**Board Governance**

Fundamentally, governance in the social purpose sector refers to the actions of the volunteer Board of Directors of an organization with respect to establishing, monitoring, and stewarding the long-term direction of that organization.

There is no one right Board model. Organizations that are relatively new or small generally have a working Board with directors involved in normal, day-to-day operations. As the organization matures and grows its staff, the Board should transition into more of an oversight role, allowing the staff the flexibility and freedom to accomplish the organization’s goals.

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**Key Benefits of Governance**

- Investors are looking for organizations with an effective governance structure and a skills-based Board that operates within best practices similar to their commercial counterparts.
- Strong oversight is fundamental to building effective organizations to support the organization’s social mission.
- Good governance demonstrates accountability and transparency.
- A well-functioning Board is critical to effectively assess and manage risk.
- Robust Board governance leads to improved efficiency and greater growth.

**What is the Role of a Board?**

The Board’s role in any voluntary organization can be broken down into two categories: a mandatory role based on the minimum legal requirements and a leadership role where boards provide not just fiduciary oversight, but strategic and generative insight to the organization. All Boards share a fundamental stewardship role to promote the health and well-being of their organization and act in the best interests of the organization. The leadership role that Boards play complements and overlaps the mandatory role. Under the **Governance as Leadership** approach, widely accepted by many Boards, Board members have three leadership responsibilities: **fiduciary, strategic, and generative.**

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**Governance as Leadership**

- **Fiduciary**
  - Control Mechanisms: Stewardship and Duty of Care
  - Ensure necessary resources

- **Generative**
  - Sense Making: Explore different perspectives, Problem framing

- **Strategic**
  - Direction Setting: Set organizational priorities, Strategic Planning

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**Governance Practices in the Context of Social Finance**

With a solid understanding of its role, it is important that a Board considers what changes need to be made in terms of competencies and committee structure to be investment ready. While not an exhaustive list, consider the following food for thought questions:

**Board Skills**

- What skills do we need on the Board to help assess the feasibility and risk/ rewards of potential social finance opportunities? Do we have these skills?
- What education items can we add to Board meetings to build these skills?
- How can we recruit for these skills?

**Board Structure**

- Do we have the right structure to identify, assess, and ensure robust due diligence of opportunities?
- What stages of idea development are owned by management versus the Board?
- Can we include non-Board members on committees to enhance our skills?

**Other Considerations**

- What measures will we have in place to assess the success of our social finance initiatives?
- How will we assess the associated business risks of new and ongoing initiatives? How do we ensure that initiatives do not lead to mission drift?
- Can these initiatives be managed and overseen within our existing organizational structure? When do we need to seek legal expertise?

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**Top Tips**

- Effective governance is when the Board and chief executive see themselves as thinking partners.
- Boards need to ensure they have the right skills, structure, and systems to fulfill their mandatory and leadership roles.
- A competency matrix helps identify Board gaps in order to recruit the skills needed to build capacity.
- Regularly evaluating how well the Board is functioning can help develop strategies to fill any gaps and become an even stronger Board.