



Governance Practices and Challenges by SACCOs and Cooperative Societies- Way Forward

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Are these the Main Pillars of Governance?

Representative

Participatory

Accountably

Autonomous

Transparen
cy

Follow the
rule of law

Fairness

Legitimacy

Are these the Main themes of organizing of governance? PONDER.

Board
oversight
and
responsibilities

Leadership

Strategy

Communications
and Information

Organization
Structure
Design

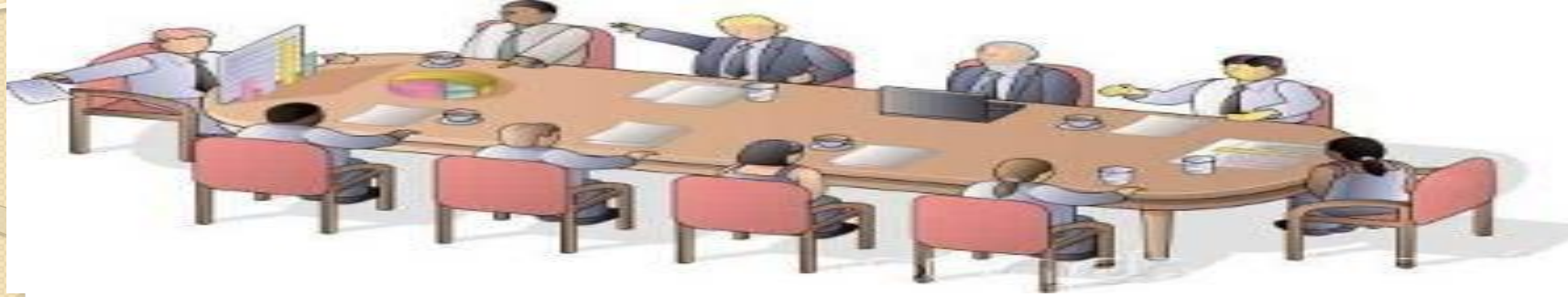
Committee(s)
authorities
and
responsibilities

Technology

Policies and
procedures

Responsibility

Delegation



- Definition of Governance
- Functions of Governance
- Governance and structures.
- The Board's building, structure, characteristics, role and framework.
- Key success factors for an effective Board.
- Challenges to effective governance.
- Basic features of good governance .
- Why is good governance important?

What is Governance?



Governance

“ **governance is concerned** with holding the balance between **economic and social goals** and between **individual and communal goals**..... The aim is to align as nearly as possible the interests of individuals, institution and society.”

*Sir Adrian Cadbury
Corporate Governance Overview, 1999
[World Bank Report]*

Governance is a mechanism through which **boards and directors** are able to direct, monitor and supervise the conduct and operation of the institution and its management in a manner that ensures appropriate levels of authority, accountability, stewardship, **leadership**, direction and control.

Definition of Governance

- ***Governance concerns the structures, functions, processes, and organizational traditions*** that have been put in place within the context of a program's authorizing environment “to ensure that the [institution/program] **is run in such a way that it achieves its objectives in an effective ,efficient and transparent manner.**
- It is the “**framework of accountability** to users, stakeholders and the wider community, within which organizations take decisions, and lead and control their functions, to achieve their objectives.
- The origin of the word governance is the Greek verb **kubernaein(kubernao)** meaning to steer or the act or manner of governing and old French word **Governer.**

'Good governance' is...

- 'A *transparent decision-making process* in which the *leadership* of an organization, in an *effective and accountable* way, directs *resources* and exercises *power* on the basis of *shared values*'

- Marilyn Watt, A Handbook of NGO Governance

A sharing of decision making so that power and resources do not accumulate in the hands of one person or a single group.

What might 'bad governance' mean?

Functions of Governance

➤ Strategic direction:

- Establishing a vision and a mission for the Society, institution/program, reviewing and approving strategic documents, and establishing operational policies and guidelines.
- Exercising effective leadership that optimizes the use of the financial, human, social, and technological resources of the institution/program/society.
- Continual monitoring the effectiveness of the Society's/institution's/program's governance arrangements and making changes as needed

Functions of Governance (cont...)

- **Management oversight:**
- ▶ Monitoring managerial performance and program implementation, appointing key personnel, approving annual budgets and business plans, and overseeing major capital expenditures.
- ▶ Promoting high performance and efficient processes by establishing an appropriate balance between control by the governing body and entrepreneurship by the management unit.
- ▶ Monitoring compliance with all applicable laws and regulations, and with the regulations and procedures of the host organization, as the case may be.

Functions of Governance (cont...)

➤ **Stakeholder participation:**

- ▶ Establishing policies for inclusion of stakeholders in programmatic activities.
- ▶ Ensuring adequate consultation, communication, transparency, and disclosure in relation to institution/program stakeholders that are not represented on the governing bodies of the institution/program.

➤ **Risk management:**

- ▶ Establishing a policy for managing risks and monitoring the implementation of the policy.
- ▶ Ensuring that the volume of financial resources is commensurate with the institution's/program's needs and that the sources of finance are adequately diversified to mitigate financial shocks.

Functions of Governance (cont...)

➤ **Conflict management:**

- ▶ Monitoring and managing the potential conflicts of interest of members of the governing body, staff of the management units and members of the society.
- ▶ Monitoring and managing conflicting interests among institution/program partners and stakeholders, especially those that arise during the process of institution/program implementation.

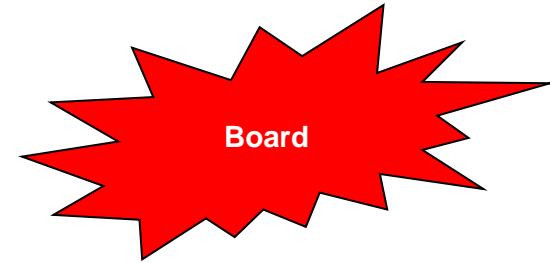
➤ **Audit and evaluation:**

- ▶ Ensuring the integrity of the institution's/society's accounting and financial reporting systems, including independent audits.
- ▶ Setting evaluation policy, commissioning evaluations in a timely way, and overseeing management uptake and implementation of accepted recommendations.
- ▶ Ensuring that evaluations lead to learning and programmatic enhancement.

Building Effective Board Governance

- **Defining key board roles**

- Board Chairman
- Chief Executive Officer
- Board Directors - executive and non-executive



- **Putting in place board governance arrangements**

- Board committees to support decision process
- Supporting functions to regulate processes
- Board procedures and rules, e.g. conflicts of interest
- Delegated authorities for management

- **Ensuring proper oversight and supervision**

- Management reporting and public disclosures
- Assurance processes and controls

Chairman as Leader of the Board

- **Primary role**

- Provide overall leadership to the board

- **Function**

- Principal link between board and CEO/management team
- Responsible for board agenda and work plan
- Work with board committee chairmen
- Involved in selection and induction of new directors
- Counsel individual directors on their performance
- Participate in discussions with investors, key stakeholders

CEO as Leader of the Institution

- **Primary role**

- Lead the management team, reporting to the board

- **Function**

- Work closely with board chairman
- Responsible for performance of management team
- Formulate institution strategy, annual business plan and budget
- Responsible for institution and financial objectives
- Formulate major institution policies
- Ensure continuous improvement in services and products
- Manage relations with investors, members(major customers), regulators inter alia.
- Responsible for institution's long-term sustainability and day to day perations.

Benefits of Effective Board Committees

- **Assist the board in its decision making**
 - Allows detailed discussion on management matters
 - But, filters out operational issues that remain with management
 - And, focuses on strategic decisions required of the board
- **Supports board responsibilities in key areas**
 - Audit, recruitment, internal controls and risk
 - Executive compensation and management appointments
 - Governance issues and institution policies
 - Others, e.g. health, safety, environment, etc.

Characteristics of Effective Governing Boards

- ▶ Passionate belief in the mission
- ▶ Shares a clear vision for the future
- ▶ Has a firm understanding of the society's charter
- ▶ Focused on results
- ▶ Focused on strategic issues
- ▶ Has a clear understanding of roles and responsibilities
- ▶ Has an appropriate structure, size, and composition
- ▶ Has a clear understanding of the difference between governance and management
- ▶ Maintains a strong relationship with the institution leader
- ▶ Facilitates the mutual support of a strong institution leader who understands charter governance
- ▶ Active and catalytic in its approach to society's issues.

Board's Role in Financial Oversight

- Duty to maintain proper accounting records
- Periodic reporting of financial position, performance
- Establishing, monitoring proper internal controls
- Ensuring proper external controls and audit
- Skills, knowledge required by directors

Board's Role in Risk Management

- **The board should know about and evaluate the:**
 - ↳ Most significant risks facing the institution
 - ↳ Possible effects on members
 - ↳ Institution's management of a crisis
 - ↳ Importance of stakeholder confidence in the organization
 - ↳ Communications with the investment community
- **The board should ensure that:**
 - ↳ Sufficient time is devoted to discuss risk strategy
 - ↳ Appropriate levels of awareness exist throughout the institution
 - ↳ Risk-management processes work effectively
 - ↳ A clear risk-management policy is published

Key success factors for an effective Board

- Outstanding leadership
- Unquestioned legitimacy and effective power
- Enlightened definition of function, role and responsibilities
- Outstanding competence
- A supportive, functional culture; and
- Efficient management of function, structure and process
- Passionate board members upholding due care and diligence principles

Challenges to effective governance

- Ineffective leadership
- Lack of sustained commitment to Vision, Mission and Values
- Unclear definitions of functions, roles and responsibilities
- Lack of clarity between role of management & Board
- Lack of mutual trust within Board and between Board and management



Challenges to effective governance

- Imbalance of skills and competencies
- Poor information management (too much/too little)
- Burnout of Board members
- Turnover of Board members and little/no corporate memory
- Lack of succession planning



Role of the board

Board structure

Role of individual directors

Role of the chair

Role of the company secretary

Role of the CEO

Defining Governance Roles

Key Board Functions

Strategy

CEO

Monitoring

Compliance

Risk management

Policy framework

Networking

Stakeholder communication

Decision making

Board Behavioural Dynamics®

Director protection

Board evaluation

Director remuneration

Director selection

Director induction

Director development

Board Effectiveness

Improving Board Processes

Board meetings

Board meeting agenda

Board papers

Board minutes

Board calendar

Committees

Governance by-laws development

- Normally there are documents that set out the rules of an organisation's governance structure – by-laws
- The by-laws along with legal documentation (incorporation) and the mission statement as well as other documents communicate what the organisation is doing, how it's doing it and where it's going

A basic governance (by-laws)...

- Membership rules
- Board election processes
- Responsibilities of the board
- Board positions, criteria and duty statements
- Terms of office for board members
- Decision making and minuting procedures
- Frequency and number of meetings per year
- Meeting quorum
- How meeting dates are set and agendas developed (and by who)

Developing a governance (by-laws)...

- Takes time
- Must be consultative i.e. engage the organisation's members and/or constituents
- Must be formally endorsed by the membership.

Basic features and pillars of good governance

- A basic form of accountability
- Decisions are discussed and made collectively
- There are restrictions on one person becoming more powerful than the others
- This doesn't happen accidentally, by chance or because of good will – it has to be formalised through rules and procedures

Good
Governance



Importance of good Governance?

- “The importance of governance lies in its contribution both to business **prosperity and to accountability.**”

Brainstorm: Why is good governance important?

- ▶ Stability and reliability
- ▶ Guards against corruption
- ▶ Clear rules and procedures (transparency)
- ▶ Accountability to communities/members
- ▶ Sustainability and development
- ▶ Diversity of views
- ▶ Participation of more people
- ▶ Guard against autocratic rule
- ▶ Having structure to keep organisation focused on stated mission
- ▶ And many more...

Best Practices of governance in SACCOs- Way Forward

- A clearly delineated, written governance structure with only one staff person reporting to the board.
- Ongoing board training based on identified needs plus orientation and mentors for new board members.
- Once a month, properly posted meetings focused on leading the society's charter in alignment with the vision and mission statements.
- Zero tolerance for corruption.

Best Practices of governance in SACCOs- Way Forward

- Less than half of the business meetings have an Executive Session.
- Involved future board members on subcommittees or projects in order to acquaint them with the work of the society and give the current board an idea of how that individual would conduct themselves as a board member.
- A strategic plan to guide them in meeting long-term and short-term goals.
- A board subcommittee that develops the society's budget, financial policies and procedures and an internal/external audit process.

Best Practices of governance in SACCO- Way Forward

- Board packets sent to individual board members a week before the meeting.
- A board policy manual that is easy to understand and clearly communicates the board's values.
- A focus on outcomes rather than process.
- Individual board members that network with key individuals in the community and monitor society's charter and legislation.
- A proactive rather than a reactive mindset of the board, staff and members.

Best Practices of governance in SACCOs

Way Forward

- A understanding of each other's strengths and weaknesses.
- A practice of evaluating itself at least annually.
- A standard board calendar with items that are addressed on a regular basis.
- Efficient, productive meetings.
- Financial checks and balances that provide for good oversight of public funds on regular basis.

Best Practices of governance in SACCOs

Way Forward ---Others????

- Individual board members always learning about society's charter or cooperatives' issues.
- Uphold integrity at all times

Reflection:

- ***How well does your Organization/board do in enacting these practices?***



**Thanks for Your Attention and God bless
you all.**

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