Community Governance

27 Practical Ways To Improve Your Board’s Performance
Presentation Content

Segment 1
Community Governance

Segment 2
Practical Improvement Ideas

Segment 3
Discussion & Questions
Segment One

Community Governance
What Is Governance?

Governance is a leadership process that is undertaken by the whole board and therein by individual board members.

Best practice boards use governance principles, policies, procedures, tools and resources to ensure individual board members and the whole board’s work is undertaken in the best interest of the organisation and in the best interest of its internal and external stakeholders.
What Is A Board & The Purpose It Serves?

A Board is a group of skilled and experienced individuals appointed or elected to direct and control the company or association, the organisation.

The Board’s purpose is to translate the wishes of an organisation’s owners, its members/stakeholders into organisational performance.
What Is A Board & The Purpose It Serves?

The board is foremost a voice from ownership to management and only secondarily a link in the other direction.

The board should focus on what the organisation stands for, rather than what the organisation does.

Boards should focus on the organisational ends/results, whilst management develops and delivers the means/how.
What Are The Key Governance Roles & Responsibilities Of Boards?

Two Key Roles Of The Board:

First & Foremost:

- Compliance & Coverage
  - Act in the best interests of the organisation.

- Strategic Leadership

Secondly & Importantly:

- Compliance & Coverage
  - Ensure equitable support and/or resourcing for all internal & key external stakeholders.

- Strategic Leadership
What Are The Key Governance Roles & Responsibilities Of Boards?

Four Key Responsibilities of the Board:

1. **Compliance & Coverage**

   Boards need to ensure the organisation is compliant (behaviours) with and has coverage (documentation & resources) against:

   * Local, State & Commonwealth Governments Legislation & Regulation.
   * Industry and/or Government Standards & Quality Systems.
   * Contracts & Agreements etc.
   * The Memorandum & Articles of Association or Constitution.
What Are The Key Governance Roles & Responsibilities Of Boards?

Four Key Responsibilities of the Board:

2. **Strategic Leadership**

The board needs to ensure that it, amongst other things:

* employs, works and builds the relationship with the Chief Executive Officer.

* causes the development and driving of the vision, mission, values, core business, desired future, key result areas and organisational performance measures.

* keeps the organisation in mission or maintenance mode, not muddling mode.

* continuously monitors, understands and addresses the current and future internal and external challenges and opportunities of or confronting the organisation.
Four Key Responsibilities of the Board:

3. Monitoring & Reviewing

The board needs to ensure that it robustly monitors the organisation’s performance on a monthly/quarterly basis against agreed performance categories such as finances, stakeholder satisfaction, quality, strategy and contractual outcomes and within each category the various key performance indicators.

The board also needs to ensure that it robustly monitors and reviews the agreed strategy (Strategic Plan) and how it is delivering the vision, mission, values, desired future and key result areas in light of the ever-changing internal and external environments and available resources.
What Are The Key Governance Roles & Responsibilities Of Boards?

Four Key Responsibilities of the Board

4. Policy Decisions

A board should ensure that:

* all decisions are made and actions are undertaken against agreed governance principles, policies, procedures and indicators.

* they consistently use or develop new governance policies, procedures and indicators as they undertake their work.

* annually review their existing governance documentation.
Board work within a framework of:

* Constitution documents
* Culture
* Agreements
* Standards
* Legislation
* Quality

What Is The Framework That Creates The Behaviour of Boards?

Constitutional Documents

- Memorandum & Articles of Association, Constitution or By-Laws of the Organisation
- A Board’s Governance Quality System

Culture

- Your Board’s Attitudes & Behaviours, The Way Your Board Works

Organisation’s Vision, Mission, Values, Core Business

- Organisation’s Quality System
- An Organisation’s Quality System

Legislation

- Local, State or Commonwealth Legislation & Regulations
- Industry or Government Standards or Quality Systems eg: OHS

Agreements

- Internal & External Individual & Organisational Contracts & Agreements
- Constitutional Documents

Standards

- Cultural Documents
- Quality Agreements
How Do Boards Govern?

The Board develops Key Result Areas that are contained in the Strategic Plan.

The Key Result Areas are “The Ends”.

The CEO, Senior Management Team, Managers & Staff develop and implement the Strategic Objectives.

The Strategic Objectives are “The Means”.

The Board’s performance is measured using Key Performance Indicators.

The Board’s key performance indicators are set against the Board’s Key Result Areas.

The Strategic Objectives are measured against agreed categories of measurement and therein Key Performance Indicators.

The Board measures the CEO, the CEO measures the Managers, the Managers measure the Staff.
Segment Two
Improvement Idea 1: Determine The Legal Entity, Board or Committee

<table>
<thead>
<tr>
<th>Legal Entity:</th>
<th>Association</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>Committee of Management</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>Legal Status &amp; Structure:</td>
<td>Associations with Not For Profit Registration</td>
<td>Companies Limited by Guarantee, Not For Profit</td>
</tr>
<tr>
<td>Jurisdiction:</td>
<td>State</td>
<td>Commonwealth</td>
</tr>
<tr>
<td>Act:</td>
<td>Associations Incorporations Act (Vic)</td>
<td>Corporations Law, Company Code</td>
</tr>
<tr>
<td>Reporting To The:</td>
<td>State Registers of Incorporated Associations</td>
<td>Aust. Securities &amp; Investment Commission</td>
</tr>
</tbody>
</table>
Improvement Idea 2: Review The Constitution/Memo & Articles

Review the Constitution/Memorandum and Articles each time a new Strategic Plan is developed.

Align the governance and organisational structures to the strategy, thereby ensuring the structures and the board/organisational positions are fit for purpose.
Improvement Idea 3: Review Your Board’s Governance Structure

During the development of a new Strategic Plan and/or the change to a new legal entity review and enhance the governance structure.
Improvement Idea 4: Align The Board Positions & People To The Core Business

A board and/or leadership group should determine the organisation’s core business.

Align board positions to the core business.

Elect or recruit people with the appropriate skills, knowledge and experience to the positions.

A Board drives the core business, whilst management and staff deliver the core business via the organisation’s products and services.
Improvement Idea 5: Determine The Core Business Of The Organisation

By determining the core business of your organisation, both the type of board positions and number of board positions can be determined.

The majority of community business (Not For Profits) boards are moving from 10–15 people to 7–5 people.
Improvement Idea 6: Develop & Use Position Documents & Terms Of Reference

As part of your board’s governance system, ensure there are such documents as:

* Chairperson’s Position Descriptions
* Individual Board Position Descriptions
* Board Committee/s Terms of Reference
* Board Taskforce/s Terms of Reference
Many boards establish and operate a Leadership Team (Board, CEO & Senior Management Team).

They should focus on both the critical internal and external strategic challenges and opportunities facing the organisation now and in the future and determine agreed strategies, timeframes and performance measures.

The Leadership Team typically comes together at an Annual Strategic Planning Retreat.
Improvement Idea 8: Engage All Your Stakeholder Groups

Internal and key external stakeholders all have some type of connection and ownership to your organisation’s vision, mission, values, core business and desired future.

Identify and continuously engage, all internal stakeholder groups and key external stakeholder groups, seeking their connection and contributions to the organisation.
Improvement Idea 9: Verify The Board Has Access To Six Key Systems

Boards are, or should be, supported in their work and have access to six key systems:

* Financial Management System
* Strategic Planning System
* Risk Management System
* Governance System
* Quality Management System
* Performance Management System
Improvement Idea 10: Understand and Utilise A Governance Framework/System

There are five governance frameworks/systems available to boards in Australia; they are:

* The Tricker Model, AICD, or
* The Australian Stock Exchange Principles, or
* The Governance Standards, Standards Australia, or
* The Carver Model, America, or
* The Australian Governance System, TAGS™.
Improvement Idea 10: Understand and Utilise A Governance Framework/System

There are an increasing number of community businesses (Not For Profit) boards using a Governance System.

An example being TAGS™, The Australian Governance system.

TAGS™ has eight major components and is the most comprehensive and practical governance system available to boards.
Best practice boards undertake governance training to ensure they close the gap between the way they work, or should work and their documented governance principles, policies and procedures, and legislation, industry or governance standards and their constitutional documents.

They do this is by using governance principles, policies, procedures, indicators, tools and resources or attend governance workshops eg: AICD.
Improvement Idea 12: Obtain And Use A Strategic Planning System

Use a strategic planning system to plan, implement, monitor and review.

**Time**

- **2-3 months**
- **2-7 years**

**Phase**

- **Year One Planning Phase**
- **Year One Implementation Phase**
- **Year Two Implementation Phase**
- **Year Three Implementation Phase**

**Develop & Monitor**

- **Annual Leadership Group Retreat**
- **Annual Leadership Group Retreat**
- **Annual Leadership Group Retreat**
- **Annual Leadership Group Retreat**
Improvement Idea 13: Use A Contemporary Quality Management System

The number, types and requirements of Local, State and Commonwealth legislation, regulation and industry or government standards continues to increase.

Use a contemporary quality management system to collate, manage, distribute, report on and archive all governance and organisational/ operational quality documents and resources.
Improvement Idea 14: Use An Organisational Performance Management System

<table>
<thead>
<tr>
<th>Measurement Categories</th>
<th>Board</th>
<th>Chief Executive Officer</th>
<th>Manager X</th>
<th>Employees X</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>* KPI’s against each KRA</td>
<td>* KPI of each strategic objective</td>
<td>* Business Plan KPIs</td>
<td>* Individual Work Plan KPIs</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>* Cumulative trends &amp; results of Annual Balance Sheets</td>
<td>* Cumulative trends &amp; results of Annual Balance Sheets</td>
<td>* Profit/Loss * Cashflow</td>
<td>* Financial Targets * Sales Targets</td>
</tr>
<tr>
<td><strong>Contractual Outcomes</strong></td>
<td>* Contractual Requirements * Star Rating</td>
<td>* Contractual Requirements * Star Rating</td>
<td>* Star Rating * Contract KPIs</td>
<td>* Contract Targets</td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td>* Organisation Accredited</td>
<td>* Organisation Accredited</td>
<td>* Auditor’s Reports</td>
<td>* Auditor’s Reports</td>
</tr>
<tr>
<td><strong>Stakeholder Satisfaction</strong></td>
<td>* 10% increase in all stakeholder satisfaction</td>
<td>* 10% increase in all stakeholder satisfaction</td>
<td>* 10% increase in employers satisfaction</td>
<td>* 10% increase in jobseekers satisfaction</td>
</tr>
</tbody>
</table>

Governance, Strategic & Organisational Measures

Operational Measures
Improvement Idea 15: Obtain & Use A Risk Management System To Minimise Or Mitigate Strategic & Organisational Risks

Ensure the organisation has a Risk Management System.

Typically, a Risk Management System should operate at three levels:

* Board
* Senior Management Team
* Manager & Staff

The board should only identify, analyse, monitor, address and review the top 3–5 strategic or organisational risks.
Improvement Idea 16: Demand The Board Receives Strategic Data & Information

If a board is to make decisions and take actions it requires timely and accurate strategic and organisational data and information.

The six key systems previously mentioned should provide the necessary data and information.
Improvement Idea 17: Develop & Use A Board Annual Program Of Work

Prior to either a financial or a calendar year ensure your Board:

* Develops a Board Annual Program of Work

* Approves its Annual Program of Work.

The Board Annual Program of Work should be an agreed calendar/plan of meetings, events, activities, conferences, tours, guest speakers and activities that feed into each month’s agenda.
Improvement Idea 18: Develop An Annual Board Training Plan

Develop, implement and monitor an Annual Board Training Plan which may cover, for example:

* Governance Workshops.
* Board Information Sessions.
* Attendance at AICD Courses.
* Details of Board Tours.
* Forthcoming Conferences.
* Guest Speaker Events.
* Inter-board Exchanges.
Improvement Idea 19: Undertake Annual Board Self Assessment Or Review

As part of the Board’s Annual Program of Work, undertake an Annual Board Self Assessment or Review.

Utilise a recognised Board Self Assessment Tool; identify improvement areas or issues, develop a Plan of Action that may link to the Annual Training Plan or Annual Program of Work.
Improvement Idea 20: Develop, Use & Monitor An Annual Board Budget

Prior to either a new financial or a calendar year:

* Develop an Annual Board Budget.
* Ensure the Annual Board Budget forms part of the organisation’s Strategic Financial Management Plan and is aligned to the Strategic Plan.
* Ensure the Annual Board Budget is aligned to the Board Annual Program of Work.
Improvement Idea 21: The Strategic & Financial Plans Are Aligned To The Board Program Of Work & Budget

Your Organisation’s Strategic Plan  \[\Rightarrow\]  Your Organisation’s Strategic Financial Management Plan

Your Board’s Annual Program of Works  \[\Rightarrow\]  Your Board’s Annual Budget
Improvement Idea 22: Review Your Agenda’s Structure & Content

Review the structure of the Board Agenda.
Review the content of the Board Agenda.
Review the time taken to get through the Board Agenda.
Improvement Idea 23: Develop And Use An Induction Package

Board Induction Package
Develop and Use a Board Induction Package
Improvement Idea 24: Utilise Computers & Email

Each board member should have an office/home computer and the ability to utilise email etc.

Undertake an audit of who has what hardware, software, computer skillsets.

Provide computers and/or training as requested.

Move to the electronic world.
Improvement Idea 25: Provide The Board With 1-2 Articles Each Month

Within each month’s board agenda and papers include one concise predetermined governance article.

Expect all board members to pre-read their agenda and papers, including the governance article.

One board member facilitates a 10–15 minute exercise to determine the key issues and ideas for board improvement that arise from the article.
Improvement Idea 26: Undertake An Annual Strategy/Governance Workshop

Consider undertaking a 1-2 day strategic planning and review workshop facilitated by an external management or strategy consultant.

Involve the leadership team, the board, management, senior management team/managers.

Focus on such items as reviewing the Strategic Plan, undertaking the necessary strategic thinking and discussion.
Improvement Idea 27: Promote The Desired Future To Stakeholders

Develop and continuously promote amongst all your internal and key external stakeholders the organisation’s:

* vision
* mission
* core business
* values
* desired future
* key result areas
* performance
“Boards Govern, Managers Manage”

For further information contact:

Michael Goldsworthy
Principal Consultant
Australian Strategic Services
PO Box 275
Romsey VIC 3434

Tel: 03 5429 6331
Fax: 03 5429 5044
Mobile: 0418 130 581
Email: ASSPL@bigpond.com
# A Quick Checklist of Improvement Ideas

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Legal Entity, Board or Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Review The Constitution/Memo &amp; Articles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Board’s Governance Structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Align Board Positions &amp; People To The Core Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Determine The Core Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Position Documents &amp; Terms Of Reference</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Develop &amp; Operate a Leadership Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Engage All Your Stakeholder Groups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Verify The Board Has Access To Six Key Systems</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page references: 15, 16, 17, 18, 19, 20, 21, 22, 23
## A Quick Checklist of Improvement Ideas

<table>
<thead>
<tr>
<th></th>
<th>Improvement Ideas</th>
<th>Page</th>
<th>Yes</th>
<th>No</th>
<th>Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Governance Framework/System</td>
<td>24-25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Board’s Work &amp; Governance Documentation</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Obtain &amp; Use a Strategic Planning System</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Use A Contemporary Quality Management System</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Use An Organisational Performance Mgt System</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Obtain &amp; Use A Risk Management System</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Strategic Data &amp; Information</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Annual Program Of Work</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Annual Board Training Plan</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Improvement Idea</td>
<td>Page</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------------------</td>
<td>------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Annual Board Self Assessment Or Review</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Annual Board Budget</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Strategic &amp; Financial Plans Aligned</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Review Your Agenda’s Structure &amp; Content</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Induction Package</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Utilise Computers &amp; Email</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Articles</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Annual Strategy/Governance Workshop</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Promote Desired Future To Stakeholders</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>