

Establishing an Effective Working Relationship with your Board

NFP CONFERENCE

Be Empowered through Knowledge

Agenda

What makes an effective Board and CEO Relationship

- Getting clear on roles, responsibilities and setting boundaries
- Effective Board decision-making
- Establishing a strong and supportive Chair / CEO relationship
- Taking off your Manager hat when joining a NFP Board



But First...

About CBB

- CBB plays an integral role in the Not for Profit sector achieving its social objectives. We do this by being a leading social enterprise providing personalised, professional services to Australian Not for Profits.
- Primary service areas:
 - Consulting and Business Services
 - Salary Packaging
- Community Development
 - Grants
 - Partnerships/Corporate Giving
- www.cbb.com.au



About Wayne Turner

- Principal Consultant
- CBB – 7 years
- Executive roles in Health and Education sectors
- Senior Manager in an international consulting firm
- Owned and operated several management consulting businesses
- Mentor of the Year awarded by EDI
- Recipient of the Sir Thomas Playford Award for Innovation
- MBA
- BA Acc

- Worked extensively as a
 - strategist, business plan developer, financial analyst, corporate developer
- for
 - All spheres of Government, Public Companies, SMEs, and NGO/NFP organisations

Establishing an Effective Working Relationship with your Board

**Getting clear on roles,
responsibilities and setting
boundaries**



Role and Responsibilities

[significant area of importance]...

- What is my role and responsibility as a Board member?
- How does the Board interact with the Organisation?
- What are the duties of Board members?
- What do I need to know?
- What is duty of care?
- How do I grasp the key issues?
- What is the difference between managing and directing?
- How do we measure our own performance and the organisation's performance?



So what is important?

- Understand governance?
- The separation of Board and Operational functions
- Specific understanding of roles and responsibilities
- Legal issues



What is Governance?

□ It may be described as:

“...the processes by which organisations are directed and controlled and encompasses:

- Authority;
- Accountability;
- Stewardship;
- Leadership;
- Direction; and
- Control”

Australian National Audit Office
Better Practice Guide



□ Boards **DIRECT** rather than **MANAGE** their organisations

Strategic Governance?

- **Strategic Governance** is considered to encompass the processes by which an organisation is managed at a strategic level
- Central to **strategic governance** are the concepts of **leadership, authority, accountability, transparency and stewardship**



Good Governance?

- ❑ Focusing on setting *effective* strategies
- ❑ Implementing *relevant* business risk management
- ❑ Ensuring *rational* and *structured* decision making
- ❑ Managing *conduct* and *ethics*
- ❑ Understanding your *roles* and *responsibilities*
- ❑ Enhancing organisational *performance*

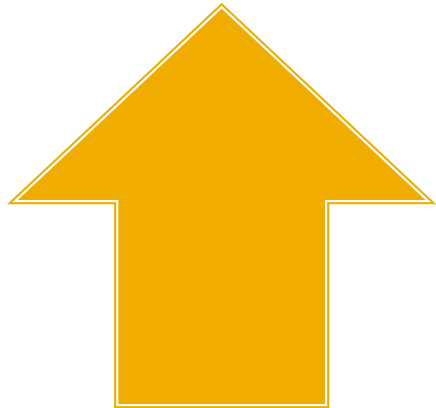


Good Governance?

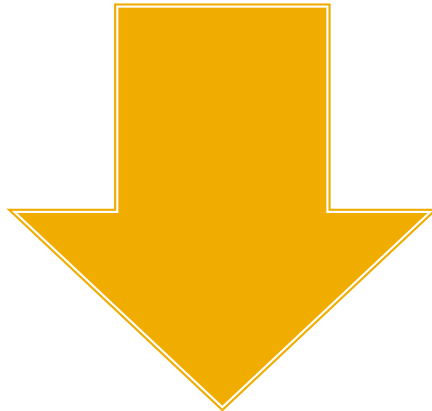
- ❑ Committing to *compliance* requirements
- ❑ Implementing *succession* planning
- ❑ Appointing a *quality* CEO
- ❑ Ensuring the Chairperson is *experienced*
- ❑ Regulating and monitoring Board's *effectiveness*
- ❑ Applying *effective* committee structures
[e.g. finance/audit/strategic/risk]



Board and Management Roles



Director's direct
Policy & Strategy



Manager's [CEOs]
manage
Actions

Four pillars for the Board's Roles

	Conformance	Performance
External Focus		
Internal Focus		

Four pillars for the Board's Roles

	Conformance	Performance
External Focus	<i>Accountability</i> to stakeholders	
Internal Focus		

Four pillars for the Board's Roles

	Conformance	Performance
External Focus	<i>Accountability</i> to stakeholders	Setting <i>strategic</i> direction
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	Conformance	Performance
External Focus	<i>Accountability</i> to stakeholders	Setting <i>strategic</i> direction
Internal Focus	Monitoring key <i>performance</i> and results	Setting <i>policy</i>

Four pillars for the Board's Roles

	Conformance PAST & CURRENT	Performance
External Focus	<i>Accountability</i> to stakeholders	Setting <i>strategic</i> direction
Internal Focus	Monitoring key <i>performance</i> and results	Setting <i>policy</i>

Four pillars for the Board's Roles

	Conformance	Performance FUTURE
External Focus	<i>Accountability</i> to stakeholders	Setting <i>strategic</i> direction
Internal Focus	Monitoring key <i>performance</i> and results	Setting <i>policy</i>

Typical Board Roles



Accountability to stakeholders

- Regularly review the Constitution and Board level policies
- Regularly report to members, funding sources, clients and regulators
- Always act in the best interest of the organisation (Self interest must yield to organisational interest Always act for a proper purpose)
- Always practice your duty of care (Listen, analyse and debate issues - avoid conflict of interest)

Typical Board Roles



Accountability to stakeholders

- Hold regular Board meetings, AGM, distribute Annual Reports
- Support major changes (where appropriate) to organisational structure, skill development and customer service standards
- Review all audit reports and pursue justifiable recommendations
- Be well informed when making decisions (legal requirements)

Typical Board Roles



Setting *strategic* direction

- Establish the vision, mission and values
- Develop, implement and review the strategic plan

“The Board’s role is to create the future of the organisation, not just mind the shop”

[Professor Fred Hilmer]

- Promote the organisation, assist to attract funds and non-financial support, consider alliances, network and advocate for members and clients

Typical Board Roles



Setting *strategic* direction

- Market and Business Development – Assist the CEO/Manager/EO to raise the profile of the organisation for the ultimate benefit of clients
- Seek stakeholder needs/views when forward planning, making major decisions and checking overall performance

Typical Board Roles



Monitoring key *performance*/results

- Conduct annual Board appraisal (organisation and Board)
- Hire, fire, appraise and motivate the CEO (Is there an employment contract and a Job Description?)
- Monitor progress of the strategic plan. (Informally via monthly Manager's Report and annually through a formal review)

Typical Board Roles



Monitoring key *performance*/results

- Review and implement the results of various external audits
- Attract and blend diverse skills (Avoid cloning and encourage different views)
- Using external guidance where specialist skills don't exist (defer important issues to invite speakers with specialist expertise, co-opt specialist or receive research reports)

Typical Board Roles



Setting Board level *policy*

Some Key policy areas are:

- Policy on Policies
- Governance
- Conduct and ethics
- Board member induction
- Delegation of Authority (Financial, inc. Asset Management, Insurance, Human Resource, Tenders & Contracts, Media, IT)

Typical Board Roles



Setting Board level *policy*

- OHS&W – WHS Act
- Risk Management
- Consumer Rights
- Range of Board administrative policies (*e.g. Conferences, travel, succession planning*)

Board Issues...

Issues often raised in regard to the Board roles and responsibilities (**accountability, strategy, performance, policy**); are

- Confidentiality
- Conflict of Interest
- Transparency
- Knowledge
- Legal implications



Establishing an Effective Working Relationship with your Board

Effective Board decision making



Responsibilities have evolved and require a strong Board/Organisational relationship

- Establishing the **strategic** direction [vs operations]
- Managing the **risks** to the organisation [vs operations]
- Establishing and maintaining the relevance of **policy** [vs procedures]
- Ensuring the **legal** and **financial** obligations are met
- Working with CEO to decide **key** resources
- **Monitoring** progress and direction
- Selection and evaluation of the **CEO**
- Monitoring board **effectiveness and succession planning...**



Courts - Director's duties

Courts - Director's duties

Justice Tadgell



Courts - Director's duties

National Safety Council Victoria Case

Justice Tadgell

Commonwealth Bank Australia v Friedrich (1991)



Courts - Director's duties

NFP's are governed by the
same law as Companies.

Justice Tadgell



Courts - Director's duties

The *Corporations Act* and the general law impose duties on directors and officers of all companies, regardless of whether they are NFP or "for-profit" companies... *Justice Tadgell*

Being an honorary director will not, of itself, be sufficient to exonerate a director from liability... Justice Tadgell



Courts - Director's duties

"There is nothing in the code [now Corporations Act] to suggest that the standard to be expected from a part time non executive director of a not-for-profit company is different from the standard expected from a profit making company" ... Justice Tadgell



Courts - Awareness of duties

- *"A person who accepts the office of a director of a particular company undertakes the responsibility of ensuring that he or she understands the nature of the duty a director is called upon to perform"*

Daniels & Ors v AWA (AWA Appeal)..

- *A minimum standard of competence on the part of all directors was required by the law. All directors would have to ensure that their decisions were informed, independent and involved the active exercise of their discretions.*

The Hon Justice Michael Kirby 31/3/1993

(Speech commenting on this case)



Courts - Financial literacy

- Ensure that the incorporated body 'is able to pay debts as and when they are due'
- *"A director is expected to be able to be capable of understanding his company's affairs to the extent of reaching a reasonably informed opinion of its financial capacity"*

CBA v Friedrich (NSCV)..

Courts – Risk Identification

- *"While directors need not have equal knowledge and experience of every aspect of the company's activities, they are required to make inquiries and keep themselves informed about aspects of the company's business"*

Daniels v Anderson (AWA)..

- *Directors could not assume all the functions of managers, auditors and systems controllers of companies. Those directors who have exercised their powers and carried out their duties honestly and conscientiously to the best of their ability would normally not be held to have breached their duty of care. They would be exempt from personal liability.*

*The Hon Justice Michael Kirby 31/3/1993
(Speech commenting on this case)*



Courts – Performance Monitor

- *"They must ensure that the board has the means to monitor management so as to satisfy themselves that the company is being properly run"*

Daniels v Anderson (AWA)..

Summary - Director's duties

- Act in good faith and for a proper purpose
- Do not take advantage of your position to further your own needs
- Act honestly and industriously
- Never use information gained through your privileged position to advantage a family member/friend/associate



Summary - Director's duties

- Provide adequate information to authorised people or members when requested and not mislead them in any way
- Disclose any potential conflict of interest
- Act with care and diligence
- Maintain confidentiality



Summary - Director's duties

- ❑ Never knowingly place the Board or the organisation it is overseeing in a potentially litigious position
- ❑ Ensure all decisions made are to the advantage of your organisation/facility, not individuals or any particular interest groups
- ❑ Ensure you act according to the constitution/rules of the organisation
- ❑ Do not trade while insolvent

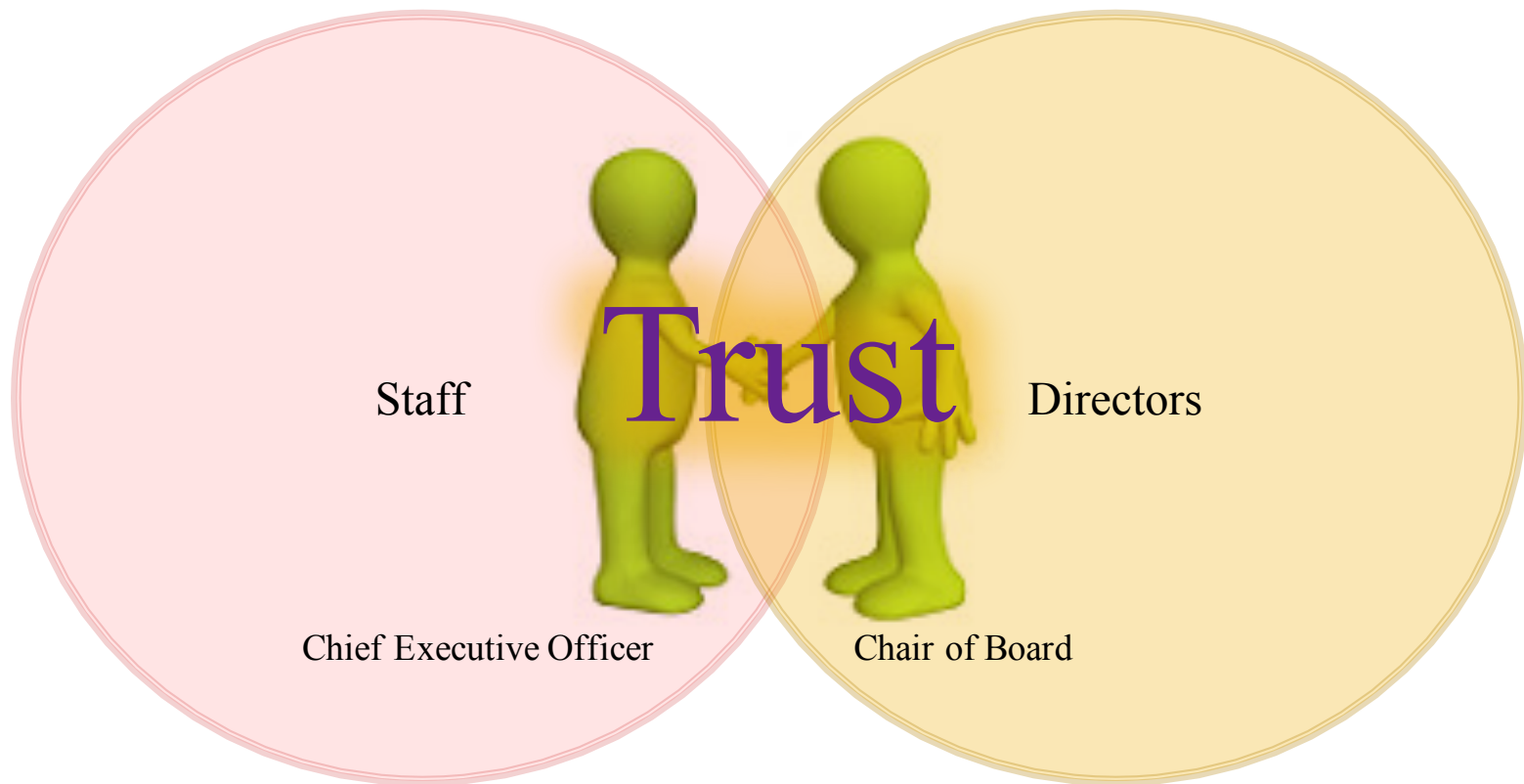


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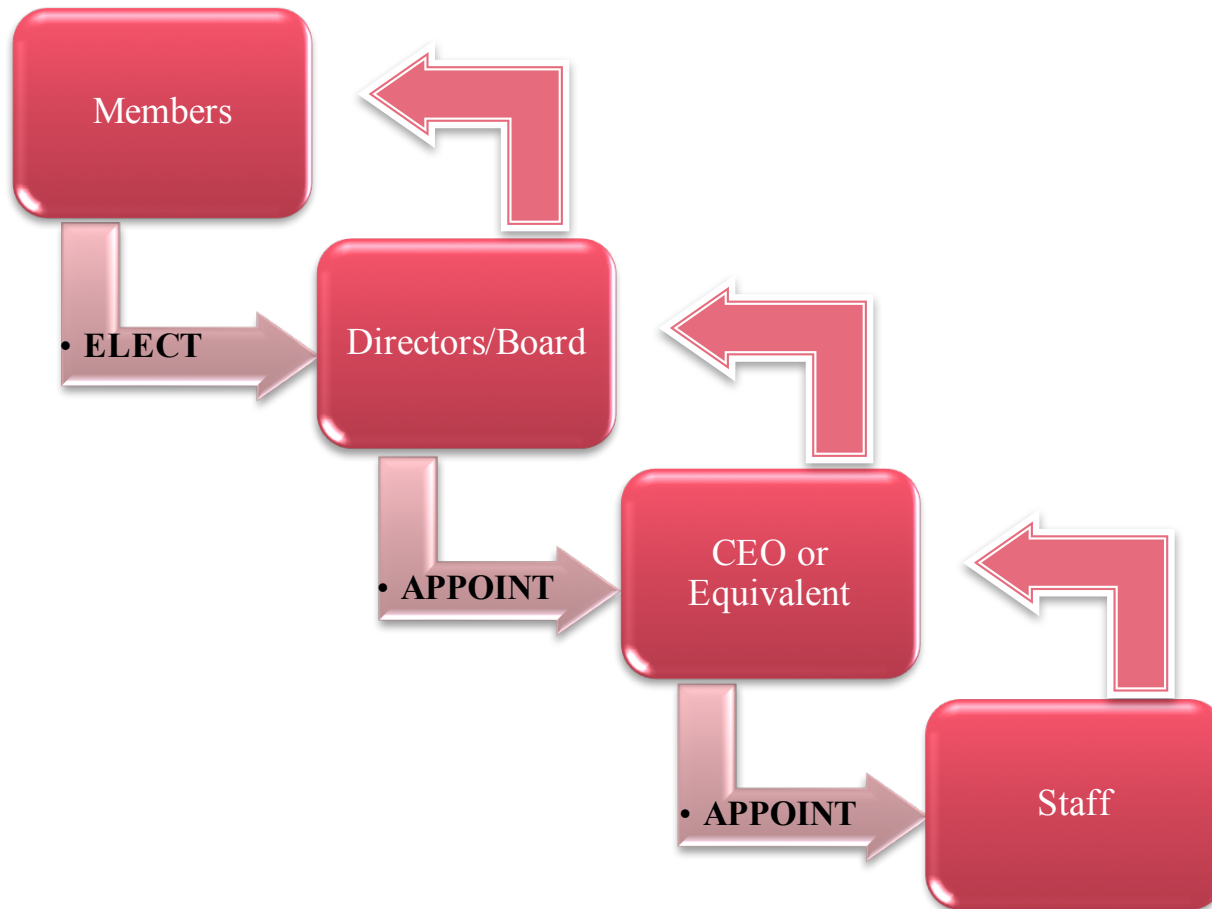
Establishing a strong and supportive Chair / CEO relationship



The Working Relationship



NFP Governance



Establishing an Effective Working Relationship with your Board

Taking off your Manager hat when joining a NFP Board



Reiterate - role and function...

- Risk
 - Strategy
 - Financial
 - Performance
-
- Quality decisions
 - Duty of care and diligence



Focus – Board

Please

*Leave your baggage at the
door!*



Focus – Board / CEO

- Ensure you have the information you need
- Engage in strong and purposeful debate
- Board members practice private frankness and public solidarity
- CEO support unquestioned publically



Focus - CEO

- Maintain strong governance relationship with Chair
- Provide timely, relevant and accurate information
- Be open and communicate with the Chair/Board
- Ask for support, guidance, direction
- Recognise the Board is accountable for the decisions and actions of the organisation and of the Board
- Do not mislead the Board



So lets get it right!

- Manage the risks
- Understand the financials
- Have an effective strategic plan
- Have purposeful policies
- Have clear delegations



Managing Risk

- Insurance [in addition to P&P, Plans]
 - Director's and Officer's Insurance
 - Public Liability Insurance
 - Deed of Access, Indemnity and Insurance



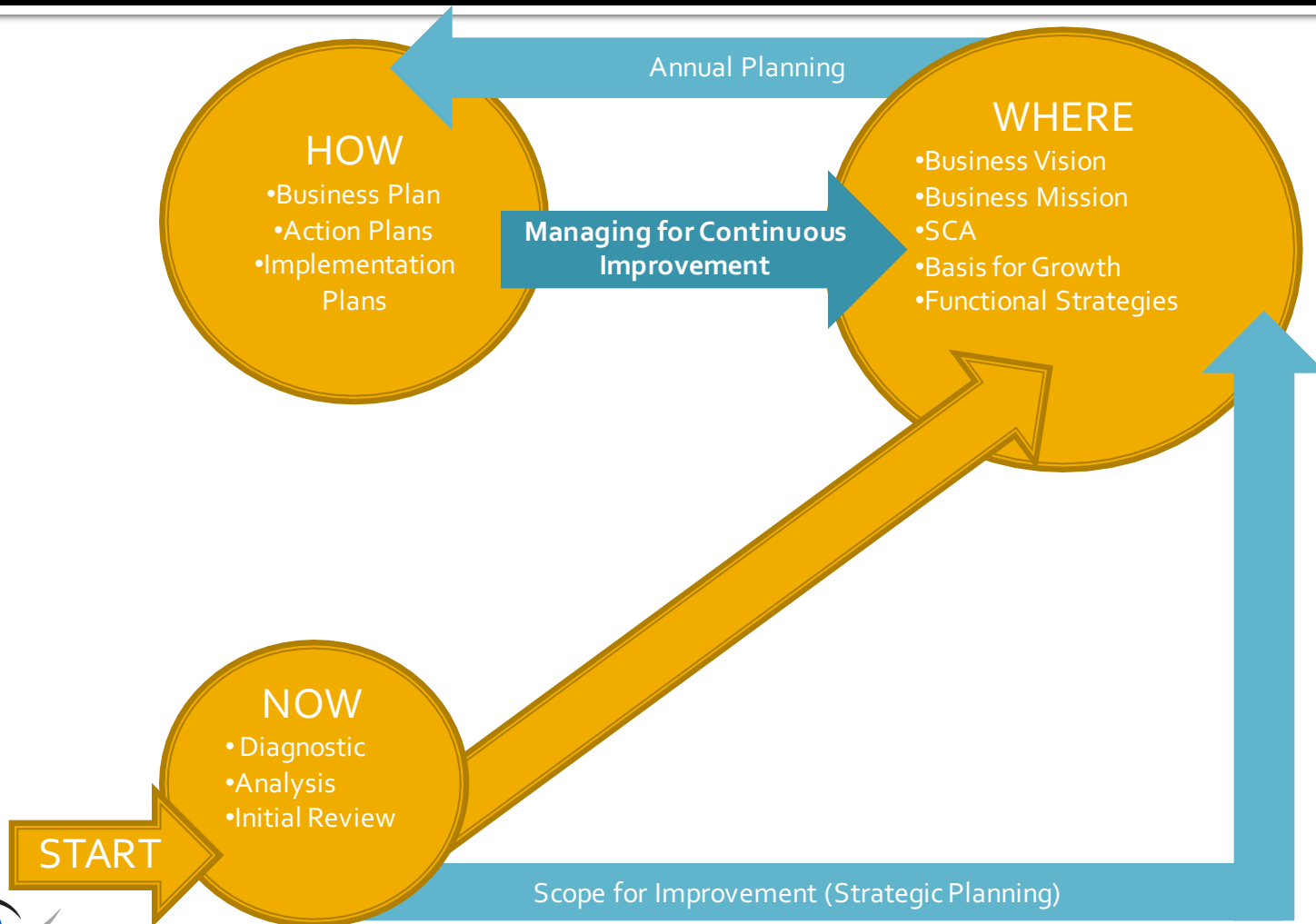
Financial Terms

- Understand the financial terms and financial reports
- Profit and Loss Report
- Balance Sheet
- Capital v Recurrent Costs
- Bank Reconciliation
- Depreciation
- Cash v Accrual Accounting
- What to look for
eg [Financial ratios such as - current ratio]



Relationship between strategic planning & continuous improvement

Relationship between strategic planning & continuous improvement



Why do we need a policy?

To manage risks

- Risks to clients
- Risks to the organisation
- Risk to service level
e.g. Poor service
- Risk to resource utilisation



Delegations and Reporting

- Financial and other delegations
- Delegation to:
 - Board members
 - Management - CEO
 - Committees



Outcome

An effective Board and CEO Relationship

- Getting clear on roles, responsibilities and setting boundaries
- Effective Board decision-making
- Establishing a strong and supportive Chair / CEO relationship
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Questions

Thoughts/Views



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Thank you