Governance or Management: Knowing the difference

Are you a member of staff making decisions for your governing body?

Or

As a trustee are you taking on operational matters?

Or

Is one member of staff controlling all decisions?

Or

Are you part of the management committee for a small organisation with no staff and are doing a bit of everything?

All of the above situations are reasonably common, they happen for a variety of reasons but all contribute to weak governance in an organisation which often leads to poor financial sustainability and inadequately robust planning.

This briefing sets out where and why a clear distinction should be made between the governance team or trustees and those that carry out the everyday work or activities, be they paid or non-paid staff. This will help you to be transparent and accountable in all of your organisation's actions, no matter what size the organisation may be.

> *"Close but critical, co-operative but never cosy"* Lost in translation, NCVO

Treading a fine line

There is often a fine line between the governing body (trustees, management committee) and operational management – both are leadership roles and in many small organisations and start-ups, the founding members or a small group of volunteers are responsible for both governance and managing day-to-day tasks.

Leadership can mean different things to different people. For voluntary & community organisations (VCO's), effective leadership means people who build an inspiring vision and then support their operational team – often referred to as 'staff' or management – to achieve it. Both the governing body and management have key leadership roles, but needs to be executed differently. However, effective leadership and governance happen when the two work together.

By following basic good practice guidelines, any size of organisation can create a clear distinction between the two. This distinction supports good decision making and outcomes focussed activities.

> *"Constructive tension tempered by mutual respect"* Your Chair and Board, ACEVO

Understanding the difference

While there is a fine line to tread and some aspects even overlap, there is a distinction between governance and management. Getting the balance right will create a stronger more resilient organisation.

Governance

> **Governance - 'What'** i.e. determining mission, policy and strategy, appointing and overseeing CEO, managing governance process, providing insight, wisdom and judgement, and monitoring performance.

The governing body of the organisation should concentrate on the organisation as a whole and the future of that organisation for the sole good of their beneficiaries.

It is the governing body that not only determines the mission, policy and strategy, but then continues to ask itself:

- Is the organisation working towards its mission?
- Is the organisation having an impact?
- Are we being given enough information from management to make good decisions?
- Is the organisation financially and otherwise sustainable?

It is also the task of the governing body to set the organisations limits:

- What is the risk appetite of the organisation?
- What are the risks being faced by the organisation?
- How will these be mitigated against?
- Do you have accountability frameworks in place?
- Do you have policies and procedures in place?
- What are the organisations red lines as it grows and moves forward?

Under charity law, trustees are: 'persons having the general control and management of the administration of the charity.' The law clearly defines trustees as having control therefore; they are legally responsible for the charity, its assets and its actions. Ultimate responsibility and ultimate authority lies collectively with the board of trustees. They can delegate that authority but never the responsibility. Whether your organisation is a registered charity or not this responsibility lies with the governing body.

For very small groups the same people may take on all positions for a while, but even then knowing which 'hat you have on' for any given task will help decisions to be made for strategic reasons and then implemented and carried out. It can be easy to get distracted by delivering activities so it is important to ensure time is set aside to get a good overview of the organisation and look at the future:

- When do funding streams end?
- When do you need to apply for more funding?
- What funding or income streams are suitable for your organisation?
- Do you need to continue to fund all of the activities you have been doing?
- How sustainable are your activities?
- Do the activities work towards the mission?

The governing body should be safeguarding and promoting the organisation's reputation, acting to high ethical standards, identifying, understanding and managing conflicts of interest and/or loyalty, maintaining independent decision making and meeting the needs of the beneficiaries and behaving with integrity while exercising effective control.

A great place to start is the [Code of Good Governance](#) which provides some key principles for every governing body to live by.

Your duty as a member of the governing body is to make sure your organisation is financially secure, well-run and meets the requirements of the law (the Charity Commission, Companies House, and other relevant legislation such as Health & Safety, equal opportunities, employment etc.) and its governing documents.

Some key responsibilities are:
- Planning
  - Ask if the purpose/mission of the organisation is still relevant
  - Work together with staff, volunteers and beneficiaries to develop and agree a strategy (longer term)
  - Review and approve the organisation's one-year strategy (or business plan)
  - Approve major policies

- Monitoring & Evaluation
  - Ensure that monitoring and evaluation is taking place within the organisation
  - Write/sign off the annual accounts and annual report which should demonstrate where your organisation has shown impact and social/public benefit
  - This includes identifying and managing risk
  - Reviewing and amending plans and budgets

- Finance
  - Ask the 'stupid' questions about the figures
  - Review and approve the organisation's five year financial goals
  - Review and approve the organisation's budget
  - Be certain financial structure of organisation is adequate
  - Approve auditors

- Strategic Operations
  - Review results achieved by operational staff team in relation to organisation's aims and objectives, annual and long term goals
  - Approve major actions of the organisation, such as capital expenditure on all items over an authorised limit and major changes in activities and services

- Organisational
  - Recruit, appoint, evaluate, monitor, appraise, advise and support the Chief Executive Officer to carry out their role
  - Approve salaries and terms and conditions of service for all staff
  - Ensure that organisational strength and staffing is equal to requirements of the long term goals

- Audit
  - Ensure the Board is adequately informed of the condition of the organisation
  - Ensure published reports reflect the nature of the services provided and the financial condition of the organisation
  - Ensure that the CEO has established appropriate policies to define, identify, record and enforce conflicts of interest and loyalty
  - Appoint independent auditors subject to approval by members
  - Review compliance with relevant laws affecting the organisation

For a more in-depth look at the roles and responsibilities of a governing body member, see the Community Southwark factsheet 'Trustee Handbook'.

Management

> **Management – 'How'** i.e. Developing/Delivering policy and strategy, setting and overseeing annual operational business plans, appointing managers and staff, supporting governance processes, implementing board decisions, measuring performance, and delivering services.

The governing body and the senior manager/ Chief Executive Officer (CEO) should be accountable to each other, pursuing the same goals – the governance of an organisation is a joint effort: While the governing body concentrates on the issues above, management concentrates on implementing the aspirations and vision of the organisation in practical ways.

Management of an organisation is allocating the resources and overseeing the day-to-day running of it. Management also plays a crucial role in the leadership of the organisation through supporting staff and/or volunteers to understand the strategic vision. Often this will involve getting staff and the governing body together for strategic planning days. Senior management may also draft the strategic plan for governing body approval. Whether management are involved in this way or not, it will be management that creates the work plans based on the strategic plan for staff.

Management has the responsibility to:
- Communicate expectations—mission, strategy, policies—to the entire staff
- Manage day-to-day operations and program implementation to fulfil the expectations
- Report results to the board

> *"Management is a set of processes that keep an organisation functioning. They make it work today – they make it hit this quarter's numbers. The processes are about planning, budgeting, staffing, clarifying jobs, measuring performance, and problem-solving when results did not go to plan."*
> John Kotter, Konosuke Matsushita professor of leadership at Harvard University

It is the role of a manager to coordinate the efforts of people to accomplish goals and objectives using available resources efficiently and effectively.

Some key responsibilities are:
- Planning
  - Implement the strategic plan through work plans
  - Identifying what resources are available and when
  - Setting out clear annual timelines and milestones

- Organising
  - Team meetings
  - Away days
  - Annual General Meetings

- Staffing
  - Setting annual objectives for all staff
  - Undertaking regular supervisions
  - Supporting staff to undertake their work

Updated: March 2018

- Leading or directing
  - Supporting and encouraging learning and development
  - Ensuring that the staff work as one team
  - Acting as the link between staff and trustees

- Controlling
  - Expenditure
  - Staff expectations
  - Income targets

Marking the boundaries

> *"Management, Leadership, and Governance overlap and rarely if ever can cleanly separate:*
>
> *Management focuses on performance; in general, it concerns work, done by people or machines and grouped into tasks, functions or processes.*
>
> *Leadership focuses on people; in general, it concerns motivation, commitment, loyalty, and politics.*
>
> *Governance focuses on power; it concerns policies, rules, regulations, the allocation of authority, and the limits, exercise and abuse of authority."*
>
> Principles of Management

A major obstacle in the governance of voluntary and community organisations is ensuring the Governing Body and Managers are able to delineate their different responsibilities.

The governing body should expect certain things from its management, for example:
- A cooperative and open relationship
- Guidance on policy and strategy
- Sufficient amounts of the right kind of information, in a timely fashion, to enable the governing body, individually and collectively to fulfil their duties
- Management's best interpretation of reports, performance and leading indicators.

Management should also expect certain things from the governing body, for example:
- Showing up and being prepared for board meetings
- Expressing their views
- Timely and quality information
- Seeking additional information and/or support as needed
- Confine their activities to their role as the governing body, and not allow themselves to drift into the management domain.

Below is a brief table showing some of the lines between the two:

Board/Management Committee	Areas of overlap	Executive Officer/ Senior Management
Setting strategic plan and monitoring it	Meeting strategic plan objectives	Implementation and driving strategic plan
Approving purchasing over an agreed limit	Purchasing limit	Purchasing below a certain agreed limit within board approved budget
Overseeing finances through financial reports to board	Keeping projects within budget	Detailed understanding of financial position and project-by-project status
Risk management	Constant assessment of risk, financial and otherwise	Reporting to board on risk, actual and potential, developing risk management plan
Making contacts for potential funding, passing on grant information	Ideas about the number and mix of grant proposals	Applying for funding, securing sufficient grant monies to run organisation
Making decisions about income generation i.e. ethics, mix, needs – creating income generation strategy	Ideas about the mix of income streams	Implementing income generation strategy
General framework for staffing matters	Staff performance issues; grievances	Staff matters such as leave, performance appraisals, conditions and detail of supervision

Resources

- The Guardian Careers Network: http://careers.theguardian.com/difference-between-leadership-management
- The Clore Leadership Programme: http://www.cloreleadership.org/
- Institute of Leadership & Management: https://www.i-l-m.com/
- Association of Chairs: http://www.associationofchairs.org.uk/
- ICSA - Institute of Chartered Secretaries and Administrators: https://www.icsa.org.uk/
- CASS Business School Centre for Charity Effectiveness: http://www.cass.city.ac.uk/research-and-faculty/centres/centre-for-charity-effectiveness/
- 'Good governance: a practical guide for trustees, chairs and CEOs': Dorothy Dalton: NCVO: 2011
- 'Managing Without Profit (3rd ed)': Mike Hudson: Directory of Social Change: 2009

Support

If you would like any support with governance or any other issues facing your organisation, please contact the Development Team at Community Southwark: development@communitysouthwark.org.uk or 020 7358 7020.