



19 May 2021

Well-led in the third sector

The King IV report on corporate governance, used extensively by GGI to shape our consultancy work, offers a useful framework for charity boards.

How would the average person describe a well-led organisation? They might say it must be good at what it does, be values driven, with a vision and mission to match.

They might add that it should listen to its staff, customers and stakeholders and be open, responsive and keen to learn and develop, showing a thirst for change and knowledge.

They'd also want to see a social conscience, perhaps through the organisation's attitude to the environment, its communities, or by being a leader in its field.

Asked to name a few such organisations, they might mention Marks and Spencer, John Lewis, Comic Relief, the BBC and the NHS.

What does the dictionary tell us? "Well-led – skilfully or effectively conducted, guided or commanded; a life virtuously led."

Which, until the last phrase at least, is less helpful. In other words, describing whether an organisation is well-led requires judgement rooted in the values that the organisation hopes to exhibit.

Well-led by sector

The public sector increasingly sets considerable store against organisations being well-led. The Care Quality Commission assesses NHS trusts against eight well-led criteria: skills, vision and strategy, providing high quality, sustainable care, governance and accountability, risk management, information management, service user engagement and learning and continuous improvement.

Typically, this confuses strategic thought with operational and managerial activity and anyone familiar with them undertaking a review will know how many corporate affairs staff rapidly become experts in the fit and proper persons test. On its own, it is not necessarily a good test of how well-led an organisation is.

At least the Charity Commission's Code of Governance operates at a more strategic level for boards to aspire to. It looks at organisational purpose, leadership, integrity, decision making and risk, board effectiveness, equality, diversity and inclusion and openness and accountability.



Of course, following the Nolan principles of public life is clearly an important and complementary responsibility for boards: selflessness, integrity, objectivity, accountability, openness, honesty, leadership. The Scots add two further principles – duty and respect.

King IV perspective

Perhaps the most useful guide to being well-led is found in the King IV Report on Corporate Governance for South Africa (King IV), the latest in a series of reports led by Mervyn King, a South African High Court judge.

GGI believes that applying the King IV approach supports organisations to improve their governance arrangements and, as a result, deliver effectiveness and be able to evidence compliance with regulatory requirements.

King IV's objectives are to:

- Promote corporate governance as integral to running an organisation and delivering governance outcomes such as an ethical culture, good performance, effective control and legitimacy.
- Reinforce corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner.
- Encourage transparent and meaningful reporting to stakeholders.
- Present corporate governance as concerned with not only structure and process, but also with an ethical consciousness and conduct.
- Broaden the acceptance of the King IV by making it accessible and fit for implementation across a variety of sectors and organisational types.

King IV clarifies the role of the governing body (the board) with a particular emphasis on ethical leadership exemplified by integrity, competence, responsibility, accountability, fairness and transparency. And effective leadership is results-driven. It is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution. All of this is wrapped up in 16 principles (see Annex), which King suggests are all required to substantiate any claim that good governance is being practised. These embrace the responsibilities of a governing body with a heavy emphasis on ethical behaviour, good corporate citizenship, a core purpose that is part of a value creation process.

They insist that the board is the focal point and custodian of corporate governance and is made up of a good balance of knowledge, skills, experience, diversity and independence. And in executing its role, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. Other principles deal with practicalities but the philosophy of being well-led is encapsulated here.

The application of these principles is framed by a description of the leadership role of the board – to steer and set strategic direction, approve policy and planning, oversee and monitor and ensure accountability – which by developing practices to bring the principles to life deliver four governance outcomes: ethical culture, good performance, effective control and legitimacy.

All of that adds up to a pretty good description of well led.

illuminations



Illuminations

- Third sector leaders have a duty to demonstrate that their organisations are well-led – perhaps even more so than their private or public sector counterparts.
- The King VI report on corporate governance offers a useful framework for charity boards.
- The approach outlined by Mervyn King helps organisations to deliver effectiveness and demonstrate compliance with regulatory requirements.

If you have any questions or comments about this briefing, please call us on 07732 681120 or email advice@good-governance.org.uk.