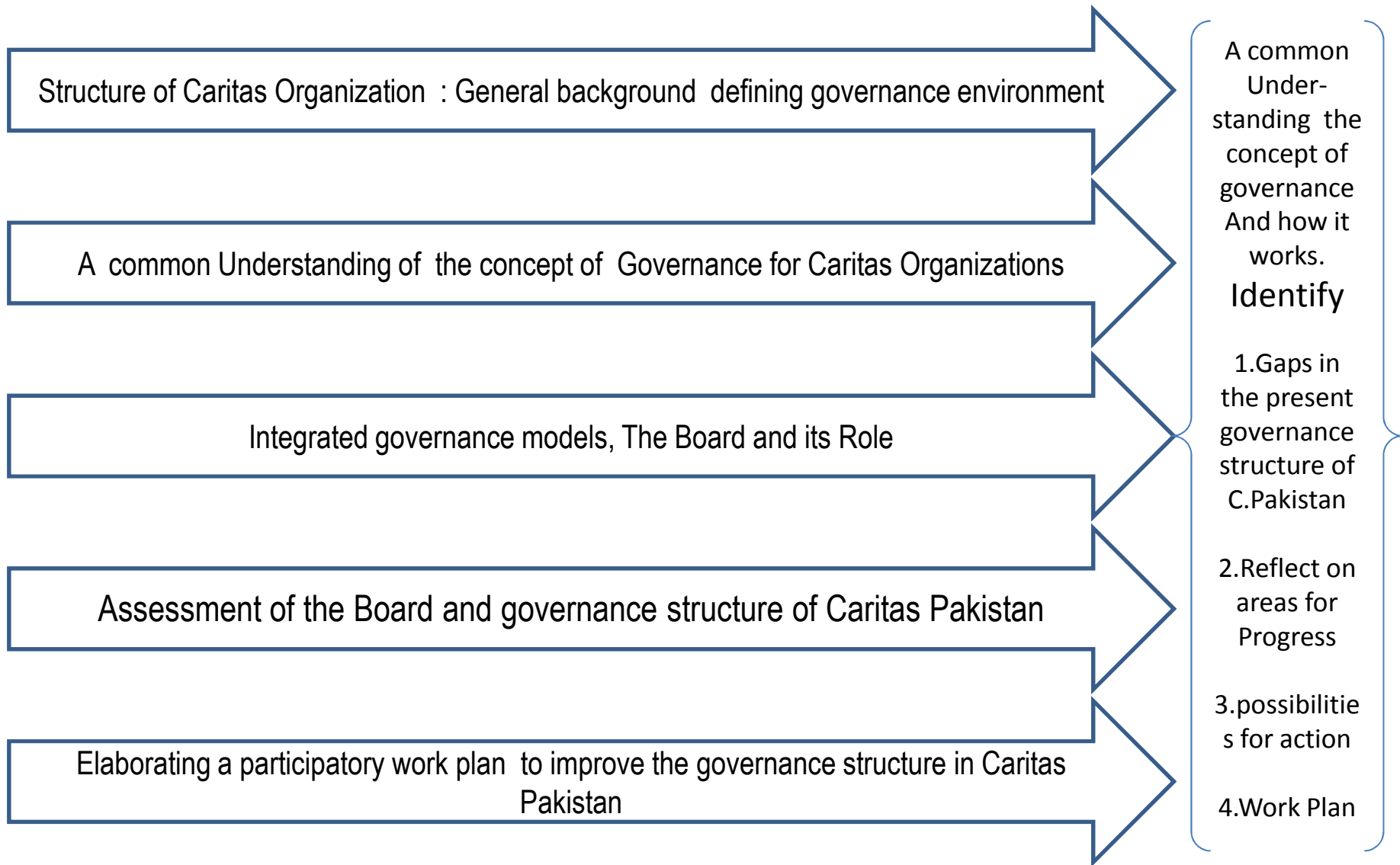


Governance in Non-Profit Institutions

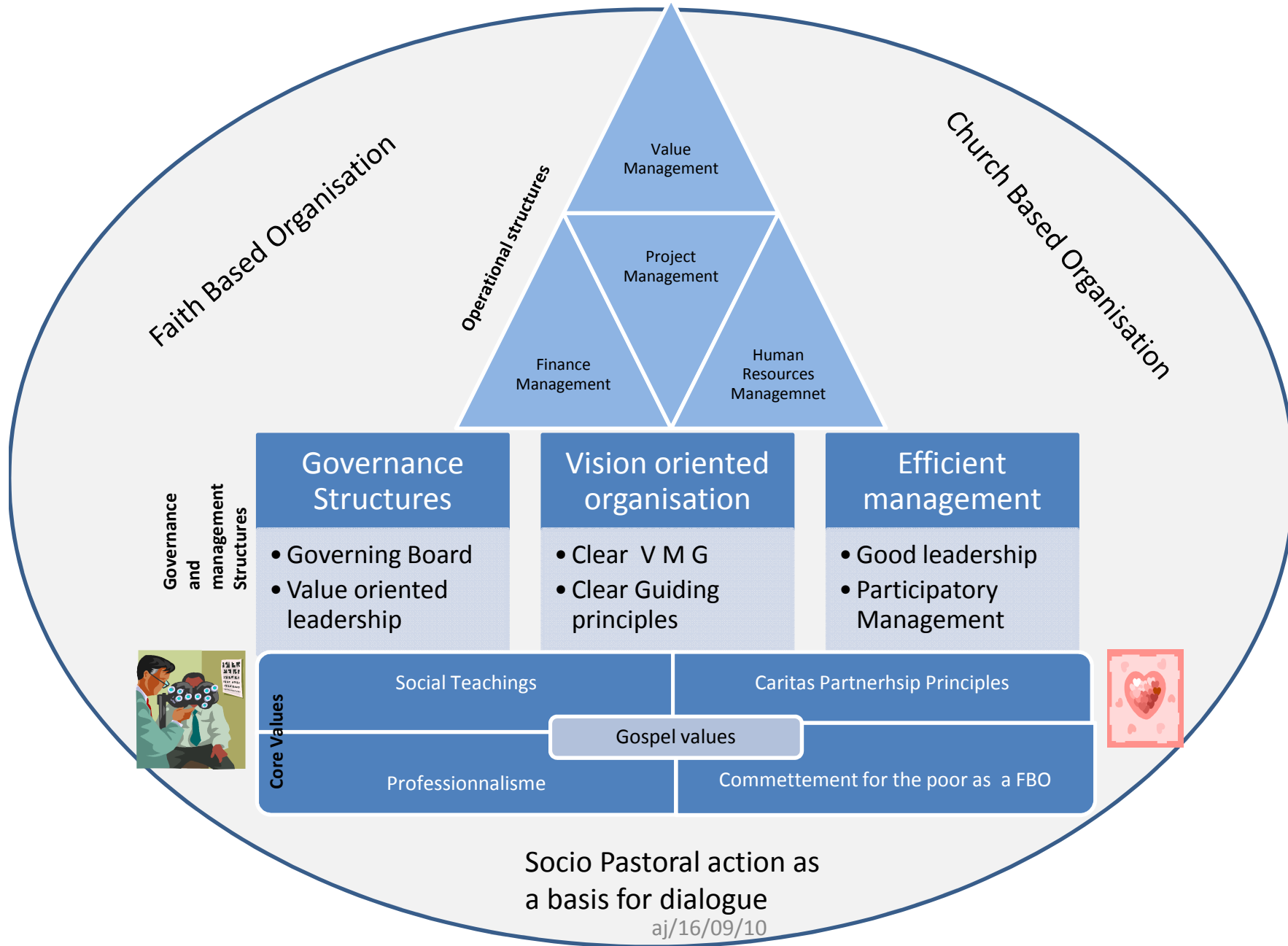
Understanding and implementing Governance structures in Caritas

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Program Plan



Structure of Caritas Organization



Governance - Key to institutional excellence and partnership

- The Main Goal of any organization is excellence in governance in order **to build trust and confidence** among all stakeholders ; **to Manage Risk** and **to ensure transparency** and **accountability** to all concerned by the project.

Good governance is the key to :

- **Efficient Management**
- **Effective results**
- **Successful implementations** of strategies
- **Relevant measurement** and **accountability**
- **Partnership** based on trust and confidence

Good Governance can be broadly defined as a transparent decision-making process in which the leadership of the organization , in an effective and accountable way, directs resources and exercises power on the basis of shared values..

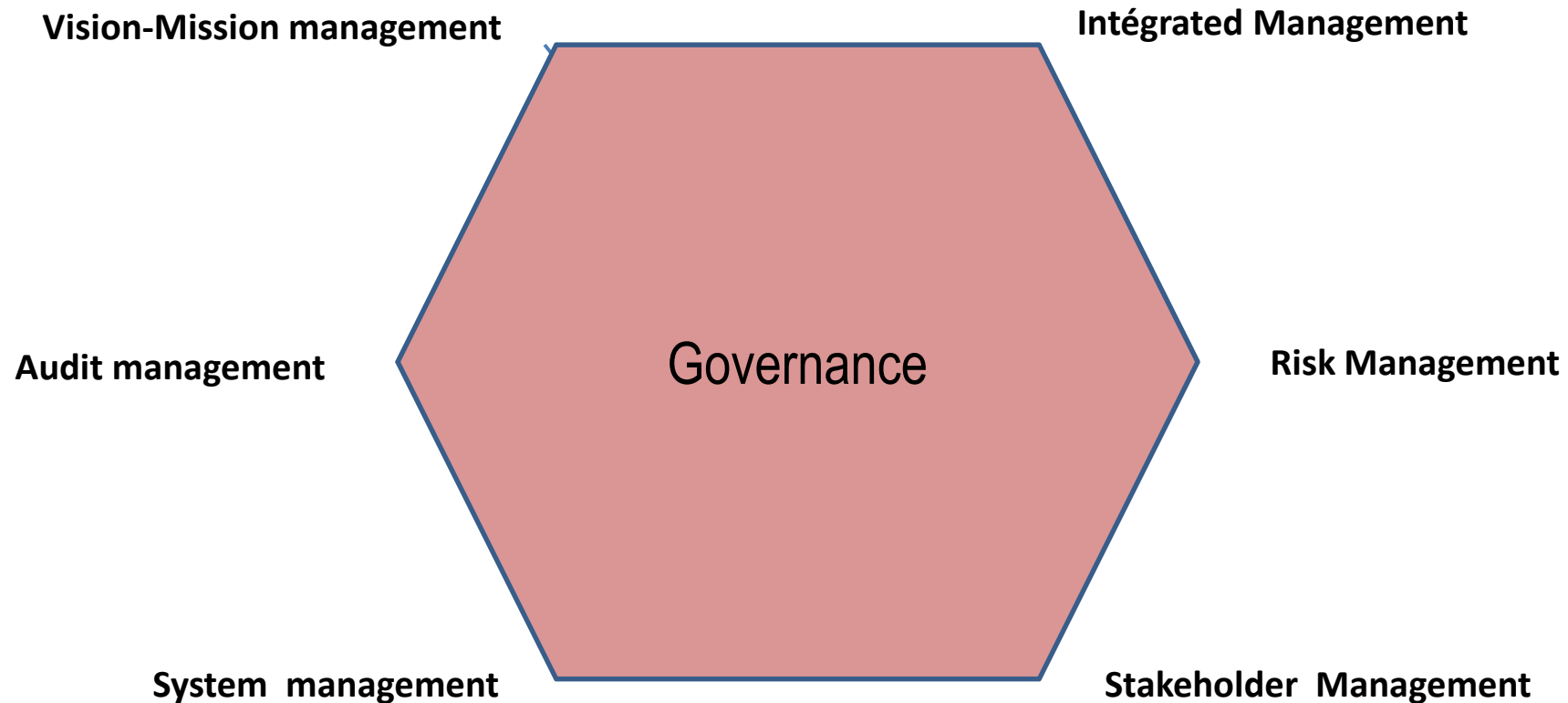
Understanding Governance

- What do we mean by Governance ?
- Any accountable organization has an effective functioning system of internal governance. It generally refers to the way the organization is steered, guided or directed. It is also a question of sharing the decision making powers and authority which is ensured through an internal system of checks and balances that guarantees that the public interest is ensured and that the mission is fulfilled effectively.
- These settings help restrain and moderate the control of any one person or group, ensure the organization's resources are well managed, and safeguard the public mission oriented interest of the organization.
- Effective governance leads to accountability to the public interest which is the primary mission of Caritas.
- Through the above acts of accountability, Caritas expresses its commitment to democratic values and over the long term contributes to the building of civil society.

- Governance is “**separation of power**” within the structures and for Caritas, this is based on the principle of subsidiarity.

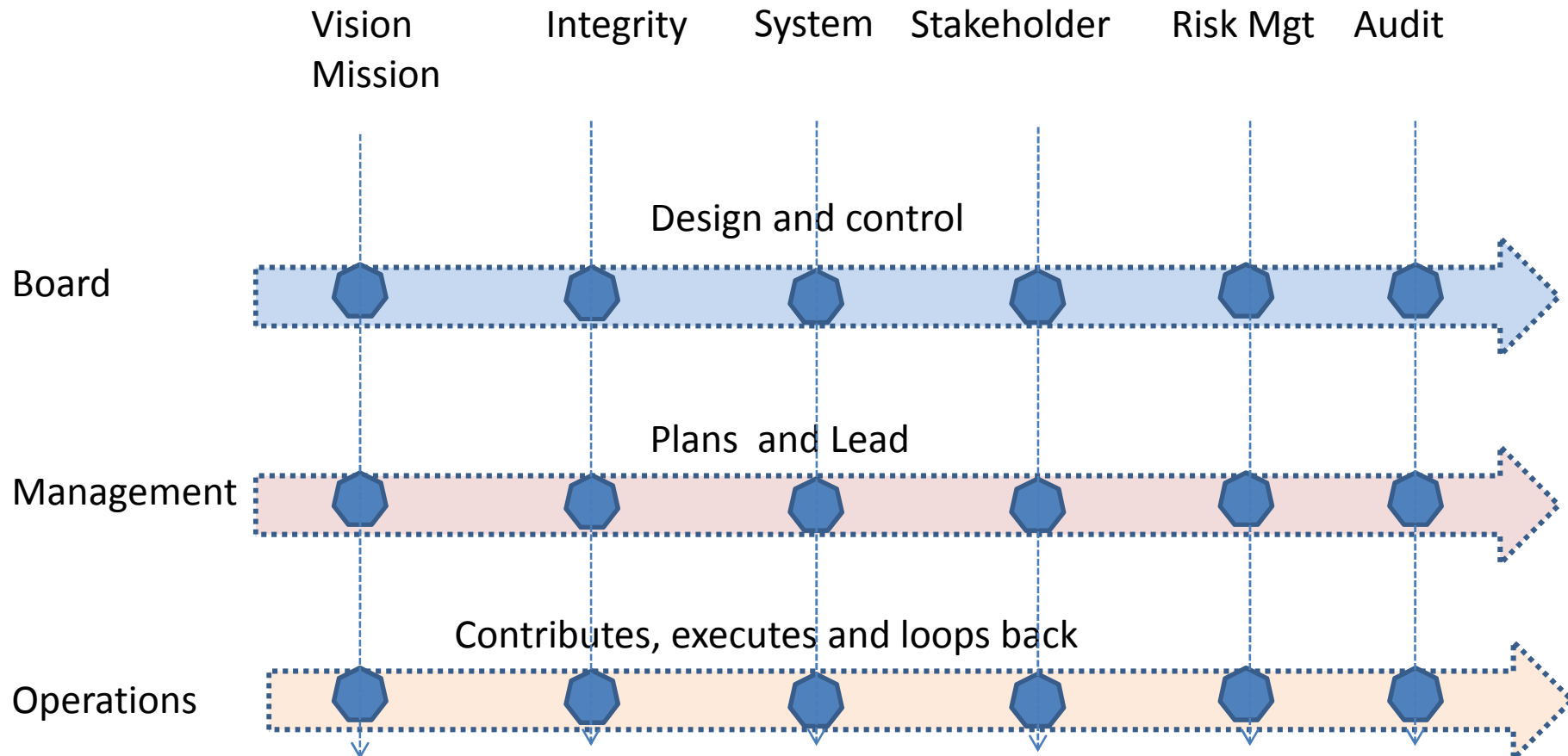
- An explicit Governance structure is the first step towards establishing a stable and predictable framework for accountability in the Organization.
- .
- **Governance and management**
- The Management is responsible for implementing the directions determined by the board, within the vision, purpose, values and policy context and budget determined by the board. As with the role of the board, the role of the Executive Officer can vary depending on where the organization is in its life cycle.
- In practice there are often ambiguities between the role of the board and the role of the Executive Officer. While the boundaries between these roles may vary from one organization to another it is essential that they are clear - preferably in writing.

Modules of an integrated Governance



If an organisation functions well, it shows mastery in the topics of these six modules, particularly in that the different hierarchical levels working together efficiently with its level appropriate contribution. In other words governance themes are of vital concern for all hierarchical levels.

The Governance Modules



The Board

It is the highest decision making body. The board primary role is to plan and design strategies and it delegates the implementation of the strategies and decisions to the executive staff recruited for the purpose. It ensures that the decisions are in coherence with the mission of the organization. The Board has a supervisory role over the executive, to verify that the decisions are implemented, the organization fulfills its missions correctly and efficiently and that accountability is ensured.

One of the major roles of the board is to anticipate risks or shortcomings for the organization that may jeopardize the good functioning or put the organization into risk ; to anticipate risks in order to ensure that accountability to the stakeholders, in particular to the beneficiaries.

The board ensures that the finances are well kept and books are maintained and there is no mismanagement of funds. To this effect policies are made and the board ensures that they are implemented.

Board members have collective leadership duties and at the same time they are also entrusted with specific duties for which they are responsible. There is a correlation between the board effectiveness and Caritas Performance.

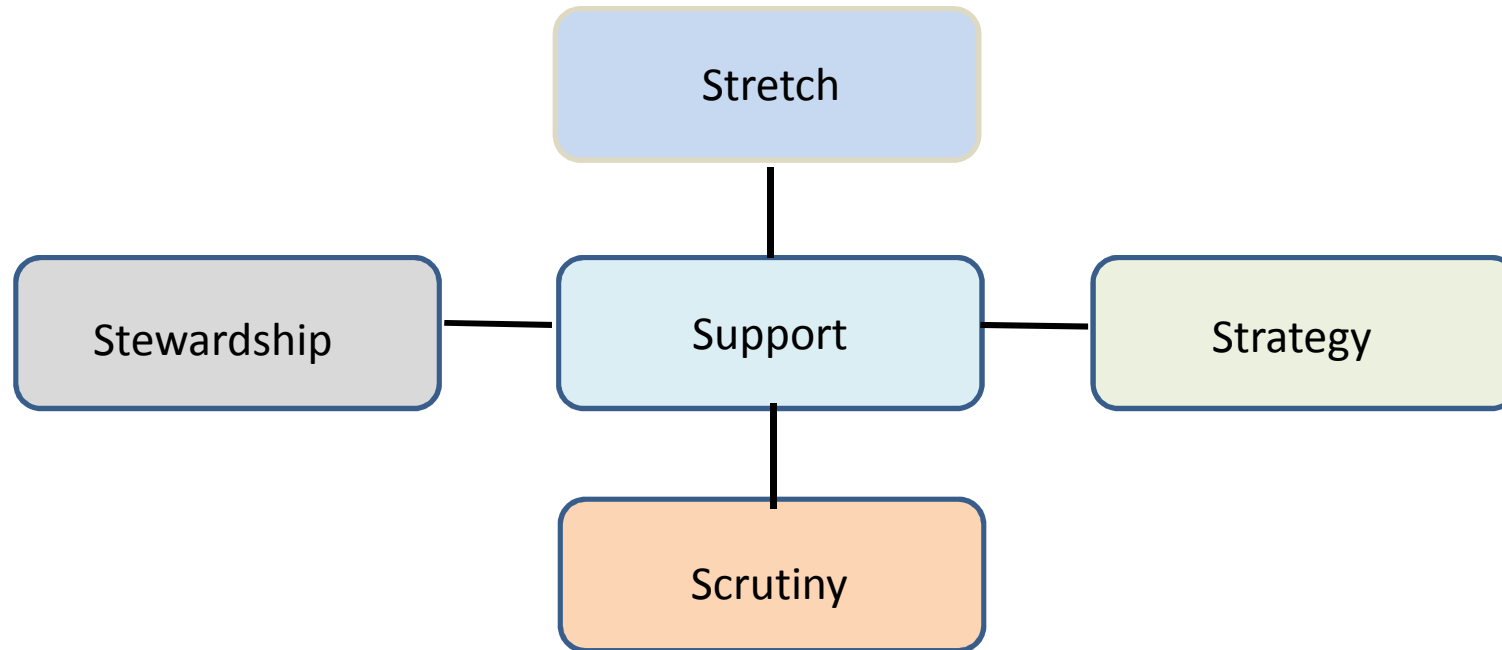
The Board is :

- The principal Governing Body, that is the “Ultimate decision-making body”.
- Entrusted with collective decision taken in the best interest of the organization
- Makes Policies and internal control systems to ensure accountability to all stakeholders.
- It has a highest level of supervisory role to see how decisions are executed.
- The Board is chaired by a person who is a designated leader.

The board is not :

- A management unit and does not take operational decisions(entrusted to the Ex.Sec. by delegation).
- It is not involved in micro-management (which brings about conflict of interest and interferences)

Role of the Board in Governance



Typical role for a board

Developing/approving the vision, purpose and values of the organization

Approving/developing a strategic plan, Approving/developing a service plan

Approving key organisational policies, the budget and monitoring expenditure

Appointing and holding the Executive Officer accountable for implementing the plan

Ensuring legal requirements are met, Ensuring quality of services

Develop a risk management plan and ensuring it is implemented

Ensuring there are adequate funds and resources for the organization

Ensuring the board is functioning well, reviewing the work of the board and planning for the succession and orientation of board members.

Support

The principal function of the board is to support, not just encourage the senior management. It will also strive to maintain effectiveness by ensuring that the organization works efficiently and that the staff

Are deployed efficiently within an appropriate system.

Areas that the board may want to explore are :

Availability of the right resources ; contribution to maintain effective relationship with outside agencies, partners or funding bodies

-Full Understanding of the issues facing the management and the staff .

Stewardship

The main aim is to safeguard the interest of the organization : money, good name, long-term functioning. In one word, accountability .This will ensure the sustainability of the organization

The major concerns should be :

-Constant self assessment process

-Quality assurance systems ; appropriate strategies to improve performances

-Understand and analyze the risks ; adequation of means with the strategic plan

Stretch

One of the roles of the Board is to stretch its organization through strategic alliances and by looking for alternatives for improvements . Some typical areas of concern are :

-What are the strategic alliances to be created and with whom?

-How to do things more effectively . Analysis of the internal trends and ways to improve them.

-How to maximise the output of the organization ? The areas for improvement ?

-the active involvement and contribution of the board to set relevant targets.

-Setting priorities for the organization and ensuring quality achievements.

Strategy

The Board principal duty is to set the organizational overall strategy and ensure that they are aligned with the vision and mission, taking into account the external national and regional requirements. After taking advices from others (consultants and experts) they make the decisions and delegate responsibilities to the executive.

In this regard, the board :

- Constantly analyses and evaluates whether the organizational capacity and capabilities are improving
- Takes into account the external environment to structure the course of the organization.
- Elaborates a strategic approach with realistic multi annual budget and financial forecasts
- Elaborates good human resources strategies to ensure the recruitment of competent staff and retaining a highly qualified workforce.
- Elaborates an effective communication and learning process
- Reflects on annual estimates of income and expenditure, which will enable strategic aims to be met
- Elaborates a capital expenditure program that is affordable and linked to overall strategy.

Scrutiny

The Board is responsible for closely examining issues that are put to it, to challenge them and make the board to account for them. This is another aspect of accountability that the board has to take into consideration.

The different areas of scrutiny are :

- Whether the target has been met
- The performance of the national body
- Milestones in place to monitor the overall progress towards the strategic objectives.
- Whether the implication for doing a particular activity has been properly thought out
- Assessment of finance audits, finance controls and overall evaluation of the organization.
- Addresses issues of corruption and mismanagements of means within the organization and proposes solutions.
- The work of the CEO and the senior management

Governance Models

Tasks

Decision Makers

Managers

Roles

Figure Heads

<p>Policy and Governance Board</p> <ul style="list-style-type: none"> -Elaborate Policies, Systems and Structures ; Audits and Evaluations. -Elaborate guiding principles, delegate responsibilities -Monitor overall compliances, guiding principles and policies. -Ensure that the principles and policies, systems and structures, audits and evaluation contribute to attain the vision. -The board members are recruited for their demonstrated values and commitments to the values and the organization. -The board is held accountable for the performances of the organizations. -Fulfilling the mission through good governance is the key factor that animates the board. This brings about high level of trust and confidence in the CEO . <p>The development of the mission becomes a high priority for the board.</p> <p>The members aren't operational, but are Policy makers and deciders</p>	<p>Entrepreneurial</p> <ul style="list-style-type: none"> -Board members operate as Management team. -Committees are organized and managed by the board. -Since Caritas is a non-profit organization, the volunteers entrust themselves with the mission of safeguarding the interest of the institution. -Decision-making often goes to the operational level. -The CEO becomes a simple operational executive and not a stakeholder in the execution of policy decisions. -The CEO is not taken into confidence as a prime institutional executive . -There are tendencies to create alliance and marginalize executives. <p>Governance task is difficult, because the mission is not in the forefront, but rather operational micro management.</p> <p>High degree of micro-development both at the operational and administrative level. Highly directive</p>
<p>Management team</p> <ul style="list-style-type: none"> -Helping and supportive role to the CEO -Help and guidance to CEO -Members are with professional skills. -Their main aim is to establish credibility -Advisors and members are task focused. -The members are advisors . 	<p>Cooperative Model</p> <ul style="list-style-type: none"> -Shared and collective decision making. -Collective management both by the CEO and the Board members. -Tendency to share all responsibilities . -Staff and the board members are sometimes mixed =collegiality. -It is often difficult to share a common vision and purpose, difficult to get consensus. -It is difficult to establish effective structures and accountability. -Policies and guidelines are difficult to be formulated and the general functioning is based on practice of the organization and experience. -Decision-making is based on commission reports and not based on the mission.

Supporters

Defining a Model for Caritas

Policy Governance

Enterprenerial

What is your Model and
how can we define it?
How relevant is it ?
Is it adapted ?
How to make it better ?

Cooperative

Management Team

Policy Governance Model

What is it ?

The primary role and responsibility of the Board in this model of governance is to establish the guiding principles and policies for the organization, to delegate responsibilities and authority to those who are responsible for enacting the principles and policies, to monitor compliance with those guiding principles and policies ; to ensure that staff and Board are held accountable for their performance.

Advantages

- High level of trust and confidence in the CEO
- Members are recruited for their demonstrated commitment to the values and missions of the organization.

Weakness/ difficulties

- Sometimes the board chair has a tendency to leave everything to the Executive and not initiate accompaniment measures.

-

Cooperative Model

What is it ?

Clear link between the Board and the constituents, who are generally represented in the Board and participate in Policy development and Planning. This gives them control over policy decisions. This model is characterized by centralized decision making with decentralized inputs from all the levels.

It favors decision making by consensus. The governance style is more of « peer management » or « collective management »

Advantages

Highly democratic

There is a consensus that there will be a single managing and governing body to steer the organization.

-The organization can benefit from the direct involvement of front line workers in decision making.

The board is in constant interaction with the staff.

Weakness/ difficulties

Requires a constant negotiation process and a shared sense of purpose and willingness to accept responsibility for work of others and ability to compromise.

-In case of conflict, arbitrage is difficult and sometimes may lead to crisis.

Entrepreneurial Model

What is it ?

It is more of a business or corporate model of governance. There is a focus on innovation, and often this appears as a focus on efficiency and effectiveness measures which pushes the organization to achieve a maximum return on its investments.

There is a constant recognition of the stakeholders' self interest. The whole organization is oriented towards market and business results.

Investors are potentially present in the board to defend their interest.

Best practices are readily and easily adopted.

Advantages

- Result and achievement oriented.
- Leadership qualities are highly put into value in order to maintain good results and achievements.
- Best practices are highly put into value.
- There is a clear organizational culture which focusses on efficient and effective processes

Weakness/ difficulties

- Highly result oriented and very little emphasis to human and societal needs.
- It is very difficult to implement this type of governance in mission oriented sectors.

Management Team Model

What is it ?

The Board members are all volunteers and the members are entrusted with the management through committees, or they are directly involved with the day to day management. Board members are not only in charge of governance task, but they are also in charge of operational tasks (with direct or indirect interference). In organizations with professional management this normally takes the form of highly directive supervision of the CEO and staff at all levels of the organization. Decision making extends to fine details about programs, services and administrative practices .

The most important shortcoming is that all too frequently it degenerates into micro-management model in which the board members refuse to delegate authority, believing that their roles require them to make all operation decisions, leaving only the implementation to the paid staff.

The result is invariably a lack of consistency in decisions, dissatisfied board members, resentful staff and a dangerous lack of attention to planning and accountability matters.

Advantages

Motivation of the board members

Weakness/ difficulties

- Micro-management leading to demotivation of the paid staff
- Governance practices and management practices are mixed up leading to confusion of roles and conflict of interest and tensions.

There are a number of reasons for considering a change in your governance model:
board members are dissatisfied with their roles or the way the board operates;
your organization is experiencing problems that can be traced back to inadequacies in board structure or process;
your organization is entering a new phase in its life-cycle;
the CEO has left or is leaving;
there has been a major turnover of board members;
there is a crisis of confidence in the board or the CEO.

The descriptions above, of the various governance models, will give you an idea of the strengths and weaknesses of each model, but the difficulty in making the transition cannot be overstated. Changing models is like changing lifestyles. You must abandon well-established ideas and patterns of behavior, replacing them with new ideas, roles, and activities that will seem confusing and unfamiliar. This type of change takes a considerable amount of time, energy, and other resources to accomplish. The answers to the following questions will help you to determine how badly you need to change your governance model and whether your board and organization have the necessary commitment and resources to accomplish it successfully. Take your time with each question, ensuring that each board member answers each question.

Caritas Pakistan Governance

- **Evaluation findings**

- 1. Board should have been more active in the follow-up implementation and monitoring of the strategic plan Participation of the board in the accompaniment of the executive secretary
- 2. The funding partners also state that the Board should have been more active in the follow-up implementation and monitoring of the strategic plan Participation of the board in the accompaniment of the executive secretary
- 3. need to enhance good governance by monitoring the implementation of the new systems and structures put in place Monitoring mechanism of the Systems
- 4.. Regular implication of the Board in accompanying the Executive secretary as well as contributing to quick decision making at the policy level ; Accompaniment of the Exec Secretary ; Little presence in the decision making process
- 5. Lack of clarity on the tenure and term of the executive secretary ; Renewal of the CEO which is not clear = predictability.
- 6. inadequate accompaniment of the executive secretary and the national office by the Board and this led to lack of clarity in orientations and ambiguities in decision makings. Lack of accompaniment and more micro management.
- 7. Need to improve the accounting systems at the diocesan level accountability of the DC.
- 8. Long way to go to become more professional ; Role of the Board.
- 9. Organization management and governance need to be reviewed Gouvernance
- 10. Need to improve the finance management systems and the methods
- 11. But sometimes CP tends to lose sight of its VMG when it gives much focus on activities and funding
- 12. Inability to retain capable human resources.
- 13. Lack of policy decisions to strengthen the lobby activities with the international partners
- 14. CP must work on its financial sustainability both for structure and projects
- 15. Follow strictly the finance procedures and rules that have been established.
- 16. Caritas Pakistan must urgently strengthen its finance management at the national level
- 17. The long term financial sustainability of the organization needs to be looked into strategically and urgently
- 18. The global audit must now be systematized with a clear political will and all the dioceses must collaborate
- 19. Caritas must develop a financial road map (Business Plan) in order to clearly indicate the cash flow, income and expenditures, and a clear budget.
- 20. The Board must closely accompany the executive secretaries by giving them guidance and orientations and not be involved in the day to day activities .
- 21. Caritas Pakistan must redesign and define its goals and thematic areas and establish clear priorities for the future. Need to establish new policies and implement them
- 22. Finance management procedures at the diocesan level and initiate capacity building for the gold coin program
- 23. Caritas Pakistan must clearly identify the areas in which it must have a lead role and those in which it should have a supportive role with the other commissions
- 24. CP will have to strategically reflect on how it is going to maintain the best resources and how they will be taken charge of in the new strategy

Rapid Assessment of the Board

- Every board needs to be clear about the roles, duties and responsibilities of the members:
- What are the roles and powers of board members?
- What are our responsibilities? What are our fiduciary duties and responsibilities?
- How are we appointed? What skills do we need?
- What induction and training do we need?
- What is our code of conduct?
- How will we run our meetings?
- What committees will we have and what are their roles and responsibilities?
- What are the responsibilities of our members? , What are the rights of our members?
- How will we report to our members?
- What is the role of the chairperson? What is the role of the treasurer? What is the role of the secretary? What is the role of individual members?
- What is the role of the Chief Executive Officer?
- What values underpin good governance?
- How will we know we are doing a good job?
- How do we as a group ensure accountability and transparency to the stakeholders.
- What are our responsibilities towards the beneficiaries ?

Do we have a clear understanding and agreement on the purpose of our organization? Is it written down?
What are the basic values which guide our organization and our board? Are they written down?
How do we know whether the good our organization does is worth what it costs to operate it?
What financial resources do we have and can we reasonably count on for the next few years?
To what extent are board members expected to contribute money and labor to fundraising efforts?
Do we believe that the organization should be run as a cooperative or collective - with staff participating along with board members in the governing of the organization?
How much time is each board member willing to give to the organization in the next year (or until the end of their term)?
How much trust does the board have in the ability of the CEO to ensure that the organization operates in an effective and ethical manner?
What are our expectations about attendance at board and committee meetings?
What is the attendance record of each board member?
How do we hold board members accountable?
What is the record of each board member and committee with respect to meetings and results?
How useful has each committee proven to be?
To what extent do committees duplicate staff jobs? How satisfied are our members with the current board performance?
Who thinks we should change our governance model?
How much time and money are we willing to devote to increasing our own knowledge and skills to improve our performance as board members?
How does our board deal with differences of opinion?
How do members deal with decisions when we disagree?
To what extent is it necessary for us (board members) to be involved in the delivery of programs and services, marketing, public speaking, etc.
Who attends our Annual General Meeting? Why do they come?
As board members, to whom do we wish to be accountable? Especially in finance matters and fund transparency
How effective is our current recruitment method in getting excellent board members?

Caritas Model

Basic principles :

Caritas is a Faith Based and mission oriented non profit organization. The main purpose is to witness universal solidarity in a sense of accountability and transparency, first to the beneficiaries and then to those who give the means for action. It is the highest level decision making body.

To be effective in its mission, Caritas needs to strategize its action of solidarity, establish priorities and above all implement them with concern, care and commitment for the poor and needy. In order to achieve this it must have committed staff at the different levels, good systems and structures, relevant checks and balances and above all a board which gives the necessary impulsion and direction to steer the organization. Its main role is to steer and guide the organization in its general orientations, but it is not involved in the day to day organization daily management and administration.

The Board by a good accompaniment holds the CEO responsible for the good functioning of the organization.

The Board through vision and creativity leads the organization through the following primary functions :

Out reach (good environment scanning, aware of needs and expectation of the stakeholders, keeping apace with emerging trends and anticipating problems.

Stewardship (Challenging the framework and vision of the organization, maintaining forward looking perspectives, ensuring evolution, capacity building & ensuring the robustness of the organizations.

Overseeing of operational structures and operations

Accountability function , Checks and balances on operations within a policy governance model, protecting the integrity of the system, holding the tension between the result orientation and process orientation.

Ambassadorial and legitimating

Promotion of the organization to the external communities based on vision system, ensuring the interest of the CI network, Board members lend their professional and personal expertise and credibility for the organization.

Self reflection and assessment

Regular reviews of the functions and effectiveness of the board and the organization itself, assessing the level of trust within the board and within the organization as well as the group process.

Conclusions

1. Identify the gaps between the existing models and what is ideally needed for Caritas Pakistan.
 2. Define the Role and responsibilities of the Board and its composition.
1. Introduction of mechanisms to ensure follow-up of financial accountability, Beneficiaries accountability and Program accountability.