

# **Boards, Governance and Leadership of the Third Sector**

## **Scotland Study**

### **Report on Findings**

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## **Executive summary**

The report focuses on the effectiveness of boards operating within third sector organisations in Scotland. Organisations were invited to take part in a survey in September 2008 that specifically asked opinions on the performance of the Chair, the board and the Chief Officer.

The survey is based on research undertaken with private sector organisations in the UK, Australia, South Africa, China and Russia, as well as the Scottish Public Services. This database now contains data from around 1,000 Chairs, CEOs, Executive Directors and Non-Executive Directors worldwide.

In total 194 questionnaires were returned and analysed. This summary highlights the key findings emanating from the research, compares the findings with the private sector, and identifies potential tension points that require attention, as well as indicating factors key for success.

### **Summary of findings**

The results from the Scottish third sector show that, generally speaking, boards do seem to be performing fairly effectively – but there is always room for improvement. The findings of the research are fairly consistent with other sectors in that the Chair's role is seen as vital for the effective functioning of the board. Also displaying integrity and being trustworthy are key qualities that a Chair should and do possess.

As with the other surveys undertaken to date, this research identifies areas where there is consensus as well as areas where opinions differ. Consistent with other surveys, Chairs do rate themselves significantly higher on performance characteristics compared to other board members and the CEO/Chief Officer.

The gaps between Chief Officers and Chairs in the Scottish third sector are, however, much higher than they are for other surveys undertaken to date, which is a potential tension point within this sector.

### **Potential tension points**

The survey identified areas that require attention, and the critical ones relate to:

- The relationship between the Chair and the Chief Officer
- The Chair's role in encouraging peer appraisal of board members and evaluating the performance of other board members
- The Chair encouraging feedback on his/her own performance.

Differences of view exist and it is these areas where further debate is required. Particularly in addressing:

- Why the views of Chair differ significantly from those of Chief Officers and what is the implication of such gaps continuing
- How much time and effort Chief Officers and Chairs devote to working with each other
- How much time and effort the Chair spends getting to understand the charity in detail
- How much time Chief Officers and Chairs spend in developing an open and honest relationship
- The extent to which the Chair positions the Board to support the Chief Officer and add value to the management team and the organisation
- The extent to which the Chief Officer and the Chair try to differentiate and clearly establish the role and purpose of the board and the management team
- The extent to which Chairs and Chief Officers are aware of their impact on each other and on the Board members.

Furthermore:

- How open are Chairs to relevant feedback on their performance?
- Do Chairs recognise the importance of developing and appraising others?
- How should Chairs be developed and what are the implications for the Board and the organisation of not doing so?
- What are the management development requirements for Chief Officers?
- What are the management development requirements for other Board members?
- What are the impacts of the above on Board and organisation performance?

### **Factors key to success at board level**

Arising from the research undertaken to date in both private and public sectors, the key success criteria for board performance relate to the Chair:

- Working well with other board members to achieve organisational goals and taking a long term view
- Having an understanding of the cultural context of the organisation – what works in one organisation may not work in another
- Following through on governance initiatives and having a considered approach to risk
- Balancing hard and soft skills – on the one hand being robust and strong in the role, and on the other being able to raise sensitive issues and encouraging an open debate.
- Acknowledging skill gaps or experience on the current board and addressing this.

Further success factors relate to the Chief Officer:

- And the Chair being of a like mind
- Being able to communicate effectively and well with the board.

## **1. Background**

This report focuses on the effectiveness of Boards in the third sector within Scotland. The purpose of the research is to build upon previous research undertaken in the private sector, compare with similar surveys in other organisations, and to assist the research partners in developing those working within the sector.

By way of background, global research undertaken in the 1990s by the Cranfield team showed that:

- Approximately one third of teams worldwide recognised that fundamental divisions existed within their top team concerning the future of the organisation
- Approximately two thirds of team members believed that sensitive issues relating to the business were not discussed at top team level
- There were differences of view between general managers and top management, especially with respect to trust.

This led to obvious tensions within organisations. Such tensions generally related to the identity of the organisation and what it stood for, the financial decision making process and the ability of the management team to understand issues relating to the business.

### **1.1 The role of the board**

The role of the board can be crucial in providing direction for an organisation. Within this the board has to consider its role in leading the organisation forward in terms of answering:

- What value does the Board add?
- How does the Board enhance the competitive advantage of the organisation?
- To what extent is the Board responsible for policy and financial decision-making?
- What is the level of business understanding of each of the Directors of the organisation?

The Chairman leads the Board and the CEO leads the company. The role of the Chair is an important one as he/she can have a direct impact upon:

- Shareholder/market and stakeholder trust
- Corporate reputation and the whole debate around corporate social responsibility
- Promoting an understanding of risk and vulnerability
- Being a role model for others, developing the CEO, promoting talent and management and executive development
- Strategic understanding/alignment.

A good board is a good Chairman.

## 1.2 Cranfield research into boards

Up until recently, research into board effectiveness has been limited. In order to gain a greater understanding of boards, the Cranfield team have interviewed Non-Executive Directors, CEOs, Chairs and Executive Directors in the US, UK, Australia, Turkey, Ireland, Germany, Russia, Belgium, China and France.

Following on from the outcomes of these interviews, a survey instrument was developed focusing on measuring how well boards are perceived to be performing, especially with respect to the Chair, the CEO and the board itself. Surveys have been undertaken with private sector organisations from the FTSE350 in the UK, along with similar organisations in Australia and South Africa. Surveys are currently taking place in China and Russia.

The team have also widened the research to explore boards in the public sector. The Scottish Leadership Foundation approached Cranfield with a view to replicating the survey with Scottish Public Service organisations - where approximately one third of responses were from the voluntary sector. Some interesting comparisons could be made with the private sector:

- In both public and private sectors the role of the Chair is key
- The relationship between the Chair and CEO in the private sector is pretty much well defined
- In the UK there is tension between Non-Executives and Executives at board level – perhaps due to a lack of respect or trust
- Each board is unique, and comparison between private and public sector is at best tenuous, as all boards are trying to add value to the organisation which they represent.

In exploring the Scottish Public Services data further there were some key differences in the way voluntary services performed compared to other public sector bodies. For example, voluntary services scored significantly better than other public bodies with respect to the following statements from the survey instrument:

- The CEO visibly benefits from the relationship with the Chair
- The CEO and the Chair are of a like mind
- The Chair works well with the CEO to realise the goals of the organisation.

However, the same organisations scored fairly low on the following statements:

- The Chair encourages feedback on his/her performance
- The Chair effectively evaluates the performance of non-executive members
- The Chair clarifies the skills/experience required of each board member.

As a consequence of this research, the research partners for this study wished to gain a greater understanding of organisations operating within the third sector within Scotland; in terms of gaining a more in-depth understanding of the role of Chief Officers within

such organisations, their perceptions of the Chair, the Board, and in identifying potential future development needs.

### **1.3 The Survey**

The instrument used with private sector and Scottish public service organisations was developed and modified to take into account the views of third sector organisations. Demographic information was augmented to include information about the respondent's role, type of organisation and turnover, and further statements were added in the instrument to capture information relevant to third sector organisations.

The survey was developed for respondents to complete on-line during September to October 2008. After a follow-up reminder, a total 194 responses were received. Although there are many community and voluntary organisations in Scotland, around two-thirds of which have a turnover of less than £25,000, the responses do highlight the experiences and perceptions of respondents, from which valuable lessons can be drawn.

The remainder of this report focuses on the key findings emanating from the research and focuses on:

- Details of the respondent and their organisation
- Organisational performance
- Comparisons with other sectors
- Implications of the findings
- Development opportunities.

### **1.4 Acknowledgements**

The Cranfield team wish thank the research partners in making the survey happen, and in particular the time taken by Kris Von Wald in organising and encouraging people to respond to the survey.

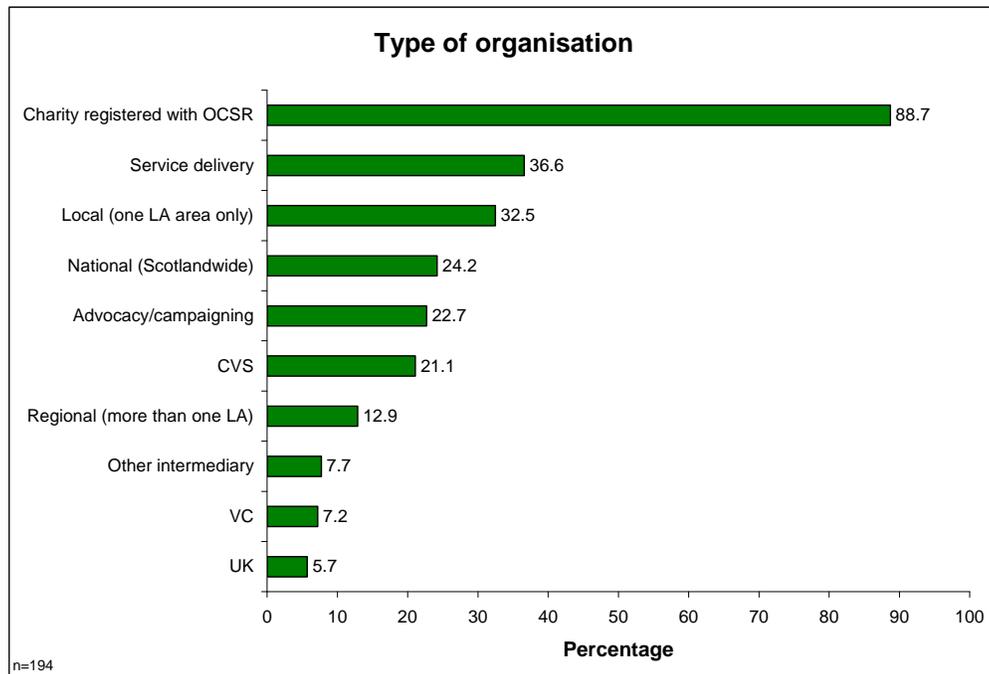
## 2. The respondent and the organisation

This section of the report details the profile of the organisations responding to the survey as well collecting information about the respondents themselves and their role within the organisation.

### 2.1 Organisational characteristics

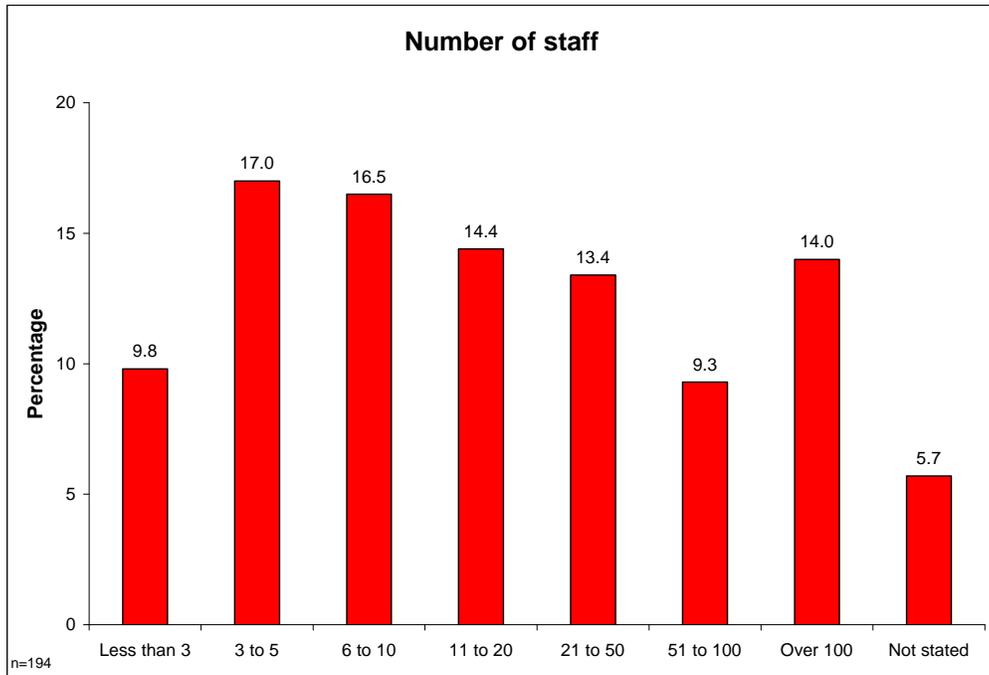
Respondents were asked to identify the type of third sector organisation they worked for (see Figure below). The responses are not mutually exclusive and organisations can be involved in more than one option listed. The key ones are:

- Charity registered with OCSR
- Service delivery
- Local (one LA area only).

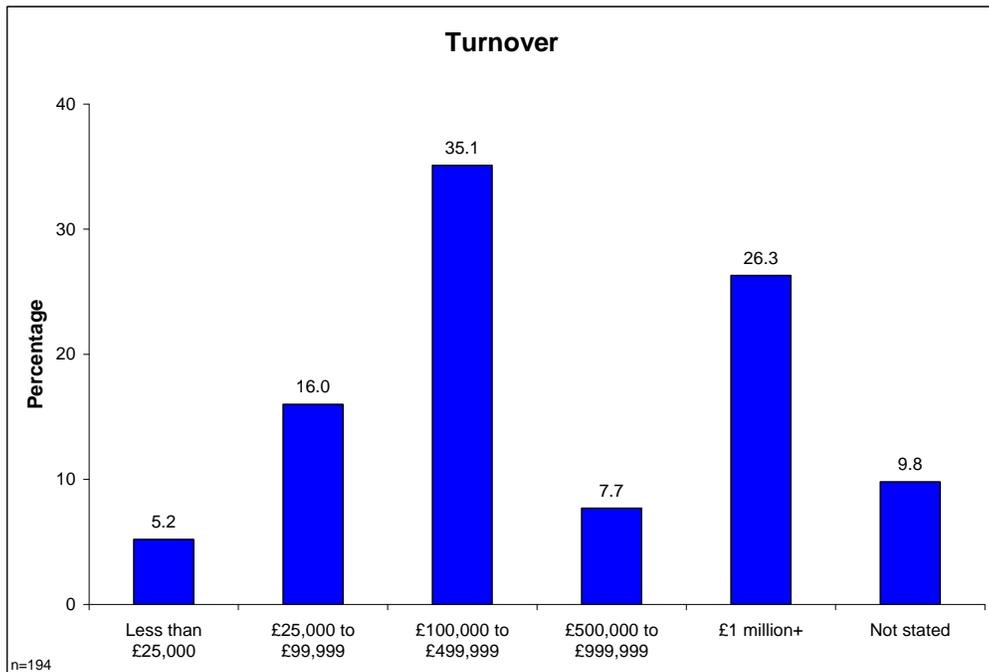


The size of the organisation was measured in terms of the number of employees, turnover and size of the Board (in terms of number of members). The responses show a fairly even spread across different employee size bands (see Figure below).

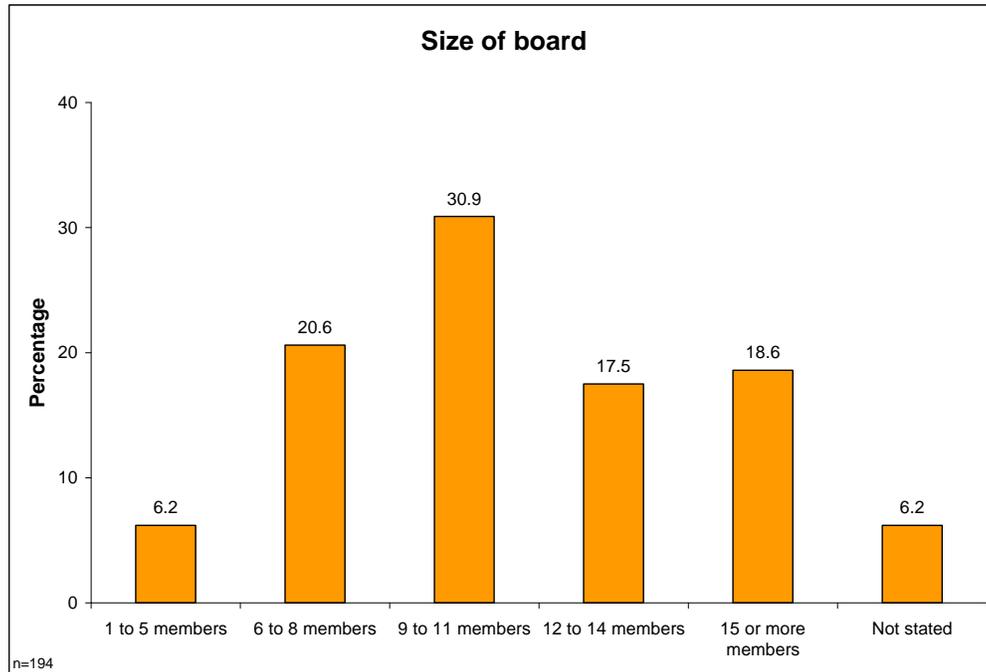
- About a quarter have up to 5 employees (26.8%)
- A similar proportion has over 50 employees (23.3%).



The size of the organisation in terms of turnover is fairly split. The majority either fit into the £100,000 to £499,999 category or the £1 million+ category (see Figure below).



With respect to the size of the Board, the majority of respondents (30.9%) indicated that there are 9 to 11 members on that Board (see Figure below).

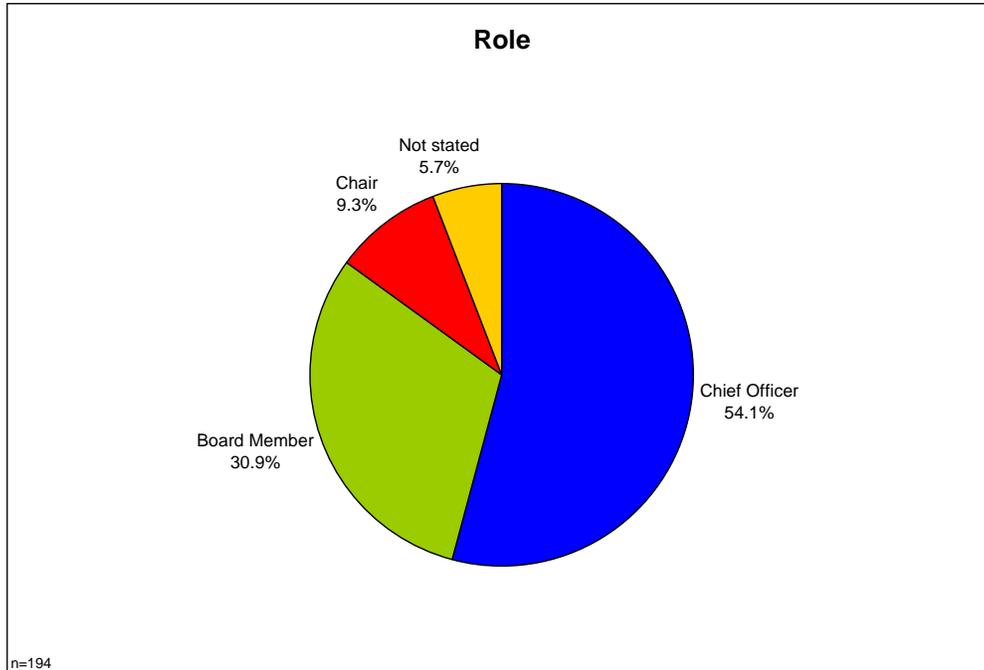


Generally speaking, there is a strong association between these size variables, in that a high number of employees is statistically linked with a higher turnover and a higher number of members on the Board.

## 2.2 Respondent characteristics

- Most of respondents are aged either between 50 to 59 (35.1%) or 40 to 49 (27.8%).
- The majority, where specified, are female (52.9%)
- Respondents are fairly well educated, with 37.1% holding a postgraduate masters degree as their highest level of education achieved and a further 23.7% holding an undergraduate degree
- Over half indicate that they are white Scottish (57.7%) and a further 28.4% indicate that they were white British
- Almost two-thirds (64.5%) are in full-time, paid employment
- Less than half of Board members have a job description.

The following figure highlights the role of respondents. The majority (54.1%) are in a Chief Officer role, with a further third being a Board member (30.9%) and around one in ten being the Chair (9.3%).



In exploring the background of respondents further, the following series of charts compare the characteristics of the different types of role of respondents.

In summary, Chief Officers are more likely to:

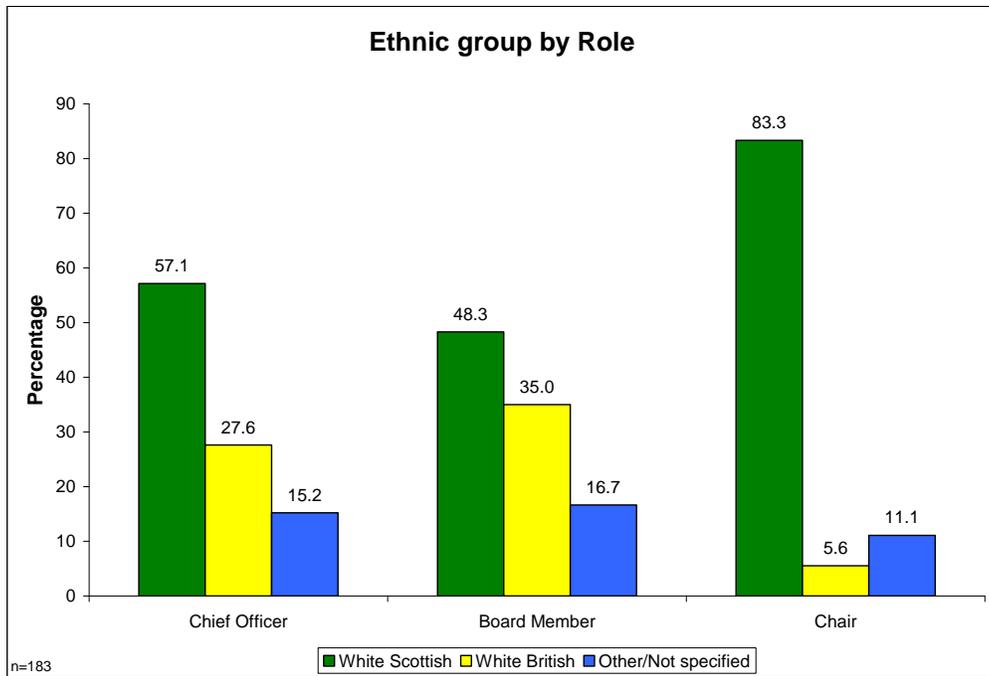
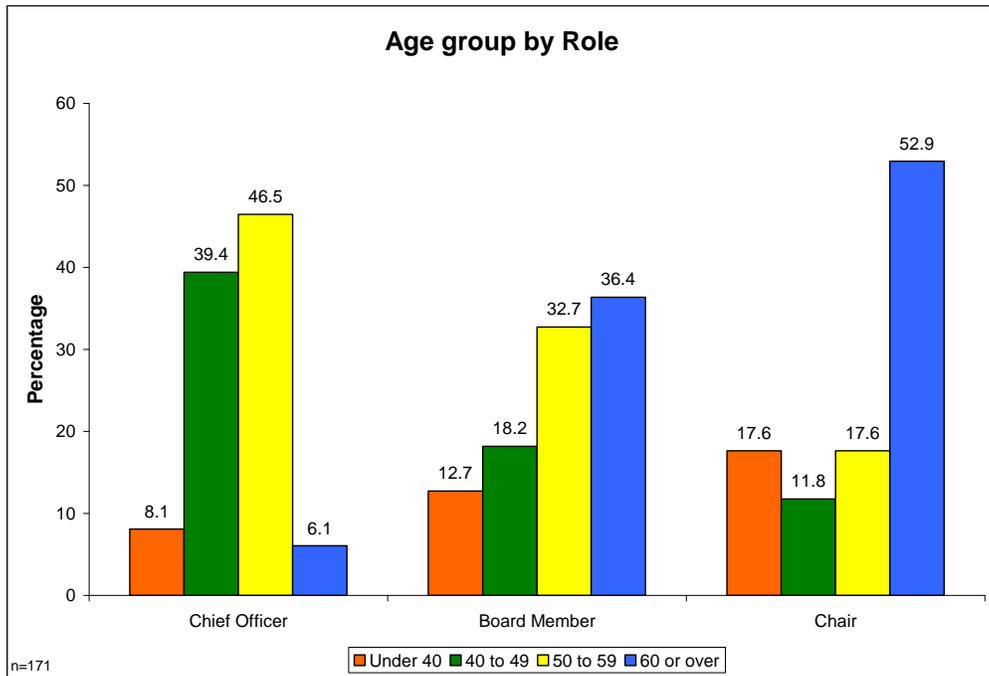
- Be aged between 40 and 59 (85.9%)
- Be white Scottish (57.1%)
- Be female (61.6%)
- Have an undergraduate or postgraduate qualification (79.6%).

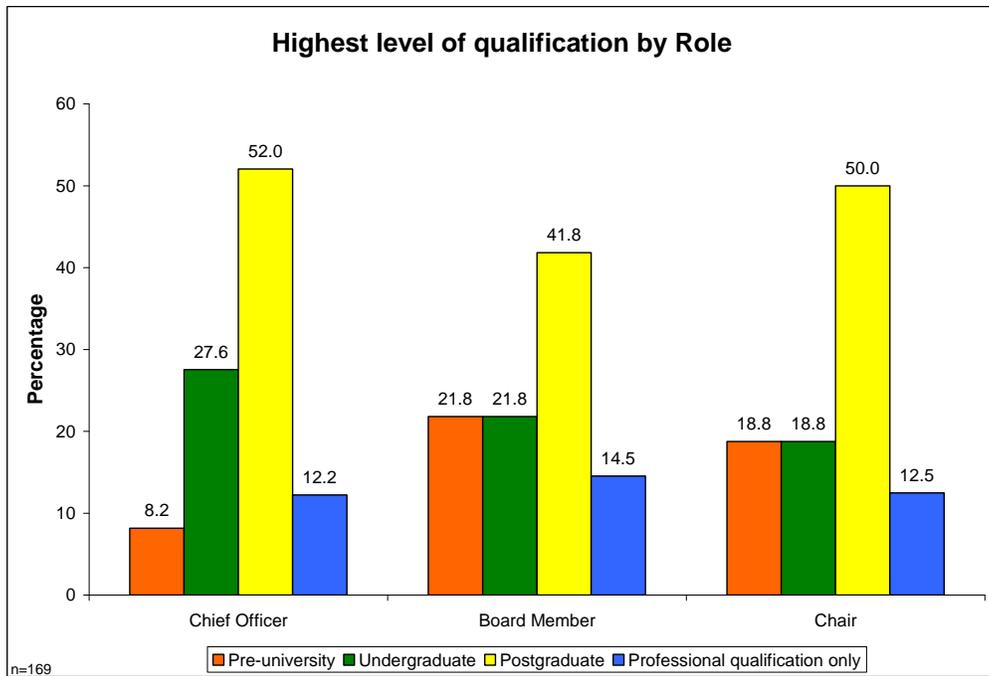
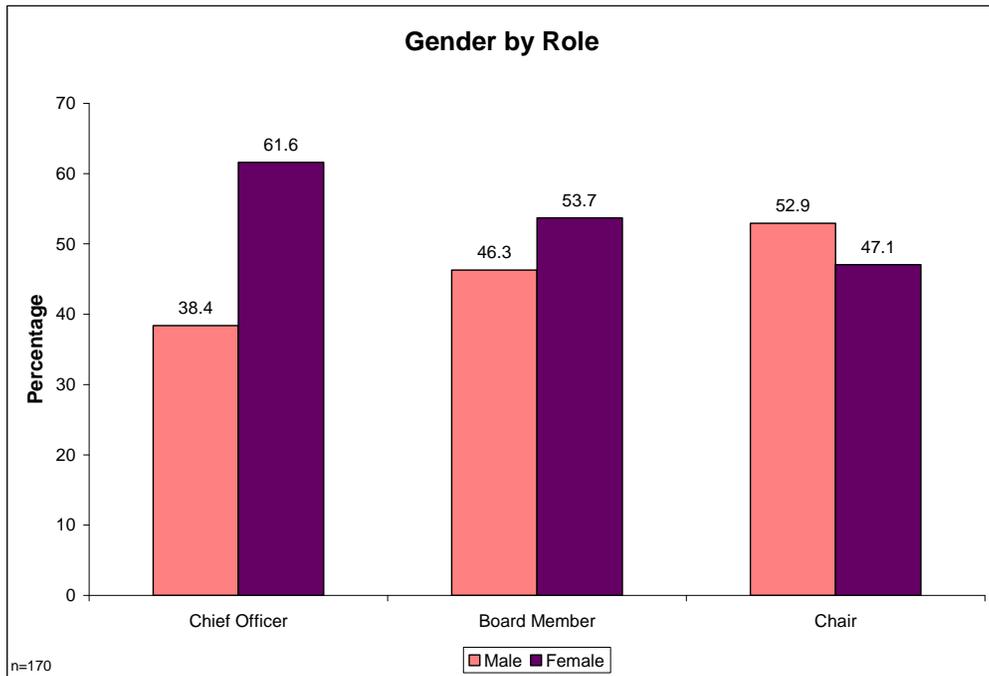
Board members are more likely to:

- Be aged 50 or over (69.1%)
- Be a mixture of white Scottish (48.3%) or white British (35.0%)
- Be female (53.7%)
- Have an undergraduate or postgraduate qualification (63.6%).

The Chair is more likely to:

- Be aged 60 or over (52.9%)
- Be white Scottish (83.3%)
- Be male (52.9%)
- Have an undergraduate or postgraduate qualification (68.8%).





### 2.3 Meetings

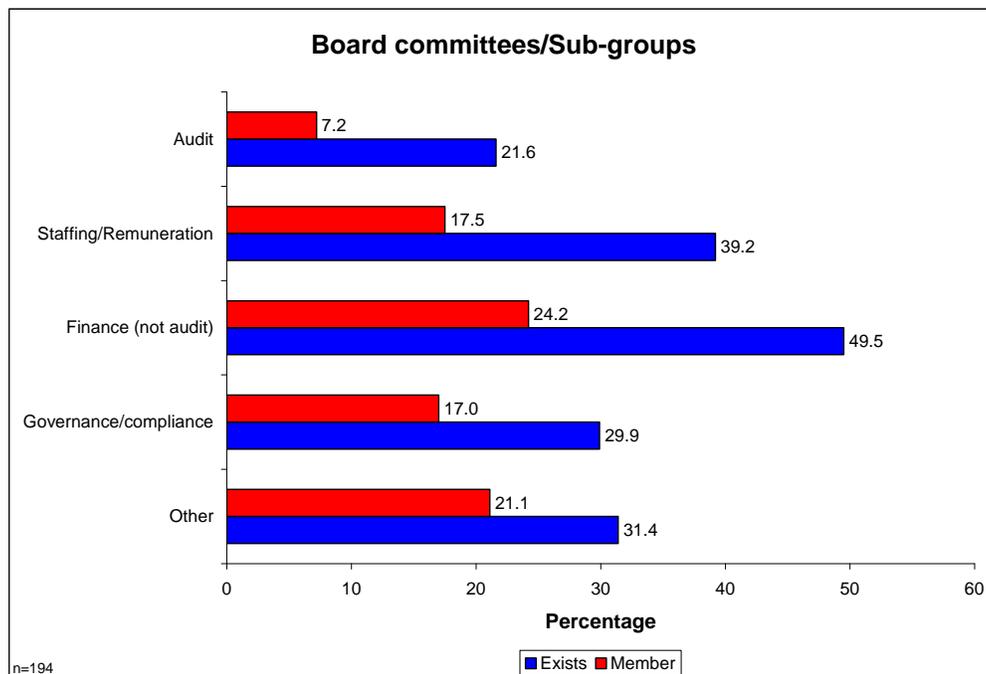
Respondents were asked to provide information about meetings within their organisation. Typically, meetings:

- Last half a day or less (84.5%); and
- Happen monthly (32.5%), quarterly (29.9%) or bi-monthly (24.7%),

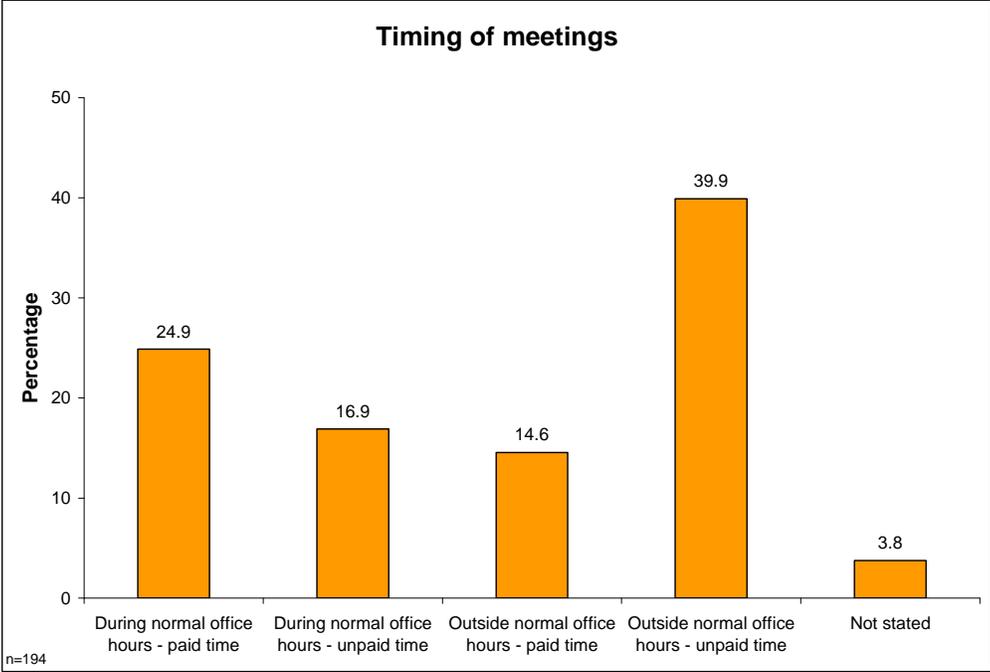
In terms of the types of Board committee or sub-group meetings that exist, the most common ones reported are:

- The Finance (not audit) committee with around half of respondents (49.5%) stating that it existed
- Staffing/remuneration (39.2%).

In terms of membership, about one in four (24.2%) of respondents report being a member of the Finance (not audit) committee (see Figure below).



In terms of the timing of board meetings, around half (54.5%) state that these meetings are outside normal office hours, with 41.8% indicating that they take place during normal office hours. In the majority of cases (56.8%) this is unpaid time (see Figure below). For Chief Officers, however, this is less likely to be the case as they are more likely to attend meetings (during or outside normal office hours) in paid time – as they are likely to receive remuneration for their role within the organisation.



### 3. Organisational performance

Initially, respondents were asked to rate the Chair of the organisation on six different dimensions:

- Strategic direction
- Governance
- Risk
- Style
- Qualities
- Performance.

Each dimension has a series of statements, and respondents were asked to rate the Chair on a nine-point scale, ranging from 1=Not at all true to 9=Very true. Two further dimensions relating to Board and Chief Officer performance were also measured by way of a series of statements (1=Not at all true, 9=Very true). In the following part of the report average scores are reported in order to ascertain which side of the scale respondents' falls.

Generally speaking, organisations from the survey score exceptionally well on performance, with respondents tending to score on the positive side of the scale. In particular organisations are rated very highly on the following aspects:

- The Chair is trustworthy (8.26)
- The Chair displays integrity (8.21)
- The Chief Officer respects the Chair (7.95)
- The Board act with integrity (7.92)
- The Chief Officer has an open relationship with the Chair (7.90)
- The Chief Officer communicates well with the board (7.84)
- The Board trust the staff (7.77)
- The Chair understands the ethos, culture and context of whole organisation (7.70)
- The Board is attentive to organisation's reputation (7.63)
- The Chair works well with the Chief Officer (7.62)
- The Chair is easy to talk to (7.62)
- The Chief Officer drives the strategy (7.61)
- The Chief Officer delineates duties from that of the Chair (7.59).

Conversely, there is only one particular area where the performance of the Chair is rated as below average overall:

- The Chair encourages peer appraisal of Board members (4.51).

The question arises as to whether the Chair accepts that this is part of their role, or whether it is because they are not very good at encouraging it.

Each of the statements within the survey were summarised into their appropriate dimensions (by summing up each of the scale scores, reversing scales where appropriate, and dividing by the number of items within a particular dimension). In effect, each dimension highlighted above has its own scale score.

The following table shows the overall average scale score, in rank order, along with the standard deviation (a measure of variation in responses). The qualities of the Chair are rated highest overall (which include trustworthiness and displaying integrity), followed by the performance of the Board. The performance of the Chair is rated lowest on average relative to the other measures.

<b>Performance measures</b>	<b>Average score</b>	<b>Standard deviation</b>
The Chair - Qualities	7.48	1.51
The Board	7.36	1.22
The Chair - Style	7.09	1.52
The Chair - Governance	6.91	1.93
The Chief Officer	6.87	1.46
The Chair - Risk	6.84	1.84
The Chair - Strategic direction	6.48	1.54
The Chair - Performance	6.07	1.56

(1=Not at all true, 9=Very true)

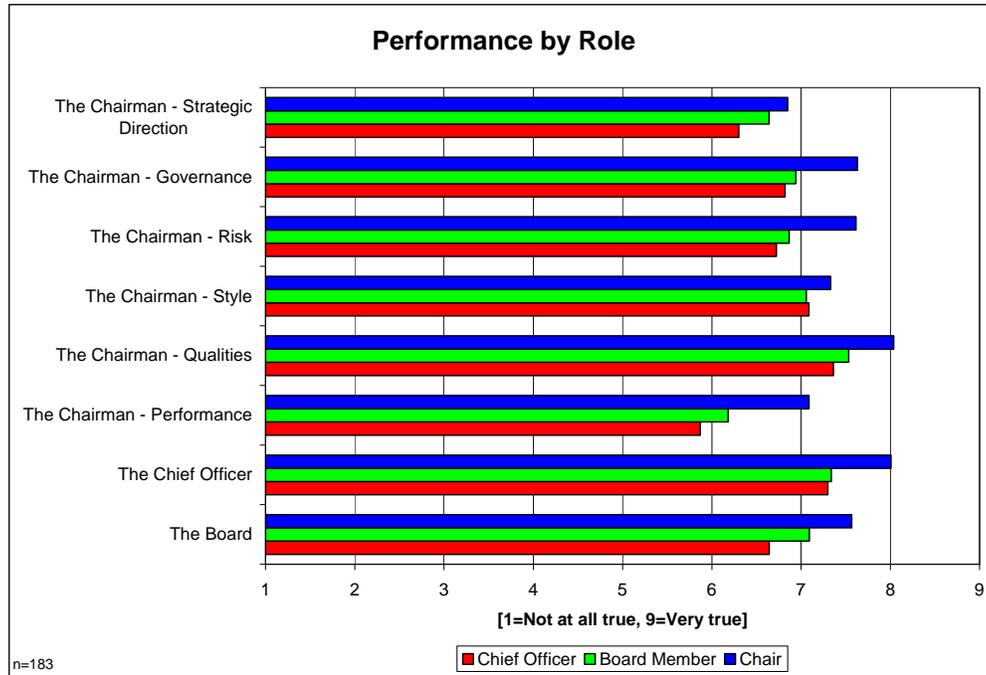
The standard deviations indicate that opinion can be quite diverse, especially with respect to governance and risk. The following part of the report attempts to explore these variations in more detail in order to better understand where differences lie in respondent perceptions.

### **3.1 Influences on response**

Influences of response to the eight dimensions were explored with respect to key demographic and organisational variables summarised earlier in the report, namely: age, gender, ethnic group, highest level of qualification; the size variables, including number of employees, turnover, size of Board; and the role of the respondent and whether the organisation was classified as a registered charity or not.

Detailed analysis shows that there is *only one* variable that has the most statistically significant impact on response patterns; the role of the individual within the organisation. Specifically, the most significant differences of view are between the Chief Officer and those of the Chair. Generally, views are positive, but consistently, the Chair scores higher on each of the dimensions – scoring themselves higher on their own performance, which is consistent with other Cranfield surveys - compared to the views of other Board members and Chief Officers (see Figure below).

Chief Officers would seem to be less positive in their perceptions of Board performance, the performance of the Chair, and the rating of the Chair with respect to strategic direction.



### 3.2 Comparative views on the role of the Chair

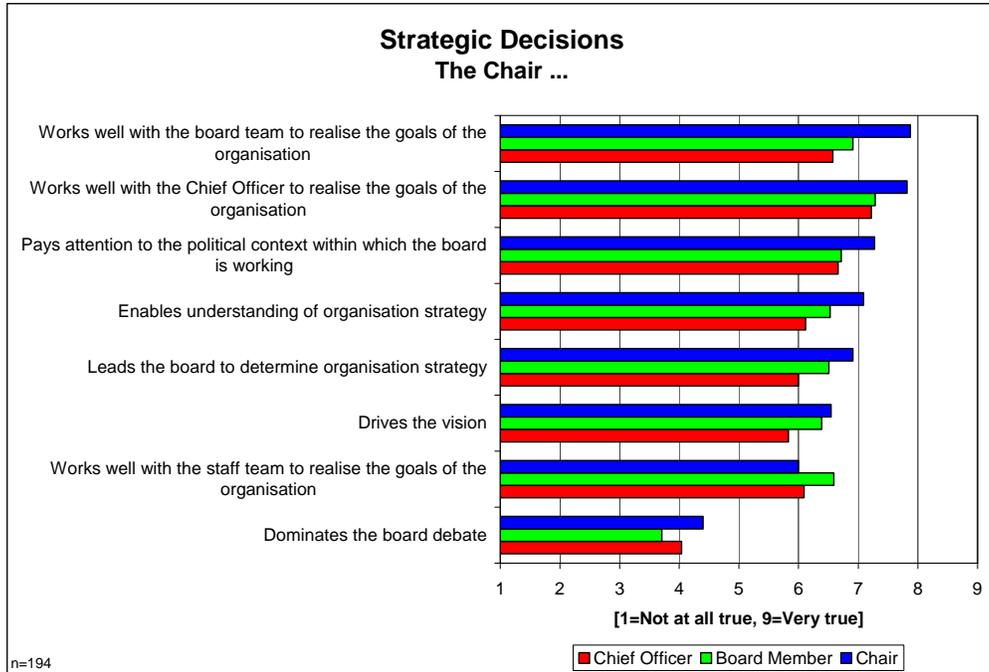
In the following part of the report, each of the dimensions with respect to the role is explored in more detail, placing particular emphasis on the differing views of the Chief Officer and the Chair.

#### *Strategic decisions*

Chairs score themselves higher on most items on average, believing that they work well with the board team and the Chief Officer in order to realise the goals of the organisation, but less so with the staff team, yet other board members rate them fairly high on this (see Figure below).

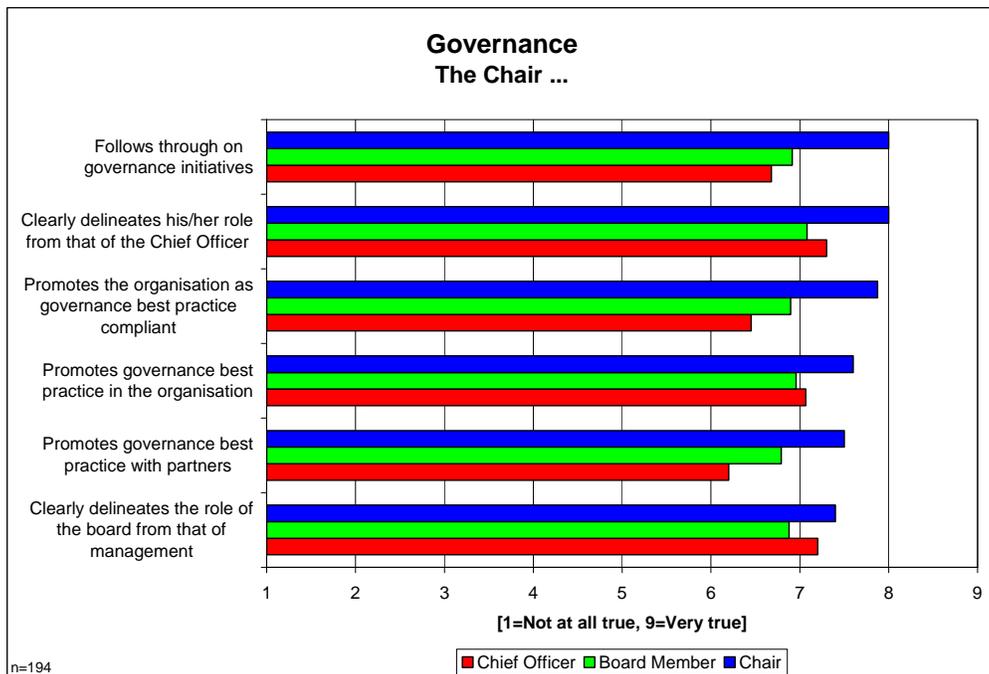
In comparing the views of the Chief Officer and the Chair, there are differing opinions, especially with reference to the Chair:

- Working well with the board team to realise the goals of the organisation
- Enabling an understanding of organisation strategy
- Leading the board in determining the organisation strategy, and
- Driving the vision.



### Governance

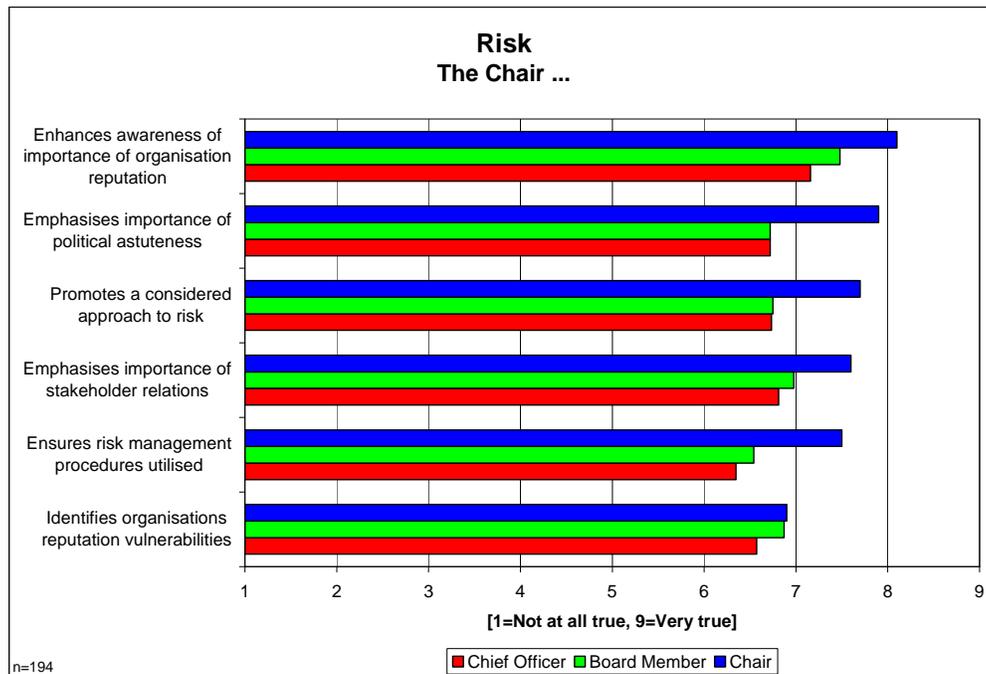
The general perception is that organisations perform well on governance. In particular, Chairs rate themselves highly on following through on governance initiatives, promoting the organisation as governance best practice compliant, and clearly delineating their role from that of the Chief Officer (see Figure below). Chief Officers score the Chair lower, especially with respect to the promoting governance best practice.



## Risk

Chairs rate themselves highly on enhancing awareness of the importance of organisation reputation and emphasising the importance of political astuteness (see Figure below). An area that could be worked on is for the Chair to better identify the organisations reputation vulnerabilities.

Chief Officers and Board members are fairly similar in their views in the rating of the Chair, and these differ significantly from the Chair with respect to emphasising the importance of political astuteness, and ensuring risk management procedures are utilised.



## Style

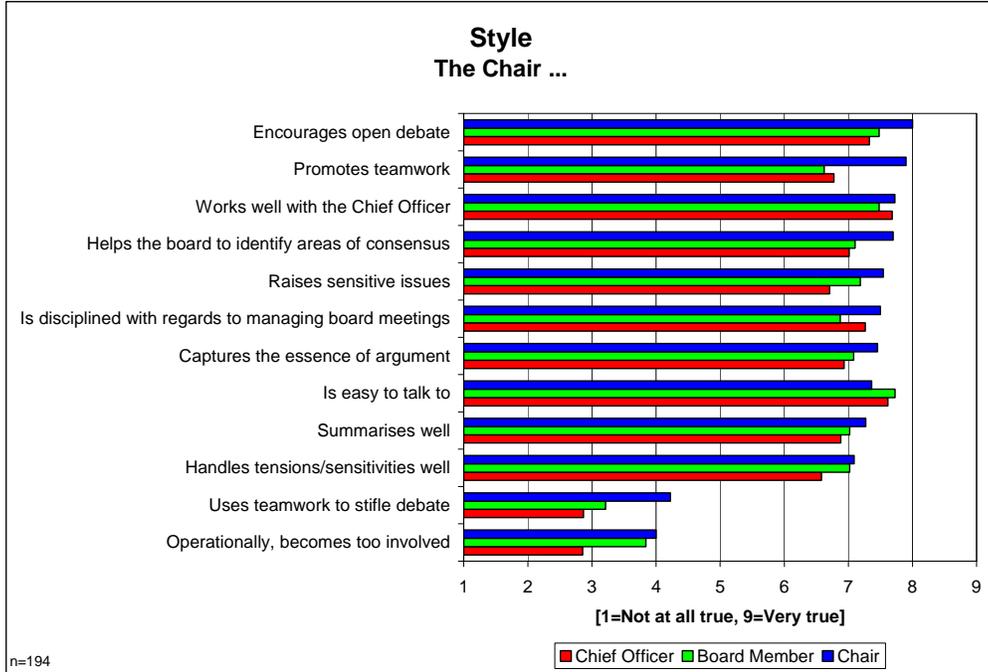
In terms of style the Chair is generally rated highly, especially with respect to:

- Encouraging open debate
- Working well with the Chief Officer
- Being easy to talk to.

There are a couple of areas where the Chair is generally rated by Chief Officers as someone who does not:

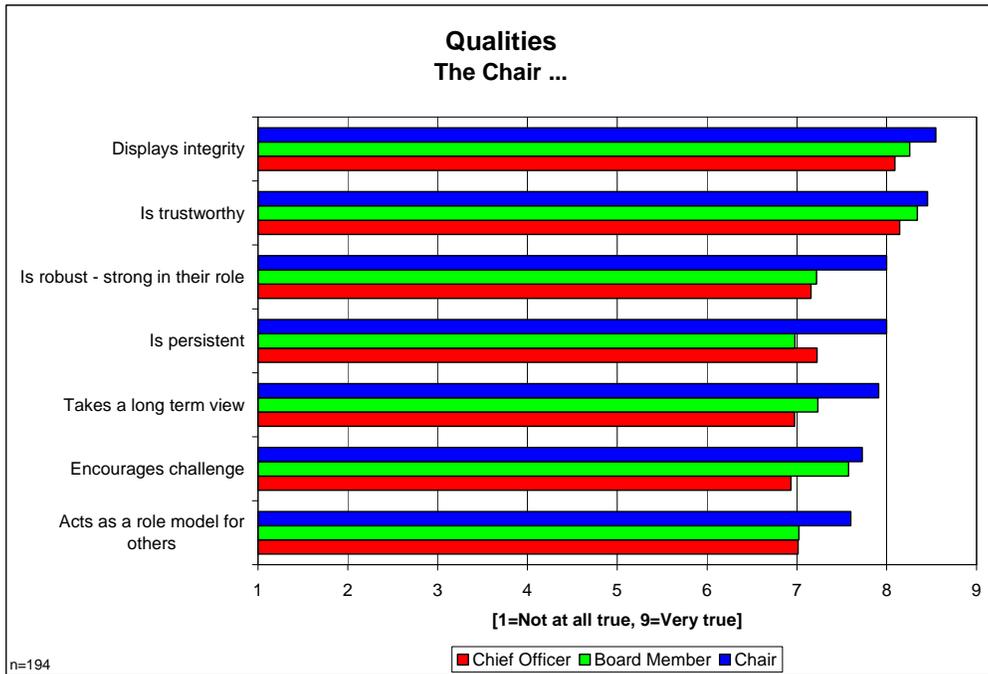
- Use teamwork to stifle debate
- Operationally, become too involved.

Although Chairs are in general agreement, they are closer to neutral in their response.



### *Qualities*

The qualities of the Chair are important part of the role, and Chairs within the survey score well on these, especially in terms of displaying integrity and being trustworthy (see Figure below).



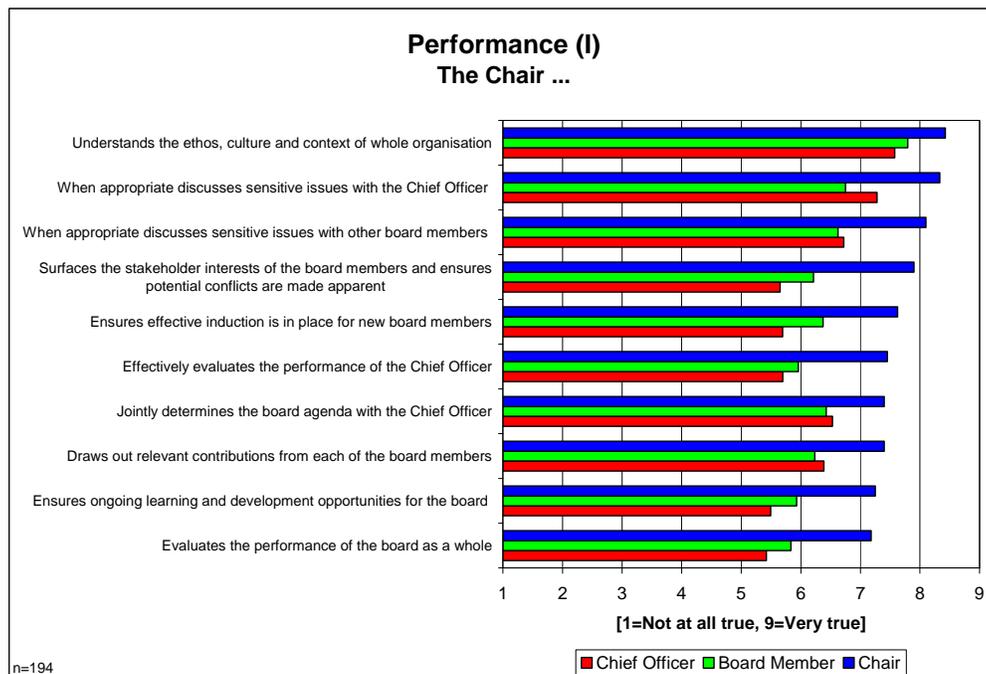
## Performance

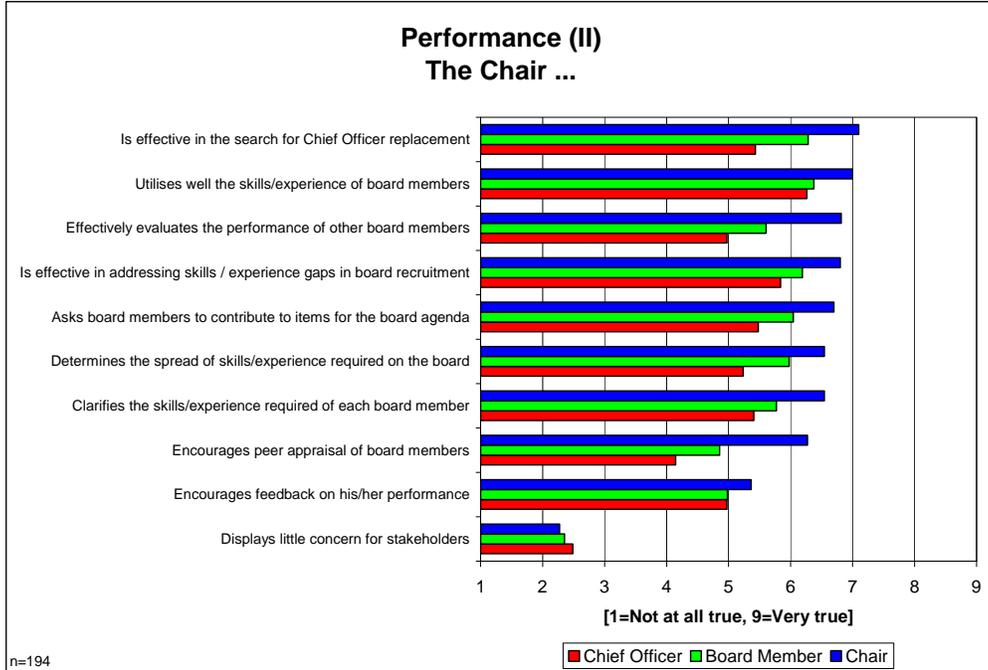
The performance of the Chair was rated on a number of different measures (see following two Figures). The perceived performance of the Chair is the one key area from the survey where differences of opinion are greatest. The figures show that the Chair perceive themselves to be performing much better compared to how other board members and the Chief Officer see them performing.

This is quite noticeable in terms questioning the extent to which the Chair:

- Surfaces the stakeholder interests of the board members and ensures potential conflicts are made apparent (5.65 for Chief Officers vs.7.90 for the Chair)
- Encourages peer appraisal of board members (4.14 vs. 6.27)
- Ensures effective induction is in place for new board members (5.69 vs. 7.63)
- Effectively evaluates the performance of other board members (4.97 vs. 6.82)
- Evaluates the performance of the board as a whole (5.42 vs. 7.18)
- Effectively evaluates the performance of the Chief Officer (5.70 vs. 7.45)
- Ensures ongoing learning and development opportunities for the board (5.49 vs. 7.25)
- Is effective in the search for Chief Officer replacement (5.43 vs. 7.10)

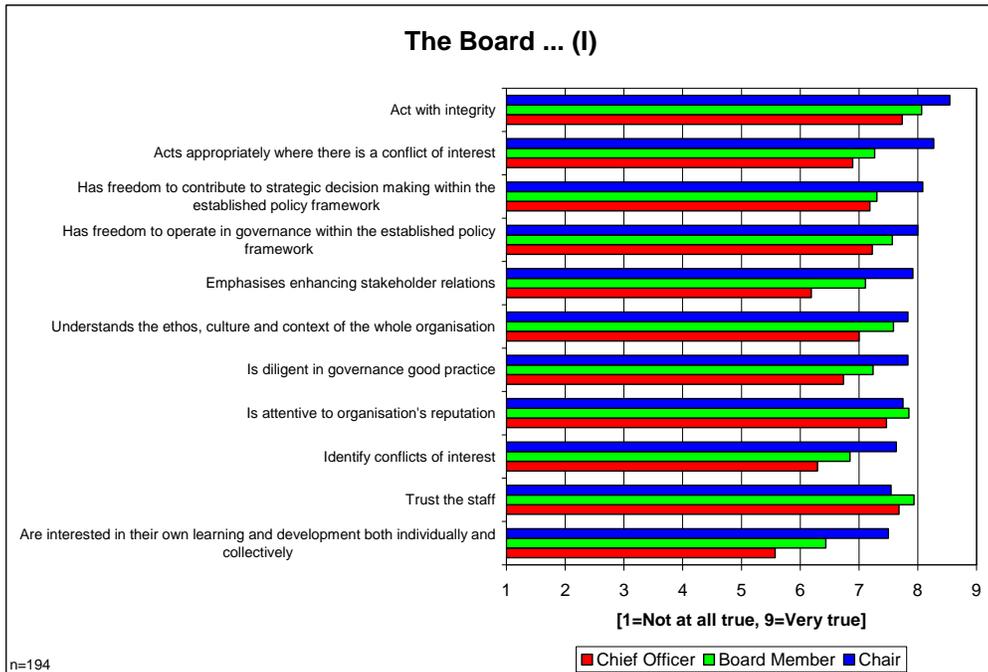
Evaluating performance and peer appraisal, promoting development and dealing with areas of potential contention seem to be key areas where others feel that the Chair could improve their performance.





### 3.3 The Board

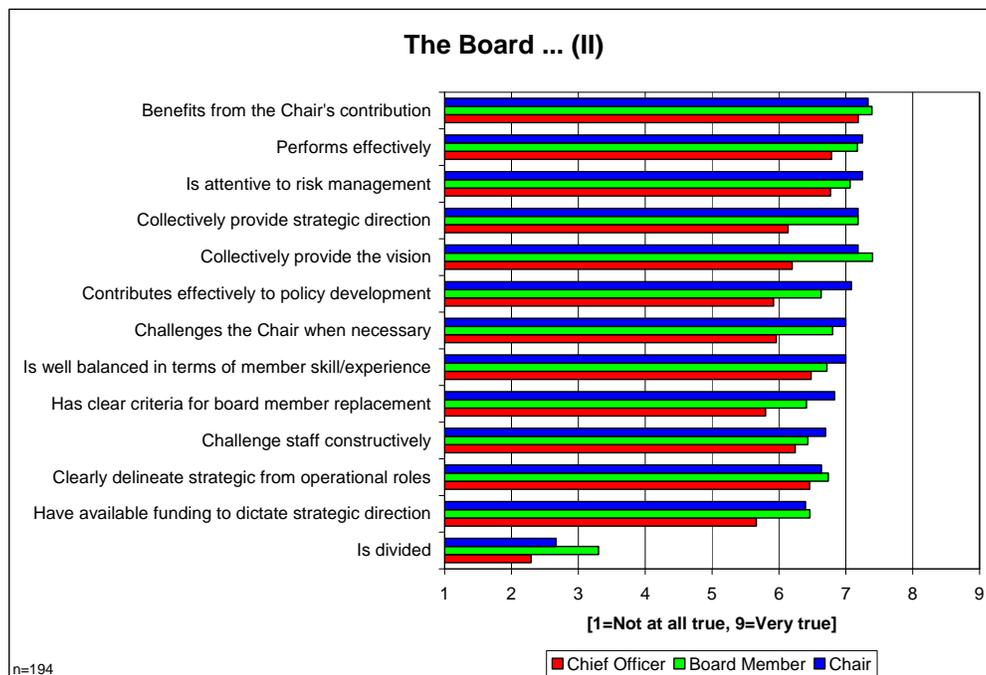
Boards are generally perceived to be performing well, especially by the Chair (see two Figures below).



The greatest variations in view are between the Chair and the Chief Officer, specifically in that the Board:

- Are interested in their own learning and development both individually and collectively (5.57 for Chief Officers vs. 7.50 for Chairmen)
- Emphasises enhancing stakeholder relations (6.19 vs. 7.92)
- Acts appropriately where there is a conflict of interest (6.89 vs. 8.27)
- Identify conflicts of interest (6.29 vs. 7.64)
- Is diligent in governance good practice (6.73 vs. 7.83).

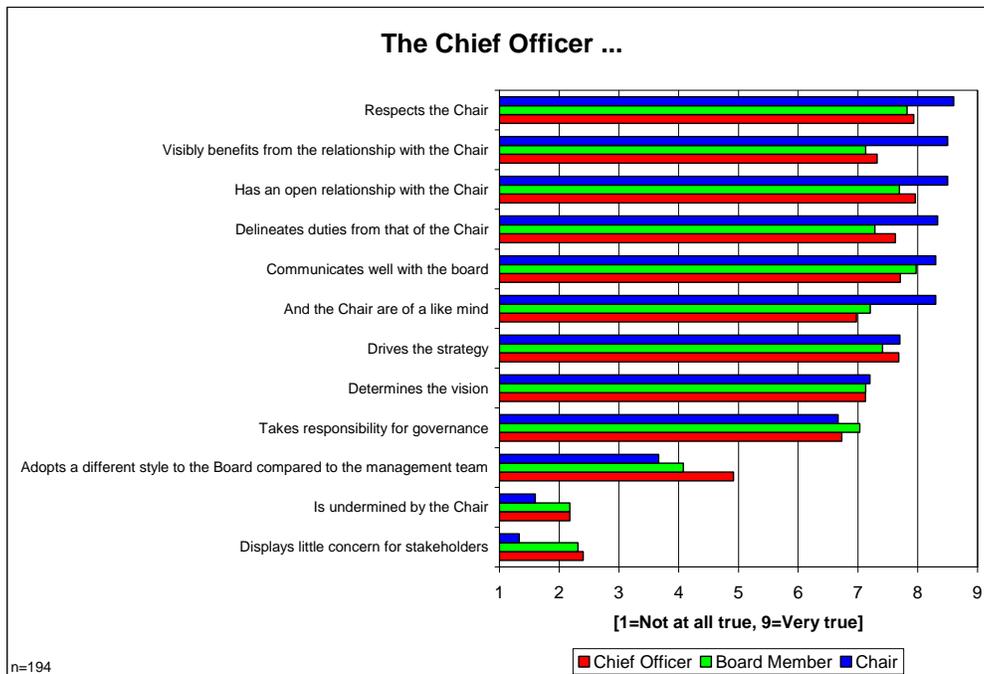
The views of Board members are fairly consistent with the views of the Chair, which could suggest that Chief Officers are out of touch as to what is happening with regard operational issues, or believe that the Board is not performing well on such measures.



### 3.4 The Chief Officer

The performance of the Chief Officer is rated well, particularly by the Chair. The greatest differences of opinion in rank order between Chief Officers and the Chair are with respect to the Chief Officer:

- And the Chair are of a like mind (6.97 for Chief Officers vs. 8.30 for Chairmen)
- Visibly benefits from the relationship with the Chair (7.32 vs. 8.50)
- Delineates duties from that of the Chair (7.63 vs. 8.33)
- Respects the Chair (7.93 vs. 8.60)
- Communicates well with the Board (7.71 vs. 8.30).



An effective relationship with the Chair is important, and although Chief Officers rate the Chair fairly high, the gaps in opinion cause one to question:

- How much time and effort does the Chief Officer and the Chair devote to working with each other?
- How much time and effort does the Chair spend getting to understand the charity in detail?
- How much time does the Chief Officer and the Chair spend in developing an open and honest relationship?
- To what extent has the Chair positioned the Board to support the Chief Officer and to add value to the management team and the organisation?
- To what extent have the Chief Officer and the Chair tried to differentiate and clearly establish the role and purpose of the board and the management team?

### 3.5 Influences on Board performance

What impacts on the performance of a Board? The data was further explored to identify which variables, if any, had a significant influence on Board performance. Using a causal technique (regression) a number of items had a significant positive impact on performance. These are reported in order of priority in the following table, along with how well organisations are scoring on average on these items.

<b>Positive impact on performance</b>	<b>Average</b>
The Chair works well with the board team to realise the goals of the organisation	6.77
The Chair understands the ethos, culture and context of whole organisation	7.70
The Chair is robust - strong in their role	7.24
The Chief Officer and the Chair are of a like mind	7.16
The Chair raises sensitive issues	6.92
The Chair follows through on governance initiatives	6.82
The Chair takes a long term view	7.14
The Chair encourages open debate	7.44
The Chief Officer communicates well with the board	7.84
The Chair promotes a considered approach to risk	6.80
The Chair is effective in addressing skills/experience gaps in board recruitment	6.03

Although scores are on the positive side of the scale, there is still room for improvement in the performance of the Board, particularly with respect to the Chair:

- Being effective in addressing skills / experience gaps in board recruitment
- Working well with the board team to realise the goals of the organisation
- Promoting a considered approach to risk and following through on governance initiatives.

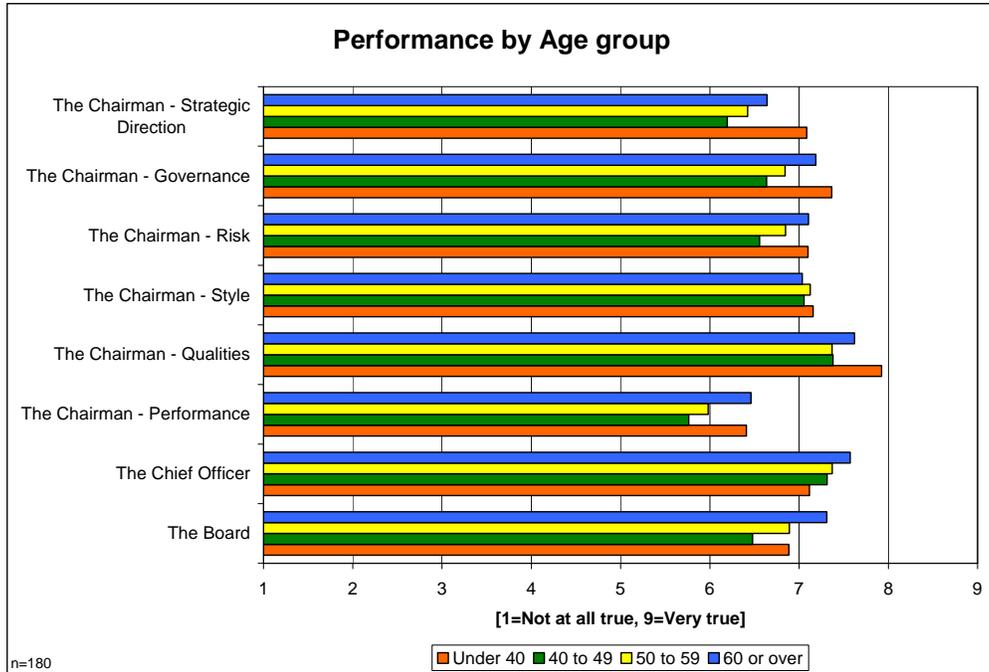
### **3.6 Impact of other variables**

Other aspects measured in the survey, such as demographics, size of the organisation and charity status can also highlight areas where a greater understanding of Boards, the role of the Chair and the Chief Officer can be ascertained. Although these do not have a direct influence on Board performance, they help to identify reasoning of responses and identify areas for potential discussion.

#### *Age*

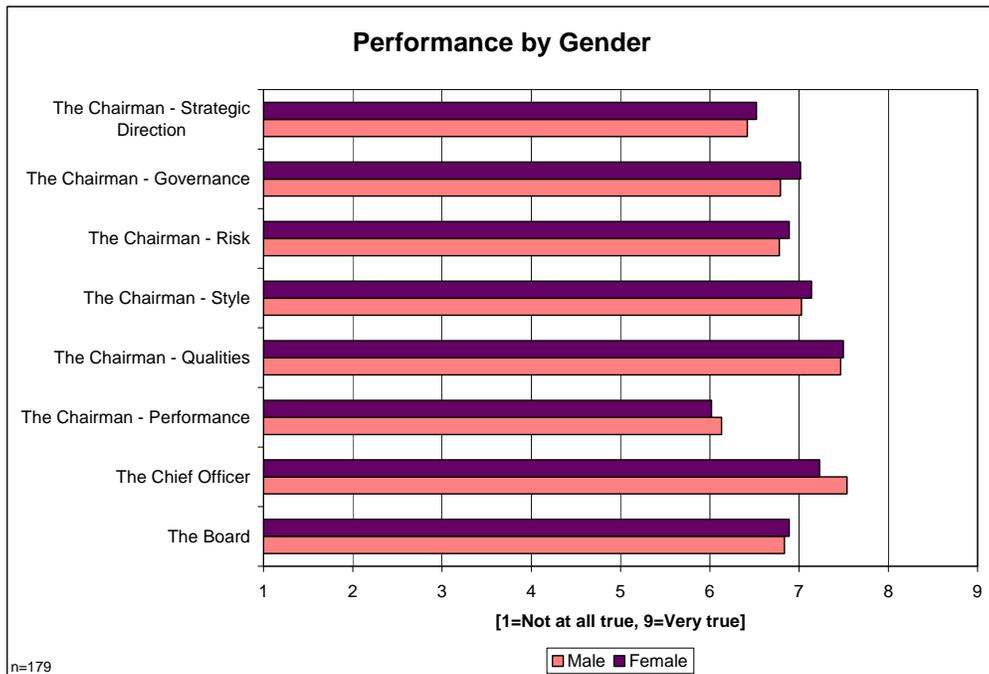
Those in the 40 to 49 age bracket tend to be less positive about the performance of the Chair, Board and the Chief Officer (see Figure below). More specifically, they hold negative views towards the Chair with respect to:

- The Chair encourages peer appraisal of board members (4.23)
- The Chair effectively evaluates the performance of other board members (4.59)
- The Chair encourages feedback on his/her performance (4.87).



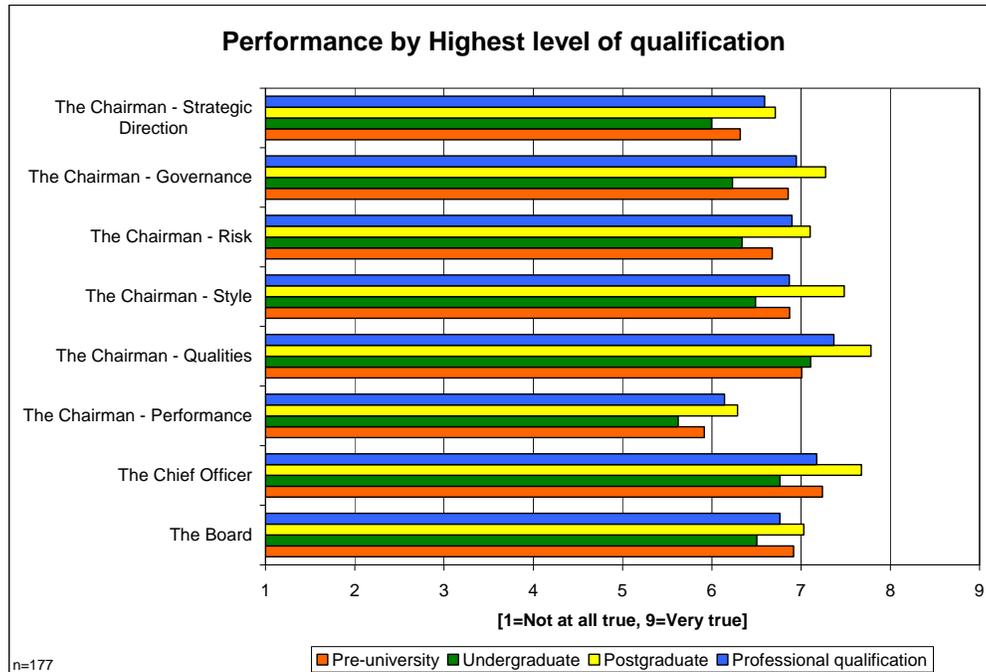
## Gender

Variations between males and females tend to be minimal, but generally speaking women seem to be slightly more positive than their male counterparts (see Figure below).



### *Highest level of qualification*

Those holding postgraduate masters or doctorate qualifications tend to be more positive about the performance of the Chair, Chief Officer and the Board (see Figure below).



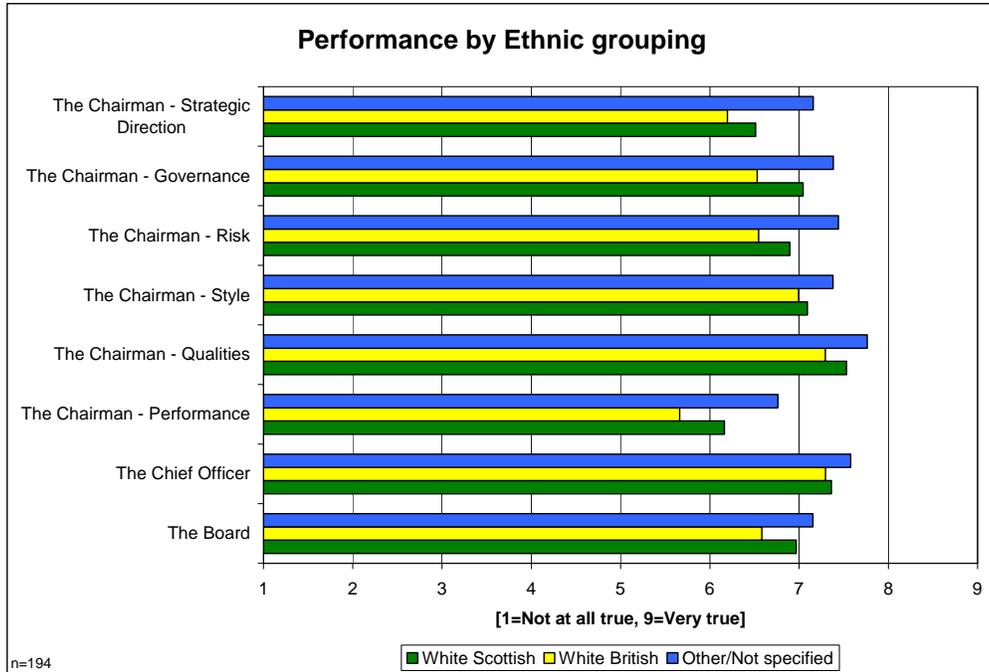
Those with an undergraduate qualification tend to be less positive, especially in their views towards the Chair with respect to:

- The Chair encourages feedback on his/her performance (4.29)
- The Chair encourages peer appraisal of board members (4.50)
- The Chair effectively evaluates the performance of other board members (4.88).

### *Ethnic grouping*

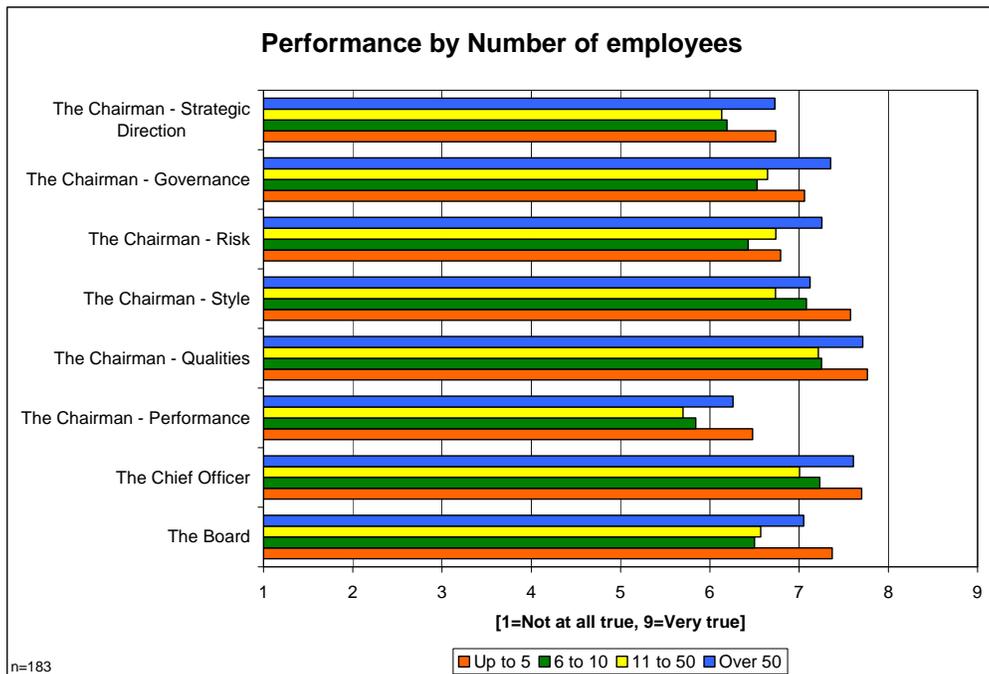
Those who classify themselves as white British tend to be less positive about the performance of the organisation than other groupings (see Figure below), especially in their views towards the Chair with respect to:

- The Chair encourages peer appraisal of board members (4.00)
- The Chair encourages feedback on his/her performance (4.45)
- The Chair effectively evaluates the performance of other board members (4.93).



*Size of organisation – Number of employees*

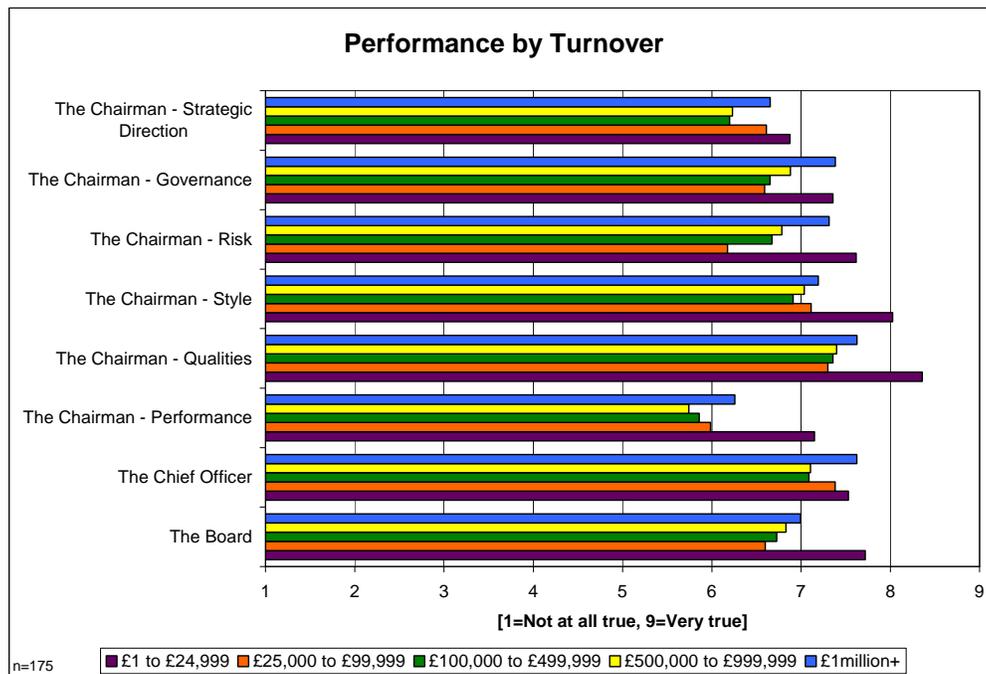
Small or larger organisations in terms of the number of employees have a more positive view of performance compared to medium sized organisations (see Figure below), the latter indicating in a negative way that:



- The Chair encourages peer appraisal of board members (4.17)
- The Chair encourages feedback on his/her performance (4.78)
- The Chair effectively evaluates the performance of other board members (4.78).

*Size of organisation – Turnover*

Small (turnover less than £100,000) or large (turnover £1 million+) organisations in terms of turnover have a more positive view of performance (see Figure below) compared to those with a moderate to large turnover figure (£100,000 to £999,999).



This is particularly the case in their views on:

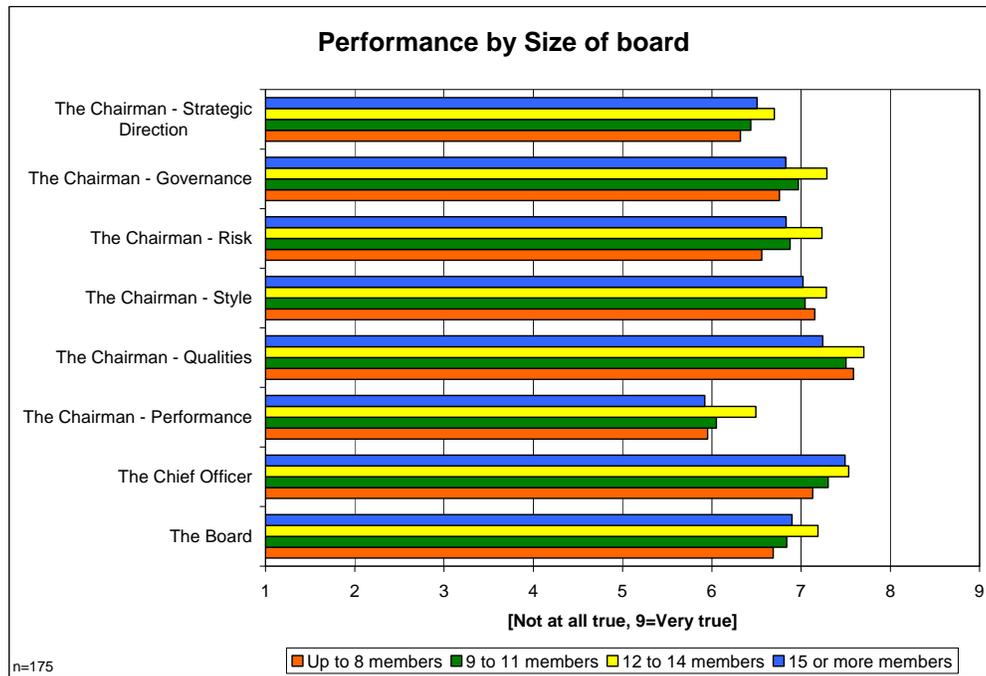
- The Chair encourages peer appraisal of board members (4.44)
- The Chair encourages feedback on his/her performance (4.85).

*Size of organisation – Number of Board members*

In terms of the size of Board, the most positive composition would seem to be for those boards that have between 12 to 14 members. They are particularly positive in their perceptions with respect to the following:

- The Chair displays integrity (8.37)
- The Chair is trustworthy (8.33)
- The Chair understands the ethos, culture and context of whole organisation (8.26)

- The Chief Officer has an open relationship with the Chair (8.20).

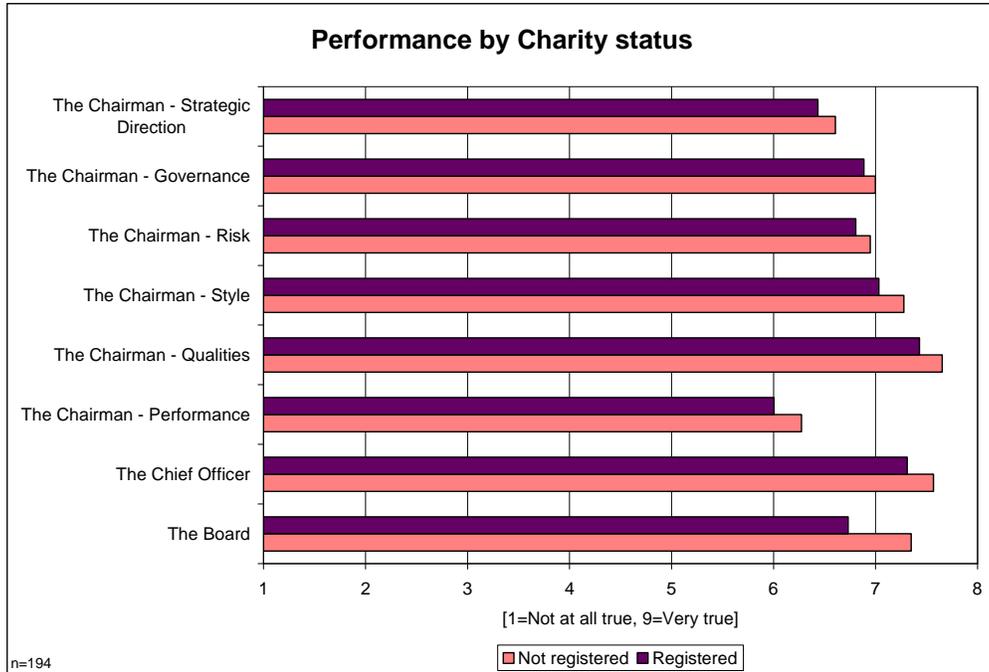


### *Charity status*

Those respondents who indicate that they work for charities that are registered would seem to be less positive in their views compared to those who work for charities that are not registered (although numbers are small), specifically with respect to the performance of the Board. Could it be that those with charity status experience a greater amount of paperwork, red tape or bureaucratic issues? The biggest differences in terms of performance relate to whether the Board:

- Acts appropriately where there is a conflict of interest (7.90 vs. 6.91)
- Is well balanced in terms of member skill/experience (7.32 vs. 6.36)
- Collectively provide the vision (7.35 vs. 6.45)
- Challenge staff constructively (7.03 vs. 6.14)
- Contributes effectively to policy development (6.90 vs. 6.05).

It is possible that organisations involved in the sector, but who are not registered charities (e.g. CICs or social enterprise firms) may have differing responses – an area requiring further research.



*In summary*

In summary, those who tend to be less positive for whatever reason, tend to be aged 40 to 49, have an undergraduate qualification, classify themselves as white British, work for 'medium' sized organisations in terms of number of employees and turnover, and work for organisations that have charity status.

#### **4. Comparisons with other sectors**

The findings of the research are fairly consistent with other sectors in that the Chair's role is vital for the effective functioning of the board. Also displaying integrity and being trustworthy are key qualities that a Chair should and do possess.

As with other surveys, this research has identified areas where there is consensus as well as areas where opinions differ. Consistent with other surveys, Chairs do rate themselves significantly higher on performance characteristics compared to other board members and the Chief Officer.

The gaps between Chief Officers and Chairs are, however, much higher than they are for other surveys undertaken to date, which could be a potential tension point within the Scottish third sector.

Also, the Chair do tend to be aged 60 or over, consistent with other surveys, which could have an impact on succession planning.

Unlike the private sector, the third sector has a higher proportion of females responding to the survey, yet their responses were not significantly different from their male counterparts.

Findings from the UK survey data shows that management do not generally trust the Chair and the purpose of the Non-Executives, and as a consequence, Executive Directors rate the Chair and the Non-Executives poorly. However, in Australia there is a far greater cohesion. Australians directors really understand the company on whose board they sat, and formed positive and robust links with management, so that they could work together effectively and challenge as appropriate. This meant that being a board director is almost seen as a full-time job.

The difference between Board directorships in the UK and Australia is that Australians treat the board as a strategic platform, whereas in the UK it would seem that being on a Board is like being on one more committee meeting.

## **5. Conclusions and implications**

A total of 194 responses provides a significant sample to gain a greater understanding of the role of the board and Chief Officers within third sector organisations in Scotland. By and large organisations are perceived to be performing well by respondents.

The one major influence on responses relates to the role of the individual in the organisation. The Chair is rated particularly well in terms of qualities and style by respondents, but Chief Officers tend to be less positive in their perceptions of the performance of the Chair and the Board in comparison to other respondents. Such tensions, if not addressed could potentially have a detrimental effect on the way the organisation performs.

### **5.1 Success factors at board level**

Arising from the research of surveys undertaken to date in both private and public sectors, the key success criteria for board performance relate to the Chair:

- Working well with other board members to achieve organisational goals and taking a long term view
- Having an understanding of the cultural context of the organisation – what works in one organisation may not work in another
- Following through on governance initiatives and having a considered approach to risk
- Balancing hard and soft skills – on the one hand being robust and strong in the role, and on the other being able to raise sensitive issues and encouraging an open debate.
- Acknowledging skill gaps or experience on the current board and addressing this.

Further success factors relate to the Chief Officer:

- And the Chair being of a like mind
- Being able to communicate effectively and well with the board.

### **5.2 Areas requiring attention**

The results of the survey also identify areas that require attention, and the critical ones relate to:

- The relationship between the Chair and the Chief Officer
- The Chair's role in encouraging peer appraisal of board members and evaluating the performance of other board members
- The Chair encouraging feedback on his/her own performance.

Although other demographic or background variables do not have a significant influence on performance, there are pockets where views were less positive, and could potentially cause problems. These include:

- Those aged between 40 to 49
- Undergraduates
- White British
- Those working for medium-sized organisations (6 to 50 employees; turnover between £100,000 and less than a £1 million).

The key concerns of these groups relate strongly to the key points raised above with respect to the role of the Chair in peer appraisal, board evaluation and feedback.

### **5.3 The future**

With any type of organisation, the results of the Cranfield surveys in both private and public sectors highlight that all are dealing with issues relating to:

- Strategic complexity – identifying the strategy that is right for the organisation as well as ensuring that there is alignment amongst the Board and the Chief Officer.
- Global economy – competing for an ever decreasing amount of limited funds with other organisations in times of economic recession
- Size of organisation – how manageable is a large organisation.

The issue concerning global economy now predominates due to the collapse the financial markets.

All of these factors can have a strain on management, which could ultimately lead to division and distance from reality. Dealing with the success criteria identified above will help these organisations in current times, the key messages being:

- Understand the context
- Develop a clear view of strategy
- Communicate and sell that strategy internally
- Allow for continuous board development.

## **6. Areas requiring further exploration**

The results show that, generally speaking, boards do seem to be performing effectively, but there is always room for improvement.

### **6.1 Areas for debate**

Differences of view exist and it is these areas where further debate is required. Particularly:

- Why do the views of Chair differ significantly from those of Chief Officers and what is the implication of such gaps continuing?
- How open are Chairs to relevant feedback on their performance?
- Do Chairs recognise the importance of developing and appraising others?
- How should Chairs be developed and what are the implications for the Board and the organisation of not doing so?
- Are Chairs and Chief Officers aware of their impact on each other and on the Board members?
- What are the management development requirements for Chief Officers?
- What are the management development requirements for other Board members?
- What are the impacts of the above on Board and organisation performance?

There is continuous room for improvement for board development, and the findings of this research identify potential areas that organisations could focus upon.

### **6.2 Other areas for possible exploration**

The research also highlighted areas that could require further exploration. For example:

- The proportion of third sector organisations whose turnover is less than £25,000 does not match the national norm, and further research could be undertaken with more of these organisations to identify potential issues that need addressing
- The results comparing registered charities versus non-registered organisations are interesting, and it would be worth exploring further the role non-registered organisations play within the third sector and how they specifically differ from registered charities
- The results also identify some variations amongst other key demographic variables such as age, ethnicity and level of qualification, which may require further exploration to alleviate any potential tensions.