

# Understanding the Challenge of Modern Governance

## A leadership Lense

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# Outline for Today

- To understand the **Challenges of Modern Governance**

To explore **your role as a leader** in establishing a **Modern Governance and Reporting Framework** to meet that challenge

The GovernRight Framework

GovernRight™ :

*the HOW...*

*.. Taking theory into practice*

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GovernRight™ :

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The GovernRight Framework

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1.1 A Governing Body that understands its role, supporting a "should know" mindset

## *Model 1 – “It’s not your money”*

*.....Why do we need a Board and what are the key responsibilities?*



Why do we need a Board?

1.1 A Governing  
Body that  
understands its  
role, supporting a  
"should know"  
mindset

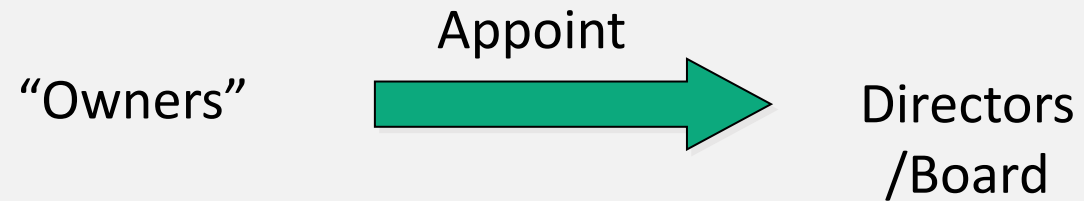
## **Roles, Responsibilities/Rights and Relationships** **(to meet the challenge of modern governance)**

The 4Rs

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1.1 A Governing Body that understands its role, supporting a "should know" mindset

# Ownership v Oversight



Who "owns" your organisation?

Consider replacing "Members/Shareholders" with "Stakeholders"

Why do we need a Board?

1.1 A Governing  
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"should know"  
mindset

# Why do we need a Board?

Too many stakeholders to sit around the table

Will you look after it for us?

So when you make decisions, remember...

.... It's not your money

Why do we need a Board?

1.1 A Governing Body that understands its role, supporting a "should know" mindset

Key Duties

# A Board's "Legal" Role

## It's not your money

1. Act in good faith and best interests of organisation as a whole and for a Proper Purpose
  - Those who only speak from one interest may be misusing their privileged position to steer resources
  - Argue for your area with passion, but not the only time you engage – *Speak as a director first, functional expert/representative second*
2. Act with care and diligence of a reasonable person
  - Do some homework – not what an expert says but what is reasonable
  - Court not interested in price (unless negligent) but is interested in bias



1.1 A Governing Body that understands its role, supporting a "should know" mindset

# Duties and Responsibilities

## Directors' rights

- Right to information
- Right to be advised
- Right to be heard
- Delegation

Use these rights to make “reasonable” decisions

Responsibilities and Rights

1.1 A Governing Body that understands its role, supporting a "should know" mindset

## *Model 2 – The “SHOULD KNOW mindset”*

*.....What is “reasonable” in 2024 and beyond?*



Why do we need a Board?

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Our Duties

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**As Directors...**

**Do we have to be perfect?**

1.1 A Governing Body that understands its role, supporting a "should know" mindset

Our Duties

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# So, always remember...

## For those in oversight....

- It might be that a duty of good faith is no more than a duty to act reasonably....
- A director or other officer of a corporation must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise (s180 Corporations Act (2001))


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mindset

Reasonable behaviour....

=  $f$  (Society Expectations)

... expectations have changed

Reasonable Behaviour



1.1 A Governing  
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mindset

Changing Expectations

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But the common law has evolved..

... with great impact on the relationship  
between those in governance and those in  
management

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# What is "reasonable" in 2024...

## The **Challenge** of Modern Governance...

... a "should know" mindset



What **Did** the directors know?



What **Should** the directors know?



Did the board create a **culture** that led to the illegal act?



The Should Know Mindset

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# What is now “reasonable”...

## The Lesson from Ardent

Governance /  
Management  
relationship

Board responsible for culture

Engaged Management

Supported with positive assurance



Media Environment



Governance  
Challenge

How do I know if what is meant to be  
happening, IS happening?

1.1 A Governing  
Body that  
understands its  
role, supporting a  
"should know"  
mindset



# Modern Governance

The **Challenge** of Modern Governance...

... building a “should know” mindset

1.1 A Governing  
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understands its  
role, supporting a  
"should know"  
mindset

The Challenge

1.1 A Governing Body that understands its role, supporting a "should know" mindset

The Solution

## The Key elements needed for a “should know” mindset

A Governance and Reporting Framework that:

- Supports a clear distinction between “ownership”, “oversight” and “operations”
- Is supported by an “engaged relationship” between those in oversight and those in operations
- Builds an engaged, trusting relationship both within the “Board/Management” and with the Management/Staff
- Is supported by a Board with the right composition
- Aligns Governance reports to outcomes, not activity

1.1 A Governing Body that understands its role, supporting a "should know" mindset

## *Model 3 – The 3 Hats of Modern Governance*

*... distinguishing between ownership, oversight and operations*

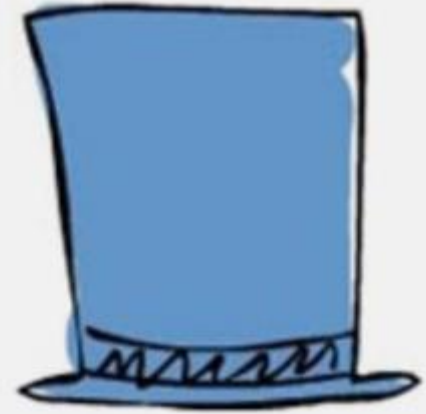


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Why do we need a Board?

1.2 Has the correct balance of oversight and management

# Three Hats of Governance ©



**“Ownership”**



**“Oversight”**



**“Operations”**

Clear Objects in Constitution  
The “right” composition

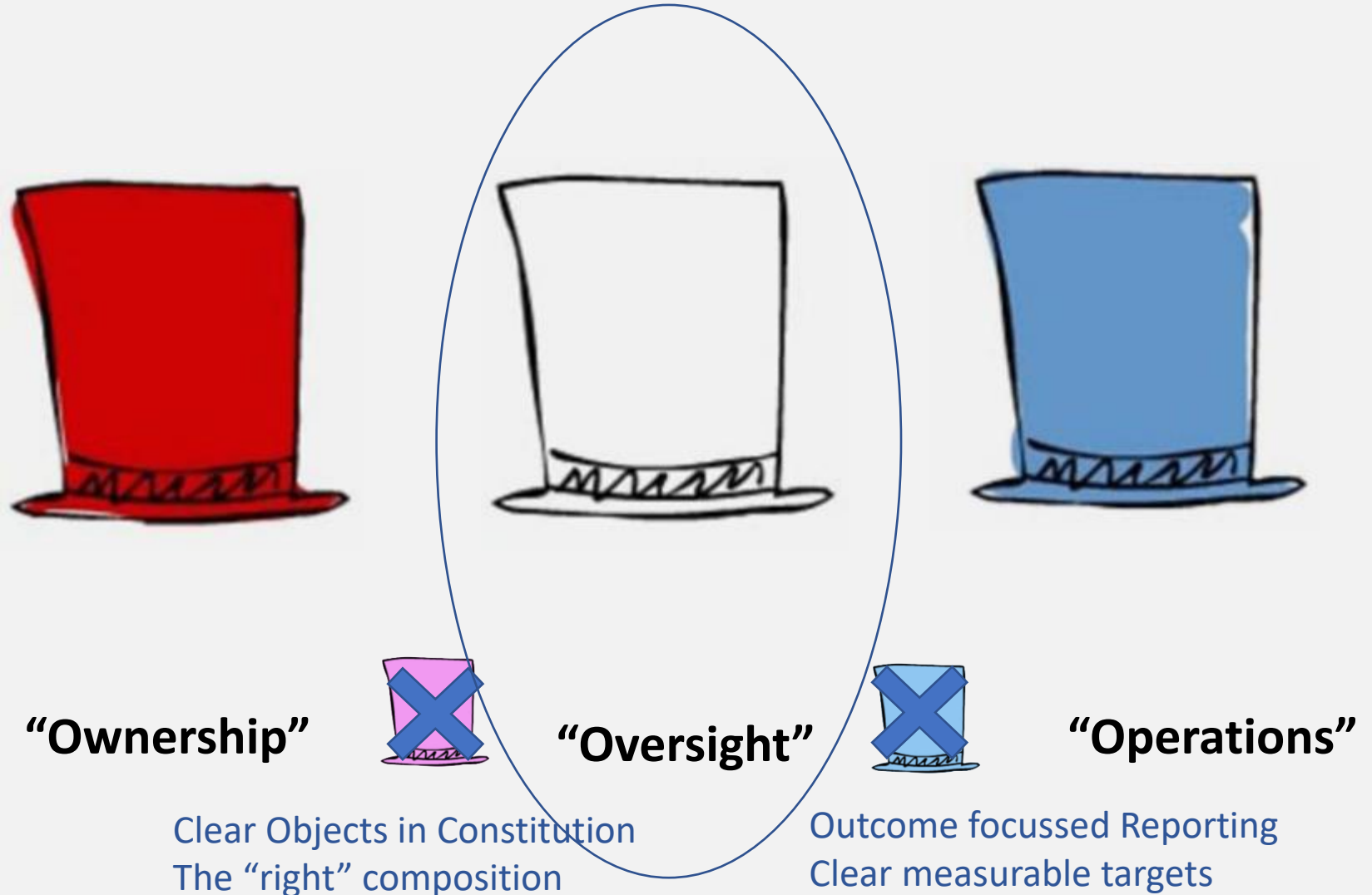
Outcome focussed Reporting  
Clear measurable targets

The 3 Hats of Governance

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1.2 Has the correct balance of oversight and management

# Three Hats of Governance ©



The 3 Hats of Governance

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1.2 Has the correct balance of oversight and management

## Five Key Challenges

A Governance and Reporting Framework that:

- Supports a clear distinction between “ownership”, “oversight” and “operations”
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The Solution

1.2 Has the correct balance of oversight and management

## ***Model 4 – The Modern Board/Management Relationship***

***... the correct balance of oversight and engagement***



Why do we need a Board?

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1.2 Has the  
correct balance of  
oversight and  
management

“Noses in fingers out.....

... until it is “reasonable” to put  
the fingers in”

The Right Relationships

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1.2 Has the correct balance of oversight and management

# Master-Servant Relationship

from



## Governance Impact:

- Detailed governance papers – bordering on management
- Little direction on risk/return and resource allocation
- Response to questions

but what is the right question?

Problem with Traditional Thinking

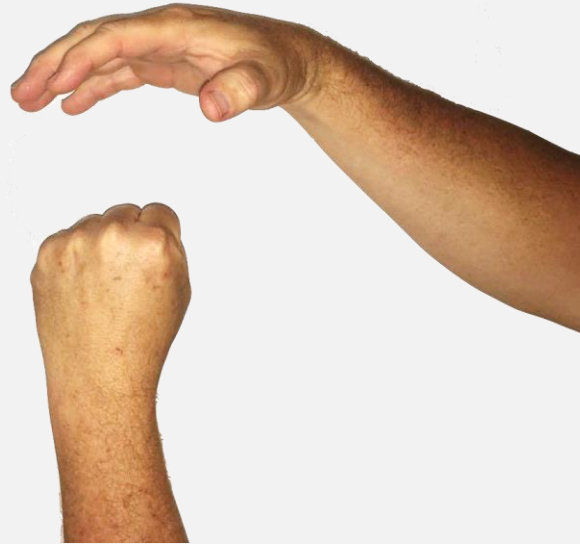
1.2 Has the correct balance of oversight and management

The Challenge

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# The Modern Relationship has Evolved

to



## Governance Impact:

- Succinct, focused board papers supporting oversight
- Positive assurance
- Focus on key governance outcomes
- Set tone for a culture of accountability and outcome, rather than activity

1.2 Has the correct balance of oversight and management

## Five Key Challenges

A Governance and Reporting Framework that:

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The Solution

1.3 Correct Skills ,  
working together  
in a respectful  
relationship



## *Model 5 – Building A Culture of Trust*

*... understanding the 3 key drivers*

$$\text{Trust} = f \left( \begin{array}{l} \text{Common Goal +} \\ \text{Confidence in Ability +} \\ \text{Feedback} \end{array} \right)$$

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Why do we need a Board?

1.3 Correct Skills ,  
working together  
in a respectful  
relationship



Importance of Trust

# Trust (a key foundation to Good Governance) ©

*All elements  
needing  
leadership*



Join me  
tomorrow..

1.2 Has the correct balance of oversight and management

The Solution

## Five Key Challenges

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A manager’s role in good governance

# Key Messages

- It's not your money!!!
- Directors are stewards, guiding resource allocation to build a sustainable organisation
- There is no such thing as a representative director
- Bring the right hat to the right meeting.
- The need to embed a “should know” mindset into your oversight role
- The importance (and value) of building Trust

Thank You

Simon Neaverson

[www.governright.com.au](http://www.governright.com.au)