

# Governance in the Social Impact Sector

How the pandemic is changing  
unchangeable structures



# Introduction

In the social impact space, good governance is in the best interest of all stakeholders and should be regularly reviewed and refreshed. Yet in recent years, governance has emerged as a critical area of vulnerability for many global social impact organizations.

Governance failures can lead to organizational crises and are particularly dramatic for the social sector, which is under constant public scrutiny. As a sector that promotes ethics and often uses public money, it requires the highest degree of accountability. The negative impact of inadequate governance can take various forms, all of which are damaging.



Good governance is therefore not just desirable—it is essential for the sector. While board structures and processes have been traditionally perceived as too rigid to adapt, the pandemic provided an opportunity to prove the contrary. This paper explores the reasons supporting governance rigidity, the pros and cons of changes implemented during 2021, and recommendations on how to successfully execute governance reforms.

# Why is governance so difficult to adapt?



The lack of accountability in global social impact governance has led to a legitimacy crisis across the sector. Governance reform has been neglected or delayed, as it is often viewed as too difficult. Reasons for governance rigidity include concerns about cost and restrictions on how to invest funds, which make it difficult to devote resources to new initiatives. Global social impact boards also tend to be very large, and in-person meetings can be costly and burdensome.

Mistrust between stakeholders (mostly senior leadership teams and board directors, as well as among board directors) can also add to this rigidity, delaying communications and slowing decision-making. Moreover, discussions are frequently focused on the past, instead of looking towards the future. Finally, renewing, adapting, or reforming governance requires buy-in from all stakeholders, which can be challenging, particularly in large, complex global organizations.

**Causes of governance rigidity include:**

<b>Cost</b>	<b>Trust</b>	<b>Narrative</b>	<b>Power games</b>
Agility is not free  Lack of flexibility in how to invest resources inhibits change, which requires new capability building and good communication	Lack of trust between management and boards, and within boards  Tension usually causes unwanted delays and demand from governors for more scrutiny	Not asking the right questions  Narrative is often backwards rather than forward looking, which slows down governance innovation	Stakeholder inclusion  Without buy-in from people involved in the process, and without ensuring diversity of the team leading it, it will be very hard to implement change

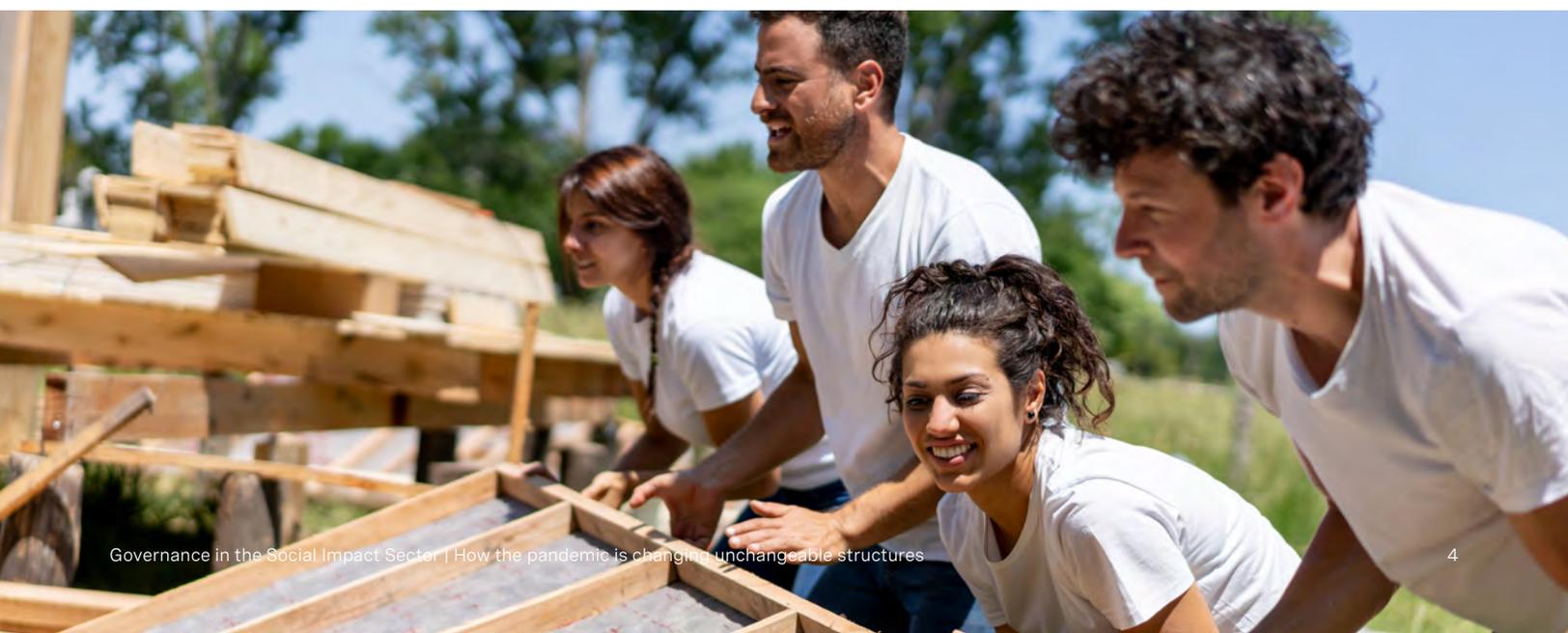
Recently, there have been very public revelations of accountability failures among social impact organizations partly due to governance. These include accusations of sexual exploitation and bullying within Oxfam, most recently in the DRC<sup>1</sup>, and earlier in Haiti;<sup>2</sup> Save the Children's failures to deal with harassment claims against senior staff;<sup>3</sup> Greenpeace activists boarding a North Sea oil rig in defiance of court orders;<sup>4</sup> World Food Programme staff complaints about abuse of authority, harassment, and widespread discrimination<sup>5</sup>; and most recently, the EU suspension of funding to WHO programs in Congo following sex scandals<sup>6</sup>. Combined with COVID-19, this misconduct has made change imperative in this sector.

Social impact boards often find it difficult to adapt due their complex structures. These boards fall broadly into four categories: Representative, Multi-stakeholder, Hybrid and Independent.

Traditional Multilateral Institution Structure		Traditional Corporate Structure	
Representative	Multi-stakeholder	Hybrid	Independent
			
<p><b>Representatives from the constituencies only, usually include alternate members</b></p>	<p><b>Representatives from constituencies and funding partners</b></p>	<p><b>Multi-stakeholder plus unaffiliated (independent) members</b></p>	<p><b>Independent members only, no constituency representation</b></p>
<p>+ Able to gain government backing financially and politically</p>	<p>+ Leverage perspectives of third parties</p>	<p>+ More streamlined and smaller boards</p> <p>+ Leverage perspective of third parties</p>	<p>+ Represents interests of stakeholders</p> <p>+ Fully independent</p>
<p>- Typically very large boards</p> <p>- Decisions may be politically-led</p>	<p>- Tend to be large boards and politically-influenced</p>	<p>- Relatively new model, requires more coordination</p>	<p>- Quite small in scale</p> <p>- Legitimacy</p>
<p><i>Average size: 20 members (not including alternates)</i></p>	<p><i>Average size: 19 members</i></p>	<p><i>Average size: 14 members</i></p> <p><b>Likely model for the future</b></p>	<p><i>Average size: 10 members</i></p>

Source: Russell Reynolds Associates, benchmark based on analysis of 15 global development and social justice organizations' boards.

While every model has its benefits and constraints, the hybrid model could prove to be the model for the future, as it includes third party/independent members and is not too large to manage, while still bringing together all the involved partners.



# The governance of the “new new normal”

Despite the numerous work-related challenges brought by the pandemic—some threatening the very existence of social impact organizations—there were governance changes implemented by boards that resulted in significant improvements to traditionally rigid processes and structures.

While there are many benefits to virtual interactions, trade-offs need to be considered as we move to the “new new normal” (i.e. in the post-COVID era). One key challenge will be maintaining momentum beyond the sense of urgency COVID-19 created in order to fully embed the changes.

The pandemic proved that governance can be adapted. We expect that, in the post-2020 era, many organizations may want to redefine their governance structures.



## Best practices implemented during the pandemic that should be retained:

- **Informal interactions:** Loosening customary etiquette allows for more frequent and informal interactions, which foster trust and flexibility
- **Voting:** Embracing informality increases decision-making efficiency
- **Inclusive scheduling:** The ability to set meetings at different times allows all geographies to be included
- **Forgoing ‘coffee politics’:** As people are more reluctant to lobby board members on contentious issues, teams function more cohesively

## Trade-offs that need to be considered as we move the “new new normal”:

- **Difficulty in controlling the environment** where people are having the meetings (e.g., public spaces or someone entering the room)
- **Unequal access to the internet** and bandwidth issues
- The lack of in-person interactions can make it more **challenging to resolve difficult issues informally**
- **Virtual meetings can lead to lower engagement, as individuals are often multi-tasking.** This can cause inefficiencies and lack of buy in, especially from board members who were not as deeply engaged from the start

# Our advice for governance reforms

The pandemic allowed organizations to reset basic governance structures. Embarking on continued governance reforms will be more effective than dismantling and creating new models. Building truly accountable systems can be painful and will involve challenging established ways of operating. However, without them, a critical part of global civil society may not survive.

When reforming governance structures, there are four key considerations to ensure a successful transformation:

- **Leadership:** Courageous leadership challenging the current system without steering the entire reform
- **Communication:** Transparent and open communication throughout the entire process
- **Process:** A compelling and objective transformation process that includes independent advisors
- **Engagement:** Sensitive and inclusive approach to gain support from all stakeholders

Below, we outline our six-step recommendations to help embed the four key areas above into governance reform processes:

## 01

### Clear articulation

Leaders should clearly articulate the objectives and vision for transformation and how they envision the new governance structure

## 02

### Scoping

Set boundaries of the governance reform to avoid "mission creep" and gradual shifts from the initial vision of the restructuring efforts

## 03

### Staffing and resourcing

Ensure enough funding is available, and define a clear, thoughtful roadmap. Additionally, the people driving the reform must have passion and skills required for the transformation. Solicit legal advice early and often, as changing the organization's by-laws will be critical when defining new rules and mandates

## 04

### Inclusiveness

Ensure diversity in the team leading the reform, not just by gender, but across roles, skills, perspectives and geographies. Proactively create different channels for unsolicited input during the process

## 05

### Transparency and trust

People should feel empowered to bring up concerns to the board. Also, it is important to thoughtfully consider how to deal with colleagues who were on the other side of a key decision and might feel disengaged from the organization

## 06

### Continuous improvement

A review process should be established to assess the impact and performance of the new governance model every few years, ideally by an independent external party



Undertaking a governance reform is often a complex, politically charged transformation effort that should not be underestimated. The worst outcome is a situation in which the organization goes through painful change but achieves only marginal impact due to over-compromising.

Our key recommendation is to add third party or independent voices to boards, ensuring that the board directors or trustees are selected for their competencies and experiential skills. They will be invaluable in adding external perspective and experience, as well as impartial advice in steering the movement's future. Regardless of the type of board, best practice governance reviews and performance assessments should be undertaken every few years to ensure the board remains effective.

# Authors

**Susanne Suhonen** is a member of Russell Reynolds Associates' Social Impact and Education sector, as well as the firm's Board and CEO Advisory Partners. She is based in London.

**Simon Kingston** co-leads Russell Reynolds Associates' Social Impact and Education sector and is the founder of its Global Development practice. He is based in London.

**Emily Meneer** leads Russell Reynolds Associates' Social Impact and Education sector Knowledge team. She is based in Portland.

**Vanessa Di Matteo** is a member of the Knowledge team for Russell Reynolds Associates' Social Impact and Education sector. She is based in London.

With thanks to the insightful comments and contributions of all RRA Governance Roundtable events participants.

---

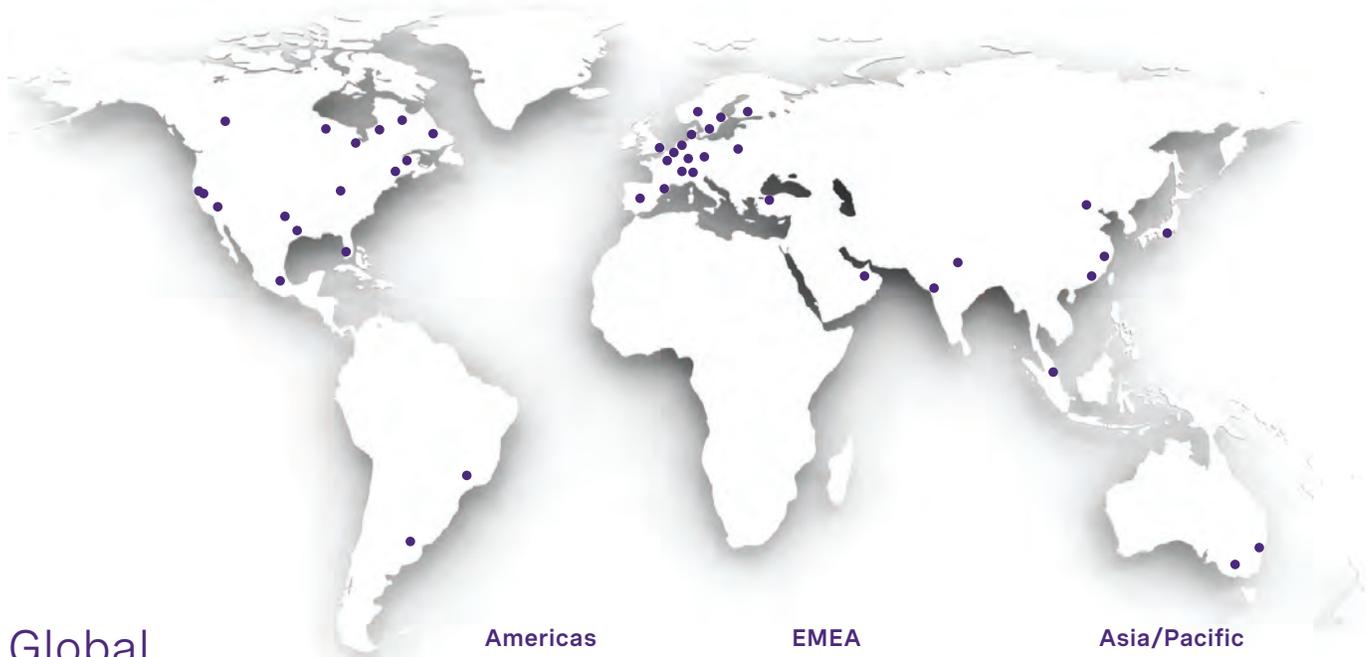
## References

1. James Landale, "Oxfam: UK halts funding over new sexual exploitation claims", BBC, April 7, 2021, [Oxfam: UK halts funding over new sexual exploitation claims - BBC News](#)
2. "Aid sector 'almost complicit' in sex scandal, say MPs", BBC, July 31, 2018, [Aid sector 'almost complicit' in sex scandal, say MPs - BBC News](#)
3. "Save the Children 'let down' staff and public over harassment claims", BBC, March 5, 2020, [Save the Children 'let down' staff and public over harassment claims - BBC News](#)
4. Severin Carrell, "Greenpeace faces hefty fine after admitting defying court order", The Guardian, February 24, 2020, [Greenpeace faces hefty fine after admitting defying court order | Greenpeace | The Guardian](#)
5. Colum Lynch, "Popular U.N. Food Agency Roiled by Internal Problems, Survey Finds", Foreign Policy, October 8, 2019, [World Food Program Roiled by Discrimination and Abuse, Survey Finds \(foreignpolicy.com\)](#)
6. Stephanie Nebehay and Francesco Guarascio, "EU suspends funding to WHO programmes in Congo after sex scandal", Reuters, October 28, 2021, [Exclusive: EU suspends funding to WHO programmes in Congo after sex scandal | Reuters](#)

# About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

[www.russellreynolds.com](http://www.russellreynolds.com)



## Global offices

### Americas

- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St.Paul
- Montreal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

### EMEA

- Amsterdam
- Barcelona
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- Istanbul
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

### Asia/Pacific

- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Shanghai
- Singapore
- Sydney
- Tokyo