1.0 Executive Summary

This is our second paper drawing on surveys of HA boards and CEOs and a literature review to inform thinking about HA governance in Northern Ireland. Details of methodology can be found in Discussion Paper 1. The theme of this second paper is ‘how we govern’. Evidence is presented around five main themes:

- Board Strategy and Performance (methods, effectiveness, and strategic planning, comparison to other sectors)
- Executive/Non-Executive Roles and Relationships
- Life Outside the Boardroom
- Managing tensions and conflicts
- Managing accountability to stakeholders (including tenants and multi-level governance within HA groups)

The structure of the paper mirrors that of the first discussion paper with a short executive summary and selection of key discussion points (section 1) followed by a summary of survey evidence (section 2) and a discussion of implications for governance, interpreting the evidence in the light of international literature on corporate governance\(^1\).

Quite a few survey questions explore the ways in which Boards are involved in strategy and how boards perform. While HA boards are quite business focused and orientated towards strategy, there is scope to move to a greater emphasis on business performance rather than simply conformance with regulatory standards. While there was a reasonable degree of self-confidence about how boards perform, there appears to be scope for sharing good practice across the sector and for greater use of peer mentoring within boards. Boards are considered to make good use of business strategy techniques such as PEST and SWOT and to approve the risk register and be aware of performance improvement. Many HA board members had experience of boards in other sectors and there appears to be scope to draw on this experience more and in particular to increase ownership for strategy by HA boards.

\(^{1}\) Some of the issues in the paper were also illuminated by case studies undertaken in 2014, but this evidence is not included here pending sign off of case study reports by the HAs involved.
Relationships between executives and non-executives are at the centre of organisational governance and these relationships are illuminated by comparison between our two surveys (with key differences emerging over payment and tenant board membership). The relationship between Chairs and CEOs is often regarded as the key to effective governance. Unitary boards may include a small number of executives as equal members with non-executives, thereby avoiding artificial divides in the strategy process, but altering accountability structures and separation of powers in traditional HA boards. This model might be expanded in NI HAs.

Life outside the board room is an important but often overlooked aspect of corporate governance. Gaining the right level of involvement requires a mix of formal and informal relationships. Our surveys (and case studies) therefore sought to gather evidence in the nature and extent of such contacts. For most board members contacts with senior staff and other board members occurs monthly or quarterly and is predominantly linked to formal meetings. More frequent and less formal interaction with staff at different levels in the organization could give boards a better feel for the business and allow skills and knowledge to be applied more effectively, but risks blurring accountability and increasing ‘interference’ in operational matters.

Boards are about collective decision making and are therefore likely to involve disagreement, at least at discussion stage on key strategic issues. There is a need to accept collective responsibility for decisions that board members individually disagree with. The survey found reports of such conflicts to be quite limited in NI HAs (reported by less than 20% of respondents). Disagreement between non-executives were more common than between non-executives and the executive team. The main topics board members disagreed on were strategy, constitutional and legal issues and specific contentious decisions. The only significant area of disagreement between boards and staff was over business development and service quality. There may be a relationship between areas of dissension and skills gaps identified in the first discussion paper.

Managing accountability is a key function of governance and this involves deciding to whom HAs should be accountable. In the survey Board members were clear that their most important accountabilities were internal, to the Chair, to the mission and to the tenant, followed by external accountability to the DSD. Accountabilities to local communities and to private lenders were seen as considerably less important. The most effective ways of providing accountability were seen as delivering on promises and providing regular information, with much less importance placed on consultation, inspection and duties to shareholders. The least valued accountability devices were league tables.

The high importance given to accountability to tenants is supported by a wide range of accountability methods beyond board membership; but the majority of board members believe that tenants should sit on boards. However, only a half of NI HA boards currently have tenant members and only a third of board members consider that their board currently engages with tenant structures.
Multi-level governance becomes increasingly important as HAs grow through group structures and partnerships. There is a potential for conflicts between different levels of governance in groups. These may include issues of control and influence exercised by the parent, potential loss or dilution of local power and local identity, a lack of clarity around roles and relationships, and issues around internal control and audit. These issues need to be reflected in accountability arrangements and board members need to understand the implications for their roles. There can be no one size fits all governance model for the sector since HAs vary considerably in scale and complexity and the role of board members therefore also varies considerably.

1.1 Discussion Points

**Board Strategy and Performance**

- How can boards achieve an effective balance between conformance and performance? – What are the implications of the focus on regulatory or business drivers?
- How can board members be empowered to influence decision making and assume greater feelings of ownership for board strategy?
- How should boards become involved in reviewing strategy and what interaction is needed between boards and staff?
- Could individual HA and sector performance be improved by peer mentoring of new board members and by sharing governance practices and ideas across the sector?

**Executive/Non-Executive Roles and Relationships**

- Should NI HA Boards consider moving to a unitary board model combining executives and non-executives? - Would this improve board performance?

**Life outside the Boardroom**

- Should HAs encourage more informal interaction between board members and staff in different parts of the organisation so they get a better feel for the business? – might this blur accountability and increase interference in operational matters?

**Dealing with Board Conflict and Dissension**

- How can commitment to collective responsibility for decisions be maintained without allowing genuine disagreements to fester?

**Managing Accountability to Internal and External Stakeholders**

- How do boards ensure that tenants have a variety of ways of being involved and holding the organisation to account through direct links to the board?
- How can understanding of roles, responsibilities and relationships in multi-level governance of group structures be better clarified?
- How can HAs become more effective in providing accountability to key external stakeholders? Is there a need for more board transparency?
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2.0 Survey Results

2.1 Board Strategy and Performance
There was general support from the board members’ survey that the strategic role of Boards and holding the organization to account works well in practice. Board members were slightly more likely to believe that Board decisions were already taken by staff but generally felt that relationships with staff were good. Boards received good quality information and were not dominated by executive and staff agendas. Many CEs and board members were unsure if performance would be improved by executives becoming full members of Boards, and there was also a high degree of uncertainty on whether board member payment would enhance performance. Chief executives (CEs) concurred with board member views on most points but were much more likely to believe that payment would improve performance.

Figure 1: Board Member and CE views on aspects of Board Performance

Decisions Taken by Staff
- Eighty-four per cent (84%) of board members disagreed or strongly disagreed that ‘there is little for the board to decide as most decisions have already been taken by staff’. One tenth (10%) neither agreed nor disagreed and (6%) agreed or strongly agreed. All CEs (100%) disagreed or strongly disagreed with the statement.
Board Receives Good Quality Information
- Eighty-nine per cent (89%) of board members agreed or strongly agreed that ‘the board receives good quality information’. Six per cent (6%) neither agreed nor disagreed and (4%) disagreed or strongly disagreed
- All CEs (100%) agreed (43%) or strongly agreed (57%) that ‘the board receives good quality information’

Board Addressing Strategic Issues
- Three-quarters (75%) of board members disagreed or strongly disagreed that ‘the board finds it hard to address strategic issues’. Sixteen per cent (16%) neither agreed nor disagreed and almost one-tenth (9%) agreed or strongly agreed. Ninety-three per cent (93%) of CEs disagreed or strongly disagreed with the statement and (9%) neither agreed nor disagreed

Board Agendas
- Three quarters of board members (76%) disagreed or strongly disagreed that ‘the agenda for board meetings is entirely dominated by staff’. Fourteen per cent (14%) neither agreed nor disagreed and one tenth (10%) agreed or strongly agreed. Sixty-five per cent (65%) of CEs disagreed or strongly disagreed with the statement, (22%) neither agreed nor disagreed and (13%) agreed

Board Challenge
- Almost three quarters (73%) of board members disagreed or strongly disagreed that ‘staff are not questioned enough about their reports’. One fifth (20%) neither agreed nor disagreed and (7%) agreed or strongly agreed. Eight-seven per cent (87%) of CEs disagreed or strongly disagreed with the statement and the remainder (13%) neither agreed nor disagreed

Board Staff Relations
- Ninety-seven per cent (97%) of board members agreed or strongly agreed that ‘relationships between board members and senior staff are good’. Only (3%) neither agreed nor disagreed. Ninety-one per cent (91%) of CEs agreed or strongly agreed with the statement and (9%) neither agreed nor disagreed

Board Payment and Performance
- One quarter (26%) of board members agreed or strongly agreed that ‘payment of board members would improve their performance’. Almost two-fifths (38%) neither agreed nor disagreed and (36%) disagreed or strongly disagreed. Almost
half (48%) of CEs agreed or strongly agreed with the statement, (39%) neither agreed nor disagreed and (13%) disagreed

Executives on Boards
- Almost two fifths (43%) of board members disagreed or strongly disagreed that ‘Having staff as full board members would improve performance and accountability’. Thirty-nine per cent (39%) neither agreed nor disagreed and almost one-fifth (18%) agreed or strongly agreed. Almost half (52%) of CEs disagreed of strongly disagreed with the statement, (30%) neither agreed nor disagreed and (17%) agreed or strongly agreed

2.1.1 Methods used to Aid Board Performance
Both board members and CEs reported on a range of methods used to aid board performance which included: induction training; skills audits; appraisals; person specifications; ongoing training / away days and maximum length of service and expertise and advice provided by staff.

Board member mentoring was less frequently used and board members reported less use of person specifications than did CEs. Additional comments stated that specifications are set out in the roles of board and committees; that attendance at conferences was an aid to board performance; and that although a nine year term has been introduced, the DSD has granted extensions where mergers were in progress

Figure 2: Methods used to aid board performance as reported by both

<table>
<thead>
<tr>
<th>Method</th>
<th>Chief Executives</th>
<th>Board Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>A maximum limit on the length of service as a board member</td>
<td>60.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Annual appraisal of board members</td>
<td>70.0%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Expertise and advice provided by board</td>
<td>50.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Induction training</td>
<td>90.0%</td>
<td>80.0%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>30.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Ongoing training / away days</td>
<td>50.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Person specification for board members</td>
<td>40.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Skills audit / review</td>
<td>70.0%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>
2.1.2 Effective Aids to Board Performance

Both board members and CEs were happy with the advice and expertise provided to the board. Board members were slightly more likely than CEs to view maximum lengths of tenure as an aid for performance. CEs showed slightly more interest in board member appraisals and there were high levels of agreement that induction training, ongoing training and board away days were considered effective aids to board performance. The key finding in this section is that more than half of board members and over half of CEs reported that ‘mentoring’ was an effective or very effective aid to board performance despite only 17% of CEs having reported using it above.

- Forty-four per cent (44%) of board members considered ‘a maximum length on service as a board member’ to be effective or very effective aids to board performance; (36%) considered it neither effective nor ineffective and one-fifth (20%) considered it to be ineffective or very ineffective. Thirty per cent (30%) of CEs considered the above statement to be an effective or very effective aid, (52%) felt it was neither effective nor ineffective and (17%) felt it was ineffective or very ineffective

- Three-quarters (75%) of board members thought ‘annual appraisal of board members’ was effective or very effective; approximately one-fifth (22%) thought
it was neither effective nor ineffective and only (3%) thought it an ineffective aid to board performance. Eighty-three per cent (83%) of CEs considered the above statement as effective or very effective tools for board performance; (17%) thought appraisals were neither effective nor ineffective.

Figure 4: Board Members on Effectiveness of Board Performance Aids

- Eight-eight per cent (89%) considered ‘expertise and advice provided by staff’ to be an effective or very effective aid to board performance. One tenth (10%) thought was neither effective nor ineffective and (1%) thought it was ineffective. Ninety-five per cent (95%) of CEs considered advice and expertise provided to board members to be effective or very effective.

- Ninety-five per cent (95%) of board members believed ‘induction training’ to be an effective or very effective aid to board performance and (5%) thought it was neither effective nor ineffective. All CEs agreed (100%) that induction training was an effective (52%) or very effective (48%) aid to board performance.

- Almost three-fifths (58%) of board members thought ‘mentoring’ was an effective or very effective aid to board performance; (38%) felt it was neither effective nor ineffective and only (3%) thought it was ineffective. Over half (57%) of CEs considered mentoring to be effective or very effective, compared to (43%) who thought it was neither effective nor ineffective.
- Ninety-eight per cent (98%) of board members felt ‘ongoing training / board away days’ were effective or very effective aids; (2%) thought it was neither effective nor ineffective. Ninety-three per cent (93%) of CEs believed ongoing training / away days were effective or very effective compared to (7%) who stated this aid was neither effective nor ineffective.

- Eighty-five per cent (85%) of board members thought ‘person specifications’ were either effective or very effective aids to board as did ninety-six per cent (96%) of CEs. As per Discussion Paper 1 a very small minority of organisations still do not use person specifications / role descriptions.

- Eighty-eight per cent (88%) of board members thought ‘skills audits / reviews’ were effective or very effective aids to performance with (12%) believing it to be neither effective nor ineffective. Similarly, (87%) of CEs felt skills audits / reviews were effective or very effective.

- Sixty-five (65%) of CEs stated that meeting board members from other sectors was effective or very effective; compared to (35%) thought it neither effective nor ineffective.

Figure 5: Chief Executives on Effectiveness of Board Performance Aids

![Bar chart showing effectiveness of board performance aids.](chart.png)

- A maximum limit on length of service as a board member
- Annual appraisal of board members
- Induction training
- Meeting board members from other sectors
- Meeting board members from other Housing Associations
- Mentoring
- Ongoing training / away days
- Person specifications for board members setting out key…
- Providing expertise and advice to board members
- Skills audit/review

How effective or ineffective do you consider these aids to board performance?

- Very Effective
- Effective
- Neither effective nor ineffective
- Ineffective
- Very Ineffective
2.1.4 Performance Compared to Other Boards

Board members who were company directors (either executive or non-executive) were asked to compare the board of their Housing Association to that of other boards they dealt with.

- Ninety-two per cent (92%) thought that HAs was more efficiently run compared to (8%) who stated it was less efficiently run
- Eighty-four per cent (84%) thought HA boards were more formal; 16% less formal
- Eighty-one (81%) felt that HAs were more concerned with social purposes; (19%) less concerned
- Almost three-quarters (72%) believed HAs to be more concerned with business success; (18%) thought HAs were less concerned
- Sixty per cent (60%) of board members stated they had more opportunity to influence compared to (40%) who felt they had less chance to influence
- Eighty-four per cent (84%) felt more ownership for the organisation compared to the (16%) who felt less

Figure 6: Performance Compared to other Boards

2.1.3 Strategic Planning

- The vast majority of CEs reported using business planning techniques such as PEST or SWOT to review corporate strategy. Only three CEs (13%) reported not using specific business planning techniques
- All CEs (100%) present reports to the board showing regular monitoring of progress. However, three CEs (13%) stated that their reports do not show performance targets measured against key indicators
- Sixty-one per cent (61%) of CEs reported board involvement in performance improvement systems (e.g. IIP) compared to (39%) who reported no involvement
- All CEs (100%) reported that the board approves the organisation’s risk register
- Ninety-one per cent (91%) stated that their boards consider the wider political / policy landscape for housing compared to (9% - two CEs) who stated their boards did not. (This was one of the main areas identified as training required in Discussion Paper 1)
- CEs listed a number of standards which are used to measure governance. These included: NHF, DSD, Institute of Directors, Code of Governance for the Voluntary Sector, Nolan, CIH best practice. The most commonly cited were the DSD governance guide and the NHF code of governance

Figure 7: Use of Business Planning Techniques according to CEs

<table>
<thead>
<tr>
<th>Does the board use specific business planning techniques such as PEST or SWOT to review corporate strategy?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td>87.0%</td>
</tr>
</tbody>
</table>

Discussion Points

- How can boards achieve an effective balance between conformance and performance? – What are the implications for the balance between regulatory and business drivers?
- How can board members be empowered to influence decision making and assume greater feelings of ownership?
- When should boards become involved in reviewing strategy and what interaction is needed between boards and staff?
- Could individual HA and sector performance be improved by peer mentoring of new board members and by sharing governance practices and ideas across the sector?
2.2 Executive/Non-Executive Roles and Relationships

Research indicates that informal contact between executives and non-executives signifies organisational commitment and enhances knowledge which is likely to increase perceived credibility of board member contribution and the ability to assess executive talent, whilst on the other hand reducing information asymmetry between board members. The nature and extent of these relationships were explore from a CEO perspective in the first survey.

Relationships between executives and non-executives are at the centre of organizational governance and these relationships are illuminated by comparison between our two surveys (with key differences emerging over payment and gaps in relation to experience of being a tenant). We also gathered evidence on the nature and frequency of contacts between CEOs and boards.

Figure 8: Chief Executive Contact with others Outside Formal Board Meetings

- Nine per cent (9%) of CEs meet with their Chairs on a daily basis; (70%) on a weekly basis and (22%) on a fortnightly basis
- No CE went beyond one month before meeting with the Chair outside of formal board meetings
- CEs met with Chairs of sub-committees more frequently on a fortnightly (35%) or monthly (48%) basis; (13%) met every three months and only (4%) on weekly

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The most regular occurrence between CEs and other board members was on a monthly basis (61%)

2.3 Life outside the Boardroom

We asked similar questions about frequency of personal contact from the perspective of board members. Personal contacts may occur at sub-committees, at informal meetings within or outside of the organisation. These questions tried to get a feel for the extent of board member personal contact with CE, Chair and other board members outside of the boardroom. A similar question focused on informal contact between CEs and Chairs, sub-committee chairs and other board members.

The pattern that emerges is varied with a small minority of board members having very frequent personal contact on a weekly basis, but most board members having very little contact with the CE, Chair or each other outside of the boardroom. Answers to these questions tell us little about informal aspects of board decision processes and board-staff, Chair-CE relations, but case studies attempted to find out a little more about how board agendas and decision processes are constructed and executive and non-executive relationships.

Figure 9: Board Member Contact with others outside Formal Board Meetings

- Board members spend an average of 8 hours per month on HA business outside the boardroom
- Much more frequent contact is essential between CEs and Chairs and nearly three quarters of CEs said they met their Chair at least weekly; nine per cent (9%) met daily. There were slightly less frequent but regular contacts with sub-committee chairs. All of these contacts are likely to be related to formal business of the HA
- One-fifth of board members (20%) stated they meet with the CE on a weekly basis. One-tenth of board members (10%) also stated they meet with other senior staff on a weekly basis.

- Personal contact outside of board meeting is most prevalent on a monthly basis. Thirty-eight per cent (38%) of board members met with the chair; (34%) met the CE; (34%) met with other board members; (29%) met with other senior staff; and (41%) met with the chair of a sub-committee. The most regular occurrence of meetings outside of formal board meetings are between board members and sub-committee chairs.

- One fifth (21%) of board members stated that they meet the chair on a quarterly basis; (19%) meet with CE; (23%) meet with other board members; (26%) meet with other senior staff; and (26%) meet with the chair of a sub-committee.

- Eleven per cent (11%) of board members never meet with the chair outside of formal board business; only (2%) never meet with the CE; (6%) never meet with other board members; (9%) never meet with other senior staff; and (8%) never meet with the chair of a sub-committee.

**Discussion Points**

- Should HAs encourage more informal interaction between board members and staff in different parts of the organisation so they get a better feel for the business? or might this blur accountability and increase interference in operational matters?

**2.4 Managing tensions and conflicts**

Boards are about collective decision making and are therefore likely to involve disagreement, at least at discussion stage, and there is a need to accept collective responsibility for decisions that board members individually disagree with. It is therefore surprising that two thirds of board members in their time on the board and 100% of CEs had experienced no dissension between board members and staff. Much may depend on how the term dissension is understood, but on the surface these results would suggest a very strong team view of boards and perhaps a narrow range of perspectives present. It is also possible that those Board members most in disagreement with the Chairs, CE and fellow board members may have voted with their feet as board sizes reduced (see Discussion Paper 1) leaving more conformist views amongst those remaining. It appears that where dissensions does exist between board members this correlates to some areas of identified training gaps;
and where is exists between board members and staff, this correlates to some skills gaps lacked by boards (see Discussion Paper 1).

Figure 10: Levels of dissension reported by board members

- All (100%) of CEs reported that there was no dissent / dysfunctionality within the board or between board members and staff
- Of the ninety-five board members who responded, sixty-seven per cent (67%) experienced no dissension during their time on the board
- One-fifth (21%) of board members experienced dissension between board members and almost one-fifth (18%) experienced dissension between board members and staff
- Six per cent (6%) experienced both dissension between board members and between board members and staff

Relationships can be a three stage continuum of consensus, difference and dissent. While self-reported dissension was limited to a third of board members it is useful to review the kinds of issues most likely to result in dissension.
The main causes of self-reported dissent experienced by board members amongst themselves were: (83%) strategy (management and change of the association). This was the biggest area of training identified by board members (see Discussion Paper 1).

Seventy per cent (70%) of board member dissension concerned governance (legal and constitutional issues); (70%) specific incidents or contentious decisions (e.g. new appointment of chair; CE); and (63%) financial management. There is a close correlation between the areas of dissension reported between board members and key areas of training identified by 70% of board members in relation to strategy (management and change); governance (72%); finance (67%) and asset management (51%).

A smaller number of board members cited dissension between board members in areas of business development and service delivery; equal opportunities and diversity which was identified as a skills gap in Discussion Paper 1; unfavourable regulators reports; and around human resources (employment pay etc). Again these were areas of training identified by board members in Discussion Paper 1.

Board members reported greater dissension between board members and staff in the areas of business development and service quality; human resources (a skills gaps identified by one-quarter of CEs in Discussion Paper 1 and the least
commonly reported training course provided to board members) and regulators reports (regulation was another training area identified by board members).

- Other causes of dissension noted in the comment boxes included: conflicts of interest not being raised at an appropriate time; proposed appointments not being favourably received by the regulator; and severing working relations with a partner organisation causing problems with the regulator; tensions about the role of sub-committees; complaints procedures; post-merger difficulties regarding certain board positions; and attendance at AGM of non-voting members

### 2.5 Managing Accountability to Internal and External Stakeholders

#### Figure 12: Board Members’ views on Accountability

> Rank the following in order which you consider yourself to be accountable to as a board member? (1 being least accountable - 10 most accountable)

<table>
<thead>
<tr>
<th>Position</th>
<th>Accountability Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenants</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland Housing Executive</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland Audit Office</td>
<td></td>
</tr>
<tr>
<td>Mission Statement/Values/Ethos</td>
<td></td>
</tr>
<tr>
<td>Local Community</td>
<td></td>
</tr>
<tr>
<td>Private lenders</td>
<td></td>
</tr>
<tr>
<td>Founding members of the Association</td>
<td></td>
</tr>
<tr>
<td>Senior staff members</td>
<td></td>
</tr>
<tr>
<td>Department for Social Development</td>
<td></td>
</tr>
<tr>
<td>Chair &amp; other board members</td>
<td></td>
</tr>
</tbody>
</table>

- Board members considered themselves most accountable to: chair and other board members; mission statement/values/ethos and tenants
- The was followed by private lenders; senior staff; and the Department for Social Development
- Board members considered themselves to be least accountable to: founding members; Northern Ireland Housing Executive; Northern Ireland Audit Office and local community
- The top five methods board members felt were most effective methods of providing organisational accountability were: delivering on promises (86%);
providing regular information (84%); prior consultation with tenants/residents (63%); having tenants on boards / delivering to tenants on services (58%); having shareholders / Annual General Meetings (57%) and government inspection (56%)

- Board members thought that publication of league tables (19%); prior consultation with private lenders (32%) and prior consultation with community and elected representatives (45%) were the least effective methods of providing accountability

- Other comments left by board members cited meeting with tenants; monitoring of performance and compliance with funding covenants; monitoring implementation of Business Plan; internal and external audit and well governed organisations as being important factors for providing accountability

**Figure 13: Boards Members’ views Effective Methods of Accountability**

**2.5.1 Tenant Accountability and Involvement in Governance**

Board members considered themselves to be most accountable to the chair and other board members and to the organizational mission statement/values/ethos. They considered themselves least accountable to founding members, the Northern Ireland Housing Executive, the Audit Office and local community. The most effective methods reported by board members for providing accountability included delivering on promises, providing regular information and prior
engagement/consultation with tenants/residents. This reinforces the point above where 70% of boards engage directly with tenant involvement structures. Board members felt that publication of league tables, prior consultation with private lenders and prior consultation with community/elected representation were less effective means of providing organizational accountability.

Discussion Paper 1 established that 69% of board members believed that tenants should sit on boards despite over half (52%) of HA boards not having tenant board members. However, a wide array of connections were reported between boards and tenant involvement structures beyond tenant directorships including regional focus groups feeding into sub-committees; housing advisory groups and tenant involvement registers; informal visits to residential supported and sheltered accommodation; tenant advisory groups; partnership forums; board member attendance at some resident forums; annual visits to tenants; contact through tenant compacts; and through contact with local community groups. Thirty per cent (30%) of boards still do not engage directly with tenant involvement structures – it remains unclear if this is a decision taken by boards or due to difficulties around stock dispersal and difficulties around creating and sustaining tenant structures.

- Seventy per cent (70%) of CEs reported that boards directly connect with tenant involvement structures in their organisation

**Figure 14: Board Engagement with Tenant Involvement Structures**

<table>
<thead>
<tr>
<th>Does the board connect directly with any tenant involvement structures in your organisation (e.g. tenant panels, scrutiny groups, residents associations)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td><strong>No</strong></td>
</tr>
</tbody>
</table>
2.5.2 Multi-level governance: Group Structures and Partnerships

In order for group structures to work effectively it is essential that there is transparency, openness, clarity and principally trust between the parent and subsidiary boards.

- Just over one-tenth (13%) of board members sit on other boards related to the housing association. All stated that the dual role did not cause any difficulties.

**Figure 15: Board Members on Subsidiary / Partner Boards**

![Pie chart showing board member involvement]

**Discussion Points**

- How do boards ensure that tenants have a variety of ways of being involved and holding the organisation to be responsive and accountable?
- How can understanding of roles, responsibilities and relationships in multi-level governance of group structures be better clarified?
- How can HAs become more effective in providing accountability to key external stakeholders? Is there a need for more board transparency?
3.0 Implications for Governance

3.1 Board Strategy and Performance

Different theories of governance vary in the importance they attribute to boards conforming with external expectations or performing in meeting internal goals of the organization (Cornforth 2003). Agency theories (Garratt 1996) emphasise the role of boards in ensuring that the organization acts in the interests of its owners and of their resources. In contrast stewardship theories (Carver 1990) focus in the role of boards in driving forward organizational performance by adding value to strategy and decision making. While conformance approaches are likely to be risk averse and have constant eye on external expectations, performance approaches will be based in a strategic vision and be more forward thinking. The recent literature on HA governance in England tends to emphasise the development of an independent strategic focus on performance in contrast to a more cautious focus on regulatory compliance that was dominant in earlier periods.

In practice it can be difficult to differentiate clearly and easily between strategy, policy making and operational day to day management. Greer and Hoggett (1997) identify two key problems with boards’ strategic contributions to organisations. The first concerns the fuzziness of boundaries between operational and strategic attention. The second concerns the definitional problem between policy and strategy with the authors pointing out that strategy derives from a discourse of how organisations position themselves competitively while policy stems from a public purpose discourse, giving substance to collective values. It is not only that both can be hard to distinguish but housing association board understanding of strategic issues may only come from exposure to operational detail. This is where there problems may arise from recruiting board members from exclusively outwith the sector and where board mentoring may be beneficial.

Board processes and policies consume on average 9 hours per month (in HA meetings). But to make an effective strategic contribution boards need to create and protect space to focus on strategic issues. Legal responsibilities on boards can accentuate boards’ compliance role, ensuring stewardship of public funds, safeguarding assets and delivering the mission; but does the compliance role of housing association boards dominate, not because of a lack of trust of staff performance but due to the fear of not adequately adhering to legal duties and regulatory stipulations? This leads into ‘What We Govern’ which will form the basis of discussion in roundtable 3.
Strategic management also relies on strategic management and governance experience. Housing association boards in Northern Ireland have reported strengths in both these areas. However, there are challenges with recruiting new members and evidence suggests that the pool of expertise can be limited in small communities (Cornforth and Edwards, 2003), perhaps making it more difficult for small community based association to attract high caliber individuals. Board processes are also essential in terms of providing a clear focus for the board – to avoid operational drift – including providing the appropriate amount of information, at the right time to the right people as well as meeting in environments that enable effective decision making.

### 3.2 Executives on Boards

**CE-Chair Relations and Boundaries**

The Chair-CE role is pivotal and Harrison et al (2012) suggest that it is the softer inter-personal and leadership skills that distinguish effective from ineffective chairs. Effective chairs were better at managing relationships, and perceived as being socially aware. One the one hand, these characteristics may be better judged by existing members (board and staff) through informal recruitment practice, but on the other, this approach to recruitment is likely to weaken board diversity (Discussion Paper 1). The same research found effective chairs to be fair and impartial, open to new ideas, focused on organisational goals, provided autonomy and independence for the board and CE, and involved the board in team building behaviours through valuing team members and creating and protecting space for issues to be discussed. Given the importance of this role, it is imperative chairs receive feedback, formally through a 360 degree exercise, and informally via feedback from other board members and the CE. Chairs and those who become chairs need opportunities for training and development to keep up to date with field developments and to enhance chairing and leadership skills (ibid). One study described the CE-Chair relationship as ‘more like a marriage’ (Otto, 2003).

A separation of functions between directors and managers based upon the former as strategic decision-takers and the latter as implementers is one-dimensional and antiquated in a modern managerial culture (Cornforth and Edwards, 2003). This view has been underscored by the move to include senior members of executive teams on boards. Senior executives referred to the changing business and financial models, the need to understand finance and treasury management, risk management, and group structures. This has led to discussions about the role of executives on boards to help boards improve their understanding of these issues; to create a culture of co-
governance and ‘psychological’ buy in of board decisions by executives. One CE of a large HA in Britain stated:

“The rationale is to almost embed (the CEO) within the decision making process rather than coming with a set of cold recommendations. It also buys the CEO more into the accountability process that the board has. It is a very thin line because as CEO you could take the view that I’ve made that decision already why would I wait on the board authorizing it? But - the logic of is for the CEO and the board to work more collectively, because you are on the board as an executive and a non-executive. It is more to do with the psychological impact rather than the practicalities of it. I don’t think you get different decisions but from the psychological context you can’t side step out and say you aren’t fully accountable”

One argument put forward during interviews with other respondents was that the CE is the person responsible for the day-to-day operational business, and the person that stakeholders deal with mostly, does not have a vote at the board table. On the other hand, it is argued, that if the chief executive has credibility with the board, then his/her voice will be heard already and not require a vote. Also, it was argued that non-executives will have enhanced knowledge of the organisations.

The arguments against unitary boards (both executives and non-executives) are that it can create closeness of relationships, and that non-executives are expected to supervise and monitor executive members (although this can still occur when executives are not board members) and if the CE dominates board business it may be counter-productive.

• Should NI HA Boards consider moving to a unitary board model combining executives and non-executives?

3.3 Life Outside the Boardroom - Board-Staff Relations

A contribution to strategy is considered as an output of a board’s involvement in an organization (Cornforth and Edwards, 2003). Gaining the right level of involvement requires a mix of formal and informal relationship and what happens formally at boards may be affected by interaction outside of Board meetings. Creating and protecting space is critical if housing associations are to address generative governance issues and to develop effective working relationships and team work.

“From the confines of the boardroom a director cannot hope to gain a firm grasp on the culture of a business, the calibre of its management or the opportunities and threats it is facing. And yet most boards seek to fulfill their role principally through attending a series of board meetings (notwithstanding the occasional away day and office or branch tour). We would advocate the board draw on a wider set of tools beyond the board meeting and re-weight the time directors spend in board meetings vs the time spent in the business (perhaps by work-shadowing), speaking to external stakeholders and participating in more board away days”

(Written evidence to Treasury Select Committee 2012 – Board Intelligence)
Good ‘Board – Staff’ relations are critical for ensuring sound governance and are seen as central to the organisations’ success. A principal concern underlying this relationship is at what stage the CE involves the Board in decision making. Early participation by Boards provides greater opportunity to help shape issues; however, later involvement may feel like the Board is being presented with a fait accompli.

The interdependence of this relationship emphasizes the need for mutual respect and trust with clear division of roles and responsibilities. Mole (2003) argues that there is ‘no one best way’ to organize and manage board-CE relationships, advocating a ‘horses for courses’ approach, appropriate to each organizational situation. Murray et al (1992) identified five distinctive patterns of board-CE relations: CE-dominated; chair dominated; fragmented power; power-sharing; and powerless. Styles of governance and relationships vary between organisations and this is another area that the five case studies observed in closer detail. Other variables which influence board-staff relationships include: the age and history of the organization, its size and purpose, the extent of professionalism and its stage of organizational development (ibid).

Legal responsibilities require board members to act together, taking decisions collectively. This presupposes that individual board members have shared understanding and expertise in reaching those decisions. This is why board training on technical skills and softer skills (see Discussion Paper 1) is imperative for board members. However, expertise is often unevenly distributed (particularly finance) with some members relying more on their more financially literate colleagues (Harrow and Palmer, 2003); this creates a disparity and imbalance in the collective responsibility model. This same issue can occur when boards rely on professional expertise therefore it is important to consider how these dependency relations can develop effectively within housing association boards.

3.4 Tensions, Conflict and Dissension
Confusion and conflict associated with the roles of board members and executive staff may be less to do with understanding those roles and more to do with implementing them (Harris, 1992). Given the fuzziness of boundaries mentioned above, the roles of boards and managers can be interlinked and interdependent, leading Harris to conclude that the difficulties in separating these roles can create a source of ambiguity and conflict. Trust is also a fundamental tenet of relationships within and between boards (with group structures). The vagueness of roles, complexities of organizational business, lack of trust and power imbalances can all lead to tensions and conflict within boards. The National Housing Federation (2007) intimates that in an ideal world, relationships between boards of groups, mergers and alliances would encompass clarity of roles and responsibilities; openness – and an atmosphere where all members can freely express views on matters of strategic
and operational importance; transparency – robust procedures that lead to clearly documented outcomes and trust – a position that board members arrive at when the feel comfortable in their relationship with one another, being content to exercise less internal control on the basis that they are working together for the same cause. In the housing association sector, some newly appointed boards may therefore decide to work as a group to develop these key principles before establishing and delegating work to sub-boards.

3.5 Managing accountability to internal and external stakeholders

3.5.1 Engagement with tenant involvement structures
The further someone is from the chair and from the board, the less likely they are to perceive the impact (Harrison et al, 2012). By developing communication and involvement strategies, boards can keep residents/tenants informed of the work of the board and the decisions it takes.

3.5.2 Multi-level Governance: Group Structures and Partnerships
The National Housing Federation outlines numerous issues that can arise from relationships between subsidiary / partner boards. These included control and influence exercised by the parent, a loss or dilution of local power, a potential loss of local identity, a lack of clarity around roles and relationships, and issues around internal control and audit. Research on housing association governance in England has highlighted the conflicting logics that may affect parent:subsidiary realtionships within group structures, particulararly where streamlining is involved.

The housing association sector in Northern Ireland is very diverse with different kinds of organisations at opposite ends of a spectrum from large social enterprises managing thousands of units to small community based organisations managing just hundreds. There are a range of organizational forms within the sector with varying degrees of local accountability, formality and professionalisation; as a later stage findings from five case studies will be presented which were selected to represent the variety across the sector. In a study on the role of boards in small voluntary organisations, Rochester (2003) found that smaller organisations were heavily reliant on the work and commitment of a small number of key individuals. The study reported on the vulnerabilities and difficulties of small organisations in adopting long-term perspectives, and uncertainties about future funding undermining long-term planning, as well as operational duties leaving little time to develop and drive a strategic view.

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4 Groups, Mergers and Alliances (2007) National Housing Federation
Another ‘liability of smallness’ related to challenges around accessing and securing expertise and skills, limited scope and resources for employing specialist skills, and accessing external sources of information, advice and training. Without delving into governance comparisons between larger and smaller housing associations, on the face of it, evidence suggests that smaller organisations experience problems with recruiting board members and retaining commitment; the ability of smaller organisations to carry out governance functions is limited; and there are difficulties with staff members finding time to provide boards with the support and servicing required for effective governance (Rochester, 2003). Overcoming the liability of smallness may require an effort by all parts of the sector to protect its reputation.

On the other hand smaller organisations are often more accountable to local communities and to their residents and can find it easier to attract people to their boards who are committed to the aim and values of their organisation. Research comparing large and small housing associations and the impact of mergers in the Netherlands and England concluded that large and small associations are generally trying to do different things in different ways and their performance needs to be assessed differently.

Larger housing associations produce relatively more new homes, seem to be more capable of cooperation with societal partner organisations and offer a wider variety of services. Smaller housing associations perform relatively well in terms of service delivery and tenant participation (as appreciated by tenants). In the Netherlands smaller associations had relatively low operating costs, more satisfied customers and tenant representatives, as well as lower operating costs but were not building many new homes. In England larger associations had greater capacity to manage regulatory compliance, and the regulation system itself had been a major driver of the trend toward increasing scale. Smaller associations generally performed better in relation to local accountability and community involvement as a result of being able to focus on a small number of neighbourhoods. There is a greater propensity for smaller organisations to place more emphasis on trust and an absence of hierarchy than prescribed roles and operate within informal organisational settings (Rochester, 2003). This approach requires different skill sets and abilities to those used in a more formal, hierarchical organization. There can be no one size fits all governance model for the sector since HAs vary considerably in scale and complexity and the role of board members therefore also varies considerably.

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