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Beyond Director's Duties, Frameworks & Mental Models for Directors



Better Boards Director & Executive Webinar
Thursday, 20 February 2020, 1.00 pm – 2.00 pm



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- ◆ **Section One:** Overview
- ◆ **Section Two:** Corporate Governance
- ◆ **Section Three:** Understanding An Organisation
- ◆ **Section Four:** Elements Of An Organisation
- ◆ **Section Five:** Resources





Section One: Overview

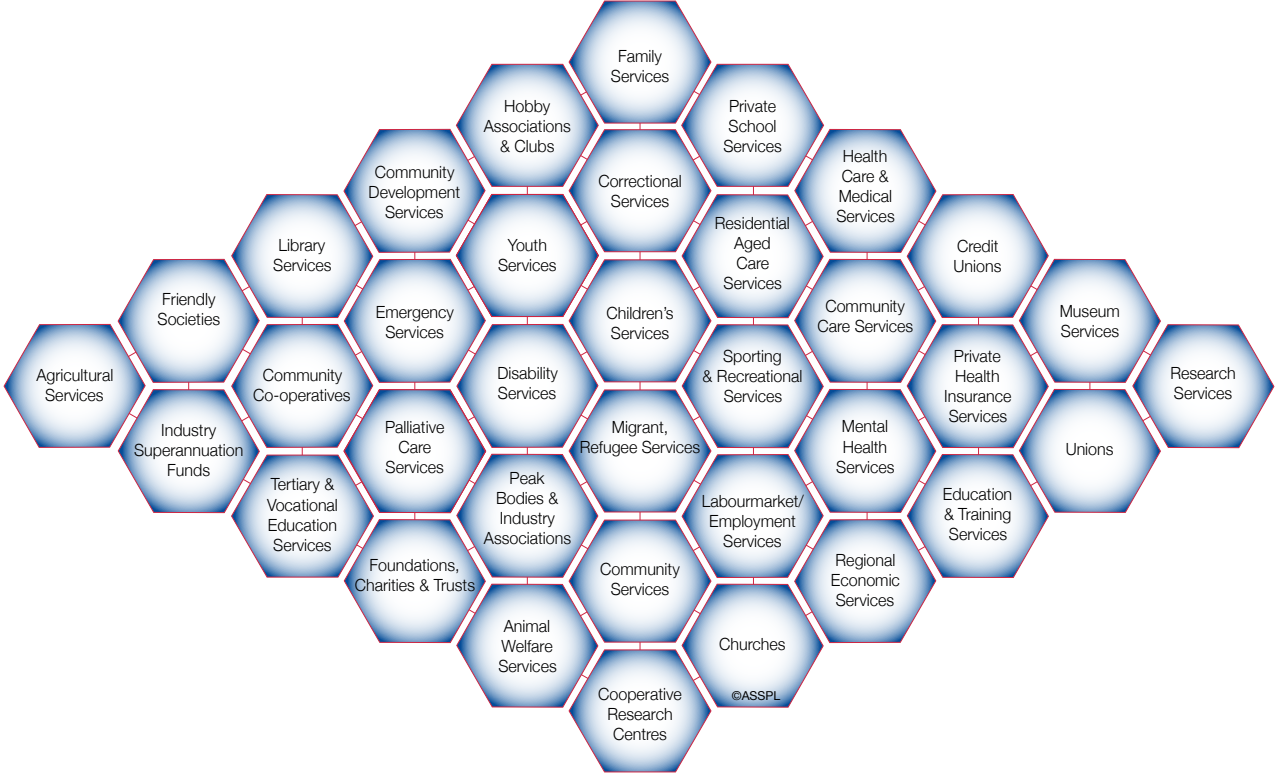
Presentation Disclaimer

- ◆ This presentation only provides an overview of:
 - * frameworks and mental models that directors, chief executive officers and executives/senior managers may use to conceptualise their organisation; and
 - * how these frameworks and mental models can assist directors to meet their two governance roles and four governance responsibilities; and
 - * ensure these governance roles and responsibilities are practically applied both in the board room and in governing the organisation
- ◆ This presentation is general in nature only and is not intended to provide specific governance, leadership or management advice tailored to your board, executive or organisation.
- ◆ This presentation does not constitute legal advice.

Presentation Acknowledgements

- ◆ In presenting this information I acknowledge that:
 - * directors and chief executive officers likely either have, are in the process of, or are planning to enhance their board's understanding of the work of a director and therein the board's governance framework, processes and outcomes
 - * each board, and their respective directors will be in a different place in regards to understanding the work of a director and subsequently the improvements being made to the board's governance framework, processes and outcomes
 - * attendees will come from organisations with differing frameworks created by the legal entity and constitution, legislation and regulation, standards and accreditation, and contracts and service agreements.

Who's Who In The Zoo?



Presentation Objectives

- ◆ Provide the opportunity for directors, chief executive officers and executives/senior managers to gain new or enhanced understandings of frameworks/mental models to conceptualise their organisation and that may assist directors to fulfil their governance roles and responsibilities.
- ◆ Enable directors, chief executive officers and executives/senior managers to access practical tools, documents and resources that can assist directors to fulfil their governance roles and responsibilities.



Key Terms & Definitions

◆ Key terms, definitions and the way in which they are used in this presentation are provided below.

* **Directors** – Under the *Corporations Act 2001*, for entities registered under the Act

- * a person validly appointed to the position of director; or
- * a person who, even though not validly appointed acts as a director (de facto director); or
- * a person who, even though not validly appointed as a director, the directors are accustomed to act in accordance with that persons directions (shadow director).

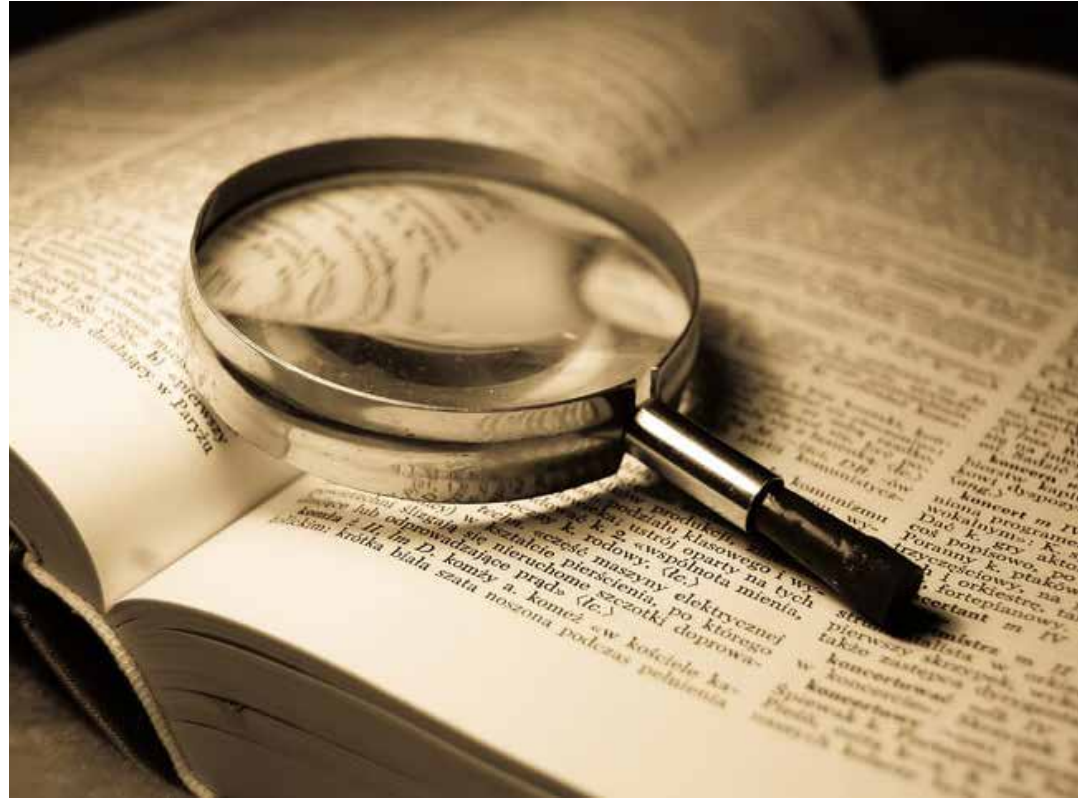
Each of the above are subject to directors duties. Typically directors will be referred to collective as the board.

The term “directors” is used in this presentation to include people in similar positions, eg: committee members, trustees, council members.

Key Terms & Definitions

◆ Key terms, definitions and the way in which they are used in this presentation are provided below.

* **Board** – The term used to describe or refer to the directors of a corporation as a collective.



Key Terms & Definitions

- ◆ Key terms, definitions and the way in which they are used in this presentation are provided below.

* **Officer** (of a corporation) –

- (a) a director or secretary of the corporation: or
- (b) a person:
 - (i) who makes or participates in making decisions that affect the whole, or a substantial part of, the business of the corporation; or
 - (ii) who has the capacity to affect significantly the corporation's financial standing; or
 - (iii) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act ...

[see s9, *Corporations Act 2001* for further categories of people who are considered officers of a corporation]

Key Terms & Definitions

- ◆ Key terms, definitions and the way in which they are used in this presentation are provided below.

- * **Legal Entity/Entity** –

- * a legal person or institution that is in practice treated as having its own and separate identity to that of the natural persons who control or act for it
 - * it has the capacity to engage in almost all of the acts of a natural person, eg: acquisition and disposal of property, the right to sue or be sued and ability to contract.

Key Terms & Definitions

- ◆ Key terms, definitions and the way in which they are used in this presentation are provided below.

* Organisation

- * Broad concept referring to a collective of (typically) natural persons, who recognise a leader or group of leaders, and communicate and take action towards a common goal.
- * In a business environment it is a similar concept to a legal entity being a “person” with a distinct identity; however it can be used to describe any legal entity (eg: companies, incorporated associations, statutory corporations) and refers not just to the “person” that is the legal entity but everything that facilitates the functioning of the legal entity by natural persons (eg: elements like structures, systems, policies and procedures).

Key Terms & Definitions

- ◆ Key terms, definitions and the way in which they are used in this presentation are provided below.
 - * **Company** –Refers to legal entities that are registered/incorporated under the *Corporations Act 2001*, eg: proprietary company limited by shares (Pty Ltd), public company limited by guarantee (Ltd); companies are a form of corporation.
 - * **Corporation** – Any type of entity the law treats as a separate legal entity (and thus is its own legal person separate and distinct from natural persons who control or act for it); includes companies registered under the *Corporations Act 2001*, bodies corporate, statutory corporations, other incorporated bodies formed by registration pursuant to legislation (eg: incorporated associations) and some unincorporated bodies which can sue.



Section Two: Corporate Governance

Corporate Governance, Its Foundation & Definition

◆ Corporate Governance is:

- * founded on either the Corporations Act 2001, Associations Incorporations Acts or similar Acts which typically establish the governing body's corporate governance roles and responsibilities...
- * enacted by an organisation's constitution and the various governance principles, enabling policies and procedures and supporting documents and tools of a board's governance system.



Corporate Governance, Its Foundation & Definition

Corporate governance, in the context of Standard 8, is typically defined as:

1. *the system of rules, practices and processes by which an organisation is directed and controlled by the governing body...*
2. *the framework of rules, relationships, systems, practices and processes within which and by which the governing body's authority is exercised, thereby enabling it to govern and lead the organisation.*

The Rise Of Organisational Governance

- ◆ The focus on corporate governance stemmed from a number of major scandals involving the collapse of large national or multi-national corporations, eg: collapse of HIH Insurance, which at the time of collapse was Australia's second largest insurer.
- ◆ Therefore traditionally corporate governance has had a strong financial focus (this financial focus is also driven by the personal liability directors can attract for allowing an entity to trade whilst insolvent).
- ◆ Other key foci of corporate governance traditionally included setting and monitoring the strategic direction/strategy of the organisation, over-sighting the performance of the chief executive officer and executive/senior management, identifying and managing risk, how the board structured itself and committees and how the board was responsible to members (shareholders).

The Rise Of Organisational Governance

- ◆ Over the years there has been an expansion of the governance role to include:
 - * a greater variety of risks within the ambit of directors;
 - * establishing and maintaining safe environments for staff, volunteers and third parties to an organisation's premises (eg: contractors and customers);
 - * setting and monitoring culture;
 - * ensuring the safety and quality of products and services, especially in the health context; and
 - * ensuring clients/customers in human service environments are provided with opportunities to inform product and service design and delivery.

The Rise Of Organisational Governance

- ◆ Many of these areas were typically considered the domain of management; however governments and regulators are increasingly legislating and regulating these as the responsibility of boards, eg: Work, Health & Safety Acts, Aged Care Quality Standards, NDIS Practice Standards.
 - ◆ These expanded governance roles and responsibilities are often referred to as organisational governance (especially in the healthcare and aged care contexts where a number of high profile care failures/sub-standard care delivery has put the focus on the extent to which boards were, via systems, frameworks or monitoring, over-sighting the delivery of care and services to ensure it was safe and of an appropriate quality).
- ★ If you require further information on organisational governance in the health or aged care context refer to ASSPL's *Standard 8 Organisational Governance, A Call to Action for Directors, CEOs & Executives*

Organisational Governance, Its Foundation & Definition

Organisational governance, in the context of Standard 8, is typically defined as:

1. the system of rules, practices and processes by which an organisation is directed and controlled by the governing body and how that direction and control, and associated authority
 - * is applied by the chief executive officer, executives and managers; and how it
 - * results in organisational performance, including the delivery of safe and quality products and services.
2. how the governing body
 - * ensures organisational performance, including the extent to which products and services delivery is safe and of appropriate quality
 - * measures these activities against legislation, standards, quality frameworks, organisational KPIs/metrics or industry benchmarks.

Corporate & Organisational Governance, The Iceberg

- ◆ The adjacent model, “The Iceberg”, represents the currently accepted position and definition of corporate governance.
- ◆ Currently it is expected that “boards govern an organisation and managers manage an organisation” often stated as “govern above the line, manage below the line”.
- ◆ Therefore if corporate governance is “The Iceberg”, organisational governance (therein the organisational systems) is a sub-set or enabler of corporate governance.



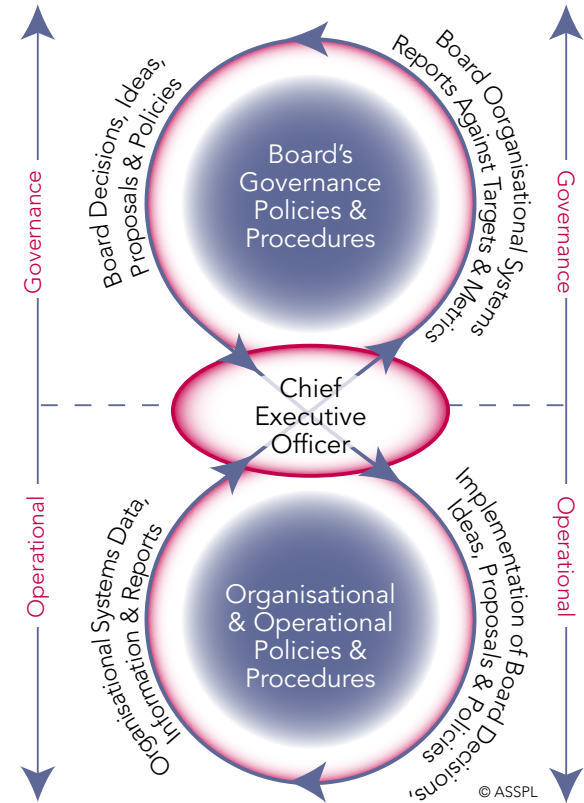
Corporate & Organisational Governance, The Iceberg

- ◆ Corporate governance is supported by organisational governance thereby creating an alignment between the two forms of governance.
- ◆ It is important to note that the principles and practices, systems and processes of organisational governance are not in conflict with those of a governing body's corporate governance roles and responsibilities.



Corporate & Organisational Governance In Practice

- ◆ Just as corporate governance is in part enacted via governance principles, policies and procedures, practices and processes, organisational governance is in part enacted by parallel policies and procedures, practices and processes.
- ◆ Therefore:
 - * a board's governance system, therein its policies and procedures, should in part describe the organisational systems that the board requires the chief executive officer, executives and managers to implement and utilise, as well as enabling the chief executive officer, executives and managers to provide data, information and reports to the board.



Corporate & Organisational Governance In Practice

- * a board should satisfy itself via the chief executive officer as to the appropriateness and robustness of those organisational systems and that they, in part, utilise.
- * on the basis of the aforementioned, a board will, at times, use a number of organisational systems that the chief executive officer, executives, managers or staff utilise, albeit at strategic and organisational levels, rather than at organisational or operational levels eg: risk management, clinical governance, financial management, emergency management.
- ◆ Such an approach assists a board to make informed decisions, directives or governance policies to ensure their's and the organisation's obligations are met, eg: the delivery of safe and quality care and services; typically these will be enacted by the chief executive officer, executives and managers.

Corporate Governance & Organisational Governance Summary

◆ Corporate Governance:

“board governs the organisation,
chief executive officer manages the organisation,
a partnership in the governance and leadership of the organisation”.

Michael Goldsworthy, 2000

◆ Organisational Governance:

“an organisational systems approach that enables
the board to govern the organisation,
the chief executive officer to manage the organisation,
a partnership in the leadership and management of purpose,
productivity and performance of the organisation and its services”.

Michael Goldsworthy, 2018

Directors' Duties

General Law	Corporations Act 2001			
Duty	Duty	Directors	Officers (incl company secretaries)	Employees
Duty of Skill, Care & Diligence (common law)	Care & Diligence: Exercise powers in good faith and discharge duties with a degree of care and diligence that a reasonable person would exercise (s180)	✓	✓	
Act good faith in the best interests of the company (equitable)	Best Interests of Corporation: Exercise powers and discharge duties in good faith in best interests of corporation (s181(1)(b))*	✓	✓	
Exercise Power for a Proper Purpose (equitable)	Proper Purpose: Exercise powers and discharge duties for a proper purpose (s181(1)(b))*	✓	✓	

* See page 14 for notes

Directors' Duties

General Law	Corporations Act 2001			
Duty	Duty	Directors	Officers (incl company secretaries)	Employees
No Unauthorised Profit from Position (equitable)	Must Not Improperly Use Position to Gain an Advantage: for themselves or someone else, or cause detriment to the corporation (s182*)	✓	✓	✓
No Conflicts of Interest & Duty (equitable)	Disclosure Of Material Personal Interest: Where director of a company has a material personal interest in affairs of the company must give other directors notice (s191)	✓		
	Approval of Related Party Transactions: For a public company (includes company limited by guarantee) to give a financial benefit to a related party must gain approval of members as set out in ss217–227 (Ch. 2E)	Applies where financial benefit is proposed to be given to related party. For definition of related party see s228		

* See page 14 for notes

Directors' Duties

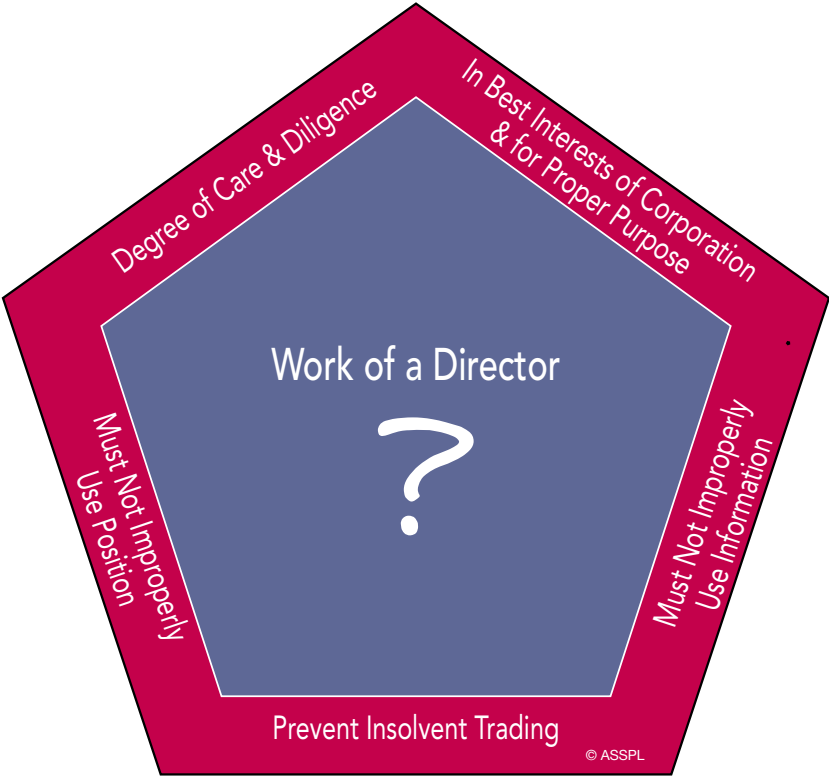
General Law	Corporations Act 2001			
Duty	Duty	Directors	Officers (incl company secretaries)	Employees
Duty to protect / not misuse confidential information (equitable)	Duty of Confidentiality: must not use information obtained in their position to gain an advantage for themselves or someone else, or cause detriment to the corporation (s183*)	✓	✓	✓
n/a	Duty to Prevent Insolvent Trading: must not allow a company to incur a debt if there are reasonable grounds for suspecting that the company is insolvent or would become insolvent as a result of the incurring of the debt (s588G).	✓		

* Civil penalty provision; however if done recklessly or dishonestly criminal offence under s184

Other than 'Disclosure of Material Personal Interest' and 'Approval of Related Party Transactions' all other statutory duties are informed by the general law equivalent.

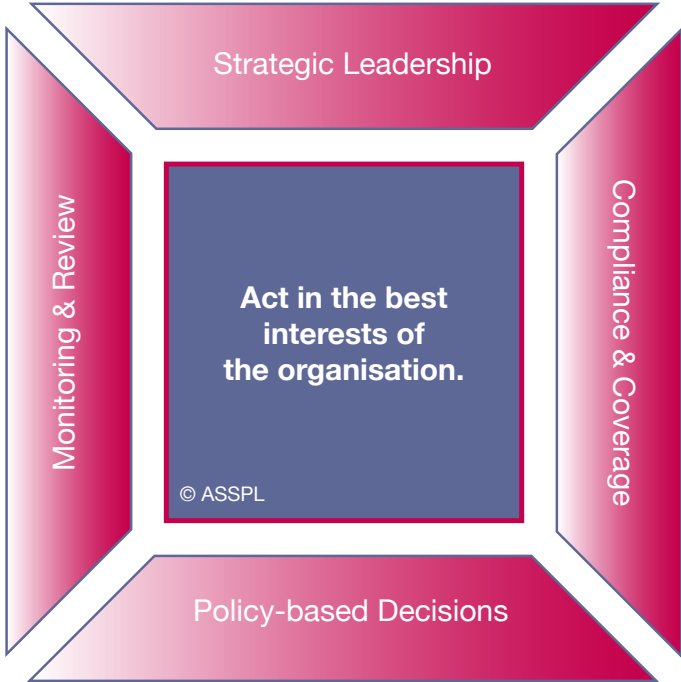
The directors duties of the Corporations Act 2001 applies to corporations, not just companies; further non-company corporations commonly have virtually the same or analogous duties under the statute incorporating their entity, or in the case of charities, under the ACNC Governance Standards.

Corporations Act: Directors' Duties at Law



Corporate Governance Roles & Responsibilities

First & Foremost:

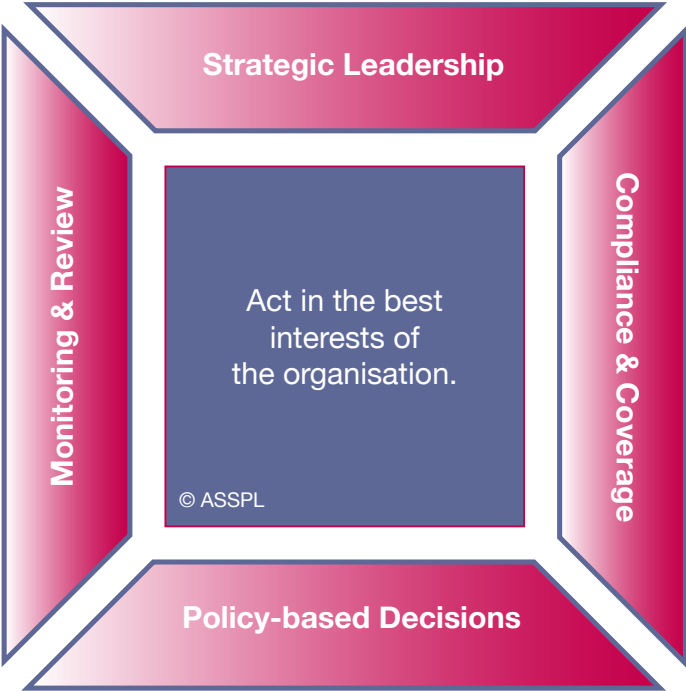


Secondly & Importantly:

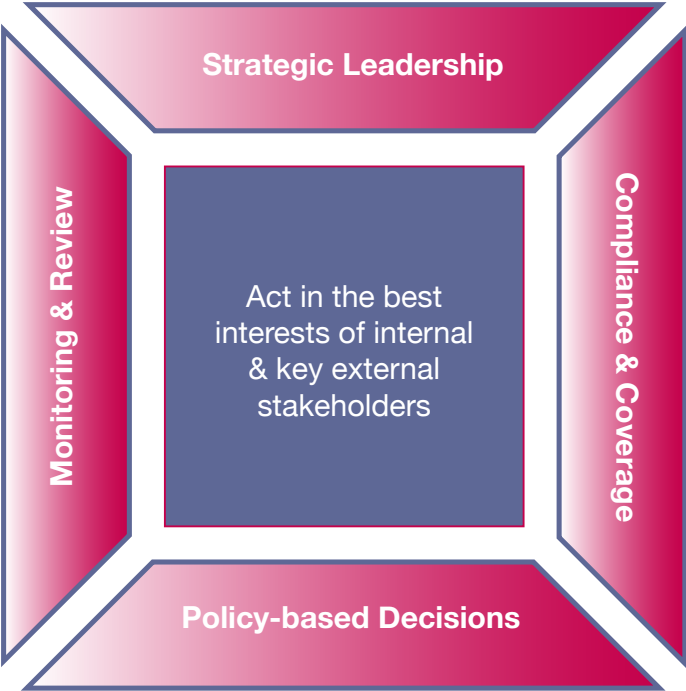


Corporate Governance Roles & Responsibilities

First & Foremost:



Secondly & Importantly:



What Are The Strategic Leadership Functions?

- ◆ A board needs to ensure, amongst other things, that it:
 - * provides leadership, wisdom and common sense
 - * provides the necessary strategic leadership, insights and vision
 - * asks pertinent and insightful questions and expects appropriate, timely and accurate responses from the chief executive officer
 - * employs, works with and builds the relationship with the chief executive officer and executives/senior managers
 - * causes the development and driving of the vision, mission, values, philosophy, core business, desired future and key result areas and strategies

What Are The Strategic Leadership Functions?

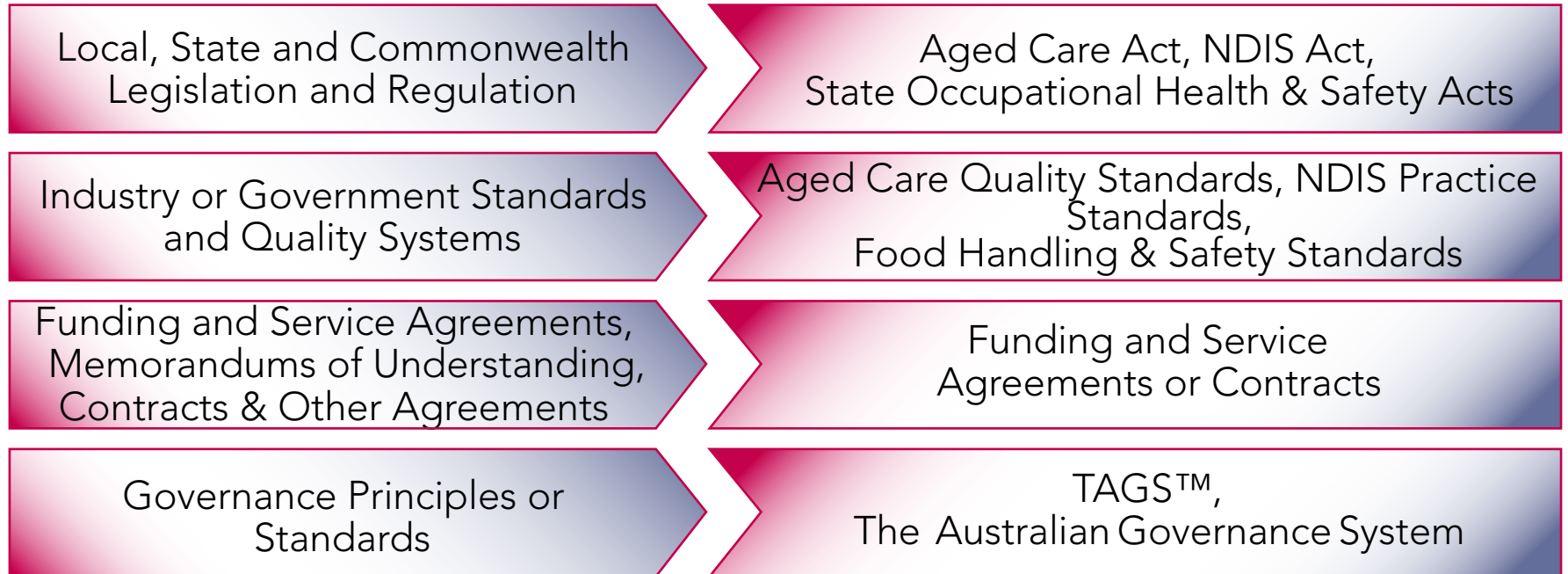
- * keeps the organisation in mission mode or for a limited time in maintenance mode, but does not let it fall into muddling mode
- * continuously monitors and understands the current and future internal and external challenges and opportunities facing the organisation
- * enables the necessary strategic thinking, strategic discussion and strategic decisions to occur thereby enabling the development and documentation of a practical and realistic strategic plan
- * enables the development and quarterly monitoring and annual reviewing of the strategic plan, thereby ensuring the strategic growth and development of the organisation and its services.

What Are Policy Based Decisions?

- ◆ A board should ensure, amongst other things that:
 - * the majority of decisions are made and actions are undertaken against relevant legislation and regulation, the Constitution, its agreed governance principles, policies and procedures and contracts/service agreements
 - * it consistently uses, (annually reviews and continuously improves) its governance policies, procedures, indicators, tools and resources
 - * it initiates new governance policies and procedures as and when required
 - * a governance committee supports the work of the board by reviewing and developing existing or new governance policies, procedures, indicators, tools and resources, thereby enabling the board to make decisions against current and approved governance policies and procedures.

What Are The Compliance & Coverage Functions?

- ◆ A board needs to ensure the organisation is compliant with (behaviour), and has documentation and resources (coverage) against the following key areas:



What Are The Monitoring & Reviewing Functions?

- ◆ A board should ensure that it robustly monitors the organisation's performance on a monthly or quarterly basis against agreed performance categories of measurement such as finances, stakeholder satisfaction, quality, safety, strategy and contractual outcomes. Within each category the various key performance indicators, targets, ratios or measures of success should be monitored.
- ◆ Thereafter the board should review the vision, mission, values, philosophy, core business, desired future and key result areas and strategies contained in the strategic plan.
- ◆ Only 30%–40% of a board's time should be spent on monitoring and reviewing, compliance and coverage and some 60%–70% spent on strategic leadership and policy based decisions.
- ◆ A board should undertake an annual performance appraisal of management.

Alignment Of Directors' Duties To Corporate Governance Roles & Responsibilities





Section Three: Understanding An Organisation

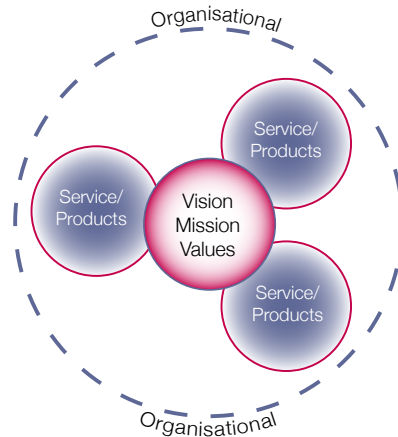
Why Is It Directors Govern? An Organisation

◆ Organisation

- * Broad concept referring to a collective of (typically) natural persons, who recognise a leader or group of leaders, and communicate and take action towards a common goal.
- * In a business environment it is a similar concept to a legal entity being a “person” with a distinct identity; however it can be used to describe any legal entity (eg: companies, incorporated associations, statutory corporations) and refers not just to the “person” that is the legal entity but everything that facilitates the functioning of the legal entity by natural persons (eg: elements like structures, systems, policies and procedures).

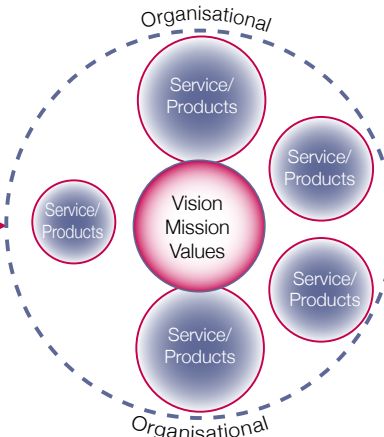
What Is It Directors Govern? From A Service To An Organisation

"We Are A Service"



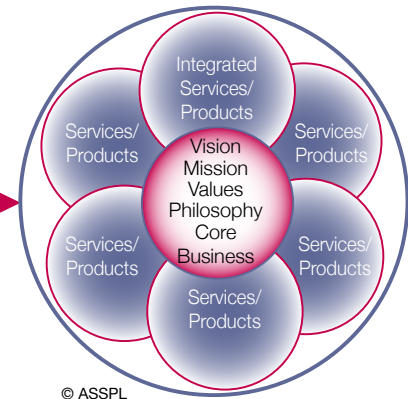
- * operations solid
- * organisationally weak
- * board are managers of the operation

Transition "Are We An Organisation or Service?"



- * strengthening operationally by ...
- * strengthening organisationally by ...
- * board, senior team transitioning thinking and approach

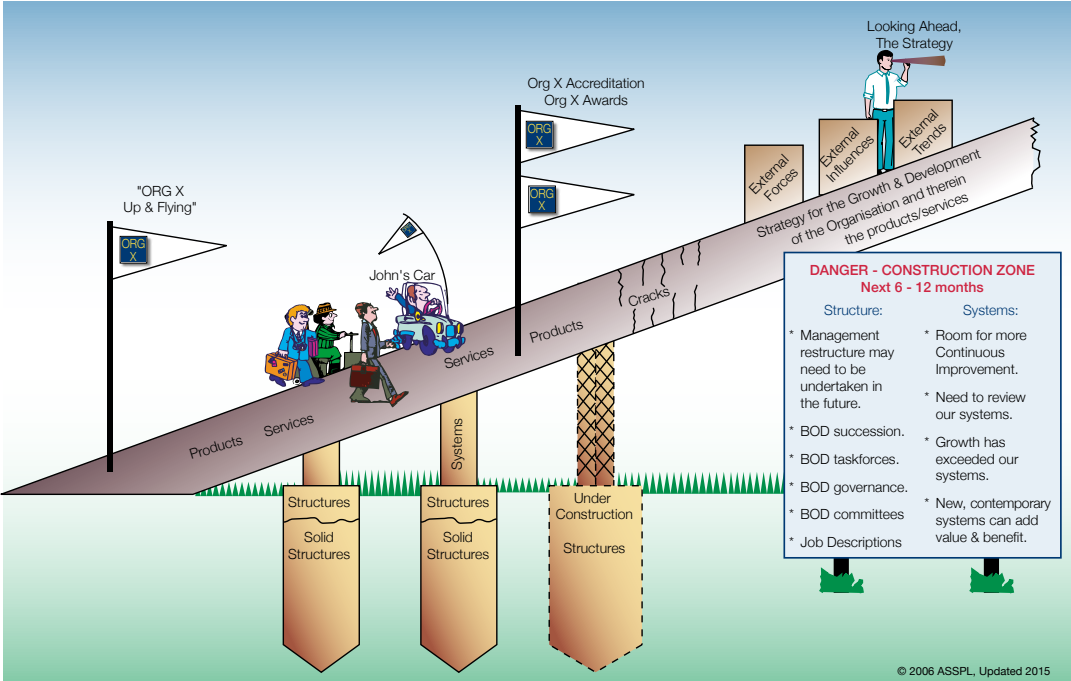
"We Are An Organisation"



© ASSPL

- * a community business developing and delivering customer driven/focused products and/or services
- * organisationally strong with an integrated set of operations
- * board and senior team are leaders and developers of an organisation

What Is It Directors Govern? From A Service To An Organisation



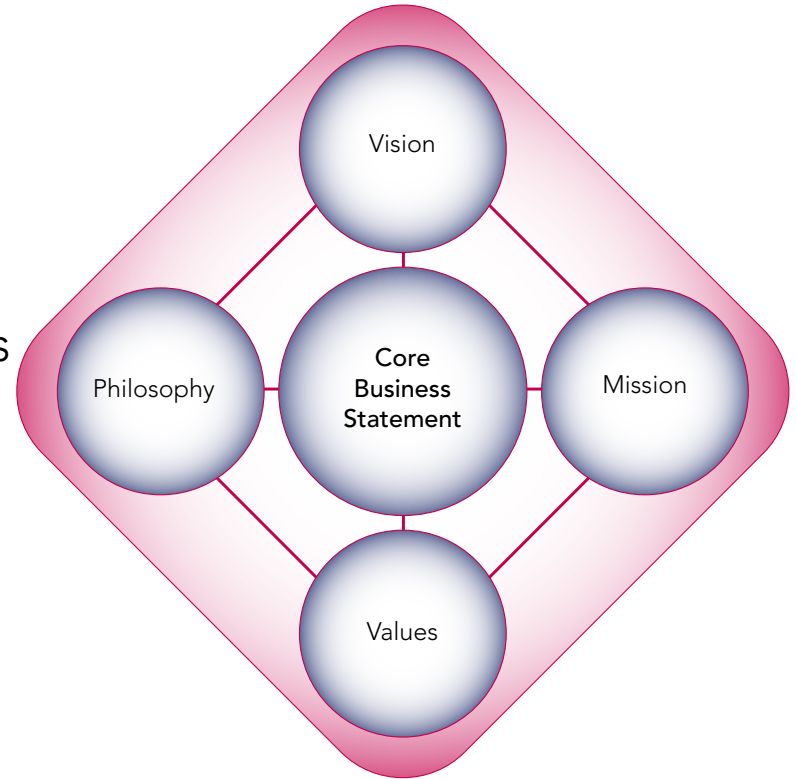
M309 The Westgate Bridge Model

What Is It Directors Govern? Understanding Core Business

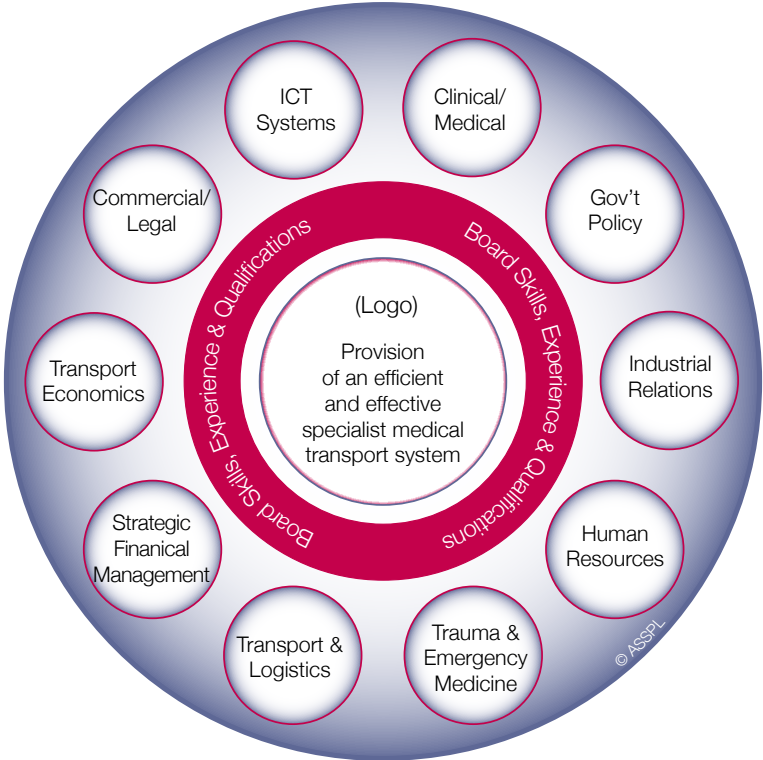


What Is It Directors Govern? Understanding Core Business

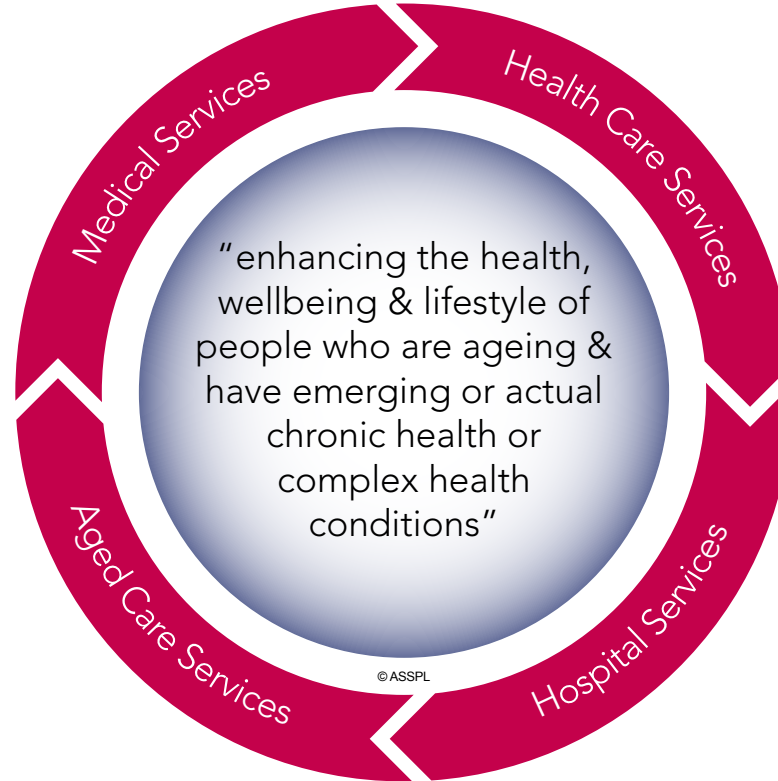
- ◆ The core business:
 - * is the organisation's reason for being or the raison d'être of the organisation; it does not and should not describe the products or services
 - * when it is determined tells you what services you are doing and what services you are not doing
 - * is the anchor point/heart/bullseye that vision, mission, values and philosophy sit around; all five sets of words need to be tight and conceptually integrated.
- ◆ Every business will be different.



What Is It Directors Govern? Understanding Core Business



What Is It Directors Govern? Understanding Core Business



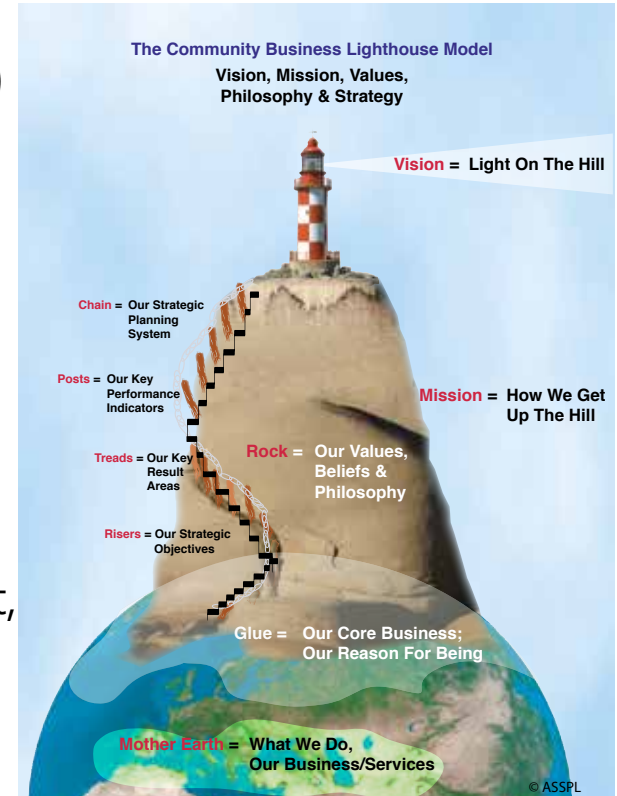
Why Is It Directors Govern? Vision, Mission, Values, Philosophy

Vision: Our light on the hill
(sometimes expressed as a state where we would not need to exist)

Mission: How we get up the hill
(how we seek to achieve the vision)

Values: A behavioural compass that provides principles or standards that set the expectation/benchmark for attitudes, behaviours and work practices of individuals, teams and the organisation; they establish how the Board, Chief Executive Officer, staff and volunteers are expected to do their work.

Philosophy: A less commonly used organisational statement, it often seeks to capture the spirit, ethos or deeply held beliefs that reflect the organisation's view of the world; it often incorporates or reflects the organisation's Values.



Context of Vision, Mission, Values, Philosophy & Core Business Statements

- ◆ The Vision, Mission, Values, Philosophy and Core Business Statements are key elements a Board and Chief Executive Officer can utilise to communicate, internally and externally, an organisation's strategic trajectory, goals and purpose.
- ◆ These organisational elements are most powerful when:
 - * the Board understands and fulfils its role as the keepers and drivers of these statements, and acts in accordance with them, especially the Values;
 - * the Chief Executive Officer and Executives fulfil their role in disseminating the statements and developing an organisational culture consistent with the statements; and
 - * there is a strong alignment between/integration of the Vision, Mission, Values and Core Business.



Section Four: Elements Of An Organisation

Mission Critical Elements To Strengthen An Organisation

Leadership

Culture

Strategy

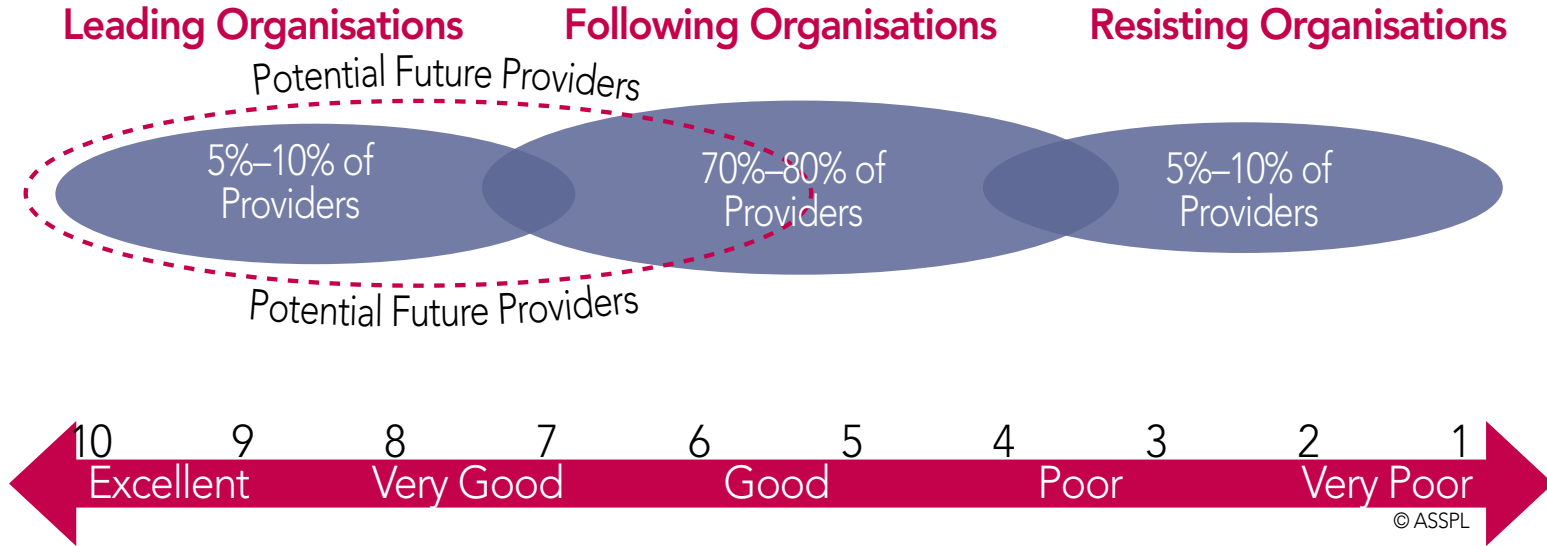
Structure

People

Systems

Service/Business Model

Mission Critical Elements To Strengthen An Organisation

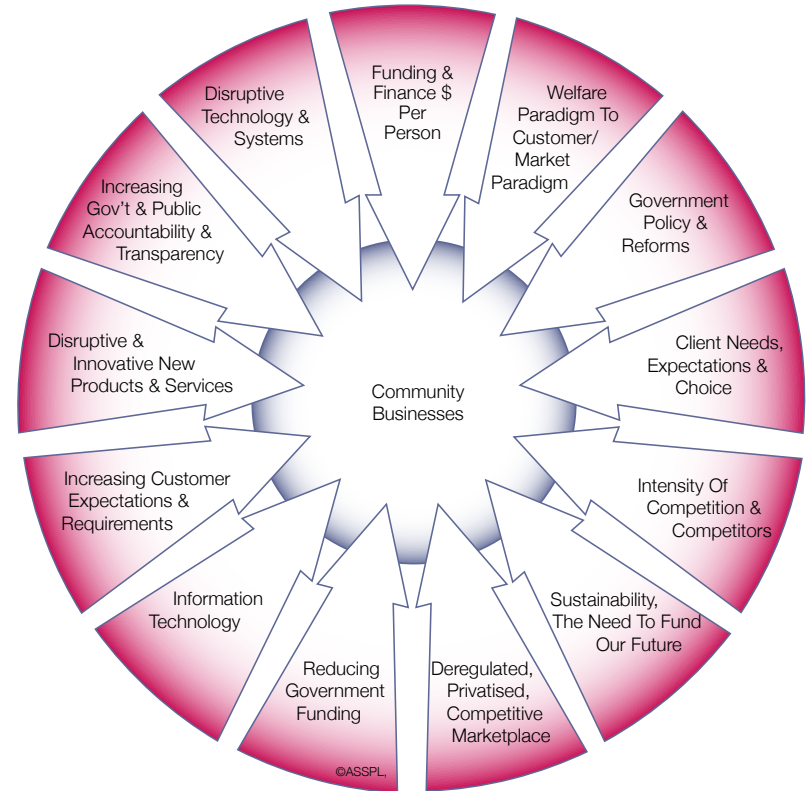


- ◆ A major determinate of an organisation's success and sustainability is its leaders; the board, chief executive officer and executives/senior team.
- ◆ Their commitment, leadership style, skills, knowledge, experience and the way they work together as a Leadership Team is critical.

Mission Critical Elements To Strengthen An Organisation

Leadership

- ◆ Many community businesses (NFPs) operate in industries that are experiencing disruption, eg: due to increased competition and technological changes; more specifically human services (eg: aged care, disability, mental health) are in turbulent times and organisation's won't survive without committed leadership.



Mission Critical Elements To Strengthen An Organisation

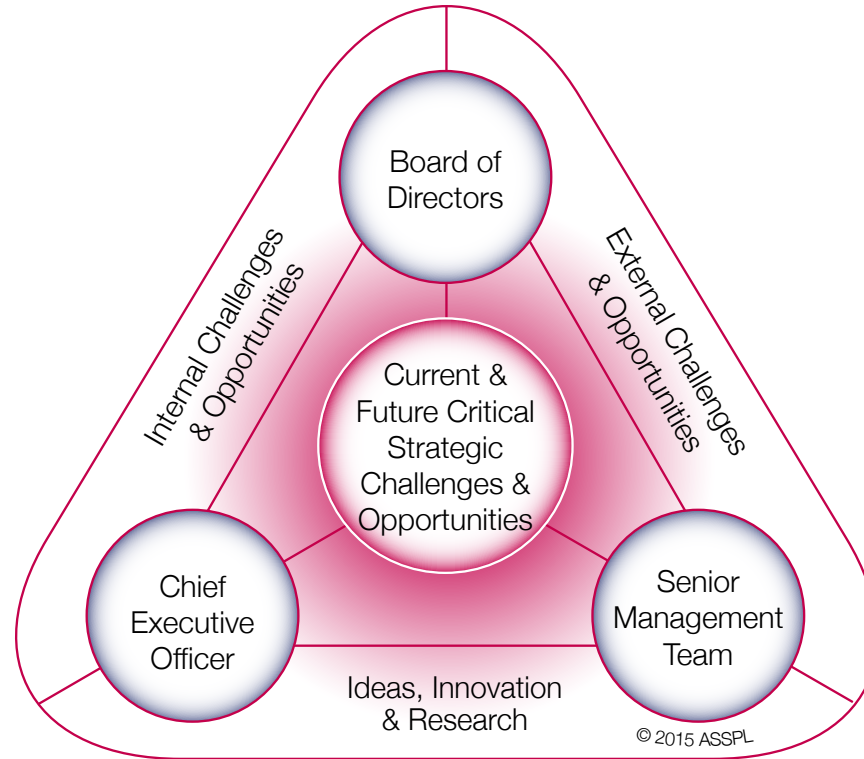
Leadership

Commitment

- ◆ Each individual needs to be committed to not just “mechanically governing” but growing and developing the organisation (and therefore the organisation’s elements).
- ◆ This commitment includes time to grow and develop one’s own leadership skills, experience and knowledge and the board’s as a collective.
- ◆ All individuals in the organisation’s leadership team (directors, chief executive officers and other executives) need to “buy in” to working as a leadership team, that is in a collaborative and collegial way.

Mission Critical Elements To Strengthen An Organisation

Leadership



Mission Critical Elements To Strengthen An Organisation

Leadership

Alignment

- ◆ Leadership should be carried out consistent with the organisation's values and philosophy, thereby helping to develop the desired culture.
- ◆ Setting the strategy and clearly communicating the why, what and how of strategy is an important aspect of a board's leadership; along with ensuring all other organisational elements are aligned to deliver priorities.

Mission Critical Elements To Strengthen An Organisation

Culture

- ◆ The beliefs and customs that give rise to the way individuals or teams work.
- ◆ The vision, mission, values, philosophy and core business statements should create the platform upon which culture is built, that is they should form the basis of the beliefs and customs giving rise to the way individuals or teams work.
- ◆ Often said “culture eats strategy for breakfast”; however culture needs to be (and can be) fostered with sustained time, effort and energy.

Mission Critical Elements To Strengthen An Organisation

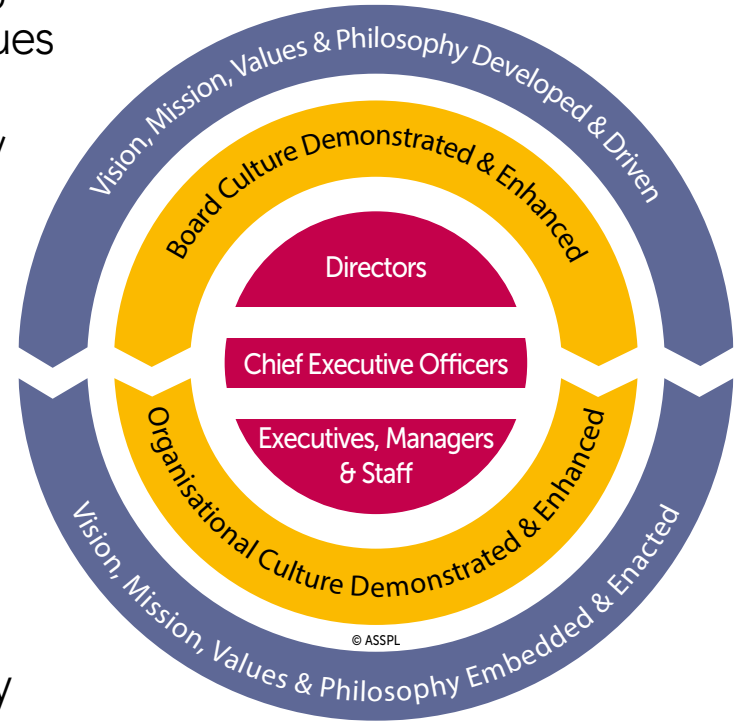
Culture

- ◆ In addition to the board role including setting and monitoring culture governments or regulators are setting specific cultural expectations on organisations, eg:
 - * Aged Care Quality Standards – governing body promotes a culture of sage, inclusive and quality care and services
 - * Child Safe Standards – governance arrangements embed a culture that makes child safety paramount
- ◆ Boards need to seriously reflect on, develop and drive a defining board culture, expecting the chief executive officer does the same to create the organisational culture.
- ◆ All high functioning directors drive and monitor both their board's culture and the organisation's culture.

Mission Critical Elements To Strengthen An Organisation

Culture

- ◆ Without a board rigorously developing and robustly driving the vision, mission, values and philosophy statements:
 - * the board culture will be mediocre/weak
 - * the organisational culture will be mediocre/weak.
- ◆ Boards govern, chief executive officers lead, executives and managers manage and staff operate...all parties engaging and enacting one agreed and integrated vision, mission, values and philosophy statements, particularly values.



Mission Critical Elements To Strengthen An Organisation

Culture

Top Tips for Culture

Start with the boardroom...

- ◆ What events or decisions can the board identify where its response was informed by or strongly reflected the Values of the organisation or other cultural statements?
- ◆ Likewise what events or decisions have occurred that may in the eyes of stakeholders fallen short of the Values of the organisation or other cultural statements?
- ◆ Ask directors (confidentiality can help) how they view the board culture and how it could be improved.

Mission Critical Elements To Strengthen An Organisation

Culture

- ◆ Engage with the above using an independent facilitator or consultant, especially where there are dominant individuals or lack of board maturity to objectively discuss the issue.
- ◆ Make board culture a regular discussion, eg: board meeting reviews, board member reviews, standing item quarterly or bi-annual on the governance committee agenda.
- ◆ Make the organisation's Values and/or other cultural statements part of your recruitment process; ask potential directors scenario based questions that would glean insights into whether the Values inform their thinking.
- ◆ Stop before every board decision and ask does this align with the Values of the organisation or other cultural statements?

Mission Critical Elements To Strengthen An Organisation

Culture

Within the organisation...

- ◆ When developing or enhancing organisational statements, eg: Values or other cultural statements engage the staff and volunteers and seek their genuine input.
- ◆ Make the organisation's Values and/or other cultural statements part of your chief executive officer and executive/senior manager recruitment and performance processes; ask, or ensure they are asked, scenario based questions that would glean insights into whether the Values inform their thinking.
- ◆ Ensure the chief executive officer or other relevant executive/senior manager also makes the Values and/or other cultural statements part of the recruitment and performance processes for staff.

Mission Critical Elements To Strengthen An Organisation

Culture

- ◆ Ensure staff and customer feedback results the board receives includes questions that provide insight into whether the behaviours and practices within the organisation are aligned to the Values and other cultural statements.
- ◆ Celebrate work and successes that were informed by or strongly reflect the Values of the organisation or other cultural statements.
- ◆ Identify key data or information that over time can provide indicators of culture, eg: complaints and whistleblower reports, turn over rates, exit surveys and interviews

Mission Critical Elements To Strengthen An Organisation

Strategy

- ◆ An important part of the leadership function of a board.

A Process

- ◆ Strategy is not just a one off event, eg: Annual Strategy Day. It should be a process by which directors, the chief executive officer and executives/ senior team participate in an ongoing strategic discussion that at regular intervals results in the necessary strategic decisions.

Focus On The Big Picture

- ◆ Strategy must be grounded in the industry/sector's emerging and future strategic challenges and opportunities and what this means for the organisation.

Mission Critical Elements To Strengthen An Organisation

Strategy

- ◆ This requires:
 - * an external focus by directors and executives to understand the big picture, get out of the board room
 - * a realistic assessment of where the organisation (and all its elements) is at.
- ◆ Directors, don't just rely on the chief executive officer or executive/senior team to provide industry updates and information on the big picture; you are seeing the world through another's eyes.

Mission Critical Elements To Strengthen An Organisation

Strategy

Top Tips for Strategy

- ◆ Get out of the board room.
- ◆ Look at the world around you.
- ◆ Ask questions.
- ◆ Be inquisitive.
- ◆ Be creative and open to new ideas.

What is your board's strategy for success and sustainability in the customer-driven, competitive marketplace?

Mission Critical Elements To Strengthen An Organisation

Structure

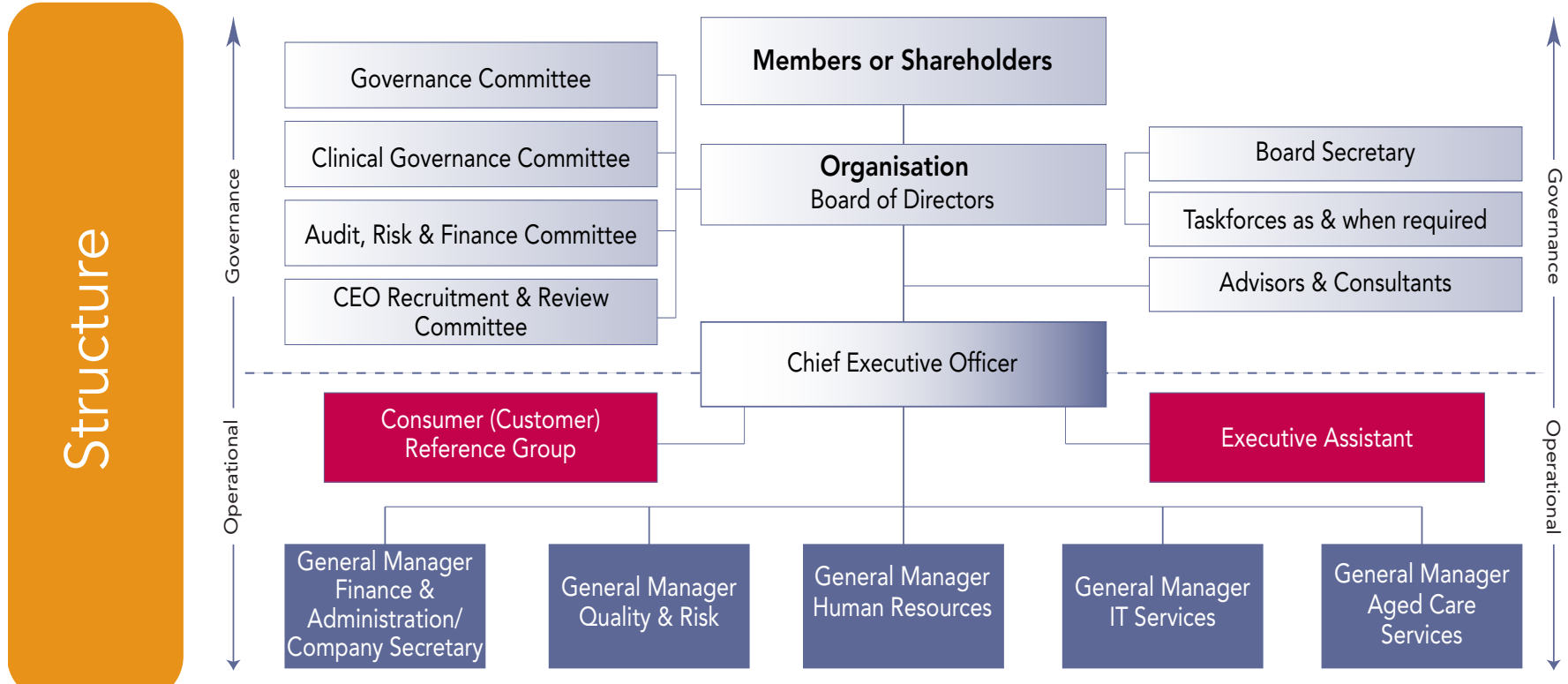
- ◆ Corporate governance and organisational structures need to be aligned to the organisation's strategy
- ◆ The leadership team should be reviewing the structure at least every time a new strategic plan is developed
- ◆ Questions to ask about your structure:
 - Does it:
 - * provide for clearly defined roles and responsibilities?
 - * foster clear accountability and clarifies who makes what decisions?
 - * reduce 'handballs' that will affect customer experience or create a feeling of 'run around' for the customer?

Mission Critical Elements To Strengthen An Organisation

Structure

- * Bring together the people who most need to work closely together and allow unrestricted information flow?
- * address issues identified in the current structure?
- ◆ How are you currently organised and how should you organise
 - * by function
 - * by product
 - * by customer segment
 - * by business process
 - * matrix (eg: by product or customer segment with functional supporting departments)?
- ◆ eg: aged care has traditionally structured itself by function.

Mission Critical Elements To Strengthen An Organisation



Mission Critical Elements To Strengthen An Organisation

People

- ◆ Attracting and retaining the right people, whether directors, chief executive officers, executives/senior managers, staff or volunteers can be challenging, have they got the right:
 - * skills;
 - * qualifications;
 - * experience;
 - * personality; and
 - * alignment of values and beliefs to those of the organisation?

Mission Critical Elements To Strengthen An Organisation

People

- ◆ Or how can the organisation provide them with or enhance the above?
- ◆ Do you know if your people feel supported and valued by the organisation? What is the basis for your answer?
- ◆ For many service industries the “sticky” bit of the relationship between customers and the organisation is actually with staff. Can you afford not to invest in your people?

Mission Critical Elements To Strengthen An Organisation

Systems

1. Governance Domain – Corporate Governance

The governance domain incorporates the governance model, structure, system, policies, procedures, documents and tools, practices and processes that should be in place to assist the board enact contemporary governance.

2. Organisational Domain – Organisational Governance

The organisational domain incorporates the organisational structure, systems, policies, documents and tools, practices and processes that should be in place to inform management and staff, thereafter the board, about the organisation and its service performance and outcomes.

Mission Critical Elements To Strengthen An Organisation

Systems

Local, State & Commonwealth Legislation & Regulation, eg: Aged Care Act 1997

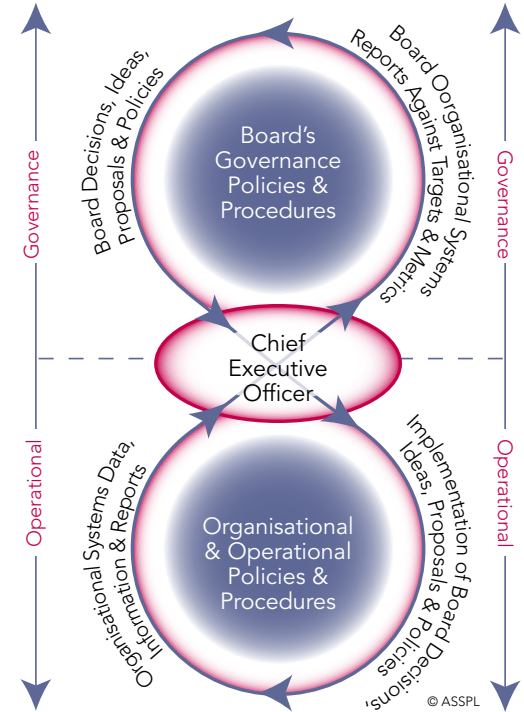


Government & Industry Standards, eg: Aged Care Quality Standards

Mission Critical Elements To Strengthen An Organisation

Systems

- ◆ Just as corporate governance is in part enacted via governance principles, policies and procedures, practices and processes, organisational governance is in part enacted by parallel policies and procedures, practices and processes.
- ◆ Therefore:
 - * a board's governance system, therein its policies and procedures, should in part describe the organisational systems that the board requires the chief executive officer, executives and managers to implement and utilise, as well as enabling the chief executive officer, executives and managers to provide data, information and reports to the board.



Mission Critical Elements To Strengthen An Organisation

Systems

- * a board should satisfy itself via the chief executive officer as to the appropriateness and robustness of those organisational systems and that they, in part, utilise.
- * on the basis of the aforementioned, a board will, at times, use a number of organisational systems that the chief executive officer, executives, managers or staff utilise, albeit at strategic and organisational levels, rather than at organisational or operational levels eg: risk management, clinical governance, financial management, emergency management.
- ◆ Such an approach assists a board to make informed decisions, directives or governance policies to ensure their's and the organisation's obligations are met, eg: the delivery of safe and quality care and services; typically these will be enacted by the chief executive officer, executives and managers.

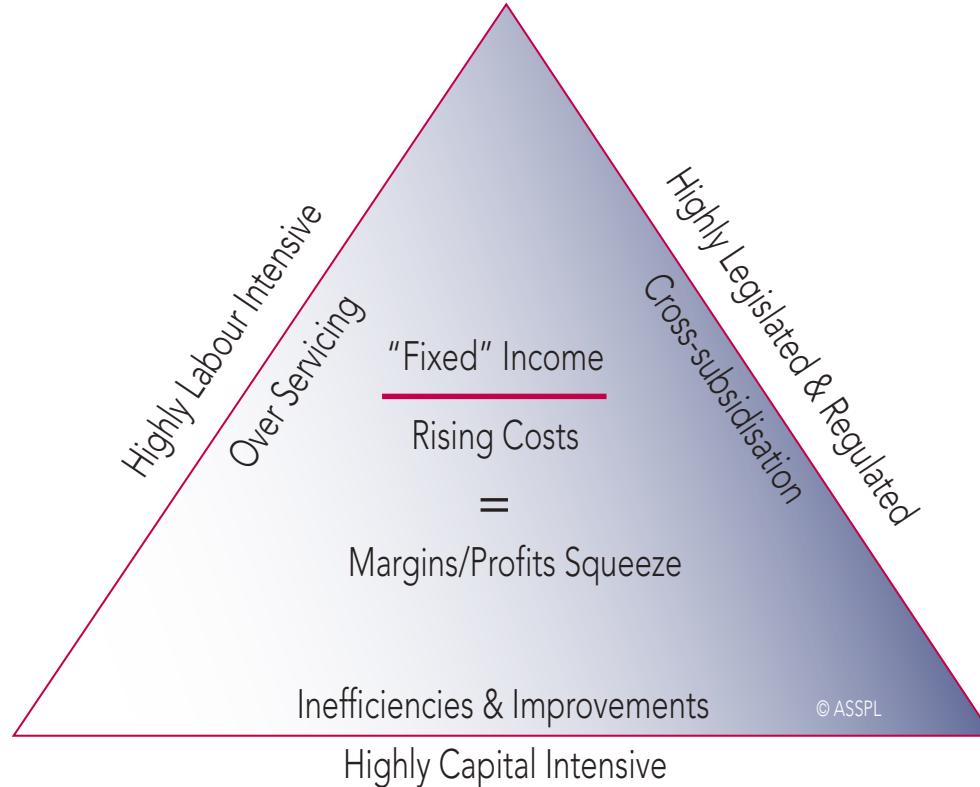
Mission Critical Elements To Strengthen An Organisation

Service/Business Model

- ◆ Many community businesses, their boards, chief executive officers and executives/senior teams are perfectly adapted to the government funded, welfare paradigm.
- ◆ The move to a customer-driven, competitive marketplace is a radical departure from the government funded, welfare paradigm and therein the known industry/sector context.
- ◆ Traditional service/business model cannot operate in the customer-driven, competitive marketplace in the mid–long term.

Mission Critical Elements To Strengthen Organisation

Service/Business Model



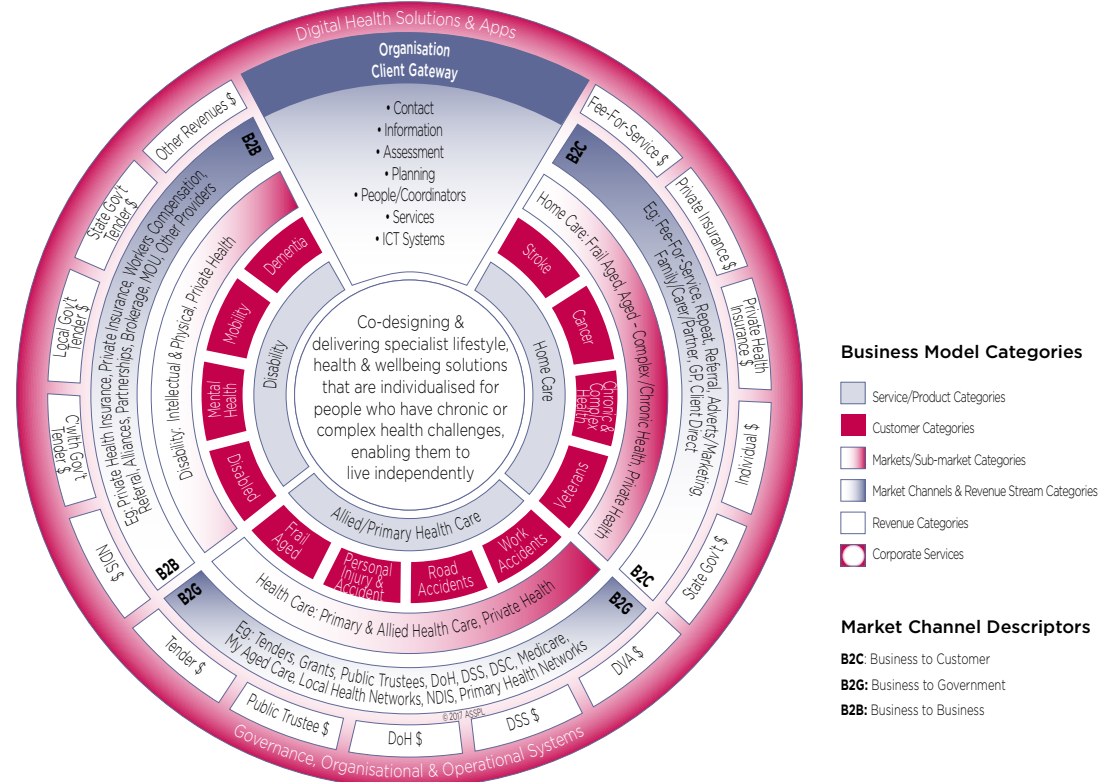
Mission Critical Elements To Strengthen An Organisation

Service/Business Model

- ◆ Any new business model needs to account for the:
 - * Service/Product Categories
 - * Customer Categories
 - * Markets/Sub-markets
 - * Revenue Streams (B2C, B2G, B2B)
 - * Revenue Categories.
- ◆ Must be anchored to the core business statement.
- ◆ Development and implementation of a new business or service model will require the board to commitment additional human and financial resources, typically over a 1-2 year period.
- ◆ Robust financial modelling to valid the new business or service model is essential.

Mission Critical Elements To Strengthen An Organisation

Service/Business Model



What About The Customer?

- ◆ The elements discussed are those of an organisation, they should be enablers and facilitators of a customer-centric focus ...





Section Five: Resources

Tools, Articles & Presentations

Tools

- ◆ Current and Future Business or Service Model Tool
- ◆ Board Strategic Plan Assessment Tool
- ◆ The Organisation Comparison Tool, How Do We Compare Against Our Competitors & The Market

Articles

- ◆ Why Strategy Is King
- ◆ Customer-centric Governance, Customers Are King, Cashflow is Queen
- ◆ Embedding a Governance Culture

Presentations

- ◆ Aged Care Today, Aged Care & Health Care Tomorrow
- ◆ The Journey To A Customer-driven, Competitive Marketplace, Transform Your Organisation, Re-engineer Your Business Model, Transition Your People
- ◆ Fundamentals of Contemporary Governance

Email aaron@asspl.com.au to access the resources.

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Further Governance Information

For advice or resources regarding corporate governance or organisational governance, leadership, strategy, facilitation and project management, or to discuss your board's requirements, contact:



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