



Finding the right board for you

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Today's topics

- ◆ What makes an effective board?
- ◆ Are you and the board a 'good fit'?
- ◆ Special issues for:
 - Government boards
 - Not for profits boards
 - Representational boards
 - Subsidiary boards



The governance challenge

A broad mandate:

- ◆ Independent function
- ◆ Usually ultimate authority
- ◆ Few legal constraints
- ◆ Little guidance on how to do it
- ◆ Broad discretion to delegate to mgmt

A unique context:

- ◆ Nature of industry/ competition
- ◆ Unique aspects: environment, safety
- ◆ Stage of company's life
- ◆ Structure of ownership
- ◆ Other key stakeholders

Key components for effective boards



Key components of an effective board



PEOPLE

Business acumen, courage, integrity, diligence, independence of thought, wise use of social skills



GROUP DYNAMICS

Relationships between board, and between board and management

Key components of an effective board



INFORMATION

The right amount, about the right things



DECISION PROCESSES

Agenda setting, problem scoping, decision criteria, alternatives, risk analysis

Key components of an effective board



Overseeing implementation, assessment of board and senior management, learning

MONITORING & EVALUATION

Defining the 'right fit'



An effectively functioning board with an identified need for someone of your skills, experience and personality

+

A company in which you are both interested and have the capacity to make a contribution

Do they measure up?



What to ask *them* before joining



PEOPLE

Who currently makes up the Board?
Why are you looking for a new director and what are you looking for?



GROUP DYNAMICS

What are the relationships like between the directors, and between directors and the CEO?

Chairman's critical role

- ◆ Chair is instrumental in:
 - director selection
 - board operation – agenda, meetings, tone, tracking
 - mentor / monitor / liaison with CEO & mgmt
 - liaison with shareholders (for key events)
- ◆ Relationship between Chair / CEO
- ◆ Listen to their language – do they have a strategy?
 - are they open to learning and improving?
 - have they thought about their own succession?

What to ask *them* before joining



INFORMATION

What is the quality of the information that I will have access to? What about the company's business? What is its financial position?



DECISION PROCESSES

What is the nature of the decisions being taken? How does the Board typically make decisions?

What to ask *them* before joining



MONITORING & EVALUATION

Legal/regulatory environment? Key stakeholders? Any current problems? Approach to risk? Evidence of learning?



Do you measure up?

“A board is not one level up from management - it is one level down from the owners”

What to ask *yourself* before joining

- ◆ Why am I interested in this directorship?
- ◆ What can I contribute?
- ◆ Do I have the capacity to do the job?
- ◆ What advantages/disadvantages to my career, finances, non-work commitments?

Does my board have ‘special features’?

Issues for
Government, Not for
Profit, Subsidiary and
‘Representational’ Boards



Government boards

- ◆ A variety of models of duties and liabilities
- ◆ Reporting and accountability
- ◆ Specific legislation
- ◆ Composition
- ◆ CEO appointment and review

Not-for-profit boards

- ◆ Organisation's mission?
- ◆ Representational composition?
- ◆ Measurement of non-financial goals?
- ◆ Raise or contribute funds personally?
- ◆ Make introductions for purposes of fundraising?
- ◆ Oversight the finances or accounts?
- ◆ Perform “hands on” operational activities?
- ◆ Who are the key stakeholders?
- ◆ What affiliations does the organisation have?

Not-for-profit boards

Strengths:

- Volunteers w/ passionate commitment

Weaknesses:

- Stretched resources
- Enthusiastic desire to ‘get (inappropriately) involved’
- Skills/experience may be lacking
- Chair role critical (who ‘stepped back last’)
- Frequent board turnover (management domination)
- Inadequate information (limited systems & resources)
- Lack of clear goals and quantifiable outcomes
- Complex stakeholder landscape
- Little accountability until too late

Subsidiary boards

Strengths:

- ◆ Deep knowledge of executive directors
- ◆ Knowledge/experience contributed by independent subsidiary directors
- ◆ Independent, on-the-spot oversight keeps subsidiary management focussed and performing
- ◆ If overseas owned, local directors can provide networks & credibility, fulfil statutory requirements, and identify critical emerging issues

Weaknesses:

- ◆ Subsidiary directors – all accountability/ no control
- ◆ Tension between obligations to subsidiary and aims of shareholder
- ◆ Slipping into factionalism
- ◆ Without strategic objectives, a focus on process rather than outcomes
- ◆ Without performance objectives, a focus on risk avoidance and conformance

'Representational' boards

Strengths:

- ◆ Enthusiastic, committed contributors
- ◆ Diversity of views
- ◆ Directors respected within their constituencies provide credibility and sense of ownership amongst stakeholders
- ◆ Directors' backgrounds enable identification of emerging issues

Weaknesses:

- ◆ Lack of critical skills
- ◆ Tension between obligation to organisation and goals of each Director's constituency
- ◆ Slipping into factionalism or defending special interests
- ◆ Inability to manage out 'under-performers'

Is it really dangerous to be a director?

ASIC Measures of effectiveness

Upholding the law uniformly, effectively and quickly

(Annual Report 2003/04)

	02-03	01-02	
Criminals jailed	28	29	19
Civil orders against people/companies	118	151	140
% litigation successful (target 70%)	93%	94%	92%
Litigation concluded		220	222
Investigations commenced		347	342

22 company directors and officers banned

- 3 directors permanently
- 19 for periods exceeding 111 years.
- 68 people automatically disqualified

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Thank you for your time

For more information about improving board performance

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