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The *REAL* Work of Governance

Recent events are turning the spotlight once again on Boards and Governance.

I have contended for some time now, that Governance – in all its various forms – might well be the most significant leadership issue of our time.

For-profit corporate boards, charity boards, municipal councils, professional association boards, Aboriginal councils, private/family-owned business boards, consulting/law partnerships, marketing boards, resource councils, provincial and federal cabinets – there are many forms and contexts within which governing bodies operate. Yet, despite their variations, they share common requirements.

Ultimately, the responsibility of Governance boils down to two fundamental aspects:

1. *Ensuring the sustainability of the organization, and*
2. *Ensuring the relevancy of the organization's services and products.*

Making things difficult is the fact that many of our common governance structures, pieces of legislation, and templates for by-laws, policies, and job descriptions were created over 15 years ago. As the world has changed, so have the expectations of our organization's clients. So too, our Governance processes and approaches must thus adapt to a more complex community, the movement toward knowledge-based industries and service organizations, and the changing perceptions of 'value' in our world. The new 2009 NFP Corporations Act in Canada has specified significantly improved governance practices as did the Ontario Securities Commission in 2004.

Accepting a role on a governing body is more than a welcomed distinction. It means you are accepting a 'contract' of responsibility and accountability for the actions, impact and future of the organization. Good, experienced Directors know it is important and time-consuming work. And, it is very different work from the management, professional, or other volunteer work we have been trained for in the main parts of our life.

Recent media commentary on Governance has dealt with only one or two facets of Board work. At the risk of taking a complex topic and simplifying it into a succinct article, I would like to suggest that there are 5 major areas of *real* work for Directors of Boards. And, while I recognize that there are few absolutes in this work, I will also suggest a heresy – very little of this *real* work of governance has to do with 'Policy Governance' or other models in vogue in bookstores (though these models can be helpful in organizing your Board to do the real work.)

A Director/Governor is responsible for the organization's long-term sustainability and the stewarding of decisions, and decision-makers toward this end. In doing so effectively, Boards should be dedicating time and meaningful conversation to the following key aspects:

- i. Network Scanning
- ii. Future Relevancy and Community Engagement
- iii. Oversight, Perspective and Ethical Reflection
- iv. Risk Management
- v. Diplomacy/Influence Leverage

1. Network Scanning

A good Board member will clearly understand the ‘business’ and industry sector in which they govern. This includes understanding the ‘business’ model(s) at play, customer/client bases, target audiences, the ‘flow’ of products/services in use by customers/clients, your competition, and/or collaborative suppliers and partners.

On top of this, a Director/ Councillor must have a very good appreciation for how your organization (as a sub-system) inter-relates to other elements of the larger community, industry sector, or global marketplace. This holds for the manufacturer of seats within the auto industry; the health region or care facility within the provincial health system and the federal-international health and insurance network; a TV channel within both local community and national media; a professional firm within target client industries and the profession at large; and so on.

Next, in scanning how your system operates and inter-relates with other systems in the Network, you must be aware of the evolving trends and issues that may impact on your organization. These things include political, economic and social aspects, consolidations in industry, ‘value shifts’ in client bases or related industries/sectors.

This systems- and network- thinking, awareness, and exploration takes time and regular effort to accomplish. At minimum, your reading of newspapers, journals and internet should provide you with a clear sense of both the complex multi – relations and dependencies. Focused presentations, comparative study trips to similar/different organizations or sectors, and active discussion of the ‘so what’ to your organization of these trends should be had by Directors and with the CEO/senior leadership.

2. Future Relevancy and Community Engagement

With a sense for the Network in which you operate, now you need to assess what outcomes your organization aspires to achieve.

How does your organization plan to create a value offering into the future?

How will you differentiate yourself?

What thought models and knowledge-sharing approaches will you use to evolve/innovate into the future?

Does the community you serve truly appreciate your services, expertise, and value?

To a large extent these questions should be addressed in meaningful two-way conversation with your CEO. And, along with senior management, plans for such things as strategic positioning, branding, Vision and Mission should also be discussed.

As a director, councillor, cabinet member, or fellow partner, how do you prepare yourself to partake in these governance discussions?

Management works in this area 24-7-365. As such they should be ‘tuned in’ to these elements. As a part-time governor, how do you get tuned in?

Community Engagement is a little understood and crucial piece of work for those in the governance role to carry out. (This is not meant to usurp the relationships, customer involvement, etc. of Management in their strategic processes.) Directors should be regularly finding themselves in various forums to talk to both clients/customers and non-client/customers about the perception of their organization. They should make the effort to engage discussion about future needs and aspirations of their community, and the effect of new thought-models being explored or brought to their community.

This can be done through focus-groups, organized conversations at Rotary, church or other community gatherings. Very valuable in this work is a consistent set of questions that all Board members can use with all members of the community they engage. This will not only allow for some comparative conversation at the Board table, but in thinking through the key questions to be used, it will allow all Governors to focus their community conversations effectively.

This work drives right to the heart of ensuring relevancy for your organization into the future.

3. Oversight, Perspective and Ethical Reflection

Oversight of management, budget, and performance against various measures is the most common first response to the question- “What is the role of the Board/Board Member?”

This is important. And, it is important to ensure independent directors are involved in audit committees, plus quarterly review of financial and performance management reports, management’s strategies and execution of actions and projects against the backdrop of the changing community.

Simple oversight is not enough however. Perspective is also important. So you served X,000 clients, averaged 8.5 out of 10 on customer satisfaction surveys, made a profit/surplus as expected? What is behind those pieces of data? What was required to achieve them? What adjustments were made? What unintended impacts did we have on clients, community, and environment in the process? If not achieving plans, why not? What advice, wisdom and perspective can Board members provide to management to help?

Finally, ethical reflection is also very important. While we expect and most often witness very ethical behaviour by management, the Board has to be able to probe and satisfy itself that ethical practices are being exemplified. Indeed the Board often sends very significant signals to management around ethical practice, and itself must be above conflicts of interest and social injury. Community members today are regularly re-defining the expectations of organizational ethical practice and the Board has an important stewardship responsibility in this regard.

Again, the work of governance in this aspect requires meaningful discussion, evaluation of data and first hand observation of organizational practice. (Try spending some time on the receiving end of your organizations products/programs/services – preferably without advance notice!)

4. Risk Management

In the past, Boards would tend to address financial assets, bricks and mortar assets, machinery and other large, financial-commitment assets. Today, studies abound showing that over 75% of our products and services ‘value’ is dependent on the knowledge and experience of human assets.

As such, Boards need also to consider Risk Management in terms of strategic investment and prudent capital management of their people, core competencies, technical and social ingenuity, ability to generate new ideas and ‘knowledge recipes’, and the capacity to handle workload. When one or more key employees retire or leave, 80%+ of their knowledge walks out the door. Plus, today a large amount of an organization’s intellectual capital lies in its suppliers, contract workers and alliance/partner cadre.

The departure of one or two key employees can often mean significant hardship for an organization. Alternatively, the inability to continuously develop/improve front line employees or prepare the next generation of leaders can signal a huge risk for the organization’s sustainability.

Board members should be able to engage management in discussions in these areas and consciously weigh the risks involved in investing/not investing in their various areas of capital: financial, human, structural, technological, social, relational, environmental, ingenuity. Sourcing new supply and forms of these capital elements in order to ensure management’s strategies are able to be realized is a fundamental responsibility of the Board.

5. Diplomacy/Influence Leverage

As management moves forward, utilizing its resources against appropriate strategies, to reach their desired future state, they must apply and adapt various processes to achieve success.

More and more, *friend-raising* and *fundraising* are crucial to the success of organizations. As well, the striking of strategic alliances and forming of key partnerships are important mechanisms for leveraging knowledge, creating innovations, and enhancing the learning within organizations.

While management is busy implementing the day-to-day action plans and projects for success, Board members have an important contribution to make in the areas above. Governance level individuals are often the best representatives of the organization in dealing with government. Governors can also be very valuable in building relationships with funders, investors, potential partners and in developing strategic alliances.

This aspect would also include the ability to recruit, orient, and integrate new Board members to ensure sustainability of the Board itself.

This element of real governance work is of high value to the organization, but also takes planning, preparation, travel, meetings and follow-up communication by Board members. As a representative of the Board, you are always speaking as the Board. In this context, personal opinion must take a back seat to the positions and objectives agreed upon by the Board overall. In many cases you are working alongside the CEO or other senior managers, and so again you must be well prepared and coordinated.

Conclusion

These five key areas above are not areas of day-to-day operational work. They are important aspects of governance work, and are more than enough to keep Board members busy and out of the operational realm of Management!

Today, most organizations (even small not-for-profits and charities), have a considerable part of their budget allocated to the effective operation and expenses of the Board.

A Key Question to ponder: Is your Board, and are you as a Board member, actively 'adding value' to the organization for which you are responsible?

If you are not adding value, then why should the organization dedicate significant resources to the Board operations? If the Board isn't actively pursuing the five areas above - effectively, efficiently and with clarity - then one must wonder if they are truly fulfilling their fiduciary duty and living up to the trusteeship standard of care expected today. Finally, if your Board is not engaged in this work, then who is doing it?

Governance is serious work, and it is now in the spotlight like never before. Hopefully the summary above will enhance your ability to do **The REAL Work of Governance**.

Exploring the Web!

The connections below take you to sites with more perspectives on the different elements of Governance.

<http://www.blueoceanstrategy.com>

Blue Ocean Strategy – one of the most significant books about strategy in over 10 years. BOS Website.

<http://www.pmfh-uhn.ca/Pages/AboutUs/Accountable.aspx>

This link takes you to the recent 'Reaching for Excellence' Governance and Performance Report for the Princess Margaret Hospital Foundation. Compare your organization's governance practices to theirs!

<http://www.turningtooneanother.net>

Meg Wheatley's latest project - stimulate meaningful conversation in your family, organization, community.

<http://www.tcbi.org/>

Centre for Business Innovation - keep this one amongst your favourites and go back regularly to see what's happening in the field of business innovation.

<http://www.entovation.com>

A worldwide community dedicated to innovation and enhancing sustainable organizational practices.

<http://m05.cgpublisher.com/cynefin.html>

The Cynefin Centre for organizational complexity. A Fascinating site. Be sure to download and read Dave Snowden's "Complex Acts of Knowing". It should cause you and your organization to have totally different kinds of governance and strategic conversations.

<http://www.newdream.org>

A practical website on the small things we can each do to live more sustainably. Canadian sections too!

<http://www.intellectualcapital.se>

Choose the 'In English' button off the home page. This site will provide the fundamentals of understanding intellectual capital and how important it is for future strategy of organizations.

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