

Is your board fit for purpose?

Five questions board directors should ask!

By Andrew Wade, Chartered Director (IoD), Corporate Governance Advisor and plural Non-Executive Director

Introduction

Board members, of course, carry ultimate responsibility for their organisations. The recent demise of “Kids Company”, as recently reported in the newspapers, should serve to remind board directors and charity trustees, in this case, that these circumstances could happen to them too. So, what questions should you ask?

Question 1 – Do your board members fully understand the business?

First of all, do you think the board member induction process is adequate? Standards vary widely. I have known them to be everything from comprehensive to virtually non-existent, irrespective of the size of the organisation. This is critical. People are much less likely to hold the executive to account if they don't feel confident in their knowledge of the business.

Question 2 – Do you have the right mix of skills that the organisation needs?

Maybe when you first joined the board, yes – but has the mix of activities changed and do you need new skill sets? And in any event, board members come and go over time, and vital skills may have been lost. Regular skills audits are vital.

Question 3 – Have board members been in place too long?

Good governance should include maximum terms of office, but that is not always the case. Or (and I find this particularly with charities) people like being on the board and find inventive ways of staying.

Examples include a chair person who stands down but then suggests the board needs a new role – which, naturally, they are the best person to fulfil! All the while, there is a risk of undermining their successor's position.

Question 4 – Is your board a ‘revolving door’?

This is almost the opposite of Question 3. It takes time to get up to speed on any board. The term of office is so short that you come off just as you’re hitting your stride. In my view, this can be a way to give the chair person or executive directors an easier ride than should be the case. This can, for example, be an issue with charity boards that meet infrequently.

Question 5 - Is the board inundated with unnecessary documentation?

Board papers should be succinct and supplied in a timely fashion. If a vast package of papers arrives, possibly too close to a meeting date, it becomes difficult to provide effective scrutiny and challenge. Ask the question, do we need all of this detail? The board is there to take an overview and to hold the executive to account, not second-guess or rubber stamp the day-to-day activities.

Finally...

In my experience, governance issues come in a variety of forms, not all of them immediately obvious. However, a board must constantly address them and ensure that they are at their optimum best at all times. If not, their organisation could be the next public demise!

Andrew Wade is: a trustee at The Body Shop Foundation, as well as a member of their audit committee; a board member of Islington & Shoreditch Housing Association; and a board member of other organisations and private companies.

To contact Andrew Wade, his details are:

andrew.wade@cantab.net