

# Effective Governance



**This is the first in a series of tips for the toolkit that focus's on the elements of effective governance. In this issue we will focus on effective decision making.**

Serving on a governance board as a trustee can be a rewarding and fulfilling experience.

Trustees are in a position of trust on behalf of the stakeholders of the organisation to ensure that the organisation sets a strategic direction, develops useful policies, manages risk, provides accountability and monitors and evaluates organisational achievement. They are the kaitiaki, the caretakers, they safeguard the organisation allowing it to achieve positive outcomes for the benefit of the community and to do so within the law. To be effective as a governance board you need to have good decision making processes.

## **Good decision-making contributes positively to effective board meetings.**

Well run meetings produce good results; therefore it is important that the governance board meetings are as effective as possible.

The board's decisions are subject to public scrutiny; therefore diligence is required to be an effective decision maker. When you become a trustee you assume a level of responsibility for the organisation (a duty of care) and also a degree of personal risk. The position carries with

it the potential for liability. It is important that the decisions made at governance meetings are well thought through.

Members of governance boards bring varying opinions and perspectives to the board table. These differing views are important and allow the board to fully examine issues and consider differing opinions. Healthy debate is an essential element of good decision making.

Trustees may be in breach of the constitution / trust deed of the board they were to speak in public against the decision of the board. It is reasonable to expect individual trustees to support any sensible, legal, decision of the board. If a trustee disagrees with a decision of the board ensure that your objection is recorded in the minutes or the matter may be taken further with the board in a manner consistent with the constitution of the board.

Governance business is generally done through regular meetings; these have a number of functions which include:

- They give trustees a chance to discuss and evaluate goals, objectives and other matters.
- They keep trustees updated on current events of the organisation and the community it serves.
- They provide trustees a chance to communicate and keep the group cohesive.
- They assist trustees to monitor the financial business of the organisation.
- They allow trustees to monitor the progress of the work and the strategic direction of the organisation.

Overall the most important aspect of governance meetings is the way they enable the committee to make effective decisions for the best interests of the organisation and its stakeholders.

### What do you make decisions on?

- Strategic directions
- Approving the annual budget and organisational plan.
- Funding the work of the organisation
- Setting organisational policies
- The appointment of the organisation's Manager or Chief Executive

Decision-making procedures vary with organisations; these are outlined within the constitution / trust deed. How decisions are made is as important as the decisions themselves. There is no one rule for decision making, however there are some useful strategies that can be used. These include:

#### Decision by majority rules:

Requires support from more than 50% of the members of the group. (By votes)

#### Decision by consensus rule:

Requires that a majority approve a given course of action but the minority agree to go along with it.

#### Decision by unanimous decision rule:

Requires everyone to agree on a given course of action.

### Difficulties in decision-making:

#### Why do difficulties arise?

- Conflicting loyalties.
- Interpersonal conflict.
- Hidden agendas.
- Poor leadership.
- Clash of interests.
- Process for decision-making is not clear.
- No agenda, no plans, no goals.
- Lack of information.
- Poor communication process.

### The governance body can manage decision making effectively by:

- Having all the facts before making decisions. Board members should request the relevant information they need to base their decisions on.
- Being able to interpret information before making decisions. If they are unsure it is their responsibility to probe until they do understand the matter in hand.
- Considering the effect of every decision. Decisions should reflect and protect the stakeholders' investment in the organisation.
- Having their decisions recorded and also recording the reasons for their decisions and attaching all the relevant documentation including expert advice given.
- Decision-making is informed by the 'purpose' of the organisation and the mission statement should be at the forefront of decision-making along with its vision and values.

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#### Bibliography:

[www.Community.net.nz](http://www.Community.net.nz) –section 10, meetings



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