

# From the Chief Executive Officer

*In October, I was privileged to participate in the residential Company Directors' diploma course with the Australian Institute of Company Directors (AICD). My involvement in the course was discussed during my annual performance review earlier in 2004, and approved at the March meeting of Executive Committee. The five-day residential course is held at a number of venues around Australia, and it was most convenient for me to attend the one held at Werribee, half an hour's drive from Melbourne on the Geelong Road.*

The course comprises ten modules, covering the duties and responsibilities of directors, financial assessment of company performance, strategy formulation and risk management, and compliance issues in regard to contract law, intellectual property and trade practices. The course is capably led by knowledgeable and experienced consultants whose professional profiles include the directorship of several companies, along with business interests in accountancy, law or governance. Well-known corporate identities Henry Bosch AO and Don Mercer also led us in discussions on improving board effectiveness and emerging issues for directors.

The course was rigorous and demanding, and very stimulating. My participant-colleagues included directors of some well-known companies and senior managers in peak government and statutory authorities. Assessment consisted of an examination comprising forty multiple-choice questions and three short essays, plus a post-course 2000-word assignment.

In the past three years or so I have attended a number of sessions conducted by AICD ([www.companydirectors.com.au](http://www.companydirectors.com.au)) and I subscribe to the excellent and inexpensive publication *Good Governance*, produced by Boardworks International ([www.boardworksinternational.com](http://www.boardworksinternational.com)). This background in governance, plus my experience as the College's CEO, prepared me well for the course. Nevertheless, this formal learning opportunity expanded my understanding of governance issues rather more than I had expected. Governance structure and responsibilities have undergone significant changes in the past few years, and I am now in a position to see more clearly how these changes will impact on the College.

It is clear that heightened expectations of board performance and accountability apply as much to small, not-for-profit organisations as they do to large, listed commercial enterprises. Although board (Council) members of the College and other not-for-profit organisations are not paid for their contribution, they still carry a common duty and a set of responsibilities that must be honoured.

The role of the Council of the College is to provide well-informed and intelligent strategic leadership of the College *as a whole*. The Council is to take responsibility for the overall functions of the College, setting and monitoring its strategic directions, ensuring it is adequately resourced, overseeing its performance with reference to its mission, ensuring that compliance and risk management responsibilities are fulfilled, and being accountable to its members. Its role may be likened to taking a helicopter view of the College – looking at it from above and understanding how all the pieces fit together. This 'big picture' function is distinctly different from the day-to-day operational responsibilities which are managed by the CEO and staff of the College.

At its inception in 1978, the College adopted a board structure based on geographical representation, which was the model in vogue at the time. On face value this structure seems to symbolise organisational democracy – and it remained unquestioned in boardrooms for many years. However, governance thinking now takes the view that permanent membership on the board is not the only—nor even the best—way to give constituent members a voice. For example, in some organisations board-established advisory committees provide structured opportunities for members (especially members with limited time to spend on governance issues) to contribute to specific areas of

the organisation's activity. Another means of increasing member participation could be through special forums or focus group consultations to hear views on strategic issues being addressed by the board. Furthermore, it is increasingly argued that it is unrealistic to expect an individual board member to truly represent a particular category of member.

So how are boards commonly structured nowadays? The recent trend is to competency-based boards, with members selected on the basis of appropriate abilities rather than on whom or what they represent. This does not mean that the board members have particular content knowledge (in, for example, law or accounting), but rather that the board members understand the issues facing the organisation and are able to conceptualise possibilities, think strategically and contribute effectively to decision-making processes.

The starting point for consideration of possible board structures is a sound understanding of the expectations of the board and what it should do to enhance organisational performance. A clear articulation of each board member's role in value-adding to the organisation's current and future directions will facilitate this important endeavour.

The College's governance has moved forward in the past few years. However, this progress needs to keep pace with current increased expectations of company performance. My sense is that College governance structures and processes could benefit from review and follow-up actions.

**Eleanor Long**  
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