

Governance for Performance
- Enhancing the prospects of NFP success -

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Outline

- **What is Corporate Governance**
- **Governance for performance**
- **Changing landscape of NFP sector**
- **Governance outcome inhibitors**
- **Governance outcome enhancers**
- **Conclusion**

1. What is Corporate Governance?

1.1 Can we define it?

(a) Input based/functional definition

“The **SYSTEMS** and **PROCEDURES** by which corporations are structured, controlled and governed, involving the roles of:

- the Board and its committees
- individual directors / boardmembers
- senior executives

and their **CULTURAL INTERFACE** with:

- one another
- management generally
- shareholders / members
- other stakeholders

to deliver **ACCOUNTABLE** corporate **PERFORMANCE** in accordance with the corporation’s **STRATEGIC GOALS AND OBJECTIVES.**”

1. What is Corporate Governance?

1.1 Can we define it?

(b) Outputs based/ends orientated definition

“The processes by which **QUALITY INFORMED DECISIONS** are made and actioned to:

- optimise performance
- manage risk”

1. What is Corporate Governance?

1.2 Why is it relevant?

(a) Offensive strategy

- optimise utilisation of scarce resources (financial, physical, human)
- best deliver the organisational outcomes to the intended beneficiaries / stakeholders
- enlivening of the human spirit
- excel in the achievement of the organisation's goals

ENHANCE SUSTAINED STRATEGIC PERFORMANCE

1. What is Corporate Governance?

1.2 Why is it relevant?

(b) Defensive strategy

- counter wasteful (or suboptimal) endeavour
- assure standards are maintained
- meet societal/legal expectations
- manage risk (corporate and personal)
- minimise prospect of liability (corporate and personal)

PROTECT AGAINST THE DOWNSIDE

2. Governance for Performance

2.1 What are its essential ingredients?

AIM - QUALITY INFORMED DECISION MAKING
(AND ACTION)

(a) Information inputs

- adequacy/completeness
- quality/verification
- relevance

(b) Analysis and processing

- sound methodology
- who by (delegated responsibility?)
- skills and experience
- deadlines

2. Governance for Performance

2.1 What are its essential ingredients? (cont)

(c) Discipline in planning and execution

- assess matters (SWOT analysis)
- devise business plan/strategy to address/manage risks and deliver desired outcomes
- implement plans/strategies
- monitor progress
- continuing review/assessment of situation
- adjust plans/strategies

2. Governance for Performance

2.1 What are its essential ingredients? (cont)

(d) Deliberation/Resolution

- timeliness (receipt/deliberation/resolution)
- conducive open environment
- rigorous analysis and debate
- strategic focus
- reliance on executive team

(e) Action/Implementation

- delegation
- responsibility/accountability
- acquittal
- monitoring and review

2. Governance for Performance

2.2 Roles of the Board and Management

(a) Australian “sound practice” governance model

- division of responsibility
- delegation by board of management/executive activities to executive management team
- an individual director has no inherent executive/management authority (only that expressly conferred by Board)

2. Governance for Performance

2.2 Roles of the Board and Management (cont)

(b) Board's responsibilities include:

- appointment and performance of CEO/General Manager
- input, approval, oversight and review of:
 - strategy
 - corporate performance
 - internal controls
 - budgetary and financial reporting
 - risk management and compliance

2. Governance for Performance

2.2 Roles of the Board and Management (cont)

(c) Management's responsibilities include:

- **implementation and execution of:**
 - **strategy**
 - **performance against benchmarks set**
 - **systems and processes for internal controls, budgetary and financial, and risk management and compliance**
- **development of strategy and control/reporting protocols for Board approval**
- **reporting to Board**

2. Governance for Performance

2.3 How does it manifest itself?

- **conducive environment**
 - **corporate values are owned by all**
 - **strong cultural base**
 - **interpersonal respect**
 - **integrity and endeavour**
 - **skill and experience**
- **sound organisational structure**
 - **effective governance systems and processes**
 - **transparency and accountability**
 - **flexibility of operation within systems**

3. Changing Landscape of NFP Sector

(a) Proposed new national NFP regulator

- extra compliance requirements
- review of taxation exemption benefits
- uncertainty as to depth of research
- pressure for NFPs to have critical mass with small operators challenged

3. Changing Landscape of NFP Sector

(b) Extra accountability and governance expectation

- **government grant acquittal**
- **“new” philanthropic approach (corporate & individual)**
 - **relationship driven**
 - **project focus**
 - **accountability for outcomes**
- **pressure for NFPs to have critical mass with small operators challenged**

4. NFP Governance Outcome Inhibitors

- (a) Board membership and dynamics**
 - insufficient skills/experience
 - unbridled passion
 - ineffective Chair
 - no succession planning
- (b) board/management relationship tension**
- (c) inadequacy of systems (hard and soft)**
- (d) weak financial disciplines**
- (e) lack of strategic focus**

5. NFP Governance Outcome Enablers

- (a) effective governance discipline and purpose**
- (b) well structured board**
 - relevant ability/skills/experience**
 - availability**
 - well managed passion/commitment**
 - succession planning**
- (c) accountability and transparency**
- (d) strong financial management**
- (e) clear mission and strategy**

6. Mission and Margin (“M&M”)

(a) Mission

- clarity
- focus
- context
- passion

(b) Margin

- financially sound
 - capital works
 - operating expenses
- Sustainable

YOU CAN'T HAVE ONE WITHOUT THE OTHER

7. Special Governance Challenges

- public funds & donations = high accountability
- limited executive resources = occasional quasi-executive role
- no exculpation of liability as a “volunteer”
- risk of under-developed governance processes and practices
- risk of well meaning, but risky, dominant influences
- financial security and “going concern” risks

8. Conclusion

- governance for sustainable strategic performance
- changing landscape for NFP sector
 - regulatory
 - greater accountability and transparency
- inhibitors and enhancers
- M&M
- special challenges
- “enablement of the human spirit to contribute to the greater community good in a safe and productive environment which manages risk, and optimises resources and endeavours, for the achievement of strategic outcomes”