



**From firefighting to future-proofing:  
The cost of failure in financial management and governance**

**So, how do we get governance right?**

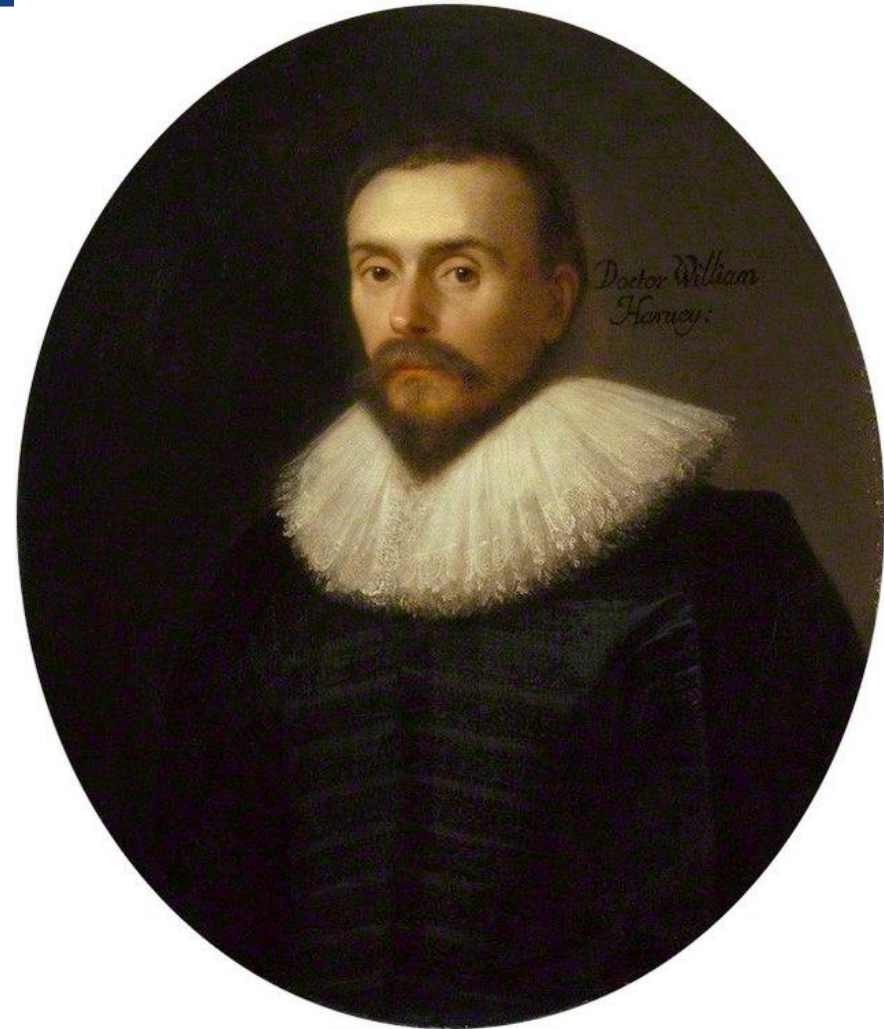
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**Professor Andrew Corbett-Nolan, Chief Executive, GGI**

# Context

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- global instability
- shortage of resources
- public expectations
- poor productivity
  
- collaboration and compromise
  
- Board working
- Governance delivery

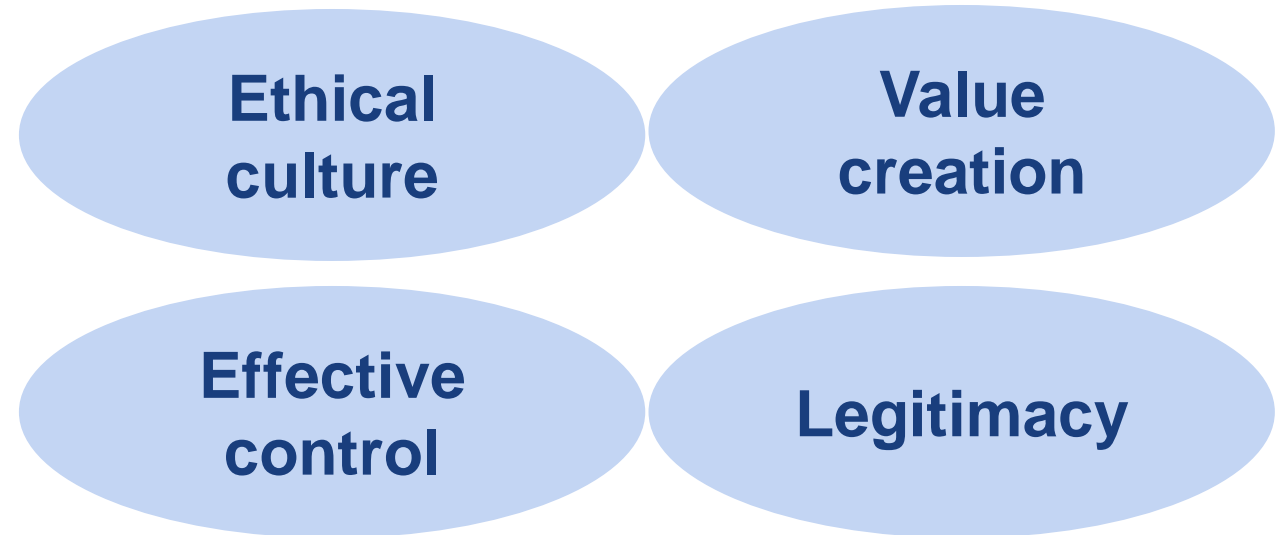


# Dimensions of governance

- Mission and vision
- Strategy
- Leadership
- Assurance
- Probity and transparency
- Stewardship



## **Kings IV** **Meaningful outcomes**



# High performing boards

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- What distinguishes exemplary boards is that they are robust, effective social systems. This doesn't happen by chance – it is deliberately built
- They adopt the virtuous cycle of respect, trust, and candour, and show professional curiosity
- They value a culture of open dissent
- Fluid portfolio of roles, with directors avoiding falling into stereotypes
- Taking individual accountability and viewing the role of the director as requiring the highest levels of professionalism and ethics
- Ongoing performance evaluation of both the board and individual directors

# The concept of the 'high-performing board'

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This concept is now emerging in the governance literature. Much of the initial thinking came out of Harvard Business School and McKinsey, but adoption of the concept is now well-planted



In essence, it describes board that achieve impact and add value which their organisation would miss if there were no board



A high performing-board is not necessarily associated with a high-performing organisation. High-performing boards are often in place for organisations on a recovery path

# High-performing boards: features and mindset

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 Explicitly built and developed, investing in their own ongoing development and improvement

 Understand their role and expected impact (meaningful outcomes)

 Have a distinct and consistent relationship established with their executive

 Focus their time on particular activities and not on others

 Are interested in, and value, particular kinds of information and discussion

 Exhibit particular consistent behaviours between board members

# Best practices of highly effective boards

1. **Set forward-focused, value creating board agendas** that focus on strategy, and oversight of risks.
2. **Set risk appetite and delegate** to management, committees and partnership boards within defined risk tolerances.
3. **Ensure clarity of roles** – ensure the right decisions are made at the right level and avoid duplication. Ensure clarity of reporting and information lines.
4. **Take decisions based on evidence** – triangulate data, include in all stakeholder perspectives, be pragmatic about data availability, ensure data requests are necessary and sufficient.
5. **Provide assurance throughout the process** – not including non-executives at an early stage results in reactive and less influential challenge, rather than helping to improve plans
6. **Facilitate high-quality debate** that builds trust and ensures different points of view are actively sought. Avoiding groupthink is essential to making good board decisions. High performing boards **give themselves room to exert professional curiosity**
7. **Provide performance feedback** to directors with their contributions assessed annually, accompanied by follow up actions and coaching if necessary.
8. **Discuss conflicts of interest** candidly and include them in board development
9. **Have thought through their ethical stance and understand their moral bottom line.** The board is the controlling conscience of the organisation as well as the controlling mind



# A board in a challenging environment

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## Desirable practice

- Candid, open and sharing
- Awareness of conflicts of interest
- Being hyper-considerate of each other's time
- Keeping the whole board up to date
- Checking details and avoiding inconsistencies
- Being visible to staff
- Taking time out for thinking
- Making the solution a marathon and not a sprint

## Unhelpful practice

- Making the crisis all about organisations or individuals instead of about system and sustainability
- Catastrophising and damaging relationships
- The board, or a sub-set of it, trying to manage the situation
- Searching for more and more detailed data
- Prioritising only short-term targets
- Forgetting a focus on the medium term
- Focusing on managing the task and upwards, at the cost of managing the the organisation as a whole



# Governance delivery

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- Board governance and managerial assurance clearly defined
- Designed structure
- Clear, standardised processes
- Excellent escalation

# Design principles for a good governance structure

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- **Strategically aligned:** Focussed on the purpose of the organisation
- **Managed:** Opportunity cost understood, actors held accountable, quality assured, professionally serviced
- **Tested and reviewed:** Tools such as RACI helpful
- **Adaptable:** Satisfies compliances, but adaptable to development,
- **Inclusive:** All stakeholders own and understand the governance structure
- **Clear and simple** to understand where decisions take place and what distinctive contribution each group/actor makes
- **Lean:** no more than four tiers
- **Distinctive groups:** so no duplication of the same discussions
- **Distinguishes:**
  - **Decision forming** – setting out the context and strategic thinking that will drive decisions
  - **Decision-making** – understanding and making judgements around decisions, and making recommendations
  - **Decision-taking** – taking the decision itself as the accountable and responsible forum, save those decisions formally delegated elsewhere (particularly to the executive functions)

## *Less mature*

- Us/we – the health board/council/whatever
- Representatives
- Sovereign organisations
- Reassurance
- Checking
- Progress chasing
- Activity
- Run rate
- Performance
- Budgets and spend
- Holding the executives to account
- Discussion about detailed issues
- Looking backwards

## *Developing maturity*

- Us/we – the system
- Assurance
- Triangulation
- Impact checking
- Productivity
- Effectiveness and efficiency
- Value creation
- Holding ourselves to account
- Discussion on big issues
- Looking forwards as well as backwards

## ***‘Tells’ of less mature***

- Long, detailed agendas and papers – nothing could possibly be missed
- Multiple forums
- Confusion of governance and involvement
- Non-executives or partner directors ‘owning’ areas
- Risk ‘owned’ by one committee rather than all committees
- **Focus on the reds**

## ***‘Tells’ of developing maturity***

- Clear distinction between management and the board
- Strong, formal system management group
- Outward-looking and informed non-executives and partner directors
- Good balance between formal board meetings, briefings, seminars and board development
- Executives and partners value board meetings
- **Focus on the greens**

# Reassurance and assurance



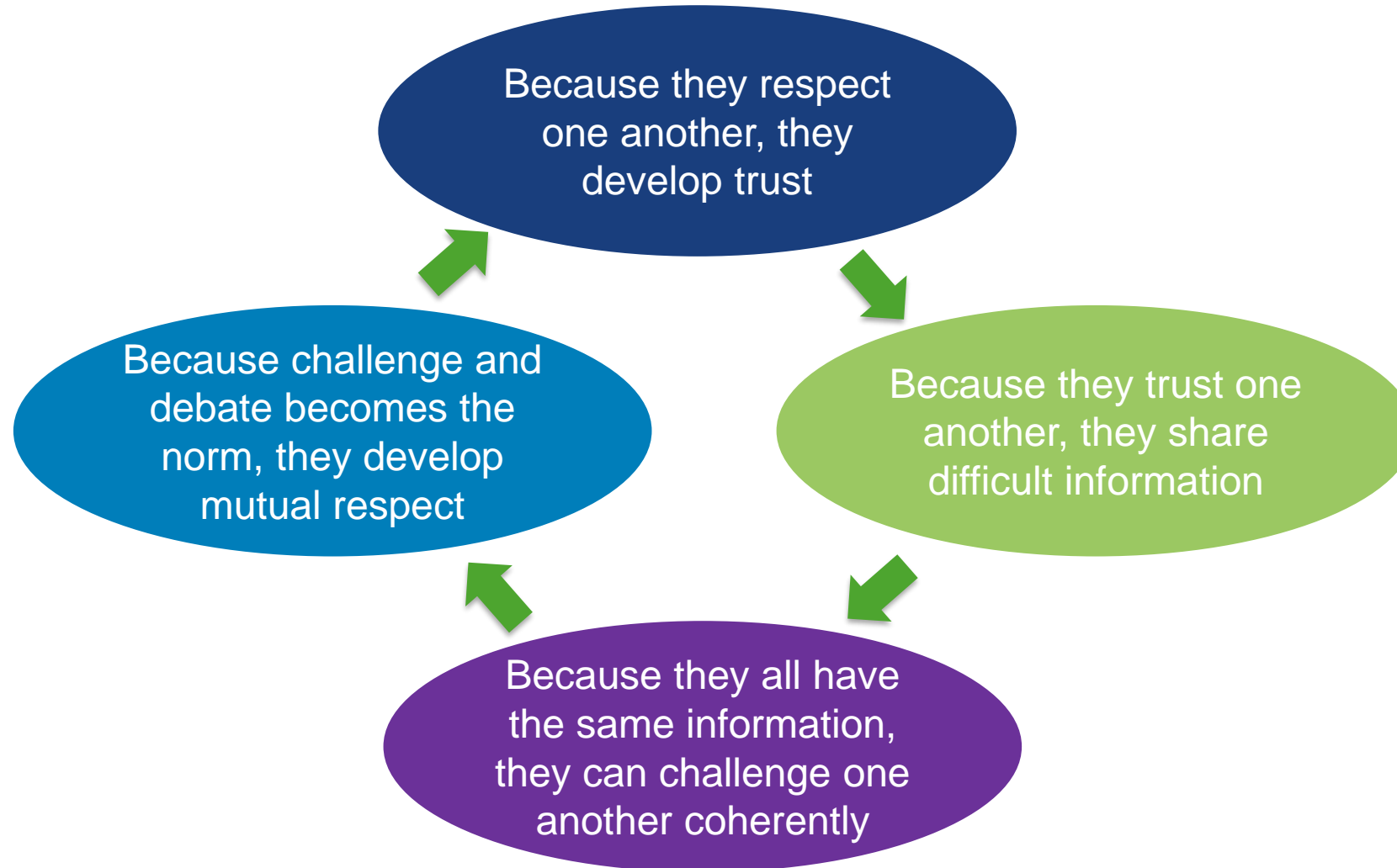
## Reassurance



## Assurance

<p>“Is it okay because management says it is?”</p>	<p>← “Is it okay because management have responded to questions from the board and this has given me confidence?”</p>	<p>→ “It is okay because I am confident on the reliability of the process to develop the information?”</p>
<p>Strong management personalities may dominate.</p>	<p>← Clear and logical explanations from board members. Information rather than data. Use of quantitative as well as qualitative information.</p>	<p>→ Independence of information source.</p>
<p>Track record of success.</p>	<p>← What has happened, why it happened, and the response.</p>	<p>→ Evidence of historic progress, outcomes and impact.</p>
<p>Professional background or expertise.</p>	<p>← The information was tested through constructive challenge. Management explanations are consistent.</p>	<p>→ Triangulation with other information – this builds into a consistent picture.</p>
<p>No contradictory evidence.</p>	<p>← Presentations and discussion not just from executive directors. An opportunity to question staff below executive director level.</p>	<p>→ The information was developed by and has been scrutinised in valid forums and by people skilled and experienced in doing this.</p>
<p>Reassurance about systems and their reliability and not performance.</p>	<p>← The process for delivering the information was scrutinised.</p>	<p>→ Plausibility through comparison with benchmarks or heuristic understanding.</p>

# Sonnerfeld's virtuous circle – trust & candour

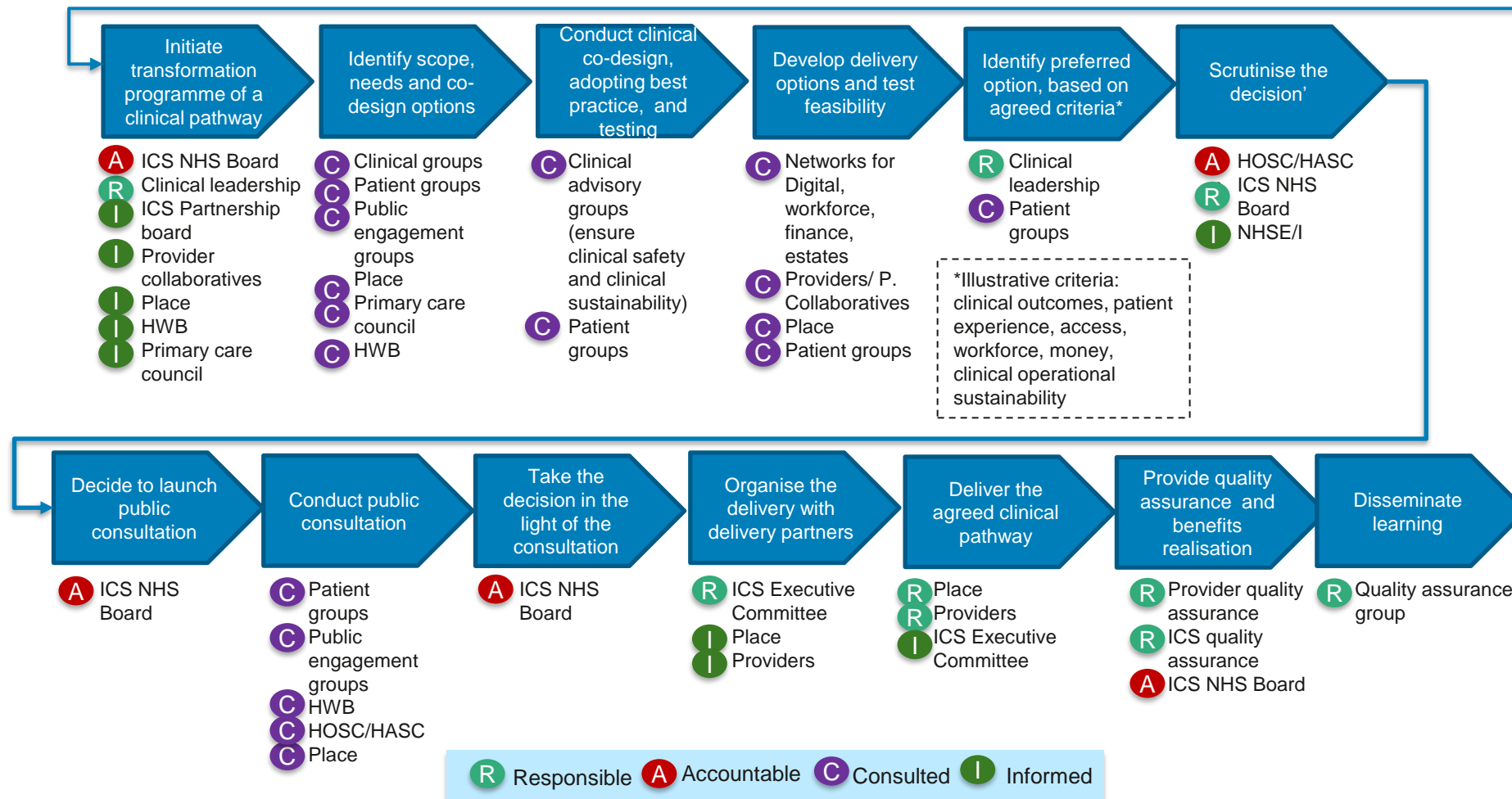


# Purpose slide – example

<b>Group name:</b>		<b>Business area:</b>	
<b>Purpose:</b>			
<b>Duties:</b>			
	<b>Current TOR</b>	<b>Items to add</b>	
<b>Accountable to:</b>			
<b>Chair:</b>		<b>Deputy chair:</b>	
<b>Membership:</b>		<b>Quorum:</b>	
<b>Frequency:</b>		<b>Meeting duration:</b>	



# Example



# RACI

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## Decision examples, e.g.

- CIP failing to deliver
- Service changes



## RACI

### Responsible

Does the work. Responsible to recommend an answer to the decision

### Accountable

The work 'owner'. Authorised to approve an answer to the decision

### Consulted

Those whose opinions are sought and with whom there is two-way communication. 'Kept in the loop'

### Informed

Those who are informed and with whom there is one-way communication 'Kept in the picture'



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