Collaborate | Innovate
Better CRC Performance
Through Board Assessment

Denise Morton

17 May 2012: 11:00 – 12:30

Effective Governance
Tel: (07) 3510 8111
Fax: (07) 3510 8181
advisors@effectivegovernance.com.au
www.effectivegovernance.com.au

CRC Program Objective

▸ "To deliver significant economic, environmental and social benefits to Australia by supporting end-user driven research partnerships between publicly funded researchers and end-users to address clearly articulated, major challenges that require medium to long term collaborative efforts."

The GFC Impact on Research Initiatives

▶ "We found it was much better last year (2011) than in 2010 when the impact of the GFC was still flowing through, but we have seen a change in [funding] mix. So what's happening is the larger corporations are looking more at universities to source new innovations and technologies than in the past"

David Henderson, Managing Director, UniQuest
Australian Financial Review, 2 April 2012

GFC Impact

▶ Strong $AUD
▶ Improve competitiveness and productivity of industry

"At the core of productivity and competitiveness is innovation and the lifeblood of innovation is research and development"
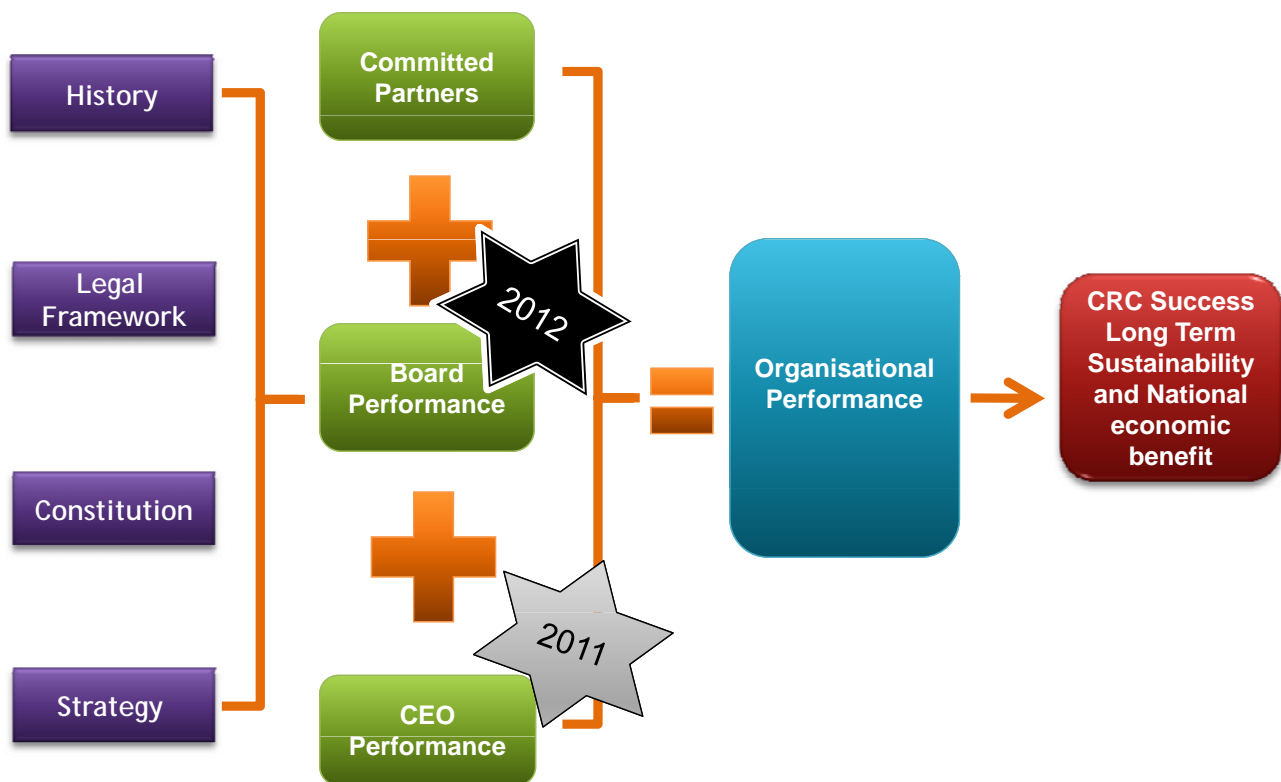
Ian Thomas, President Boeing Australia
Australian Financial Review, 12 April 2012

Current CRC Program

▶ 44 CRCs
   – 37 incorporated entities
▶ 3 years to 9.5 yea~~
▶ $1,155.7~~

$1,155.70 billion

CRC – Organisational Success

History

Legal Framework

Constitution

Strategy

Committed Partners

Board Performance

2012

CEO Performance

2011

Organisational Performance

CRC Success Long Term Sustainability and National economic benefit

Good Governance – Good Performance

▶ Better governed firms outperform poorer governed firms in a number of performance areas

Brown, Rebecca and Gorgens, Tue. (2009)
Corporate governance and financial performance in an Australian context
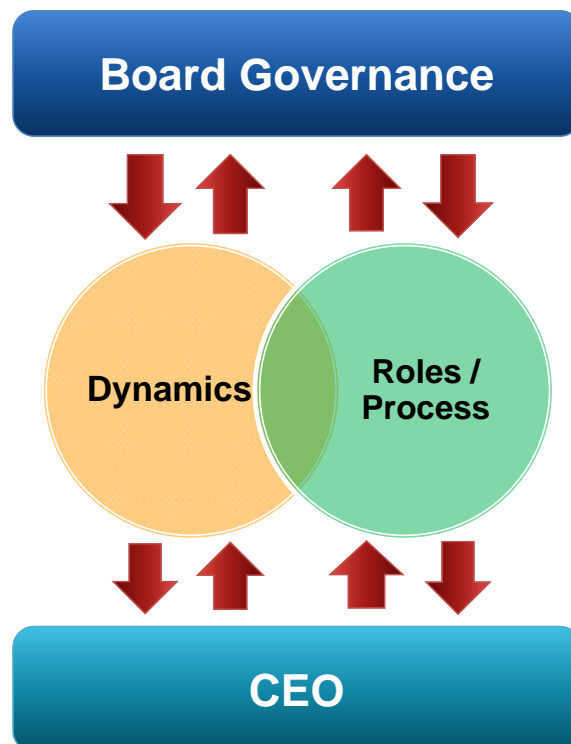
The Benefit of Good Governance

▶ Second only to financial reporting, **board structure and board responsibilities** are considered as high in importance for stakeholders

▶ Companies with **good governance practices** clearly **outperform** those without

▶ Provide assurance to **regulators and financial institutions**

▶ **Employee satisfaction, transparency, accountability and organisational culture** are enhanced
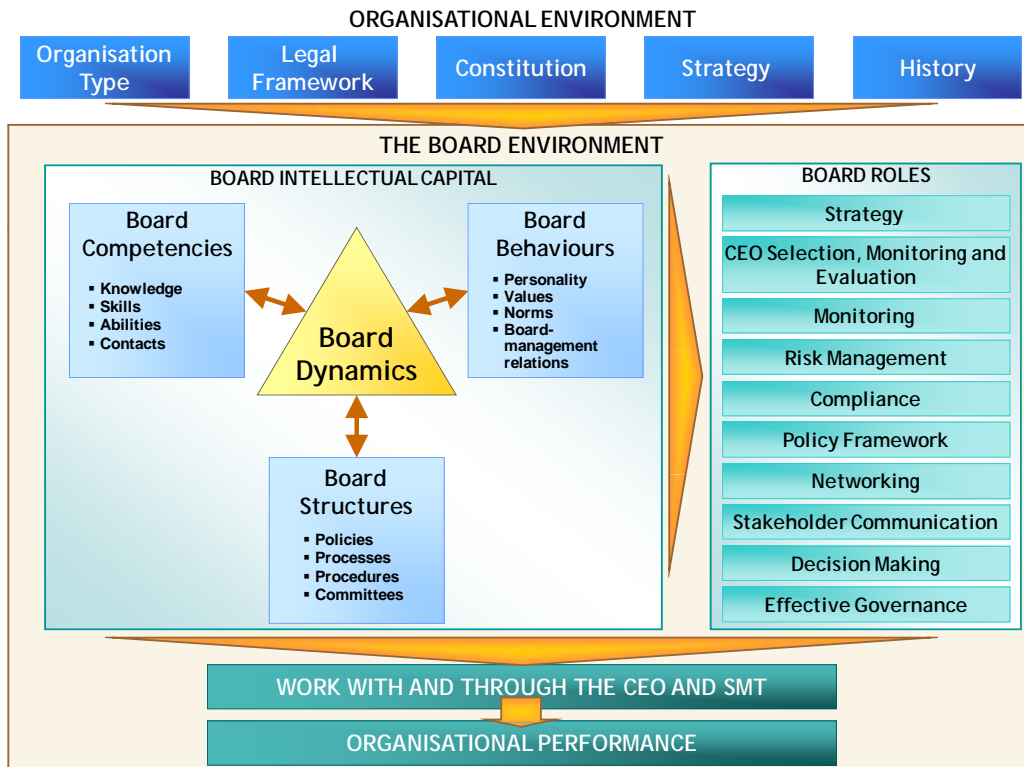
CRC Guide to Good Governance

▶ Aligned to 8 ASX Corporate Governance Council Principles

▶ Strong encouragement to follow all Principles

▶ Principle 2: Structure of the CRC Board to add value

    – Are performance evaluations of the board as a whole undertaken regularly?
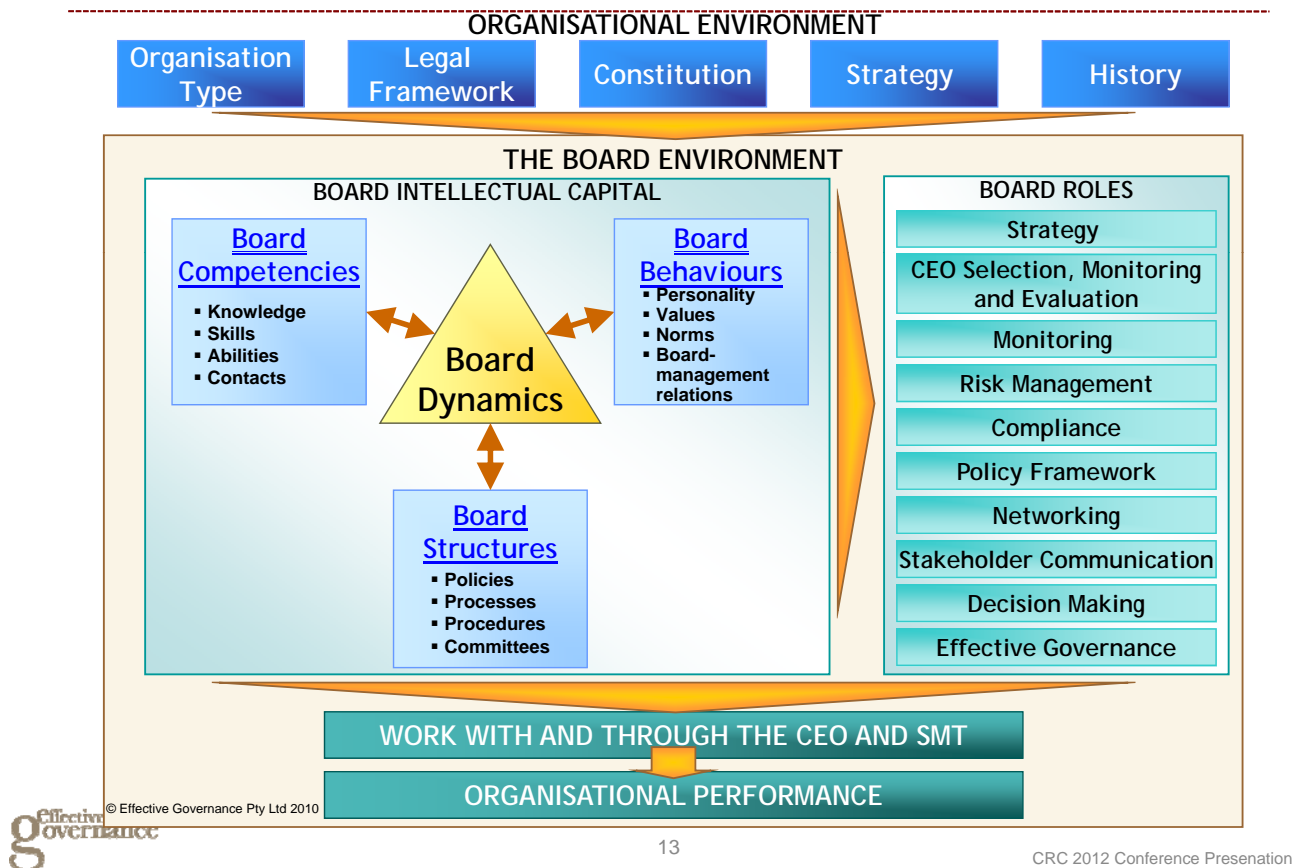

Governance Framework

eG High Performance Board Model

ORGANISATIONAL ENVIRONMENT

| Organisation Type | Legal Framework | Constitution | Strategy | History |

THE BOARD ENVIRONMENT

BOARD INTELLECTUAL CAPITAL

Board Competencies
- Knowledge
- Skills
- Abilities
- Contacts

Board Dynamics

Board Behaviours
- Personality
- Values
- Norms
- Board-management relations

Board Structures
- Policies
- Processes
- Procedures
- Committees

BOARD ROLES
- Strategy
- CEO Selection, Monitoring and Evaluation
- Monitoring
- Risk Management
- Compliance
- Policy Framework
- Networking
- Stakeholder Communication
- Decision Making
- Effective Governance

WORK WITH AND THROUGH THE CEO AND SMT

ORGANISATIONAL PERFORMANCE

Your CRC Governance Healthcheck

High Performance Board Model

ORGANISATIONAL ENVIRONMENT

Organisation Type	Legal Framework	Constitution	Strategy	History

THE BOARD ENVIRONMENT

BOARD INTELLECTUAL CAPITAL

Board Competencies
- Knowledge
- Skills
- Abilities
- Contacts

Board Dynamics

Board Behaviours
- Personality
- Values
- Norms
- Board-management relations

Board Structures
- Policies
- Processes
- Procedures
- Committees

BOARD ROLES
- Strategy
- CEO Selection, Monitoring and Evaluation
- Monitoring
- Risk Management
- Compliance
- Policy Framework
- Networking
- Stakeholder Communication
- Decision Making
- Effective Governance

WORK WITH AND THROUGH THE CEO AND SMT

ORGANISATIONAL PERFORMANCE

© Effective Governance Pty Ltd 2010

effective governance

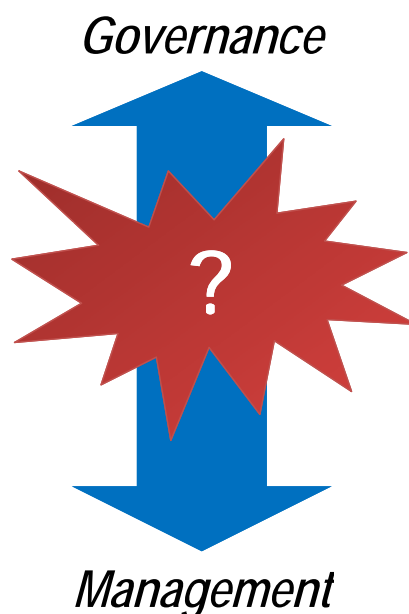# 1. Role of the Board

effective governance

1.1 Our board's role is clearly defined in a board charter.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know
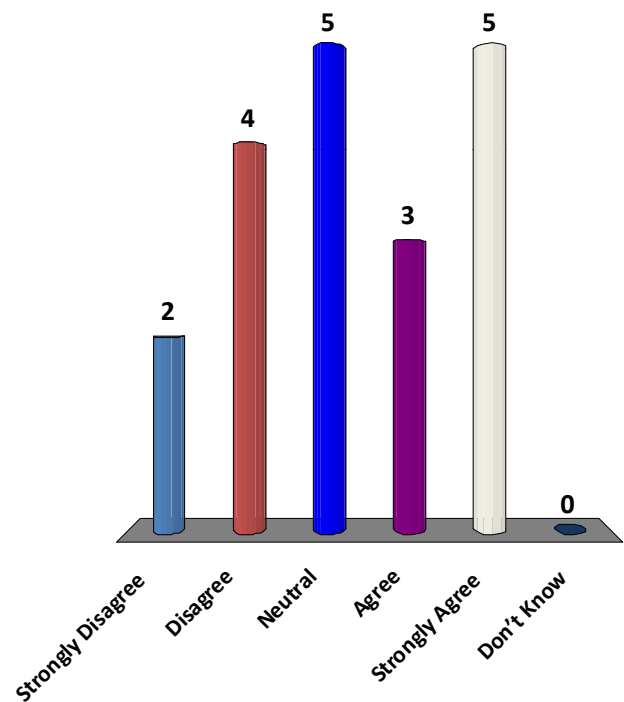
Governance and Management

There is considerable confusion in many organisations as to what is governance and what is management

Governance

?

Management

Governance versus Management

- **Govern the organisation** and act on behalf of the owners in a 'trustee' or 'stewardship' role and are held accountable for the success or failure of the organisation

- Work "**on**" the organisation (as directors) with their hands firmly 'on' the tiller, not 'in' the engine room **(NIFO)**

- Set the strategic **direction** and maintain **control** of the organisation as a whole

- Focus on the **why** and the **what**

Directors direct

- **Deal with** the complexity and details of the day-to-day business **operations** and individual operational functions

- Work "**in**" the organisation (as managers represented by the CEO)

- Act within the framework of the strategic direction and policies established by the board

- Focus on the **how**, **when** and **where**
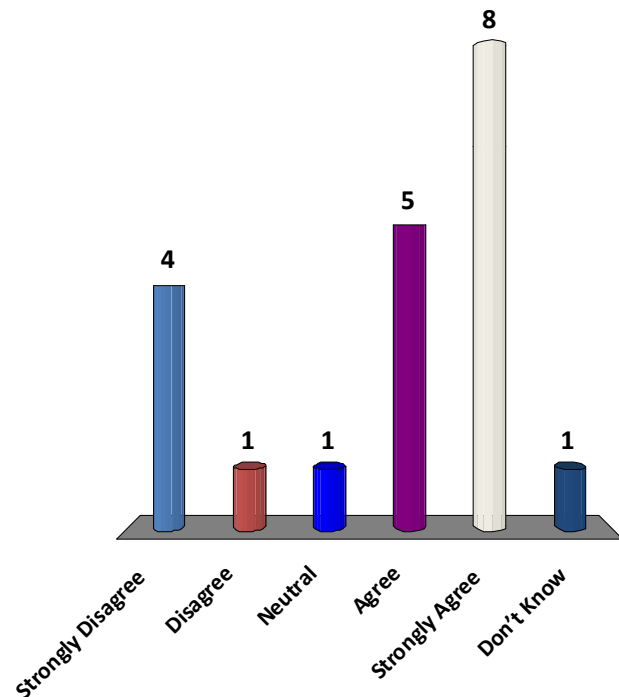
Managers manage

Board Role: Tips and Hints

1.1 The board discuss and agree the specific roles of the board, directors and management.

1.2 The roles of the board, directors and management be documented in a Corporate Governance Charter.

1.2 There are clear delegations of authority from the board to the CEO.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

Delegation of Authority Policy

> **(1) The business of a company is to be managed by or under the direction of the directors.**
> **(2) The directors may exercise all the powers of the company except any powers that this Act or the company's constitution (if any) requires the company to exercise in general meeting.**
>
> *Corporations Act*, s. 198A

▸ Physically impossible for the board to make decisions on everything for the company

▸ Provides clear and agreed expectations of the various functions within the governance system, along with the necessary authorities to carry out these functions

▸ Allows the board to exert sufficient control over delegates
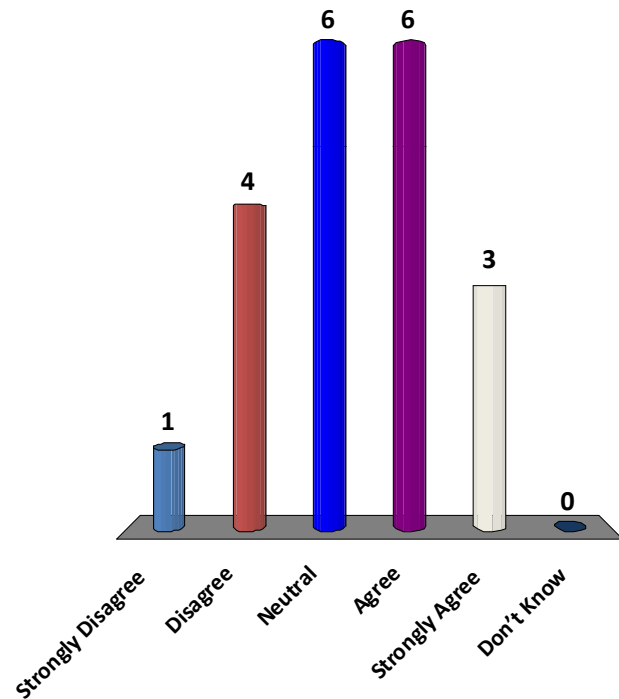
Board Role: Tips and Hints

1.3 The board review its current delegations of authority policy to the CEO to ensure that it is relevant to achieving the current strategic direction.

2. Strategy

2.1 Our board often gets involved in too much detail.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

Meeting Process: Aligned to Strategy

1. Strategic Board Meeting Agenda

2. Strategic Implications of Proposals

3. Strategic CEO Report

4. Strategic Discussions

Strategic Board Meeting Agenda: Sample

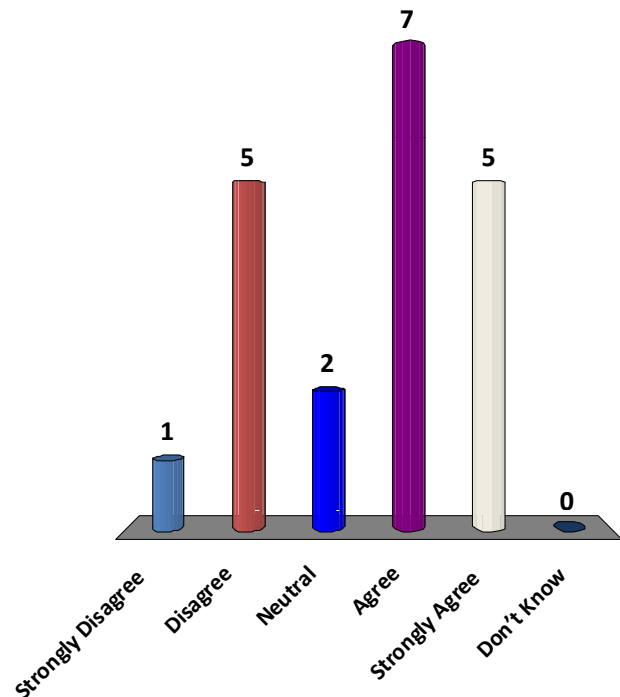*The suggested agenda format shown below is for a four hour meeting.*

COMPANY NAME
ABN XXXXXXXXXXXXX
BOARD MEETING AGENDA

Board Meeting Date: XXXX
Location: XXXX
Commencement Time: XXXX

		Estimated Time
1.	**In-camera Session**	30 mins
2.	**Meeting Opening**	
	2.1 Apologies	
	2.2 Director Conflict of Interest Disclosures	30 mins
	2.3 Previous Minutes	
	2.3.1 Confirmation	
	2.3.2 Matters Arising/Action List	
3.	**Matters for Decision:**	
	3.1 Major strategy decisions (always have board paper and recommendations)	60 – 120 mins
	3.2 Routine decisions including capital equipment approval and expenditure (discussed only if requested by a director)	
4.	**Matters for Discussion:**	
	4.1 CEO's Report	
	41.1 Current significant Issues	
	4.1.2 Matters for Approval	cont'd..
	4.1.3 Update on Strategic Plan Implementation	
	4.1.4 Major Key Performance Indicators	

		Estimated Time
4.	**Matters for Discussion (cont'd):**	
	4.1.5 Risk and Compliance Update	
	4.1.6 Environmental, Social and Governance (ESG) Update	
	4.1.7 Innovation Update	
	4.1.8 Environmental (PEST) Update	
	4.1.9 Matters for Noting	
	4.2 CFO's Report	
	4.3 Discussions concerning forthcoming strategic decisions	60 – 120 mins
	4.4 Committee Minutes	
	4.4.1 Audit	
	4.4.2 Other	
	4.5 Other matters for discussion	
	4.6 Chairperson's Update	
	4.7 Presentation by management (if required)	
5.	**Matters for Noting [discussed only on exception basis]**	
	5.1 Major Correspondence	
	5.2 Company Seal	10 mins
	5.3 Updated board calendar	
	5.4 Other matters for noting	
6.	**Meeting Finalisation**	
	6.1 Review actions to be taken	
	6.2 Decisions/items for public disclosure	10 mins
	6.3 Meeting evaluation	
	6.4 Next meeting	
	6.5 Meeting close	

Board Structures: Tips and Hints

2.1 The board to implement the strategic board meeting agenda to ensure focus of board meetings is of a strategic nature.

2.2 Our board's involvement in strategy development is appropriate.

1. Strongly Disagree
2. Disagree
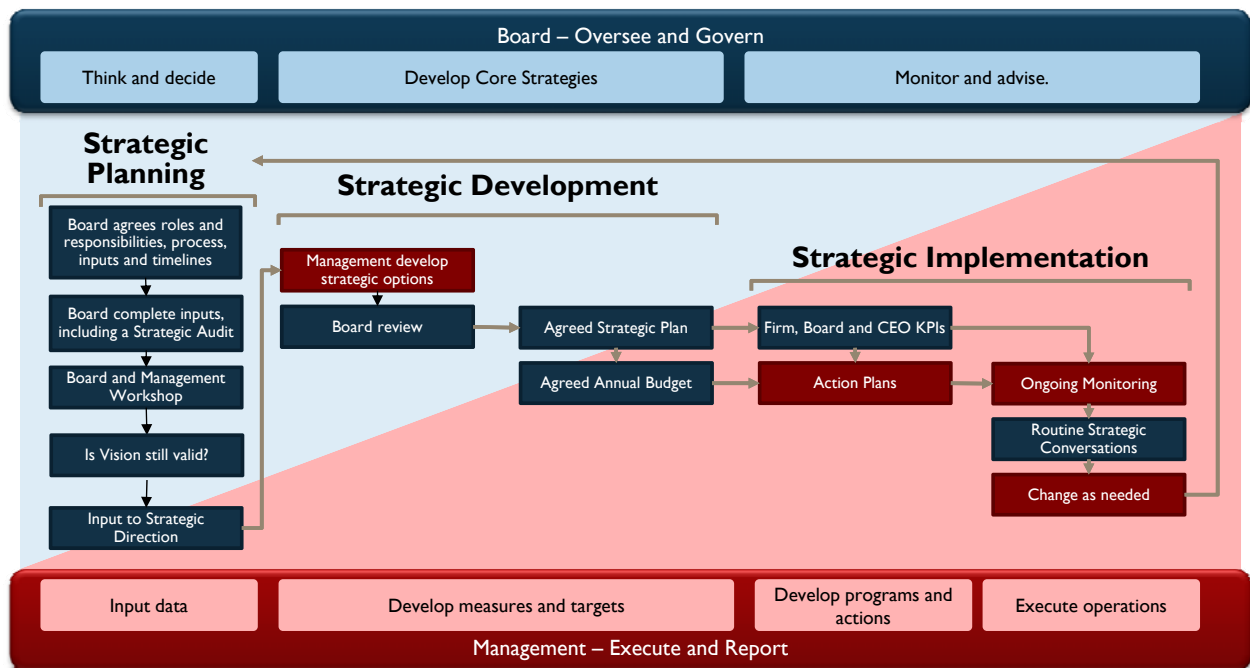3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

The Strategic Foundation

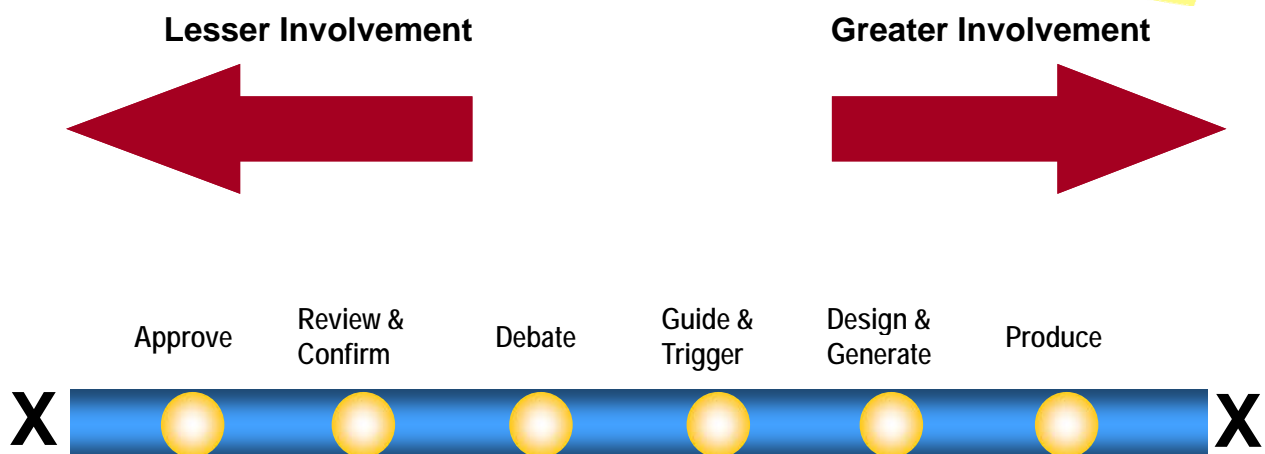**Strategy impacts all of the board's key roles**

CEO Assessment
Defines who to recruit and what to assess

Monitoring
Organisational performance

Risk Management
Vast majority of corporate risk is strategic in nature

Compliance
Compliance risks largely defined by strategic approach

Policy Framework
Ensuring appropriate policies exist

Networking
Strategy will define resources required

Communication
Strategy defines both target and message of board communications

Decision Making
Board decisions will be defined by the organisation's strategy

Governance
Governance systems should reflect strategy

Generic Collaborative Strategy Process

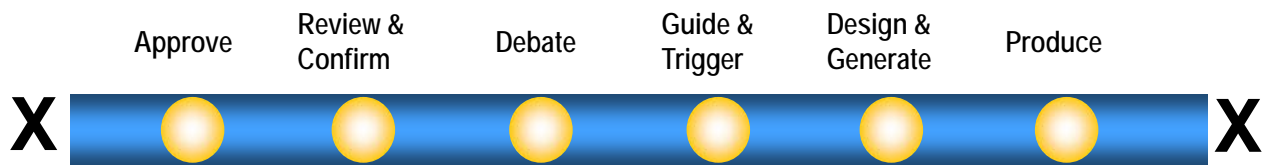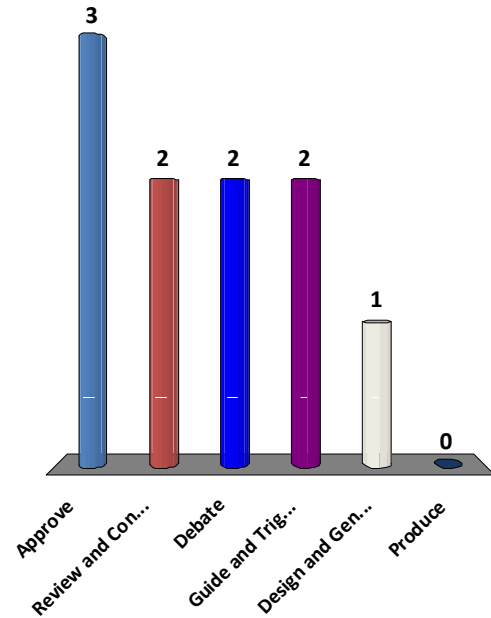# Board Strategy Continuum

Source: AICD, Company Directors Course: The Practice of Directorship, AICD, Sydney, 1997

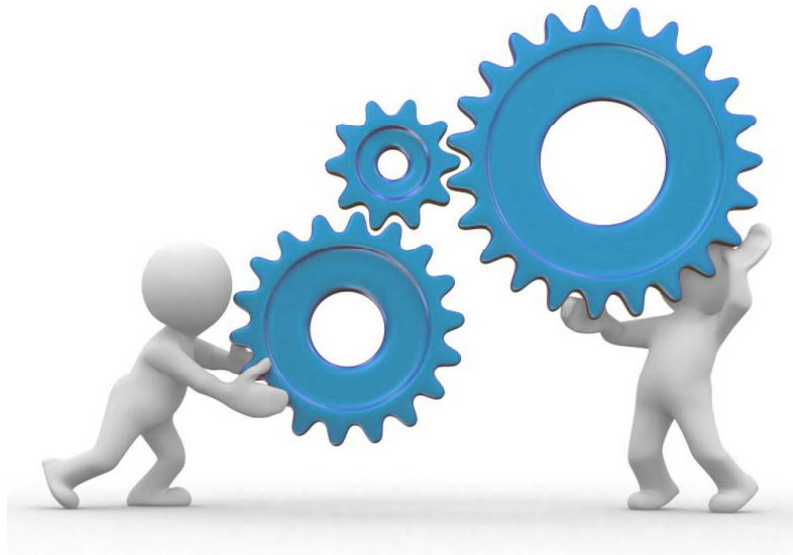## 2.3 Where does your board sit on the strategy continuum.

| Approve | Review & Confirm | Debate | Guide & Trigger | Design & Generate | Produce |

X ● ● ● ● ● ● X

1. Approve
2. Review and Confirm
3. Debate
4. Guide and Trigger
5. Design and Generate
6. Produce

Strategy: Tips and Hints

2.1 The board and management to discuss and agree upon appropriate KPIs (both financial and-non financial to measure the success of strategy implementation with regular review.

2.2 The board and management to agree and document the process for the annual review of strategy.

3. CEO Oversight

CEO	**SELECTION**	**SUCCESSION**
ASSESSMENT	**CEO OVERSIGHT**	**MENTORING**
REMUNERATION	**DISMISSAL**	**DEVELOPMENT**

3.1 Our board has an agreed process for evaluating the CEO's performance which involves the whole board.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know
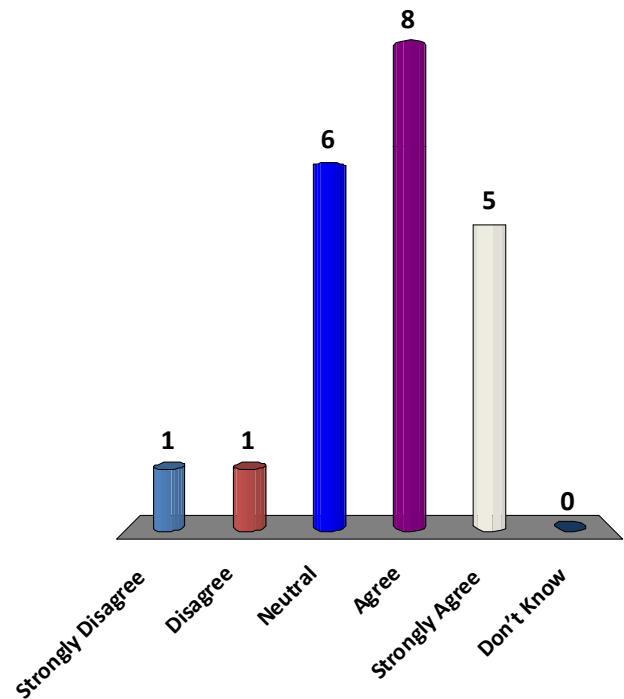
CEO Assessment Framework

1. What are the objectives of the process?

2. What are the performance standards?

3. What method will be used?

4. Who will conduct the evaluation?

5. What are the outcomes of the evaluation?

CEO and Senior Management Oversight: Tips and Hints

3.1 The board and CEO to review and enhance the current CEO evaluation process to ensure that the entire board is involved.	3.2 CEO annual KPIs to include both behavioural and performance based measures.

3.2 Our CEO's report to the board is succinct, timely, and focussed on strategic issues.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Don't Know
2	2	2	7	6	0
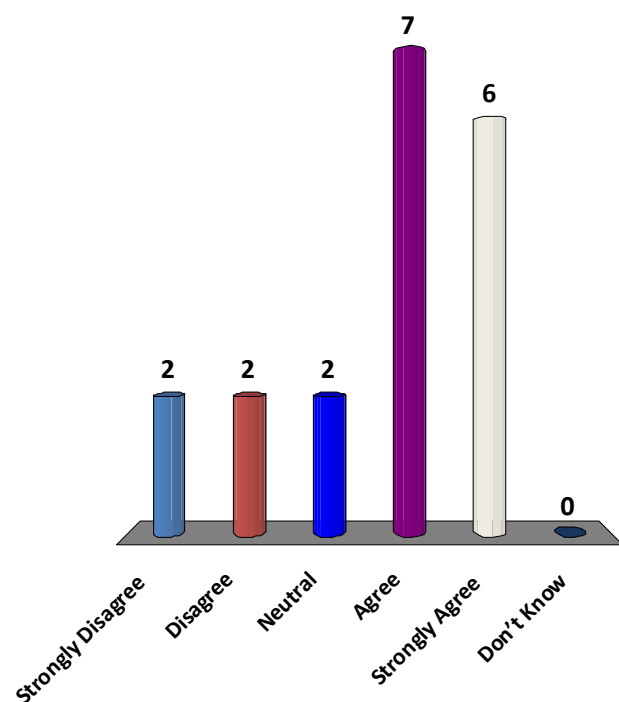
The Strategic CEO's Report

1. ***Current Significant Issues***
   - An overview of any significant current issues facing the organisation. These may continue on from the previous board meeting or be a new issue.

2. ***Matters for Approval***
   - Any matters for which the CEO is seeking the board's approval and which are not covered elsewhere in the agenda.

3. ***Update on Strategic Plan Implementation***
   - Updates on the strategic plan are covered in section 4 of the report. Major reviews on progress on the corporate plan should be covered every three or so months.

4. ***Major Key Performance Indicators***
   - The strategic plan should have had a number of both financial and non-financial KPIs. In this section these KPIs will be reported, together with their target, possibly using a "traffic light" indicator to indicate whether performance is on or better than target (green); a little less than target, but not major concern (amber) or below target and of some concern (red). A brief description of the reason and actions being taken for amber and red items should also be included.

   * ***Note***: *this format assumes that financial matters are dealt elsewhere in the agenda.*

The Strategic CEO's Report (cont'd)

5. ***Risk and Compliance Update***
   - Depending on what actions management have taken between board meetings this section may have two components:

     5.1 Update on Risk and Compliance Management
       - A brief update on any significant outcomes from the ongoing work on risk and compliance.

     5.2 Risk and Compliance Incidents
       - A brief outline of any incident or activity which has resulted in the occurrence of a risk or compliance event which is outside the agreed risk and compliance standards.

6. ***Matters for noting***
   - Any other issues which the CEO wishes to bring to the board's attention, but which are unlikely to require discussion.

3.3 The board and CEO to agree on the content and format of the CEO's report.
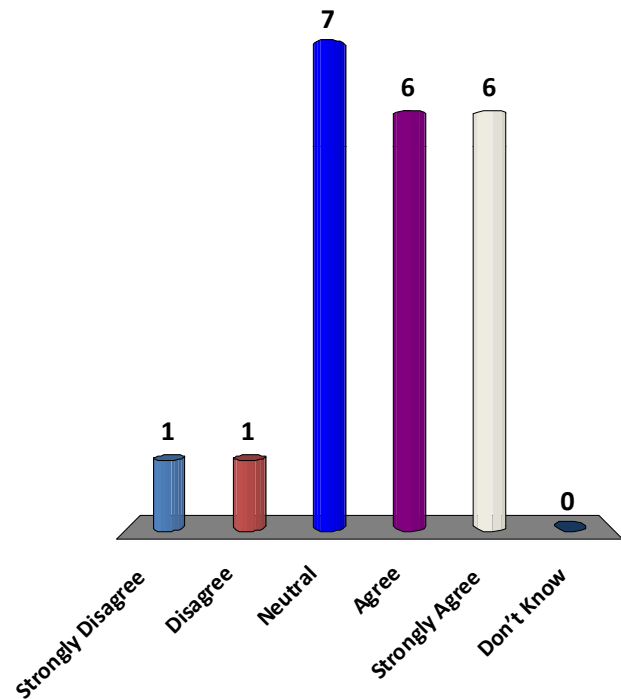
3.4 At the end of each board meeting all directors to participate in meeting evaluation including feedback to management in the formant and content of reports.
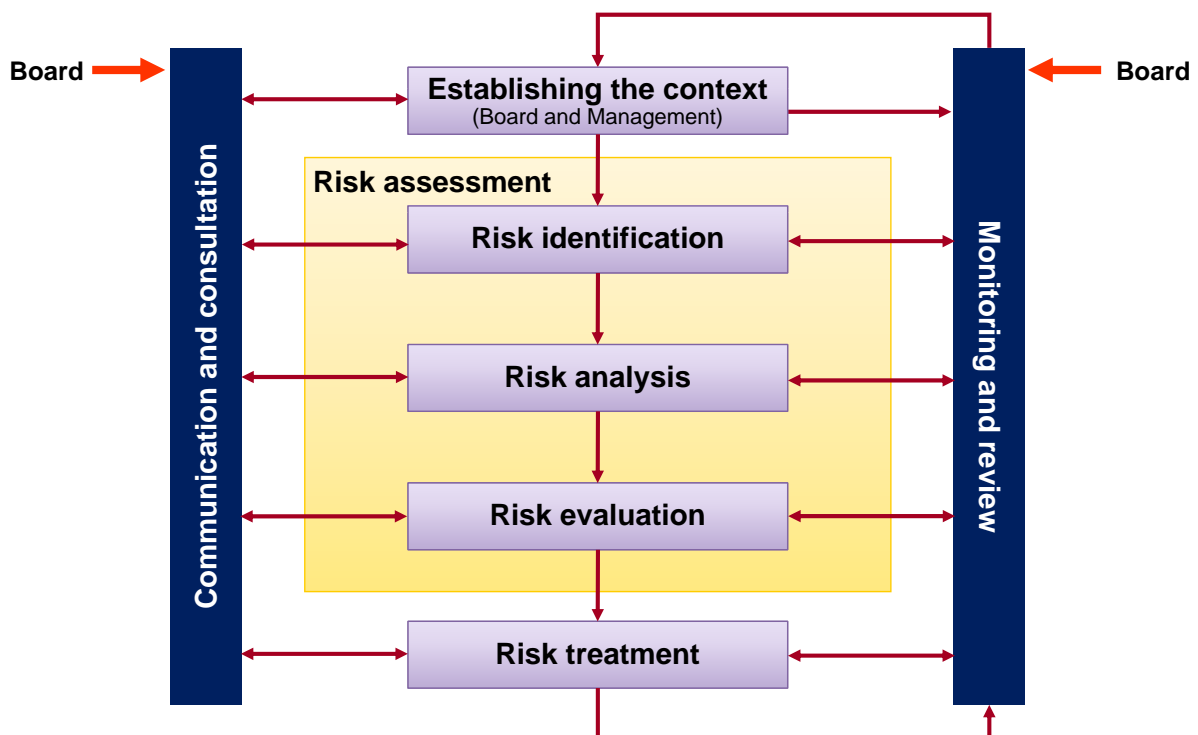
4. Risk Management

4.1 Our board fully understands how risk management is undertaken in the organisation.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

Risk Management Standard

Adapted from: AS/NZS ISO 31000:2009

Embed Risk Into Governance

The board must incorporate risk management into its regular operation

Board Reporting
- Current status
- New risks
- Incident reporting (statistics)
- Major incidents

Board Decision Papers
- Risk implications of all decisions to be made

Strategic Planning
- Incorporate discussions about risk into strategic planning
- Consider risks when making strategic decisions

Link Between Strategy and Risk Management

| Vision / mission |

| Organisational strategy |

| Business objective | Business objective | Business objective |

| Risk | Risk | Risk | Risk | Risk | Risk |

| Control | Control | Control | Control | Control | Control |

- Established by management and reviewed/approved by the board
- To be further considered as part of risk management process
- To be driven out of, and identified, through the risk management process
- Internal audit function consideration of risks and review of controls identified

Basic Risk Considerations

- Does the organisation have an **overall risk framework** that addresses the risks it faces, how it views those risks and how it manages them?

- Does the board have assurance that the audit committee is satisfied with the organisation's **risk assessment and risk management processes**?

  - Is there an *actual* process?

- Is the board **updated** on risks regularly?

- Has management engaged in **scenario planning (or stress testing)** to assist in identifying key risks and vulnerabilities and the plans to address those risks?

- Has the board established its **risk tolerance/appetite** on how much risk the organisation is willing to accept?

- Has the board determined who has **responsibility and authority to take risk on** its behalf?

- What is the organisation's **capability to manage risk** on an integrated and ongoing basis?

Risk: Tips and Hints

4.1 The board and management discuss and agree upon the board's role in risk management including the approval of the organisation's risk management strategy and setting the level of acceptable risk (Risk Appetite) to the organisation.

Risk: Tips and Hints

4.2 Include risk oversight (including compliance with legislation) as a regular board meeting agenda item with reporting on an exception basis with an annual reassessment of risks (including compliance) scheduled into the board calendar.

Risk: Tips and Hints

4.3 The board and management to review a list of all current risks facing the organisation and ensure appropriate mitigation strategies are in place.

4.4 The board and management to agree upon a reporting framework for keeping the board advised of those risks that will be reported to the board.

5.Monitoring

5.1 Our board has a clear set of KPIs to monitor strategy.

1. Strongly Disagree
2. Disagree
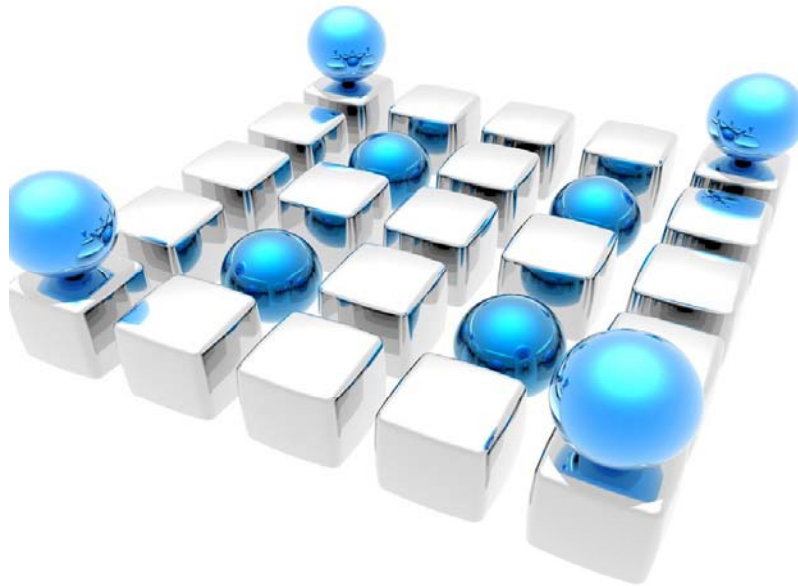3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

0	0	0	0	0	0
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Don't Know

5
Countdown

CRC 2012 Conf
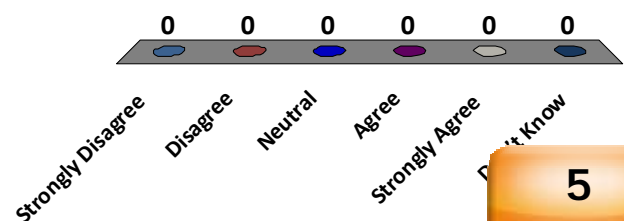
Performance Measures

▶ Hierarchy of information
  – Is the data strategic, operational, or both
▶ Performance measures should include both leading and lagging indicators
  – Financial measures tend to be lagging indicators, measuring current and past performance
  – Leading indicators (e.g. client satisfaction) are helpful in predicting future results and allow time for correction
▶ Both financial and non-financial measures should:
  – Be linked to strategy
  – Include a combination of input, process, output and outcome measures

---

Monitoring: Tips and Hints

5.1 The board and management discuss and agree on a balance of strategic and financial indicators for the ongoing assessment of organisational performance.

5.2 The board and management agree a balanced mix of financial and non-financial measures for monitoring organisational performance.

6. Policy Framework

6.1 Our policies are current and reflect contemporary leading practice for an organisation such as ours.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Don't Know
0	0	0	0	0	0
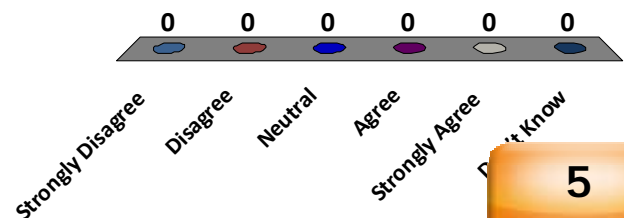
5
Countdown

Sample Key Governance Policies

a. Board Charter

b. Board Composition Policy

c. Board, Director and Key Executive Evaluation Policy

d. Board Renewal Policy

e. Company Code of Conduct

f. Conflict of Interest Policy

g. Constitution

h. Corporate Responsibility Policy, including environment

i. Delegations of Authority Policy

j. Disclosure Policy

k. Election of Directors Policy

l. Emergency Contact Procedures Policy

m. Employee Health and Safety Policy

n. Expectations of Directors Policy

o. External Auditor Appointment Policy

p. HRM Policy

q. Information Seeking Protocol

r. Information Technology Governance Policy

s. Internal Audit Function

t. Non-Executive Director Remuneration Policy

u. Risk Management Policy

v. Senior Executive Remuneration Policy

w. Stakeholder Communication Policy

x. Term of Directorship Policy

y. Vacation of Office Policy

z. Whistleblowing Policy

Policy Framework: Tips and Hints

6.1 Identify all policies 'owned' by the board and schedule review dates in the board's annual calendar of activities.

Policy Framework: Tips and Hints

6.2 Conduct a director awareness session to include information on governance policies such as conflict of interest. When discussing the conflict of interest policy it is important that all directors agree with the content and how it is to be applied.

Policy Framework: Tips and Hints

6.3 Implement a directors' code of conduct that outlines expectations for director behaviour. This code may be a component of the board's charter.
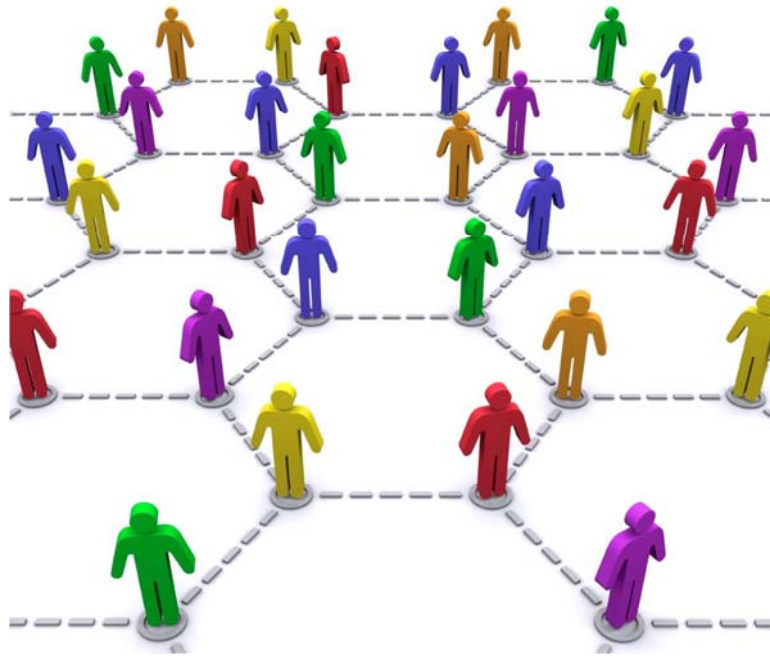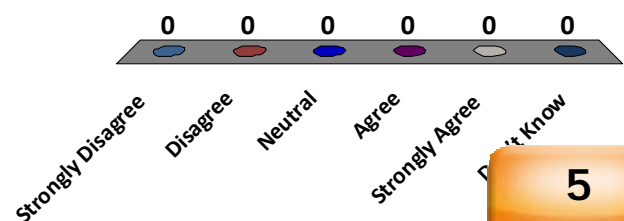
7. Networking and Stakeholder Management

7.1   Our directors make valuable contacts available to the organisation.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

5
Countdown

Networking

External

▸ Developing networks (contacts) outside the organisation with, for example, government departments, health sector and indigenous community can help promote the reputation of the organisation and gain access to resources (financial, human etc.)

Networking

Internal

▸ To the board
  – Get to know each other better. This assists in boardroom debate and decision making

▸ To the organisation
  – Understand the issues facing operational staff
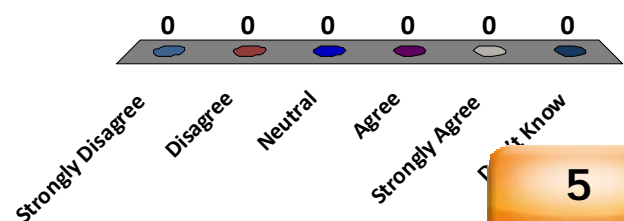 – Identify and get to know potential CEO successors

Networking and Stakeholder Communication: Tips and Hints

7.1 The board and management to discuss and agree upon the director's role in networking and representational activities including a program of activities. These activities must be aligned to the agreed strategic direction.

7.2 Our directors clearly understand the needs of key stakeholders.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

| 0 | 0 | 0 | 0 | 0 | 0 |

Strongly Disagree   Disagree   Neutral   Agree   Strongly Agree   Don't Know

5
Countdown

Stakeholder Engagement Plan

▶ Considerations in developing a stakeholder engagement plan:

– Stakeholder

– Liaison

- Who will deliver the message
- How will the message be delivered

– Purpose

– Message

– Activity

# Networking and Stakeholder Communication:
Tips and Hints

7.2 The board and management to discuss and agree upon a stakeholder mapping and engagement plan, including agree who are the stakeholders and identifying the needs of those stakeholderds.
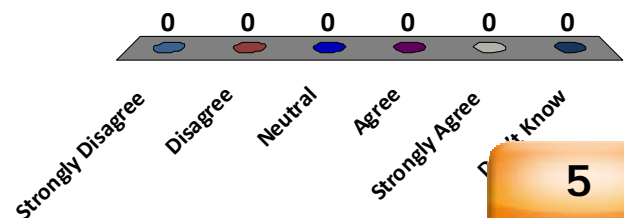
8. Decision Making

8.1 Our decisions are aligned to organisational values.

1. Strongly Disagree
2. Disagree
3. Neutral
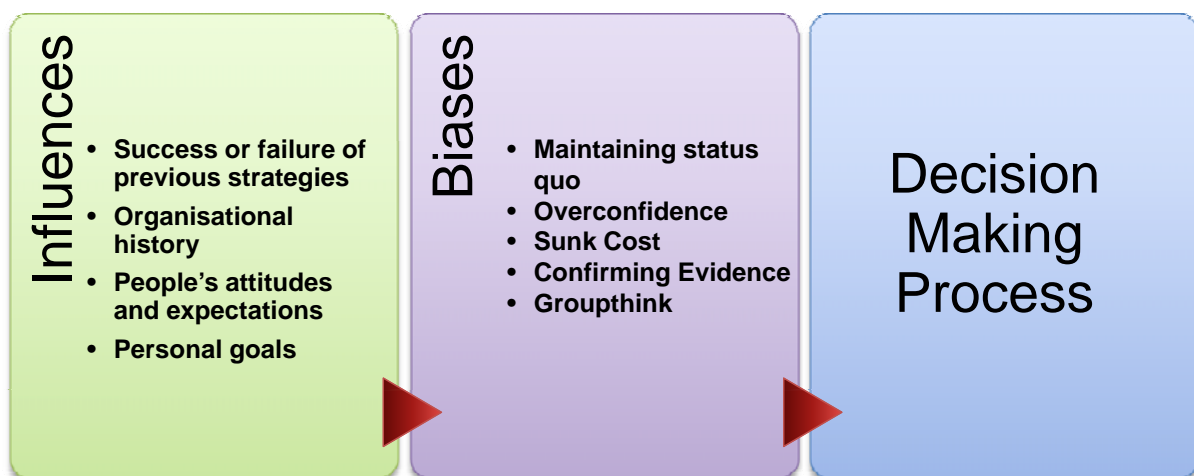4. Agree
5. Strongly Agree
6. Don't Know

0	0	0	0	0	0
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Don't Know

5
Countdown
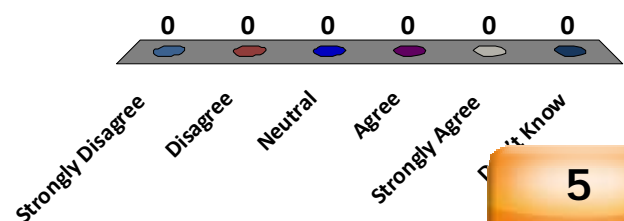
8.2 Our decisions are aligned to the corporate strategy.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

| 0 | 0 | 0 | 0 | 0 | 0 |
| Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Don't Know |

5
Countdown

What Affects Decision-Making?

Influences
- **Success or failure of previous strategies**
- **Organisational history**
- **People's attitudes and expectations**
- **Personal goals**

Biases
- **Maintaining status quo**
- **Overconfidence**
- **Sunk Cost**
- **Confirming Evidence**
- **Groupthink**

Decision Making Process

Decision makers are susceptible to these biases and they may lead to inconsistencies and decisional errors

Source: Bazerman, 2006

Decision Making Checklist

Before Decision Making	Decision Making	After Decision Making
Don't start until this is complete	Evaluate each decision here	What happens afterwards
Is the matter for decision clear and well formulated? ☐	Is the decision aligned with the organisation's vision, mission and values? ☐	Has the best approach for communicating the decision been decided? ☐
Are the options well specified? ☐	Will the decision assist us to achieve the organisation's goals? ☐	Do all parties understand the communication protocol for the decision? ☐
Do we need to make this decision now? ☐	If the question was framed another way, would we make the same decision? ☐	Has someone been assigned responsibility for implementation of the decision? ☐
Has this decision been considered previously? If so, why are we revisiting it? ☐	Are one or more people strong advocates for a particular course of action? Have counter arguments and alternatives been adequately explored? ☐	Have KPIs been established to monitor implementation? ☐
Do the board and related papers contain sufficient information? ☐	Has a balanced case been made for the proposed course of action? ☐	Do we need to review the implementation or decision? If so, when? ☐
Has the board encouraged honest disclosure of estimates? ☐	Is this a case of potentially continuing to back a failed decision? ☐	
Do we need to obtain additional information? ☐	Have one or more board members taken a "black hat" role in discussion? ☐	
How reliable are the data? ☐	Have we been given sufficient time to discuss the decision? ☐	
Do we need an opinion from an independent, external advisor? ☐	Do we know the maximum, minimum and most likely outcome of this decision? ☐	
	Is the return on investment realistic? ☐	
	Has the impact of this decision on all stakeholders and the organisation been considered? ☐	
	Do we understand the maximum potential loss of this decision? ☐	
	Have all the risks associated with this decision been considered? ☐	

Decision Making: Tips and Hints

8.1 All proposals to the board to clearly state how they are aligned to the organisation's values.

8.2 Once a decision has been made the board is to present a uniform view and support for that decision outside the boardroom.

effective governance

Decision Making: Tips and Hints

8.3 Implement the use of a Strategic Decision Making Checklist.

8.4 The board to set aside sufficient time to review the effectiveness / outcomes of major strategic decisions on a regular basis.

9. Board Dynamics

9.1 The relationship between our board and management is healthy.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know
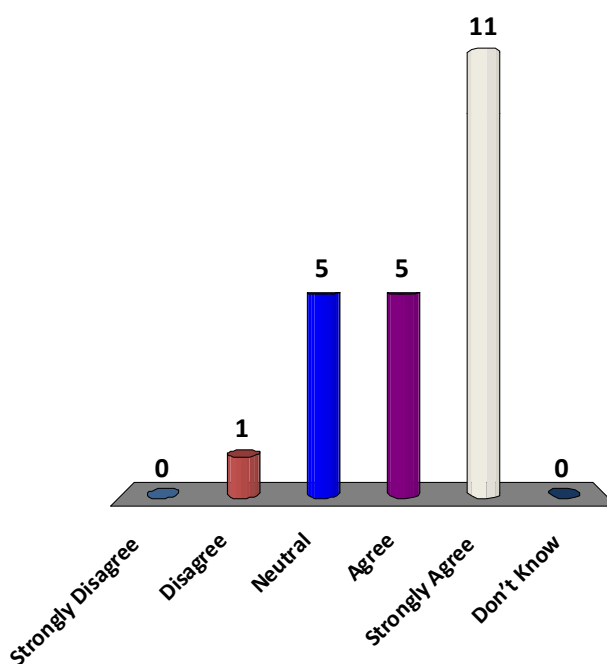
9.2 Our board works well together as a team.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know
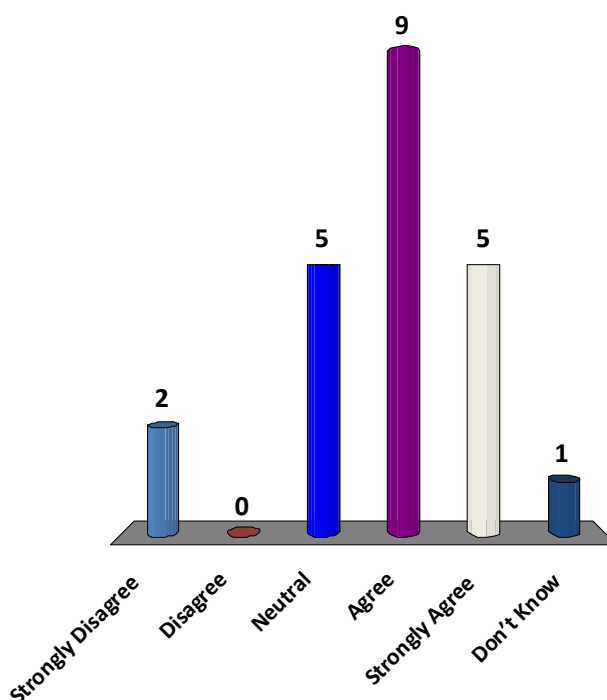
How Board Dynamics Affect Governance

*Since no individual director
alone can make a decision and
all decisions have to be group
decisions, board dynamics are
a huge determinant of whether
a board adds or destroys value.*

Source: Charan, 2009

The "Right" Behaviours in the Boardroom

▶ Behaviours to be encouraged in the boardroom include:

– Directors asking tough questions without management becoming defensive

– Discussion between directors and managers is two-way

– Dissent among directors allowed and pressures for conformity to the majority opinion acknowledged and guarded against

– Directors not intent on point scoring by putting down other directors and/or managers

– Directors understand when to listen and learn from each other and from management

– Directors respect the agenda. While discussion is encouraged, everyone recognises the limits imposed by time

Source: Carter & Lorsch, 2004, *Back to the drawing board*

Board Dynamics: Tips and Hints

9.1 Board members to discuss and agree on expectations on each other for working as an effective team.

9.2 The board to agree a protocol for dealing with conflict between directors.

Board Dynamics: Tips and Hints

9.3 The board and CEO and the board and senior management team discuss and agree expectations of each other.

9.4 The board to encourage a 'no surprises' culture to ensure that information which may be of detriment to the organisation is forthcoming to the board in a timely manner.

9.5 Implement a code of conduct that clearly outlines expectations for board member behaviour. This code can be included in the board charter.

10. Board Competencies

10.1 Our board has the right mix of members with a diverse range of skills and experiences required to oversee implementation of the strategic direction.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

0   0   0   0   0   0

Strongly Disagree   Disagree   Neutral   Agree   Strongly Agree   Don't Know

5
Countdown

CRC 2012 Conf
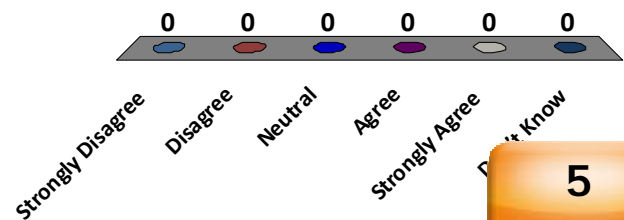
10.2 Our board is the right size to achieve its roles/purposes.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

0   0   0   0   0   0

Strongly Disagree   Disagree   Neutral   Agree   Strongly Agree   Don't Know

5
Countdown

CRC 2012 Conf

What Makes a Great Board?

Skill and Ability	**Dynamics and Relationships**
Processes and Procedures	**Integrity and Motivation**
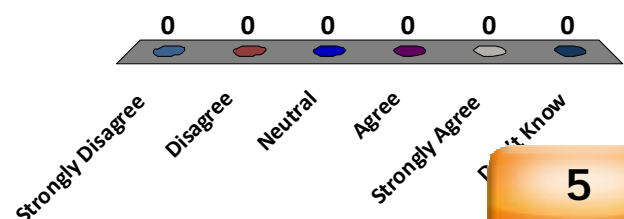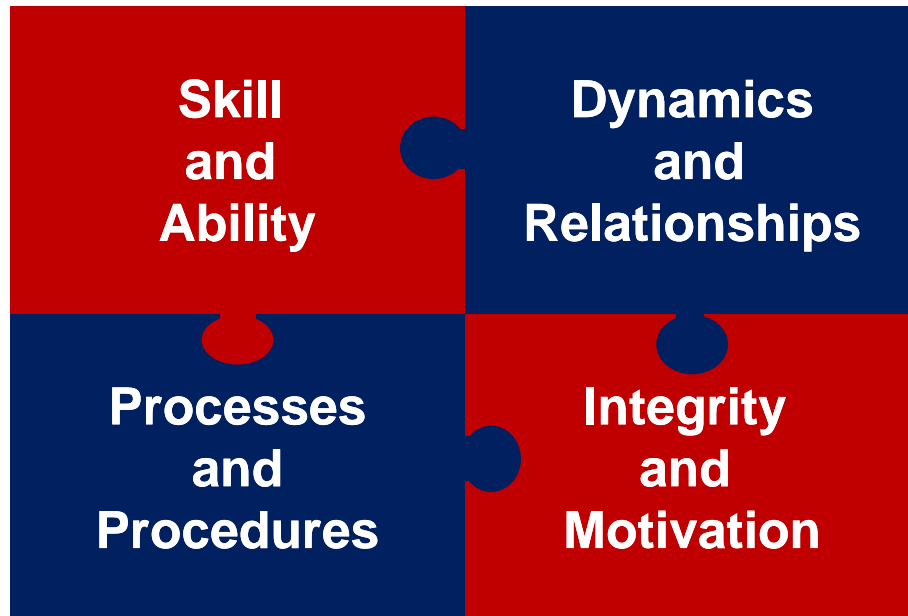
Board Competencies – Areas to Consider

Behavioural

The attributes and competencies enabling individual board members to use their knowledge and skills to function well as team members and to interact with key stakeholders.

Governance

The essential governance knowledge and understanding all directors should possess or develop if they are to be effective board members.

Technical

Technical/professional skills and specialist knowledge to assist with ongoing aspects of the board's role.

Understanding Skills on your Board

Section	Competency	Self Rating							Current Competency		Future Requirements		Requirement Met/ Not Met
		Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Maximum Skill Level Currently	Current Number at Skill Level	Mode of Skill Level Required	Mode of Numbers Directors Required	
Technical Skills and Experience	1.1 Accounting	5	4	2	4	4	2	3	5	4	4	2	Large Excess
	1.2 Finance	5	4	3	4	4	3	3	5	4	4	3	Excess
	1.3 Capital Markets	4	3	2	2	3	3	3	4	5	3	2	Large Excess
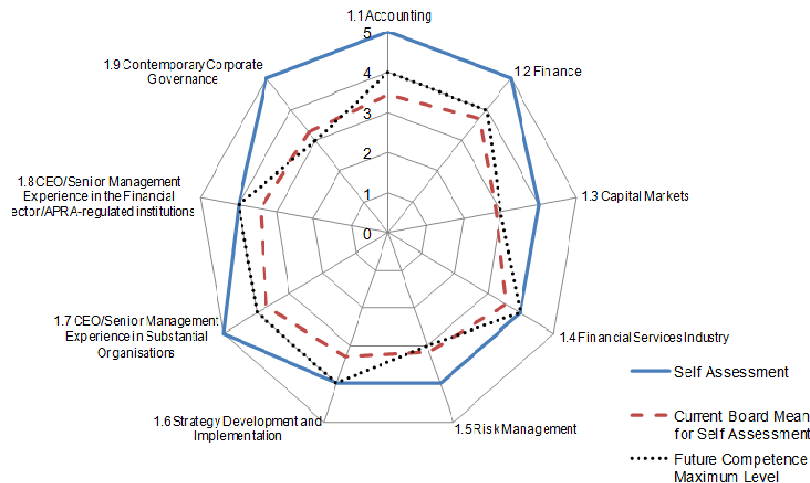
Board Competencies: Tips and Hints

10.1 Review the size and composition of the board to ensure it has the correct skills, gender and age mix and is of an appropriate size to achieve its purpose.

10.2 Undertake a skills assessment of current board members to identify gaps in current composition to effectively achieve the strategic direction.
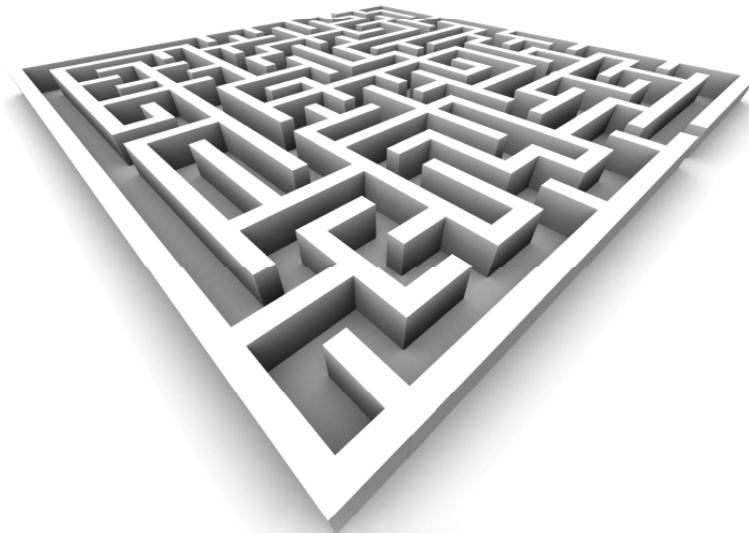
11. Board Structures

11.1 Our board papers provide the data needed for effective decision making.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

0   0   0   0   0   0

Strongly Disagree   Disagree   Neutral   Agree   Strongly Agree   Don't Know

5
Countdown

Board Paper Template: Sample

BOARD PAPER

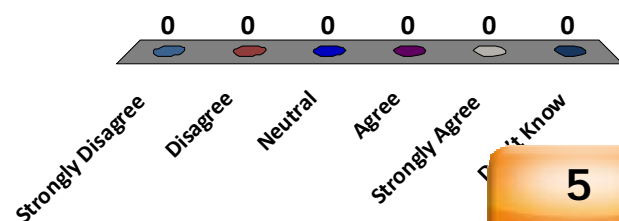|	
Agenda Item:	#
Agenda Item:	[Insert Title]
Sponsor:	[Insert Name and Title]
Draft Resolution	**[Insert exact wording of proposed board resolution that the Board is asked to pass.**
	The draft resolution must be clear, concise and unambiguous.]

Executive Summary:

Explain in no more than four lines what the paper is about and what it is endeavouring to achieve. The paragraph should be clear and concise and should state whether the paper is being submitted for the Board's information or is seeking the Board's approval for a contract, action, etc.

Background:

Outline in no more than twelve lines the background to what is being proposed to the Board providing the information necessary for a non-executive director to understand the proposal who does not have the background knowledge of an executive who has been managing the day-to-day affairs of a particular matter.

Summarise any previous Board consideration of the specific proposal. If it is not possible to explain the background to a proposal in the space of two paragraphs include an attachment and provide further details.

Identify any external advice/consultants/information who has been involved in the preparation of the proposal.

Recommendation:

Outline the recommendation in no more than twelve lines. Do not repeat the statements made in the sections above.

Mention the options that were considered by management and explain why the preferred option was chosen.

Also detail the outcomes that management is seeking to achieve from the proposal. If the implications of the proposal are complex include an attachment and provide further details.

Issues

Strategy Implications

Explain in no more than ten lines how this proposal is aligned to the agreed strategic and business plans.

Continued on next page

Board Paper Template: Sample (cont'd)

Financial Implications

Explain in no more than twelve lines the expenditure implications of the proposal.* Once again this should take the form of an executive summary approach. If the expenditure implications are complex include an attachment and provide further details.

This section should include comments on whether the expenditure is budgeted or unbudgeted, the proposed timing of the expenditure and cash flow implications. If a detailed business case has been prepared for a proposal the major points of the case should be summarised here.

Risk Analysis

Analyse in no more than twelve lines the major risks associated with the proposal and explain how these risks will be managed. This information may be presented using the following pro forma.

Identified Risk	Risk Likelihood (H,M,L)	Impact of Risk (H,M,L)	Strategy to Manage Risk

Governance and Compliance

Outline in no more than twelve lines the governance implications of the proposal remembering that it is of considerable importance to the Board that contemporary governance standards are achieved. Therefore, the adoption of appropriate internal risk management and compliance processes will be a condition precedent to the Board considering and approving a proposal.

Outline what KPIs and/or reporting back to the board will occur during and after implementation.

Management Responsibility

Identify the manager who will have responsibility for the proposal as well as the executive who will deal with the matter on a day to day basis.

Signing of Board Paper

_____   _____

Chief Executive Officer   Sponsor

The following people have been involved in the preparation of this board paper:

      [Name and Title]

* This should take the form of an executive summary approach. If the issues are complex include an attachment and provide further details.

Board Structures: Tips and Hints

11.1 The board to review and agree upon with management the structure and content of board papers.	11.2 Discuss and agree with management, acceptable time frame for delivery of board papers and ensure these are adhered to.

11.2 Our board has a clear understanding of its workload throughout the year – not just meeting dates.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

0 0 0 0 0 0

Strongly Disagree Disagree Neutral Agree Strongly Agree Don't Know

5
Countdown
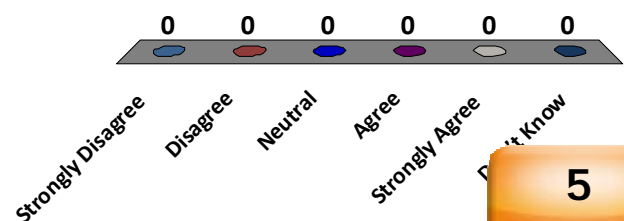
Board Calendar: Sample

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Meeting Schedule												
General board meeting												
Finance and Audit Committee meeting												
Implementation Committee meeting												
2. Strategy Formulation												
Strategic planning workshop												
Approve/Review strategic plans												
Approve/Review business plans												
Approve budgets - Concepts - Final												
3. Strategy Implementation (Management Presentations)												
Business unit, activity or function 1												
Business unit, activity or function 2												
Business unit, activity or function 3												
Business unit, activity or function 4 etc.												
4. CEO												
Finalise/review contract												
Approve performance KPIs												
Assess performance (half yearly)												
Assess performance (full year)												
Review remuneration												
Review succession planning												
Review senior management with CEO												

Board Calendar: Sample (cont'd)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
5. Accountability												
Financial reports												
• approve half year												
• full year results - management												
• review substantially audited full year												
• approve full year												
Full year results – commentary												
Approve full year forecast												
Annual report												
• concept/drafts												
• approved												
SDRF												
6. Monitoring and Supervision												
Review CEO report format												
Review board reporting requirements												
Whole of business risk review												
7. Policy Making and Review												
Review board charter												
Review remuneration policy												
Review risk management policy												
Review delegated financial authority												
Review delegations												
Review compliance policy												
Review corporate code of conduct												
Review communication policy												

Board Calendar: Sample (cont'd)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
8. Corporate Governance												
Review board performance, including board succession												
Meeting with members or Director Selection Committee												
Review committee meeting schedule												
Review terms of reference and composition												
• [Name] Committee												
• [Name] Committee												
Meetings without management												
9. Stakeholder Communication												
Approval of AGM Notice and documentation												
Report to owners (delete if not required)												
Meeting with members (delete if not required)												
Other key stakeholder events												

Board Structures: Tips and Hints

11.3 The board to implement an annual board calendar setting out board and committee meeting dates, key events and specific tasks required of the board.
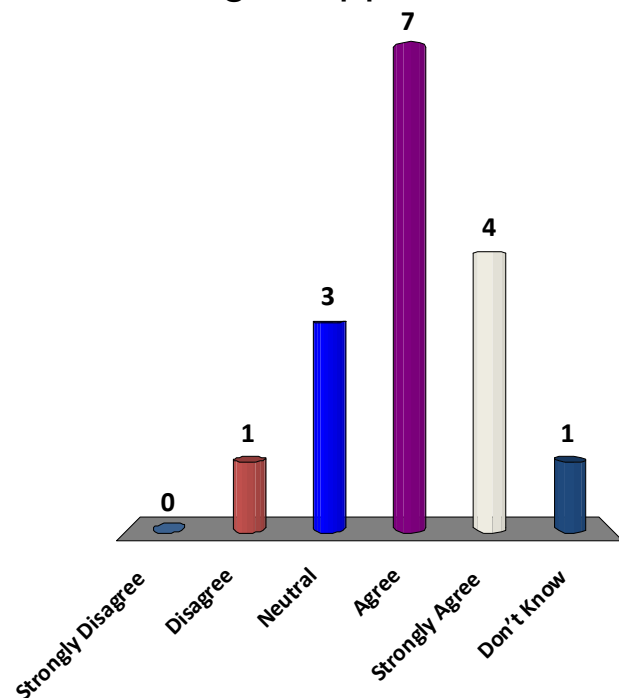
12. Board Committees

12.1 Our committees are effective in the board gaining a more comprehensive understanding on matters requiring specialised decision making or approval.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree
6. Don't Know

When to Form a Committee

1. Will it provide significant time benefit or overall workload reduction for the governing body if a committee is delegated a specific responsibility?

2. Will the committee provide greater rigour to governing body decision-making?

3. Will the committee make better use of the governing body's skills and experience?

4. Will the committee assist in the ongoing development of the governing body?

5. Will any benefits gained by establishing and maintaining the committee outweigh the added costs of establishing it?

Is the issue too important to be delegated to a committee?

Committees: Tips and Hints

12.1 The committee structure to be reviewed including review of Terms of Reference to ensure the committees are meeting the board's requirements. This should be scheduled in as an annual activity.

12.2 Ensure the minutes of each committee are included in the board's papers together with a verbal update, from the committee chair, as required.
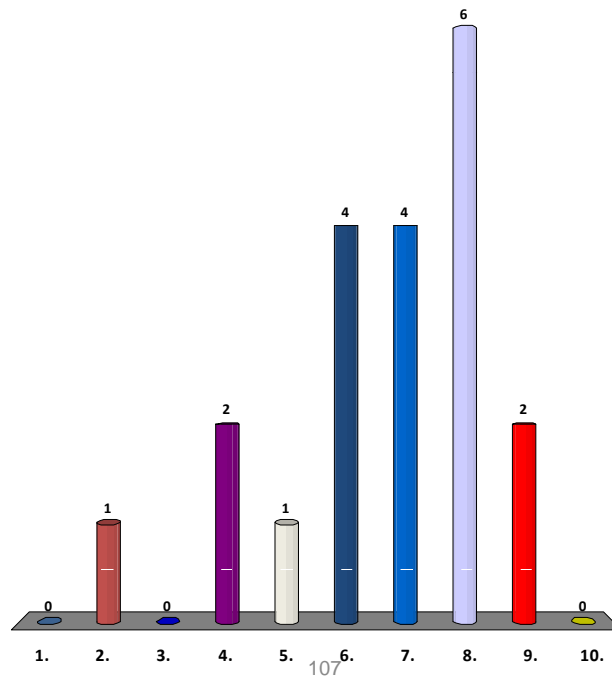
12.3 At the end of each calendar year, each committee to present to the board on activities undertaken in the past year and proposed activities for the forthcoming year.
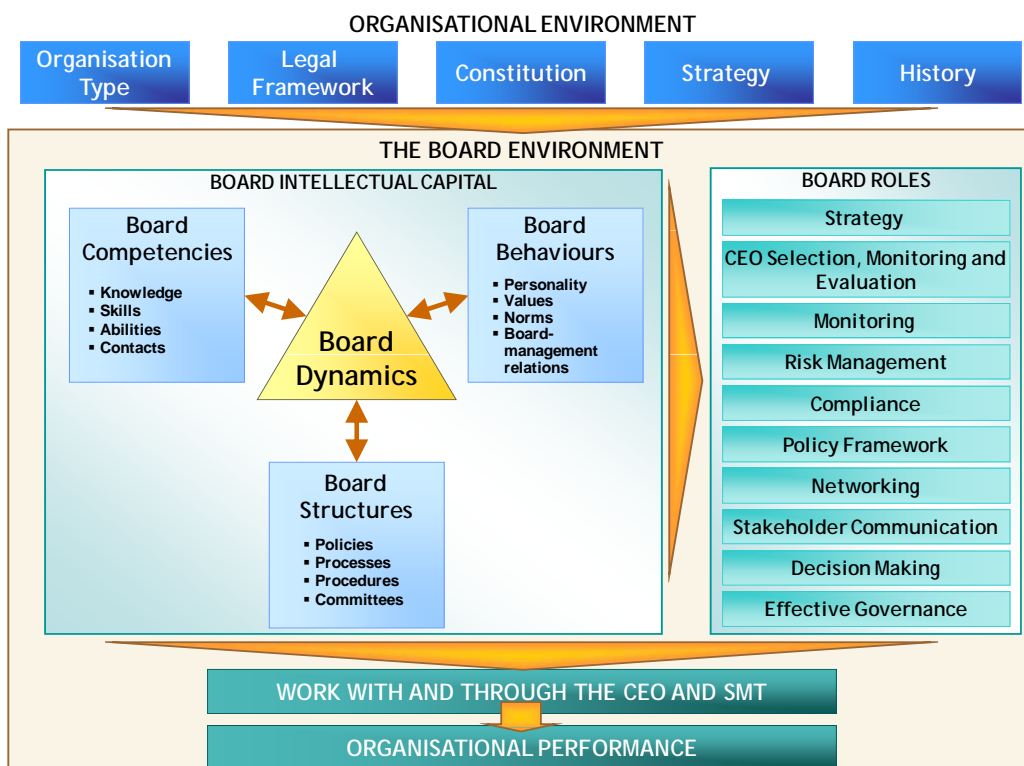
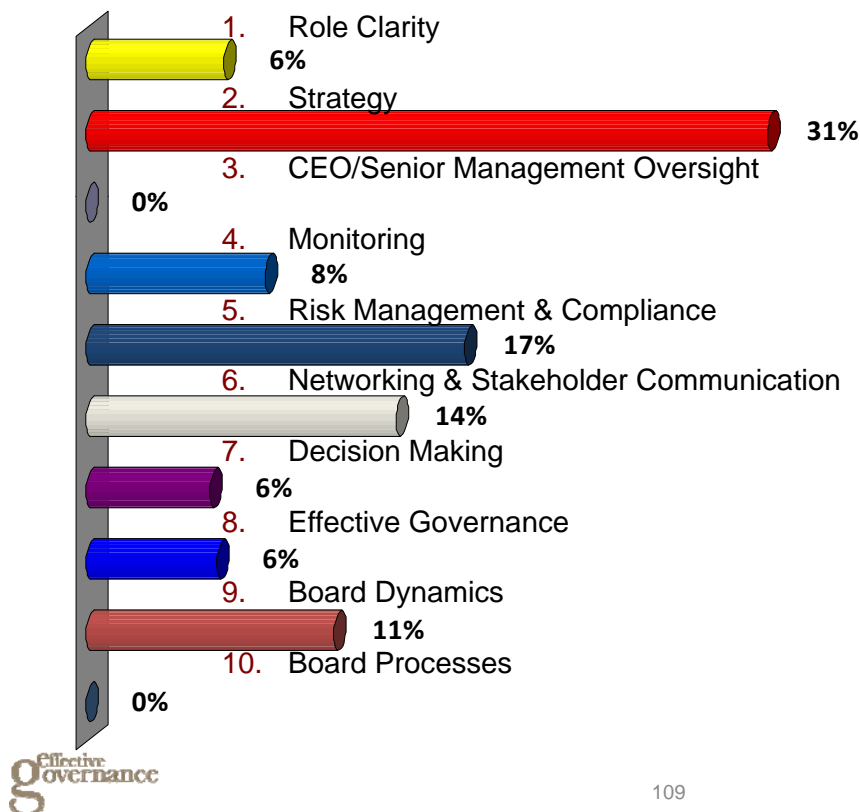# Summary

Overall Performance -
Where is your Board Currently?

On a scale of 1 (very poor) to 10 (excellent), how would you rate the overall performance of the board?

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
0	1	0	2	1	4	4	6	2	0

High Performance Board Model

ORGANISATIONAL ENVIRONMENT

Organisation Type	Legal Framework	Constitution	Strategy	History

THE BOARD ENVIRONMENT

BOARD INTELLECTUAL CAPITAL

Board Competencies
- Knowledge
- Skills
- Abilities
- Contacts

Board Dynamics

Board Behaviours
- Personality
- Values
- Norms
- Board-management relations

Board Structures
- Policies
- Processes
- Procedures
- Committees

BOARD ROLES

- Strategy
- CEO Selection, Monitoring and Evaluation
- Monitoring
- Risk Management
- Compliance
- Policy Framework
- Networking
- Stakeholder Communication
- Decision Making
- Effective Governance

WORK WITH AND THROUGH THE CEO AND SMT

ORGANISATIONAL PERFORMANCE

What are your priorities currently (TOP 3 in order of preference)

1. Role Clarity
   6%
2. Strategy
   31%
3. CEO/Senior Management Oversight
   0%
4. Monitoring
   8%
5. Risk Management & Compliance
   17%
6. Networking & Stakeholder Communication
   14%
7. Decision Making
   6%
8. Effective Governance
   6%
9. Board Dynamics
   11%
10. Board Processes
    0%

Next Steps

1. Review your responses to the Healthcheck
2. Discuss any areas of concern with your chair
3. Consider a whole of board approach to reviewing how the board does its job
4. The whole board to discuss findings of review to identify how the board could do their role differently to increase there value to your CRC

Any questions ?

Effective Governance
Tel: (07) 3510 8111
Mob: 0407 023 976
Denise.Morton@effectivegovernance.com.au

Governance Health Check – Complimentary

www.effectivegovernance.com.au/Products

Thank You

effective governance

Tel: (07) 3510 8111
Fax: (07) 3510 8181
advisors@effectivegovernance.com.au