



## ➔ FACTSHEET 5

# Structure and governance



**G**overnance is the process of providing leadership and setting strategy for the non-profit organization. It entails setting direction, managing financial and human resources, making policy and strategy decisions, overseeing and monitoring organizational performance and ensuring overall accountability. Good governance is characterized by a number of factors such as transparency, accountability, group participation and responsiveness and ensuring the ongoing sustainability and flourishing of your group.

At the outset, it should be noted that non-profit organizations are subject to the laws of the country in which the organization is incorporated, so you must become familiar with your own nation's legal framework as you begin to develop the structure and governance of your group. As non-profit law differs from country to country, this document is only an informal guide to help those who may want to start a new organization.

In terms of organizational and legal form, your advocacy and support group can develop in a number of ways. The most frequent forms are either an association (a member-based organization) or a foundation (founder/funder-based organization), though in some countries there are additional options with which you should become familiar. The best form for you depends on your mission and objectives. For example, if your main objective is to represent and advocate for your community, a member-based association might be best. However, if your main objective is having a small and stable team collecting funds to implement projects, the foundation might be a better model. Some countries legal system will allow these roles to be combined, for example many charities in the UK are both membership organizations and collect funds.

Effective governance is as integral to the success of the organization as strategic leadership and involve choosing appropriate courses of action, making choices about why the organization exists, what it wants to accomplish, the best ways to achieve results, the resources needed and how these will be secured and how the organization will make a difference.

The following general principles of good governance apply in different nations, subject to national legislation which defines your organizational, taxation and financial status





## Clear accountability

Your group may well benefit from financial support from various external entities in addition to membership dues, such as grants or indirectly through tax relief, and therefore must be accountable to all interested parties. From its outset, transparency to stakeholders in all areas including accounting, recruitment and decision-making is a key foundation to ensure long-term development of any organization.

## Internal checks and balances

The way your group is led and makes decisions is a basic form of accountability. Ensuring that there are adequate checks and balances means that power is not held in the hands of one individual or small group, with increased risks of mismanagement or abuse. Sharing decision-making authority is a vital safeguard for any organization. Good governance is closely linked to accountability and will ensure the health of your group and maintain the focus on your core mission.

## Formal structures

Your group's structure will depend on your national legal framework, and should be formalized within your initial documents of incorporation that are drawn up when your group first comes into being. These legal documents will provide a framework for accountability and good governance and regularize the structure and activity of the organization, and stipulate how people are nominated and elected to their positions.

The documents should set out a number of key structures within your group including the basic responsibilities and powers of your key decision-making bodies, frequency of meetings, membership rules, terms of office, separation of executive and advisory functions, and provisions for conflict of interest. Most non-profit organisations have a President, Secretary and Treasurer.

In a membership organization, members must be free to join the organization and to resign if they wish. In some countries, non-profits are ultimately governed by the members who come together regularly in the General Assembly and have ultimate responsibility for the organization, approving the accounts, electing officers and adopting budgets.

There should always be one governing body that has constant and consistent oversight of your group. This is known by a number of names such as the board (executive board or board of directors/governors), trustees, general assembly or the management committee. In some types of organization this board may well be directly accountable to the general membership, who will meet to make decisions during annual general meetings. Your initial legal documents should spell out in detail the relationship between the decision-making bodies within your group.



The board has ultimate accountability for all acts undertaken in the name of the organization and should complement and support the Secretary, or Chief Executive, and committees to ensure the group stays focused on the mission described in Factsheet 3. Your initial documents should outline the various roles and responsibilities of individual members of the board to ensure a benchmark is in place to maintain consistency and help clear understanding. There should also be clear direction on how and when the chair of the board is appointed, their duties and the extent of their powers. The same is true for committees or task forces which are appointed for a determined period of time to deliver specific expertise relevant to the mission. The work of the organization can be carried out entirely by volunteers, or may include professional staff who are remunerated.

Collective leadership, although sometimes a challenge, should provide unity, a sharing of responsibilities and ensure long-term sustainability of the group. Again, your documents of incorporation should detail how the leadership works together, what is a quorum for decision making, and how decisions are made, recorded and implemented.

## Separation of governance and management

Another foundation of good governance is that management/staff functions dealing with the everyday matters of your group are kept separate from governance. This is vital to ensure that there are no glaring conflicts of interest within the very core of the group. Without adequate separation, no checks and balances will be able to be put in place and key decisions can be taken with no adequate means of checking these or measuring their effectiveness.

However, this can be a challenge in the early days of a group as resources may be limited and finding adequately skilled board members can be difficult. Groups that start with management and governance functions joined together may well start successfully, but as the organization grows in size, becomes more complex in structure and has to manage larger budgets, this can be a problem and lead to conflicts and poor decision making. For example, if your group starts without this separation, then you can have the situation where a board of directors consists of employees who may make decisions based on self-interest rather than the core mission of the group.

Long-term sustainability demands an effective separation of the management and governance functions.

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## Ongoing focus on the mission

The board (or management committee) of a support and advocacy group plays an important role in maintaining the focus on its identified mission. This will usually be carefully and clearly described in the documents of incorporation. Factsheets 1-3 provide a useful background in how to identify and communicate your group's mission, values and objectives.

The board should own the mission statement of the group and, where necessary, ensure that it is expressed clearly and concisely. Your mission statement provides a valuable starting point for a number of your audiences including staff, donors, volunteers, media and your target group. For this reason, it should be protected and managed carefully as the group develops over time. The board should ensure that the mission statement is well known throughout the group.

The mission statement should always be considered whenever major decisions need to be made about your group. The board needs to keep asking the challenging questions whether the group is continuing to comply with the mission and to be wary of 'mission creep' where new opportunities or financial incentives could distract the organization from its primary mission. The board supports the mission through effective planning, and this in turn improves accountability. As it is separate from day-to-day activities of the group, the board can have a wider, long-term perspective which can bring balance to the urgent everyday needs.

## High professional and ethical standards

Any support group clearly needs to abide by the prevailing national and international laws. However your group may also receive tax exemptions and other benefits due to your charitable status, and so needs to demonstrate exemplary, transparent behavior in all its interactions with stakeholders.

Firstly, the board must ensure that it operates professionally and ethically. Developing a policy manual for the operation of the board is important. These details are often drafted into the legal articles of incorporation of the organization, but if not, should be one of the first tasks of the board. Details should include how board members are elected, how to handle resignations, how to handle emergency meetings, voting, the appropriate quorum, preparation and agreement on meeting minutes, expenses reimbursement and other issues.

Again, the board needs to ensure that ethical values and priorities are well communicated throughout the group. This could involve writing and distributing a code of conduct that is agreed and complied with by all members of the group and forms part of any induction of new staff and volunteers.

Good personal behavior should be modelled by board members, including ensuring that there is no inappropriate financial gain from their activities. Most board members on support groups will be unpaid as it is important that they are not seen to receive any indirect or direct benefits from their role. It may be appropriate to draw up a conflict of interest policy to ensure that board members or staff know how to respond when faced with choices that may affect their impartial decision making.

## Responsive to their community

In many ways, a board serves as the door between the organization and the community that it serves. This means the board should be regularly asking the difficult questions such as “Are we fulfilling a real need?”, “Is our mission still important?” on behalf of your group.

The points mentioned earlier about the need for transparency and accountability are particularly important here, as the organization tries to maintain an ongoing dialogue with its stakeholders. A board member with expertise in PR and communications can be very valuable as the group learns to communicate effectively with a variety of audiences.

Your group’s annual report is an opportunity to communicate with its wider audience and needs to contain key financial information and details of its activities and programmes. The board should play an important role in overseeing the production of an annual report.

## Further information

Wyatt M. A handbook of NGO governance. The Central and Eastern European Working Group on non-profit governance. European Centre for Not-for-Profit Law, Budapest, Hungary, 2004. Available at: [http://lrcmyanmar.org/en/system/files/book/a\\_handbook\\_of\\_ngo\\_governance.pdf](http://lrcmyanmar.org/en/system/files/book/a_handbook_of_ngo_governance.pdf)

Good governance: a code for the voluntary and community sector. Available at <http://www.governancecode.org/summary-code-of-governance/>

NCVO website. Available at: <https://www.ncvo.org.uk/practical-support/governance>

