

# Information Note



## The role and impact of Governance on HR

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### Introduction

In most countries those who run charities/not for profit organisations are accountable to a governing body of some sort usually called Trustees or the Board of Trustees. This information note sets out the responsibilities of such a body in regard to people management, offers insights from HR (human resource) professionals on the role of such bodies in HR and suggests some tools and references Trustees can use to ensure their organisations are as effective as is possible in the area they all share in common: the management of people.

Managing people well is a necessary and essential part of running any organisation. Organisational structure is not universal however, nor is the terminology used, so we are suggesting the following terminology. We will refer to governing bodies as '**Boards**'. We will refer to the executive leaders of the organisations (CEOs, Executive Directors, Presidents, Secretary-General, Directeur-General etc) as **CEOs**. We will refer to the charitable organisations, the Boards and CEOs are running as '**organisations**'. We will refer to managing people as **HR management**.

Boards have responsibility for many areas and this information note focuses exclusively on HR management. We identify Board responsibilities in HR; suggest good practice and offer tools which Boards can use to ensure they and their organisations perform effectively. We also focus specifically on the People In Aid Code of Good Practice and the use to which Boards could put it.

### Good Practice and Pragmatic Board management

There is a balance to be struck between Governance and Management; Monitoring and Implementation; Scrutiny and Support; Providing Judgement and meddling; Empowering staff and Disempowering staff. The Board clearly needs to ensure HR risk is managed and HR good practice is set and followed, and they either need to do this themselves or ensure very clearly that this is delegated to a member of staff who takes full responsibility for it; either the CEO or a Director with HR remit. The Board also needs to scrutinise that HR management is being carried out effectively and to ensure mechanisms for picking up any problems early on in their development.

### What is the best way to ensure that the Board carries out its HR duties effectively?

The Board members themselves need to discuss how strategic or operational they are going to be in their work. This requires a specific discussion at a Board meeting. Most Boards are going to decide to operate at a strategic level most of the time. The Board should delegate most operational HR actions to staff members and therefore trust them to carry out these duties according to the strategy, targets and policy that the Board has had an opportunity to influence.

It would be a rare Board that acted mostly operationally – this might be the case where there are no paid employees, but not after that.

Factors pointing towards a more strategic approach	Factors pointing towards a more Operational approach
<ul style="list-style-type: none"> <li>• Larger organisation</li> <li>• Organisation employs an HR professional</li> <li>• Long established and clear risk analysis in place</li> <li>• Quality marks achieved and working well</li> <li>• Performance management system working well</li> </ul>	<ul style="list-style-type: none"> <li>• Small organisation</li> <li>• Newly established</li> <li>• No HR professional employed</li> </ul>

## HR committees

Many Boards decide to have a small committee with delegated powers to work on HR issues with the senior staff under the aegis of the full Board. This HR Committee then takes on the work of setting strategy in detail, managing policy risk and has more knowledge and responsibility for advising staff on risks and key organisational developments that involve HR. A committee takes work off the main Board and allows some Board members to develop specialist skills and knowledge. However it does rely on having Board members that have the time and willingness to take on extra tasks and responsibility. A Committee might meet 3 or 4 times a year and report back to the main Board every Board meeting. Really important key decisions will still be made by the full Board such as a complete review of employment contracts or a full organisational restructuring.

The Skillshare International ToR for the HR and OD Sub-Committee can be found on <http://www.peopleinaid.org/resources/publications.aspx>

## The key elements of HR management for a Board

The Board’s responsibility for HR management is either for statutory reasons (e.g. in the UK the Board is responsible for Health and Safety) or for good practice. They also operate at many different levels depending on the size of the organisation and how many staff are employed. Below is a suggested line running from strategic to operational, where the Board operates near the strategic end of the continuum - involved in strategy, risk and analysis and scrutiny at the highest level.

STRATEGIC-----		-----OPERATIONAL	
HR strategy & Resourcing HR Manage Change effectively Legal compliance & Employment Law CEO Recruitment Performance management system Set HR standards & manage HR risk Quality Marks	Organisational Structure  Contract overview Key talent recruited CEO Appraisal Policy approval Staff survey design Salary policy	Recruiting staff  Amending contracts  Policy drafting	Writing JDs  Issuing contract Recruitment Staff Appraisal Implementing Policy  Paying staff
Serious Discipline panels Modelling good practice			

## 1. HR strategy

The overall role of an organisation's HR function is to help the organisation achieve its objectives through maximising its employees' performance and potential. The board has a role in developing and scrutinising an HR strategy for the organisation that enshrines the values, culture and diversity of the organisation and that this is reflected in HR management practices.

A discussion might start at Board level stimulated by strategy, asking - "**What would our organisation look like or feel like if HR were working at its best?**". Then followed by the questions "**What skills do managers need to lead this organisation**" and "**What skills and development do staff need to work effectively in this organisation**".

Exploring this at the Board level, will inform the basis of a simple and clear HR strategy, from which can be developed Key HR policies and an HR workplan.

### **Case Study: Consumers International HR Strategy**

*"Consumer's International believes that recruitment and retention of suitably talented people is a critical factor for the organisation to successfully achieve our strategic aims. CI will endeavour to develop and deploy the knowledge, skills and abilities of our employees to maximum effect. It will work towards putting in place a clear and well-written HR strategy that links directly with the organisational strategy, together with consolidating systems, processes and policies that work effectively."*

Refer to People In Aid's "Developing a Human Resources Strategy Workbook" for guidance on developing your HR strategy and examples of others HR Strategies. Download from <http://www.peopleinaid.org/resources/publications.aspx>

## 2. Manage change effectively

Change is difficult even when people welcome it in theory; the practice of experiencing the change can be hard and stirs up emotions. Most of the stress of change arises if the people experiencing it perceive that they have little or no control over it. If more than one change happens swiftly staff can also experience "change overload" and their coping mechanisms just don't work anymore.

Good leadership from the Board plays a role to ensuring good change management at a strategic level. Board members need to acknowledge the difficulties staff find in accepting change, the fact that it takes time to embed and that managers need support in this. The Chair or other Board members should be involved in discussing a plan and mechanisms for informing, consulting and involving staff in the process. They could attend key briefing sessions to show their support for the CEO and to be on hand to hear staff concerns. This appropriate involvement can be much appreciated by staff. What is not helpful on the part of Board members is getting involved in micro management of change or allowing staff members to 'lobby' them individually.

The Board has a role in enabling successful change management for organisations, and some key areas to focus on are:

- A clear plan
- Management messages are clear and these are communicated in various ways very pro-actively
- Make sure messages are stuck to - It is important to set out a route map for change and not to change it half way through
- Forces or people promoting change are strengthened and forces or people resisting change are challenged
- The feelings staff have about change and loss are acknowledged, even if the change is a good one

### 3. Legal Compliance & Employment Law

Ensuring relevant employment law, consequent policies and good practice is implemented in the country of the HQ and in countries where staff are employed is critical to the legal compliance of the organisation. Employment law manifests itself at different levels in the continuum from strategic to operational. The organisation needs a mechanism for finding out about legal changes and amalgamating them into HR documents, policy and practices, and often this can fall to a board member.

#### **Case Study: Skillshare International**

*Skillshare International have a Board member who is a trained HR specialist. She brings legal update briefings to the HR sub committee and then interprets the information to the sub committee and suggests how important and urgent it is to act on legal changes. For example the recent Corporate Manslaughter Act stimulated a review of processes in relation to briefing staff and managers on potential risks in setting protocols for what overseas volunteers get involved in and how to handle crises that might affect the personal security of volunteers in a country.*

### 4. Recruitment & management of the CEO

Trustees play a key role in the recruitment, selection and management of the CEO. Good governance at this level is vital in conveying and reflecting good practices throughout the organisation. The Board should as a minimum:

- approve a current CEO job description and person specification
- take part in the recruitment and appointment of the CEO
- assess a salary appropriate to the Chief Executive
- set up a process of negotiating expectations (goals, standards, and tasks)
- have an agreed process for an annual review of the CEO/Board relationship
- work with the CEO and other senior staff on a current strategic plan for the organisation
- performance management and appraisal of CEO (see 5)
- support CEO in budgeting for resources for the strategy and the work plan

This activity is the most hands on HR activity a Board is ever likely to be involved in. The practices should be the same as that outlined for staff in internal HR policies. The person on the Board that is most likely to be involved is the Chair and perhaps the Chair of the HR subcommittee if they are not the same person.

## 5. Meaningful Performance management

Staff want to know how they are doing at work - all surveys done on motivation show that this is the single most important factor in staff being motivated. Setting and monitoring standards of employee performance is an essential starting point for line managing staff. This depends upon a clear organisational context as well as an individual manager's confidence and skills to carry out the procedures. Aspects of poor organisational management can contribute to poor performance and lack of motivation.

The Board's role in performance management is to be clear about the policy and then delegate the practice except in relation to the CEO. The Board might also set an HR Benchmark that Appraisals should be carried out within a three month period and they want to know if this is the case each year and a report on issues arising from the appraisals and key training and development needs that have surfaced. This would then be reported to the HR committee or full Board.

The Chair of the Board needs to carry out a formal appraisal of the work of the CEO once a year. This is in addition to any other regular meetings they might have. The Appraisal should follow the same pattern as the staff's, but focus primarily on the strategic work of the organisation and key high and low lights with an emphasis on learning. The relationship between the Board and the CEO might also be reviewed as part of the same process. The relationship between the CEO and the Chair is a critical one and may need working on just as any other staff/manager relationship.

## 6. Setting HR standards and managing HR risk

The greatest areas of potential risk for any organisation are in poor contracting with staff; employment tribunals and poor health and safety practices. Ensuring high standards of HR practice in the organisation reduce risk and can increase the organisation's effectiveness.

Good practice suggests that the Board could consider having an HR audit of HR policies and practices every few years to ensure they are up to date and well functioning. It is better to take a pro-active approach rather than waiting for crises to happen and reviewing afterwards. The Board will mostly delegate the development of the detail of HR policies but it might have a view about which policies to have and which are to be prioritised.

A critical Board function is to scrutinise HR activity, monitoring HR policies and practices by nominating some key benchmarks and assessing the organisation's performance against them. The best way to ensure this at a strategic level is to set some HR benchmarks that you want reported on and ensure this is done quarterly. The most common Benchmarks used are staff turnover, staff absence, appraisals carried out, training spends, recruitment spend and time to recruit.

The People In Aid Self Audit tool can be used for a quick temperature check of HR in the organisation. It enables an organisation to audit its HR and people management systems, policies and practices, and identify priorities for action. It will work in most contexts, and has been designed specifically to be used in head office, regional office or local /field office environments. <http://www.peopleinaid.org/pool/files/publications/hr-audit-tool---people-in-aid---2007.pdf>

## 7. HR Quality marks

The Board has a role in scrutinising the overall HR strategy and performance of the organisation and considering applying for other HR Quality marks. Many employers, large and small, aim to meet quality standards as employers, such as Investors in People (IIP), the People In Aid Code of Good Practice or the Two Ticks Disability symbol. Working to meet quality marks such as the IIP assessment criteria can stimulate change and development in HR where this is needed. The People In Aid code provides a framework to base your HR strategy and HR policies. Implementing the Code allows organisations to take a measure of their own progress and benchmark with others.

If an organisation already has a well functioning HR system and processes then getting a quality mark can validate this work and add a sense of pride in achievement. It is also useful to satisfy outside funders or assessors and indicates that the organisation is functioning well. The board can play a role in identifying the Critical Success Factors – areas where risk needs to be monitored (relationships, finance, systems) and negotiating metrics for tolerance of risk associated with each indicator.

## 8. Serious Discipline and Appeal panels

The Board needs to set up a standing group of members prepared to sit on serious Disciplinary panels and a different Trustee (normally the Chair) set aside for Appeal panels. As the Board of Trustees is the Employing body for staff in UK law, it alone has the power to dismiss staff. This is often delegated to the CEO, but in cases of gross misconduct or disciplinary action involving senior staff it is normal to have trustees involved in the processes. Any organisation must follow its own internal policies and the law and Trustees must be familiar with these policies. This means that board members should be trained in how to carry these out effectively or at the very least be briefed fully by a trained HR expert prior to carrying them out. There are many sources of good practice and advice such as ACAS or the LVSC website.

ACAS [www.acas.org.uk](http://www.acas.org.uk)

The London Voluntary Service Council website has resources on HR and employment rights. [www.lvsc.org.uk](http://www.lvsc.org.uk)

## 9. Modelling good practice

Finally, the Board should model good practice for the organisation by providing evidence that it too is committed to the principles of good management that it wishes its CEO to follow. This includes the following areas:

- recruitment and selection of members of the Board
- induction and orientation of new members
- team-building
- regular appraisal of the officers (e.g. Chair, Treasurer), of each individual member, standing committees and of the whole Board
- benefits - unlikely to be financial these could include: networking opportunities, personal development opportunities, good communications about positive developments in the organisation.

The Governance Hub Website <http://governancehub.org.uk/resourcefinder.html> has many resources for working effectively at Board level.

A People In Aid Resource Sheet with useful web links can be found on

<http://www.peopleinaid.org/resources/publications.aspx>

*Disclaimer: People In Aid does not recommend specific websites, publications or organisations offering services or support. Every reasonable effort has been made to ensure the accuracy of the material offered, however, we cannot be held responsible for any adverse outcome of using it or engaging the services external agencies. All contact details are correct as of May 2008*

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Not at all useful      Moderately useful      Useful      Extremely useful





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