

PANEL DISCUSSION

The Good, the Bad and the Ugly in Governance

Moderated by Stephen Feneley, journalist and broadcaster

PANELLISTS

Melbourne: 8 May 2018	Sydney: 9 May 2018
<p>Anthony Cavanagh CEO Ganbina, an Indigenous organisation in Shepparton, and deep experience as a Chair and board member</p> <p>Elizabeth Proust AO Chair of the AICD, Nestle and Bank of Melbourne and non-executive director</p> <p>Lindsay Tanner Chair and non-executive director, special adviser to Lazard and former member of the House of Representatives</p> <p>Sarah Davies CEO Philanthropy Australia and extensive experience as a board member</p>	<p>David Thodey Chair and non-executive director, former CEO Telstra</p> <p>Helen Conway Chair and non-executive director</p> <p>Leigh Small CEO Sydney Film Festival and previous leadership roles in the arts</p> <p>Sarah Davies CEO Philanthropy Australia and extensive experience as a board member</p>

KEY THEMES

What is governance?

Good governance starts with a good constitution, clear board and committee charters and a framework of policies, procedures and systems that support effective decision making throughout the organisation.

Governance entails fulfilling regulatory and compliance obligations, overseeing risk management, and managing the CEO. While these roles are essential, governance is also about how decisions are made and ensuring that they are made efficiently.

With start-ups, governance often needs to be reverse engineered into the organisation.

Role of the Board

The role of the Board and the Directors is not well understood in many not-for-profit (NFP) organisations.

The Board needs to ensure decisions are well made throughout the organisation and that the culture is working well. The Directors should know about the operations of the organisation and understand the stakeholders. The Board needs to have indicators of how well the culture is serving the organisation.

'Boards have to deal with the 'boring stuff' but people are hardwired to gravitate towards what is exciting and in doing so, Directors risk crossing the board-management line. Directors have to discipline themselves to focus on their role.'

The Board has to ensure the lines of authority and accountability are followed. Problems arise when lines of accountabilities are fuzzy or when there are competitive power dynamics in the organisation or at the board level.

'In some organisations, one individual may possess "star cultural capital" but not be in a leadership position. A Board cannot pretend this is not there – it has to build governance around it to mitigate the potential downside and to benefit from the cultural capital asset. The Board has to ensure the lines of authority and accountability are followed'.

It is important to ensure that Board members not only have the necessary skills and experience to meet their legal and fiduciary responsibilities and are not just there to enhance their own CV but have also bought into the vision of the organisation.

Good governance on the part of the Board should protect the organisation from making bad mistakes.

Chair's Role

The Chair's role is to manage governance and work with the Board and CEO to make a great organisation.

It is the Chair's role to *'get the most out of board meetings'*. At the beginning of board meetings, it helps if the Chair is clear about what is to be achieved in the meeting and then manage the time accordingly. It is also their role to be very disciplined about ensuring there is the right amount of time and balance between reporting and discussion.

The Chair must ensure the Directors do not absolve their responsibility for being informed about issues (e.g. by saying things such as *'you're the auditor, that's your accountability'*).

Chair-CEO Relationship

This relationship needs deliberate hard work to optimise the contribution of management. The CEO and Chair must meet regularly. It is a very visible relationship in the organisation.

The Chair should lead and guide the CEO, not direct or tell him/her what to do. Some Chairs are quite interventionist. There will be poor outcomes if a CEO is just doing what he/she is told to do by the Chair or does something because the Chair wants it.

The relationship should be safe enough for the CEO to be vulnerable but also accountable as a leader.

A Chair must be able to say hard things to a CEO, maybe even to terminate the CEO. The relationship can't be a friendship.

'If a Chair and CEO do not get on, one of them has to go within 6 months.'

Board-CEO Relationship

It is hard to reach alignment between the Board and Management. *'It takes time and even when you think you agree, often you don't. Time needs to be invested in developing the relationships.'* Trust, authenticity and goodwill are essential for the relationship to go well. One NFP Board has two meetings a year without an agenda just to ensure the Directors and CEO understand each other as people.

The Directors should make the CEO feel it is acceptable to bring bad news to the Board. *'A board doesn't want to just hear how well the CEO is doing'*.

If the CEO determines what is needed from each Director, an easier board process ensues. *'The Board can't be treated as a mass – the Directors should be individualised'*.

Board-Management Line

The Directors should be *'nose in, fingers out'*. The passion of the Directors for what the organisation does can tempt them to become too involved. Directors have to be able to smell the smoke without being interventionist. Often when a Board is sensing something is wrong, it asks for more reporting.

At times, NFP Directors have to be operational as there are limited/no other resources available or with the requisite skills to do what has to be done. The Directors can be used to bring in expertise (e.g. strategy development) that is missing in the organisation.

Often start-up NFPs have Boards where the Directors are more involved in applying their skills to fill gaps in the organisation. As the organisation evolves, the Directors need to recalibrate their involvement.

A board can overburden a young organisation. The CEO has to learn to use the Board judiciously.

Board Meetings

Time is required to construct the right agenda. It should not be a *'set and forget'* as different things are needed at different times. The agenda has an impact on the quality of the Board's contribution. Issues need to be progressed in board meetings and where issues are placed on the agenda (in terms of timing) has an impact on whether that happens.

The subjects covered in board meetings need to provide a structured rhythm of review. It requires discipline to focus on the right issues.

If there is an effective committee structure, all information does not have to go to the Board but can be addressed in committee meetings.

Board papers should be well written and specify whether an item is for decision, for noting, etc.

The CEO's report should not be more than two pages. It should flag the great things that have happened, the risks and the issues that require decisions.

The CEO and the Board have to determine what is important to spend time on in board meetings. Discussion is more important than having management take time to present at board meetings.

Reshaping the Board

The Board has to be fit for purpose. Growth of an organisation can present challenges for a NFP Board.

The skills matrix is the starting point for populating a Board. Skills and attitudes need to be taken into consideration. All boards need the right skills, respect amongst the Directors, diversity of thinking and committed Directors.

When recruiting Directors, the expectations should be clearly outlined.

Many NFP Boards seem to have some underperforming Directors. Boards need a process for regular reviews. If Directors are not contributing to the Board's deliberations that should be addressed explicitly.

Often it is useful to have some key stakeholders on the Board, especially someone from the customer group's demographic (e.g. a youthful board member in an organisation with a youth client base).

In some instances, it is necessary for the CEO to have to reshape the Board. This sometimes occurs when a new CEO is appointed particularly at a time when part of their mandate is to take an organisation to its next stage of development or to lead an organisation that has been through a crisis. This is a particularly delicate area for a CEO. In such cases it is particularly important to have a broad network of people to draw on and ensure that the process is as open and transparent as possible.