

5. Board Effectiveness

Speaker Key:

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EL Welcome to the Community Colleges Australia governance podcast. I'm Ellen Leabeater. On today's podcast, we're exploring the many elements of board effectiveness, from how to keep a board meeting focused, to succession planning, and how a board should interact with an organisation.

You'll hear from Theresa Collignon, from Macquarie Community College, David Knowles, from Koda Capital, and Peter Johnston, from Tamworth Community College. First, Theresa Collignon explains the importance of a board, and why they are useful to an organisation.

What is board effectiveness?

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TC Well, I think it's when the board and management are working in harmony to actually execute the mission and the strategic plan. That's when you've got an effective board.

EL So, why is it important to have a good board?

TC Well, if you have to have a board, then you want an effective one. But also, in this sector, it is really important I think to have a board of volunteers, because we are not-for-profits, that are engaged with the mission, but can add value to the strategic thinking of management.

Because we're so busy working in the business, sometimes you don't have the time to work on the business. And, it's actually what is happening around the business that the board can bring ideas and thoughts about what's happening over the horizon, which sometimes as management it's actually quite hard to do.

EL What's the board's role in forward planning?

TC There's two different roles. I think there's the longer-term strategic planning role, and then there's the annual planning role. So, the strategic planning role, I think, is where they really come into play. And that is, they really are, if you like, the holders and governance... governors, I should say, of the mission and purpose of the organisation.

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So, they're what I would call parts of the strategic framework, the mission, the vision, the values, the purpose, the stakeholder groups, the communities that you're going to serve. And, that is the deep and really serious role of the conversation of the board, to think about that for the longer term.

I had a very wise staff member once, who said, my role is to think about next year. Your role, Theresa, is to think about what happens in three years' time, and your boss's role is to what happens in five years' time, and the board is to think about what happens in 10 and 20 years' time.

And, I have to say that that is, in fact, I find that to be true. The longer I work at a senior level or on a board, the more I think, yes, that is our job.

EL You are both a CEO and a board member. How are those two roles different?

TC Yes, look, it is a bit tricky, and ordinarily, I would say, it's not ideal to have the CEO on a board. I'm on a separate board, elsewhere, where they don't do that.

But in the community adult education sector, again, I think we're a bit of a unique beast, and I understand why you would have the CEO on the board. And so, in my particular circumstance, when we are talking about strategy and direction and the strategic plan, I kind of wear my board hat.

And when we're talking about governance issues around governance documents, policies, charter, membership, I wear my board hat, but part of me still has on my shoulders the fact that the implications of those governance level discussions, and how that will flow through the organisation.

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So, the difference of having me in the room... sometimes I need to leave the room, when they're talking about me, for example. Or about staff matters, or about risks or investments that are confidential.

So, you know, that would be the case whether or not I was on the board, but, as a voting member of the board, if you like, there is an inherent conflict of interest. But, that's what we manage.

EL So, speaking generally, what is board work, and what is the work of the CEO?

TC That's a very good question. I've thought deeply about this. So, the board's role is to govern not to manage. What does that mean? Let's hope that that's written down, and I think it generally is. But it's not always honoured.

And then the second is the delegations policy. So, generally a board in the constitution will have certain powers, and then it will specify in the overarching governance document what the board may delegate. And generally, the board delegates the operational management of the organisation.

And so, in our delegations policy, for example, it talks about how much the formation and approval of the budget, that's usually the first place, the creation of an annual plan.

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And then if the board approves that budget and annual plan, then that authorises the CEO and management to execute that plan. Because it's about setting the parameters for management. What are you allowed to do, what are you not allowed to do? And generally, the not allowed to do, should be a smaller list than what are you allowed to do.

EL What happens if a board is too involved in the day-to-day?

TC It's usually not helpful, unless they're planning to spill management, in which case, you kind of do want to know what goes on at the bottom. But, it usually interferes, and it confuses people.

So, being involved in the day-to-day decision making, like, for example, I don't know, ringing up my receptionist and saying, can you make sure there's water in the classrooms today? I was like, well, I should be doing that.

They should be saying, look, we think... we hear there may be an issue around customer service, could you perhaps have a word with the manager of the customer service team, about whether or not there's water in the classrooms. That's more helpful than ringing the receptionist and saying, there's no water in the classrooms, make that happen.

EL Basically, if the board is too over-enrolled... sorry, too over-involved, it gets in the way of what the CEO can do and distracts from their ability to strategically plan.

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TC Well, it undermines the CEO's authority, but it also confuses people. Because if you have a board member, and you're in the accounts department, and they say, pay my bill today, they will do that.

But in fact, we might have been purposely holding back a bill, because we're managing our cash, or blah blah blah. So, it doesn't take into account all of the context of all the decisions that are made every day.

And it just comes in over the top like a bit of a rocket, and people do jump, as generally they should, at least they should be alerted that there's an issue that's gone to board level.

But at the same time, board members can hear things that management doesn't hear, and it's really good to bring them to our attention. But it's not good to bring them to our attention via staff first.

EL Theresa Collignon, CEO of Macquarie Community College. Now you'll hear from David Knowles, on how to keep a board focused. David is a partner at Koda Capital.

How many people should be on a board?

DK I think it's quite a complicated answer, but, if I could sum it up in one word, it would be, depends. I don't think there's a perfect number. I actually don't think people should fret too much about the number at all, to be honest.

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Sometimes you're almost mandated around a certain number, or in some other way constrained. But, I think as long as you can form a quorum, and as long as you can function as a group and it doesn't get too unwieldy, you're in a pretty good spot.

It's much more important how you work together and who's on the board. But somewhere between five and ten I often think is a workable number.

EL How do you make sure that the group is workable? How do you keep it focused?

DK Well, for me the focus always has to be around the mission of the organisation, because the mission of the organisation is your *raison d'être*, that's why you're there. If the mission's wrong, and that's not why you're there, then you need to go back and look at that very seriously.

But essentially, your focus should be on the mission, that is why you exist. Everything else should be built around that. So, if you develop a particular focus, say on a strategy, that has to be very closely aligned with, and supporting the mission.

EL We'll get a little bit more to the strategy in a moment. I was more referring to, say focus at your board meetings. How do you make sure you don't go off on tangents if there's so many people in a room?

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DK Well, the agenda's really important, first of all. So, how do you get people to focus? You have to have the right agenda, you have to have a clear agenda.

But the role of the chair is I think, again very important. So, I recently was talking to David Gonski for another podcast, and he put it really well, so I'll paraphrase him. He said that the role of the chair is to be the conductor. And the conductor is first of all to make sure that everybody's heard, to bring the whole thing together, and ultimately to finish the piece.

That is how you get people focused. Have the right agenda in the first place, so that you've got the right conversation, and create the environment for the right conversation to take place, which again is ultimately the chair's responsibility. And then, have an effective chair, who uses their position to make sure that everybody has a voice, makes a contribution, and that the whole thing is then brought together and brought to a productive conclusion.

EL As the chair, how do you make sure that everybody does get a voice? Because, in any group, there's always someone who speaks loudest.

DK Well, I think what that... the answer to that is really, speaking to the essence of a good chair. So, the way you get that is by getting a good chair.

So, the question for me really is, what makes a good chair? And I think it's about first of all, understanding that a chair, and the skillset of a chair, will often be very different from a general board member.

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So, you may be a particularly effective board member, but not a particularly effective chair. The chair's power is really more about soft power. Another way to put it would be to say that it's not about power, but about control.

So, the chair's role is to control that meeting, and if it's about bringing people in, the chair has to be listening more than they're speaking. They have to be looking around the room constantly to read people's faces and to see if people have a contribution to make, and can they tease that contribution out.

Likewise, if there's someone who's dominating the conversation, can they pull others in to balance it out? Do they know people around the table that have views who haven't voiced them, and can they encourage them to express those views, which may counter somebody else's strong argument, let's say.

EL Have you sat in a board meeting where it's been absolute mayhem?

DK I'd have to say I haven't. I've sat in a number that have been dysfunctional, and I have to say to anybody that might one day, other than the people I'm working with now, but people that I know, I have to say to those people, I'm not talking about boards that I have sat on myself.

But I have been in boardrooms where I have seen a chair who doesn't take the responsibility of being the chair, and I have seen chairs who take the position that they have and overextend it, and dominate.

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And, I have seen people who like to grandstand, and people who like to dominate, and almost always, you can trace it back to the fact that either the chair is ineffective, or the recruitment process has been ineffective.

And the wrong people—the wrong mix of people—which is equally important, or people with the wrong values for that organisation have been brought in. So, that to me is where the problems arise.

EL What do you mean, people who have the wrong values for the organisation?

DK Yes, so, how do you... how do you pick people to join the board of an organisation, or join the organisation? If you're a non-profit, I think it starts with two things. The mission, and the values.

So, this question is really more about the values in this case. If you are an organisation that lives by certain values, to achieve a certain outcome in a certain way, you need to make sure that you have people around the table who reflect those values and who respect those values.

And it's not always that easy in my experience in what I've observed, because the non-profit recruitment process is often clouded by a belief that it's difficult to get good people. Okay, we don't have the pull to actually get the right calibre people, the people we would like.

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And I think that mindset's very damaging. I always encourage people to take the mindset that you're offering people an opportunity, and it's a privilege and it's an honour, and that you are offering them something, rather than going cap in hand and saying, would you please help us out.

I think you're destined to fail if you go with that approach. And it's quite a common approach in the non-profit sector, because of that belief, which I think is unhelpful.

EL How should a meeting run? Are there certain items that always need to be on an agenda, that always need to be addressed, say, at the start of the meeting? How should it run?

DK Well, I might sound like a broken record, because I would always start with the mission of the organisation, to remind everybody why you're there. Because you can drift away from that.

EL So, at the start of every meeting, you're reinforcing that mission statement?

DK I absolutely would, the first page on the papers, or at the start of every agenda, it would be printed. And you're focused on it. And you're just reminding everybody why you're there, because it's so easy to drift away and focus on other things, and particularly focus on short-term pressures and concerns, and maybe operational concerns that come up from day-to-day.

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So, to me it really starts with the mission. I don't think it needs to be too prescriptive. There are lots of different ways to run the meeting, but the right agenda, that people have been consulted on, and that ties back to the mission, but also the strategy of the day, is really important.

Because there should be a really clear and strong alignment between what you do and what you talk about. So, the agenda, for example, in a board meeting context, the strategy that you are employing, which is really about how you are going to try and get where you want to get to, and the mission, which is where you're trying to get to. So, that... everything should be aligned to and support that.

That's far more important than prescriptive approaches, or talking about use of things like consent agendas and so on. There are many different beliefs and probably different approaches work for different groups.

But I think it's that alignment of the agenda and the conversation to the strategy, which is there to help you achieve the mission.

EL David Knowles, from Koda Capital. Finally, Peter Johnston, chair of Tamworth Community College Board, joins me to discuss succession planning.

PJ Succession planning is the board taking a view of its own long-term longevity or sustainability, sometimes it's called. But, will the board exist, and who will be on it, and who will be in which positions of authority on the board in the future.

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So, you're planning for generational handover, when one generation perhaps leaves the board and hands it over to the next generation.

Succession planning is about making sure that people are being developed, or trained, or given opportunities to practice in various roles, before they might be asked to consider taking them on or being elected to those positions.

EL Is there an ideal time limit that someone should be a board member for?

PJ Look, ideally there should be limited lengths of service, as defined in policy for board membership, and for roles on the executive. So that's the chair, the treasurer, the secretary.

If you have long, long lengths of service, then the board can atrophy in its decision making. The term limit allows for a rotation of board members through the positions. So, the deputies end up taking the full position.

The example is, if I was treasurer in an organisation, and I had a deputy, perhaps I'd only be treasurer for two or three years, and then my deputy would take over that role. I may slip back into the deputy role.

So, you've still got that support, you're not telling people that they cannot participate in their area of strength, but the term limits ensure some mobility, some rotation through those core positions.

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EL How do we know when those term limits aren't happening? Are there ways that it manifests within the organisation?

PJ Yes, it's obvious when term limits don't apply. You hear of boards that are being led by chair people who've led them for eight or ten years. I'm not saying that those individuals who are in those positions shouldn't be part of the board, but they should surrender the chair position frequently, in a period that's a decade or more long, to allow other people to take the chair, to allow other views to be heard.

They're not doing anything wrong. If their organisation allows continual reappointment into a chair role, they haven't broken any law, they're not breaking the policy of the organisation.

I just think it's a healthier organisation if you've got some rotation of board members through positions. And they'll stay longer.

One of the problems with boards at the moment is recruiting and keeping people on the boards. Those boards that have longevity in those positions tend to see members recruited and leave, and recruited and leave is the pattern. Because there's nothing more for them to do.

They come on as a junior board member. They can't advance into any of the leadership roles, so they go and find another board position somewhere else. So, in terms of keeping interest, and in terms of keeping people engaged with boards, you've got to give them a pathway.

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EL So, let's assume that you're a new board member, and you've come onto a board that has, you know, a chair that's been there for a decade. How do you go about starting those conversations about succession planning, and giving someone else a go?

PJ Well, interestingly, one of the things that's worked for us, is that each board member has a strength. They've been recruited to the board because they have a set of skills or strengths in interpersonal management that could be shared.

So, rather than just having a board meeting, conducting the business and leaving, we put aside 10-15 minutes at the beginning of the board meeting to have a self-education session.

So, somebody will stand up and talk about an issue of importance to them. They will have done some research, they will have googled it and got some information. They may even get in touch with Community Colleges Australia and ask for some advice.

But, on the issue of succession planning, as chair, I introduced the topic of succession planning, but any board member could have. And we had a discussion that ended up in a policy and a procedure about how to do succession planning, recruiting, selection and induction of board members.

So, that ten minutes were a worthy investment of board time. It was, essentially, business from the floor, but packaged as professional development or education.

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EL It sort of comes as a little bit of a subtle hint, maybe.

PJ Yes, look, one of the problems is that people get used to the positions they're in. And they are undoubtedly providing terrific community service. It's just that when it comes to a generational handover, we're at risk of not having a trained and skilled generation to hand over to.

The baby boomers are the core of most boards, now, and they were much stronger on participating in community organisations and volunteering in leadership roles, than generation Xers like me, or the millennials who are following me.

So, one of the things you must do, in my view, is start targeting recruitment efforts at gen X and millennial, so that you do have in five or ten years' time, people to hand over to.

EL Why do you think getting the younger generation involved is so important, and how do you do it?

PJ I've just recruited a couple of people, one's 25, I think one's 23. So, that puts them in that millennial basket. And what they've brought to the board, is all sorts of things that I would never have anticipated or planned for.

We now have a social media strategy, and we have people skilled in the use of social media who can provide advice on how that should work. It resulted in an

upgrade, or a change to our website. It resulted in changes to how we market our courses.

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So, there are significant benefits... I was looking at recruiting from a younger generation to replace the baby boomers. What I got was well-informed, highly skilled people, in issues that we were effectively blinded to by our own blinkers.

EL Peter Johnston, chair of Tamworth Community College Board. In the next episode, we'll be discussing transparency and accountability of directors, especially in regards to finances.

KS The responsibility is management to put accounts together, and for board to make sure that those accounts are done correctly, and give a fair and true position.

EL That's the next episode on the CCA podcast series on governance. You can find the full list of episodes at cca.edu.au.

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Thanks for listening. If you'd like to know more, visit cca.edu.au.

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