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## Masterclass Workshop Series for Elected Members:

### Improving Board Level Skills

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Robin Jordan  
<http://www.rja.co.uk>

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## Improving Board Levels Skills : The Four Areas I'll Cover

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Improving Board Level Skills in the Context of :

- The Effective Board.
- The Effective Board Member.
- The Additional Complexities of Boards operating in the Public Sector Arena?
- Challenges when taking up the role?

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## Where I'm coming from....

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- ....not a lawyer.
- Board chairman of a member-led, £35m t/o organisation for six years (to May 2009).
- Independent chairman of board sub-committee of another.
- OCPAS Assessor
- Consultant – facilitates and helps review Board effectiveness.

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## A Couple of Opening Points

- The formal powers of Boards vary and are contained in, eg, their specific :
  - Articles of Association.
  - Memorandum of Agreement.
  - Constitution.
  - Charter.
  - etc.
- Individual appointees may be called Trustees, Members or Directors.
- Today, we are talking about the non-executive roles within these boards.
- All these roles come with statutory obligations.

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## Improving Board Level Skills : The Effective Board

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## From the Horse's Mouth

Accuracy Check: None

**Tolley's  
Non-executive  
Director's  
Handbook**



Patrick Duane  
Glynis D. Morris, BA FCA

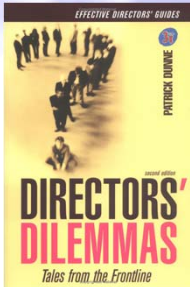
LexisNexis

EFFECTIVE DIRECTORS' GUIDES

PATRICK DUANE

**DIRECTORS'  
DILEMMAS**

*Tales from the Frontline*



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"Give us something we can remember on what is the role of a board."

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- Right Strategy.....
- Right Resources.....
- Good Governance.

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Right Strategy.....eg

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- Role of board is :
  - to help shape, contribute, check, question and *approve*.
  - *not* to formulate and develop strategy.
- Rationale is :
  - Management team should have both the expertise and the time to formulate and develop – but not the freedom to implement without board approval.
- Purpose :
  - Ensure share/stakeholder expectations can be met?

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Right Resources.....eg

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- Structural :
  - Approving funding/loan arrangements and borrowings.
  - Approving capital projects and longer term financial commitments (eg long term leases).
- Operational issues :
  - Agreeing an annual budget and operating plan.

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## Good governance.....eg

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- Statutory/legal obligations + other compliance issues.
- Matters reserved for the board.
- Sub-comms – Audit, Nominations and RemComm.
- Strategic monitoring and update.
- Operational and financial reporting to the board.
- Reviewing risk management frameworks.
- Stakeholder engagement and CSR.
- Custodian of organisation values.

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## To Summarise so Far

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- Role of Effective Board :
  - Right Strategy
  - Right Resources
  - Effective Governance
- Set the organisation's values and standards
- Ensure it's obligations to share/stakeholders are understood and met.
- Three timelines – immediate past, immediate future (forecasts and trends) and longer term (strategic direction).

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## Improving Board Level Skills : The Effective Non Executive Director

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**Some "Formal Duties"**  
(IoD Guidelines for Directors)

- No single statute – but penalties can be severe.
- Fiduciary – Loyalty, act in best interests of the company.
- 'Proper Purpose' – Acting honestly and with intelligence.
- Secret Profits, Insider Dealing, Insolvency.
- Declaration of Interests, Transactions
- Diligence – Standards of skill and care ("Standards expected of a person operating in that position.")

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**Example : Limited Companies**  
(Companies Act 2006)

- Duty to :
  - act within the Mem and Arts of the company
  - promote success of the company
  - exercise independent judgement
  - exercise reasonable care, skill and diligence
  - avoid conflicts of interest
  - not to accept benefits from third parties
  - to declare interests in proposed transactions or arrangements

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**Improving Board Level Skills :  
The Skills Required?**

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## A Comprehensive Approach : 27 in total including.....

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- Analysis
- Judgement
- Persuasiveness
- Listening
- Communication
- Probing
- Sensitivity
- Managing conflict
- Business acumen
- Financial understanding
- Management of risk
- Strategic awareness
- Political astuteness

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## Something a bit more memorable? (Northern RDA)

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- Right character
- Experience and authority
- Sharp mind, strategic thinker and good judgement
- Able to see the big picture
- Team Player
- Excellent communication skills
- Enjoy a challenge
- Focussed and prepared

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## One of the best? (What was BERR)

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- Upholds the highest standards of personal integrity and probity.
- Supports executives in the leadership of the business while monitoring their conduct and performance.
- Questions intelligently, debates constructively, challenges rigorously and decides dispassionately.
- Listens sensitively to the views of others inside and outside the board.
- Gains trust and respect of other board members.
- Promotes the highest standards of corporate governance.

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## .....and from a more practical viewpoint as a Chairman

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- Turn up.
- They are well prepared. (points of clarification will have been raised before board meetings.)
- They put their 'non exec' hat on and leave all others behind.
- They keep out of detail unless essential.
- They support/challenge other non-execs as well as execs..
- They ask the important question that everyone else was afraid to ask or did not pick up.
- They are very balanced. eg Innovation v Risk, Entrepreneurialism v Prudence.
- They are tolerant of operational errors/problems/difficulties and lack of success – but only when appropriate.

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## Improving Board Level Skills : The Complexities of Public Bodies

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## Private Sector Bodies : Five Key Stakeholder Groups ?

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- Shareholders
- Directors
- Company
- Customers
- Funders

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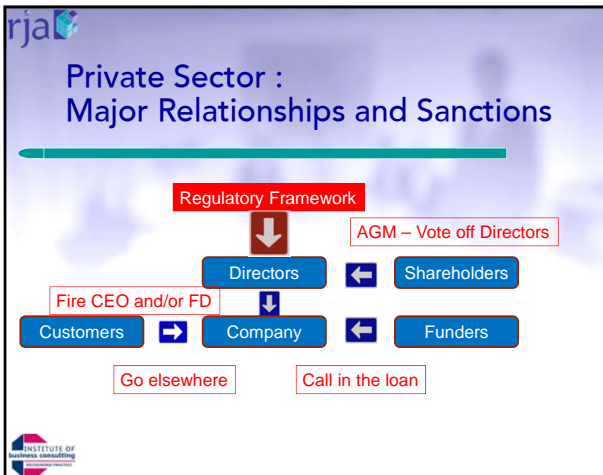
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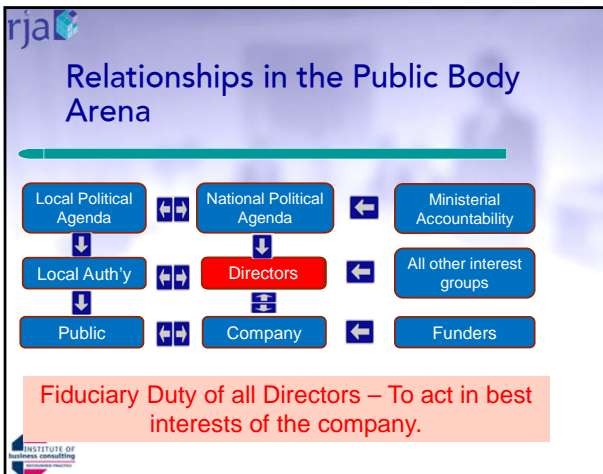
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- Sanctions in the Scottish Public Body Arena**
- Mental Welfare Commission?
  - Student Loans Company?
  - SPT?
  - Scottish Leadership Foundation?
  - Argyll and Clyde Health Board?

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**Improving Board Level Skills :  
 The Personal Challenges**

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**Different Types of Board Style**

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Target/Number Phobic    Stitched up  
 Talking Shop    Dreaming  
**The Effective Board**  
 Detached    Rubber stamping    Fire-fighting




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**Personal Challenges facing you as a  
 non-Exec?**  
 (Some personal thoughts)

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- Different appointments processes ?
  - For some - blind spots in terms of knowledge, understanding and skills?
- Getting up to speed ?
  - General induction and specific training?
- Making a difference ?
  - Best use of your 'five minutes'?
- Feedback to your local authority ?
  - Managing requirements and expectations?




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## ....and the Challenges you are already used to....?

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- Increased public demand on services with increasing rate of decline in funding?
- "Our Ministers operate at arms length. But some have shorter arms than others!"
- Scandals in the public arena and its impact on public perceptions of everyone else in that arena.
- Impact of a sometimes mischievous press.

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## ...and the current challenges facing all Board....

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Strategic	Failure to adjust in light of new circumstances. Strategy is beyond resource capacity to deliver
People	Leadership in difficult times. Controlling wage costs. Union negotiation in difficult times.
Public	Changes in public perceptions in relation to MP's expenses, bonuses, reduced services, etc.
Suppliers	Financial robustness; cost-cutting affecting quality; overly narrow sourcing; lack of contingency.
Finance	Cash flow, pension scheme costs, defaulters, future levels of income and unavoidable cost.
Legal/Compliance	Litigation society, employee relations (including equal pay and No Win No Fee lawyers).

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## To Summarise

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## To Summarise

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- **Effective Board :**
  - Right Strategy
  - Right Resources
  - Good Governance
- **Effective Director :**
  - BERR's Six Key Attributes
- **Using those Skills to Best Use**

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## Six Key Attributes

(What was BERR)

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- Supports executives in the leadership of the business while monitoring their conduct and performance.
- Questions intelligently, debates constructively, challenges rigorously and decides dispassionately.
- Listens sensitively to the views of others inside and outside the board.
- Gains trust and respect of other board members.
- Promotes the highest standards of corporate governance.
- Upholds the highest personal standards of integrity and probity.

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## Discussion and Q&A

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