

Elected Member Notebook

Effective Board Membership



Contents



1. Effective Board Membership in Context



2. Skills of Effective Board Membership



3. Case Studies



1. Effective Board Membership in Context

You may be wondering why a notebook has been prepared on this topic when your role is that of an elected member.

There are several reasons:

- Elected members already sit on some boards, for example, the boards of charitable trusts delivering leisure and other services that were once delivered directly by the council. Other examples include Integration Joint Boards (IJBs) for Health and Social Care, and Community Planning Partnership (CPP) boards, amongst many others.
- The role of board member often carries formal statutory responsibilities (e.g. that of trustee or director) and sometimes personal financial liability in the case of an organisation failing. Not all elected members on such boards are aware of either their actual responsibilities or their potential liabilities. You should consult your council's senior legal advisor so that you are fully aware of any liabilities.
- There are particular challenges facing elected members who sit on boards in terms of their actual contribution. For example, Audit Scotland found that elected members can sometimes play too passive a role at the board and let the full time directors take the lead without sufficient robust and effective scrutiny of strategy recommendations, policy decisions and performance.
- The feedback loops for elected members on boards to their councils can sometimes be weak or non-existent. For example, sometimes there is no expectation of feedback to the council on decisions taken at the board meeting.
- There are specific tensions, challenges and conflicts elected members may face. For example, your responsibility as a board member will invariably require you to put the interests of that organisation first. But some decisions may be at odds with council policy or impact on the community you represent.

1.1 The Challenge of Effective Board Membership

As an elected member, you may join the board of another organisation



either by direct nomination via your political role or through some form of open or limited competition. The organisation you join could, for instance, be a charity, a limited company, an NDPB (Non-Departmental Public Body) or some form of other body.

Each of those organisations operates in a different type of statutory framework and this invariably impacts on the roles and responsibilities of their respective boards, hence on the roles and statutory responsibilities of the individual board members.

1.2 Governance Responsibilities

Overview

Within any organisation there are two groups of people that usually make up the board:

- **The executive members.** This is the salaried group of the most senior people that run the organisation on a day to day basis. The actual title of this group and the individual posts within it are as variable as the sectors in which they operate. Examples would include the directorate, the principalship and the senior management team (SMT). Sometimes all members of this group are full board members. In other cases it may only be the most senior person.

- **The non-executives** (also known as non-execs) of which you are part. Some of the formal job titles that apply to such positions are board member, management committee member, trustee and non-executive director. Their role is to support and hold the executive members and the organisation to account.

For the purpose of this notebook, we will tend to use the generic title 'board member' to describe your role. But, whatever your formal title, there is invariably an over-arching principle, set in statute, that the board and all its members (executive and non-executive) will operate in the best interests of the organisation.

For instance:

- For an organisation that is a registered Scottish charity (e.g. Edinburgh Leisure), The Office of the Scottish Charity Regulator has, as the first duty of any charity trustee, that he/she should put the interests of that charity before their own interests or those of any other person or organisation.
- For an organisation that operates as a company, the Companies Act (2006), Para 172(1) requires that each director must act in a way that he/she considers, in good faith, would be the most likely



to promote the success of the company for the members* as a whole. (* Members being listed in the company register and often equating to shareholders.)

Within each organisation will be legal documents that set out how it will and must operate. These may be called the Memorandum and Articles of Association, or “Mem and Arts”. These are important documents as they often provide specific information on the detailed responsibilities of the board and its board members.

Two very different sector examples are:

- The board members of a national park authority may have a collective remit to set the vision, objectives and strategic direction for the park; they also have a championing/ ambassadorial role as well overseeing good financial performance.
- The overall purpose of a regional NHS board is to ensure the efficient, effective and accountable governance of the NHS regional system, and to provide strategic leadership and direction for the system as a whole, focusing on agreed outcomes.

What is clear from these two examples

is that roles can be quite different from organisation to organisation in terms of both scope and emphasis and this in turn means:

- **Understanding your role as a board member both in its own right and also compared to the role of the executive management of that organisation.**
- **Understanding whether, in terms of difficult decisions, your statutory obligations on such a board would actually prohibit you from putting the interests of your council before that of the organisation.**

All of this should have been covered in your initial induction as a board member to your organisation. But if it hasn't been, you're unsure or you'd just like to be reminded of your responsibilities and obligations, then you should speak either with the person in the organisation that provides management support to the board (e.g. board secretary or clerk) or the board chair.

1.3 The Role of a Board

Unless the Memorandum and Articles of Association of your board are different, the focus of a board can often be described in three dimensions:



1. Right Strategy

This is the setting and agreement of the longer term direction of the organisation and, unless there is something in any enabling documentation within your organisation that excludes the board from strategy input, it is an area that board members should and must be influential in.

For some organisations, this will be a process that culminates in the production and publication of a detailed strategic plan covering a three to five year period that includes detailed outcomes and accountabilities; for other organisations, it will be a much shorter document that defines more of a direction of travel.

Whatever style it is written in, it should be sufficiently clear to the board

and the executive team what the organisational direction is so resources can be allocated appropriately and progress monitored.

The strategic timescales within organisations can also vary markedly. For instance, organisations involved in direct service delivery may have a quite detailed strategy for the next three years whereas organisations involved in large scale infrastructure development will be looking at much longer time horizons. Others such as Strathclyde Partnership for Transport (SPT) may operate in both timeframes.

Just by virtue of the amount of time and resource available, most of the actual work will normally be done by the executive team but board members should normally expect to be able to contribute to and influence the development of the strategy as well as approve it. The executive team should, in turn, recognise that non-executive board members, both individually and collectively, can often bring different perspectives and insights into strategy development because of their different backgrounds, roles, expertise and insights so appropriate involvement and engagement is to the benefit of everyone.

Right Strategy in Difficult Times

One of the challenges boards face in



developing strategy in difficult financial times, is moving beyond how to cope with reduced funding or income just by efficiency savings and service rationalisation. This may no longer be enough in order to maintain existing outcomes with lower funding streams.

For some organisations, rethinking and reworking strategic priorities will be an absolute essential in terms of getting the best outcomes for the level of future funding available. In these circumstances, the role, active engagement, contribution and backing of the board will be crucial. You should be aware that the status quo is seldom a viable option.

2. Right Resources

For any strategy to be successful, the appropriate resources have to be in place. This is particularly the case where the resource inputs are declining and there is an obvious, natural tendency to try to maintain the outputs. So the board has a balancing act to perform when making decisions in terms of what is and is not achievable within the resources and efficiency savings available. Part of this role will be for the board members to scrutinise how resources are currently used and perhaps ask such basic questions as: ‘should we still be doing this?’; ‘can we do it differently/better using less resource?’; ‘can someone else do it better/less cost?’;

‘is something more important that we need to reduce/stop this activity?’.

To make all this happen, not only is there the routine board duty of agreeing the annual budget but there may be specific decision-making powers vested with the board on, for instance, new capital raising, approving funding/loan arrangements and borrowings, building or land sales/purchase, joint ventures, etc.

Once the resources are agreed and decisions taken, it would be the role of the executive team to ensure the effective and efficient deployment of those resources and the role of the board to monitor it.

The monitoring role of the board in this area is absolutely key as it is invariably the financial performance of an organisation (e.g. cash flow and long term expenditure in excess of long term income etc.) that causes the more serious problems.

3. Good Governance

There is a significant amount of procedural activity that has to be undertaken by each and every board to comply with any corporate governance requirements.

What this comprises varies from sector to sector and organisation to organisation but essentially all are



about the underpinning processes by which organisations are directed and controlled and the associated transparency and accountability.

Corporate governance frameworks tend to operate at different levels:

- **any relevant national legislation (e.g. charity law or Companies Act).**
- **any documentation written specifically for the organisation (e.g. what is contained in the Articles of Association).**
- **any additional guidance relevant to your sector (e.g. “On Board” - Scottish Government’s Guide for Board Members of Public Bodies in Scotland.). This of course includes the Councillors’ Code of Conduct.**

Most organisations of which you will be a board member will have some form of professional input to make sure that the board discharges all of its responsibilities in this area. At a procedural level, these can range from the board approving contracts or capital expenditures above certain values. These are often collectively described as “matters reserved for the board”.

There should also be regular activity within every board in terms of

monitoring the effectiveness of its own performance and this would include the effectiveness of its corporate governance and the effectiveness (by regular appraisals) of the board members (though this does not usually happen to elected members in councils). Much of the lead for these activities should come from the chair and your role as a board member would be as an active participant in these, together with raising areas of either potential concern or possible improvement if you feel they are not otherwise being addressed.

As part of good governance, there are also matters of personal conduct and behaviour. The Councillors’ Code of Conduct and “On Board” (both previously referred to) cover these in detail but you may also find something specific within your own organisation. These documents will also lay out the detail in terms of how you should register interests, declare actual and potential conflicts, etc.



2. The Skills of Effective Board Membership



One of the early challenges any new board member faces, particularly if it is their first non-executive appointment, is becoming effective as quickly as possible.

At one of your first meetings, it would not be surprising if thoughts were going through your mind in terms of asking a question or contributing to a discussion such as “What will others think of my input? Does it show ignorance on my part? Is it an appropriate input as a board member? Has it been covered at the last board meeting? Why am I concerned on this topic when my more experienced non-exec colleagues on the board don’t seem to be? Should I just stay quiet until I have more experience and understanding?” All early thoughts such as these are very natural and, of course, apply to any new non-executive not just those with an elected member background.

To complicate matters, boards tend not to meet that often. So your opportunity to learn by experience is limited perhaps to 4 to 6 meetings a year with each meeting being, say, 2-3 hours in duration. Your share of that total time to make your unique contribution is therefore just a small part.

Much has been researched and written about the skills used by the most effective non-executive board

members. Some of these studies have identified up to seventy skills in use during a board meeting. For the purpose of this notebook, we have modified an approach that was one of the outcomes of the ‘Higgs Review’. In April 2002 the Secretary of State, Patricia Hewitt, and the Chancellor, Gordon Brown, appointed Derek Higgs to lead a short independent review of the role and effectiveness of non-executive board members. The report was published in 2003 and can be accessed at <http://webarchive.nationalarchives.gov.uk/20090609051856/http://www.berr.gov.uk/files/file23012.pdf>.

The report included guidance for non-executive board members and the chair and it also identified six attributes of an effective non-executive board member.

- **upholds the highest ethical standards of integrity and probity.**
- **supports the executive in their leadership of the business while monitoring conduct and the organisational performance.**
- **questions intelligently, debates**



constructively, challenges rigorously and decides dispassionately.

- **listens sensitively to the views of others, inside and outside the board.**
- **gains the trust and respect of other board members.**
- **promotes the highest standards of corporate governance.**

2.1. The Six Attributes of an Effective Non-Executive Board Member

In section 1 of this notebook, it was indicated that in most organisations, everyone on the board has to operate in a way that puts that organisation first.

Although you are a democratically elected representative of the community, your role on a board will invariably be no different from any person who is a member of that board. That is, it will be both non-political and non-party political. As such there is a potentially fine dividing line that you may have to draw between the ambitions, priorities and decisions of your council, the wider community needs and the strategy and decisions of the organisation of which you are

a board member. This is a common, and in many ways natural, tension that elected members face when sitting on a board.

An example of this tension can be seen in the following **hypothetical** example. You are a member of the board of the leisure trust. The trust's management team has submitted a proposal to the board to open a private gym as this will enable the trust to generate income that, in turn, will allow leisure activities in poorer areas to continue. The management team has advised that if the proposal is not approved, some of the services in poorer areas will stop. The dilemma facing you as part of the board making the decision is that you have a formal responsibility to make the decision that is in the best interest of the leisure trust. At the same time, you face the challenge of taking this decision knowing that the proposal does not sit well with the council's cross-party aim of reducing social exclusion as the proposed new gym would only attract higher earning groups and would completely exclude the poorer members of the community.

You therefore need to be clear in your understanding of the formal role and obligations, perhaps set in statute, of the position you are filling in a board



as this will often take precedence over your obligations as an elected member, particularly in terms of difficult decisions to be taken within that organisation. **For instance, as a general guide, you would need always to avoid a situation where you are seen to be putting the interests of your council or political party ahead of those of the organisation on whose board you sit.**

That being said, as an elected member, your political understanding may well be much greater than some of your other colleagues on the board and, if so, may well help them come to even better decisions for that organisation through informed discussion and debate.

1 Upholds the Highest Ethical Standards of Integrity and Probity

Of the six, this is perhaps the most easily transferable attribute from your role as elected member to that of a board member.

In your elected member role, you are already expected to abide by the Councillors' Code of Conduct. This is an extensive document and covers both principles and details of what

abiding by the code means in practice. So with your existing experience and commitment to working to the Councillors' Code, the transition to operating to the highest ethical standards in a different environment is really about your understanding of any differences in scope, emphasis or detail.

In terms of the particular organisation of which you are a board member, it is your responsibility as soon as you are appointed to find out, understand and abide by whatever ethical frameworks are in place. Most will have something in place. This should be covered as part of your induction process when appointed but, if it isn't, you should take the initiative in making sure you understand the requirements.

Two particular paragraphs of the Councillors' Code are worth highlighting as they refer specifically to how the code applies to other appointments elected members may have. They are:

Appointments to Partner Organisations

3.19 You may be appointed or nominated by the council as a member of another body or organisation. If so, you will be bound by the rules of conduct of these organisations and your



responsibility for any actions taken by you as a member of such an organisation will be to the organisation in question. You must also continue to observe the rules of this code in carrying out the duties of that body.

3.20 If you become a director of a company as a nominee of the council you will assume personal responsibilities under the Companies Acts. It is possible that a conflict of interest may arise for you between the company and the council. In such cases it is your responsibility to take advice on your responsibilities to the council and to the company. This will include questions of declarations of interest. The same applies if you assume other responsibilities such as becoming a director of a charitable trust.

It is also worth noting that section 5.18 of the code provides some dispensation when an elected member is appointed by their council to a limited range of organisations. You should seek guidance from the council’s Monitoring Officer on when to declare interests in the council on matters related to your board membership.

For elected members appointed to charities, e.g. a leisure trust, OSC

(The Office of the Scottish Charity Regulator) has identified **four general duties** and **five specific duties** to all charity trustees. Full details can be found at www.oscr.org.uk/CharityTrusteeDuties.stm. But OSCR makes it totally clear on the priority of a trustee’s obligations:

“You must put the needs of your charity before the needs of any other organisation or company that you are involved with.” **OSCR, Charity Trustee Duties – General Duties**

If you’re in any doubt, it is always your responsibility to take advice as necessary from your council or the organisation in order for you to act appropriately.

2 Supports the Executive in their Leadership of the Business while Monitoring Conduct and the Organisational Performance

Supports the Executive in the Leadership of the Business ...

The role of a non-executive board member has often been described as that of the ‘critical friend’. Essentially, this is to reflect the fact that they have as two of their primary accountabilities:



- to help set the strategic, governance (and sometime the values-based) environment that will get the best out of the executive team and, through it, the organisation.
- to hold the executive to account in achieving operational goals through effective monitoring, scrutiny, due diligence, etc.

One of the early aspects of your fulfilling this supporting function is to ensure you understand and respect the role of the chief executive and their management team and how the board fits into this (see section 1).

Essentially they have been appointed to run the organisation and are accountable to the board for that. Your appointment as a non-executive board member is different.

Under normal circumstances, it is inappropriate for a board in general or a non-executive board member in particular to become overly involved in day to day, operational matters. There are, however, exceptions to this and this might include; for instance:

- an audit committee wishing to understand the exact detail of particular transactions, make up of budgets or forecasts, etc. in order for it to fulfil its governance role (e.g. why there appears to be an unexplained overspend on property costs).

- a board taking a very keen interest in an area of the business that is potentially of concern. For instance, a particular high profile project might be in danger of cost or time over-run and more detailed monthly progress reports might be requested.

Understanding the Executive Team's Individual Roles

Soon after you are appointed, spending time with each member of the executive team to find out more about their part of the organisation is an excellent way of understanding the complexities of their role and the challenges they face. It not only helps to develop the necessary interpersonal relationships in a way that can't be done in the environment of a formal board meeting; but it also will help you in terms of understanding the issues that will come to the board, when they can and should be supported and when they might be challenged.

'Pairing' of Executive and Non-Executive Members

Some organisations do this as a matter of routine. So you might find yourself paired with, for instance, the finance director.

There is no single model in terms of how this operates. Sometimes it is a way of keeping board members and the management team more



in touch between board meetings; there are other instances where the relationship is more of a sounding board, sponsor or mentor. If such a pairing arrangement does operate in your organisation, you should be clear what the expectation is in terms of your role. If it doesn't exist and it is potentially appropriate for your organisation, it might be something you want to consider suggesting.

When the Going gets Tough

There will be occasions when the board as a whole decides it cannot support the executive. At one end of the scale, there are the relatively minor matters (e.g. where a particular budget or expenditure is not approved). At the other end of the scale, and happily much more rarely, there are very serious issues that a board might have to face such as the future financial viability of the whole organisation.

It would normally be the case that the chair will ensure such sensitive and important issues are brought to the board at the appropriate time. However, it is perhaps worth pointing out the principle that board members are invariably, both individually and collectively as a board, responsible for the board's decisions... and, perhaps, lack of them.

If you are concerned in any way that there are important issues that are not coming to the board, it may well be the case that there is guidance in your organisation in terms of how this should be handled. In the absence of this internal guidance, you should first raise your concerns with the chair and, if you are still concerned, raise it with your fellow non-executive board members in order to agree an appropriate way forward.

... while Monitoring Conduct and Organisational Performance

One of the issues that all non-executive board members face at board meetings in carrying out this function is that all the information that comes to the board is essentially prepared by the executive team. It is their interpretation of what they feel the board ought or needs to know. So for instance:

- any operations report may well have a standard layout but the detail of what is included and, by default, what is not included may well be decided by the chief executive.
- regular budgets and financial statements will have standard formats but there is often legitimate flexibility in accounting practices and standards in terms of actual



reporting; there is also significant flexibility in the management commentaries that are attached to the board papers.

The skills to do this are predominantly covered in the next section but some additional pointers are:

- good preparation before board meetings in terms of reading the papers and perhaps doing some background research where you have uncertainty will always pay dividends.
- having a good memory or referring back to previous Operations Reports is often an excellent way of putting a current Operations Report into better context.
- ensuring you are appropriately tapped into other sources of information (see the later attribute ‘listens sensitively to the views of others inside and outside the board’) will also help you improve the sense of balance between what you are hearing from the executive team and what you are picking up from elsewhere.

3 Questions Intelligently, Debates Constructively, Challenges Rigorously and Decides Dispassionately

This attribute is perhaps the most important in terms of the effectiveness of the non-executive board member at an actual board meeting. It is how they use their time to contribute and influence. Often it is how they are judged by others at these meetings in terms of effectiveness.

Questions Intelligently

As essential preparation for a board meeting, you will receive any papers in advance. Reading them will invariably raise a series of questions in your own mind.

Particularly in your first year or so, many of these might be clarification of understanding, fact or process. It is strongly recommended that these questions are raised in advance of the board meeting, usually with the person who is presenting the paper.

Doing this has a series of benefits both to you and the board:

- you will be better informed at the actual board meeting. Not only will this improve your understanding, it will improve your confidence as well as contribution.



- many of your initial questions will have been answered before the board meeting thus allowing you to concentrate on any that remain.
- it won't divert board time away from an invariably full agenda in order to answer questions that might just apply to you.

The actual wording and tone of a question can also be critical in terms of the emotional and factual response it receives. Consider the situation where, in a board paper, some figures don't seem to make sense and consider two different wordings for the question that might be asked:

1. These figures just don't add up, can you explain?
2. I'm not sure I understand the calculation; can you talk me through it?

The first question is likely to put the respondent in a defensive mode and the response might reflect this. The second question, being less confrontational, will allow the respondent to identify their own error (if there is one) but also allows the respondent to explain the calculation to you if there is no error.

Hopefully, this type of question would have been asked in advance of the

board meeting but wherever it is asked:

- Both have the same factual outcome – the figures are checked.
- The second rules out the potential for emotion and embarrassment for one or both parties.

So, in phrasing any questions:

- Be as clear as possible in your own mind exactly what you want to find out or are concerned about. It might be something very specific or just a nagging concern. The clearer you are, the more focused the question can be.
- Is it something that can and should be raised initially outside a board meeting?
- What is the best wording that you might use to maximise the relevance of the factual response you receive and minimise any negative emotional impact?

The [*elected members 'Scrutiny' notebook*](#) contains further information about questioning techniques.

Debates Constructively

The style of your board meeting and that of the chair can have an



enormous impact in terms of the opportunity for, and character of, debate. Some board meetings are highly structured and procedural with restricted opportunity for discussion, others are the opposite. Some chairs prefer to control debate with everything coming ‘through the chair’; others may allow totally open debate with lighter control and summing up.

However within this spectrum:

- many of the procedural items that have to come to all boards require no discussion and debate – just decisions.
- whilst reviewing organisational performance is an essential requirement of any board, there is only a limited amount of added value in debating the past. The important thing for a board to discuss is the future, in particular how to replicate any successes and, if there are any problems, how these can (a) be resolved (b) be prevented from happening again.
- most boards will have a remit to contribute to and approve strategy. This is the biggest opportunity for board members individually and the board as a whole to make a unique contribution to the future success of the organisation through constructive debate –

rather than just ‘nodding through’ an incremental update of a previous strategic plan prepared by the executive team.

In terms of debating constructively at a board meeting, there are two particular styles of statement that can be highly effective in terms of getting your views across:

- **Building on the positive** e.g. “I really like your idea but perhaps, if we did xyz, it could be even better.”
- **Subtle handling of the negative** e.g. “I can certainly see where you’re coming from but can I suggest an alternative that might have less disadvantage...”

In particular, if you build on what somebody else has said, it may provide better momentum than if each person makes their individual points where there is little connection or flow between contributions.

Challenges Rigorously

It’s been said that the most effective non-executive board members ask the questions that the executive team hoped might not be asked and extract the answer that the executive ideally might not have wanted to give.

An actual example might help:



Non exec

“I’m pleasantly surprised that the forecasts are much better than predicted at the last meeting. I’d be interested to know more.”

Finance board member

“Well, we’re obviously further into our budget year so we can now project the year end more accurately; also we’ve changed the reporting slightly.”

Non exec

“and if you apportioned the improvement between better business results and changing the method of reporting what would that look like”.

FD (pause)

“... It would all be down to changing the method of reporting.”

Non exec

“... so no underlying improvement to business.”

FD

“That’s correct.”

The general lesson learned from this is that first responses don’t always fully satisfy questioners’ concerns, more specific follow-up questions may be needed.

It is also not only the executive that you should challenge; perhaps one of your non-executive colleagues is proposing something that you do not agree with? In such circumstances, you should be equally as robust at challenging your non-executive colleagues as you are challenging the executive team.

Another area of challenging rigorously that you may need to use is where something on the board agenda is

being handled or taken for granted to the extent that you feel there are issues or questions still to be discussed. Obviously, if you have the opportunity beforehand, you would raise this with the chair. However, sometimes this isn’t possible and has to be done at the meeting, in which case you should ask for the opportunity to raise your questions before the agenda moves on.

Decides Dispassionately

Going back to section 1, it was made clear that the duties of a charity trustee or director were such that they had always to put the interests of that organisation or its members before



their own interests or those of any other person or organisation.

This requirement is never more clearly focussed than when it comes to difficult board decision making. In a service delivery organisation it may be that the board has to decide what services to stop, what communities or groups to support less, what facilities to close; in a larger, project-based organisation it may be the choice between project A stopping and a smaller, different project B starting. In any organisation there are potentially difficult decisions the board might need to take in terms of organisation restructuring and redundancy. The board also has to consider the potential for public/media reaction.

You now have to take all these decisions as a non-executive director or trustee and not, as you would in your elected member role.

At this time any personal opinions, views, thoughts, preferred outcomes, emotional ties, external lobbying, etc. must now be set aside and you must make your decision based purely on the best interests of the organisation.

Conflicts of Interest

There may well be specific guidance for your board in terms of how conflicts of interest must be

handled. Certainly it is covered in the Councillors' Code of Conduct.

In the absence of any specific guidance in your organisation, then any conflict of interest (perceived, potential or real) should be discussed in advance of the board meeting, probably with the secretary to the board or the chair; you should also discuss it with them if you are in any doubt. A decision can then be taken in terms of what to record, what to make known to the board and how you should contribute to any discussion/ decision, if at all.

Declaration and appropriate handling of any conflicts is not only an important area for you to get right in terms of good corporate governance, it is also an area that the press seems routinely to take an interest in. So, the more open and transparent are the declarations, with an appropriate audit trail of those declarations, decisions and actions, then the more it will help the press differentiate fact from rumour or gossip.

4 Listens Sensitively to the Views of Others, Inside and Outside the Board

Part of this attribute is about general listening skills and the remainder is



ensuring that you don't become totally reliant on the information presented to you and discussed at the board meetings.

As busy people, it can sometimes be quite alluring to receive and read the board papers, attend and contribute to the board meeting, receive the draft minutes and then wait for the next set of papers to arrive. It certainly takes the least amount of time.

However, the danger of this approach for non-executives is that the board environment becomes 'the organisation'; the non-executive board members' perception of the organisation may then start to drift from that of other stakeholders.

To avoid the danger of a board operating (or being seen to operate) in isolation, many organisations ensure the board and individual members regularly meet staff and customer groups, tour premises, spend individual time with executive board members, etc.

It is time well spent not only for you to build up a wider understanding of the organisation and how it operates but, as importantly, to hear their perceptions of what is good and what is bad, what works well and what doesn't. In turn, they will feel that someone important is 'listening to

them' –and that in itself is an effective first step in improving stakeholder understanding and engagement.

5 Gains the Trust and Respect of other Board Members

Without getting into semantic or philosophical debates on the meaning of trust and respect, most will agree that these are two attributes that an individual cannot bestow on him or herself. They are feelings in others, built up over time by previous actions, reputation or position, whereby they are now confident in terms of how a person has acted and, as importantly, will continue to act. As a result you become trusted and respected. You will do likewise with your other board members building up levels of trust and respect on an individual basis that you feel are appropriate to the person.

Both attributes are hard to earn but one inappropriate action can mean they are lost – perhaps for the lifetime of your appointment. So consistency of thought and action to the highest standards is absolutely essential.

The importance of all the other previous skills together with your own personal integrity, values and effectiveness should not be underestimated in terms of you developing



a platform for that trust and respect to be developed.

In terms of establishing these attributes in a board setting, the following might help:

- Respect is not only about the person, it is also the role that person performs, their view particularly if it is different from yours, etc.
- How you contribute and act at board meetings is likely to be the major determinant in terms of how others will decide to trust and respect you.

What is clear from other board settings is that if your personal style and contribution is seen as low then respect is unlikely to follow. For example, regular occurrences of the following are unlikely to result in respect being given:

- Not contributing at board meetings.
- Obviously not having prepared adequately.
- Taking up too much time on issues that either are important to you but not the board or should have been handled beforehand.
- Attacking the person rather than addressing the issue.

- Not listening to others' views or continually interrupting inappropriately.

This is not an exhaustive list but your observation of others, picking the best in terms of how others are contributing and avoiding what you find irritating in others will be a good starting point for developing your own style.

6 Promotes the Highest Standards of Corporate Governance

Invariably the drive for this will come through the chair but the board as a whole and board members as individuals also have clear responsibilities in this area. There are three specific dimensions for you to consider in terms of developing your own personal effectiveness in this area.

What Corporate Governance "is"

If this is your first board member appointment then you may be unsure of what corporate governance in general comprises, how it actually applies in your organisation and whether or not that is to the highest standards.



In general corporate governance is about:

- Board leadership
- Board effectiveness
- The composition and role of the board, its board members and its appointment processes
- Financial and business reporting, risk and internal control systems
- Board members remuneration issues
- Shareholder/stakeholder Relationships

For your particular organisation, the annual report is likely to contain narrative sections where there is a statutory or good practice requirement to report on specific corporate governance matters (e.g. directors' remuneration).

Box Ticking and Bureaucracy v Appropriateness and Effectiveness

It would be quite possible for a board to fall into a trap along the lines of “*Yes, the board approved the latest version of the risk register at its last meeting.*” “*Yes, we have a highly comprehensive procedure for new appointments to the board.*” “*Yes, we*

reviewed our performance less than a year ago.”

The bottom line of this approach would inevitably lead to a final answer “*Yes, we comply with all aspects of good corporate governance.*”

Yet these three same areas could raise three questions:

- The board took just five minutes to approve the risk register. The number of identified risks has also increased six-fold over five years. Does the board have a real grip on the key strategic risks or has the item just become a matter of routine that is ‘noddled through’?
- Nobody would doubt that the board appointment process is transparent but, with only two applicants for the last vacancy, is it effective?
- Although the board did have an away-day last year, how should we handle many of the issues on board effectiveness that still seem to be hampering us?

Your Role

As an individual, your role is to help promote the highest standards of corporate governance within the board. Part of achieving this will



come from your understanding of the current governance arrangements within the organisation. The balance will come from using all the other skills covered earlier to help the board improve its governance effectiveness.

2.2. In Conclusion

We would leave you with some thoughts in relation to maximising your effectiveness of these skills:

1. Appropriate **knowledge** is essential. This might be knowledge of the organisation, the actual remit and legal obligations of the board and the non-executives, knowledge of the wider sector, knowledge of appropriate internal business processes (e.g. finance and risk management and conflicts of interest handling). Most of these should be covered in your induction but, if you feel you have any gaps, it is your responsibility to raise them with the organisation in order for the necessary training or experience to be arranged.
2. The best non-executive board members tend to have three common attributes not covered elsewhere:
 - They can be **balanced**. They can keep out of detail but can and do get into it when required, they can be both innovative and identify risk, they can be entrepreneurial as well as prudent.
 - They can be **tolerant** of operational errors/problems/ lack of success but only when appropriate
 - Their **attendance record** is usually of a very high order. (If you think about it for a moment, missing two consecutive board meeting probably means that the best part of six months may have past and a lot can happen, and be missed, during that time).



3. Case Studies

The purpose of the following case studies are to give you the opportunity to apply what you have learned from this notebook in practice. If you currently sit on a board, you may be familiar with some of the issues that are raised in the case study.

Once you have worked your way through the case studies, you may wish to consider discussing your findings and recommendations with other elected members that have also undertaken the case study, to compare your approaches.



Case Study 1 – Reviewing the Effectiveness of the Organisation

Step 1

The chief executive of the organisation on which you sit as a board member employed a consultant to undertake a review of the effectiveness of the organisation. At the last board meeting, the consultant presented the findings of his report.

On the positive side it was found that:

- There was a good working relationship between the board and the organisation.
- The board is strongly committed to being supportive of the chief executive.
- There is a strong record of the organisation working effectively with partners.
- The organisation has developed a clear strategic direction informed by consultation with key stakeholders and has clear tactical leadership.
- Financial management and control is strong and there is a good record of exceeding efficiency savings.
- Board members are kept well informed of finance matters and are active in monitoring financial and staffing issues.
- There was good progress on some aspects of Best Value, all dimensions of which have plans in place.



On the negative side it was found that:

- The approach to performance management in the organisation is not based on a range of performance information, trends and comparisons so performance reports to the board are poor. They are not comprehensive and are not balanced.
- The links between the board members and the organisations they represent are ambiguous.
- Board members have little understanding and engagement about best value and partnership planning.
- The board's scrutiny and challenge of the organisation's performance is weak and not transparent.
- The board is not involved in determining vision, improvement priorities and driving best value through strong and open challenge and scrutiny although it endorses it.
- There is inconsistent understanding among board members of their responsibilities as set out in the formal statutory documents for the board.
- The organisation provides limited opportunities for the board to fulfil its role including active decision taking.
- The board does not effectively hold the chief executive to account.
- The board receives inconsistent updates from the organisation on best value ranging from comprehensive through to little.

In light of what you learned from reading this notebook, what do you think are the underlying issues and impact that face both the board collectively and you as an individual board member?



Do you recognise any of the negatives in any organisation that you sit on as a board member? If so, how has the board collectively or you as an individual board member dealt with them?

Step 2

The board has decided to act on all the issues raised in the consultant's report even though there is very strong concern from the chief executive and her management team that this would make the board far too hands on.

A sub-group of the non-executive board members has been convened to make specific recommendations to the board on how it should act on the issues raised.

You are part of this group. What are your recommendations?



Step 3

As a result of having now completed this case study, what are the three most important points you can take away and apply in your capacity as a non-executive board member?

1.

2.

3.



Case Study 2 – Elected Members on the NHS Board: A Happy Ending!

The situation

The elected member was appointed to the NHS board from his position as leader of one of the local councils. The council has an ambivalent relationship with the NHS with some members across all the political parties regarding the NHS as unaccountable, with decision-making being too focussed on one of the big cities it covers.

The abolition of the trust and its merger into one decision-making body increased these feelings of loss of local control. The elected member assured all the members of his council that he would make the NHS board more accountable and in turn get to broaden its focus.

The local council area already had an effective community planning approach and there were good relationships between NHS and council staff at a local managerial level. The elected member believed both organisations could work together more effectively to tackle health inequalities at both an operational and strategic level.

Being an experienced elected member, the member avoided the temptation to see his role solely “as holding the board to account” and attacking it for not being elected. Instead, he saw his purpose to increase the influence of the council on shaping NHS board decisions.

What was the elected member’s strategy?

He knew what he wanted to do on the board – he had a vision and purpose to make things happen, not just to stop things happening.

Firstly, he looked at where power actually lay and who influenced decisions. He made key links with the NHS CEO and the council CEO. He positioned himself and councils as key actors in tackling health inequalities and health improvement, which was a core board objective.



Secondly, he established himself as a key player on the board. He was not seen as the council's man on the board, but fashioned himself into a key strategic player. He quickly identified that non-executives were frustrated about the progress of the board on a number of matters.

Thirdly, he used the difficulties of the board on a crucial issue - delayed discharge - to show how better partnership working between the two organisations could address key strategic challenges. By leading and brokering this work, it helped to break down barriers and change cultures, and won influence with non-executives who thought he was just there to fight the council corner.

Analysis of the situation

- The elected member brought key decision making on NHS resources into the hands of elected members.
- The elected member created an environment for integrated working that resolved a crucial problem such as bed blocking that affected the council and the NHS.
- The elected member changed attitudes in the NHS board about the role and value of elected members on NHS boards.

What do you think were the key elements in the elected member's success?

What would you have done differently to build on the elected member's success?



Case Study 3 – Elected Members on the NHS Board: A Cautionary Tale!

The situation

The elected member has been in post for a long time, mainly in opposition. When her group became the ruling administration, she was appointed to the NHS board.

Once appointed to the NHS board as the sole political representative, the elected member saw her role as being to hold the board to account. She regarded it as an undemocratic body that was not effectively consulting with the community especially in the areas of service redesign and hospital closures.

At her first board meeting she challenged the recent consultation on hospital closures demanding a full discussion on the background and rationale for the decision to close a number of hospitals. Initially this was cautiously agreed by the majority of the board with all the non-executives backing the call.

A subsequent meeting withdrew the service redesign proposal despite the clinical and executive advice to the contrary. This was seen as a victory for the elected member. She regarded it as holding the board to account.

The elected member's strategy

As a result of the decision, the CEO brought a revised paper to the board outlining what actions needed to be taken to tackle the challenges of outdated buildings. Very quickly, the elected member saw this as in effect trying to bring in the closures through another route. Debate got increasingly acrimonious between her, the chair and the CEO.

Further board meetings saw a pattern on minutes being challenged on points of accuracy; prepared statements in the form of questions became routine behaviour at the board meeting. While the elected member practised the skills honed in opposition on the council, she began to shed the support that she had gained from non-executives on the anti-closure campaign.



Planned leaks to the press in advance of meetings alienated potential support within the board.

Non-executives began to feel intimidated and ceased contributing to discussion and rapidly distanced themselves from her. This behaviour started to put strain between the CEOs of the NHS and council. Within the executive directors and some of the non-executives she was written off as a “one trick pony” – reducing every discussion to the hospital issue.

Executive directors became very defensive and responded very carefully to questions, seeing her as a threat and not a “team player”. Her reluctance to accept the principles of corporate decision-making increased her isolation. As a result she lost focus, and became a lone voice, with no influence and seen merely as nuisance value.

One year later, council control changed and she lost her position on the NHS board.

Analysis of the situation

- The elected member started from a position of strength – being seen as putting a stop to unpopular proposals.
- However, the elected member did not understand how to work the NHS stakeholder culture.
- The elected member viewed the executive directors as officers, rather than board colleagues. As a result she cut herself off from potential clinical and medical allies.
- The elected member failed to build bridges with other non-executives to broaden out the debate from just hospital closures to a wider vision of health strategy.
- The elected member focused purely on her scrutiny role at the expense of her strategic leadership role.
- The elected member allowed her behaviour to marginalise her role.



What could the elected member have done differently?

Blank space for writing the answer to the question: "What could the elected member have done differently?"

Can you identify three key actions that could have brought about a different result?

Blank space for writing the answer to the question: "Can you identify three key actions that could have brought about a different result?"

Have you been in a similar situation? If so, what did you do?

Blank space for writing the answer to the question: "Have you been in a similar situation? If so, what did you do?"

Has one of your colleagues been in a similar situation? If so, what advice did you give them?

Blank space for writing the answer to the question: "Has one of your colleagues been in a similar situation? If so, what advice did you give them?"

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