

EYES WIDE OPEN

A FIRST-TIMER'S GUIDE TO THE REAL WORLD OF
BOARDS AND COMPANY DIRECTORSHIP



ROBYN WEATHERLEY

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First published in 2015 by Major Street Publishing Pty Ltd

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National Library of Australia Cataloguing-in-Publication data:

Author:

Title:

ISBN: 978-0-9942560-0-3

Notes: Includes index.

Subjects:

Dewey Number: 371.102

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Internal design by Production Works

Cover design by *****

Printed in China by *****

10 9 8 7 6 5 4 3 2 1

ISBN 978-0-9942560-0-3

Disclaimer and small print

The content and ideas you will read in this book come from a myriad of life experiences and formal learnings, ranging from the author's tertiary education, ongoing training and development with recognised industry institutions, many years of specialised corporate governance work experience, and the hundreds of hours spent around Australian Boardroom tables with some of the most amazing company Directors.

The personal insights that the author shares come from real life and therefore represent her own opinion solely. There may be the odd colleague (current or previous) or current practising Director who she's never met, who believes that she's just simply got it wrong, or someone might think that they've identified themselves in the book.

The book has been written so as not to identify anyone by name or any other characteristic which could make them obviously recognisable to the public.

If anyone believes that they do feature somewhere in the content, it will be due to co-incidence, personal paranoia, or it's through an honest reflection or recognition of their own behaviours (be that good, bad or indifferent....).

The author didn't set out to write this book to make anyone feel uncomfortable, or to disrespect any relationship. The book is nothing but one big sincere intention to share her experience and learnings with those who've yet to walk the Directorship path.

The fact that an incident, experience or personal reflection is noted is because the author has seen it (or something) in real life – at least once but possible more than once – (be it a behaviour, action or omission), and quite likely across more than one Board or industry. So it's probably not even about you (even if you think it was about you...).

In addition, the fact that the author still works in corporate governance in her career also doesn't mean that there's a higher or heavier weighting to be inferred or intimated to either a current or immediate past employer. Every employer that has featured in the author's career so far has provided her with outstanding opportunities to further her corporate and commercial education, and love of corporate governance.

Where the ideas and work of others has been used, it's been recognised in the content at the appropriate time and the book has been legally reviewed for accuracy.

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PART ONE

PRE-APPOINTMENT

Don't underestimate the benefits that will accrue to both yourself and the organisation from undertaking the following pre-appointment steps – thoroughly and seriously

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WHERE TO BEGIN

“There are no secrets to success. It is the result of preparation, hard work, and learning from failure.”

COLIN POWELL

A WHOLE LOT of pain can be easily avoided by nominee Directors who take the requisite steps and time to understand exactly what it is they are signing up for and getting into – **before** signing the consent to act.

Being asked to join a Board or nominate for a Board appointment is usually a big deal for most people, and can reflect very long-held ambitions. Those who’ve been there before understand and appreciate the reality of the time, commitment and tremendous upside (and risk) that come with these opportunities. However, there are a number of things that you need to both consider and become comfortable with before you say, “...where do I sign?”

In this first part of the book, I deal with the initial research points that you need to take care of. We take a snoop around the internet, and make sure your intuition is happy for you to proceed to the next

base. I'll step you through some related categories, each with its own checklist, so that at the applicable time, you can cross-check the homework that you've done against that which is recommended you do as a minimum.

A caveat here is to say that the extent and timing of each stage of your due diligence will vary with the types of companies you are considering. In saying that, there are minimal non-negotiable steps that I recommend you take when joining ANY company, even at the smaller end of town. That is because the regulators, the law and our society set baseline expectations for Directors of all companies regardless of their status.

So at the appropriate time in the proceeding discussion, I'll point out when you should be stepping up your pre-appointment enquiries. But let's get through the common-to-everyone checkpoints first.

Check the core alignment

At the very heart of the company or organisation is an underlying cause, business, set of values, mission statement or reason for being that got the whole thing going in the first place. Before you join the Board, examine what that is, make sure you understand it and can support or defend it.

In joining a Board you will need to satisfy yourself that you truly support the actual nature of what it is the company does and what your role on the Board will be (this is particularly so for very small companies where it can be all-hands-on-deck for Directors). If you are looking at a very small Board that's steeped in charitable work or some other public good, as part of the gig you may be expected to fund-raise or contribute money, time or other resources to the company's events or other needs, or find donors or philanthropic support (if that's indeed part of the remit of this small, charitable Board – it's not always...). If that's not your cup of tea, then give those Boards a miss.

It will be a long and arduous road seeing out a decent Directorship tenure if you simply can't stomach the bottom-line reason for the existence of the business itself. No-one needs a Board Directorship on their CV that much – **the cause or the business has to come first**. Your ego must run a clear last in determining your fitness for the appointment.

This issue goes beyond being asked to join the Board of an organisation that would look amazing on your resume, but which – if you were being honest with yourself – doesn't really ring your bell (nor ever will) in any shape or form, other than it being in front of you as a Directorship opportunity.

You must also ask yourself: are the business's operations, strategies, functions and corporate social responsibility motives and beliefs aligned to your own personal moral compass and ethics? Your name, reputation and potentially your future ability to secure more Board positions, or even other executive or commercial roles, could be seriously propelled or (alternatively) significantly deflated by this opportunity sitting in front of you. Think carefully about how comfortable you will be telling anyone and everyone you come across that this is your Board. If you are still feeling a surge of enthusiasm and delight at this point, then read on.

However, if you are substantially less than 100% convinced, even at this very early stage, dig deep beyond your ego and consider getting off this bus and letting someone else get on who is more aligned to and comfortable with what this organisation is and what it does. While some might judge me for this challenge that I'm putting out to you, believe me it's going to be a far easier (and more enjoyable) prospect to see out your Director's tenure if your heart is in the company from the start – don't fabricate your enthusiasm for it just because it's a Directorship dangling in front of you.

Research, research, research

It's boring I know, but trust me your initial research in the Board position you are considering will be worth it and you'll never have regrets having done it.

Where do you start? Google will be your friend here. Jump on line and get a feel for the company or organisation in detail. Look at their website, their competitors' websites, check out their key public policies (check those in the areas of governance, risk, public matters, ESG, political positioning and so on). Get a feel for who they are and what they are.

CHECKLIST

- *Have you even heard of this company before?*
- *Have you ever seen this company on the front page of the newspaper?*
- *To the extent possible via the internet, can you identify the company's reason for existence (who are they, what do they do?), values, mission statement or culture? How does that sit with you?*
- *Does anything at this early stage indicate that they might not align with your moral compass and ethics?*
- *Would you be happy to tell anyone you know that this is your Board?*
- *Are you still keen?*

If you answered the last question in the affirmative, let's keep going.

The Board's composition

Before any discussions are held with anyone inside the company (the Chairman, CEO or others) you must undertake a good check (as best

as you can from information available) across the Board's current composition and the executive group:

- Who is on the Board?
- Who are the company's Executives?
- How long have the Directors been appointed?
- Does it look as if there's been lot of turnover, i.e. how many of them have been appointed in the past 12 months relative to the total number of Directors on the Board? (Information regarding changes to the Board's composition and shareholders can be obtained online from ASIC.)
- How diverse is the Board (in terms of male/female, geographically, experience and educationally, skills, specialisations, age)?
- When considering their diversity, how does that sit with you?
- Are the Directors located (geographically) away from the company's head office or main operating locations?
- Is the Board one that follows an equal representation model, or does it comprise a majority of (or all) independents? If it's a family company, who in the family has been appointed and is the hierarchy apparent, i.e. fathers, mothers, siblings, etc. Do they have any other external parties on the Board outside family?
- Does it say how Directors are appointed, by whom and when? This could give you an important insight into the company's internal processes, governance structures or shareholder influence which in turn might open up further questions to be asked when you meet with the Chair.
- Look at the Board's size – does it appear to be a very large Board,

and if so why? You may need to do some further digging on this one with your Chairman or your nominating party. If the Board is very small and the operations of the company are apparently fairly large or complex, how does that work in practice? The question goes both ways.

The message here is: take an objective and independent lens to the Board's size and composition – what's it telling you? Does anything jump out or seem peculiar?

Is bigger better?

Let me drift a bit for a moment. Note that a Board is not necessarily sized in proportion to how large the company's operations are. There are two angles to size. One the one hand, companies maintaining largish Boards (and by this I mean perhaps more than 10 or 12 Directors) naturally result in a larger administrative load and cost that accrues to the company and its shareholders or members. Also, having a larger composition does not necessarily guarantee a one-for-one additive in intellectual capability or workload contribution being returned to the company and its shareholders. In other words, more bums on seats and brains at the table does not mean that a larger Board will automatically win the capability race, nor guarantee it an enhanced commercial edge over its smaller cousins. Also, larger Boards can be more difficult to move around geographically to visit the company's operations, meet with staff or shareholders, undertake roadshows, etc.

For the less committed and seriously time-poor Director, a large Board can enhance their opportunity to make smaller and less impactful contributions to meetings and key decisions, and to take more frequent absences from meetings. A big Board unfortunately works well for this type of appointee.

The skill and experience of the Chairman presiding over a very

large Board is absolutely paramount, and will be continually tested by these elements.

However, there's also the other side to this story. I've encountered sizable Boards which have worked surprisingly well and which demonstrate that a larger beast can be just as nimble, decisive and effective as the little whippets. These Boards have demonstrated that when (1) the composition is proactively managed, (2) Directors are engaged and committed to their cause, (3) the Secretariat is ably resourced and authorised to make enabling decisions, and (4) each Director has a unique and strong contribution to make (and they follow through on this throughout their tenure) then a larger Board can work.

Larger Boards are also able to utilise their Directors across a multitude of Board Committees, thus ensuring a fair sharing out of the Board's workload.

What's ultimately important is that the shareholders and the Board truly believe and can defend the compelling value-add and financial return that comes to the company and its shareholders/ stakeholders from having a lot of people on the Board.

It's an issue that's squarely tied to the individual circumstances of the organisation concerned. The Board's size may be something that needs to be fully understood by speaking to someone on the inside of the company (beyond what you read on the internet or in the newspapers). So tread carefully and respectfully when making your enquiries or offering up a quick (judgmental) opinion on this topic.

At the other end of the spectrum is a Board that is too small and suffers from insufficient resources, capability and time-commitment from its Directors. It can work both ways. A Board that's insufficiently sized can suffer from insufficient diversity of thought, skills and experience, and may not be capable of fulfilling the company's potential. Also smaller numbers (particularly when close to the quorum minimum) can be inefficient if it's difficult to convene

meetings due to the continual clash of diaries (i.e. there's little to no fat between the meeting and voting quorums, and the number of Directors).

Take account of the size of the Board, and if it appears quite large (or equally under-done) in composition, then make sure this is a point of discussion on your checklist when you meet the Chairman.

CHECKLIST

- *What is your feel from the Board's composition?*
- *What are your takeaway questions for the Chairman, CEO and Company Secretary in this regard?*

Why has this opportunity come about?

There is a reason that a position on the Board has become vacant and you need to find this out. You need to satisfy your curiosity by answering these questions:

- **Did someone resign?** If yes, why? The answer could open up a whole raft of issues for you to be on high alert about. On the other hand, someone might have been struggling to manage their overall time-portfolio and needed to offload some commitments. Otherwise it could just be that they are moving interstate or overseas, or their tenure has met the company's policy cap and they have long planned to leave the Board.
- **Is the Board expanding?** If so, why? What's driving the expansion?
- **Is the Board diversifying its skills and experience base?** If yes, is that because it needs to do this in order to deliver on its

strategies, remain competitive, or to give it an inside edge on key capabilities that are currently absent?

Boards which acknowledge that they need an extended experience-base or skills-set are giving a great cue that they are forward-looking, strategic and seeking to welcome new Directors into the fold to strengthen and advance the business. Typically this should be a sign of a healthy outward-looking and progressive Board, which is always a massive bonus!

- **Has the company been taken over and the parent is now doing a refresh of appointments?** If yes, what was the background to the takeover and what is the status quo (and future expectations) regarding Board composition?
- **Has someone died?** It happens.
- **Is the Board in turmoil and can't keep their Directors?** If it is the Board of a listed company, this will be more easily researched. However, if it is a private company then some sleuth-like, though sensitive, questioning could be in order:
 - Is it just one or two Directors causing the pain, or is it commercially- or legally-related, i.e. has it been driven by a dispute?
 - Is the Chairman a total lunatic or control freak who does not engender his Board's support or respect?
 - What's driving the turmoil and turnover?

Take care if leaping onto a Board that's in distress or is in a vortex. If there's a whiff of trouble in the air, has it been in only very recent times, or is there a long and arduous history behind the discontent? Boards and their histories are like all good marriages – none are ever 100% smooth sailing and occasionally

the Director group can hit disruptive, unexpected or sometimes fatal bumps in the road.

At the worst end of the spectrum, the issue driving the turmoil or disruption could be an ugly, deep and costly barrel of nothing-good-at-all, so put on your diving mask and get to the bottom of it quickly though respectfully with your Chairman. If the Chairman in turn gives you a fairly sanitised or vanilla version of events then the CEO, other Directors, the Company Secretary or the resigned Directors are those to make secondary enquiries with (having full and proper regard and sensitivity to the stage of your nomination and the appointment process, as well as the ability or otherwise of the parties concerned to share with you sufficient details on what's gone down).

- **Does the Board need to fulfil a publicly-committed diversity quota** (regardless of what type)? If yes, are they seeking the right people for the role, or will anyone with a pulse do (without offence to you or anyone else)? Do query this with the Chairman – don't be a token appointment just because the company is looking to meet a public policy or internal commitment of achieving a certain type of diversity by a pre-ordained timeframe just to keep their stakeholders happy or to meet annual reporting season expectations. The bottom line message here is be sure that your appointment is valid and supported by the Board for the right reasons. On the other hand, if this is a company you'd die to be on the Board of and you can live with the tokenism, go your hardest! Eyes wide open, remember?
- **Is the Board looking for Directors who have strong business or fundraising connections**, or who can be heavily philanthropic towards the underlying charity or business (be it via cash, network introductions, connections, etc.)? This is a must-ask for

anyone considering joining a charity or not-for-profit entity, or enterprises who struggle to maintain viable and commercially-sourced revenue bases. It costs nothing to ask the question and you'll then have had your eyes wide open going onto the Board.

Appointing people who have strong commercial and network connections to others with big wallets is not admonishable, as quite often it is the private links and networks of individuals who can really make a major difference to the advancement and growth of our charities and not-for-profit enterprises. The message is to be alert to the prospect if you are heading towards a charitable entity or limited liability public company operating for a beneficial purpose or public good.

- Final thought; how was the vacancy brought to your attention? Did you respond to an advertisement, were you approached by a head hunter, or were you nominated in some other way (by a colleague, peer or mentor, or by way of your role in a sponsoring organisation related to the membership)?

If you were nominated by reason of your organisational title or position, you are no less encouraged to do every bit of due diligence that any other person would do, should they be considered for an appointment on an arms-length basis. Your nominating organisation will not, and cannot, save you from the law or your own reputation if things go wrong on this Board.

The law, your peers and the community only have one view of your appointment, regardless of how you got there.

Be sure you are comfortable with the reasons given for any or all of the above before going too far down the appointment path. If you're told it's confidential as to why the vacancy has arisen, then I'd be pressing for more details or would seek feedback from the Chairman,

current Directors or the CEO (and don't forget immediate past Directors, should they be able to share these details with you). Let your intuition guide you here, as this is your very first taste of this Board and if you have doubts at this point, it's an opportunity to slow it down and research some more.

Quite simply, if the noise of doubt and uncertainty in your own head gets louder and louder as you progress through the pre-appointment process, there is no disgrace in bailing early and graciously. Don't get wrapped up in the fact that someone's chosen or nominated you for the appointment as the over-arching reason to accept the opportunity. Never feel indebted to any party to voluntarily take on a troublesome role that you could well do without. Whilst it's incredibly flattering in every case to be selected or nominated for a Board appointment, once you sign that Consent to Act the law and your community only sees you in one light – one that's fully accountable, and which comes with responsibility and obligations from which you will be unable to abdicate or delegate to others.

Some people may see it as a challenge or an undeniably magnetic opportunity to join the Board of a company that has reasonably sized or significant problems, irrespective of what those issues might be – not all Directors, for whatever reason, seek a sanitised or heavily secured appointment.

Understanding and testing your own risk appetite for a Board appointment is a very important element in your considerations.

CHECKLIST

- *Why has this opportunity come about? What has driven the recruitment?*
- *Do you feel comfortable with your level of knowledge about the answer given or which you've been able to find out?*
- *How was the opportunity introduced to you?*
- *How's your intuition doing?*

Everyone's path to appointment will have both commonalities and differences. As stated earlier, it comes down to how and why you were nominated and what the company's internal processes are for appointment. Take each case as it comes and take yourself through the due diligence process step by step until you reach an overwhelming or informed conclusion to go one way or another.