



EFFECTIVE BOARDS EFFECTIVE ORGANISATIONS

Insights from Over 100 Social Purpose Organisations



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ISDM. 2023. Effective Boards - Effective Organisations

DOI: [dx.doi.org/10.58178/239.1027](https://doi.org/10.58178/239.1027)

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SECTION 1

Introduction and Executive Summary

The subject of good governance in the social sector is gaining greater visibility and importance. The role of governing bodies of social purpose organisations (SPOs), be it the legal or the Advisory Council, is increasingly gaining attention. The reasons for this are both the fact that there is greater awareness of the social sector's contribution to change and the opportunity to be part of the same as well as an increasing number of individuals thinking about a greater purpose for themselves while they continue in their existing professions.

Indian School of Development Management (ISDM), Dasra and Governance Counts, three institutions in the sector, collaborated in 2022 to offer organisations and individuals the opportunity to engage with one another through the Women on Boards program.

100

The goal of the Women on Boards program is to inspire 100 professional women to become "SPO Board ready".

116

As an extension of this initiative, the first-ever research on effective Boards and their potential impact led to a survey of 116 organisations and conversations with 15 civil society leaders.

15

This report discusses the value and role of an effective Board beyond the statutory requirement for SPOs in India. The law mandates a minimum number of trustees/governing Board members for registration of an SPO and some guidelines for their functioning. However, there is limited emphasis on good governance practices within the legal mandates.

The report explores the need for SPOs to think about their Boards strategically and invest in strengthening them. It also discusses the importance of Advisory Councils as a supporting governance constituent. The report also refers to factors that create an effective Board. A competent chief functionary supported by a Board with skills in strategic thinking, organisation development, business and market acumen, complementing and supporting the executive team in various areas, will result in effectively governing the organisation.

AN OVERVIEW OF THE FINDINGS

Majority of the survey respondents were Founders (64%) followed by hired Chief Executive Officers (CEOs) (23%) and Board members (13%).

The respondent organisations were largely urban organisations.

43% of the organisations reported their Boards to be somewhat effective and 23% reported Boards to be ineffective. This suggests scope for improvement in effective governance.

28% of the Boards play an ambassadorial role; although this is one of the key indicators of an effective Board.

54% organisations reported that the most critical role for a Board is to support the organisation in the manner sought.

A higher percentage of younger SPOs, i.e., less than 10 years old, rated their Board as 'ineffective' as compared to older SPOs, i.e., older than 10 years.

53% of the organisations that were over 20 years old have more than seven Board members.

A majority of the organisations (63%) have an Advisory Council.

36% of the respondents said that Board members are chosen by the Founder alone and 37% said that Board members are chosen by the Board in consultation with the Founder.

1 of the top 3 reasons for Board members to join the Board is their strong relationship with the Founder/CEO/another Board member.

Having a strong ally on the Board is very useful, especially if the chief functionary is relatively new to the organisation.

A good Board chair could contribute enormously to improve Board effectiveness, however, this needs further research in terms of what qualifies a good chair in the sector.

SECTION 2

The Value of Effective Boards in SPOs in India

To govern and be governed | the governance role of the SPO Board

An effective Board will lead to a more effective organisation. When Boards function well, they contribute meaningfully towards achieving the mission of the organisation. The social impact sector in India, while largely founder driven, is increasingly opening up to stronger governance mechanisms, including the development of an effective Board.

According to the authors of Developing capacities for governance in nonprofits - A manual, "As the conception of the work and setting up of a nonprofit organisation is for a social purpose and it raises public money to spend on vulnerable and weaker sections of society, the need for accountability to the public and society is even greater. Each of these mandates require that a Board governs the organisation, provides oversight to the overall functioning of the organisation and contributes to its vision and ensures that the organisation is accountable to its stakeholders." - Developing capacities for governance in nonprofits - A manual. Gagan Sethi, Mohan Krishna; Centre for Governance Studies in Nonprofits, a program of Janvikas; July 2011.

An SPO's primary accountability is to the communities it serves. In doing so it utilises public resources by way of tax exemptions, therefore, accountable to the general public. The intent of the law, in prescribing the requirement of trustees/Board of Directors, is to bring in greater accountability and transparency in decision-making. Effective Boards and governance help to discharge this responsibility that SPOs have.

Fiduciary responsibilities are a key, non-negotiable responsibility of an SPO's legal Board. If the legal Board does many other things but falls short in this particular role, it would be safe to say that it has failed to do its job.

Advisory Councils, on the other hand, will be able to add enormous value, especially if they are constituted basis the technical/functional competencies that complement the legal Board and the executive team.

There is a similarity in approach in the selection of the Board between startup companies and startup SPOs. In both cases, the founders invite members whom they trust and are allies with to be on the Board. This could limit the Board's awareness of good practice, often leading to suboptimal Board functions. With a growing emphasis on good governance in the social impact sector, this could impact the sustainability of the organisation, as the mission scales.

A key question for reflection, for both the Board and the chief functionary, is whether the Board is performing its role optimally or not.

When asked about the value of having an effective Board, this is what some of our interviewees had to say.

Safeena Hussain
EDUCATE GIRLS
Founder & Board Member

"I don't think an SPO can accomplish anything without an effective and strong Board. The actual owners of the organisation are its trustees or the Board. A non-profit organisation is not private property; it is not a family business, it's not even a business! It is a non-profit, and while somebody with a vision can start it, eventually, it is and needs to be an independent charitable organisation. And so the owner, per se, is the Board."

Bharati
FEDERATION OF ANIMAL
PROTECTION
ORGANIZATIONS
CEO

"FIAPO was set up as a result of the coming together of a group of people who had a vision for the Federation of Animal Protection Organizations. That vision was held by the Board. There were a lot of staffing changes that happened in the last 10-12 years, including some abrupt leadership-level transitions. I think that the Board played the role of the bridge. The handover of the vision could happen because of the Board. And if the Board had not been there, then it would have been harder for me as a CEO who had come in from outside to pick up the reins of the work."

Dhir Jhingran
LANGUAGE and LEARNING
FOUNDATION
Founder

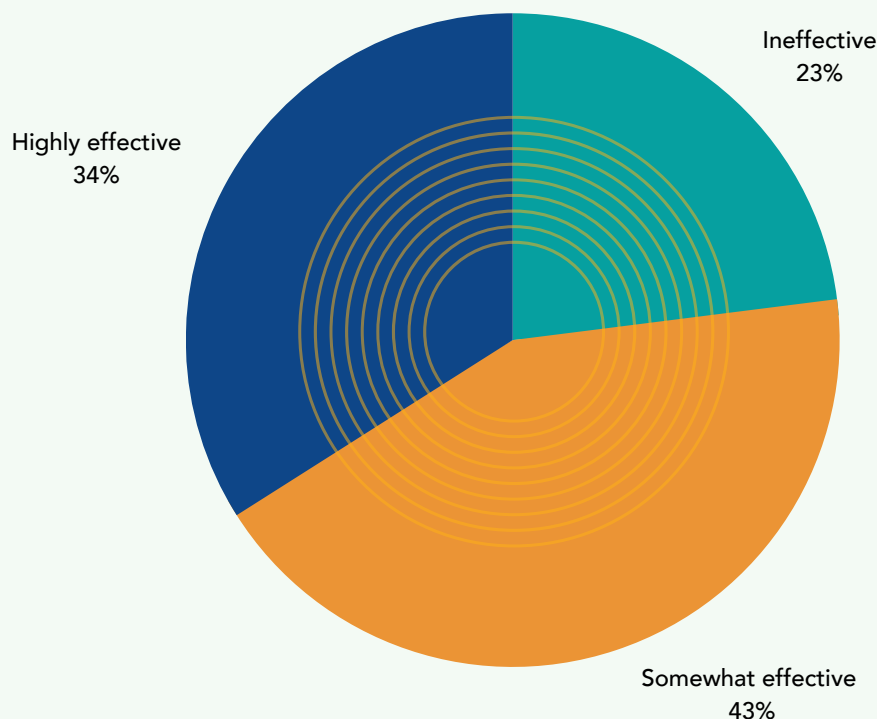
"LLF has gained significantly from its Advisory Council. One of the biggest benefits, of course, is the value of the advice received during the board meetings. Second, and equally important, is being able to say that 'X' is on our Board. It helps tremendously to bring credibility to the organisation and adds a lot of weight to our outreach."

Apart from the opportunity for the sector to think about their governance in the context of increasing effectiveness, the other reasons for an effective Board include:

Founders are passionate about the mission and demonstrate how an idea can be converted into a program. The organisation is built to further that mission. Founders deeply understand the communities they are serving and the social problems they wish to address. However, they may have limited/no prior experience of other competencies required for effective organisation building. A Board can play a valuable role for such SPOs in strategic thinking, organisation development, fundraising and business and market acumen.

A diversely competent Board can often complement and support the management in various areas. Let's take the example of communications. 31% of the survey respondents cited communications expertise as one of their top three needs on the Board. With an increasing trend among the corporate sector to volunteer, there are higher chances today of SPOs being able to attract experienced and high-calibre communications professionals to their Boards.

Respondent's rating on Board effectiveness



As per the survey, only 34% of the respondents rated their Boards as highly effective. This suggests there is scope for improvement. Since every SPO has to have a legal Board and many SPOs have Advisory Councils too, it would be worthwhile for the chief functionary/Board to explore how they can improve their engagement.

SECTION 3

Role of the Board

The role of the Board is an evolving one. Being cognizant of this is essential to determine the role of the Board at a given point in time. Roles will typically align with the growth stage of the organisation, the personality of the founder and the dynamics/engagement within the Board itself. Often as the Board's role evolves, the expectations in terms of their contributions also move from providing compliance and stability to thinking about scale and sustainability. This means that the composition of the Board needs to reflect the ability to deliver on the changing role.

Often, Boards stagnate because they are unaware and unable to meet the changing expectations.

Then what are some of the basic roles that Boards at any given time need to play? Based on our conversations with leaders and Board members, this survey and the secondary research, they are as follows:

1. Legal and fiduciary responsibilities

In the survey, 59% of the respondents said that there is awareness of legal and fiduciary responsibilities. This role is performed regularly. Ideally, a much higher percentage of Boards should be doing this on a regular basis. This is a hygiene requirement as far as the Board's role is concerned. Boards that function well play a strong fiduciary and governance role. They know that that is the prime responsibility. Everything else is secondary to that. Advisory Councils do not have this responsibility. However, a strong council will be aware that the legal Board is discharging this role responsibly.

2. Custodians of the vision, mission and values

Agility is often indicative of a responsive organisation. However, the Board should manage this in the context of staying true to its stated purpose. A strong Board can push back, if required, and help the organisation stay aligned with its vision, mission and values. Sometimes donors may offer significant support to an organisation to carry out projects that may not be aligned with purpose. It then becomes the role of the Board to weigh in with their wisdom to determine if the organisation should take that forward or not. This is a dilemma faced by many organisations in the sector where the funding crunch is a very real challenge. At that point to have a Board that addresses issues of mission creep is important while supporting the executive in the decision made in an informed manner.

During the pandemic, Arpan (one of the surveyed organisations), decided to open its helpline to any kind of mental health concern whereas earlier the helpline was only to address cases of child sexual abuse cases. They also took up a grief counselling project with Women Child Development and counselled 500 children who had lost their parents during COVID.

Glossary of terms

1

BOARD

For the purpose of this report, Board includes the legal Board (also called Governing Council, Board of Trustees or Board of Directors) as well as the Advisory Council.

2

CHIEF FUNCTIONARY

Chief functionary refers to the founders or hired Chief Executive Officers (also called Founder/Co-Founder/Chief Executive Officer/Executive Director).

3

GOVERNANCE

According to Aarti Madhusudan, Founder, Governance Counts, "Governance refers to a group decision-making process to ensure that an organisation carries out its mission, efficiently and effectively, in compliance with the regulatory frameworks."

A few questions we explore in this report are:

Should SPOs think about their Boards differently to go beyond the fiduciary role?

Does investing in the institutional capacity of the Board add significant value to an SPO?

Is there a right time to start focusing on building this capacity?

Pooja said, "With the Board, it was a great conversation. We all recognised that this is slightly different from what Arpan's mission is but we also recognised that it was the need of the hour and from a humanitarian angle it made complete sense to do what was required at that point in time. So, while there was mission drift, it was a well-considered decision taken in consultation with the Board. Having a Board that enables these thoughtful decisions helps the executive teams in making some of these decisions that can seem tough to take alone."

Another example of this was at CRY, when it had to do what was probably the development sector's first downsizing. The Board's guidance in terms of 'how' to do it had been extremely useful. The downsizing itself wasn't challenged since it had been the need of the hour and after looking at different available options, downsizing was done in keeping with the values of the organisation. And that every person who was going to lose their job was treated with not just dignity and respect, but also taken care of financially including other benefits such as health insurance, while not losing the perspective that this is philanthropic money to be used towards the organisation's mission. Different stakeholder interests were discussed ensuring integrity towards the organisational values. This was a Board that functioned as the custodians in a difficult situation.

3. Risk mitigation and crisis management

The Board has a key role to play in strategy development and ensuring that implementation and program reviews are done on a regular basis. Additionally, the Board exercising foresight in identifying potential risks and suggesting mitigation strategies is critical at all times. A major part of this involves safeguarding the interests of the organisation by pre-empting situations and supporting the executive to prepare for them, long before the need for it arises. An example could be where the SPO has created an intellectual property (IP) but hasn't registered for a trademark. This makes it susceptible to losing the rights to that IP. In the corporate sector, this would be a no-brainer, but not necessarily so in the SPO sector, as expressed by one of our interviewees.

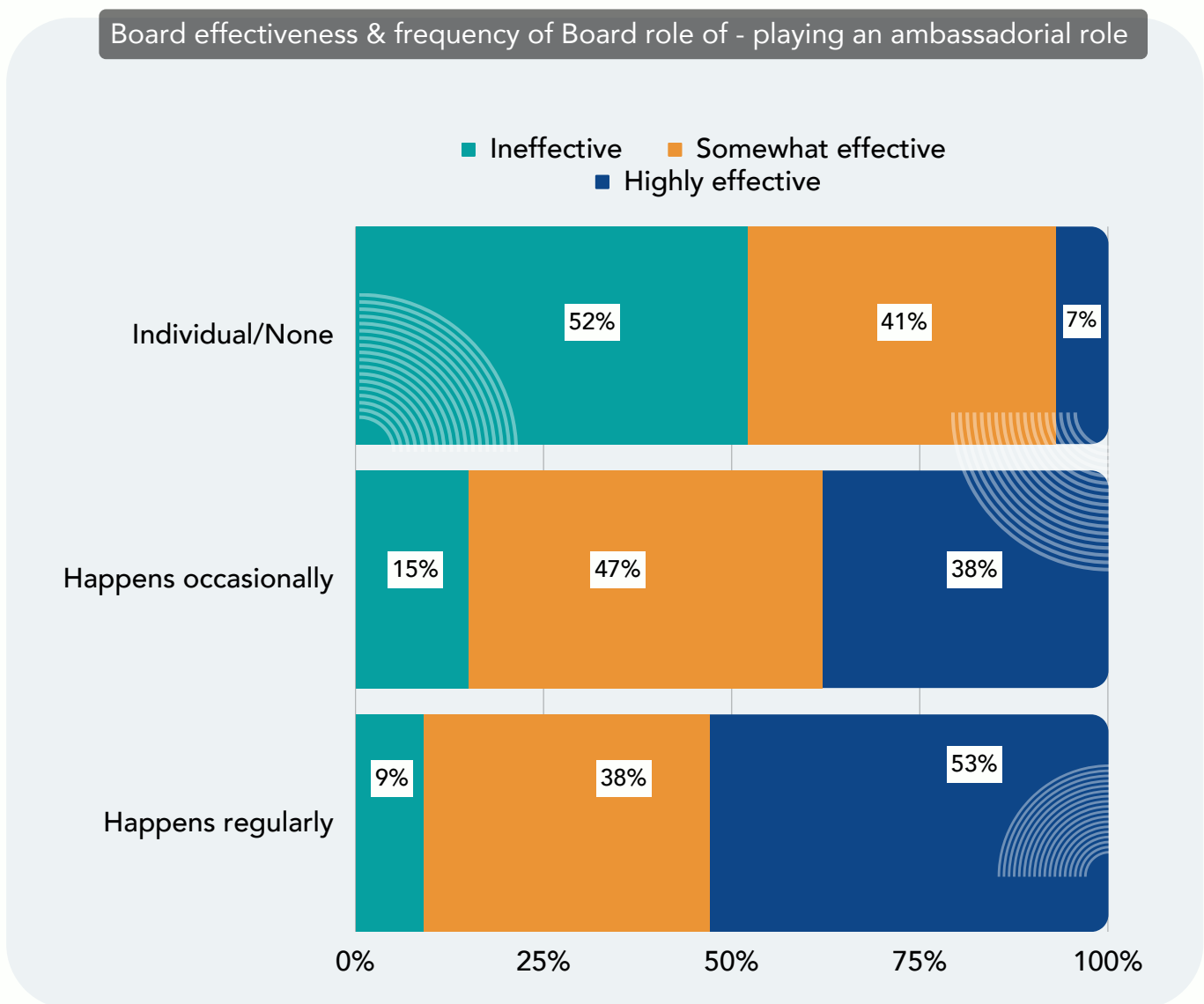
Another example is of a Board that had the foresight to recommend and help create watertight contracts between partners and not just a hand-shake agreement, even though it was a highly trusted partner, where volunteers from one organisation had gone on to create a partner organisation in another geography. In such a situation, it is easy to think that such contracts might not be required. They very well may not pose any threat in the short term. However, years later, when trustees and executive teams at both partner organisations have changed, the situation can get unpredictable.

Not all risks can be pre-empted. How Boards respond to crises is equally critical. As Ingrid Srinath shared,

"I saw this recently on the Board of a global organisation on whose Board I serve. It has a revenue-driven model rather than a grant-driven model. When COVID happened, their revenue dropped to zero. They were in the worst financial crisis ever. The Board rallied hard to manage the crisis."

From quarterly meetings, we went to weekly meetings. We had to micromanage the finances, the budgets, and the hiring, including recruiting a new CEO, which didn't work out. Finally, one of the Board members stepped in as interim CEO. It was hands-on management, bringing to bear everything, not just the values, but all of the connections, all of the knowledge. This included reassuring supporters that despite this turmoil, overall, the ship is in good hands. I think this also is a key role."

3. Ambassadorial role



Only 28% of survey respondents reported that their Board regularly plays the role of representing the organisation externally. However, where this role is performed regularly, 53% rated their Board as highly effective. Conversely, where this role is not performed regularly, only 7% rated their Board as highly effective and 52% rated their Board as ineffective. While this is an expectation from all Boards, not all members are equipped to play this role, and not understanding the mission clearly when representing the organisation externally can do more harm than good. Some Board members may not be knowledgeable enough to effectively speak about the organisation.

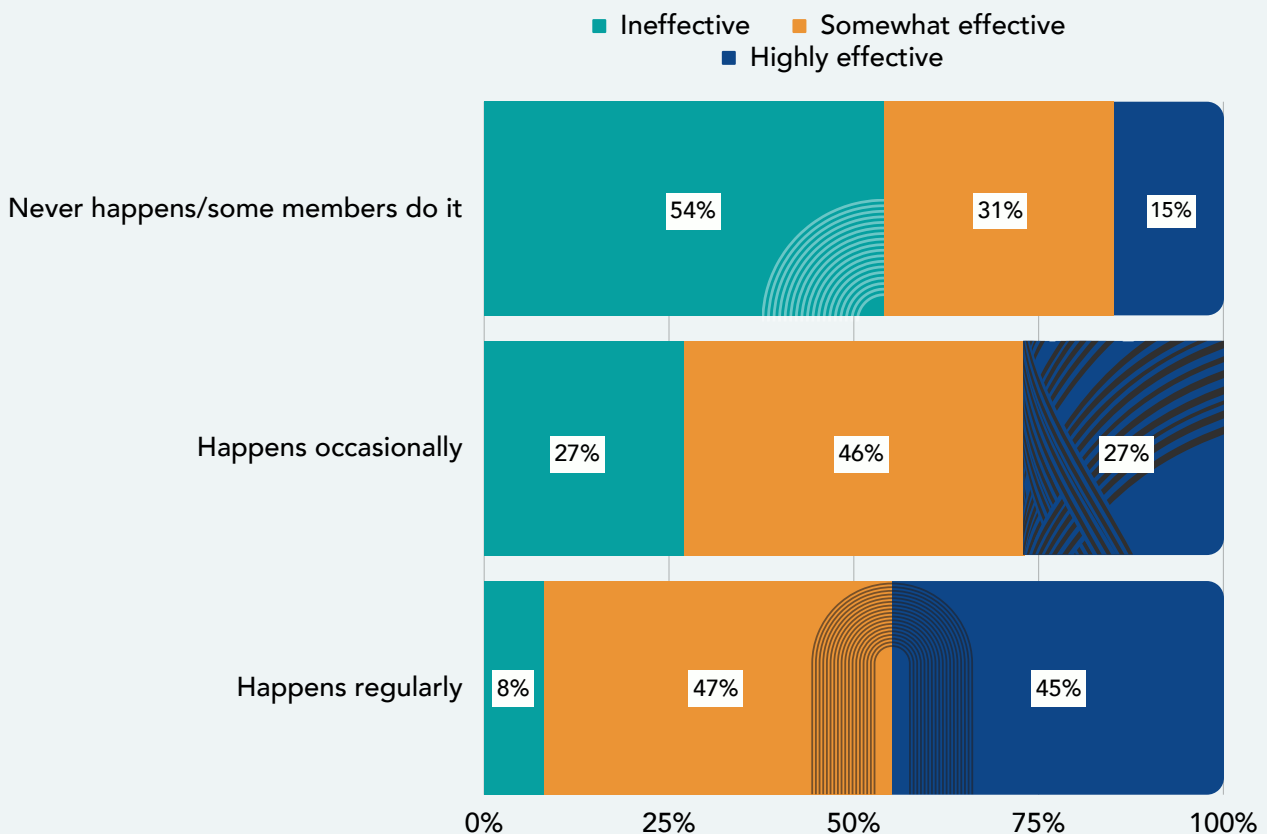
If the Board does not understand the mission clearly and tries to represent the organisation externally, it can do more harm than good.

As one chief functionary said, "when it comes to representing the organisation in fundraising meetings or being able to act as ambassadors, I am not sure how many will be able to do that effectively. Some of the Board members are very clued in on the program and therefore will be able to speak about it, but that's not the case with everyone."

"One of my key expectations while setting up the Board was to play the ambassadorial role and with ownership. Not because they are on the Council, but because they truly believe in the cause and will prioritise and talk about it." ~ Ishita, MukkaMaar

5. Support the chief functionary in the manner they seek

Board effectiveness & frequency of Board role of - supporting the CEO in the manner they seek



54% of respondents believe that supporting the CEO, often in a manner they seek, is the most important role of the Board. When this role is performed regularly, there is a higher perception of effectiveness. 46% of those where the role is performed regularly rated their Board as highly effective, while only 15% of those where the role is not played at all or performed by some individuals only did so. Conversely, where this role is not performed regularly, there is a lower perception of effectiveness. 54% of those where the role is not played at all or only some individual members play it rated their Board as ineffective, while only 8% of those where the role is performed regularly did so.

6. Ensuring that the organisation is financially healthy

A key role of the Board is to ensure that the organisation's finances are managed efficiently. This requires the Board to be fully aware of the financial health of the organisation, its assets and investments. Signing off on the yearly budget as well as audited accounts requires the Board to be informed by the executive periodically. Mid-year financial reviews also enable the Board to be better prepared to assist the executive better in this area.

7. Create strong systems and processes for governance

For Boards to operate efficiently, it is critical to have strong systems and processes in place. This includes clear agendas, appropriate frequency, good documentation of minutes, conflict/duality of interest policies and a fair distribution of tasks among the members either through committees or task forces.

8. Review its own performance

A good Board will create mechanisms to review its own contributions periodically. This is primarily to ensure that at any given point the organisation has a Board that can support the accomplishment of the mission optimally. While this is not common in India, good Boards will undertake periodic self-evaluations and determine the composition based on the gaps that emerge.

Resource mobilisation v/s fundraising as a role for Board members

In the international SPO ecosystem, Board members often raise funds for the organisation they are on the Board. They also make personal contributions. This is considered good practice. This hasn't caught on as much within the Indian developmental sector, even among the SPOs that are further along in the maturity curve. In the Indian context, what is definitely expected and acknowledged is the role of the Board in supporting resource mobilisation for the organisation. This is by bringing in expertise as well as networks to contribute towards the organisational needs. Examples include making connections for fundraising pitches, facilitating potential partnerships, interacting with government stakeholders, etc.

There is no denying the fact that fundraising is a crucial need for most SPOs. However, our study suggests that the value that founder/CEOs derive from their Board members goes much beyond directly raising funds. Having said that, there is a role that Boards can play in fundraising. What has been found valuable by SPOs is the Board members championing the cause and the organisation in their network, making the right connections and curating high-stake meetings for and with the chief functionary. Accompanying the chief functionary in some of those high-stake meetings is an added bonus that helps build credibility for the SPO in the eyes of the potential connection.

Key determinants of the Board's role

The expected role of the Board is to be agile and responsive to the growth stage of the organisation. It continues to change along with the evolution of the organisation itself and the chief functionary's (founder/CEO) professional background, experiences and willingness to invest in its Board. The Board's greatest value comes from its ability to be dynamic and respond to the needs of the organisation. While broad contours can be drawn around the Board's role, there really is no one-size-fits-all. No two organisations are alike and even with organisations at a similar life stage, the role of the Board could be very different depending on the specific needs of the organisation and the chief functionary.

1. The life stage of the organisation

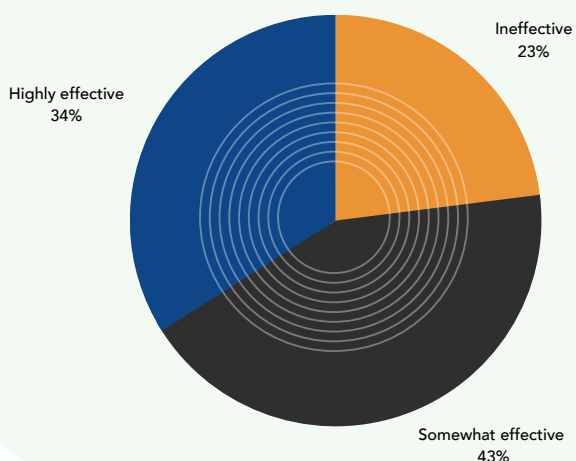
In the early days, like for most startups even in other sectors, there is a high need for autonomy, ownership, independence and risk-taking ability. If we take the example of Pooja Taparia, Founder and chief functionary of Arpan, one of India's largest NGOs focused on child sexual abuse prevention, who shared that, "As social entrepreneurs working on any of the complex social issues that we end up focusing on, one would take some risks and learn through the process, especially in the initial years. You need a Board that allows you to experiment, try new things out, is willing to bet on you and trusts you."

The Board usually comprises friends and family, people who trust the founder and the founder trusts them, who are there to provide a foundation and play the compliance role, but not so much in a governing capacity. There are certain inflexion points in the SPO's journey that require more thoughtful curation of the Board.

Life stage and governance framework

Organisations go through a life cycle similar to that of human beings, each stage being characterised by different needs and issues. The stages are not in water-tight boundaries and will tend to blur before they crystallise. Being aware of each of the stages and ensuring that the organisation/Board and staff transition smoothly from one to the next, without getting stuck in anyone is possibly the most optimal way to maximise efficiency and impact of what the organisation has set out to do.

Respondent's rating on Board effectiveness



Irrespective of the age of the organisation, the percentage of highly effective Boards is the same. However, a higher % of younger SPOs, i.e., less than 10 years old have rated their Board as 'ineffective' as compared to older SPOs, i.e., older than 10 years. Interestingly, a higher percentage of older SPOs have rated their Board as 'somewhat effective' compared to younger SPOs.

Younger organisations are just moving from the stage where they don't expect too much from their Boards to a stage where they need Board members to fulfil specific roles. Older, more stable SPOs, might be finding it harder to call out ineffectiveness as the Board may be more stable and settled.

2. Chief functionary's profile and background

Founders or CEOs with varying profiles and experience levels require different types of support from their Boards, depending on the stage of their SPO. For example, a young social entrepreneur with little experience may need different support than a CEO with extensive development sector experience.

According to Praveen, the CEO of Apnalaya and Board member of Medha,

Praveen
CEO, Apnalaya
Board Member, Medha

"Executives can become so immersed in implementation or be biased that they may overlook long-term, ecosystem-level perspectives that a Board can provide."

Consider the example of Kuldeep Dantewadia, Founder, Reap Benefit. He believes that,

Kuldeep Dantewadia
Reap Benefit
Founder

"Our founding Board has shaped most of us as people and I am deeply grateful for that. As a fresh young graduate starting my entrepreneurial journey at the age of 22-23, I had a Board that shaped my worldview, and so the organisation building they did was very different but much needed for that stage. I always say for the first 3-4 years you don't need a Board very high on specialist skills, but more of, for lack of a better word, spiritual and generalist in nature, who especially for young entrepreneurs, are your running mates in the journey and are having conversations beyond work. So, if you have come with 20 years of corporate experience you need a different Board; if you have no experience, you need a different Board; if you are a woman entrepreneur, you need a different Board and so on."

To sum it up, Neera from Dasra said,

Neera Nundy
Dasra

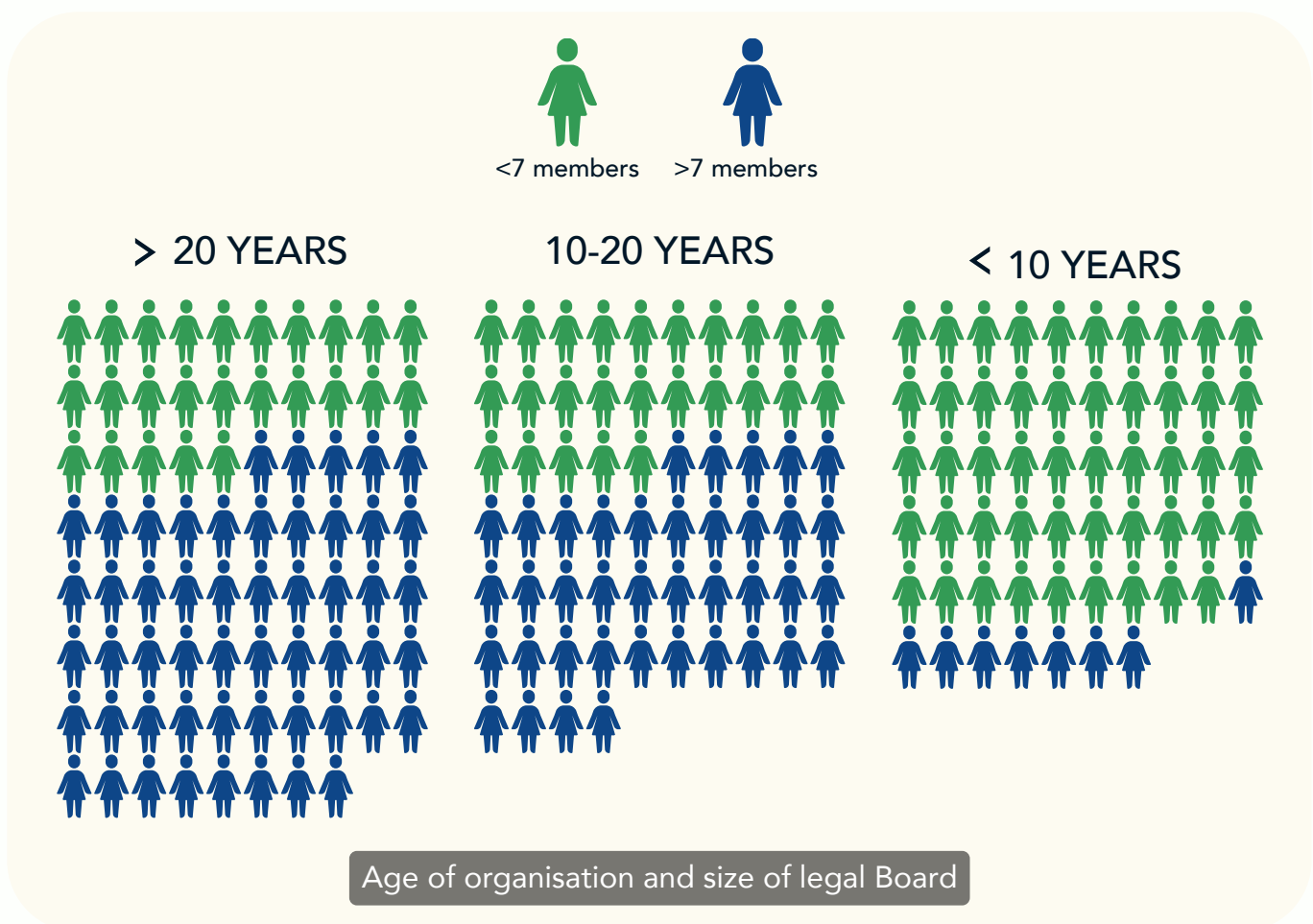
"As organisations grow, the Board evolves in how it supports the mission, transitioning from family and friends to curated individuals with the competencies and skills to support growth. The timing of these inflection points depends on how the leadership perceives the Board's role. Before opening up the Board, the organisation must be ready and have a decision-making framework in place to clarify what areas the Board will decide on. The organisation must dedicate internal resources to develop these processes and systems and invest time and effort in inducting and bringing along Board members. This level of preparedness is essential for accountability to strategy, annual goals, budgets and reviews. For example, Dasra chose to prioritise building institutional and individual capacities rather than stacking up the Board with fundraisers."

SECTION 4

Board Structure and Composition

As organisations progress, the role of the Board needs to evolve and reflect in the different structures that will aid good governance. Some SPOs have a legal Board that fulfils both compliance and governance functions. Some organisations will have an Advisory Council in addition to a legal Board that will complement the legal Board. Others may start with a legal Board and later establish both, and then eventually merge them.

Legal Board



A small percentage (8%) of organisations less than 10 years old have more than seven legal Board members, while a much larger percentage (53%) of organisations that are over 20 years old have more than seven Board members. This trend may be attributed to the need for a broader range of expertise as organisations mature, resulting in the addition of new members without retiring older members who may no longer add as much or requisite value. Additionally, founding members may find it difficult to let go of friends, family and early supporters who served on the Board in the past. Another explanation could be that founders and CEOs of younger organisations prefer a smaller Board to manage effectively, which puts a lot of pressure on governance.

Is there an ideal Board size?

Advisory Council

While the law mandates a minimum number of governing/legal trustees based on whether the SPO is registered as a Trust, Society or Section 8 Company, the formation of an Advisory Council is optional. This is gaining more interest in the Indian context. As per the current survey, a majority of the respondents (63%) have an Advisory Council.

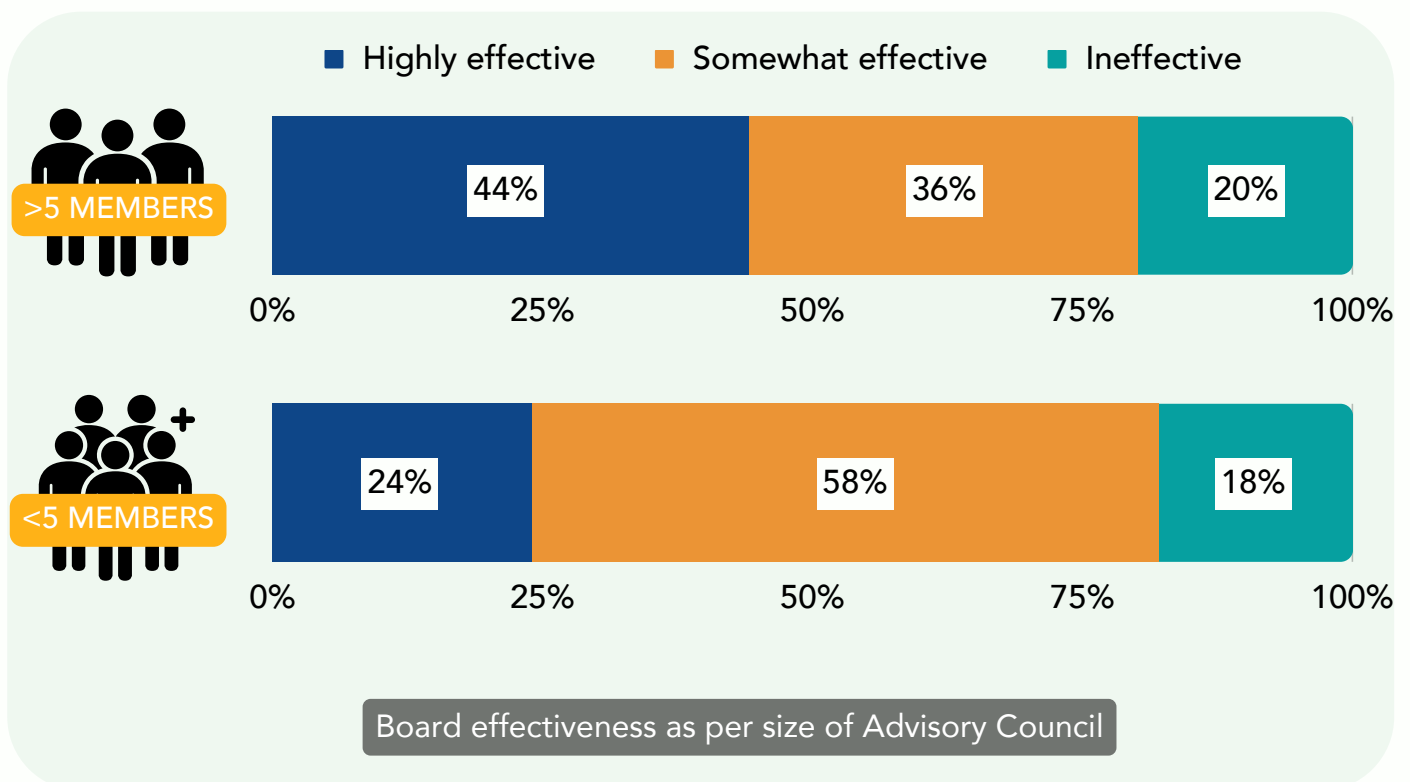
Organisations with less than seven legal Board members have an Advisory Council in 63% of the cases, whereas in organisations with seven or more legal Board members, this number is 38%. A smaller legal Board may necessitate an Advisory Council to provide the necessary expertise and involvement that the legal Board cannot provide. Sometimes, organisations choose to keep the legal Board small, consisting of friends with mutual trust, and rely on an Advisory Council to fill the gaps.

Some of the reasons why an Advisory Council may be constituted are:

- 1 • The chief functionary is keen to have a smaller, close-knit legal Board for ease of management and to avoid the administrative hassle of changing the legal Board constitution from time to time.
- 2 • The founding Board is a group of trusted individuals, mostly consisting of family and friends, but the SPO has now reached a stage where expectations from the Board in terms of strategic guidance and oversight, specific expertise, time commitment and/or hands-on support are not possible for the existing Board members to do.
- 3 • To build a pipeline of potential Board members by testing suitability and commitment to fill a future Board position.
- 4 • The requirement is more temporary in nature, hence, the need to bring someone in for a short period of time.
- 5 • A lot of non-development sector professionals who may or may not have prior Board experience, wish to contribute their time and expertise but may need to serve on Advisory Councils to understand the nuances of the sector and the organisation before getting onto legal Boards.
- 6 • Some advisors might feel more comfortable lending time and expertise but may not be ready for legal obligations.
- 7 • The administrative hassle of changing the legal Board from a compliance perspective might also discourage some organisations from making those changes.

The above is an indicative list and there could be other reasons for an organisation to build an Advisory Council in addition to the legal Board.

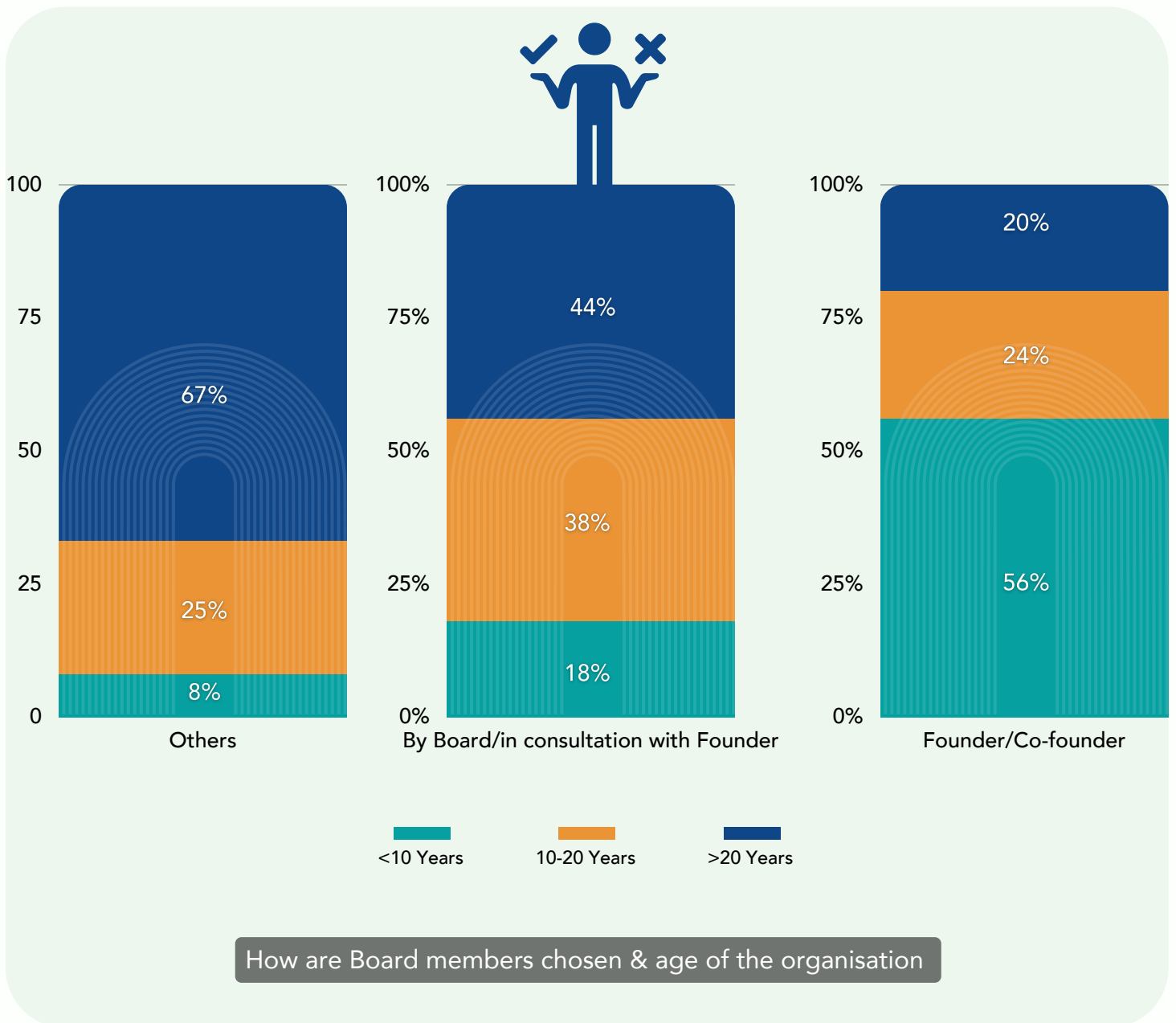
The effectiveness of a Board seems to be affected by the size of its Advisory Council. In the survey, 44% of respondents rated their Board highly effective when their Advisory Council had more than five members, compared to only 24% where the Advisory Council had less than five members. This suggests that the Advisory Council plays a significant role in enhancing Board effectiveness. Advisory Councils are often formed to complement the legal Board by bringing in specific competencies and expertise that may not be available on the legal Board. Interestingly, the survey also revealed an inverse relationship between the number of legal Board members and the presence of an Advisory Council. Since there is clarity of expectation, it also has a more direct impact on the perception of effectiveness.



Questions for reflection

Should organisations have both legal Boards and Advisory Councils? The governance function can be shared between the legal Board and Advisory Council. It is important that the legal Board is completely aware. A SPO with an annual budget of ₹40 Cr has done a great job of merging the two. Many from the original Board were not contributing and also did not want a pseudo Board to be running the show with a ₹ 40 Cr budget. Every member whose tenure came up was discussed, for continuity, potential contribution against the expectation going forward, and willingness to offer time. That integration is important. Organisation leaders like to show Advisory Councils as that brings in credibility and funding.

2. How are Board members chosen?



38% of the respondents said that Board members are chosen by the founder alone. Founders clearly have a critical role to play in Board member selection.

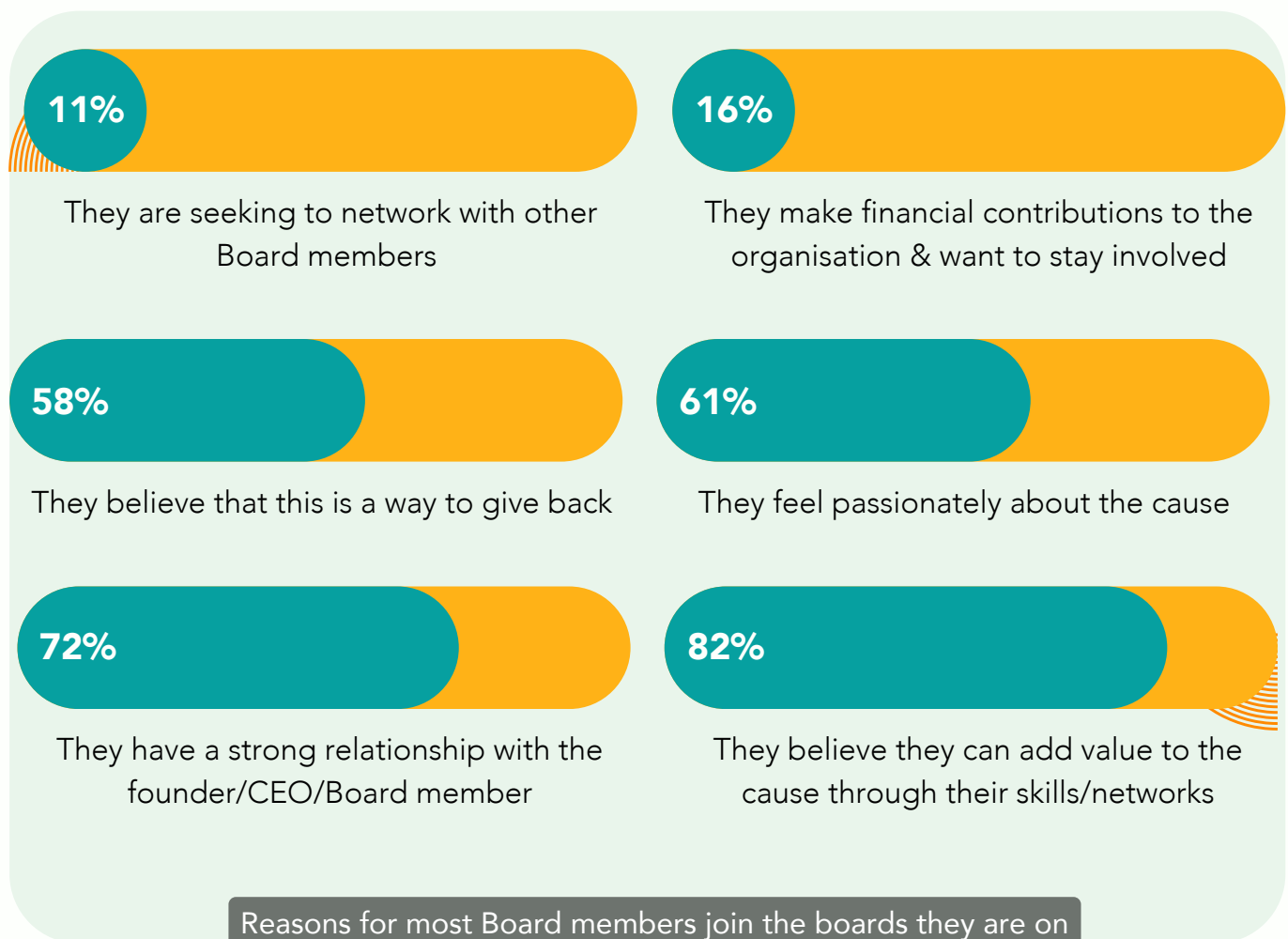
Question for reflection

How can the founder get greater clarity and objectivity in the selection of Board members? Is the founder selecting a Board member based on what's best for the organisation or only based on allyship? Does it bring diversity? What is best for the SPO's mission v/s what is best for the survival of the SPO?

In organisations younger than 10 years old, it is not surprising to see that the highest percentage (56%) of founders are responsible for selecting Board members. Only 18% of Boards select members either alone or in consultation with the founder. In the early stages, Board members often consist of friends and family, and it is solely the responsibility of the founder to build the Board. However, as the organisation matures and grows, the Board assumes a more active role since the founder/CEO cannot manage everything on their own, and the involvement and maturity of Board members also increases.

Diversity in Board composition

One of the common criticisms about SPO Boards is the homogeneity in their Board composition, consisting of family and friends in smaller, early-stage organisations. This is confirmed by our survey where one of the top three reasons for Board members to join Boards is their strong relationship with the founder/CEO/another Board member.



While getting people based on a strong relationship by itself is not an issue, the question for reflection could be, will it lead to a very homogenous Board and thereby lack diversity of perspective, will they be able to ask the tough questions as required, are they the right people for the expertise that is required on the Board?

When SPOs begin to expand their Board with outsiders, they often prioritise individuals with corporate backgrounds. However, this approach is often criticized for lacking diversity in terms of lived experiences, particularly in urban SPOs. Board members may lack exposure to discrimination, exploitation, hunger or poverty. As a result, while Board members bring their unique strengths, passion and commitment, decision-making may fail to truly represent the communities the organisation aims to serve.

How important is diversity in Board composition? Is there a right time for an organisation to think about it? Several of our interviewees are of the view that diversity makes a huge difference, getting more women on Boards, and getting people who have direct, first-hand experience of the problems that the SPO is trying to solve. It helps build the agency of and equity for the community by playing a more direct part in the solution. A key question to ask is, is there adequate representation of communities, gender, disability, different kinds of experience profiles, is there diversity of perspective, personality, and profiles? Not having adequate diversity in the composition of Boards runs the risk of SPO Boards becoming filter bubbles where everyone is agreeing with each other, and not even being aware that there could be an alternate point of view, which could take away from rounded and grounded decision-making.

According to Ingrid Srinath, Executive Director, CSIP, who is on the Boards of CRY, Civicus, Public Registry, Majlis, etc. -

Ingrid Srinath
CSIP
Executive Director

"The composition of Boards is where we first fail. Then in the worst-case scenario, we also have a disengaged Board, and in an absolutely worst-case scenario, we have a Board that is benefiting in some way from their membership, and there's conflict of interest. We should start with solving the lack of diversity. I don't think we're going to get good governance as long as Boards are echo chambers of likeminded people who all agree with each other or see things the same way. At CRY, for example, when I joined, we had a Board that had been selected by the founder 15 years ago. Changing the Board and getting people on Board who were from the civil society movements, from social work backgrounds, from other backgrounds besides the one that were on the Board at that point, just made the Board discussions very different. Earlier there were six men and one woman on the Board. Just by having three women instead of one woman, you already changed the way the Board was looking at things. So, I think diversity and representation will change a lot and maybe we should focus on that as a first priority."

Programs that prepare newer people from different spheres to take on Advisory Council roles help address one aspect of diversity, for example, the Women on Boards program, a joint program by Dasra, Governance Counts and ISDM, designed for women experienced professionals, and the ILSS Board Program, designed for corporate professionals. However, there's a lot more that can be done.

Funders on Boards

An upcoming trend in the development sector is to have more donors on Boards. In the international development sector, one of the maxims for Board members is to 'Give or Get' i.e., either they themselves give funding or go out and actively fundraise for the organisation. In the Indian context, while this practice has not been adopted very widely, it is an upcoming trend which several founder/CEOs are already experimenting with or at least debating about. During our research, we came across divergent opinions on this subject; some thought it was worth considering, some had a neutral view and some vehemently opposed it. We present the different sides of the argument, and what emerges as a mid-way solution.

It is also important to differentiate between donor types. An individual philanthropist on the Board and their perspective could be very different from a representative of a donor organisation. In case of the latter, it is more likely that the donor representative is specifically interested in the utilisation of the funding that their organisation has committed.

Some of the pros and cons based on interview insights are tabulated below:



Individual donors are betting on the organisation by funding them and, hence have a deep interest in seeing the organisation succeed.

Donors are people who are likely to have built successful organisations and wealth, hence, may be able to add perspective that others on the Board may not have.

Institutional donor representatives are able to play an ambassadorial role for the organisation within the community, if engaged well.



01

Donors exert a lot of influence on SPOs even without being on the Board. They don't need a Board seat to be able to play a role in decision-making.

02

Donors often come in with their interest in a specific program and may find it hard to separate the program perspective from organisation perspective.

03

Founder/CEOs could find it hard to disagree with the donors for fear of losing out on funding.

04

It reduces the voice of the other members on the Board who may not have contributed financially.

This is a common practice in the corporate world, especially startups, where the investors often have a seat on the Board. With a greater influx of corporate sector professionals into the development sector, as crossover talent or as Board members, several corporate practices have been imbibed in the development sector, many of which have been useful as well. However, whether this particular trend of having 'investors' on Boards has merit or not, is something that we will perhaps know with more certainty in the future.

From our interviews, we gathered that perhaps there is no steadfast right or wrong answer. Bringing a donor on just because s/he are donor might be a flawed approach, however, truly evaluating them based on what they bring to the Board, their openness to listen and be flexible in approach, etc. and then taking a call on bringing them on Board is a preferred option.

It is important to remember that the Board role is a group one and not one that is a sum of individual abilities.

SECTION 5

Recommendations for the Chief Functionary

So far, we have discussed the value of investing in Board and governance, the role of the Board and Board composition and structure. This section focuses on 'how' founders/CEOs can get the most out of their Board and maximise the effectiveness of their Boards and Advisory Councils. It describes best practices for founders/CEOs.

1. Governance is the key role of the Board

The original foundation of why a Board exists is governance and it should be top of mind for all of us in the sector.

Aravindan Srinivasan
MukkaMaar
Board Member

"The role of the Board is to ensure the organisation is defining and staying true to its mission. It is more around organisation effectiveness and functioning to high governance standards. Different aspects of these will vary depending on how old the organisation is. In early stages, the Board can be super involved at even the theory of change level. But later as professionals start coming in for all of these functions, the role of the Board is no longer that. SPOs are public institutions from day one. Hence, with the regulations becoming more stringent, I see it as an opportunity for us to improve our governance practices further."

How conflict of interest is being acknowledged and addressed is a key question. As a few of our interviewees highlighted that they are not very conscious of how the Board members' personal or business interests affect or are affected by being on the Board of an organisation. An example is when there are Board members who are founders of other organisations in the same cause area.

2. Value from the Board must be equal to or more than the cost of investing

Investing in effective Boards and good governance practices can be valuable, provided there is clarity on the expectations from the Board, and the executive team has sufficient time and resources to commit to the Board building and engagement process. Without clear expectations and adequate time, the Board's effectiveness may fall short, even if its members are high-profile and well-intentioned. The first step in building an effective Board is to determine the rationale for doing so. What are the gaps that need to be filled, what are the expectations from the Board, and what type of Board members will be required? Is it necessary to build an Advisory Council or can these needs be met by the legal Board? These are a few questions that the founder or CEO should consider and discuss with trusted advisors before seeking potential Board members.

Taking a thoughtful approach to this step can lead to better communication with potential Board or Advisory Council members and ensure a common understanding of the expectations from the Board as a collective body and individual members.

Shruthi Iyer
Foundation of Mother and Child
Health
Co-founder & CEO

"It is important for me to invest in my Board because I look at them as strong supporters and thought partners, who can help FMCH move ahead in its vision. If it aligns with your organisation strategy, if you think the Board can help get to your vision and mission, definitely invest in them. If they are not the right people, do you have the bandwidth to try and engage existing Board members, have difficult conversations, get new members in, invest in inducting them, etc. If you don't, it's totally fine to continue as is and invest in the Board at a later stage. If you do have the bandwidth, the Board can truly become your launchpad for success."

3. Have a rotation policy built into your Board processes early on

Consider establishing a Board rotation policy in advance that incorporates periodic discussions among Board members, either as a group or individually with executive leadership, to assess the continuity of Board membership. Without a pre-determined and communicated term limit, initiating conversations about Board membership can be extremely difficult for both executive leadership and Board members. One of the biggest challenges faced by executive leadership is transitioning Board members off the Board and bringing in new, more diverse individuals, and often, it is easier to allow current Board members to remain on the Board while simultaneously introducing new members and/or forming an Advisory Council. We often underestimate the sensitivities involved in these conversations.

According to the survey, 52% of respondents stated that Board rotation based on necessary skills does not occur at all. In most cases where Board members are retained, it is either because they have decided to step down themselves, or due to conflicts of interest or integrity concerns. While it may not be simple, having a formal policy in place increases the likelihood of candid conversations taking place over time.

4. Board engagement and effectiveness is a two-way street

One of the pet peeves of founders/CEOs is the lack of interest and engagement of the Board members. There is no doubt that most Board members have several responsibilities that take up their time and attention. Sometimes organisation leaders feel that no matter what they do, the Board can never fully understand the business/context and management teams will always know better. However, that gap can be closed gradually with timely, adequate and well-planned Board engagement. Even with the most committed Board members, the executive leadership will still need to invest in it. This is especially true of founder-led organisations. Very rarely will one come across a Board that is fully engaged without the executive leadership making upfront, conscious, deliberate investment in the same.

Anant Bhagwati
Bridgespan
Partner

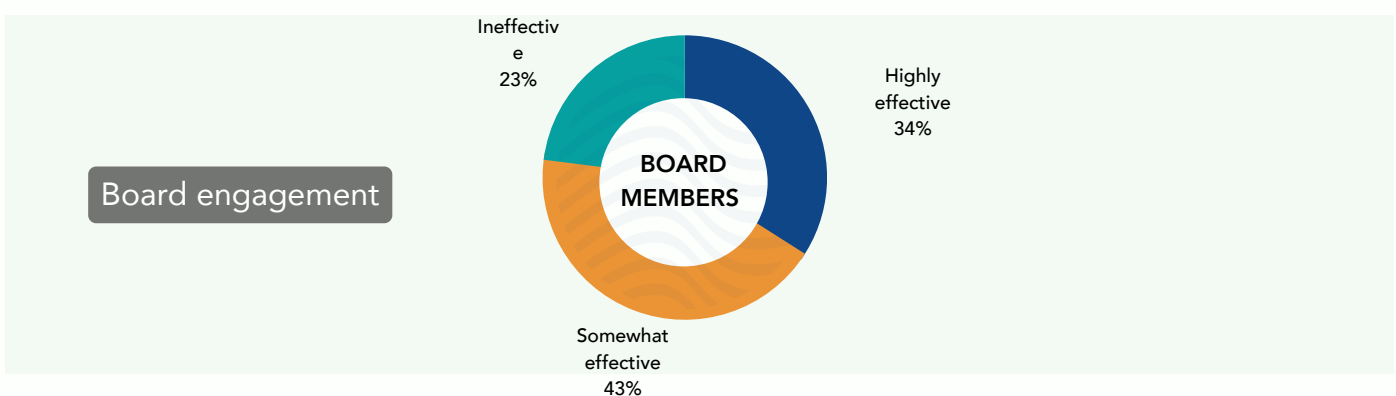
“Boards consist of high potential advisors. To provide leverage for their time is important, which means making the pre-reads going out, action points from the last meeting are tracked, follow ups are done, check-ins are happening as required. The Board can add a lot of value when that leverage is provided. Otherwise, what could happen is that Board members might make relevant points during the Board meetings, but not much may come out of those comments even if they are valuable.”

Some practices for Board engagement that emerged through our research:

- Sending a monthly email called ‘Roses and Thorns’ to keep the Board updated on what’s going well, things they are excited about and things that are not going so well. This keeps the Board updated on a regular basis on what is going on key organisational highlights, even in between the Board meetings. | [FMCH India](#)
- 1:1 meeting with one Board member every month to help build a stronger relationship as well as to get guidance on specific matters of expertise. | [FMCH India](#)
- In every Advisory Council meeting, putting up questions around two to three themes and going deep, rather than making it a very general discussion. | [LLF](#)
- Broad agenda created and shared for the whole year in advance allowing Board members to plan in advance. | [Apni Shala Foundation, FMCH](#)
- Having some Board meetings along with or after a field visit. | [LLF](#)
- A snapshot with key metrics is shared beforehand so that meeting time is not used towards updates. | [MukkaMaar](#)

5. Be prepared to cut your losses if the relationship doesn’t work out

Far too many founders/CEOs feel their Boards could do better. As mentioned earlier in the report, only 34% of the survey respondents have rated their Board as highly effective. A significant majority have rated their Board as somewhat effective (43%) or ineffective (23%).

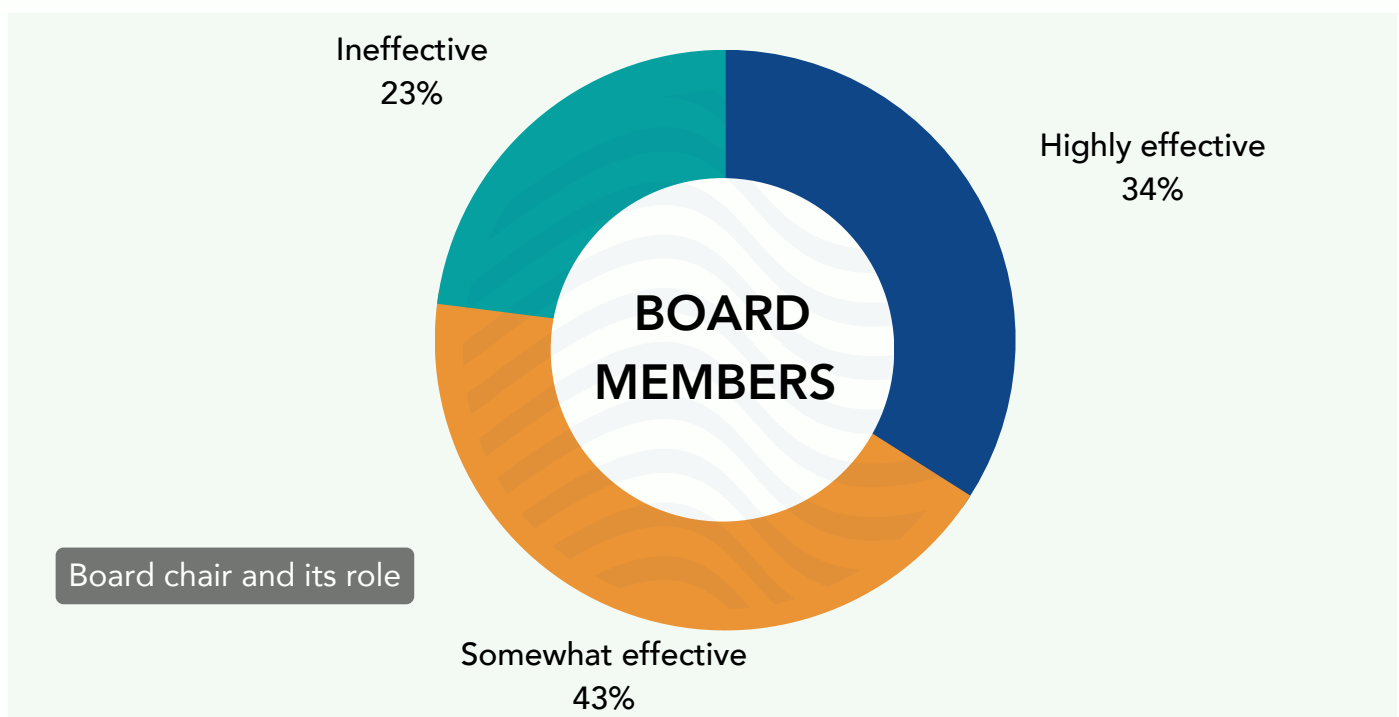


Both the survey and interviews indicate that there is scope to improve Board effectiveness. Yet, far too many founders/CEOs also hesitate to have the difficult conversations with Board or Advisory Council members when it is time to do so. The founder/CEO needs to take accountability for deriving value from the Board/Advisory Council. We also heard from founders/CEOs that quite often it is just about clear and candid communication. Except for some exceptional cases, most Board members have good intent and deeply care about the mission, the institution or the founder/CEO. When there are enough conversations about the strategy and the expectations from the Board for the next phase of the organisation, Board members either step up or gracefully step out. Clear communication is a key ammunition in the arsenal of the founder/CEO. As one leader said, "Every minute spent in Board management is a minute taken away from the communities you serve. It better be worth it."

Let's consider an example where a founder was focused on building her Advisory Council during the growth phase. Despite spending some time trying to build a relationship, she found it hard to engage with one of the newer members and asked one of the earlier council members to communicate the need for more engagement. However, the older member felt uncomfortable questioning the newer member given his own position as a peer. The founder was best placed to have an open and direct conversation with the new member, but the older member coached her to have the conversation. Eventually, the founder had the conversation, and the new member subsequently dropped off, and the founder replaced the position with another effective member. This example illustrates the importance of ongoing communication with Board members at regular intervals, not only for communicating expectations but also for enabling Board engagement.

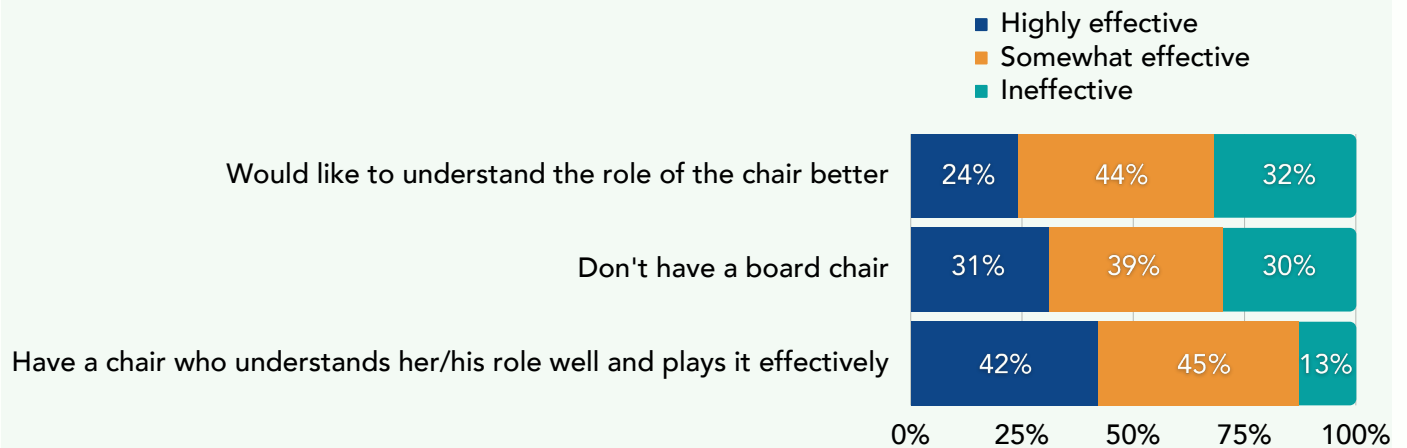
6. Cultivate a Board chair

Having a strong ally on the Board, especially if the chief functionary is relatively new to the organisation or young or less experienced, was found by many chief functionaries to be extremely useful.





Board effectiveness & role of Board chair



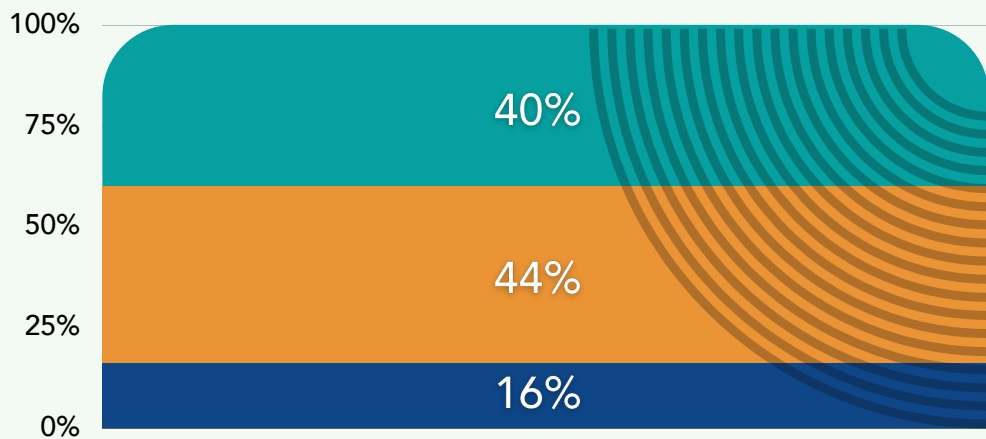
Board development and management is a crucial responsibility that can be time-consuming and delicate for founders/CEOs. To facilitate discussions, it is helpful to have a person, other than the CEO, who commands respect from the Board and can guide conversations constructively. This leads us to ask: is a chairperson necessary for every Board, and what qualities make a good chairperson? The Board chair should be someone who is respected by the Board, not just seen as a peer, and has a long-standing association with the organisation. The Board chair should also be willing to devote more time than other Board members to serving as a close thought partner to the founder/CEO and interacting with the rest of the Board to foster positive dynamics.

A Board chair can also play a crucial role in guiding/leading some of the difficult conversations with other Board members, if need be. This too is a practice that is quite common in international NGOs but has not caught on much in the Indian context.

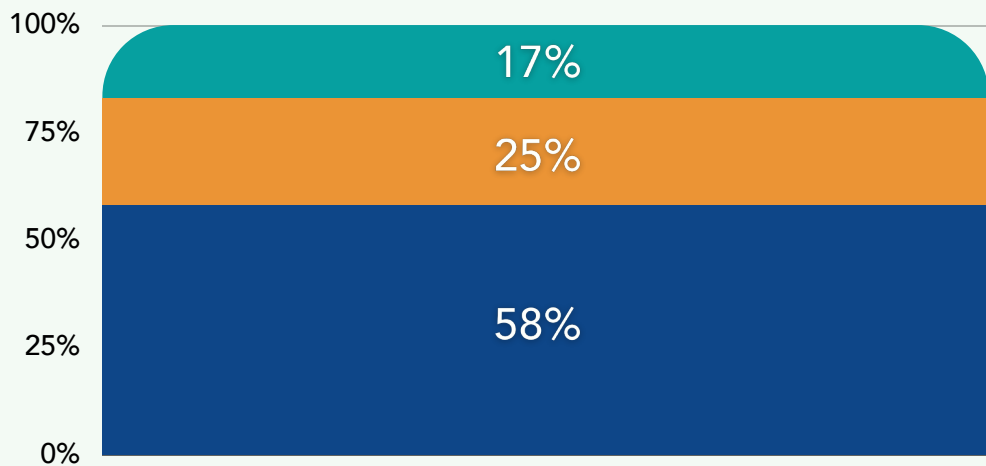
Equally important is for the chair to be a confidante to the CEO

According to our survey findings, younger organisations don't have a Board chair and have also not expressed a desire to know more about the role of the Board chair. 58% of those organisations that don't have a Board chair are less than 10 years old, and only 16% of those who said they want to know more about the role of the Board chair are less than 10 years old. This is because as the organisation grows older, the need for a Board chair starts becoming more apparent. In the initial stages, the founder is more deeply involved in Board building and engagement, hence, may not feel the need for a Board chair.

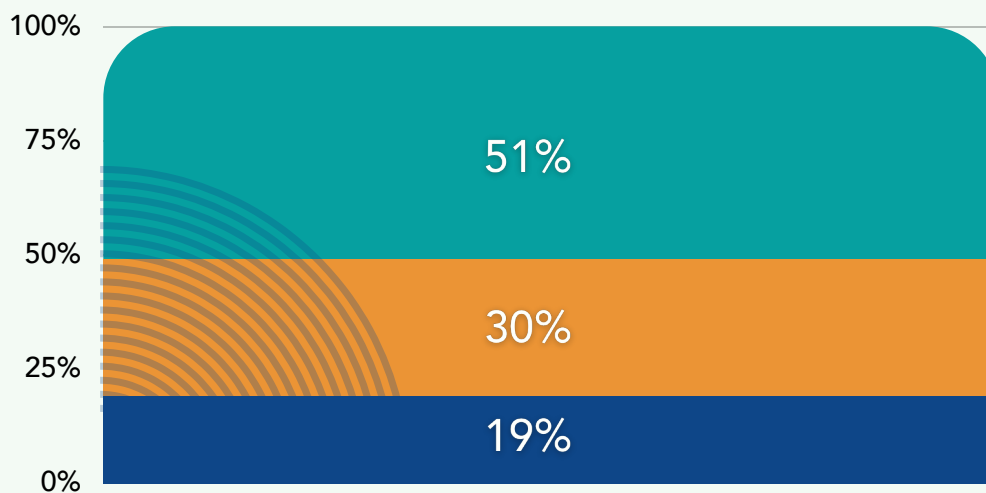
Age of organisation and role of Board chair



Would like to understand the role of the chair better



Don't have a Board chair



Have a chair who understands her/his role well and plays it effectively

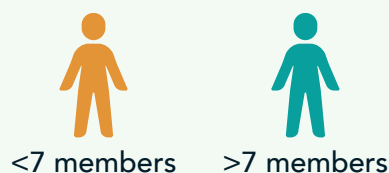
Size of legal Board and role of Board chair



Would like to understand
the role of the chair better

Don't have a Board chair

Have a chair who
understands their role well
and plays it effectively



It is also pertinent to note that 81% of organisations that do not have a Board chair have less than seven legal Board members. The size of the overall Board also has an implication on the need for a Board chair. When it is a smaller Board, the chief functionary is able to manage the Board by himself/herself but as the size increases, having a Board chair can be very helpful.

SECTION 6

Recommendations for Board Members

1. Get clarity on what the chief functionary expects and how you can contribute

As much as it is important for the chief functionary to have and provide clarity on expectations, quite often they themselves are struggling to articulate it sharply. Founders/CEOs may not have prior experience of building organisations, managing teams and/or building and engaging with Boards. Many are also deeply entrenched in the day-to-day operations and strategy execution, especially in the younger, early-stage organisations with smaller internal teams to support, and may need help in understanding how the Board can support. The involvement of the Board is also dependent on whether it is a founding Board or not.

Good intent, alignment to the mission or a strong relationship with the founder/CEO are not enough in the long run, and it is easy to feel disengaged without clarity on how you can add value or what is the specific expectation from you. This expectation could be limited to simply adding credibility to the organisation. Knowing what will be of utmost value to the organisation at the current stage is crucial. Is it your brand value and the credibility that comes with it? Is it your governance/functional/sectoral/organisation development expertise? Is it your ability to support fundraising connections? Is it your guidance in key strategic initiatives? Or a combination of them? Being aware of the exact value you bring to the organisation and importantly to yourself is the best lever for optimal contribution.

2. Spend time upfront to understand and build the 3Cs: cause, context, chemistry

One of the key role expectations from the Board in mature stage organisations is to help build strategy and monitor achievement of the same. To play the role of a strategic advisor, the Board needs to have a good understanding of the cause, the context in which the sector and the organisation operates, and the chemistry with the chief functionary should be conducive. These three go a long way to enable effective governance and a successful partnership between the Board and the executive. All of this takes time and effort which involves a lot of reading about the issue, conversations with the executive teams, field visits to see the program in action, interactions with different stakeholders, all with the intent to internalise the organisation's mission and the context in which it operates. It is almost like an induction of a senior-level hire. While this needs to be planned by the executive, the incoming Board member should make the time and demonstrate interest in the process of learning and discovery.

3. Steer clear of the extremes

For non-profit leaders to get the most out of the guidance provided by Board members, it is important for the Board members to have a deep understanding of the situation. Where necessary, they should be willing to offer guidance on how to put their advice into action. This approach can significantly benefit non-profit leaders as opposed to receiving high-level advice and suggestions. Boards need to balance between supporting the executive in the manner that they are seeking and ensuring that they bring in the objectivity that is required to provide strategic guidance.

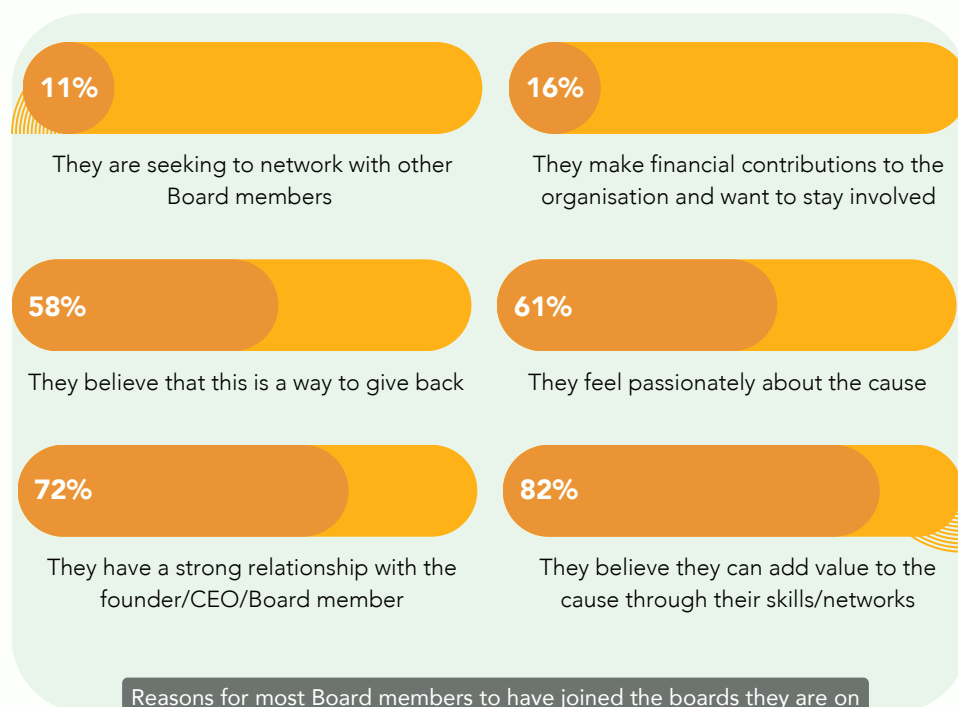
Sharad Agarwal, Co-Founder, ISDM, and Board Member, IIMPACT, spoke about how a group of friends had got together and set up IIMPACT.

“The Board at that point was devoid of reality because these were all IIM grads who came from large organisations, in private equity, running multi-crore organisations. They didn't realise that an SPO doesn't operate the same way. We built very strict rules of governance because we came from the corporate side, while the executive teams weren't equipped even to have simple processes in place. The assumption was that all of these things already exist, which eventually became the genesis of ISDM.”

The other extreme is, of course, getting too involved, making it their pet project and expecting the organisation to focus on that initiative alone. While it might be a great idea, the timing for implementation may be best decided by the chief functionary. The executive team may already be stretched on other strategic initiatives, hence, may not be able to add another initiative to their plate. Let the chief functionary decide the timing unless the Board member making the suggestion is also willing to give their own time to help build on that idea.

4. Evaluate your contribution and connection, and decide continuation based on that

Only 17% of the survey respondents said that their Board evaluated its own contribution. Building and managing a Board takes up a lot of time and energy for the founder/CEO and it is only fair for the Board to assess its value-add given the opportunity cost of the time the founder/CEO spends on Board engagement. As some chief functionaries said, people who came together at one point as the founding Board due to alignment to a cause or relationship with the founder/s, should keep evaluating their relevance at every stage of the organisation. What the organisation needed in its founding stage would be different from what it needs in its stabilisation or growth stage.



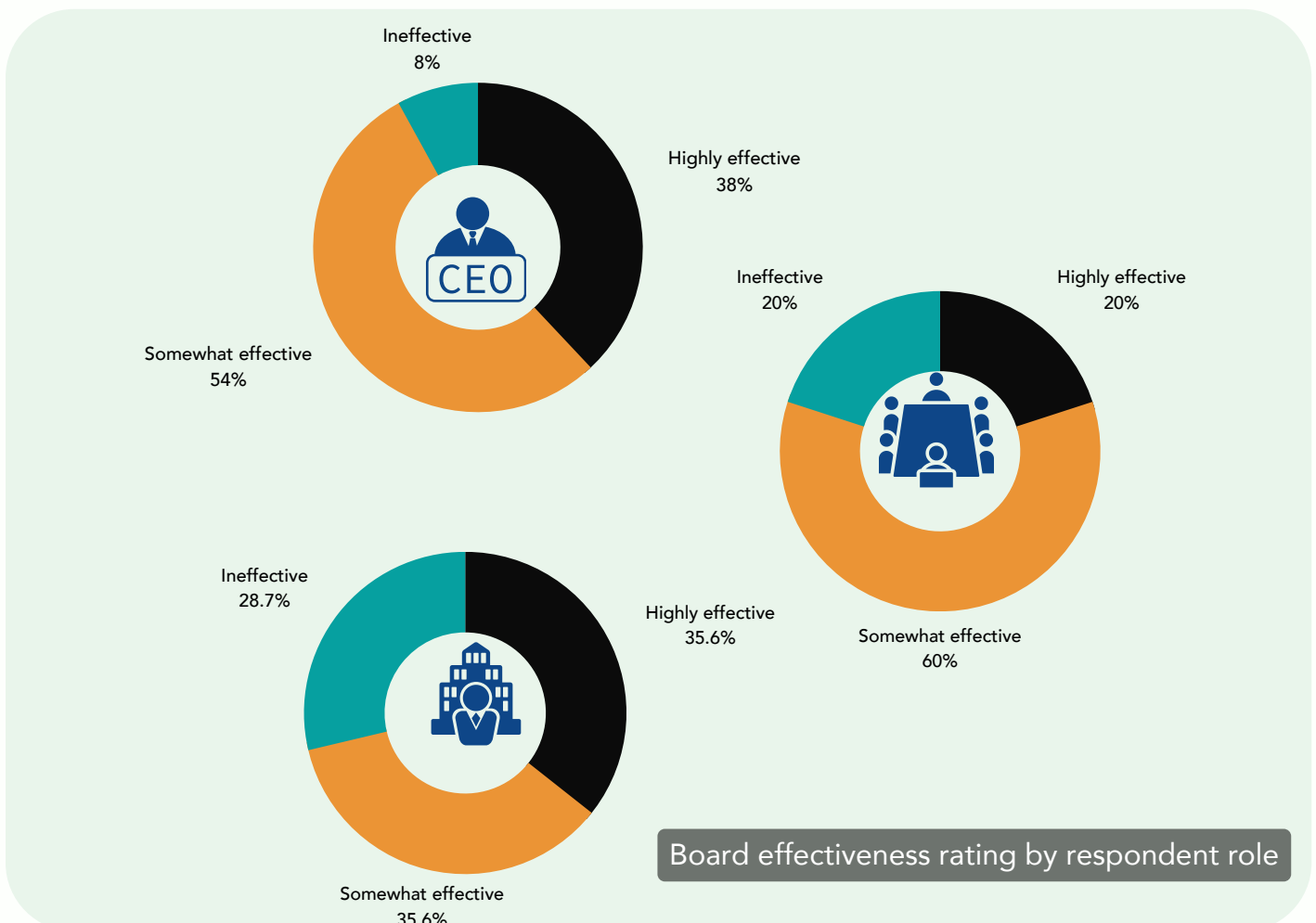
According to the survey results, the primary reasons for Board members to join the organisations are their belief that they can contribute value to the cause through their skills or networks (82%), having a strong relationship with the founder, CEO or another Board member (72%) and a strong passion for the cause (61%). However, although these are valid reasons for joining a Board, they may not always result in effective Board engagement due to various other factors. Despite being cited as the top reasons for Board membership, only 34% of the respondents rated their Board as highly effective, according to our survey findings.

As discussed in the previous section, it is hard for the chief functionary to ask a Board member to exit, even more so where they have been brought on Board based on the relationship they hold with the chief functionary. In our research, the only instance where Board members were asked to exit were due to integrity issues. It is up to the Board members to really critique their own engagement and effectiveness to support the organisation achieve its mission, and decide to continue or not.

5. Customise engagement based on the individual/Board motivations

Individuals join Boards/Advisory Councils based on a variety of reasons. Understanding each member's motivation and designing engagement to meet that is critical for effectiveness.

Engagement also varies between hired CEOs and founders. The former is likely to determine this on the basis of value-add alone while the latter will be influenced by allyship.



To illustrate, a larger percentage of founders (29%) have evaluated their Boards as "ineffective" compared to other groups such as hired CEOs and Board members (12%), while a greater percentage of non-founders (56%) have rated their Boards as "somewhat effective" compared to founders (36%). Founders may typically hold a stronger perspective and may find it easier to identify the ineffectiveness of their Boards, as opposed to Board members or CEOs who have been hired in an executive role. Inheriting a Board from a founder leaves the CEO with additional challenges of creating complementarity with executive needs.

6. Humility is your best tool

Board members come in sometimes with a solutioning mind set. This is especially true of those who have had significant experience in the corporate sector. There is a general perception that these skills are far more valuable than the skills that exist in the executive team. It is important to approach the Board contribution within the framework of greater listening and mutual respect. As one of our respondents said, "When such Board members come in, they almost always come with a halo. But what they forget is that the chief functionary is also an entrepreneur/senior development sector professional. What they have been able to accomplish albeit in a different context is very hard to do given the wicked nature of the problems they are trying to solve and the resource constraints that they inevitably face."

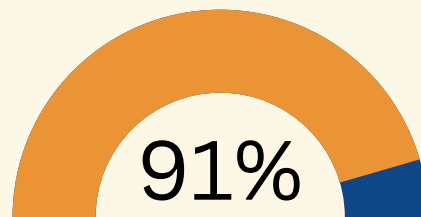
7. Become partners in Board building

One of the best ways to strengthen the Board is for existing members to participate in the endeavour. Board members who work with the executive to identify and engage other Board members add immense value. The steps from identifying the needs to inducting and supporting new Board members is best done when the Board is itself involved in the process. Inviting a few members to act as 'buddies' for new members is also useful in increasing quick learning.

SECTION 7

Call to Action for the Sector

Through this study, it is amply clear that there is desire among SPOs to learn about and invest in building this institutional capacity. The survey confirms the same.



Would like to know more about building stronger Boards

91% of the respondents want to know more about building stronger Boards, either via workshops and/or 1:1 discussion.

Critical needs identified by respondents

12%

Weeding out non-performing Board members

28%

How to get my Board to do more

49%

Engaging Board members better

52%

How to get new and effective Board members

55%

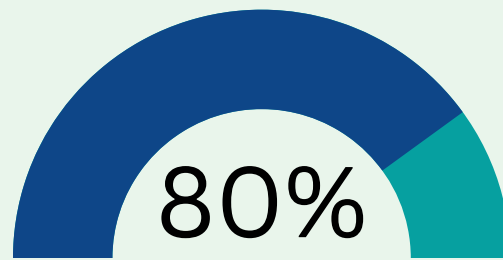
Building a strong Advisory Council

59%

Creating stronger structures and processes to enhance the Board's performance

When asked to rank the top three critical needs, top most was 'creating stronger structures and processes for enhancing Board's performance' (60% of respondents), followed by 'building a strong Advisory Council' (55%) and 'getting new and effective Board members' (53%).

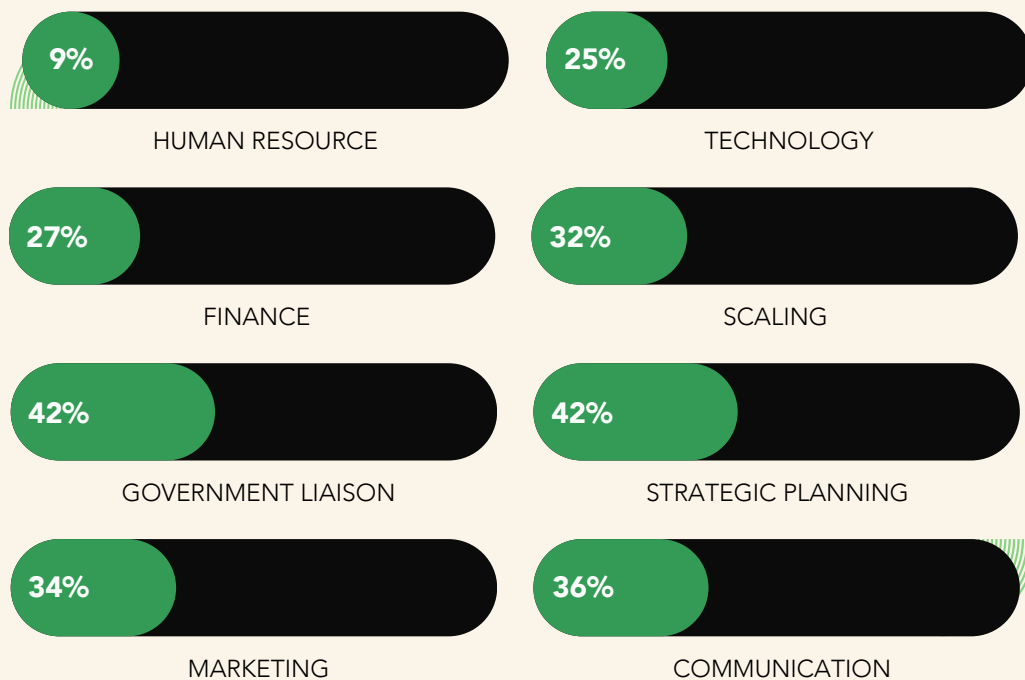
Looking for new Board/Advisory Council Members



Looking for new Board/Advisory Council Members

81% of the respondents are looking for new Board/Advisory Council Members. Even with a sample size of 114, it is a significant number.

Top three expertise areas required on Boards



- The top three expertise required on their Board are strategic planning and government liaison (both at 42%) followed by communication (36%).
- All of the above demonstrate the support required by SPOs in building an effective Board, whether it's by getting new Board members, building an Advisory Council or by creating structures and processes that help enhance effectiveness.
- From the study, we think there is a lot more that can be done at an ecosystem level, both to generate demand for Board effectiveness as well as on the supply side by building institutional capacity and bringing more people into the sector as Board members. Whether it is SPOs, intermediary organisations, funders, Board members, experts or others, everyone has a role to play.

Some of the ways in which this could be done are:

1. Asking more questions about Board effectiveness and Board needs

While funders take compliance and programmatic aspects seriously, when it comes to Boards, the general practice is to ask for the names and profiles of Board members, and not much beyond that. Thoughtful questions that encourage self-reflection and requesting meetings with Board members could help build greater interest in building this institutional capacity. This can help bring in greater transparency in the sector which could eventually help elevate the status of the development sector as a transparent, professional, well-governed sector.

2. Supporting greater diversity on Boards

Funders can do this by understanding the SPO's thought process behind Board composition; is there adequate gender balance, community representation, development sector experience, age representation, etc. on the Board and how does that impact Board effectiveness could be some questions to keep in mind. As Shruthi Iyer, FMCH, said, "Getting a new Board member through the Women on Boards program has been very useful to FMCH. We need to identify more such people, not just the 'superstars' of the SPO world, who have been able to add value on Boards. Where do you find such people? And it is not impossible. All of us are living in such close networks. Each of us needs to expand this network a little bit."

3. Supporting capacity-building programs and initiatives

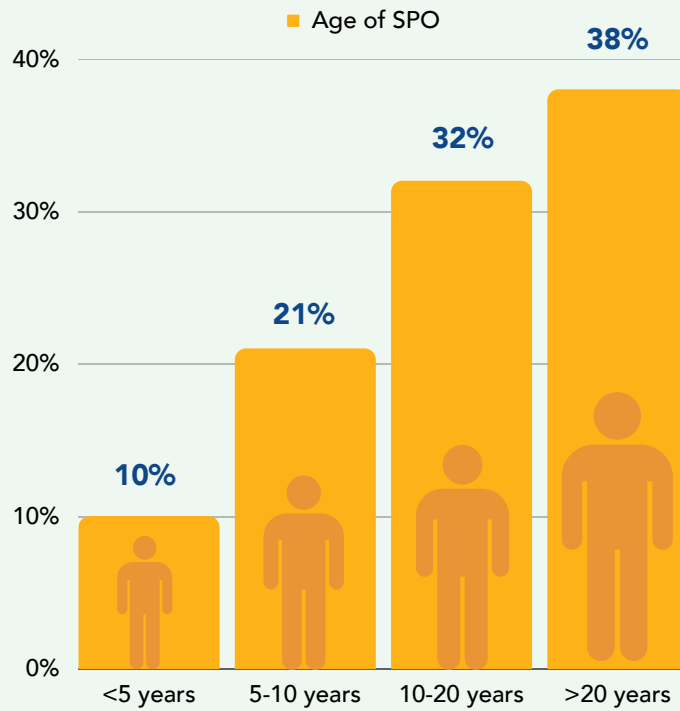
Apart from supporting programs such as above, funders could also support intermediary organisations such as ISDM, who are planning to build a Centre for Good Governance, or experts such as Governance Counts run by Aarti Madhusudan, to create programs and workshops for SPO leaders and Board members. Funders could also support 1:1 consulting intervention for the SPOs that they support where there is an identified need as well as appetite. Rohit Kumar, Apni Shala Foundation, was able to implement several recommendations made by Aarti Madhusudan and Dasra on enhancing Board effectiveness, at a relatively early stage of the organisation, as a result of the funding support by one of its donors. "The Board when I joined was purely a legal, functional Board. The conversations we had in a safe space helped me understand the importance of Boards. More of that work with organisations that have the desire but don't know how to go about it will be useful."

4. Enabling sharing of case studies and good practices

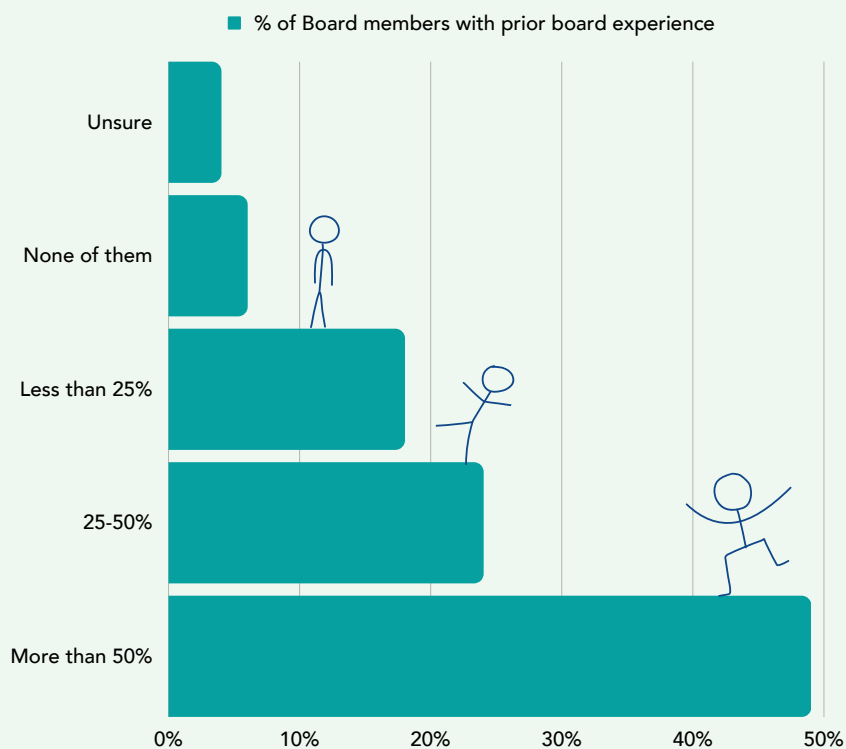
Most of the leaders we spoke to expressed that they didn't have prior experience of building and managing Boards. They were learning on the job, experimenting, drawing from the experience of their Board members who have been on Boards or have been part of executive teams. What challenges do other SPOs face and what has worked for them or what have been their learnings, in the form of case studies, roleplays, opportunities to observe Board meetings in action or peer sharing sessions, would be useful resources as indicated by most leaders. This would require SPO leaders and Board members to be more vocal and open to sharing so that collectively the sector could learn and get even better.

Appendix

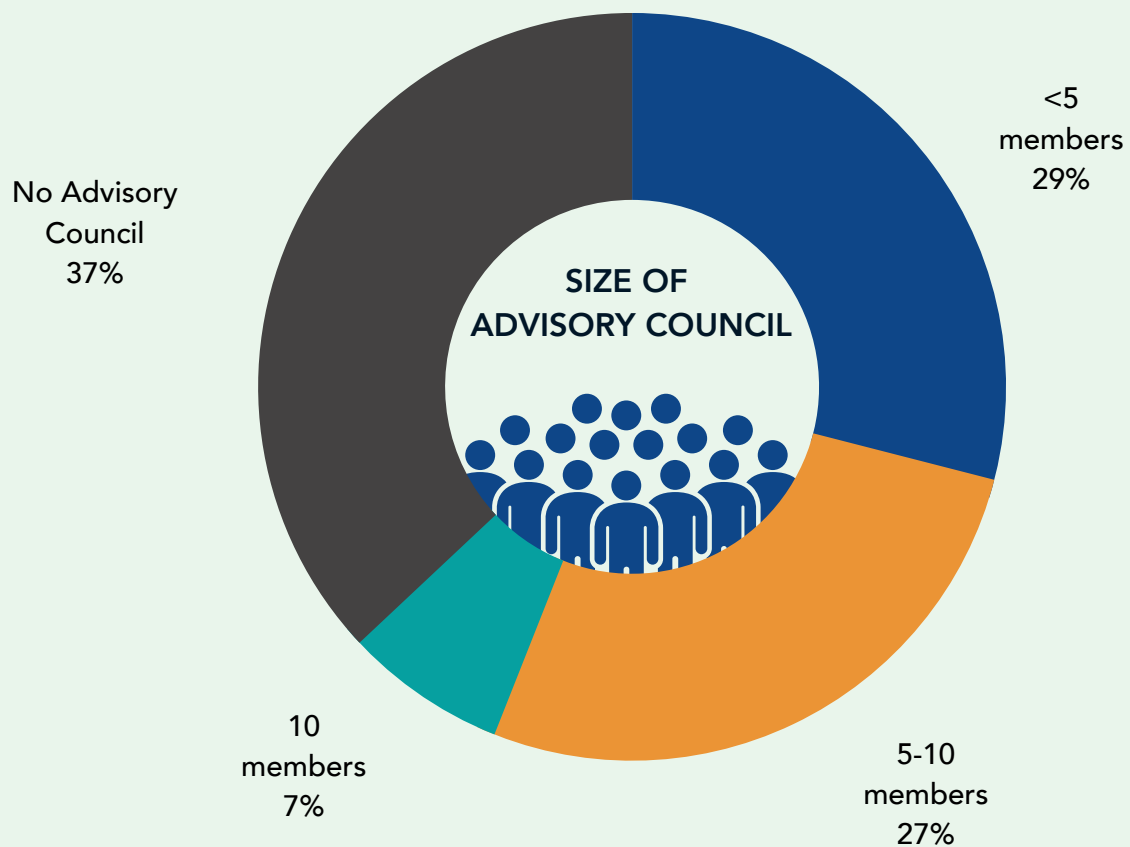
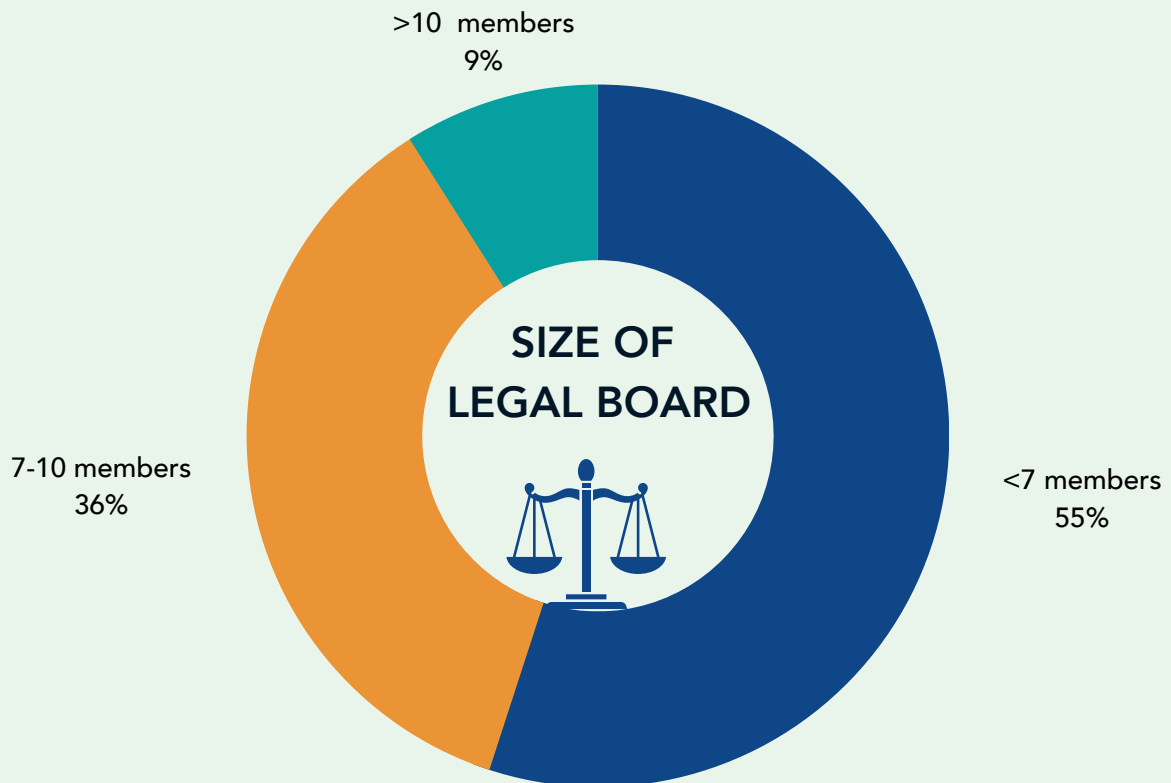
Age of SPO



% of Board members with prior Board experience

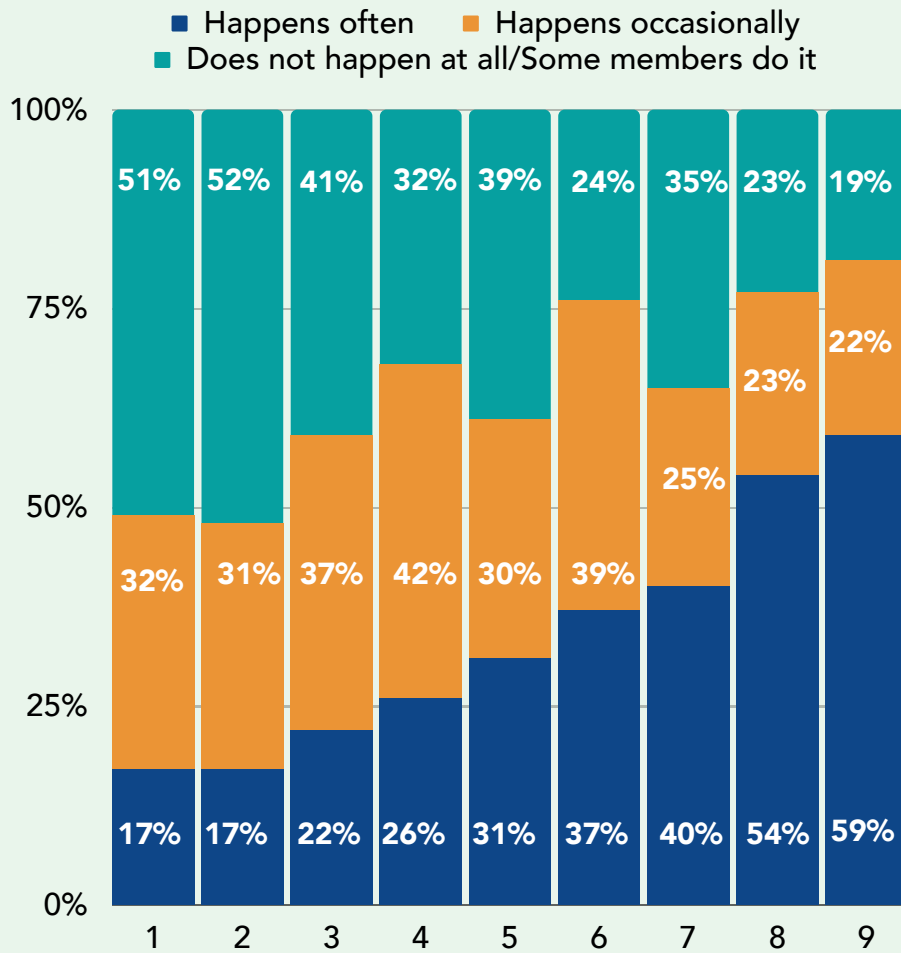


Appendix



Appendix

Board role and frequency of performance of role



1

Board rotation takes place based on skills needed on board

2

Reflect on its own performance and prepares plan to improve the same

3

Help raise resources for the organisation

4

Play a strong ambassadorial role

5

Monitor achievement of the organisation's strategic plan

6

Involved in strategic planning

7

Monitor the founder/CEO's performance

8

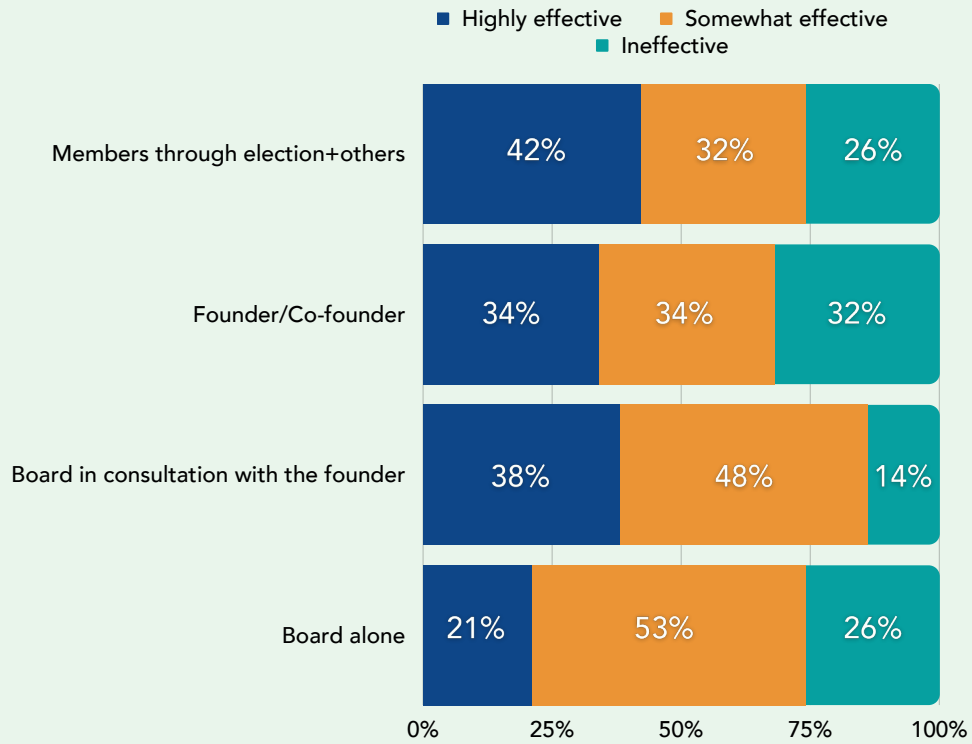
Support the founder/CEO that they seek

9

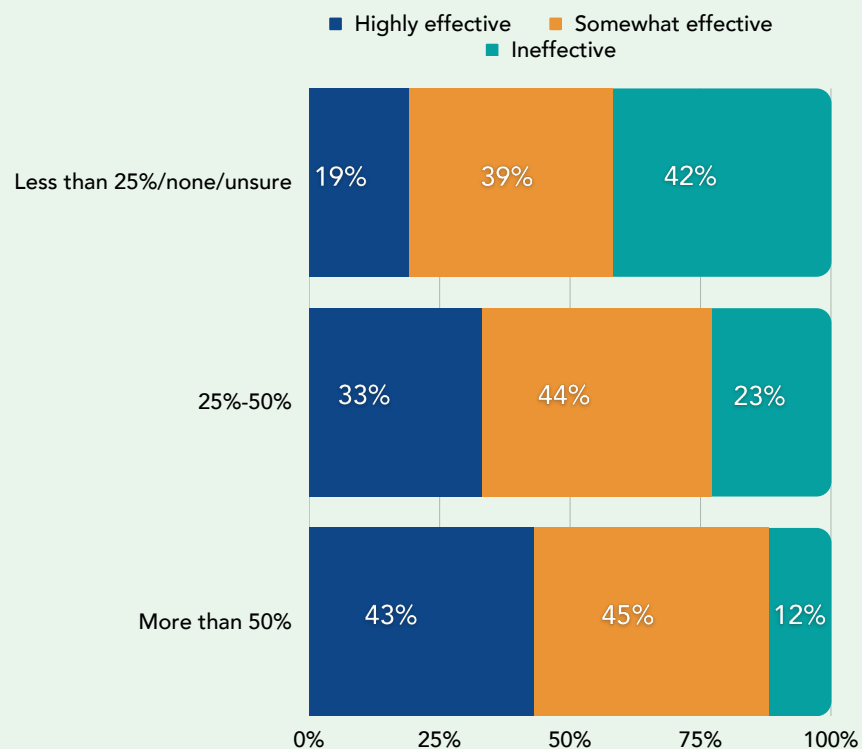
Legal and fiduciary responsibilities

Appendix

Board effectiveness by who chooses Board members



Board effectiveness with Board members having prior experience





Governance Counts
 **Creating Effective Boards**