MODULE FIVE: GOVERNANCE AND PEOPLE
COMMUNITY ASSET TRANSFER

FIVE

5

The Scottish Government
Riaghaltas na h-Alba

▶ **1.1 List of figures and tables**

Figures

Tables

► **1.2 Summary**

This module aims to provide participants with the knowledge and practical skills required to establish and maintain good governance in relation to the management or ownership of an asset. It focuses on a number of areas, including governance, building board capacity, effective leadership within the organisation and managing staff and volunteers.

The core learning outcomes for this module are:

- understanding of good governance and how to assess the position of the organisation
- understanding and knowledge of the various forms of legal structures
- understanding and knowledge of tools to measure and build capacity of a board
- understanding and knowledge of the principles of effective leadership
- understanding and knowledge of how to lead through change
- understanding of how to manage staff and volunteers within the organisation

► **1.3 Overview of governance and people**

Good governance is an issue of central importance to public bodies and local authorities considering whether or not to transfer assets that are currently under their control. Authorities need to be assured that the organisation has the capacity, structures and processes to acquire and manage the asset properly. To do this, the organisation will need to recruit a strong board to take on the management or ownership of an asset and lead the organisation forward. Effective leadership and a committed and motivated team of staff and volunteers will be essential to the future success of the organisation.

Fig 1.1: Overview of governance and people
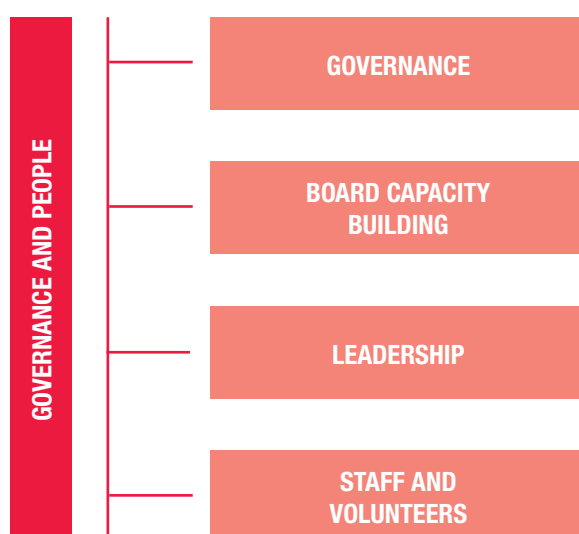
► **SECTION 2: Governance**

► **2.1 What is governance?**

Governance is about how decisions are made in the organisation. It is about organisations planning for the future, keeping tabs on progress, ensuring they are legally and properly run, that they are open to a range of people and views and that they are responding well to the environment in which they operate.

Within the context of community asset transfer, good governance is key to building confidence that an organisation is ready to take on the responsibilities of management or ownership of an asset. Effective governance is critical to the success of an organisation in the long term, particularly in terms of ensuring that it meets its full potential and maximises all opportunities that it may be afforded. A good board should create new opportunities and a strong effective chairperson should be in a position to 'open doors' for an organisation and introduce new opportunities through ideas, expertise sharing and an introduction to wider networks which can support an organisation to meet its full potential.

The board ultimately holds the final responsibility for making sure that key areas are compliant with good practice, but governance is also about how the trustees/directors are informed, developed and supported.

► **2.1.1 Benefits and challenges of implementing good governance**

Effective governance can make the difference between success and failure of an organisation. Below is a number of the key benefits and challenges to implementing good governance practices within an organisation.

Fig 2.1: Benefits and challenges of implementing good governance

BENEFITS

- Opportunity for asset transfer
- Better leadership
- More sustainable
- More effective
- Ability to meet challenges
- Development of team spirit
- Ability to manage risks
- Make more robust long-term decisions
- Deliver more with less

CHALLENGES

- Cost
- Attaining full team buy-in (board and staff)
- Ongoing maintenance (it is not a one-off)
- Resistance to change
- Increased administration
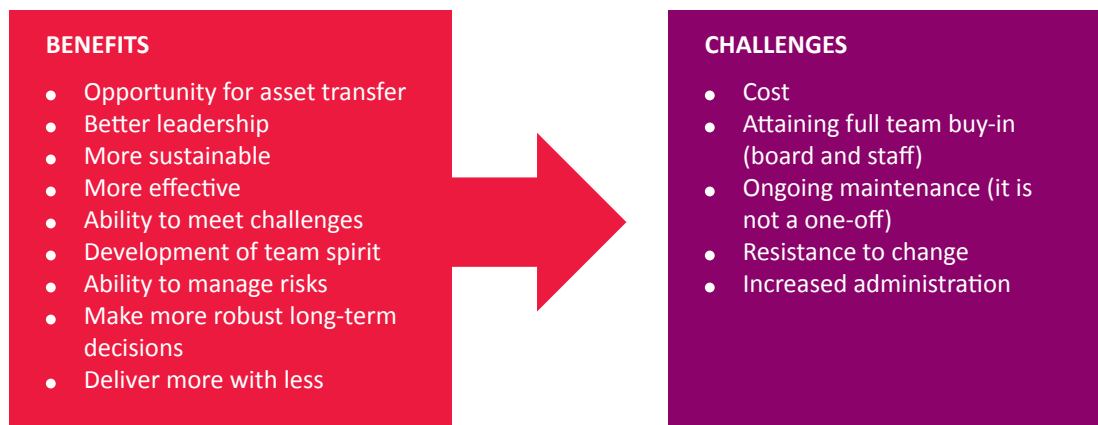
► **2.2 The governance framework**

It is important to support management committees, executive committees, boards of directors, boards of trustees or any other type of governing body in the third sector to develop good governance. Under the governance framework (figure 2.2) there are five key elements which the organisation could consider as a platform to assist with compliance with best practice and meeting statutory responsibilities in relation to governance.

Fig 2.2: Governance framework*

GOVERNANCE FRAMEWORK

1 ROLES/ RESPONSIBILITIES

2 EFFECTIVE INDIVIDUAL/TEAMS

3 ORGANISATIONAL PURPOSE

4 APPROPRIATE CONTROL

5 INTEGRITY AND ACCOUNTABILITY

*Informed by the Code of Good Governance

► **Element 1: roles and responsibilities – an effective board will provide good governance and leadership by understanding its roles and responsibilities.**

The members of the board are equally responsible in law for board actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations, examples of which are detailed in figure 2.3.

Fig 2.3: Areas of members responsibilities for board

SETTING AND SAFEGUARDING THE VISION, VALUES AND REPUTATION OF THE ORGANISATION	THE RULES SET OUT IN THE GOVERNING DOCUMENT	THEIR LEGAL DUTIES	THEIR STEWARDSHIP OF ASSETS
THE ORGANISATION'S OPERATING ENVIRONMENT	THE STRUCTURE OF THE ORGANISATION	OVERSEEING THE WORK OF THE ORGANISATION	MANAGING AND SUPPORTING STAFF AND VOLUNTEERS, WHERE APPLICABLE

A board should be aware of the range of legal responsibilities that need to be upheld when running an organisation. These include the main legal responsibilities detailed in table 2.1.

Table 2.1: Board legal responsibilities

Legal responsibilities	• Charity law
	• Employment law
	• Equality and diversity
	• Insurance
	• Duty of care
	• Company law
	• Tax/PAYE/NI
	• Contracts
	• Fundraising
	• Data protection
	• Protection of children
	• Protection of vulnerable adults
	• Volunteers

▶ **Element 2: effective individuals/teams – an effective board will provide good governance and leadership by working well both as individuals and as a team.**

The board will have a range of appropriate policies and procedures, knowledge, attitudes and behaviours to enable both individuals and the board to work effectively. The board will plan for its own development and renewal by:

- finding and recruiting new board members to meet the organisation's changing needs in relation to skills, experience and diversity
- providing suitable induction for new board members
- providing all board members with opportunities for training and development according to their needs
- periodically reviewing their performance both as individuals and as a team

▶ **Element 3: organisational purpose – an effective board will provide good governance and leadership by ensuring delivery of organisational purpose.**

The board has ultimate responsibility for directing the activity of the organisation and delivering its stated purposes. It will do this by:

- ensuring organisational purposes remain relevant and valid
- providing public benefit
- developing and agreeing a long-term strategy
- developing operational plans and budgets
- monitoring progress and spending against plans and budgets
- amending the plans and budgets as appropriate
- evaluating results, assessing outcomes and impact
- maintaining a positive working relationship with volunteers and staff including the most senior member of staff

▶ **Element 4: appropriate control – an effective board will provide good governance and leadership by exercising appropriate control.**

As the accountable body, the board will maintain and regularly review the organisation's system of internal controls, performance, and policies and procedures, to ensure that:

- the organisation understands and complies with all legal and regulatory requirements that apply to it
- the organisation has appropriate up-to-date internal financial and management controls
- it regularly identifies and reviews the major risks to which the organisation is exposed and has systems to manage those risks
- delegation to committees, staff and volunteers (as applicable) works effectively and the use of delegated authority is properly supervised
- proper arrangements are in place for the supervision, support, appraisal and remuneration of all staff including the most senior member of staff

► **Element 5: integrity and accountability – an effective board will provide good governance and leadership by behaving with integrity and by being open and accountable.**

The board will be open, responsive and accountable, acting at all times with integrity, and in the interest of the organisation and its beneficiaries. The board will:

- act according to high ethical standards
- identify, understand and manage conflicts of interest and loyalty
- maintain independence of decision making
- ensure open communication by informing and consulting people about the organisation and its work
- listen and respond to the views of beneficiaries, service users, funders and supporters with an interest in the organisation's work
- handle complaints constructively, impartially and efficiently
- consider the organisation's responsibilities to the wider community, society and the environment
- consider the organisation's responsibility in promoting equality and good relations support, appraisal and remuneration of all staff including the employee in the most senior position

Once good governance is introduced into an organisation, it is essential that a board ensures that this is maintained and that good practice in this field is implemented. Please use the checklist in table 2.2 to conduct a quick governance assessment.

Table 2.2: Quick summary checklist for good governance (governance framework)

On a scale of 1 – 5, where 1 = not developed; 2 = under developed; 3 = under consideration; 4 = in development and 5 = well developed and regularly reviewed, use the checklist in table 2.2 to rate the organisation in relation to the following.

Area of governance	1	2	3	4	5
Element 1 – Demonstration of good governance and leadership by having a clear understanding of roles and responsibilities	●	●	●	●	●
Element 2 – Demonstration of strong governance and leadership through working well as both individuals and as a team	●	●	●	●	●
Element 3 – Demonstration of strong governance and leadership by ensuring delivery of organisational purpose	●	●	●	●	●
Element 4 – Demonstration of strong governance and leadership by exercising appropriate control	●	●	●	●	●
Element 5 – Demonstration of strong governance and leadership by behaving with integrity and by being open and accountable	●	●	●	●	●

► **2.3 Assessing board effectiveness**

The five Ss of governance modes

According to Julia Unwin (Director of the Joseph Rowntree Foundation and former Charity Commissioner), high-performing boards operate in a number of "modes": a grouping of attitudes, decision-making processes and behaviours. The most effective boards are aware of which mode in which they operate and have the ability to switch into a different mode to suit the demands placed upon them. Five modes (figure 2.4) have been identified and are referred to as the 'Five Ss of Effective Governance: Support, Stretch, Scrutiny, Stewardship and Strategy'.

Fig 2.4: Modes of governance
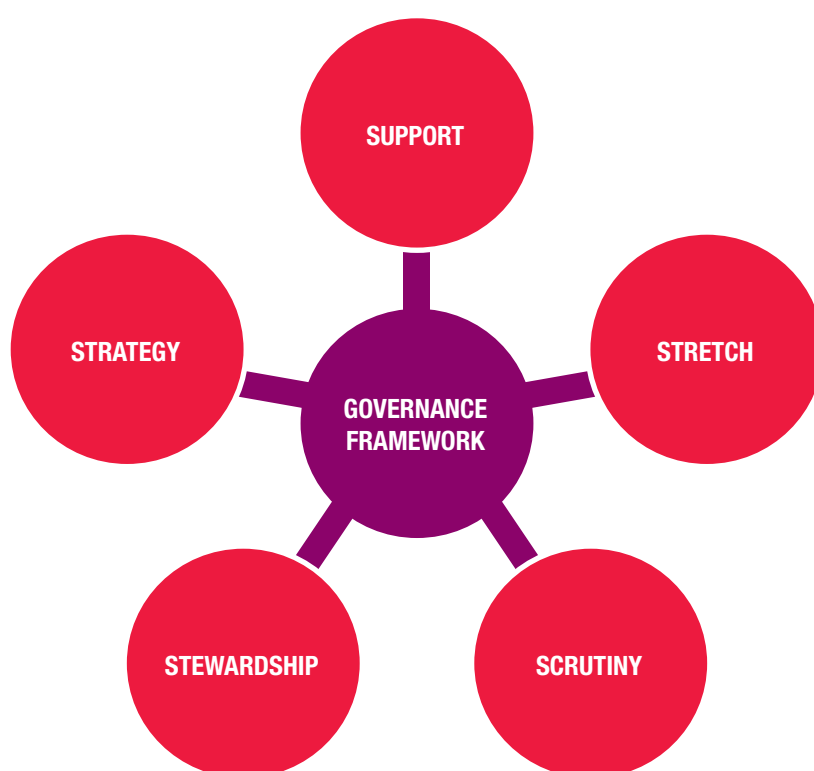
► **Mode 1: Support**

There are times when the function of the board is to support, not just to encourage the management team, but also to enable the management team to work by ensuring that the infrastructure of the organisation works, that staff are employed, that systems work, and also that they are encouraged and enabled to do their work. Boards in support mode say:

- have you got what you need to do that?
- we really ought to celebrate that
- we really can't allow you to be treated like that

▶ **Mode 2: Stretch**

Equally there are times when the board needs to stretch the organisation. It needs to make a strong challenge and improve on its performance. Boards that are stretching say:

- Can't we do any better than that? Can we create a strategic alliance for this?
- Have you thought of doing it differently? Couldn't we develop a social enterprise to do this?
- Surely we can improve by more than five per cent?

▶ **Mode 3: Scrutiny**

Boards in scrutiny mode examine the propositions put to them, challenging them and holding them to account. Scrutinising boards say:

- But this really doesn't make sense. We can't change our services in this way.
- Have you thought of the implications of doing this?
- I don't think you have made the case that...

▶ **Mode 4: Stewardship**

Boards in stewardship mode guard the assets of the organisation. They are concerned to protect the money, the good name, the long-term functioning of the organisation. As good stewards they know that they need to protect and conserve, and if they are charities, they need to preserve assets for beneficiaries tomorrow as well as today. Boards which are carrying out their stewardship role say:

- But will the money be here in five years' time?
- Are we giving away our intellectual property too easily?
- Is reputational risk too great if we do this?
- Is this asset becoming a liability?

▶ **Mode 5: Strategy**

Boards also make strategy. They listen to what others have to say, they consult the experts and their stakeholders, but in the end they make the big decisions that affect the future direction of the organisation. Boards in strategy mode will say:

- The external environment means that we have to re-think....
- This is a golden opportunity to open our doors to people from....
- We can come out of this a stronger organisation.

Table 2.3: The 'S' assessment

On a scale of 1 – 5, where '5' = 'excellent', use the checklist in table 2.3 to rate the organisation in relation to the five Ss modes detailed in section 2.5.

'S' Mode	1	2	3	4	5	Action required including timeframe
Support	●	●	●	●	●	
Stretch	●	●	●	●	●	
Scrutiny	●	●	●	●	●	
Stewardship	●	●	●	●	●	
Strategy	●	●	●	●	●	

Board checklist for community asset transfer organisations

A board should regularly assess its effectiveness as a leadership team. As well as using the five Ss as a quick guide to assessing effectiveness, below is a quick and easy checklist. Public sector bodies will not transfer an asset to an organisation that does not have a board that is functioning effectively. Table 2.4 allows an organisation at a glance to assess its level of effectiveness. Where 'no' is ticked, consider what action the organisation can take to address the area of weakness.

Once key areas of weakness have been identified then it should act as a catalyst for an organisation to undertake a more in-depth analysis of capacity and capability through the use of an appropriate tool. Detail of a choice of grids/tools is provided in section 3 of this module, Building Board Capacity. It is essential that the skills and attributes of a board match the needs of the growing organisation in relation to taking on ownership/management of an asset. If they do not, then change has to be implemented. This can be led by the board themselves or with the support of an external organisation such as Development Trusts Association for Scotland (DTAS), Community Ownership Support Service (COSS), Third Sector Interfaces (TSIs), Scottish Council for Voluntary Organisations (SCVO) and others. Detail is provided in section 3.2 and table 3.3 of this workbook.

Table 2.4: Board effectiveness checklist

	Yes	No
Do all of the board understand the responsibilities of their role?	●	●
Do all of the board understand and comply with the governing document?	●	●
Do all of the board understand the organisation's legal structure?	●	●
Do all of the board understand the liabilities upon becoming a member?	●	●
Do all of the board provide sound financial oversight and ensure that resources are properly managed?	●	●
Do all of the board ensure that all potential risk is assessed and dealt with?	●	●
Can the board account for everything that the organisation does?	●	●
Can the board ensure that the organisation pursues its purpose?	●	●
Does the board safeguard the name and values of the organisation?	●	●
Does the board take decisions as a collective group?	●	●
Does the board understand the roles of honorary officers?	●	●
Does the board understand the role and delegated authority of any sub committees?	●	●
Does the board differentiate between the role of the management committee and staff?	●	●
Does the board hold meetings as necessary to properly fulfil its role?	●	●
Does the board seek expert and professional advice as required?	●	●

► **2.4 Legal structure**

The legal/governance structure should be devised to meet the needs of the asset transfer opportunity and the organisation as a whole. The organisation will need to consider what sort of legal status it should have and this will depend on what it wants to achieve. A simple constitution might be adequate if the organisation is overseeing the interim use for a small space. This could give the organisation the independence to fundraise and involve local people in informal ways. More complex projects are likely to need more formal structures, not least to ensure legal protection.

► **2.5 Which structure to adopt?**

The decision on which structure to adopt depends upon a number of factors eg asset lock, charitable tax status. If groups are applying for asset transfer into community ownership under the Community Empowerment (Scotland) Act 2015, the legal structure they have to adopt is prescribed within the Act – either a limited company with a dissolution clause, a Scottish Charitable Incorporated Organisation (SCIO) or a Community Benefit Society (BenComm) all with no fewer than 20 members.

Traditionally the legal structure of organisations developing large projects has been that of a company limited by guarantee. It has members instead of shareholders, and does not distribute any surpluses as profits, but instead re-uses them for the benefit of the organisation.

Because the activities of these organisations are frequently charitable, many apply for charitable status so that they are operating through a charitable company. This provides some tax advantages, a public identity which assures their probity, and also enables them to apply to charitable foundations for funding.

However, since some organisations will also aim to earn income through trading activities, there may be limits on what they can do as a charity. They frequently set up subsidiary trading companies which can covenant profits back to the main charitable company (see Table 2.5 Legal structures at a glance).

Table 2.5: Legal structures at a glance

Legal Structure	Governing Document	Legal Person distinct from those who own and/or run it?	Can shares be issued?	Can it pay a return on shareholdings?	Can activities benefit those who own and/or run it?	Registration with a regulatory body?	Charitable Status?	Asset Lock?
Company Limited by Guarantee	Articles	Yes – members' liability limited by guarantee eg £1	No	No	No	Companies House	Yes	Yes, if provided for in Articles
Company Limited by Shares	Articles	Yes – members' liability limited to amount unpaid on shares	Yes	Yes	Yes – dividend paid to shareholders and can be sold	Companies House	No	Yes, if provided for in Articles
Scottish Charitable Incorporated Organisation (SCIO)	Constitution	Yes – members have limited liability	No	No	No	OSCR	Yes	Yes
Community Interest Company (CIC)	Articles	Yes – members' liability limited to amount unpaid on shares or by guarantee	Yes	Yes	Yes – dividend paid to shareholders and can be sold	Companies House	No	Yes
Community Benefit Society (BenComm)	Rules	Yes – members' liability limited to amount unpaid on shares	Yes	Yes	Yes – 1 Shareholder, 1 vote	FCA	Yes	Yes
Co-operative Society (Bona Fide Co-operative)	Rules	Yes – members' liability limited to amount unpaid on shares	Yes	Yes	Yes – mostly by trading with the society and using its facilities; not as a result of shareholdings	FCA	No	No
Unincorporated Association	Deed or Constitution	No – can create problems for contracts, holding property and liability of members	No	N/A	See Constitution	No	Can be	
Trust	Trust Deed	No – trustees personally liable	No	N/A	Assests managed in interests of beneficiaries but generally no benefit to trustees/directors	No	Yes	Yes (if for community benefit)

The following key areas should be considered on an ongoing basis in relation to governance within the context of taking on the management or ownership of an asset
If the organisation is already an established group, decide whether the existing governance and accountability structures are fit for the transfer and potential growth the asset will bring to the organisation over the longer term.
It is also key that there is a plan in place for members to step down and for new members to be recruited. Once the organisation takes on a new asset, fresh projects may develop and it may be necessary to recruit new skills onto the board.
Consider whether the governance structure, required skills and legal obligations will change over different phases of the project in the short term, medium term and long term. Will the transfer bring added opportunity that will result in significant growth and if so, how will the organisation grow the capacity in a phased way to help achieve long-term success.
It is important to ensure that the governing board is representative of the local community and/or accountable to it through groups and individuals.
Review who is on the board, who should be on the board and whether they should be appointed for a set period. Decisions about the numbers of trustees/directors, and their length of service, can be made in the Constitution or Articles. Knowing the length/depth of commitment required of a community representative often helps to identify interested people.
Consider how the wider community can contribute to the organisation. This could be through user groups, community forums, or as potential trustees, volunteers, consultees, participants, users, 'critical friends' and communicators.

► **SECTION 3: Board Capacity Building**

Taking on the ownership or management of an asset will require that an organisation has a very clear understanding of the scope and scale of capacity required to effectively manage it.

In relation to board capacity building, the key focus will be on the skills needed for organisational development and management, for visioning and planning, for working together and for working for change.

► **3.1 Assessing board and organisational capacity**

It is essential that an organisation conducts assessments on the skills and capacity within its staff team and board on an ongoing basis. In the current environment, situations can change quickly and an organisation can find itself charged with a much larger portfolio, which if badly managed would have a negative impact on the local community and other stakeholders as well as the organisation itself. Ongoing capacity building to match the changing needs of the external and internal environment is key.

Checklists such as those detailed in section 2 relating to the five Ss and the board checklist for community asset transfer are useful and effective first steps to identifying areas for development in relation to skills and capacity within a board. However with a growing organisation a more in-depth and thorough assessment such as a capacity and capability grid could be considered. This will allow for more effective planning. There are many examples of capacity and capability assessment tools available. Details on four are listed below.

A widely used model is PQASSO which is built on 12 topics or quality areas. These are the building blocks an organisation needs in order to be able to operate to a high standard.

Fig 3.1: PQASSO model

PLANNING	GOVERNANCE	LEADERSHIP AND MANAGEMENT	USER CENTRED SERVICE
MANAGING PEOPLE	LEARNING AND DEVELOPMENT	MANAGING MONEY	MANAGING RESOURCES
COMMUNICATIONS AND PROMOTIONS	WORKING WITH OTHERS	MONITORING AND EVALUATION	RESULTS

PQASSO breaks down each topic into three levels. This enables organisations to assess how they are doing and plan a clear path for development in each area. Such areas would include a series of indicators which show broadly what the organisation should be doing to meet its desired level of quality assurance. Self-assessment involves different people in the organisation discussing how well the organisation is doing against the indicators and whether any improvements are needed. Each area also includes examples of sources of evidence which offer some ideas about where an organisation might look for evidence to demonstrate that it has met the indicators. In addition PQASSO has a quality mark which is externally verified.

An alternative product is the Core Capacity Assessment Tool (CCAT) successfully piloted through CO3 (Chief Executive Officers of the Third Sector in Northern Ireland). CCAT is a fast, effective measure of an organisation's capacity, an assessment of an organisation's position on the organisational lifecycle, as well as a benchmark against organisations of comparable scale and remit.

The CCAT is a simple tool. It provides a comprehensive report with scores, developed via a 146-question online survey of board and staff, that measures a third sector organisation's effectiveness in relation to four core capacities (figure 3.2).

Fig 3.2: Core Capacity Assessment Tool (CCAT) assessment areas

LEADERSHIP

ADAPTABILITY TO THE CHANGING EXTERNAL CONTEXT

MANAGEMENT AND TECHNICAL CAPABILITIES

ORGANISATIONAL CULTURE

A fourth tool could also be relevant for those seeking social investment: the Big Lottery's 'Big Potential Diagnostic Tool'. This investment readiness tool can form part of a pre-application phase for organisations seeking investment from this funder. The report generated upon completion of this tool indicates an organisation's investment readiness and is assessed using a similar structure to the three assessment tools detailed above. There are 'five building blocks of investment readiness' reviewed within this diagnostic (figure 3.3). Governance and leadership and market potential are the crucial areas within this tool.

Fig 3.3: 'Big Potential Diagnostic Tool'

These types of grid assessments ask the individual to score the organisation on each element of organisational capacity by selecting the text that best describes the organisation's current status or performance. Evidence can also (and should where possible) be sought (e.g. the external verification mark for PQASSO). The grid/assessment may be used by managers, staff, board members and external capacity builders and funders with the following objectives:

- To identify those particular areas of capacity that are strongest and those that need improvement.
- To measure changes in an organisation's capacity over time.
- To draw out different views within an organisation regarding its capacity; different responses to the grid/assessment.
- To be discussed among staff, board members and funders which can be a valuable discussion starter to facilitate change within an organisation.

The use of a capacity/capability grid should be considered in terms of assessing if an organisation is fit to take on ownership/management of a new asset. If there is a major capacity issue then it can form the starting point of a change process to equip the board, staff and organisation as a whole with the appropriate skills to lead the organisation into new market opportunities they face. A plan can then be developed and put in place to support key personnel within the organisation in terms of skills and capacity.

Based on the score attained, a capacity building action plan should be compiled to address any areas of weakness while support should be sought through internal or external training and mentoring from a range of sources including DTAS/COSS. Please use table 3.1 to identify capacity building required for your organisation.

Table 3.1: Capacity building action plan

Key areas	Action required	By whom	By when	Cost

► **3.2 Board skills assessment tool**

It is essential for a board to assess their individual skill levels and ensure that the appropriate range of skills are available within the board to support the advancement of an organisation in the context of taking on ownership/management of an asset.

The director competency matrix (table 3.2) is one means of assessing skills and capacity at board level which the organisation could consider using on an ongoing basis.

This table can be used as a planning tool for an organisation embarking upon the community asset transfer journey. On the left hand side are the competencies that an organisation may deem necessary. The matrix uses numbers for existing and prospective directors but names could be used if appropriate. The names and detailed skills summary could be provided to selected individuals on a need to know basis.

Table 3.2: Director competency matrix

Area of competency	Existing directors					Prospective directors		
	1	2	3	4	5	1	2	3
Core board knowledge, skills and experiences								
Leadership	●	●	●	●	●	●	●	●
Sector	●	●	●	●	●	●	●	●
Governance/board	●	●	●	●	●	●	●	●
Financial	●	●	●	●	●	●	●	●
Detailed knowledge, skills and experiences								
Accounting/Audit	●	●	●	●	●	●	●	●
Advocacy/Communications/Negotiations	●	●	●	●	●	●	●	●
Development/Fundraising/Tendering	●	●	●	●	●	●	●	●
Community relations	●	●	●	●	●	●	●	●
Diversity (e.g. Gender, Culture Balance)	●	●	●	●	●	●	●	●
Geography	●	●	●	●	●	●	●	●
Government/Public sector relations	●	●	●	●	●	●	●	●
HR/Performance Management Compensation	●	●	●	●	●	●	●	●
IT/e-commerce/privacy management	●	●	●	●	●	●	●	●
Legal/Regulatory	●	●	●	●	●	●	●	●
Marketing/Sales	●	●	●	●	●	●	●	●
Facility Management	●	●	●	●	●	●	●	●
Risks and Controls	●	●	●	●	●	●	●	●
Operational/Organisational activities	●	●	●	●	●	●	●	●
Resource/Project management	●	●	●	●	●	●	●	●
Strategic Planning	●	●	●	●	●	●	●	●

The matrix allows an organisation to see at a glance where the key gaps are, which will aid the planning process to identify and recruit new directors to ensure the full complement of skills and attributes are available on the management committee/board.

Following completion of an assessment there are a range of bodies that organisations can call upon if they require support to build capacity.

A list of a number of relevant support organisations is detailed in table 3.3. In terms of community asset transfer there is extensive support and expertise within COSS to support organisations on the asset transfer journey. This is not an exhaustive list.

Table 3.3: Sources of support

Sources of support for governance and business planning	Types of support
COSS www.dtascommunityownership.co.uk	Advice and support on all aspects of asset transfer, signposting, networking, peer learning
TSIs (Third Sector Interfaces) www.vascotland.org	Support and advice on project development, supporting social enterprise delivering services, volunteer support
SCVO www.scvo.org.uk	Supporting management of community organisations including governance
SCDC www.scdc.org.uk	Capacity building, community engagement
HIE (Highlands and Islands Enterprise) www.hie.co.uk	Project support in HIE area (north of Scotland and Argyll)
Support for specialised projects	**Types of support**
Plunkett Foundation www.plunkett.co.uk	Guidance for groups taking on shops, retail, cafés etc
Community Shares Scotland www.communitysharesscotland.org.uk	Advice on all aspects of issuing community shares
The Hive www.uk.coop/the-hive/	The Hive is a new business support programme from Co-operatives UK and The Co-operative Bank, for people wanting to start or grow co-operative or community enterprises
Community Land Advisory Service www.communitylandadvice.org.uk	Community land use projects
Local Energy Scotland www.localenergyscotland.org	Renewable energy projects
Support from membership organisations	**Types of support**
DTAS www.dtascot.org.uk	Supporting and guiding members on all aspects of community development projects
ACOSVO www.acosvo.org.uk	Leadership and mentoring programmes
Community Woodlands Association www.communitywoods.org	Expert forestry advice and training for groups taking on woodland
Community Transport Association www.ctauk.org	For community groups involved in transport projects
Support for Social Enterprises	**Types of support**
UnLtd www.unltd.org.uk	Support for individual social entrepreneurs
Senscot www.senscot.net	Support for social enterprises and Social Enterprise Networks
Social Enterprise Scotland www.socialenterprisescotland.org.uk	Resources for social enterprises including business support and learning
JustEnterprise www.justenterprise.org	Business support and development
Scottish Enterprise www.scottish-enterprise.com	Scottish Government development agency for south, central and east Scotland
Business Gateway www.bgateway.com	Free advice and training in all aspects of business planning
CRNS – Community Resource Network Scotland www.crns.org.uk	Supports social enterprises managing waste resources at local level

► **Section 4: Leadership**

► **4.1 Leadership – an overview**

The importance of strong leadership has been highlighted in earlier sections of this module. Without strong leadership an organisation will fail. Leadership is one of the key roles of any board. Strong leadership is about setting the direction, ensuring the organisation follows its mission, managing change as well as supporting and managing staff. Every third sector organisation should be led and controlled by a board which can ensure delivery of its objectives, set its strategic direction and uphold its values. How the organisation manages and develops its assets will be intrinsically driven by the organisation's leadership.

Although leadership skills of a board are of fundamental importance for organisations, leadership is not just about the qualities of an elite few, and is not always associated with a formal managerial role. Organisations which recognise that every individual within the organisation has the potential to be a leader will promote more empowered, effective, responsive teams of staff and volunteers.

► **4.2 Leadership styles**

Leadership styles can be classified in four main ways – autocratic, democratic, bureaucratic and laissez-faire (see figure 4.1). An autocratic leadership style is where the manager retains power and makes all the decisions. Democratic leadership is a more participative style. A bureaucratic leadership style is where the leader manages 'by the book'. A laissez-faire style of leadership adopts a 'hands off' approach. Each leadership style brings its own particular advantages and disadvantages. The most appropriate leadership style will depend on the type of organisation, the organisational culture, the employees and the environment in which the organisation operates. By understanding the different styles of leadership, a leader can adopt the most appropriate style.

Fig 4.1: Leadership styles

LEADERSHIP STYLES	AUTOCRATIC	MANAGER MAKES ALL THE DECISIONS
	DEMOCRATIC	PARTICIPATIVE STYLE
	BUREAUCRATIC	MANAGES BY THE BOOK
	LAISSEZ-FAIRE	HANDS OFF APPROACH
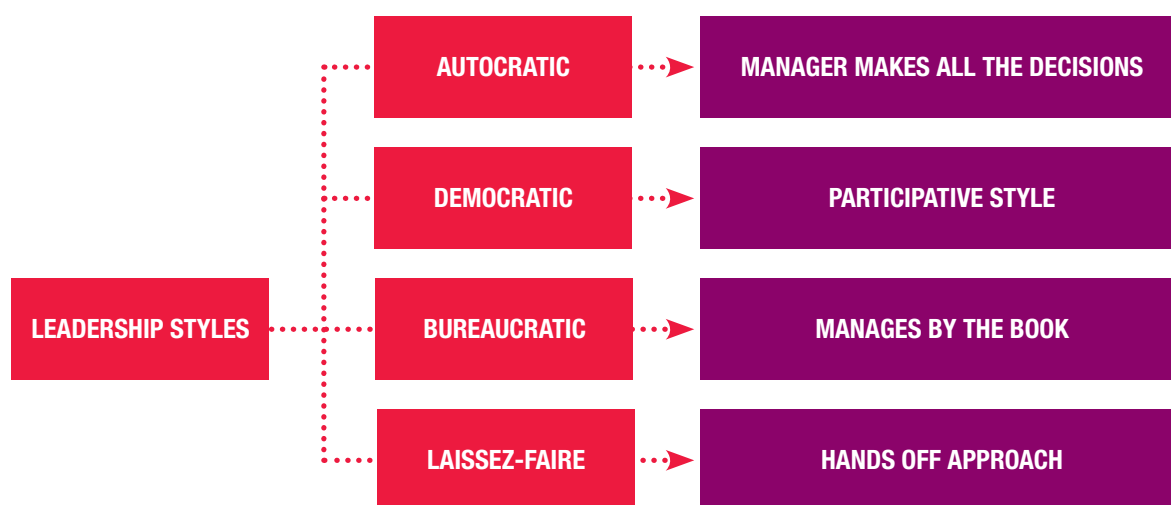
► **4.3 Leadership v. management**

Leading and managing are two distinct yet complementary systems of action. Successful organisations need both leaders and managers. Those organisations who will be embarking upon community asset transfer will indeed need both. It is important to identify the key traits within the organisation and deploy the skills of individuals accordingly. An asset transferred to an organisation will need to be tightly managed on an ongoing basis. Leaders focus on strategic and long-term planning, whilst managers focus on short-term planning as well as operational and business plans. A leader will create a vision and identify goals, whereas a manager will set objectives. Leaders can sense change in the external environment and be proactive to it, while managers tend to be reactive. A good leader will empower staff to make decisions and work on their own initiative. A manager will make the decisions and tell staff what to do. Leaders can also inspire and motivate staff. Within the context of community asset transfer, both management and leadership skills are clearly critical to success. It is essential that the organisation has an appropriate mix.

Table 4.1: Leadership/Management

	Leadership	Management
Direction	Creating vision and strategy Keeping an eye on the horizon	Planning and budgeting Keeping an eye on the bottom line
Alignment	Communicating the vision so that others understand and agree with it Creating shared culture and values Helping others grow Reduce boundaries	Organising and staffing Directing and controlling Creating boundaries
Relationships	Focusing on people – inspiring and motivating followers Based on personal power Acting as coach, facilitator, servant	Focusing on objects – producing/selling goods and services Based on a position of power Acting as boss
Personal Qualities	Emotional connections (Heart) Open mind (Mindfulness) Listening (Communication) Non-conformity (Courage) Insight into self (Integrity)	Emotional distance Expert mind Talking conformity Insight into organisation
Outcomes	Creating innovative solutions Taking perceived risks to solve problems Making positive changes fast Achieving end goal regardless of process	Maintain stability Produce predictability so others can rely on consistency

► **4.4 Role of a leader**

There are eight dominant leadership roles. Figure 4.2 provides an overview of those roles. A core role of a leader is the development of a strategy to help achieve the vision and mission of their organisation. A good leader will form and build the right team and clearly identify and delegate roles and responsibilities. It will be the role of the leader to identify key skills and capacity gaps within an organisation in advance of the transfer of an asset. A leader must be an effectual communicator and enable effective communication in an organisation. Leaders must also have the ability to inspire and motivate staff, customers and investors to achieve their vision. Underpinning that vision will be core values. These must be effectively promoted and instilled by a leader. The ability to recognise opportunities and promote diversification is also important, particularly in today's environment.

Fig 4.2: Eight roles of leadership
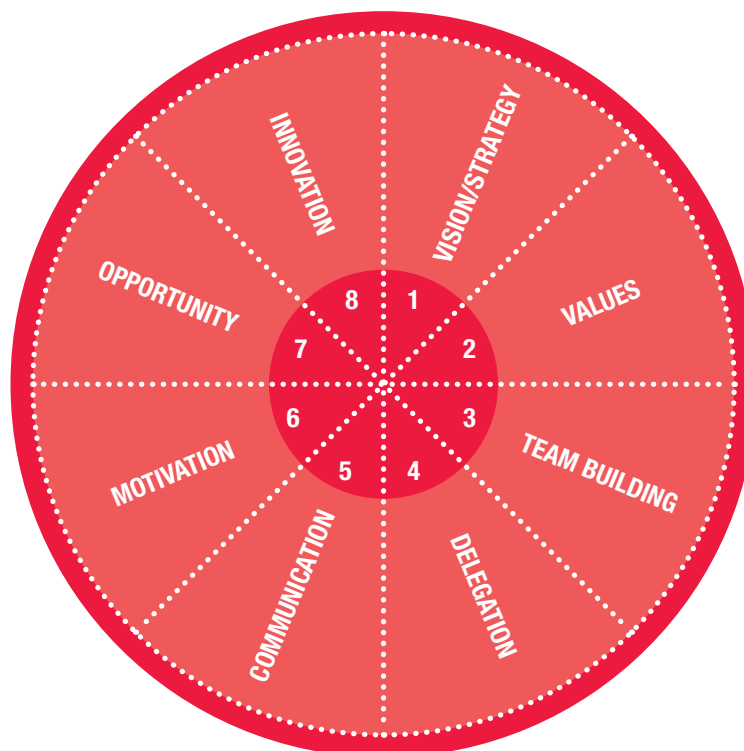
4.5 Leadership challenges for community asset transfer

Leaders face a number of challenges as they deliver their objectives in a changing environment. They need to be able to identify threats that arise or opportunities that present themselves and deal with them accordingly. These can include:

- dealing with changes in the funding landscape
- the need to diversify portfolios (to include taking on the management/ownership of an asset)
- the importance of being enterprising in a world of competition from private and indeed other third sector organisations
- the need to successfully measure social value and impact, which are crucial in showing the organisation's worth
- the demands of dealing with stakeholders who look to a leader for guidance, assurance and answers to acute problems.

It is important therefore to recognise that the role of leadership can be very stressful, and to ensure that the correct support is in place.

► **4.6 Effective leadership**

Good leadership at board level will transform people and performance in an organisation. A set of leadership strategies are evident in high performing boards (Bennis and Nanus, 1985):

- Have a clear, realistic, attractive, and believable vision of the future.
- Leaders are social architects for the organisation.
- Trust builders – through clearly identifying their position and standing by it.
- Leaders used creative deployment of self through positive self-regard.

Notes

► **4.6 Effective leadership**

On a scale of 1 – 5, where '5' indicates 'excellent', use the checklist in table 4.2 to rate yourself in relation to your leadership and detail any proposed action (where you are scoring 1-3) which could support your improvement.

Table 4.2: Leadership development table

Leadership development area	1	2	3	4	5	Proposed action
Support officers	●	●	●	●	●	
Show enthusiasm	●	●	●	●	●	
Listen to other ideas and problems	●	●	●	●	●	
Encourage teamwork	●	●	●	●	●	
Develop others	●	●	●	●	●	
Actively encourage feedback	●	●	●	●	●	
Recognise individual effort	●	●	●	●	●	
Provide direction	●	●	●	●	●	
Practice what they preach	●	●	●	●	●	
Demonstrate personal integrity	●	●	●	●	●	

► **4.7 Leading change in an organisation**

The addition of an asset to the operation of an organisation will bring about change. It is critical that strong leadership is in place to implement change effectively. A good understanding of the barriers and success factors in terms of leading change are crucial to the future success of the new asset.

Fig 4.3: Key barriers to change/Key success factors

KEY BARRIERS TO CHANGE	KEY SUCCESS FACTORS
• Lack of leadership	• Strong leadership
• Poor vision	• Shared vision
• Organisational complexity	• Commitment from board and staff
• Poor planning	• Resource allocation to match the need
• Managing existing workload	• Consultation and engagement with staff, board and stakeholders
• Imposed and unexplained change	• Effective range of communication methods and clear message
• Lack of and poor communication	• Support and guidance
• Uncertainty	• Planning and preparation
• Lack of capacity and competency in board and staff	• Clear, well planned and systematic approach to implementing change
• Lack of training	
• Limited time, resource and budget to initiate change	

It can be challenging to overcome resistance to change despite clear evidence being available of the long-term benefits change could bring to the organisation. Resistance to change is likely for a number of reasons:

• Clear impact on the status quo
• Lack of agreement on the need for change
• Feelings of uncertainty/insecurity due to lack of consultation and limited communication
• Lack of availability of support, guidance and information on what 'change' means for individuals concerned
• Lack of understanding of potential impact on current job roles and potential threat to job security

Extensive preparation, planning and communication are fundamental to reducing resistance to change and the following six approaches deal with how to address any resistance:

1. **Communication:** let employees know about the change, how the change will be carried out and any potential effect it will have on their situation.

2. **Engagement:** when employees are involved in the change effort they are more likely to buy into change rather than resist it. Where possible, employees should be engaged in the change management process.

3. **Support:** training, support and guidance should be provided to prepare employees for any changes to their work environment.

4. **Consultation:** employees should be offered the opportunity to discuss any concerns they may have in relation to any proposed changes.

5. **Influencing:** encouraging and empowering the leaders of the resistance to change and to actively participate in the change effort can facilitate 'buy-in' of the process.

6. **Authority:** where a quick change is required and immediate acceptance is important, using authority to gain support for change is sometimes the only available approach when jobs are at stake or salary cuts inevitable.

Leading change in the context of third sector organisations can be highly challenging, especially in the context of taking on the added responsibility of managing or owning an asset. There are often high levels of resistance and there is uncertainty and disruption to the organisation. Leading change can mean initiating and managing culture change and introducing new services, new structures, systems and working practices. Blanchard (2008) identifies nine strategies for leading change within an organisation:

- **STRATEGY 1:** Expand involvement and influence
- **STRATEGY 2:** Select and align the leadership team
- **STRATEGY 3:** Explain the business case for change
- **STRATEGY 4:** Envision the future
- **STRATEGY 5:** Experiment to ensure alignment
- **STRATEGY 6:** Enable and encourage
- **STRATEGY 7:** Execute and endorse
- **STRATEGY 8:** Embed and extend
- **STRATEGY 9:** Explore possibilities

Use table 4.3 to plan action required to lead change within the organisation and link to the asset transfer opportunity.

Table 4.3: Leading change for community asset transfer action plan

Leading change strategy	Action required	By whom	By when
Expand involvement and influence			
Select and align the leadership team			
Explain the business case for change			
Envision the future			
Experiment to ensure alignment			
Enable and encourage			
Execute and endorse			
Embed and extend			
Explore possibilities			

► **5.1 Staff**

Taking on the management and ownership of an asset may change significantly the relationship of the organisation with the people who make things happen internally. It may be that to date an organisation has operated with volunteers only but this may no longer be possible given the scale of the asset and the management that may be involved. An organisation may need to recruit a pool of volunteers to assist with the management of the asset and the activity taking place within the asset until such times as the level of income will cover costs resulting in the asset sustaining a number of paid staff. Details of staffing levels required and associated costs linking to revenue generated will be addressed in the business planning and financial planning modules.

The board should ensure good practice for the recruitment and management of both staff and volunteers. It is their role to ensure:

- A clear and effective induction process is in place for staff and volunteers
- Policies and procedures are in place for managing staff and volunteers
- Training and development plans are in place to ensure staff and volunteers are equipped to carry out their responsibilities
- Supervision arrangements are in place for staff and volunteers to account regularly for their work.

► **5.2 Volunteers**

At the early stage of taking on ownership or management of an asset, there may be a heavy reliance on the use of volunteers to manage and deliver the services on a day to day basis. The board should ensure proper arrangements are in place for the recruitment, supervision and support of volunteers with clearly defined written roles. A policy should be in place to reimburse reasonable out of pocket expenses. Policies and procedures should refer to volunteers as well as paid staff as appropriate. Boards are also volunteers and plans must also be in place to train and support the management committee.

The organisation must take steps to:

- Plan volunteer involvement
- Attract and select volunteers
- Manage and motivate volunteers
- Manage volunteer training
- Make volunteers feel part of the wider organisation.

> **USEFUL GUIDE:**
> 'AS GOOD AS THEY GIVE' BY VOLUNTEER NOW FOR GUIDANCE IN VOLUNTEER MANAGEMENT.
> WWW.VOLUNTEERNOW.CO.UK

It is good practice to provide all volunteers with a 'volunteer policy' and a written volunteer agreement/welcome letter so that they know what to expect.

▶ **5.3 Managing staff and volunteers**

Organisational effectiveness is about a shared sense of purpose and direction coupled with the drive of individuals to make the mission a reality. In between, a robust structure is formed to enable staff and volunteers to flourish. Talent is developed, relationships and networks are strengthened and values are embedded.

Below is a good practice approach to managing staff and volunteers.

Fig 5.1: Good practice approach to managing staff and volunteers

Delegating responsibility will be required on an ongoing basis. Please find below some tips in relation to effective delegation.

Fig 5.2: Effective delegation

Effective delegation

In practice, much of the day-to-day work of most organisations will be delegated to the staff, whether paid or voluntary. For this reason and in order to develop good board/staff relations, the board should ensure that the organisation has:

1. **Appropriate organisational structure and clear lines of responsibility**

   The board should ensure everyone is clear about who is accountable to whom. Even in small groups, this means having a clear map of accountability. The board must be certain that people are working towards the objects (purpose) of the organisation and in the best interests of its beneficiaries.

2. **Good management structures**

   The board should ensure that there are appropriate systems and structures in place to manage staff and volunteers. The most common way to help manage staff and volunteers is to provide support and supervision through a dedicated contact person or line manager. Supervision can take place in a variety of ways and should be appropriate to the organisation and the level of the role. The management committee must create policies to guide staff activities and to safeguard the interests of the organisation.

3. **Good board and senior staff relations**

   The most senior staff member (i.e. the executive director, manager or chief executive) is the key link between the staff team and the board. The board must be able to supervise and manage the senior staff member effectively. This role is often specifically assigned to the board chair. The board is also responsible for developing and supporting the senior staff member and conducting his or her annual appraisal. The board, and in particular the chair, should strive to develop a good working relationship with the senior staff member, with mutual agreement on the division of roles and responsibilities.

(Source: diycommitteeguide.org)

► **Section 6: Action Plan**

► **6.1 Preparation of an action plan**

Please take time to identify the key actions/development gaps this module has highlighted and further support that the organisation may require in relation to 'governance and people' in the context of taking on the management/ownership of an asset.

Table 6.1: Module action plan

Action	Who	When	Costs

Notes