

Being on Board

Effective governance is the key to
a strong future for any
organisation

Why Does Governance Matter?

Governance in its widest sense includes the **processes, systems and controls**

that are used to safeguard and grow assets.

In business terms, it has been defined by the

OECD as (organisation for economic co-operation and development)

'a system by which business organisations are directed and controlled'.

WHAT BOARDS DO

E X T E R N A L	<p style="text-align: center;"><u>Accountability</u></p> <p>Reporting to Stakeholders Ensuring regulatory requirements Receiving audit reports</p>	<p style="text-align: center;"><u>Strategic thinking</u></p> <p>Reviewing and initiating strategic analysis Formulating strategy Setting corporate direction</p>
I N T E R N A L	<p style="text-align: center;"><u>Supervision</u></p> <p>Reviewing key executive performance Reviewing business results Monitoring budgeting control</p>	<p style="text-align: center;"><u>Corporate policy</u></p> <p>Approving budgets Setting corporate direction Determining compensation policy for senior executives</p>
	Short - Term	Long - Term

How Boards Work

- Members
- An effective chair
- Meetings
- Board committees
- Board self evaluation
- Boards and management

Members

- A board's success depends on the directors, trustees or committee members on the board.
- Effective boards function as a whole, with the right overall mix of skills and perspectives, so recruitment of board members is a key board task.

An effective chair

- Lead strategic planning
- Manage relationships
- Ensure risks to the organisation are managed
- Monitor performance of the Chief Executive
- Run efficient board meetings where all members are encouraged to contribute to debate and decisions
- Manage board processes
- Maintain the focus of discussion on the issues
- Mentor board members where appropriate

Meetings

- Boards usually do most of their work through meetings.
- Board meetings which are formally structured and well-chaired achieve more.
- Board members are expected to come to meetings well-prepared, and ready to engage in discussion and decision-making having read, and given thought to, the information provided for the meeting.
- When all board members come prepared, meetings are more efficient and discussion is well-informed, helping quality decision-making.

Board committees

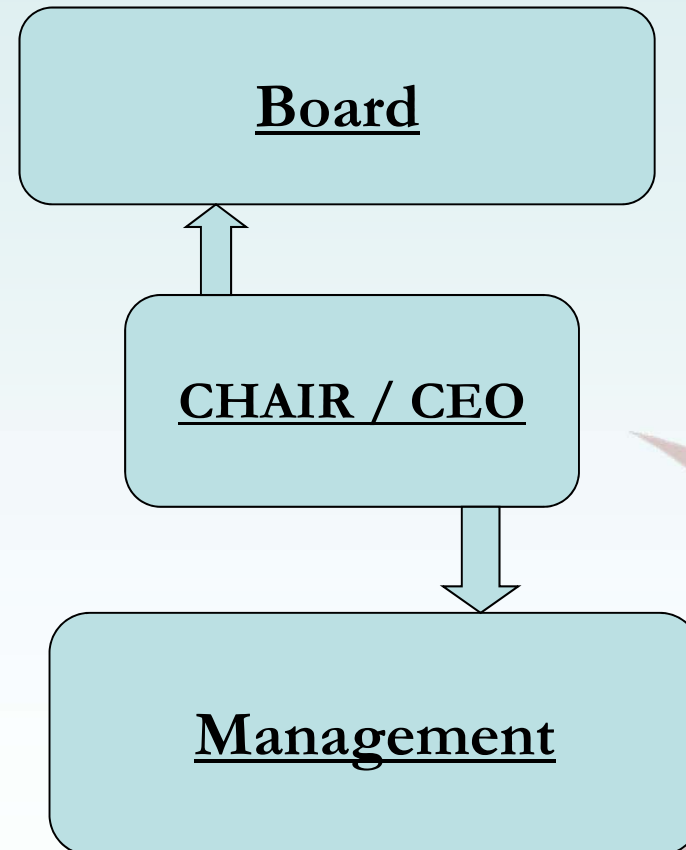
- As board members' time together is limited, some specific tasks, such as monitoring a building project or auditing financial reporting, may be carried out by a sub-group of the board as a committee.
- Committees are usually temporary unless, like an audit committee, they are given an ongoing role by the board. Often committees are used to drive and lead specific projects.

Board self-evaluation

- Relations with shareholders/beneficial owners
- Relations with other stakeholders
- Strategic and business planning
- Legal/ethical duties
- How performance against plan is monitored
- Relationship with the CEO
- How well board meetings are working
- Contributions of board members
- Wider issues relating to the community or competitors

Boards and management

- One of the key findings from studies of successful organisations is the need to keep a clear distinction between board and management responsibilities.



Board Member Responsibilities

- make decisions on behalf of the owners and keep the organisation moving successfully towards its vision
- as a board member, his/her duty is to consider the overall success of the organisation
- they are working to safeguard and grow assets for future generations of owners.

Duties of Directors and Trustees

- Act in the interests of the organisation as a whole over their own personal, family or other interests.
- Make sure they request or otherwise get the information they need to base their decisions on.
- Ensure that all reporting, financial and otherwise, from the organisation to owners and other stakeholders is accurate and not misleading.
- Be aware of the legislation which is relevant to their organisation and ensure that legislation is complied with.

Duties of Directors and Trustees

- Directors can risk being charged with fraud or negligence if an organisation fails to comply with laws that apply.
- Attend board meetings (send formal apologies if they cannot).
- Contribute to debate in an informed and constructive manner (even if they cannot attend a meeting)
- Respect confidential information.
- Accept collective responsibility for all decisions.
- Abide by majority decisions if that is the agreed way of arriving at decisions.

What directors and trustees should NOT do includes:

- Quoting other directors' or trustees' comments outside the boardroom. The board needs to be seen to speak with unity.
- Going directly to organisation staff for information or other requests.
- Committing to expenses without the authority of the board, for example, commissioning external advice without getting prior approval.
- Speaking on behalf of the organisation without approval.
- Seeking pecuniary gain directly or indirectly from knowledge gained as a board member.

PERSONAL RISKS

- Boards set the 'tone' of an organisation, so it is important that directors and trustees are seen to behave with professionalism, integrity and high ethical standards.

Ethics

- Working for the good of the organisation rather than personal benefit or for one group of shareholders or beneficial owners.
- Making sure that decisions are based on good and extensive information.
- Being clear and open about conflicts of interest.
- Showing high standards of conduct in and outside the boardroom.

Conflicts of interest

- Directors and trustees are bound to serve the interests of the organisation over their own personal or family interests. They must not abuse their position of trust. It is also extremely important that a board is seen to make decisions that are based on fair process.
- Following good conflict of interest procedure means directors and trustees and their family can seek contracts from the organisation along with other businesses.

Common conflict of interest situations

- A director or trustee's own company is a possible supplier to the organisation.
- The board's decision could lead to employment for a family member.
- The board's decision could lead to a family member's business being used to provide goods or services.
- Information provided to the board in confidence might give an advantage to a director or trustee's business, or a family member's business, if they decided to seek a contract.

Knowing the Law

- It is also essential that directors and trustees know their constitution or trust deed and the parameters and expectations this sets.
- However, it is not the role of the directors and trustees to know the ins and outs of the law, but rather to know when to get expert advice.

Time and Remuneration

- Time commitment and the frequency of meetings varies between boards, however the Institute of Directors in New Zealand estimates that for every hour in a meeting, a board director or trustee needs to spend two hours in preparation.

Training

- **1. Comprehensive courses**

Range from one day to five days, or can be a module in a university course, and can be for aspiring directors or for more experienced directors.

- **2. In the boardroom training**

Tailored workshops to address particular issues facing a board, which could be followed by a series of short courses and seminars.

- **3. One-on-one mentoring**

Board members may choose to meet with a mentor before each board meeting if the board is managing particularly difficult changes. This may also be useful for new board members.

Becoming a board member

- Membership to some boards is by election – if this is the case, you need to make sure you fully understand the timing and process of elections.
- Where board members are appointed, boards are likely to be looking for particular skills, experience and personal attributes to complement their current board mix.

What makes a good candidate

- The ability to take a big picture approach to planning.
- A team player who participates and accepts the responsibilities of the role.
- Skills and expertise relating to the business and the overall management of business.
- The courage to think independently and contribute that thinking in a constructive way.
- Commitment to the board and its objectives.

Before you accept a board appointment study the organisation

- The first thing to do when you are invited to join a board is to take a thorough look at the organisation and the board before you accept the appointment.
- This process is called '**due diligence**'.
- You must also ensure that you will not have ongoing conflict of interest issues which would prevent you from taking part in a significant number of discussions and decisions.

Boards, the way of the future?

Effective governance is the key to a strong future for any organisation

More and more sports organisations are developing a governance structure to give a bigger picture scenario, and to look outside the day to day operation matters towards a strategic goal or goals.

SUPPORT FROM SPORT TASMAN

You should never hesitate to ask for assistance with how to best implement this resource for your sport in your region.

We are here to help you.

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