

[Peak Industry Association]

The role of governance in assuring organisational performance and meeting stakeholder expectations



cole corporate

Facilitator: Steven Cole

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PART A – UNDERSTANDING THE GOVERNANCE LANDSCAPE

1. What is governance?

“The processes and systems by which quality informed decisions are made and actioned in a timely manner to optimise an organisation’s performance in accordance with its stated objectives and to effectively manage its risks”



Strategy



**GOVERNANCE IS SIGNIFICANTLY ABOUT PERFORMANCE
OUTCOMES, NOT JUST COMPLIANCE**

2. Objectives of effective governance

- Offensive strategy
 - ◆ optimise utilisation of scarce resources
 - ◆ best deliver organisational outcomes
 - ◆ enliven human spirit with worthwhile endeavour
 - ◆ enhance sustained organisational performance
- Defensive strategy
 - ◆ counter wasteful endeavour
 - ◆ meet standards and social expectations
 - ◆ manage risk and liability exposure
 - ◆ protect against the downside

GOVERNANCE HAS BOTH OFFENSIVE AND DEFENSIVE PURPOSES

3. How is the governance landscape changing for peak industry associations?

- regulatory red and green tape
- extra accountability and acquittal
- increasing stakeholder expectations
- balancing delivery of industry outcomes with organisational financial sustainability
- increasing duties and liabilities for office bearers

GOVERNANCE CONTINUES TO EVOLVE FOR PEAK INDUSTRY ASSOCIATIONS ALONG WITH OTHER CORPORATE ENTITIES

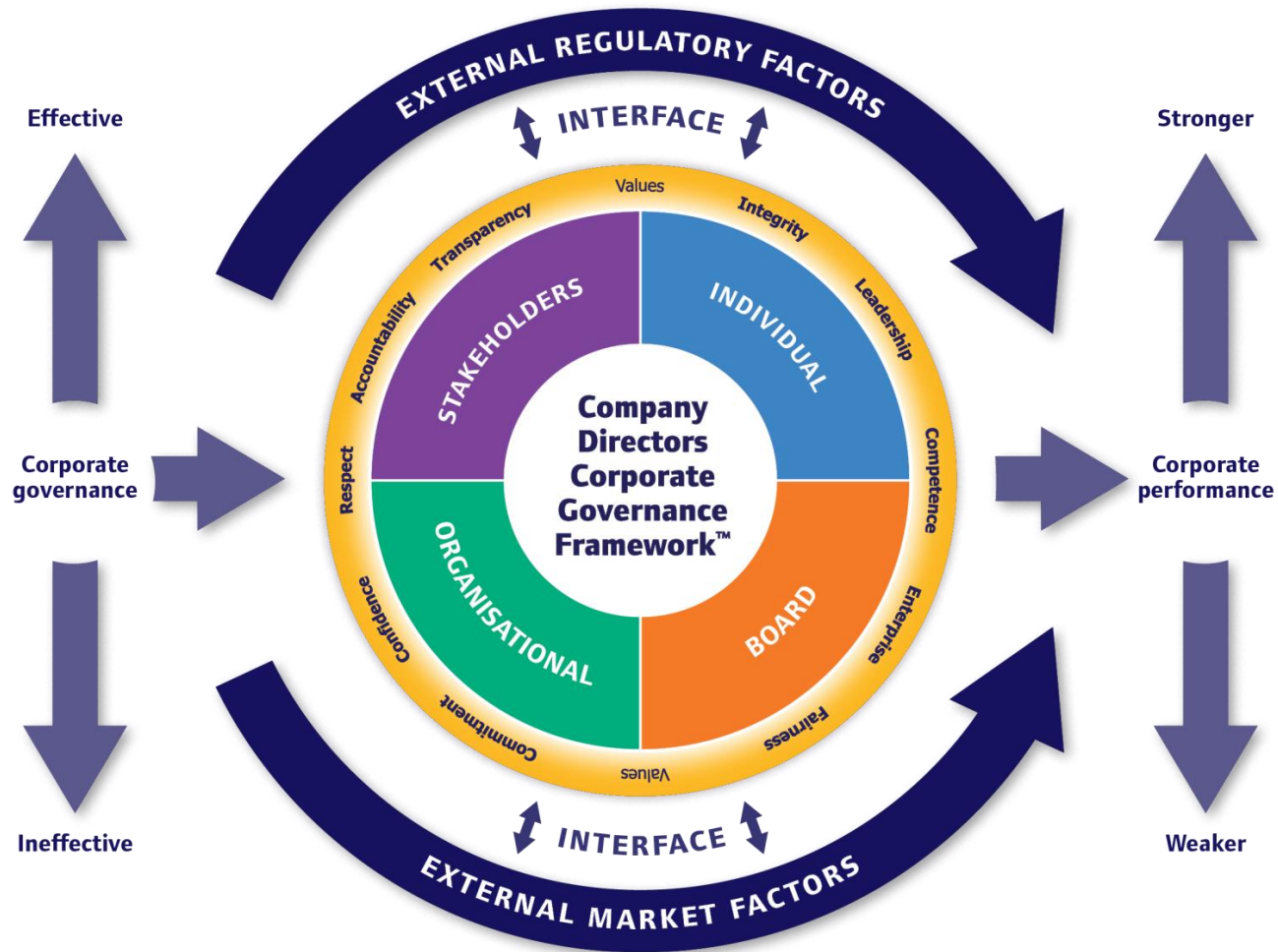
4. Challenges for office bearers of peak industry associations

- public funds and member dues = high accountability
- relatively limited executive resources
- no exculpation of liability as a “volunteer”
- risk of underdeveloped governance processes
- assuring relevant skills/experience at board/committee level
- financial security and going concern risks

**PEAK INDUSTRY ASSOCIATION OFFICE BEARERS FACE CHALLENGES
EVEN IF THEY HAVE GIVEN THEIR TIME VOLUNTARILY**



5. Master Model



6. Corporate Governance Framework™



(with attribution to Australian Institute of Company Directors)

7. Office bearer responsibilities

- evolving and increasing standards and expectations
 - ◆ Marquis of Butte (1800's)
 - ◆ Lord Boothby (1960's)
 - ◆ James Hardie/Centro case (2010)
- what a “reasonable person” would do

GOVERNANCE IS THE DOMAIN AND RESPONSIBILITY OF THE BOARD

8. Board responsibilities include:

- quality informed decisions
- strategic direction and risk oversight
- organisational purpose and values
- overseeing, managing and holding management accountable
- satisfying itself of the competence, capability and capacity of management
- accountability to members, funders and regulators

**BOARDS HAVE BOTH STRATEGIC AND OVERSIGHT
RESPONSIBILITIES**

9. Key duties of officer bearers

- collective board responsibility
- reasonable steps to guide and monitor
- delegation
- wide scope of legal responsibilities and duties
 - ◆ care and diligence
 - ◆ good faith/best interests/proper purpose
 - ◆ not misuse position/information
 - ◆ resolve conflicts of interest
- special duties as to insolvent trading

OFFICE BEARERS ARE HELD TO HIGH STANDARDS OF PERSONAL ACCOUNTABILITY

10. “safe harbour” defences

- business judgement rule
- reasonable reliance on information or advice from others
- delegated authority
- insolvent trading defences

**THE ONUS OF PROOF IS ON THE OFFICE BEARER TO ESTABLISH
THE “SAFE HARBOUR”**

11. Fitness for purpose of governance framework

- type and size of organisation
- scope and scale of operations/affairs
- progress along the governance journey
- formal v's cultural practices and processes

GOVERNANCE MUST BE FIT FOR PURPOSE AND ONE SIZE DOES NOT FIT ALL

12. Conclusion

- Effective governance
 - ◆ focus on the upside performance outcomes but manage downside risks
 - ◆ changing governance landscape and some challenges
 - ◆ ensure organisational outcomes within financial capacity
 - ◆ guard reputation (organisation and individual)
 - ◆ protect against personal liability
- Assured effective governance fosters organisational performance outcomes

**EFFECTIVE GOVERNANCE IS TOO IMPORTANT AN ISSUE
TO BE LEFT TO CHANCE**

13. Conclusion

- General Q & A and observations
- Experiences to share
- Where to from today?



**IF YOU DON'T KNOW WHERE YOU ARE GOING THEN ANY ROAD
WILL GET YOU THERE – Lewis Carroll**