

## Governance – Core functions of a governing body

*Good governance can make or break an organisation. Or perhaps more commonly; it is a key factor in whether the organisation truly thrives and achieves its purpose, or alternatively just struggles on painfully, producing a mediocre result at best.*

*Further to our previous writing on the topic of good governance ([see previous article How's your governance team?](#)) we thought it may be useful to clarify the core functions of a governing body.*

There is a huge volume of information on good governance available in books, on the internet, and from various professional bodies and training providers. However sometimes that's precisely the problem; we get overwhelmed by the sheer volume of information. And through being overwhelmed with the quantity of information and apparent enormity of the task we can easily reach a state of paralysis.

Accordingly, a very useful technique is to get back in your figurative helicopter occasionally and take it up a level to remind yourself of the big picture view. i.e. get out of the trees and remember what the actual forest and broader landscape you operate within looks like.

To fail to do so can mean that our limited time and resources can be being spent in the wrong, or at least suboptimal, areas. On that note I recently heard a lovely quote attributed to our current Minister of Finance Bill English apparently when addressing a number of Government agencies responsible for a considerable amount of health budget spending. His rather forthright and to the point comment was along the lines of *"Don't bother being efficient if you are not being effective."* Or to put another way: We want you to ensure you are firstly focusing your efforts and resources on the right areas. There is no point in going really fast if you are rushing in the wrong direction!

### Governance Core Functions

To keep the focus on the big picture; what are the core functions of a governing body of an entity? Unsurprisingly they are very similar whether you are a profit seeking commercial entity or a not-for-profit entity. Albeit the latter often involves a wider stakeholder focus. I recently came across the following list and thought it worth sharing:

1. Setting and monitoring the organisation's mission, purpose, direction, priorities and strategies within the boundaries of its constitution and legal obligations.
  - In a for-profit entity an over-riding factor will usually be creating a return for shareholders and hence a focus on profit generation.
  - In the not-for-profit world this may also require more active involvement of key stakeholders in setting and monitoring the organisation's mission etc. This in turn assists in maintaining positive relationships with them and developing policies that best serve their needs.
2. Regularly scanning the environment in which the organisation operates to ensure that what it's attempting to achieve remains relevant and achievable
3. Specifying key outcomes and ensuring there are adequate resources, people and finances to achieve these
4. Appointing and supporting the chief executive, evaluating his/her performance and rewarding or replacing him/her as necessary
5. Monitoring the organisation's programmes and service performance
6. Being accountable to the organisation's funders and/or owners

7. Risk management & ensuring the governing body complies with all legal requirements and with the governing body's own policies
8. Accountability reporting, at least annually, to stakeholders
9. Setting standards for and evaluating its own governance performance
10. Maintaining a governing body & CEO succession plan.

## Parting thoughts

I'm sure that some may be inclined to debate the content of this top 10 list, and even the order. That is healthy and possibly quite valid. However, our main point is for each governing body to agree and be clear on what their core role is. When that is done it is then possible to use this as a touchstone to come back to and help to focus governance efforts. To help governing bodies see the forest and not just get lost in the trees.

Then maintaining a positive "tone at the top" that is committed to quality and transparency through leading by example and robustly asking smart questions of themselves, and management, will help ensure the organisation stays on the right road to achieving its goals.



### About the Author

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