Development Agency and many other voluntary, statutory and business organisations.

Key accountabilities

1. Governance and decision making

a. Provide Trustees with appropriate, timely and relevant information and advice to enable them to exercise their responsibilities and ensure decisions are well informed, clear and implemented.

b. Ensure that the Association meets all its legal responsibilities under charity and other relevant law, and serve as company secretary where necessary.

c. To lead the LVSC's Senior Management Team.

2. Strategy and direction

Work with the Executive Committee to develop and regularly review the strategic goals of the LVSC through its Business Plan. Lead the formulation and dissemination of annual plans and targets and direct their implementation through the organisation.

3. Awareness and managing change

Periodically, review the operations, organisation and culture of LVSC, making appropriate adjustments so it is equipped to adapt to growth and changes affecting its areas of operation.

4. Profile, public relations and influence

a. Maintain and develop the profile of the LVSC and its member organisations.

b. Represent LVSC and its views within the London Funding Group and the wider London Statutory and Voluntary sectors, in the public arena and with media and government in order to promote the contribution of the LVSC and its members.

5. Membership and services

a. Ensure that LVSC's programmes of work are relevant and able to deliver. To design and oversee the implementation of new programmes of work, as needed.

b. Consolidate LVSC's services to members. Promote commitment to the provision of high quality services and to equality of opportunities, through leadership and policy development. Facilitate the sharing of good practice.

c. Facilitate and develop relationships with current and future members, recognising the range of diversity of London's communities and voluntary organisations.

d. Promote and market LVSC to ensure that it maintains the confidence of its members and encourages new members to join.

6. Policy work

To initiate and respond to related policy developments at national, regional and local level across all sectors.

7. Staff

a. Ensure human resources are best deployed to achieve the organisation's objectives.

b. Lead, manage and motivate staff to ensure they deliver the LVSC strategy and plans.

c. Ensure that personnel policies and procedures (including performance and appraisal) are in accord with current legislation and good practice, and effective in retaining and attracting high calibre staff.

d. Ensure staff training, development and support is provided to ensure delivery of work and services to highest standards.

8. Finances and funding

a. Direct financial planning, management and control in accordance with best practice, having regard to organisational needs and requirements, and future plans. Liaise closely with the Director of Finance.

b. Develop a funding strategy to broaden the income base, whilst seeking to increase membership. Advise the Trustees of new sources of funding, and implement associated decisions. Keep the financial position secure.

c. Ensure that programmes and projects are adequately financed and that contractual arrangements are soundly based.

d. Prepare the annual budget with the Senior Management Team and Director of Finance, ensuring effective budgetary monitoring and control of expenditure.

9. Technology and systems

Ensure that the LVSC's technology and systems are suitable and effective in enabling objectives to be achieved, and that staff members are adequately equipped. To pay particular attention to the use of IT in the delivery of services to members and in improving communication between the LVSC and its members, and amongst members themselves.

10. Health and safety

To ensure the organisation complies with and works towards best practice in all aspects of Health and Safety legislation.

11. Premises

a. To ensure that LVSC's premises are managed in a way that complies with all relevant legislation and with best practice. To ensure that the premises are used to best effect, including the ability to generate income from the use of the building.

b. Ensure the suitability and good order of premises by a programme of planned maintenance.

Download

Case study: Person specification for a CEO

(London Voluntary Service Council)

1. Strategic thinking

Evidence of strategic thinking and vision, with the ability to analyse complex concepts and information.

2. Leadership and change management

Proven leadership qualities and change management abilities with the capacity to direct and support LVSC to achieve its objectives.

3. People and financial management

Sound management abilities with at least four years' senior management experience, and the ability to run a small organisation.

4. Governance

Experience of working with a board of trustees in a voluntary, public or private organisation, and the ability to develop a positive, robust relationship with a board.

5. Profile raising and representation

The ability to raise and maintain the profile of LVSC and its members, making representation externally at senior levels in a creative, courteous and shrewd manner.

6. Membership organisations and umbrella bodies

Experience of membership organisations and an understanding of the role of umbrella bodies in leading, supporting and providing services to a diverse membership.

7. Policy work

The capacity to exert influence on relevant policy and practice at national and regional level and in other sectors and organisations.

8. Funding

The ability to broaden the income base and experience of successful fundraising.

9. Information and communication technology (ICT)

A good understanding of the strategic application of ICT to membership organisations and the ability to use ICT day-to-day.

10. Communication and presentation

The capacity to communicate clearly and succinctly in writing and orally.

11.Grant-making

Experience of grant-making in or to the voluntary sector at trustee or staff level (desirable).

12.Personal qualities

Integrity, versatility, flexibility and sensitivity to ethical issues in grant-making and commitment to equal opportunity in all matters.

Download

Case study: Role description – Treasurer

(Whittington Park Community Association)

General responsibilities:

- To ensure that the organisation complies with its governing document, charity law, company law and any other relevant legislation or regulations.
- To ensure that the organisation pursues its objects as defined in its governing document.
- To ensure the organisation applies its resources exclusively in pursuance of its objects.
- To contribute actively to the board's role in giving firm strategic direction to the organisation, setting overall policy, defining goals and setting targets and evaluating performance against agreed targets.
- To safeguard the good name and values of the organisation.
- To ensure the effective and efficient administration of the organisation.
- To ensure the financial stability of the organisation.
- To protect and manage the property of the charity and to ensure the proper investment of the charity's funds.
- If the charity employs staff, to appoint the chief executive officer and monitor his/her performance.
- In addition to the above statutory duties, each trustee should use any specific skills, knowledge or experience they have to help the board of trustees reach sound decisions. This may involve:

– Scrutinising board papers.

– Leading discussions.

– Focusing on key issues.

– Providing guidance on new initiatives.

– Other issues in which the trustee has special expertise.

Additional duties of the Treasurer

- Overseeing, approving and presenting budgets, accounts and financial statements.
- Being assured that the financial resources of the organisation meet its present and future needs.
- Ensuring that the charity has an appropriate reserves policy.
- The preparation and presentation of financial reports to the board.
- Ensuring that appropriate accounting procedures and controls are in place.
- Liaising with any paid staff and volunteers about financial matters.
- Advising on the financial implications of the organisation's strategic plans.
- Ensuring that the charity has an appropriate investment policy.
- Ensuring that there is no conflict between any investment held and the aims and objects of the charity.
- Monitoring the organisation's investment activity and ensuring its consistency with the organisation's policies and legal responsibilities.
- Ensuring the organisation's compliance with legislation.
- Ensuring equipment and assets are adequately maintained and insured.
- Ensuring that the accounts are prepared and disclosed in the form required by funders and the relevant statutory bodies, e.g. The charity commission and/or the registrar of companies.
- If external scrutiny of accounts is required, ensuring that the accounts are scrutinised in the manner required (independent examination or audit) and any recommendations are implemented.
- Keeping the board informed about its financial duties and responsibilities.
- Contributing to the fundraising strategy of the organisation.
- Making a formal presentation of the accounts at the annual general meeting and drawing attention to important points in a coherent and easily understandable way.
- Sitting on appraisal, recruitment and disciplinary panels as required.

This role description is neither prescriptive nor totally inclusive of all the possible tasks or roles that are or may be expected of the Treasurer. The Treasurer may be from time to time called upon to undertake other tasks not explicitly stated here but which are consistent with the nature of the role and of WPCA's work.

Person specification

- Commitment to the organisation.
- Willingness to devote the necessary time and effort.
- Strategic vision.
- Good, independent judgement.

- Ability to think creatively.
- Willingness to speak their mind.
- Understanding and acceptance of the legal duties, responsibilities and liabilities of trusteeship.
- Ability to work effectively as a member of a team.
- Nolan's seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- Financial qualifications and experience.
- Some experience of charity finance, fundraising and pension schemes.
- The skills to analyse proposals and examine their financial consequences.
- Preparedness to make unpopular recommendations to the board.
- Willingness to be available to staff for advice and enquiries on an *ad hoc* basis.

Download

Case study: Role description – Treasurer

(The College of Teachers)

Role summary

The Honorary Treasurer is one of seven Honorary Officers elected for a four-year term of office by the members of The College.

The Honorary Treasurer is one of The College's trustees and serves the Council. The Honorary Treasurer, like other Honorary Officers, is expected to have a knowledge and understanding of College activities and of its Charter, Bylaws and Standard Operating Procedures.

The College is a charity with professional staff so the Honorary Treasurer's role is advisory, working with other Trustees and the CEO and Finance Officer. However, it is the Honorary Treasurer's responsibility to monitor the financial affairs of the charity and to report to Council accordingly about the financial health of the organisation, in line with charity, Royal Charter and legal requirements.

Responsibilities

1. To review the production and presentation of budgets, accounts, management accounts and financial statements to Council after discussion with the Executive Committee and CEO.
2. To ensure that proper financial records are kept, ensuring that resources are allocated as Council requires.
3. To assist in the development and implementation of investment and reserves policies.
4. To liaise monthly with the Finance Officer about the financial position.

5. To report to Council and members at the Summer and Winter Ordinary General Meetings about the financial performance of The College and its prospects in the forthcoming financial period.
6. Identifying financial risks and recommending appropriate action.
7. Assuring that the financial resources of The College meet its present and future needs within a sound financial framework.
8. Keeping Council informed about its financial duties and responsibilities.
9. Liaising with the Charity's auditors, including chairing an annual meeting with the auditors to discuss the Auditor's Report and Accounts before reporting on this to Council.
10. Formally presenting the accounts at the Annual General Meeting.

Person specification

E=Essential D=Desirable

Knowledge

- Knowledge and experience of financial management. E
- Some knowledge of charity finance and fundraising. E

Skills

- Able to analyse proposals and examine their financial consequences. E
- A preparedness to make unpopular recommendations to Council. E
- A willingness to be available to the CEO and the Finance Officer for advice and enquiries on an *ad hoc* basis. E
- An ability to think creatively. E

Experience

- Previous experience of working in the third sector. D
- Experience of charity finance and fundraising. D

The Honorary Treasurer as Trustee

All trustees should:

1. Ensure that the organisation complies with its governing document (the Royal Charter and Bylaws), organisation law, and any other relevant legislation or regulations.
2. Ensure that the organisation pursues its objectives as defined in its Royal Charter and Strategic Plan.
3. Have an active commitment to the mission of The College.
4. Ensure the organisation applies its resources exclusively in pursuance of its objectives, i.e. the organisation must not spend money on activities which are not included in its own objectives, no matter how worthwhile or charitable those activities are.
5. Contribute actively to the Council Committee's role in giving firm strategic direction to the organisation, setting overall policy, defining goals, setting targets and evaluating performance against agreed targets.
6. Safeguard the good name and values of the organisation.
7. Represent The College at functions and meetings as appropriate.
8. Declare, at the time, any conflict of interest that may arise while carrying out the duties of a trustee.

9. Be collectively responsible for the actions of the organisation and other trustees.
10. Ensure the effective and efficient administration of the organisation.
11. Abide by the equal opportunities policy.
12. Ensure the financial stability of the organisation.
13. To protect and manage the property of the organisation and to ensure the proper investment of the organisation's funds.
14. Make sure the organisation is properly insured against all reasonable liabilities.
15. In addition to the above statutory duties of all trustees, each trustee should use any specific knowledge or experience they have to help the board of trustees reach sound decisions. This will involve scrutinising board papers, leading discussions, focusing on key issues, and providing advice and guidance requested by the board on new initiatives, or other issues relevant to the area of the organisation's work in which the trustee has special expertise.
16. Attend committee meetings and to read papers in advance of meetings.
17. Attend working group meetings as appropriate.
18. Participate in other tasks that arise from time to time, such as interviewing new staff, helping with events.
19. Keep informed about the activities of the organisation and wider issues which affect its work.

Qualities of a trustee

1. Integrity, strategic vision and good/independent judgement.
2. An ability to think creatively and to openly speak their mind.
3. An ability to work effectively as a member of a team and to take decisions for the good of the College.
4. A willingness to devote the necessary time and effort to their duties as a trustee.
5. Good, independent judgement.
6. Have experience in specific area/discipline which is applied for the benefit of The College.

Skills and experience of Council

Amongst the members of Council there should be skills and experience covering:

1. Financial management.
2. All phases and genres of education provision in the UK.
3. Commerce.
4. Legal matters.
5. Human resources management and employment.
6. Fundraising.
7. Marketing and PR.
8. IT.
9. Understanding of the UK voluntary sector (nationally and/or regionally).
10. National and local government.

Time and remuneration considerations

1. The Council Committee meets for two general meetings a year, and the Executive Committee for a further four. Committees currently meet in central London usually on Saturdays and some Thursdays. Attendance is required at all meetings of both committees.
2. The Executive Committee is staffed by all honorary officers and committee chairs as well as representatives of key partners.
3. Other working groups are formed and meet as required by normal business, such as internal auditors meetings.
4. In addition to committee meetings, other contact (usually electronic or telephone) will be necessary.
5. The time commitment for this role is expected to be 1.5 to 2 days per month, on average.
6. The post attracts no remuneration, being entirely voluntary. The College will reimburse all preauthorised and reasonable expenses including travelling commitments.

Download

Case study: Role description – Company Secretary

(Unlimited Potential)

Role summary

To ensure that there is accountability for the effective stewardship of the organisation's resources, by ensuring that the organisation fulfils all its statutory duties and complies with its Rules and Standing Orders.

Main duties

1. Act as Secretary to the Advisory Council and the Board.
   - Act as Secretary of the Advisory Council and the Board, ensuring that each meeting is convened and the proceedings are minuted.
   - Act as Secretary of the Finance & Audit Committee and the Remuneration Committee, ensuring that each meeting is convened and the proceedings are minuted.
   - Do a quarterly review of compliance with statutory duties.
   - Ensure that any transaction made with a Director is permissible and first receives the appropriate approval.
2. Keep all the records, registers and books that the Rules require to be kept.
   - Keep all records required, with precautions to guard against falsification and to facilitate their discovery.
   - Maintain all registers required, including those of interests declared.
   - Decide whether to accept each application to become a Supporter, and inform each applicant of the decision (with notice of appeal).

- Remove individuals from the Register of Supporters, when they cease to be a Supporter.
- Deal with complaints about Supporters.

3. Summon and attend all meetings of the Supporters, the Advisory Council and Board, and keep the minutes of those meetings.
   - Convene each meeting of the Supporters, Advisory Council and Board as required by or requested under the Rules, giving sufficient notice as required to all those eligible to attend.
   - Ensure that, at each meeting, the issues to be decided are clearly explained and sufficient information is provided to enable rational discussion to take place.
   - Keep the minutes of each Supporters', Advisory Council and Board meeting.
4. Act as Returning Officer in any elections.
   - Act as Returning Officer in any elections held under the Rules.
5. Publish to Supporters in an appropriate form information about the affairs of the Society to enable its purpose to be achieved.
   - Ensure the signature and publication of the Directors' report and audited accounts for each financial year.
   - Keep all statutory documents available at the Registered Office for inspection on legitimate request by anyone with a right to do so.
   - Supply to any Supporter, on request and without charge, a copy of the most recent annual return with all supporting documents and any other document which they have a right to see.
6. Prepare and send to the authority with responsibility for the regulation of the organisation and any other statutory body all returns which are required to be made.
   - Ensure that all statutory documents are prepared to give a true and fair view, and are filed as and when required.
   - Ensure that the annual accounts, Directors' report and auditors' report are filed with the authority within the time specified by legislation.
   - Ensure that the organisation delivers its annual return to the authority within the time required by legislation.
   - Send notice to the authority of any amendment of the Rules, including any change in the address of the registered office.
   - Send notice to the authority of any change in the Register of Directors or Register of Secretaries.

General work-related expectations

1. Work within the organisation's mission and values.
2. Contribute to organisational planning and development.
3. Work in accordance with all policies and procedures of the organisation.

4. Work in accordance with all relevant legislation.
5. Contribute to the organisation's marketing and publicity.
6. Identify and do learning and development, as appropriate.
7. Undertake any other duties appropriate to the post, as required.

Download

Tools: Role description – Managing Director/Chief Executive

(IoD)

The role of the managing director/chief executive

The managing director/chief executive is the most senior full-time executive of the company (except when there is an executive Chair). The role of managing director and chief executive are virtually the same. (The latter title originally comes from the US.)

The managing director/chief executive is responsible for the performance of the company, as dictated by the board's overall strategy. He or she reports to the Chair or board of directors.

Responsibilities include:

- Formulating and successfully implementing company policy.
- Directing strategy towards the profitable growth and operation of the company.
- Developing strategic operating plans that reflect the longer-term objectives and priorities established by the board.
- Maintaining an ongoing dialogue with the Chair of the board.
- Putting in place adequate operational planning and financial control systems.
- Ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees.
- Closely monitoring the operating and financial results against plans and budgets.
- Taking remedial action where necessary and informing the board of significant changes.
- Maintaining the operational performance of the company.
- Monitoring the actions of the functional board directors.
- Assuming full accountability to the board for all company operations.
- Representing the company to major customers and professional associations.
- Building and maintaining an effective executive team.

Download

Tools: Role description – Chair

(IoD)

The Chair's primary role is to ensure that the board is effective in its tasks of setting and implementing the company's direction and strategy. The Chair is appointed by the board and the position may be full-time or part-time. The role is often combined with that of managing director or chief executive in smaller companies. However, the joint role is considered to be less appropriate for public companies listed on the Stock Exchange.

The main features of the role of Chair are as follows:

- As well as being Chair of the board, he/she is expected to act as the company's leading representative which will involve the presentation of the company's aims and policies to the outside world.
- To take the Chair at general meetings and at board meetings. With regard to the latter this will involve the determination of the order of the agenda; ensuring that the board receives proper information; keeping track of the contribution of individual directors and ensuring that they are all involved in discussions and decision making. At all meetings the Chair should direct discussions towards the emergence of a consensus view and sum up discussions so that everyone understands what has been agreed.
- To take a leading role in determining the composition and structure of the board. This will involve regular reviews of the overall size of the board, the balance between executive and non-executive directors and the balance of age, experience and personality of the directors.

Appointment

The first directors of a company are appointed at the time of its registration. Subsequent appointments are governed by the company's articles of association. Typically the articles will provide for the board of directors to fill any casual vacancies or to appoint additional directors up to the maximum number specified by the articles.

Summary

John Harper, formerly Professional Development Director for the IoD and author of *Chairing the Board*, suggests that the essential tasks of a Chair are as follows:

- Providing leadership to the board.
- Taking responsibility for the board's composition and development.
- Ensuring proper information for the board.
- Planning and conducting board meetings effectively.

- Getting all directors involved in the board's work.
  - Ensuring the board focuses on its key tasks.
  - Engaging the board in assessing and improving its performance.
  - Overseeing the induction and development of directors.
  - Supporting the chief executive/MD.

Download

Tools: Role description – Leader

(Tomorrow's Company)

Having focused on tomorrow's global company, what of tomorrow's global business leader? What personal qualities will she or he need to demonstrate in order to lead such a business?

Tomorrow's Company[26] suggests the ideal qualities for a leader of a private sector company are:

Clear vision

Global business leaders operate in a complex, turbulent and uncertain environment. They need to be sufficiently in touch with the outside world to sense the most important trends and use these to visualise what success will mean for their company.

Strong values

Strong values are vital for tomorrow's global company. Leaders not only set direction but also the pattern for behaviour and ethics. Vision is often largely based on values, because it represents the destination that a leader believes a company should reach if it lives out its values.

Courage

When things are changing fast, companies need to take bold steps and move in new directions. As well as the vision to know which direction to go in, leaders need the courage to take risks, break with the pack and deal resiliently with the inevitable adversity.

Empathy

21st-century leaders meet and interact with a wide variety of people, from employees and investors to governments and NGOs. In such situations, it is vital for leaders to be culturally aware, have empathy and be able to stand in others' shoes.

Accessibility

Effective leaders of large, dispersed organisations may have limited opportunity to meet

26 Tomorrow's Company is a business-led think-tank working as a catalyst to help realise the organisation's vision, 'a future for business which makes equal sense to staff, shareholders and society'. Included with permission from Tomorrow's Company,. To find out more please visit www.tomorrowscompany.com

people face to face, but they take every opportunity to interact with those at the front line and use a range of communications media to keep in touch and listen to the views of people at all levels.

High level negotiating and interpersonal skills

In several of the challenges and choices we have examined, leaders need to negotiate at the highest levels outside the organisation. This is particularly necessary in taking a more proactive role in helping to fill the global governance vacuum and develop relationships with NGOs, governments and other companies.

A passion for teamwork

Tomorrow's great leader will not be a 'superhero' who runs the company singlehandedly, but someone who will build a team from people of all backgrounds and give them space to take decisions – a very different skill.

Humility

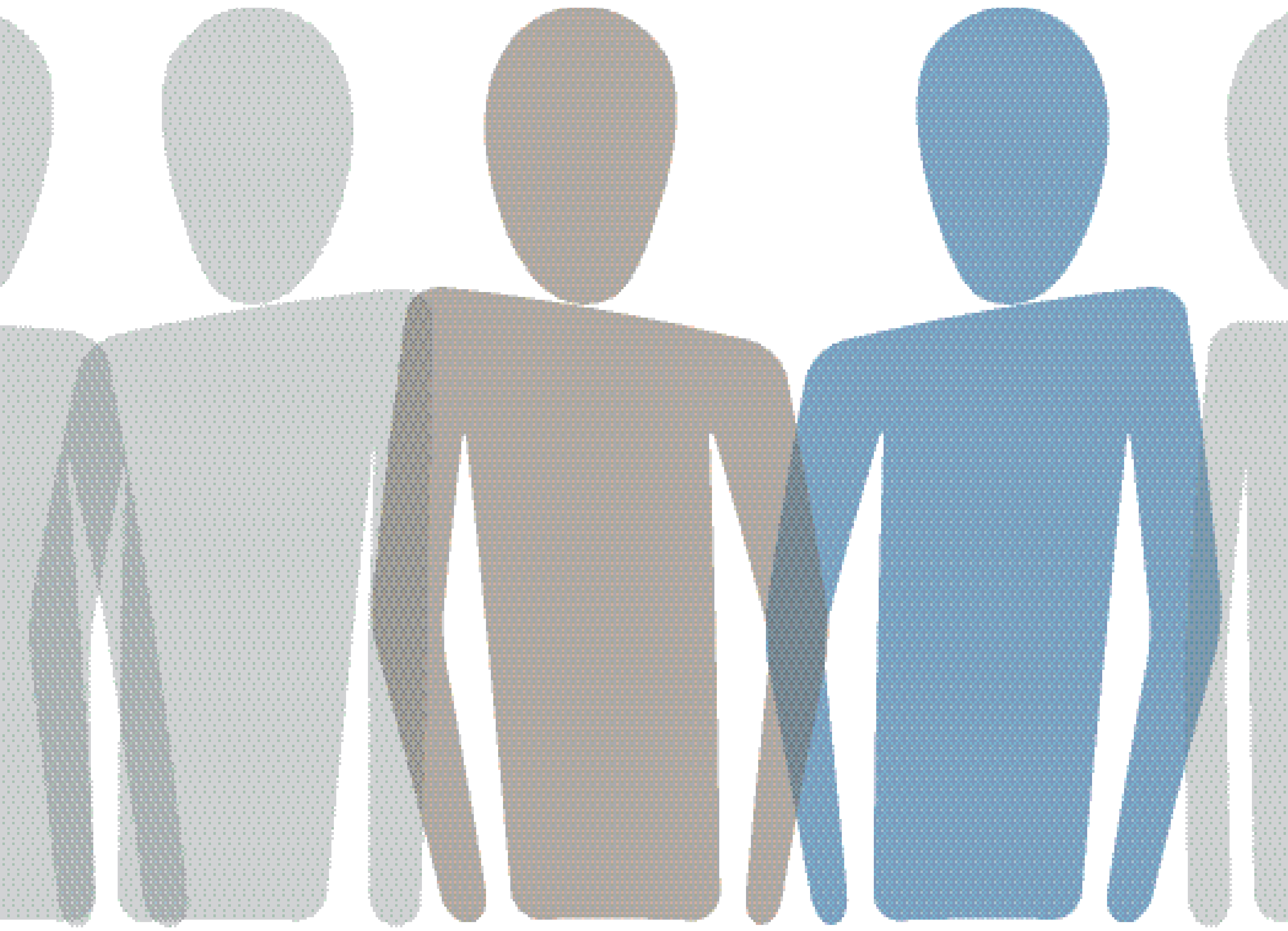
The leader of tomorrow will accept his or her limitations. To hold a top-level leadership position in a major global company is to be in a position of considerable power and to be constantly exposed to public scrutiny. In such a role, self-belief and confidence are essential qualities, but arrogance is damaging. It is important to balance confidence with a willingness to admit one's mistakes and keep learning. Respect is earned not through the trappings of position and power but through action and integrity.

Commitment to future leaders

Along with a teamworking approach to present-day challenges goes a commitment to developing the team of the future and knowing when to stand aside for a successor

Part Four

Appraising the CEO



Part Four

Appraising the CEO

This section provides advice and guidance on the development of a CEO appraisal system. It sets out some of the parameters of chief executive appraisal, which are relevant to organisations whether small, medium or large, old or new. Appraising the chief executive is an important process for both the organisation and the individual and the principles outlined in this guide are its cornerstones, regardless of which particular model of appraisal is used.

4

Appraising the CEO

1. Are all CEOs appraised?

CEO appraisal is now standard professional practice. ACEVO's surveys demonstrate that approximately two thirds of organisations now have an appraisal process for their CEO, representing a significant increase since 1996, when only 50% were appraised. However, the figure has reached a plateau, not having increased significantly since 2001. In *The ACEVO 2009/10 Pay Survey*, 71% of CEO members have a formal appraisal.

There is still evidence that appraisal of the chief executive is not always a regular and structured occurrence. Where it does take place, those participating often have very different perceptions about how and why it should be done.

"In the five years I was there, I only had one discussion with my Chair about my objectives for the organisation. It took place in the pub, and didn't get us very far."

Former CEO of a community development organisation

The public and private sectors are placing increasing emphasis on structured appraisal processes for senior staff.

In commercial organisations, the CEO is a member of the board, so participates in board evaluations. 93% of FTSE-350 companies undertook a formal board evaluation in the financial year 2005/6. Of these, 32% used some form of external assistance.[27] The Senior Civil Service is reviewing its approach to performance management and appraisal, refining the common framework for permanent secretaries and senior civil servants. In a survey of senior civil servants in 2006, only 33% said they were satisfied with the approach to performance management in their organisation. Permanent secretaries (the CEOs of Government Departments) are appraised by the Cabinet Secretary and the permanent secretary at HM Treasury, who both deal with all of them on a regular basis.

[27] RMS Robson Rhodes, (2006), *Board Evaluations*

2. Why appraise the CEO?

As the third sector develops in size and complexity, systems of best management practice should be in place to support and monitor all staff, including the CEO.

Before establishing a chief executive appraisal system, it is important that the chief executive, Chair and board members discuss, and agree answers to, the question "why do we want to do this?".

There are many possible answers to this question, encompassing the support and development of the CEO, performance management, strategic development, and compliance.

It is particularly important to have a system of appraisal for the chief executive because the complexity of the relationship between governance, leadership and management in the third sector places upon him or her many expectations and responsibilities. These need to be made explicit to the post holder on his or her appointment. They also need to be agreed and supported by the board members on a collective basis, and reviewed regularly.

As Employment Law specialist Mark Ellis of Ellis Whittam (www.elliswhittam.com) says:

"All too often we see the consequences of non-existent or poor appraisal when the employment relationship is near to breakdown. It is quite surprising how often employment law problems in the third sector centre around a complete breakdown in communication, trust or confidence between Trustees and the CEO.

Many third sector boards are so busy that they forget that it is their responsibility to manage the CEO's performance throughout the year, not just at the formal review meeting. If the board has been managing the CEO throughout the year, there should be no surprises at either an interim or annual review meeting.

As employment law advisers we see a clear correlation between the breakdown of relationships between the board/CEO and poor communication, irregular reviews and lack of clarity regarding key objectives. We advocate a balanced scorecard approach whereby an organisation's objectives are distilled into a set of clear and measurable objectives, which are discussed by the CEO and board on a weekly or monthly basis. This approach focuses minds not only on those key measures that are important to the organisation but it also encourages discussion and frank feedback, which in turn facilitates good management of CEO performance."

Why appraise the CEO?

CEO support and development

- Identify areas for the chief executive's training, support and development.
- Adjust the shape of the chief executive's role.
- Review the support by the Chair of the chief executive.
- Review the support by the board as a whole of the chief executive.
- Build good working relationships and trust between the Chair, the chief executive and the board.

Performance management

- Review the chief executive's achievements and weaknesses against agreed objectives, competences or performance benchmarks.
- Review the chief executive's achievements as role model for the organisation's values.
- To make the CEO aware of any concerns about his or her performance.
- To improve the performance of the organisation as a whole by establishing a culture of appraisal and development.

Strategy and objectives

- Set short-, medium- and long-term objectives for the chief executive and indirectly for the top team.
- Identify barriers to success of the organisation in the past and avenues for action in the future.
- Communicate common ground or differences in vision, attitudes and objectives for the future.

Compliance and accountability

- Demonstrate compliance with the sector's Code of Good Governance.
- Reassure funders and regulators that the organisation takes performance management seriously.
- Ensure the board members are meeting their duty to deliver effective leadership and management for the organisation.

Board members continually observe and review the actions and overall performance of their chief executive, regardless of whether a formal appraisal system is in place. They may have differing degrees of involvement with the activities of the charity and differing ideas about how much authority is, or should be, delegated to the chief executive. On this basis, they may reach very different views on the performance and effectiveness of the CEO, causing tensions and perhaps disputes within the board.

Since appraisal of a sort takes place even without a formal system, the question is not whether to have an appraisal system, but whether to have a formal one.

> *"Where the organisation has a chief executive, following proper and formal arrangements for the chief executive's appointment, supervision, support, appraisal and remuneration; being clear which board members are responsible for day-to-day communication with, and supervision of, the chief executive. Ensuring that the relationship between the board and the chief executive retains an appropriate balance of support, scrutiny and challenge."*
>
> Voluntary and Community Sector Code of Good Governance

Formal appraisal has many clear advantages for board members:

- It helps if board members' expectations and observations are communicated explicitly to the CEO on a regular basis. These can be clarified and negotiated in a way appropriate to the particular organisation.
- It provides a solid foundation for defining the relationship between the chief executive, the Chair and the board members, and a structured channel for managing it.
- It also helps to clarify and set clear objectives for the successful running of the whole organisation. Since board members will not be closely involved in the operations of the organisation, appraisal of the CEO provides a vital means of holding the CEO to account for them in an objective way.
- The process of developing a formal appraisal system helps improve trust and therefore helps the chief executive and his or her board members work well together.

Board members may be reluctant to introduce a formal appraisal system for the CEO, in case it implies criticism of performance to date. However, a formal system of appraisal will directly benefit the CEO, and most CEOs are delighted to have one in place.

- In the absence of formal appraisal, CEOs may be left in the dark as to the board's view of their performance. This lack of clarity can lead to considerable anxieties, particularly for a first-time CEO who is used to working within a formal line-management structure.
- A formal appraisal process provides a clear opportunity to communicate feedback from the board in a structured and orderly way. This helps to prevent any criticism appearing unnecessarily personal, and encourages feedback to be made at helpful times and in helpful ways.
- The process of appraisal enables a CEO to communicate to the board his or her own expectations and observations about the role, and how it should evolve over time.

Brian Lechem points out that, "The role of the CEO can be very isolated. All CEOs desperately need to know how they are performing." [28]

Board members should also be encouraged to overcome their natural reluctance to challenge the CEO. An appraisal mechanism provides an agreed and unthreatening way of doing so:

"Clearly the CEO holds a great deal of power, in fact if not in law. This power is further enhanced because board members normally have considerable respect for expertise and are not inclined to challenge a CEO before his peers unless the issue is very important." [29]

28 Lechem, (2002), p.40

29 James Gillies, (1992) *Boardroom Renaissance*

3. How to introduce an appraisal system

Having established why the appraisal system is needed, the next step is to clarify its focus and purpose. Clarifying the purpose of the appraisal process for your organisation will point you in the direction you need to go to find the right one.

The appraisal provides an opportunity to clarify or update the performance standards expected from the chief executive. It is also an occasion to agree personal targets – such as the chief executive's priorities for the coming months. Some of these targets will be self-evident, arising from organisational needs. Others will build on the chief executive's unique added value to the organisation – or the need for correction of perceived weaknesses.

For example, if it is important to measure certain key results in a specified time period (e.g. the financial year). You might favour an appraisal system which emphasises clearly defined, focused objectives. In doing so, make sure you leave room for evolution and innovation during the course of the time period. A straitjacket of performance management can prevent CEOs from responding adequately to significant external events and identifying opportunities. Remember that "killing enthusiasm through micromanagement" is one of the "seven failings of really useless leaders".[30]

If your focus is on professional development for the chief executive (with a view to the organisation making a long-term investment in an individual who could have a significant impact on the organisation), there might be a greater emphasis on training and development needs. Take care that this emphasis does not come at the expense of focus on the organisation's mission and activities.

The role of the CEO is becoming broader and more externally focused. Networking, influencing and promoting the organisation are now considered core functions of most CEOs. It is not always easy to define the final purpose of these activities in advance, but Chair and CEO should ensure that the appraisal framework supports and encourages them as necessary.

Some purposes may rest uncomfortably together – for example if the appraisal process is to be used to influence the reward for performance as well as to promote open communication between the chief executive and board members. These potential conflicting purposes need to be recognised and require careful negotiation.

The tone for the appraisal process will be set by the way in which it is introduced. The Chair should involve the CEO directly in developing the process, making sure that it meets the individual needs of both CEO and board. It should be developed by both Chair and CEO together, rather than being imposed on the CEO from above.

Appraisal should not make a chief executive feel under pressure. The ideal time to introduce it is when things are going well and when both the chief executive and board members feel positive about their working relationship. It can also protect CEOs who have a tendency to overstretch themselves.

The performance of the CEO depends critically on the performance of the board. Boards should therefore ensure that they review and appraise their own performance, as well as that of the CEO. Failure to do so leaves the CEO in a highly exposed position.

30 Stephen Sonsino and Jacqueline M. Moore, (2007), *The Seven Failings of Really Useless Leaders*

Board appraisal is now accepted good practice within the third sector. Although it has been recommended and endorsed by most authorities on the issue, board appraisal is only in place in around 45% of the organisations led by ACEVO members. The National Council of Voluntary Organisations argues that "performance appraisal should be part of the culture of the organisation, and include appraisal of the board". [31]

Investors in People state that, "Our standard is about achieving the best outcomes for an organisation by reviewing and improving the performance of everyone involved. This approach should go right to the top, including the CEO and the board members."

> The sector's Code of Good Governance recommends that all boards regularly review their effectiveness, and use the results to improve board performance:
>
> *"[The board should consider] setting aside time to reflect on performance and functioning of the board and its committees as teams, and identifying and dealing with any areas for improvement."*

Appraisal and reward

If appraisal is to be linked to reward, it is important that discussions about performance and decisions about remuneration are not tackled at the same meeting.

Linking the results of an appraisal directly to levels of remuneration is likely to limit the openness with which both parties approach the process. For this reason, feedback on achievements should be given following an appraisal process, then separate discussions on salary should be held. It will help to leave a significant interval between the two.

Appraisal does not necessarily have to be linked to reward, and rewards may be non-financial. For example, allowing the CEO to undertake a sabbatical may be a more effective type of reward. Many employees, including CEOs, value recognition above financial reward.

Among ACEVO members, 52% think performance-related pay is a fair system for third sector CEOs, and 14% currently receive an element of performance-related pay. This is usually a relatively small proportion of their total pay package: the median value is £4,000 per annum.

While 49% of CEOs have their salaries determined by a remuneration committee, fewer than 1% are appraised by the remuneration committee. This demonstrates that the vast majority of organisations separate their CEO's appraisals from their salary reviews.

Who should lead the appraisal?

The core of appraisal is the review with an individual of their achievements, weaknesses, aspirations, disappointments and any development needs, by one, two or occasionally more people with some kind of line management or supervisory relationship with the individual.

In the case of third sector CEOs, those with a supervisory relationship will normally be the Chair and other officers of the board. In most third sector organisations the appraisal is led by the Chair, supported by two or more board officers, e.g. the vice-Chair and

31 NCVO (2006), *The Board's Responsibility for Appraising the Chief Executive*

treasurer. In a few organisations the CEO's line manager is the vice-Chair or another board member, in which case this person should take the lead.

A new Chair, particularly if also new to appraisal, will probably benefit from some training and in any event should be supported by other members of the board.

Of ACEVO member:

- 70% are appraised by the Chair.
- 18% are appraised by a group of board members.
- 6% are appraised by the board as a whole.[32]

The Chair should also, with the chief executive's knowledge, take soundings, where appropriate, from other key sources. A sensitive canvassing of views is desirable. The breadth of this will depend on the size, complexity and culture of the organisation. With this in mind, the Chair may also want to see a 'reference' from someone outside the organisation with whom the chief executive has worked on a particular aspect of development. For more information on this, see the section below on 360° appraisal.

Upward appraisal

Upward appraisal can be very useful in highlighting the strengths and weaknesses of the chief executive as perceived by employees at various levels and locations.

Upward appraisal surveys should not be lightly undertaken. They create an expectation that something will happen as a result. Upward appraisal should only be undertaken if there is a commitment to follow it up and a willingness to confront possible unwelcome or unexpected findings.

The best approach to upward appraisal depends mainly on how the feedback will be used:

- Informal feedback should be sought by the Chair for appraisal and development purposes.
- Formal (usually non-attributable) assessments by staff should be sought where results can be collated and fed back, by the staff group, a senior manager or an independent facilitator.

The focus should be on behaviours, skills and competences that are important for the organisation. It is often useful to include an assessment of how important each of the competences/behaviours is for the CEO's role. This will allow for easier assessment of development priorities.

Where members of staff are involved, it is usually important to ensure that comments are non-attributable in order to encourage candidness. They will therefore need to feel assured that they will not be identified. This will mean including enough respondents in the exercise to ensure that anonymity is possible.

One device which can serve several purposes is to conduct an attitude survey of all

32 *The View from Here*, ACEVO Pay Survey 2007/08

employees. The questions can cover a range of issues including communications, quality, training, equal opportunities, health and safety and management style. This can provide a useful way of garnering feedback on the CEO and other leaders as part of a broader process.

In handling feedback, the appraiser needs to consider whether descriptive or prescriptive feedback is required. Some appraisers describe current behaviour and leave it to the participant to develop improvement actions; others suggest solutions. This is an expert and sensitive task and, again, those involved must be skilled enough to handle the process well.

4. Peer involvement and 360° appraisal

Peer appraisal by colleagues – particularly by chief executives of professionally linked organisations – can provide a valuable additional perspective from someone who has been in a similar role to that of the CEO.

If an outsider is to conduct the appraisal, they will need the experience and expertise to secure the trust and confidence of both Chair and CEO. ACEVO and other networks are useful sources of suitably qualified 'peers' and consultants who are willing to participate in appraisal and other reviews.

Since peers will not have a full working knowledge of the organisation, they will need to be exceptionally well briefed on:

- The organisation's vision, mission and current activities.
- The results and outcomes of previous appraisal cycles.
- Whom they should interview as part of the appraisal process.
- To whom and how they should report the results of the appraisal.

It is usual for the peer to discuss the appraisal report with the CEO in the first instance, before sending a draft to the Chair (and perhaps other selected board members) for approval.

Alternatively, the Chair and CEO may wish to nominate a peer as a referee who can participate in the appraisal, rather than conduct it. Peers can comment on the challenges of the job or individual performance from a different perspective. It will be useful if they have a connection with the organisation: perhaps as a customer or a collaborator in some joint project.

360° appraisal is increasingly popular, and is likely to become the 'gold standard' form of appraisal. It accords well with today's flatter management structures and the trend for devolving responsibility for personal and professional development to the individual. The process involves seeking views about an individual's performance from all parts of an organisation, and from outside it.

Learning and openness

Such a process takes time, but provides important insights for the CEO if properly managed. Incorporating in the appraisal process some element of upward, downward and sideways feedback – from the senior management team, board members and peers – can provide rich information for managers and organisations. It may be particularly helpful for a chief executive in larger organisations in answering the following questions:

- How effectively am I working with board members?
- Is my leadership style working for the organisation?
- Have I got the right level of engagement from staff?
- Am I delegating effectively to senior managers?
- How does my approach look to my peers?

The process has other benefits:

- It covers elements of performance not readily visible to board members.
- It reinforces good managerial behaviour.
- It enhances employees' feelings that they have a voice in organisational decision-making by giving them an opportunity to provide structured feedback.
- It can promote or reinforce a change of organisational culture.

The process can illustrate top management commitment to an open, learning organisation. Feedback may also reveal certain problems that staff members are reluctant to communicate to their managers in informal contexts, and may indicate other needs. Those undertaking '360 degree' appraisal should ensure that the process is properly managed and facilitated. '360 degree' appraisal works best in organisations that are genuinely open, and where the views of all staff members are valued. Without this commitment, the approach may unrealistically raise staff expectations.

Developing a 360° appraisal process

A comprehensive guide to 360° appraisal is provided for CEOs who participate in ACEVO's 360° appraisal process. The following summarises some of the most important points from the guide.

You should first decide whether your organisation is ready for a 360° appraisal process. The following are useful questions to consider:

- Does the organisation have a clear vision and objectives?
- Do people understand their roles within the organisation's structure?
- Are effective arrangements in place to manage the performance and development of staff?
- Are people used to giving and receiving constructive feedback?
- What is the current level of openness and trust within the organisation?

You may wish to begin with a basic process of 360° feedback to introduce the concept while minimising the burden on the organisation. This might be led by the Chair and use a simple questionnaire to identify important issues, rather than seeking to provide a comprehensive and quantifiable analysis of CEO performance. A sample basic questionnaire is provided at the end of this section.

There are six key stages in developing and implementing a full 360° appraisal process:

1. **Determining the objectives and focus**

   Should the processes primary aim be the development of the CEO, or the top team? Is the aim to generate a more profound cultural change within the organisation?

2. **Designing the process**

   Consider the questionnaire(s), and arrangements for processing and acting on the feedback received.

3. **Communicating to staff and stakeholders about the process**

   Communication with everyone to be involved in the process will secure early commitment and enable the organisation to address any concerns. Those who are to participate in the feedback, including any external facilitator, should be consulted on the process and approach.

4. **Gathering structured feedback from those contributing to the process**

   A clear and structured process for gathering feedback, with sufficient time allowed, will maximise the quality and quantity of information received.

5. **Facilitated discussion of the feedback**

   Feedback results should be reviewed with a facilitator to establish development priorities, and draw up development plans. The outcome of the process should be an action plan for the CEO.

6. **Taking supported action on the CEO's development plan**

   The CEO should take action on the development plan, with support from the Chair, a coach, or a mentor. Progress should be monitored and communicated, with guidance provided where necessary.

Who should be involved?

The greatest value of 360° feedback comes from selecting the best possible range of perspectives. CEOs should choose a cross-section of people with whom they work, both inside and outside the organisation. All should be people who have had a working relationship with the CEO for at least four months. CEOs should resist any temptation to hand pick participants whom they consider likely to provide the most positive feedback.

Most third sector organisations have external stakeholders whose influence can have a significant impact on their chances of success. They need to be engaged actively and positively. Leaders must be aware of their impact on stakeholders, and of their stakeholders expectations. Finding effective ways of consulting, engaging and responding to stakeholders is a crucial part of performance improvement. 360° appraisal is used across all three sectors as a means to seek out the views of those with whom leaders have an important working relationship.

CEOs should consider requesting feedback from the following sources:

Internal	External
• Chair	• External peers
• Board members	• Stakeholders
• Direct reports	• Suppliers and contractors
• Other team members	• Clients and customers

Between six and 15 people should be selected, balancing the need to reflect the range of significant relationships against the administrative burden on the organisation and its stakeholders. Confidentiality may be important to many participants, and numbers should be sufficient to preserve anonymity.

Using external facilitators has a significant advantage in generating honest and open feedback from external participants. Those with whom you have a working relationship are likely to respond politely when you seek their views directly, as they will not want to damage the relationship through criticism that may seem personal. Using a third party will overcome this reticence, demonstrating that you wish to generate candid and honest feedback.

Facilitators: supporting and responding to feedback

Facilitators are of immense benefit to a 360° appraisal process. They can guide organisations through the entire process, from advising on the format of the process through to assisting in the development activities arising from the feedback. They may also be able to facilitate discussions with key individuals and undertake the analysis of all feedback provided.

The facilitator's most important role is in enabling the CEO to review and respond to the feedback received during the appraisal process. The most useful format is a 1:1 discussion with the CEO, covering the following agenda:

- Ground rules.
- Aims of the session.
- Overall reactions to the feedback.
- Highest and lowest rated behaviours from the feedback.
- Differences in CEO perceptions and colleague perceptions.
- Issues arising from colleagues' written comments.
- Development priorities and ideas on how to address them.
- How to involve others in taking forward feedback.
- Recap, action plan, and commitment to action.

The facilitator should also help the CEO to respond constructively to feedback, stressing that all feedback is a perspective on the reality, rather than the reality itself. CEOs should make a conscious effort to acknowledge positive ratings, rather than dwelling solely on the negatives. They should also resist the temptation to try to trace comments back to individuals, and certainly avoid confronting individuals over comments they may have made.

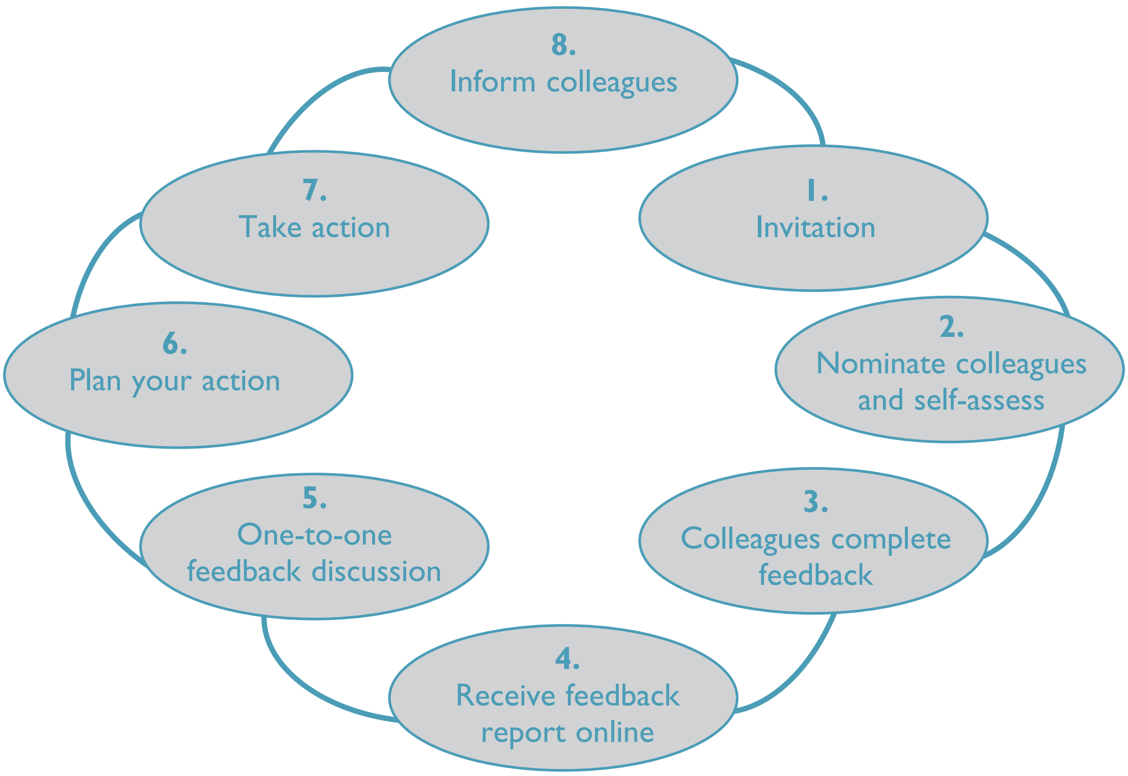
Receiving negative feedback can be surprising and stressful to senior individuals who are not used to it. The initial reaction is often to deny the points made, or to apportion blame, either to yourself or the participants. These reactions are natural stages in the process, which should end with an understanding of the situation based on both perspectives, and a recognition that you may need to act on the points made.

The action plan should be structured, setting particular goals, success measures, and a firm timetable. CEOs are likely to make greater progress if they work with others, and share their feedback conclusions with colleagues. They should take care to thank colleagues for their participation, highlighting the main conclusions and indicating the actions proposed as a result.

ACEVO's 360° appraisal process

ACEVO's 360° appraisal process enables chief executives to obtain feedback from a cross-section of the people they work with – board members, senior colleagues, staff, customers and stakeholders – and to benchmark themselves against leadership behaviours ACEVO has identified as essential to successful third sector leadership.

This ACEVO service is web enabled and allows you to collect structured and comprehensive feedback from 10-15 people who work with you. You will receive a personal feedback report online and the opportunity to review your feedback with a trained facilitator with expertise in working at board level in the voluntary sector.



5. Golden rules – getting the appraisal process right

Perhaps the most important source of guidance for developing an appraisal process should be the desired relationship between the Chair and the chief executive. A clear job description for the CEO is also vital and should be an important benchmark for the appraisal.

Whatever the style, culture and composition of the board and organisation, three things are vital to a satisfactory appraisal:

- The board members must be clear about what they are asking their chief executive to do (a model role description is to be found on page 85).
- The importance of the relationship between the Chair and the chief executive, and their differing roles, must be clear and understood by both parties (see Part Three);
- The chief executive must know what success criteria apply to him or her and how he or she will be assessed against these criteria.

The Chair (and board) and CEO should establish clear guiding principles for the appraisal process. Suggested principles are:

- **Objectivity:** the appraisal should be dispassionate and objective rather than personal. All those who contribute to the process should seek to provide impartial feedback on the CEO's effectiveness, rather than voicing opinions on their personality.
- **Confidentiality:** to encourage the highest possible level of openness from participants, views expressed during the appraisal process should remain confidential unless both parties agree to it being shared more widely.
- **Proportionality:** the time and money invested in the appraisal process should be appropriate to the size and ambitions of the organisation.

Chair and CEO should consider whether any documents produced during the appraisal process should be shared with the whole board. In general, a confidential resumé of the appraisal, written by the Chair and focusing on the outcomes should be sufficient. Some CEOs may wish to share a similar resumé with their senior managers: they should first secure agreement to this from the board.

Agreeing a structure and format

It is vital to establish the structure and format of the appraisal scheme early on. This should be agreed between the Chair and CEO. In smaller organisations, the trend in chief executive appraisal has been towards informal, unstructured approaches. Larger organisations tend to develop more formal, structured systems.

Whilst the process of appraisal for chief executives may not be as formal as systems for staff are at lower levels in the organisation, it does, still, need a structure and format.

In deciding what format is right for one's own organisation, a number of issues need to be considered:

- The resources available, including the time available and the experience of the appraiser(s) and CEO.
- The purposes of the appraisal: are there any specific problems to address?
- The size and complexity of the organisation and its current situation; for example, have there been recent important changes?
- The fundamental values, distinctive features and mission of the organisation. What makes the organisation what it is?
- The accuracy and usefulness of relevant documents, such as the CEO's job description.

As a basic rule, the appraisal needs to be as straightforward and as uncomplicated as possible, conducted in a relaxed and confidential setting, without interruption and with enough time to complete the process without hurrying.

Well in advance of the appraisal, a specific time, date and place should be set for the event. Both parties should give the meeting a high priority, and avoid rescheduling or postponing it if at all avoidable.

For simplicity, the remainder of this guide assumes that the appraisal is conducted by the Chair with input from board members and other key individuals. The Chair then reports back to the board with the results of the appraisal.

Preparation

A good appraisal should contain no major surprises for either party. To achieve this, preparation is important. All parties to the appraisal process need to prepare fully beforehand. The session must be fully planned with up-to-date information about the person being appraised. Both Chair and CEO will probably need half a day to prepare, half a day to conduct the appraisal and half a day to write the necessary letters afterwards.

Self-appraisal is usually a constructive starting point, designed to provide greater involvement and ownership of the process for the appraisee. The chief executive should be asked to cover the same ground (often by filling in the same form) as the Chair, before the appraisal starts. This should form the basis of the ensuing discussion and is essential if the chief executive is to 'own' the fruits of the process and act on outcomes. The chief executive should return a completed self-appraisal letter or form to the Chair at least three days before the appraisal meeting.

The inclusion of an element of self appraisal is often the simplest way to widen the perspective of the appraisal process. Since, as has been said, there should be no surprises for any party during the appraisal process, this exercise will help to prevent any.

Self-appraisal leads to:

- The chief executive having an increased input into the appraisal – which encourages ownership of the process.
- Opportunities for the chief executive to air his or her concerns.
- The performance review process being driven by the chief executive – the chief executive sets the agenda and provides the key areas of work that inform the starting point of the appraisal process.

In completing their self-appraisal, the CEO should take care to address the following questions:

- What have been the successes, personal and organisational, since the last appraisal? (Where possible, give examples and quantifiable measures.)
- What have been the difficulties and challenges? What caused them, and how did you manage them?
- What has helped or hindered you in your role since the last appraisal?
- What have you learned since the last appraisal, and how do you plan to improve your performance in the future?
- What are your career aspirations and goals? Do you have professional development needs in order to achieve them?
- What support do you need:
  a. from the Chair?
  b. from the board?
  c. from your peers and networks?

Self-appraisal is **not** the appraisal itself, which has to involve a discussion between the two main parties – the CEO and (normally) the Chair.

An appraiser, in responding to a self-appraisal, should take care not to get involved in a confrontation with the appraisee and has to ensure that they remain objective and focused on the issues and not the person.

How often should appraisal take place?

Whether appraisals are continuous, periodic, or linked to financial or planning cycles, organisations should select a process that suits their own managerial style, remembering that focus, content and comfort with the process are more important than frequency. Of ACEVO members:

- 61% have annual appraisals.
- 5% have 6-monthly appraisals.
- 5% are appraised less often than once a year.
- Up to 17% are not formally appraised.

The view of many members is that upcoming appraisals loom very large in the minds of CEOs. Making them any more frequent than annual may well mean that they occupy too much of the CEO's thinking time.

Between appraisals

Most organisations' staff members have regular meetings with their line managers to provide a system supervisory, management, support and development system. The same should be true for Chair and chief executive.

Both Chair and CEO should draw on the notes made after their regular one-to-one meetings for the appraisal. These meetings should be structured, open, informed and minuted, so that the appraisal can be a continuation of what has been talked about throughout the year.

Current practice suggests that there should be at least four one-to-one meetings between the Chair and chief executive during the course of the year, leading to an annual appraisal meeting. They may be linked to financial or planning cycles. More will probably be necessary if either are new to the job or if there are specific problems to address.

These one-to-one meetings should:

- Take place at a time and date agreed by both parties.
- Be a private, face-to-face discussion between chief executive and the Chair.
- Review the whole job, not just a single aspect.
- Be structured, but informal.
- Include the past, present and future (the usual timescale is up to a year in each direction).
- Be recorded in a form agreed by all parties, in writing, on one side of A4.
- Include an opportunity for the chief executive to comment on the way in which the charity is governed and for the Chair and the chief executive to take stock of their effectiveness as a partnership.
- Produce specific action points with agreed deadline dates for both the Chair and chief executive.
- Agree a date for the next one-to-one meeting – which is recorded in the notes.

What should form the key elements of an appraisal process?

Appraisal focuses primarily on two aspects of performance:

- **What** an individual has achieved, usually measured against plans set at the beginning of the year and adjusted through the year – together with his or her job description.
- **How** the individual achieved the results. Did the performance come from qualities and skills favoured by the organisation and compatible with the cultural values it seeks to foster?

The key elements of a successful appraisal process are:

- Sufficient expertise on both sides, supported by professional development as necessary.
- Sufficient preparation by all the appraisers and the appraisee.
- A serious desire for good outcomes, by both parties.
- Adequate time and resource set aside for the task.

Key elements of the content of a successful appraisal are:

- Measurable objectives.
- Observable qualities – which are therefore quantifiable.
- Assessable competences.

Timescales are important. Appraisal should not look exclusively at what is going on at the present time, but seek to relate current events to past and future actions, and short- and long-term planning. The appraisal should use the past to look at the future. In so doing, it is important to clarify what time-span, backwards and forwards is to be used.

When appraising the chief executive, it is important to focus on a number of dimensions of performance to obtain a complete picture. As well as being able to identify what has, or has not been achieved, it is equally important to appraise the way in which achievements are accomplished or weaknesses dealt with. Methods of working, planning abilities, financial management, managerial style and relationships with staff and users are all significant factors.

In larger organisations, the importance of the chief executive's role also lies in establishing a management team of sufficient quality to achieve its objectives. It follows that the appraisal process should also take on board the efficacy of the chief executive in building a strong and complementary top, or senior, management team.

In the appraisal process, the emphasis given to different factors will depend on the needs and nature of the organisation. As a starting point, the process should consider:

- What the role of the chief executive requires of its incumbent **and**
- What the person, as an individual, brings to that role.

The combination of these two main factors is crucial to performance. It is not enough to look at the role in isolation. Therefore, as well as looking at the successful setting and achievement of negotiated objectives, it is important to examine the skills and abilities the chief executive demonstrates in attaining them. Competence is essential, but 'quality' and leadership are equally important and should be recognised in the appraisal process.

Assessing achievements	Assessing how achievements are made
Define the purpose and areas of accountability of the job A good job description sets out what it is legitimate to expect the individual to be judged against and where their responsibilities end. **Set clear objectives** The CEO with the Chair is required to set and keep under review objectives which define the responsibilities of the post and the standards of performance expected. This ensures that both are clear about the key achievements against which performance will be assessed, and for which aspects of the organisation's overall performance the chief executive is personally responsible. Good objectives are: • Specific • Measurable • Agreed • Realistic • Time-related	**Use 'competence' frameworks** A competence is made up of many things – motives, traits, skills, values. We usually only see evidence of competences in the way (the how) someone behaves. Competence frameworks set out the qualities and skills an organisation wants to encourage and develop in its senior managers. Such frameworks typically cover six to nine aspects of performance such as: • Leadership and personal effectiveness • Strategic thinking and planning • Delivery of results • Management of people • Communication • Management of finance and other resources • Intellect, creativity and judgement • Expertise and professional competence
Model job descriptions and competency frameworks are provided in the Tools section of this guide.	

Training for chief executive appraisal

Training for all those involved in carrying out appraisal is highly desirable – if not essential. It is not necessary for appraisers to have formal qualifications, but an understanding of the process, how it works and why it is being carried out are fundamental ingredients for success. This is particularly important for chief executives and Chairs.

All board members should understand and have confidence in the appraisal process, even if the formal assessment is carried out by the Chair and honorary officers. Such confidence comes from an understanding of the process that dedicated professional development will bring. Ensuring the provision of appropriate professional development also sends out signals about the importance of the function. In particular, it should to focus on communication skills, objective setting, and coaching as a line manager.

CEO performance and board performance

It is important to recognise that the performance of the board and the performance of the chief executive are inextricably linked; both are of paramount importance to the overall performance of the organisation. Of particular centrality is the relationship between the Chair and the chief executive.

It is crucial that in appraising the performance of the chief executive, the Chair and the board members acknowledge their role in setting clear policy and direction for the organisation, which is in turn informed by advice from the chief executive and senior management team. The chief executive, on the other hand, has a clear responsibility to work effectively and plan strategically to carry out the policy directives of the board members and demonstrate commitment to the values of the organisation. This inherently reciprocal relationship is at the crux of successful voluntary organisations.

In setting up a chief executive appraisal system, it is important for board members to have a dispassionate view of their own performance as a basis for judging the performance of the chief executive. There is a growing body of literature on the subject of board appraisal (see the list of suggested reading at the back of the guide) and it is referred to again in the next section.

The appraisal of the chief executive is linked to the appraisal of the whole organisation – but is actually a separate process. Similarly, in larger organisations, the links between the objectives set for the chief executive and those of other senior staff must be recognised; although, again, they are separate issues.

Conducting a successful appraisal meeting

The meeting should not be hurried, and allow both parties sufficient time to reach a positive conclusion. One hour is the minimum, but two hours might be preferable in many cases.

Too rigid a structure for the meeting can give it a tense or bureaucratic atmosphere. However, it helps to have an idea of the general course that the meeting should take.

As a rule, appraisal meetings divide into five parts:

- The introduction, in which the Chair and CEO settle down and relax by talking about social activities or shared interests.
- The statement of purpose, in which the objectives for the meeting are discussed and agreed.
- The self-appraisal, in which the CEO talks about his or her own performance during the review period.
- The Chair's review, in which the Chair asks questions and comments on the self-appraisal.
- The conclusion, in which both parties agree to future actions as a result of the appraisal.

The meeting should be constructive and objective in tone, with a focus on enabling both parties to learn from the experience and become more effective in their roles.

- The CEO should do most of the talking.
- The Chair should listen actively to what they have to say and encourage reflection, asking open and probing questions rather than controlling the meeting.
- Discussions should consider performance over the whole period to be appraised, not just the most recent events.
- Positive achievements should be clearly recognised and reinforced.
- Although the appraisal meeting should address weaknesses, it should not become a long reprimand for failures and omissions.
- Although the appraisal meeting should include thoughts on how to improve the working relationship, both Chair and CEO should avoid making comments concerning the other's personality.

The Chair should give objective feedback, drawing on facts and examples rather than personal opinions. The aim of the feedback should be to develop the CEO's understanding of their own behaviour and the impact they have. It should draw heavily on the CEO's own views, and not be judgmental.

A positive conclusion to the meeting is vital. It should end on a note of agreement, with both parties signing up to an action plan. Inability to complete or agree an appraisal may be a sign of deeper problems in the relationship between Chair and CEO. It is crucial that such problems are identified and resolved as early as possible, rather than being allowed to drag on. Putting off difficult issues may result in a stand-off, which can easily escalate into a crisis. Strong commitment to an effective appraisal process is a useful means of ensuring that the issues are dealt with before this point.

Following up an appraisal

A few simple suggestions for the Chair about how to round off the appraisal are laid out below:

- Keep all paperwork to a minimum.
- Remember that the completed appraisal documents are confidential.
- Write up the appraisal immediately – don't 'put it on the pile'.
- Support your comments as far as possible with clear examples.
- Ensure that individual objectives set in the appraisal are linked to organisational objectives.
- Send a draft copy to the CEO so that he or she can comment before it is signed off.
- Remember to thank the chief executive and all other people involved.

Further information:

Guidance: Third sector leadership.

Tools: Introducing appraisal for the CEO – a tasklist for Chair and CEO.

Tools: Checklist for the selection, support and review of the CEO.

Tools: Senior Civil Service performance appraisal.

Tools: Basic 360° questionnaire.

Tools: Questionnaire for board members on CEO performance.

Tools: Director's attributes (IoD).

Tools: Professional skills for government – Civil Service leadership qualities.

Tools: A leadership framework for third sector CEOs leading public service providing organisations.

Tools: Code of professional conduct for ACEVO members.

Case study: Personal and strategic development objective.

Case study: CEO review and development form.

Case study: CEO appraisal process (ACEVO).

Case study: How not to run an appraisal process.

Case study: CEO competencies for upward appraisal (Homeless Link).

Case study: Competency framework (Bield Housing Association.)

Download

Guidance – Third sector leadership

For 20 years, ACEVO has focused on the skills, behaviours and competences particularly relevant to effective leadership in third sector CEOs. A brief overview is provided below for reference.

Three leadership spheres

CEOs have a crucial role within third sector organisations, acting as the link between the organisation's board, and its staff and volunteers. This demands considerable competence for CEOs in governance, leadership and management. In general, they also have a significant public-facing role, acting as a public ambassador and champion for the organisation and its work.

Fig 1: The three leadership spheres of a third sector CEO.

The quality of leadership provided by a CEO therefore has a considerable impact on the interaction between the three spheres:

- The quality of corporate governance in the organisation will depend on the CEO's ability to link board decision-making to the organisation's staff, volunteers and other resources.
- The organisation's level of accountability to stakeholders and the public will be heavily influenced by CEO's ability to link the organisation's governance to the concerns of third parties.

- The CEO will also need to take a leading role in linking the organisation to its stakeholders through communication and, in many cases, service delivery.

Behavioural characteristics

Research by ACEVO and Hay Group identified the following 'menu' of behavioural characteristics that may be particularly desirable in third sector leaders:

Emotional attachment

A strong emotional affinity with the raison d'être of the organisation. A passion for its beliefs. A desire to succeed for the greater good of the organisation. A high degree of personal energy and enthusiasm for the cause. Personal integrity. Trustworthiness.

Strategic perspective

Conceptual and analytical thinking. Recognises changes in the broader environment and responds accordingly. Keeps up to date with issues/current thinking. Responds flexibly whilst remaining mindful of the core mission of the organisation.

Visionary and inspirational communicator

The ability to paint a picture of the future that appeals strongly to others. Shows passion and emotion in visioning and representing the work of the organisation to others. A powerful communicator in all forums from one-to-one to public speaking. Visible and seen to speak out and represent the organisation.

Personal humility

Not in the role for self-aggrandisement. Wants to make a difference through others rather than by themselves.

Motivating a team

'Leading from the front,' i.e. being 'out there' with front-line staff and volunteers. The ability to 'make things happen' - not just a cerebral person. Being seen to understand the problems of and support staff and/or volunteers in their work 'on the ground'. The context that the team is working in may be significant. Motivating includes being able to help others to maintain their resilience and enthusiasm in what may be low paid/ 'no paid', difficult roles with poor working conditions/little prospect of promotion.

Networking

A structured yet opportunistic approach to identifying those whose support could be useful to the organisation and seeking effective relationships with them. Maintaining and building those relationships appropriately to increase the effectiveness of their own organisation. Actively engaging in groups/on committees that will usefully further personal network. At the higher levels, building alliances with other organisations to work together to fulfil mutual objectives.

Influencing

A strong desire and capacity for influencing others to further the mission of the organisation. Includes high level influencing – building coalitions, influencing through third parties etc. Politically astute: knows where the power lies and how to influence it. Excellent 'antennae' to pick up on background noise within the organisation.

Resilience

An ability to 'bounce back' quickly after setbacks; dealing with personal and emotive criticism that may be made public.

Self-confidence

Confident in highly visible and stressful situations, e.g. public forum, debates, media. Personal presentation: fulfilling the ambassador role confidently at all levels both internally and externally. Courage to take tough and unpopular decisions, to acknowledge when one has 'got things wrong'.

Customer service orientation

A genuine empathy with the end-user and a focus on service delivery. An appetite for the detail of providing quality service.

Knowledge and skills

CEOs will need sufficient specialist knowledge of their organisation's field of work to represent the charity credibly, and to show empathy with staff, volunteers and beneficiaries. Knowledge must be current. Breadth is often as important, if not more so, than depth, particularly from a strategy formulation perspective. CEOs must be able to make the connections between trends to undertake strategy formation.

Most third sector CEOs are likely to need a reasonable working knowledge of:

- Strategy formulation and strategic planning.
- Finance and financial management.
- The fundamentals of company and charity law.
- Good practice in governance.
- HR and other aspects of employment.
- Communications and public relations.
- ICT and fundraising.

Download

Tools: Introducing appraisal for the CEO – a tasklist for Chair and CEO

Task	Chair	CEO
Secure commitment to appraisal		
The Chair and CEO should discuss the importance of establishing an appraisal system, recognising that it should be of mutual benefit for the Chair, board and CEO	✓	
On obtaining agreement 'in principle', discuss with board	✓	
On obtaining board agreement, establish the purpose of appraisal	✓	✓
Clarify focus and identify resources needed		
Agree the job description to be used (there may be more than one)	✓	✓
Agree qualitative and quantitative key objectives to be appraised	✓	✓
Identify what obstacles and supports there may be to implementing the process in your organisation	✓	✓
Ensure there are sufficient resources allocated to carry out the process properly	✓	✓
Recognise and plan for the training needs of those involved in the process	✓	✓
Refine the appraisal model to be used		
Research models of appraisal, using outside help, e.g. consultancy, if necessary	✓	✓
Select a model which feels right for your organisation, adjust and adapt it to meet your needs	✓	✓
Establish a format and timescale for the process	✓	✓
Decide who should conduct the appraisal	✓	✓
Identify who should be consulted as part of the appraisal process	✓	✓
Establish how to separate the remuneration and the appraisal processes	✓	✓
Produce back-up materials (forms etc) to support the process including a self-appraisal form for the chief executive and a form to record any personal development and training plan	✓	✓

Task	Chair	CEO
Implement and review the appraisal process		
Ensure that the chief executive has the opportunity to carry out his or her self-appraisal beforehand	✓	✓
Establish a process for giving good, clear, documented feedback	✓	✓
Agree on-going action at the end of the appraisal, who should take it and when	✓	✓
Agree targets and achievement criteria for the chief executive for a given period ahead and methods to monitor these	✓	✓
Write up the results of the appraisal immediately to give a draft to the chief executive for his or her comment	✓	
Explore ways of appraising the board's performance, linked to this process – both appraisal for individual board members and the board as a whole	✓	
All the appraisers and the chief executive to sign off the appraisal process	✓	✓
Report to the board that the appraisal has been completed	✓	✓
Agree the timescale for the next appraisal	✓	✓
Review and improve the appraisal process		
Review the appraisal process	✓	✓
Monitor and evaluate outcomes from the process	✓	✓
Modify the process if necessary: is it simple and transparent enough?	✓	✓
Revise the CEO's job description if necessary	✓	✓

Download

Tools: Checklist for the selection, support and review of the CEO

(Developed by Stefan Kuchar, CEO of WVSDA, as part of the Investing in Governance framework)

There should be a clear process for the overall recruitment, selection, support and performance review of the chief executive.

Practices	Evidence	Score
1. There should be clear recruitment and selection criteria for the chief executive post.	CEO job description and person specification.	
2. There should be a clear division of responsibilities between the Chair and chief executive.	Role description for the Chair of the organisation. Minutes of a meeting between Chair and chief executive.	
3. A named person e.g. the Chair should be responsible for supporting and appraising the chief executive.	Selection criteria for CEO: job description and person specification, selection panel. Support and supervision and annual performance review including remuneration.	
4. A subcommittee of the board (nomination committee) should be tasked with assessing the remuneration of the chief executive, making recommendations to the board.	Minutes of subcommittee meeting.	
5. The Chair or a delegated subcommittee of the board should be tasked with responsibility for disciplining and/or dismissing the chief executive in line with the disciplinary policy of the organisation.	Subcommittee minutes.	

Download

Tools: Senior Civil Service performance appraisal

A. Personal details			
Name		Title of post	
Staff no.		Organisation	
Grade		Date started	
Line manager		End date	
Countersigning officer		Reporting year	

B. Performance agreement

Please record here or attach the following (including any amendments in-year if necessary):

- Overall purpose of job; and
- Agreed annual objectives (business delivery, corporate and capability).

C. Personal development plan

Please record here or attach your personal development objective(s) (as amendments in-year if necessary):

D. Summary of mid-year performance review (post discussion)

This should include an assessment of performance to date against business delivery, corporate, and capability objectives and observations on leadership and professional skills:

Development needs identified using the Professional Skills for Government Framework:

E. Summary of end-year review (post-discussion)

Assessment of performance throughout the reporting year using the following criteria:

- Whether objectives in the corporate, business and capacity parts of the common framework have been met or not, and to what degree.
- Judgements about how the objectives were achieved and in particular whether the leadership behaviours and professional skills part of the common framework have been demonstrated or not, and to what degree.
- Additional consideration should also be given to:
- The degree of difficulty or ease of meeting the objectives in the light of actual events.

Assessment of achievement of development objective(s) for this reporting year:

Noted areas for development next reporting year:

Download

Tools: Basic 360° questionnaire

Dear [Name],

Re: CEO appraisal – your views, please

As part of the appraisal process for our CEO this year, we are seeking feedback from a range of people within our organisation, and from our most important stakeholders. I would be grateful if you would give some thought to the following questions:

1. How would you rate the CEO's overall performance over the last 12 months, and why?

2. What behaviours would you like to see more of next year?

3. What behaviours would you like to see less of next year?

Confidential feedback, either in writing or by telephone call, would be appreciated by the end of this month.

Yours sincerely,

[Name]

Chair

Download

Tools: Questionnaire for board members on CEO performance

On a scale of 1 to 5, how effectively does the CEO…

Leadership and strategic direction

- ❒ Scan the environment, and keep up to date on current issues?
- ❒ Create and convey a clear vision?
- ❒ Initiate change and drive it through?
- ❒ Translate strategic aims into practical and achievable plans?
- ❒ Deliver results on time, on budget and to agreed quality standards?

Management

- Delegate appropriately, making best use of skills and resources within the staff team?
- ❒ Give recognition and help all staff develop full potential?
- ❒ Address poor staff performance?
- ❒ Listen actively and see the other person's viewpoint?
- ❒ Manage contracts and relationships with other organisations?
- ❒

Communication

- Engage effectively with board members, and manage the relationships between staff and
- ❒ board members?
- Make clear and considered recommendations to the board?
- ❒ Negotiate and handle hostility?
- ❒ Make sure (s)he is visible, accessible and approachable?
- ❒ Speak out on behalf of the organisation and communicate clearly and effectively with
- ❒ external audiences?
- Show passion about the organisation, its purpose and its users?

Delivering results

- ❒ Pursue adopted strategies with energy and commitment?
- ❒ Secure, commit and realign resources to meet key priorities?
- ❒ Put emphasis on quality and service?
- ❒ Act quickly to identify and deal with problems?
- ❒ Carry forward the decisions of the board?

Making a personal impact

- ❒ Show awareness of personal strengths and weaknesses and their impact on others?
- ❒ Demonstrate integrity?
- ❒ Manage own time well to meet competing priorities?
- ❒ Generate original ideas with practical application?
- ❒ Analyse ambiguous concepts and datas rigorously?
- ❒ Encourage feedback on performance and learn for the future?

How effective has the CEO been in delivering the following specific KPIs?

KPI 1: ....

KPI 2: ....

KPI 3: ....

KPI 4: ....

KPI 5: ....

Download

Tools: Directors' attributes (IoD)

Strategic perception

- Change-orientation
- Creativity
- Foresight
- Organisational awareness
- Perspective
- Strategic awareness

Decision-making

- Critical faculty
- Decisiveness
- Judgement

Analysis and the use of information

- Consciousness of detail
- Eclecticism
- Numeracy
- Problem recognition

Communication

- Listening skills
- Openness
- Verbal fluency
- Presentation skills
- Written communication skills
- Responsiveness

Interaction with others

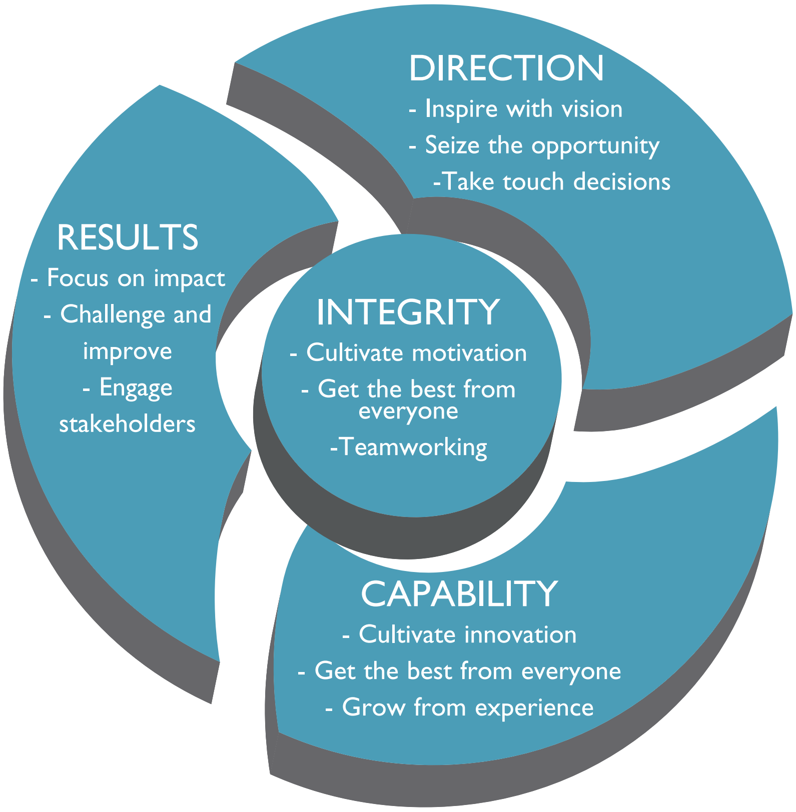
- Confidence
- Co-ordination skills
- Flexibility
- Presence
- Integrity
- Learning ability
- Motivation
- Persuasiveness
- Sensitivity

Achievement of results

- Business acumen
- Delegation skills
- Exemplar
- Drive
- Resilience
- Risk acceptance
- Tenacity

For a full explanation of the attributes, see the Institute of Directors' publication *Standards for the Board* (IoD 2001).

Tools: Professional skills for government – Civil Service leadership qualities



What are the leadership qualities?

They sit at the centre of the Professional Skills for Government framework and articulate the expectations the Civil Service has of its leaders, both individually and collectively. They focus on the three roles the Service expects leaders to play – providing direction for the organisation; delivering results; and building capability of the organisation to address current and future challenges.

At the heart is the individual as leader, emphasising their integrity: the importance of leaders knowing and being true to themselves, their openness to learning and using that learning to improve their own performance and that of their organisation, and their ability to build relationships – with their teams, with peers, with partners, with stakeholders – to fulfil their role and their recognition that collective, collaborative and corporate leadership across functional and organisational boundaries will be necessary to successfully deliver the outcomes we seek.

The leadership qualities recognise that individuals in the Service will have different leadership styles but they have in common the outcomes the Service is aiming to achieve and the roles leaders are expected to play in achieving them.

Download

Tools: A leadership framework for third sector CEOs leading public service-providing organisations

The following framework of leadership behaviours and competencies was developed by ACEVO and Futurebuilders England over the course of two seminars, entitled 'The Future of Commissioning', and draws on research from Hay Group and from Jim Collins. It is tailored to third sector CEOs who lead organisations operating in the public services market.

Characteristic	Summary	In context: The Future of Commissioning
Strategic perspective	• Conceptual and analytical thinking. • Ability to recognise and respond to environmental change, remaining mindful of the organisation's core mission. • Discipline to find activities that reflect the organisation's passion, demonstrate its strengths, and generate resources.	• Clear about the organisation's mission and unique selling point, and disciplined in sticking to it. • Willingness and ability to develop a clear understanding of commissioners' evolving priorities. • Opportunistic regarding changes in the environment, and entrepreneurial in generating resources.
Customer service orientation	• A genuine empathy with the end-user and a focus on service delivery. • An appetite for the detail of providing quality service.	• Able to define success coherently in terms of outcomes for service users, going beyond financial metrics. • The discipline to invest in developing sound models of good practice to overcome commissioners' nervousness. • Shows leadership in promoting a professional and competent approach to research and service delivery.

Characteristic	Summary	In Context: The Future of Commissioning
Affinity and integrity	• Strong affinity with the raison d'être of the organisation, and passion for its values and beliefs. • A desire to succeed for the greater good of the organisation, and to make a difference through others.	• Puts the needs of service users ahead of more organisational disputes about territory and independence. • Shows willingness to delegate to appropriate managers in decentralised and streamlined organisation. • Avoids presumption of moral authority or superiority and knows that the organisation must justify its existence.
Confidence, courage and resilience	• Courage to take tough and unpopular decisions, to acknowledge when one has 'got things wrong', and to 'bounce back' quickly after setbacks. • Confident in highly visible and stressful situations, e.g. public forum, debates, media. • Ability to deal with public and emotive criticism.	• Resilience and determination to see changes in the market as opportunities, rather than setbacks. • Ability to face the brutal fact that the organisation itself (not just its commissioners) may need to improve. • Actively seeks honest feedback from commissioners – especially negative feedback – and works to address it.
Visionary communication	• The ability to paint a picture of the future that appeals strongly to others. • Shows passion and emotion in visioning and representing the work of the organisation to others. • A powerful communicator in all forums, seen to speak out and represent the organisation.	• Acts as a powerful advocate for the organisation's approach to service delivery, and for innovation. • Embraces public forums and opportunities to interact: resists temptation towards 'splendid isolation'. • Demonstrates public commitment to commissioned services, building trust with commissioners. • Has the ability to easily encapsulate the mission and USP in the context of the commissioners' strategic objectives.

Characteristic	Summary	In Context: The Future of Commissioning
Motivating and developing a team	• Leading from the front, with the ability to make things happen: practical not just cerebral. • Helping others to maintain their resilience and enthusiasm by being seen to understand the problems of and support staff and/or volunteers in their work 'on the ground'.	• Leads and drives forward joint initiatives with commissioners, overcoming institutional obstacles and diffuse power structures. • Inspires commitment to service excellence in frontline staff, and the discipline necessary to monitor it. • Clear about the rationale and model for building organisational capacity and invests in management and leadership development. • Harnesses *pro bono* support to build extra capacity in bidding and tendering.
Networking and influencing	• A structured yet opportunistic approach to identifying and building relationships with those whose support could be useful. • Actively engaging in groups/on committees that will usefully further personal network. • Building alliances with other organisations to work together to fulfill mutual objectives. • A strong desire and capacity for influencing others to further the mission of the organisation. • Politically astute: knows where the power lies and how to influence it.	• Opportunistic approach to finding ways of engaging with commissioners. • Willingness to invest in relationships with commissioners, so they survive the turbulence of the national policy environment. • Powers of empathy and persuasion to manage relationships with commissioners during policy turbulence. • Ability to understand the (ever-changing) structures behind local commissioning, and identify the right way in. • Ability to identify the decision-makers in commissioning organisations and draw them into the discussion. • Convinces commissioners to support the organisation through excellence, and brand-building rather than confrontation and oppositionalism.

Download

Case Study: Personal and strategic development objectives

The following annual performance objectives were given to an ACEVO member. They encourage a strong focus on improving governance and personal performance.

Such an approach can foster a strong culture of professional development in the organisation, but should not come at the expense of focus on the charity's mission and objectives.

Objective	Timescale Target dates are a guide only	Comments
1. To develop a strategy and 5-year business plan	Target of July 2011	
2. To undertake a review of the organisation's governance structure	Target of September 2011	
3. To ensure an appraisal and development scheme is in place for all staff	Target of July 2011 for SMT, and December 2011 for all staff	
4. To establish contact and regular review with a senior coach	Target of March 2012	
5. To agree a personal development plan with the Chair	Target of March 2012	

CEO's signature..

Date..

Chair's signature...

Date..

Download

Case Study: CEO appraisal process

(ACEVO)

About ACEVO

ACEVO is the professional body for the third sector's chief executives, with nearly 2,000 members. We connect, develop and represent the sector's leaders, with a view to increasing the sector's impact and efficiency.

CEO Appraisal

The Chair and CEO have one-to-one meetings every month for roughly one hour. The discussions cover recent events, current issues and future planning.

A formal appraisal takes place on an annual basis.

The appraisal criteria are taken from the strategic plan and professional development objectives jointly agreed by the Chair and CEO.

The process begins with a self-appraisal by the CEO of his/her own performance during the year, and a summary of opportunities and challenges that have arisen.

The Chair then conducts the appraisal, consulting with officers of the board on the CEO's performance and other relevant issues, and reporting back to them with the results of the appraisal.

Performance-related pay

All ACEVO staff, including the CEO, receive a small element of performance-related pay. The specific increase is a matter for management discretion based on the following framework:

	Percentage of salary to be added to or subtracted from the standard increase
Employees achieving the expected standard or falling below the expected standard	0%
Employees whose contribution is assessed as exceeding the expected standard	+2%
Employees judged to have made an exceptional contribution to ACEVO	+4%

The percentages shown would be added to or subtracted from the standard cost of living increase rate agreed by the board each year.

The Chair and the board as a whole are also appraised on an annual basis, by the board members and the senior management team.

Download

Case Study: CEO review and development form

Name...

Time period: From............................ To...

Overall effectiveness

Achievement of objectives (overall)

Achievement of objectives contributing to the charity's aims

Performance in relation to key competences (direction-setting, leadership, getting results, managing relationships, personal style)

Development action plan

Development to maximise performance in the job

Development to widen personal experience

Summary of review discussion

CEO's comments

CEO's signature...

Date...

Chair's signature ....

Date...

Download

Case Study: How not to run an appraisal process

- I requested an appraisal as I felt there were murmurings of discontent. (My predecessor had experienced similar difficulties and had eventually left.) I felt I wanted any criticism to be fair and upfront. I also wished to put my own point of view. Our Chairman was surprised by this request, but the Chairman of the Finance and General Purposes Committee was not. They agreed. No other trustees were involved and to my knowledge they do not even know it took place.
- It was agreed that I would do a self-appraisal and they would do the same. We would then meet to compare the two and discuss the situation. In the absence of any other guidelines, I took my job description as a starting point and analysed my own performance, strengths and weaknesses in this context. I asked my staff (fewer than 10) to read and comment on what I had written. All of their suggestions, which were in fact relatively few, were incorporated.
- On the appointed day, I attended the meeting to discuss the appraisal. Neither side had seen the other side's comments in advance. Although both the Chairman of the Board and the Chairman of Finance and General Purposes Committee were meant to be there, the Chairman of the board was out of the room on a telephone call for most of the time.
- We each presented our case verbally and at the end of the meeting exchanged documents which we only had an opportunity to read later. I did not agree at all with the content and level of the three criticisms of my work. They had been toned down in the verbal presentation but were much more severe in the written one. When I rang the Chairman of the board to express my disquiet, he told me not to be so sensitive and "For heaven's sake" not to put anything in writing. As I was about to go on leave, I did not push the matter.
- No more has been said about it and the two appraisals have never been reconciled. The Chair does not feel that another appraisal session would be helpful, so all formal appraisal has ended.

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Case Study: CEO competencies for upward appraisal

(Homeless Link)

Upward appraisal – CEO Scoresheet

Appraisee's name ....

Date of appraisal ....

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
People management												
1. Establishes clear shared goals, objectives and standards with staff.												
2. Inspires enthusiasm and commitment to goals.												
3. Gives regular feedback on performance.												
4. Values staff for achievements and positively encourages improvements.												
5. Promotes a learning environment. Supports staff in identifying and planning to meet their development needs.												
6. Provides regular and effective coaching.												
7. Delegates effectively taking into account the knowledge, experience and abilities of staff. Actively seeks means to empower staff to take increased responsibility.												
8. Encourages staff to raise difficulties and problems.												
9. Uses authority appropriately and is open and honest with staff.												
10. Identifies problems early and takes appropriate action.												
11. Shows respect and sensitivity towards staff, treating people as individuals.												
12. Positively promotes diversity and equality in the workplace.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
Leadership												
1. Creates and conveys a clear and compelling vision.												
2. Is visible, approachable and earns respect.												
3. Leads by example and establishes mutual loyalty and trust.												
4. Initiates actions or plans and convinces others of their soundness and value. Generates enthusiasm, commitment and a willingness to participate among colleagues.												
5. Builds a high-performing team. Promotes a culture of performance feedback and continuous improvement.												
6. Aware of and applies sound principles of change management.												
7. Actively promotes and manages diversity and equality in service delivery and employment.												
8. Varies leadership style to suit the situation.												
9. Actively promotes effective two-way communications within the management team and between the management team and the rest of the organisation.												
10. Committed to empowering and developing others.												
11. Demonstrates high standards of integrity, honesty and fairness.												
12. Takes final responsibility for the actions of the team. Prepared to take a little more than their share of the blame and a little less than their share of the credit.												
13. Can effectively chair and facilitate different kinds of meetings with the team.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
Managing self and relationships with others												
1. Recognises personal responsibility in supporting others.												
2. Is aware of issues that might affect the work of others.												
3. Understands impact of behaviour on others and is willing to adapt behaviour where necessary.												
4. Listens and heeds constructive feedback.												
5. Shows sensitivity to other people's feelings and concerns.												
6. Takes time to listen to others.												
7. Appreciates alternative points of view.												
8. Thinks before speaking.												
9. Expresses deeply held feelings or opinions in a rational way.												
10. Separates issues from personalities.												
11. Constructively challenges inappropriate behaviour.												
12. Brings disagreement into the open for discussion.												
13. Is honest with others.												
14. Is assertive without being aggressive.												
15. Relates well to a wide variety of individuals.												

Strategic thinking and planning												
1. Identifies strategic aims, anticipating future demands, opportunities and constraints.												
2. Translates strategic aims into practical and achievable plans.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
External awareness of others												
1. Reads trends, opportunities and threats across the external environment.												
2. Understands how best to position the organisation in relation to these.												
Drive to deliver results												
1. Sets high standards of performance for self and others.												
2. Is explicit about what high performance looks like, taking account of stakeholder/customer expectations.												
3. Promotes an ethos of continuous improvement.												
4. Takes personal responsibility for making things happen and achieving results.												
Management of finances and other resources												
1. Negotiates for the resources needed to do the job.												
2. Manages resources efficiently to deliver best possible results.												
Managing external relationships												
1. Is externally connected.												
2. Effectively brokers and maintains a network of relationships and partnerships to support objectives.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
Communication with others												
1. Is concise and persuasive orally with a wide range of audiences.												
2. Is concise and persuasive in writing with a wide range of audiences.												

Influence												
1. Uses a range of appropriate methods and approaches for persuasion and achieves positive results.												
2. Earns credibility through depth of knowledge/experience.												
3. Makes an excellent impression on internal and external contacts.												

Integrity												
1. Is able to maintain social, organisational and ethical values in all functions of the role.												
2. Recognises and values the above in others.												
3. Actively promotes diversity in the provision of services and employment.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
Personal effectiveness												
1. Is prepared to take the lead in new situations.												
2. Pursues adopted strategies with energy and commitment.												
3. Always stays calm and in control in difficult situations, and deals with them in a confident manner.												
4. Adapts quickly and flexibly to new demands and change.												
5. Takes charge of own ongoing learning and development.												
6. Manages own time well to meet competing priorities.												
7. Maintains a healthy work-life balance.												
8. Is able to use IT systems to support the achievement of personal and collective work goals.												

Analytical thinking, creativity and judgement												
1. Homes in on key issues and principles.												
2. Analyses complex or ambiguous data and concepts rigorously.												
3. Demonstrates sound problem-solving and decision-making skills.												

	Respondent										Total Replies	Average Score
	1	2	3	4	5	6	7	8	9	10		
Expertise with others												
1. Is recognised as a source of expertise and insight.												
2. Earns credibility through depth of knowledge/experience.												
3. Keeps up to date with developments in relevant fields of knowledge.												
4. Is able to translate knowledge/ experience into clear practical advice to colleagues.												

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Case Study: Competency framework

(Bield Housing Association)

The following competencies have been identified as key to supporting the continued success of the organisation in the future.

Service user focus

The recognition that meeting the needs of service users is central to the business. Commitment to supporting service users, resolving their problems and promoting their independence.

Achieving results

The ability to get things done efficiently and effectively. This incorporates managing time, prioritising work, planning, monitoring progress and follow-through.

Initiative and innovation

A focus on continuous improvement as the standard way of working. Always looking for better ways of doing things and responsive to ever-changing demands and expectations.

Problem solving

The ability to reason logically, assimilate and analyse information and identify solutions.

Teamworking

The ability to contribute effectively to productive teamworking. This can be demonstrated by team members as well as leaders. It relates to teams that come together to achieve a particular task as well as regular work teams.

Communication

Ensuring verbal and written communications are clear and understandable. Sharing of information and building understanding with others.

Personal effectiveness

The ability to responses and emotions to cope well when faced with difficulties. Taking personal responsibility for dealing with situations and learning from them.

Seeing the bigger picture

Retaining a focus on the longer term and wider context of the work whilst not losing sight of day-to-day issues.

Leadership

Achieving results with and through others. Providing guidance, direction and support to get the best from people and develop their potential.

Performance management

Linking individual to organisational performance. Supporting continuous improvement through setting clear goals, providing constructive feedback and supporting further development.

Working in partnership

Working effectively with others, who may have a different focus or objective. Establishing common goals and working co-operatively to achieve them. Partners can be external or internal, e.g. local authorities, other Bield departments.

Service user focus

The recognition that meeting the needs of service users is central to the business. Commitment to supporting service users, resolving their problems and promoting their independence.

Positive indicators	Negative indicators
• Actively seeks and listens to service users' opinions. • Makes self accessible and approachable for service users. • Keeps service users fully informed. • Treats service users with sensitivity, respect and consideration. • Engages service users in planning and decision-making. • Empowers service users to maximise their independence.	• Shows a lack of sensitivity in dealing with service users. • Fails to consider service users' perspective. • Fails to keep service users fully informed. • Does not encourage service users' participation. • Undermines service users' self-determination. • Gives the impression of doing a favour rather than providing a service.

Achieving results

The ability to get things done efficiently and effectively. This incorporates managing time, prioritising work, planning, monitoring progress and follow-through.

Positive indicators	Negative indicators
• Prioritises own time and resources effectively. • Aims to get things done 'right first time'. • Takes personal responsibility to see things through. • Follows through on commitments. • Plans and organises work effectively. • Focuses on the priorities. • Juggles priorities to meet complex, changing demands.	• Puts self under pressure. • Misses deadlines/expectations in getting things done. • Does only the minimum required. • Needs to be chased. • Ends up continually fire-fighting. • Loses sight of what's important. • Fails to manage time relative to priorities.

Initiative and innovation

A focus on continuous improvement as the standard way of working. Always looking for better ways of doing things and responsive to ever-changing demands and expectations.

Positive indicators	Negative indicators
• Responds flexibly to changing demands. • Looks for better ways of doing things. • Takes the initiative to move things forward. • Encourages people to try out new ideas. • Seeks continuous improvements to services. • Takes calculated risks to achieve longer term benefit.	• Sticks to 'we've always done it this way' approach. • Focuses on the problem rather than the solution. • Sees things as someone else's responsibility. • Criticises without recognising the potential in people's ideas. • Continually finds obstacles to change. • Thinks only in the short term.

Problem solving

The ability to reason logically, assimilate and analyse information and identify solutions.

Positive indicators	Negative indicators
• Gathers appropriate information to make a sound decision. • Identifies relationships between different parts of a problem • Weighs up pros and cons of potential solutions. • Anticipates potential problems and acts to avoid them. • Plans and prioritises effective course of action. • Resolves complex issues taking into account multiple perspectives.	• Ignores evidence that there is a problem. • Responds to symptoms rather than identifying causes. • Goes for quick-fix solutions. • Fire-fights where problems could have been anticipated. • Fails to follow through to ensure effective resolution. • Doesn't take other perspectives into account.

Teamworking

The ability to contribute effectively to productive teamworking. This can be demonstrated by team members as well as leaders. It relates to teams that come together to achieve a particular task as well as regular work teams.

Positive indicators	Negative indicators
• Actively fosters a non-blame culture to promote continuous learning. • Encourages co-operative team ethos. • Contributes to clear direction for team activity. • Trusts and empowers others to complete the task. • Provides ongoing support, guidance and constructive feedback. • Maintains a fair and open-minded stance.	• Passes the buck. • Looks to blame others when things go wrong. • Focuses on own role at the expense of team effort. • Reacts to events rather than directing activity. • Avoids dealing with difficult issues. • Is seen as taking sides.

Communication

Ensuring verbal and written communications are clear and understandable. Sharing of information and building understanding with others.

Positive indicators	Negative indicators
• Shares knowledge freely with others. • Makes self accessible and approachable. • Listens actively, acknowledging the others perspective or feelings. • Chooses most effective communication route(s) for situation. • Ensures communications are clear, accurate and understandable. • Works to achieve understanding.	• Holds on to information. • Is distant or seen as unapproachable. • May hear, but doesn't listen. • Fails to acknowledge what the other is trying to convey. • Communications lack clarity – too long poorly presented or hard to understand. • Allows misunderstandings to grow.

Personal effectiveness

The ability to manage responses and emotions to cope well when faced with difficulties. Taking personal responsibility for dealing with situations and learning from them.

Positive indicators	Negative indicators
• Adopts a 'can-do', co-operative approach. • Responds calmly and constructively under pressure. • Shows resilience in persisting, despite setbacks. • Deals confidently with issues as they arise. • Takes responsibility for own learning and development.	• Finds reasons for not doing it. • Is hesitant, avoids confronting situations. • Shows irritation or snaps back. • Loses momentum when things become difficult. • Puts things off. • Shows little interest in learning and self- development including developing professional knowledge and skills.

Seeing the bigger picture

Retaining a focus on the longer term and wider context of the work whilst not losing sight of day-to-day issues.

Positive indicators	Negative indicators
• Takes long-term factors into consideration. • Incorporates Bield values into all decisions and actions. • Considers relationship between Bield and the wider community. • Stays ahead of the game. • Balances individual and organisational objectives. • Maintains awareness of best practice.	• Focuses on short-term solutions. • Ignores the wider context. • Makes no effort to keep abreast of relevant external developments. • Focuses on individual objectives at the expense of other considerations. • Constantly 're-invents the wheel'. • Fails to see linkages between activities.

Leadership

Achieving results with and through others. Providing guidance, direction and support to get the best from people and develop their potential.

Positive indicators	Negative indicators
• Leads by example, mucking-in to get things done. • Delegates appropriately, retaining accountability. • Co-ordinates work of team effectively to achieve objectives. • Provides clear, strategic direction for team activities. • Encourages and supports development of team members • Involves people appropriately in decisions that affect them.	• Adopts 'do as I say' approach. • Fails to make full use of team capabilities. • Lets people work in isolation without co-ordination of effort. • Avoids tackling underperformance. • Fails to encourage individual development • Holds too tight control. • Abdicates responsibility.

Performance management

Linking individual to organisational performance. Supporting continuous improvement through setting clear goals, providing constructive feedback and supporting further development.

Positive indicators	Negative indicators
• Establishes clear expectations and performance standards. • Monitors performance of team members. • Provides regular, constructive feedback. • Supports setting of realistic goals. • Views appraisal/supervision meetings as important and completes appraisals/ supervision of staff in accordance with set timescales. • Tackles issues of underperformance. • Takes action to support others' development.	• Leaves others unclear about what is expected. • Shies away from giving negative feedback. • Regularly fails to complete appraisals or conduct supervision/support meetings. • Fails to acknowledge achievement. • Ignores development needs. • Looks for someone to blame when things don't go as planned. • Fails to provide support for development activity.

Working in partnership

Working effectively with others, who may have a different focus or objective. Establishing common goals and working co-operatively to achieve them. Partners can be external or internal e.g. local authorities, other Bield departments.

Positive indicators	Negative indicators
• Seeks out common ground. • Establishes trust through openness and integrity. • Involves and engages others in achieving the objective. • Negotiates effectively to achieve 'win-win' outcomes. • Fosters co-operation and commitment. • Builds productive network of contacts.	• Works to own agenda. • Fails to make contacts outside the immediate requirements of the role. • Takes too firm, or too soft a line with others. • Allows conflicts to block progress. • Fails to recognise the perspective of others. • Sees lack of progress as other people's problem.

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Notes

Notes

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