

Research to support the South Australia Innovation HUB – Effective Governance Project

Effective Governance: a comparative analysis

Identifying good governance and high performance

June 2015

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Effective Governance for Aged Care Providers: a comparative analysis

Abstract

The South Australia Innovation Hub (SA Hub) commenced in October 2014. Members of the SA Hub consisted of the ACH Group, Barossa Village Incorporated, Boandik Lodge Incorporated, Helping Hand Aged Care, James Brown Memorial Trust, Monrieth Aged Care Facility Limited, Wambone Proprietary Limited, Resthaven Incorporated, Southern Cross Care Incorporated (South Australia and Northern Territory), and The Society of Saint Hilarion Incorporated. The SA Hub was supported and governed by a Hub Working Group involving the Department of Social Services, the Australian Aged Care Quality Agency, the Aged Care Financing Authority and COTA together with four SA Hub member representatives.

Sharing and learning between the SA Hub members at board and management level, in liaison with the Hub Working Group, affirmed that good and better governance practice is a critical element to high performing organisations in aged care services. To explore what good and better governance is, the SA Hub, with the support of the Hub Working Group, established an SA Hub Governance Working Group in November 2014. The SA Hub Governance Working Group initiated a governance project which included a comparative analysis of key literature exploring what good and high performing governance is, and to develop a reference point and evidence base to effective governance. The project ran from November 2014 until June 2015. A literature search was conducted and key theoretical contexts identified in which a 'spectrum' for conceptualising board effectiveness was developed. Three governance models were selected for comparative analysis with results revealing good and high performance governance emphasises that procedural/structural aspects of how a board operates are as important as the people aspects of governance such as ethics, judgement and behaviour; the role of leadership, relationships and culture in boards. The project developed a set of principles for good and high performing governance for aged care providers and to assist the SA Hub Governance Working Group formulate an effective governance framework.

Keywords: Aged care providers, governance, board performance

Introduction

The 'basics of governance' are the essential functions that an organisation's board must undertake to direct achievement of purpose and maintain accountability. Corporate governance models focus primarily on the functional aspects of what a board does; the requirements align with procedural/structural aspects of how a board operates. The dynamic performance-related aspect of the board's role focuses on overarching structures and accountabilities (ASX Corporate Governance Council 2014).

Other governance models incorporate the key functions of a board but look beyond accountability; meeting compliance and ensuring financial safeguards. These principles introduce qualitative aspects. This places more emphasis on people and their ethics, judgement and behaviour; and the role of leadership, relationships and culture in board effectiveness (Australian Institute of Company Directors [AICD] 2013).

What is governance?

Corporate governance refers to the structures and systems within an organisation that steer it in achieving its purpose and hold it to account.

The Governance Institute of Australia (2015) website (<http://www.governanceinstitute.com.au/knowledge-resources/governance-foundations.aspx>) states:

Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance.

At a regional seminar on corporate governance for banks held in Hong Kong, June 2006, Grant Kirkpatrick from The Organisation for Economic Cooperation and Development (<http://www.oecd.org/daf/ca/corporategovernanceprinciples/37178663.pdf>) stated:

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

The ASX Corporate Governance Council (2014, p.3) uses the definition from Justice Owen in the HIH Royal Commission which states that corporate governance is:

The framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account.

One of the key precepts within these definitions is to separate the role of the board from management of the operations. McLellan (2011, p.2) cites a concise explanation of this distinction from Brendan Butler, SC; *If management is about running a business, governance is about seeing it is run properly.*

What is 'good governance'?

There are several sets of principles for corporate governance and good governance both in Australia and internationally. Some principles have been developed for specific sectors, such as banking or the community sector however the majority of models apply to a specific type of entity, either

publicly listed companies or not-for-profits. Good governance looks beyond accountability, meeting compliance and ensuring financial safeguards, and introduces qualitative aspects. This places more emphasis on people and their ethics, judgement and behaviour; and the role of leadership, relationships and culture in board effectiveness.

In its guidelines for not-for-profit organisations the Australian Institute of Company Directors (2013, p.7) explains:

Corporate governance refers to the systems and processes put in place to control and monitor – or ‘govern’ – an organisation. Good governance is embedded in the good behaviour and the good judgement of those who are charged with running an organisation.

The Code Steering Group (2011, p.4) in the United Kingdom melds governance with good governance:

Governance is about leadership, direction and supervision of an organisation, so that it is well run (or governed) and carries out the work it is set up to do. This involves planning for the future, guarding the organisation’s values and reputation, looking after the money and people and being accountable for the organisation’s actions and decisions.

Performance focused research recognises that an effective board needs to balance all aspects in the spectrum and in the right balance for the organisation, asking what the board does and how it operates. Good governance and performance focused models help to identify that there are activities that a board can use to identify and address cultural, leadership and related interpersonal factors in order to achieve high performance.

The inception of the South Australia Innovation Hub Governance Project

The South Australia Innovation Hub (SA Hub) commenced in October 2014 and involved ten South Australian aged care providers. Members of the SA Hub consisted of the ACH Group, Barossa Village Incorporated, Boandik Lodge Incorporated, Helping Hand Aged Care, James Brown Memorial Trust, Monrieth Aged Care Facility Limited, Wambone Proprietary Limited, Resthaven Incorporated, Southern Cross Care Incorporated (South Australia and Northern Territory) and The Society of Saint Hilarion Incorporated. The SA Hub was supported and governed by a Hub Working Group involving the Department of Social Services, the Australian Aged Care Quality Agency, the Aged Care Financing Authority and COTA Australia. Sharing and learning between SA Hub members at board and management level, in liaison with the Hub Working Group, affirmed that good and better governance practice is a critical element to high performing organisations in aged care services. To support further exploration of ‘good governance’, an SA Hub Governance Working Group was established in November 2014 and this project was born.

The SA Hub Governance Working Group aimed to shape Government policy by:

- Assisting Government to understand what better practice in aged care governance looks like, including the integration of consumer engagement.
- Developing better practice resources which may be used by Government to assist build industry capacity.
- Developing a governance framework which:

- ✓ recognises provider performance and supports market maturity through development of a resource - “a framework” - to support self assessment and continuous improvement towards high performance governance practice; and
- ✓ may be used by Government to augment earned autonomy criteria if it makes a decision to roll the policy out nationally; and
- ✓ provide advice to Government on the development and trial of alternative regulatory models such as co-regulation.

In developing a governance framework the governance project needed to explore the contemporary governance issues and areas of particular interest in an aged care provider context, considering the evidence of what is good governance, and to further improve SA Hub member governance processes. Instead of duplicating existing theory related to governance, acknowledging the quality of resources available, the SA Hub Governance Working Group aimed to integrate relevant theory and governance principles in identifying and developing a set of good and high performance governance principles.

Method

The comparative analysis aimed to explore what good and high performing governance is, and to develop a reference point and evidence base to effective governance for the SA Hub Governance Working Group to consider when building a model around effective governance for aged care providers. To identify the evidence for comparative analysis a grey literature search was performed using keywords such as governance principles, governance scorecards, balanced scorecard, good governance, board performance, organisational effectiveness. A search of literature from peak bodies and experts in governance was also performed.

Governance models were selected for analysis on the basis of collectively representing:

- the Australian context (or potential to be adapted for)
- publicly listed and not-for-profit entities
- mandatory and voluntary models
- different approaches to governance issues
- different structures for example the number of principles and how the issues are grouped.

An initial review of various sources identified key themes; these were used to select sources for more detailed review. During the literature review process, three models were selected as the theoretical context to develop a ‘spectrum’ for conceptualising board effectiveness. The spectrum uses the theories of Willcoxson (2000), Hilmer and Tricker (1991) and Wheatley (as cited in Zuieback 2012) as the basis for two continuums to further develop a conceptual frame. Hilmer and Tricker (1991) mark one end of the continuum of ‘what the board does’. Wheatley’s (2010) Six Circle Model represent the continuum of ‘how the board operates’ and Willcoxson (2000) gives a frame to consider both continuum’s; the rational and the humanistic approach. Further models (refer Appendix 4, 5 and 6) were identified within the process of selecting governance models which assisted to inform a list of characteristics of high performing boards.

The spectrum developed to perform the comparative analysis centres on the following:

- What the board has to do;
 - who the board is responsible and accountable to and its roles
 - the functions the board performs – setting direction and delivering the purpose of the organisation

- the functions the board performs – compliance and accountability.
- How the board operates;
 - structures, size and composition, specialist roles/duties, meetings, decision making, percentage executive and non-executive directors
 - who should be on the board – types of experience and skills, balance of experience/independence, diversity, representation
 - board effectiveness.
- Culture and internal and external dynamics.

The spectrum provided a framework to highlight points of comparison between the disparate models and helped to maintain focus on key themes of good governance and high performance (refer Appendix 1). Secondly a table providing a brief outline of the structures and activities that are recommended or required for each principle was developed (refer Appendix 2). This provides more explanation of the intent of each model and its approach to putting the principles into practice. In order to show the related content in proximity the table also groups the principles under three broad headings and several subheadings. The principles were ordered using these headings and numbered to cross reference to the original principles in the first step of the analysis (refer Appendix 1).

Results

The three theoretical constructs that helped to conceptualise and create the spectrum used to perform the comparative analysis were authored by Willcoxson (2000), Hilmer and Tricker (1991) and Tricker (2010). The following briefly describes each of the theoretical constructs briefly.

Willcoxson (2000) Rational vs. Humanistic Model

Willcoxson (2000) identified two overarching theoretical models for high performance; the rational approach and the humanistic approach. Both models can be applied to governance systems.

The rational approach focuses on organisational structures and functions such as interpreting markets and opportunities, remuneration, productivity, financial returns. Success typically refers to specific goals. Continuous improvement initiatives are identified by highlighting problems in the structures and targeting them with an ordered and planned approach. This approach takes a view point that complex systems can be managed and manipulated in a rational manner.

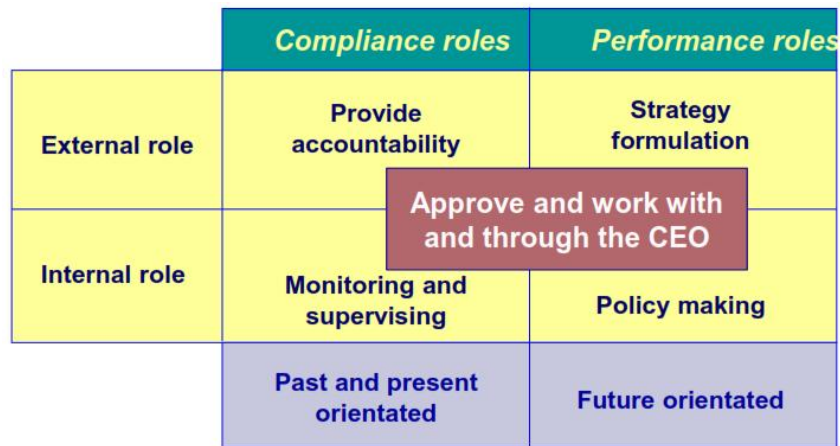
The humanistic approach focuses on values, trust, empowerment, people and relationships. It acknowledges the complex system of interdependences that makes up an organisation (or board). Success and improved performance therefore relies on organisational culture, people and the participative processes. This approach recognises that defined structures and functions alone are not sufficient for high performance, that human interaction and values are the enablers of high performance.

Hilmer and Tricker (1991) Framework for Analysing Board Activities

Hilmer and Tricker (1991) developed a framework involving four essential functions of corporate governance (refer Figure 1) with a central process of working with and through the Chief Executive Officer (CEO).

This framework captures key functions that the board should undertake in order to meet its responsibilities. The functions reflect the board's role in representing the 'owners' of the organisation by overseeing the organisation's management.

Figure 1: Framework for Analysing Board Activities



Source: F Hilmer and R I Tricker 1991 (cited in Tricker 1994, p.408)

Typically a board provides this oversight by:

- setting the direction of the organisation and managing financial and other risk
- setting/approving policies and procedures appropriate to the organisation
- ensuring compliance and accountability
- monitoring the performance of the CEO and the organisation as a whole
- working with and through the CEO.

Hilmer and Trickers (1991) framework favours the rational approach outlining the board’s role in supporting the visible processes and structures of the organisation. These are things that are suggested for good governance however on their own they do not guarantee that the governance will be good. For example the functions might be performed poorly or not be aligned to the organisation’s purpose.

The functions focus on guiding and supervising how the organisation operates and delivers on its mission. They do not however recognise that the board also has to manage how it operates, performs and conducts itself; and undertake activities to support its own effectiveness.

Tricker (2010) Twenty Steps to Better Corporate Governance

Hilmer and Trickers (1991) Framework for Analysing Board Activities model is still widely considered however Tricker in his later research explored the role that governance failures played in the global financial crisis during 2007 and 2008 by consulting with nine corporate governance academics and professionals worldwide. Tricker identified a number of lessons to be learned listing these in his paper ‘Twenty Steps to Better Corporate Governance’ (2010).

The twenty steps can be grouped into three broad categories:

- Supporting board capacity and capability – having clearly defined roles and expectations, ensuring board members have appropriate skills and levels of understanding to perform the roles, transparency and sufficiency of information
- Embedding leadership and ethics – recognising the organisation within society (corporate social responsibility), embedding desired leadership qualities in key board and management

roles, monitoring relationships to ensure appropriate boundaries and value to the organisation

- Monitoring and improving the board's own performance.

Wheatley (as cited in Zuieback 2012) Six Circle Model

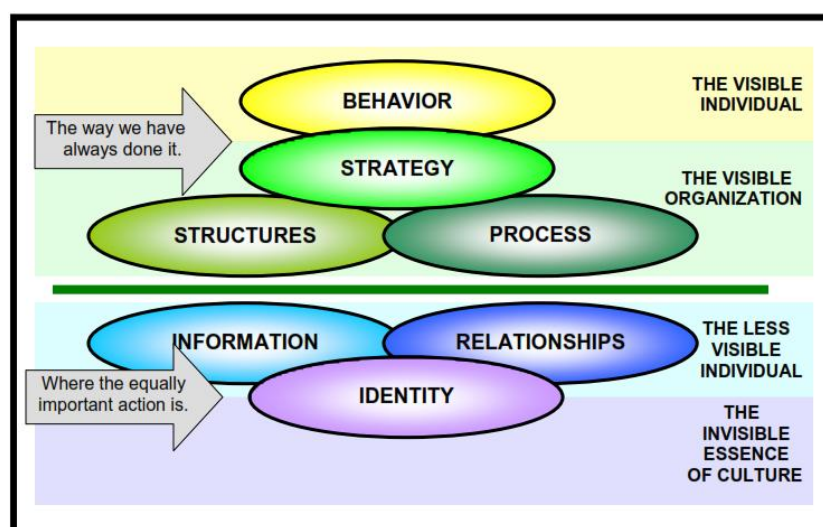
Wheatley (as cited in Zuieback 2012) Six Circle Model (refer Figure 2) recognises that not everything in an organisation can be planned and controlled. Wheatley's model identifies two key areas of an organisation; the visible and the less or invisible functions of an organisation. These are portrayed in the model as either above or below a green line. The visible organisation includes strategy, structures and process areas of how an organisation operates. Typically they can be managed and are the focus of traditional business systems and governance requirements. These activities align to the rational approach.

Wheatley recognises that every organisation will also have some self-organising aspects and these will be influenced by the three circles that are 'below the green line'; self organising and based on informal personal, cultural and relational realities of the organisation. The final circle is 'behaviour' which is the organisations visible performance resulting from the total visible and less visible functions. In effect behaviour represents an organisations values and it is these values that will direct the above and below green line governance directives within it.

Zuieback (2012) in exploring the Six Circle Model explains the aspects highlighted as 'below the green' (Information, relationships and identity) as relating to:

- Information – how information is shared, how it is used, how it is accessed and it's transparency
- Relationships – how the organisation values people, creates opportunities for collaboration and connectivity across the whole system and the overall wellbeing of people in the organisation
- Identity – the shared purpose, meaning and values shared between people and across the organisation; personal motivation and commitment can arise from the sense of identity.

Figure 2: Wheatley (as cited in Zuieback 2012) Six Circle Model



Wheatley's model recognises that in a complex system and context it is important to create the conditions that encourage action 'below the green line' that works for the organisation. As Gladwell & Malcolm (n.d.) state; "Establishing a culture that values what happens 'below the green line' can help the system to self-organise so that it operates effectively above the line".

This model can be applied to the structure within an organisation including the board. A board generally focuses on visible activities of an organisation such as procedures and structures however the less or invisible aspects of Wheatley's model greatly affect its performance and will influence the shape of the visible activities it governs.

Governance models selected for comparative analysis

Three models were selected for comparative analysis based on the selection criteria of being applicable to; an Australian aged care context, publicly listed and not-for-profit entities, mandatory and voluntary models, and having different approaches and structures to governance issues. The models selected were:

1. Corporate Governance Principles and Recommendations (ASX Corporate Governance Council, 2014)
2. Good Governance Principles and Guidance for Not-for-Profit Organisations (AICD, 2013)
3. Good Governance: A Code for the Voluntary and Community Sector (The Code Steering Group, 2011)

Implications for good governance

Considering the theories from Hilmer and Tricker (1991), Tricker (2010) and Wheatley (as cited in Zuieback 2012) a spectrum was developed to provide a more wholistic view of a board's governance role and performance. Overlaying the two continuums in the framework (what the board does and how it operates) gives a visual representation of the broad spectrum of roles and activities of an effective board (refer Figure 3).

Various models of governance and board performance can then be seen to sit in different positions in the spectrum, based on the types of board functions and ways of operating that they deem important. Hilmer and Tricker (1991) represent the key functions of a board in overseeing the organisation. This is a significant part of what a board does but not all of it. In terms of how a board operates, typically these functions lend themselves to structural and procedural activities therefore Hilmer and Tricker's framework would sit primarily in the top left area of the spectrum (Figure 4).

Tricker (2010) incorporates the people and performance side of the board's activities. It extends what the board does along the functional continuum into a dynamic area where people, skills and information intersect. It also extends how the board operates from a focus on structures and processes into the personal and relational area where the quality of leadership, relationships and culture play a role. Considering this Tricker extends the board's role on both continuums and represents a more balanced sphere of activity in the spectrum (Figure 5).

The challenge for good governance and high performing boards is to consider and address all of aspects of the spectrum in the right balance.

Figure 3: Spectrum based on Hilmer and Tricker (1991), Tricker (2010) and Wheatley (as cited in Zuieback 2012)

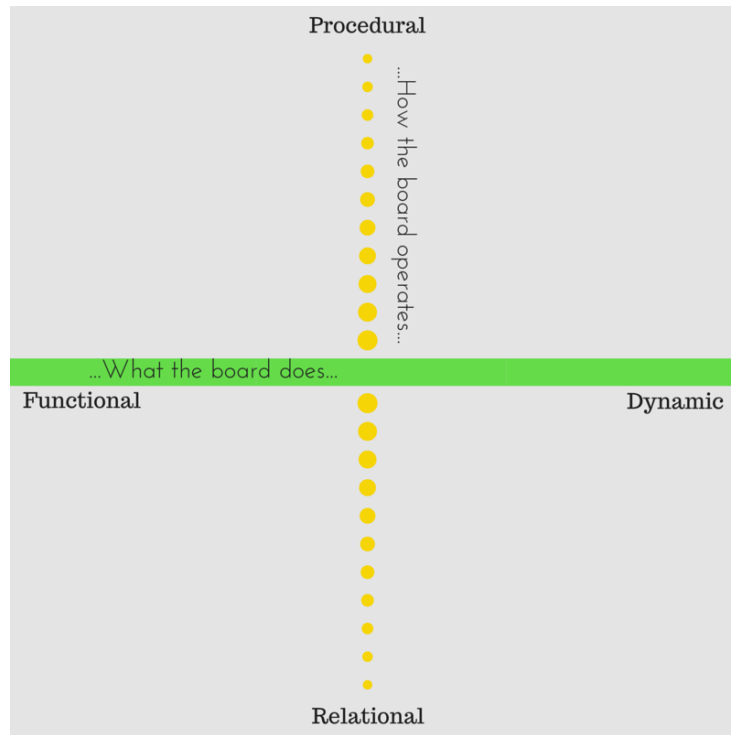


Figure 4: Hilmer and Tricker (1991) Framework for Analysing Board Activities on the spectrum

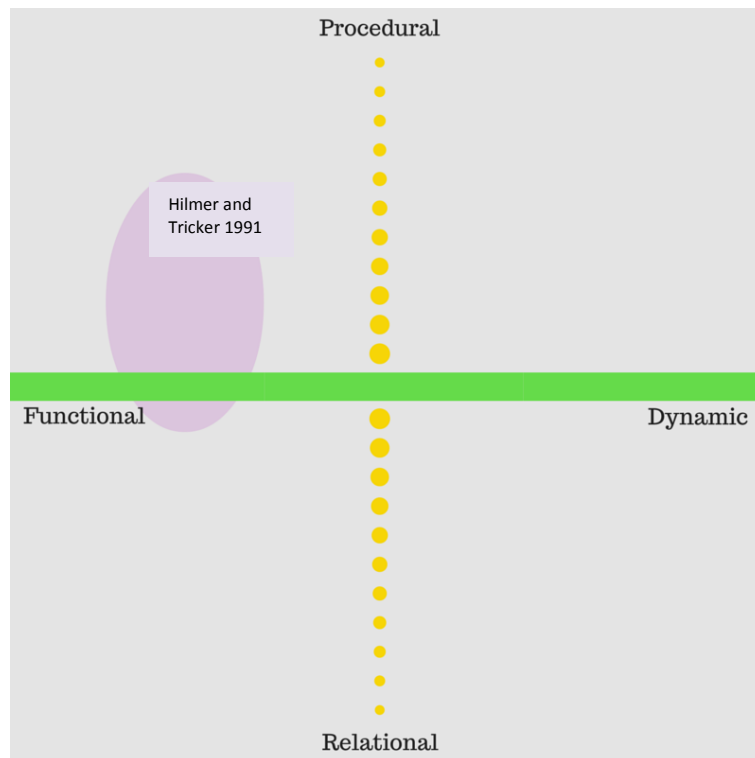
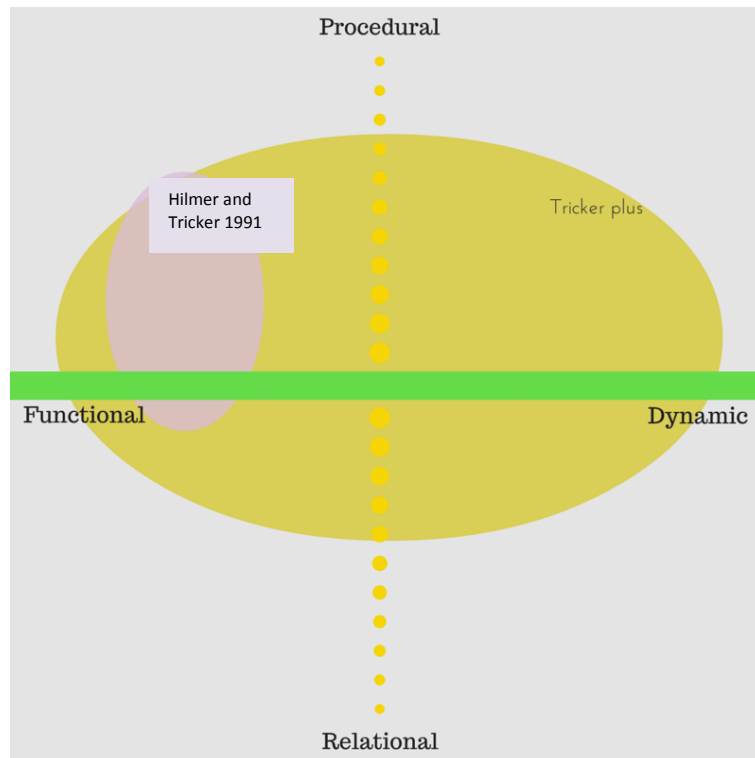


Figure 5: Tricker's (2010 [aka Tricker Plus]) Twenty Steps to Better Corporate Governance on the spectrum



Common Principles of Good Governance

A high performing board is one that achieves the right balance across the spectrum; aligned to the organisation's mission and current needs. The comparative analysis (refer Appendix 1 & 2) identified key areas of commonality between the corporate and not-for-profit governance models as follows:

Functions

The required functions of a board are:

- setting policy, direction and strategy and monitoring progress
- oversight of accountability and compliance
- risk management
- monitoring and supervision of operational management
- working with the CEO

Clarity of roles

The need to clearly define:

- the role of the board as distinct from operational management
- fiduciary duty – the best interests of the organisation
- stewardship – working on behalf of owners

- duties of board members and any specialist roles e.g. Chair, company secretary
- delegations of authority to CEO and management

Structures and procedures

The need to:

- define policies and procedures covering key aspects of the board's responsibilities, including:
 - setting policy, direction and strategy and monitoring progress
 - financial accountability
 - meeting legal and other compliance requirements
 - roles and responsibilities of board members
 - eligibility requirements and appointment processes for board members
 - induction and professional development support
 - conflict of interest
 - risk management
- determine the size and makeup of board appropriate to the organisation's legal entity and mission
- ensure sufficient skills, experience, independence and appropriate diversity on the board
- ensure meetings are well planned, scheduled and well managed to facilitate participation and informed decision making.

Some of the differences between the models reflect the different legal entities and related requirements. For example:

- the not-for-profit principles make reference to managing 'role confusion' whereby a director might legitimately have a role in the organisation's operations
- the ASX Corporate Governing Council (2014) principles have a strong focus on the financial and ethical accountabilities that arise from shareholder ownership.

The other differences are primarily in the area of how the board operates and highlight areas that can help a board move into high performance. The not-for-profit models place more emphasis on ethics, culture and leadership. They also take a different approach with more focus on 'below the green line' activity that can promote desired behaviour.

The differences are sometimes subtle and can be embedded in different use of language and terminology.

Use of structures and procedures

Structures and procedures are a feature of both types of model. However there are differences in how they are applied.

The AICD (2013) principles recommend the use of committees and/or other structures in order to support board effectiveness. The structures can provide support by sharing the workload, providing focus and/or providing advice to the full board. This use of structures sits on the dynamic side of what a board does. This is somewhat below the green line; to the extent that the structures and procedures actively support people's performance and capacity to contribute.

However the ASX Corporate Governing Council (2014) principles position committees as playing a significant role in accountability. Certain committees are required and must meet specifications about the independence of members, clear definition of functions, meetings held and attendance. And disclosure (reporting) is required on each of these factors. In this respect the use of committees focuses above the line and on the functional side of the spectrum.

Culture, ethics and relationships

The ASX Corporate Governing Council (2014) acknowledges the role of ethics and personal traits in board effectiveness. It recognises that acting ethically and responsibly.....

Goes beyond mere compliance with legal obligations and involves acting with honesty and integrity and in a manner that is consistent with the reasonable expectations of investors and the broader community (p.19).

It also acknowledges that good corporate governance depends on the personal integrity of those on boards and in management, but that this can't be legislated. However the requirement is to have a code of conduct for directors and senior management and to disclose this. The code of conduct must be:

- a meaningful statement of core values
- promoted as such across the organisation
- reinforced with training and, if required, disciplinary action.

This approach is predominantly above the line, using structures and procedures to promote desired board behaviour. However it does incorporate promotion and training as means to engender desired culture and behaviour and to this extent reflects some below the green line activity.

In contrast the not-for-profit models outline specific ways in which a board can operate below the green line to influence culture and behaviour. The AICD (2013) not-for-profit model acknowledges that the board can take action to promote a healthy culture. These include training and codes of conduct. But they also include activities such as:

- modelling desired behaviours such as respectful communications, investing adequate time and commitment to meetings
- encouraging and facilitating open conversations on the values of the organisation
- challenging undesirable practice and behaviour
- team-building exercises
- changing how success is rewarded/celebrated.

The UK good governance code (The Code Steering Group 2010) also recognises activities that can support effective board culture and relationships:

- investing sufficient time in developing positive working relationships within the board and with CEO and senior staff
- acting quickly and positively to deal with any relationship strains/breakdowns and using external mechanisms as needed
- reflecting on performance and functioning of board and making improvements
- linking ethics, reputation and delivering on organisation's purpose

Engagement with stakeholders

Stakeholder engagement is highlighted in the good governance models. Effective engagement maintains two way communications with stakeholders to gather useful information, provide information, promote good relationships and reputation and handle complaints. Activities to support engagement include:

- applying equality and diversity principles by using plain language, community languages, audio/Braille to ensure information and meetings are accessible
- using information from stakeholders and complaints to inform planning and decision making
- developing policies and practices to facilitate engagement with stakeholders, encourage participation and support transparent communications
- defining the appropriate approach for the organisation – ranging from providing clear information in the annual report to formal stakeholder analysis and engagement strategies.

However, in the ASX Corporate Governance Council (2014) corporate governance model the focus is on communicating with security holders with the aim of encouraging participation at meetings, ensuring informed decision making and protecting their rights.

Based on these commonalities and differences the corporate governance and good governance models could be positioned in the spectrum as shown in Figure 6.

The characteristics of a high performance board highlight a dynamic process incorporating regular review, analysis and targeting of activity to address identified issues and needs and can be represented as a continuum that moves through all sections of the spectrum (Figure 7).

Figure 6: Governance models in the spectrum

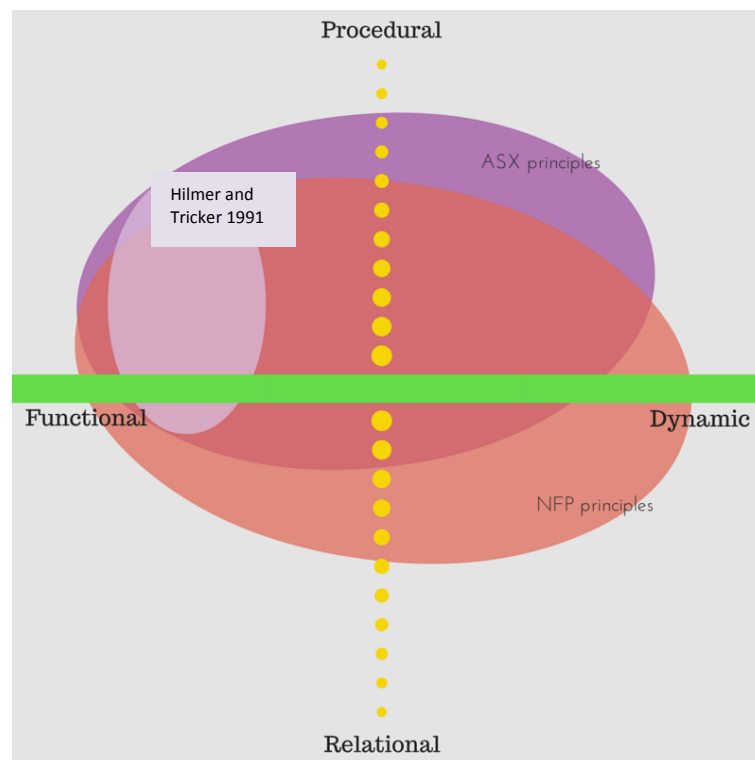
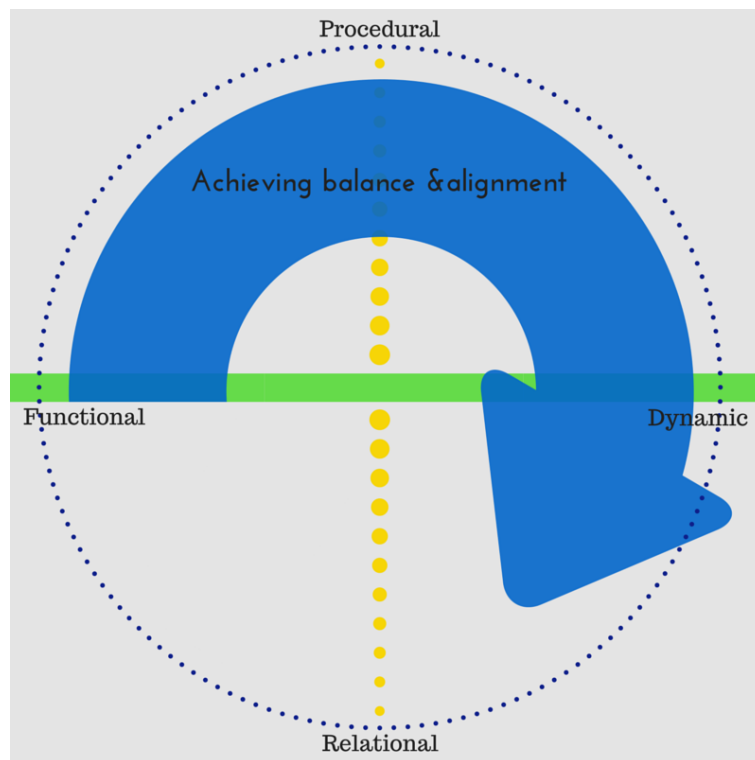


Figure 7: Achieving balance and integration



Discussion

Finding the balance between structural and procedural activities and those that work below Wheatley's (as cited in Zuieback 2012) green line (information, relationships and identity) is challenging. Above the green line a board can use procedures, processes and structures that help to define, manage and control behaviour and outcomes. A board's function of setting direction can be well supported by strategic planning processes and procedures for monitoring and reviewing the plan. Similarly compliance and accountability functions are supported by board procedures and controls. These reflect a functional and procedural focus. But procedures will only be implemented correctly by people who are motivated to do so. Activities that influence motivation primarily sit below the green line. They are less easy to define because they are based on personal interactions and relationships.

Moving toward the dynamic people-side of what the board does will not necessarily bring things into balance. The board might focus on establishing its optimal mix of skills for effective performance. The board might tackle this procedurally, for example, with a skills matrix, induction processes and recruitment procedures. But while this moves the focus along the green line it does not encompass any 'below the green line' activity; the tactics being used are still above the line/rational and may not be sufficient to achieve the desired outcomes.

This is the challenge for good governance and board high performance. Tricker (2010), Wheatley and other scholars (Murray & Harrison 2014; Mitchell & Switzer 2012; Heidrick and Struggles 2014) support that making improvements 'below the green line' is key to creating a culture and providing the conditions where a board can achieve good governance. This is not to say that structures and procedures should be abandoned. All of the factors are interdependent rather than mutually

exclusive. The challenge is to integrate them in the right balance to support the effectiveness of the board and the organisation.

Activities that influence motivation primarily sit below the green line. They are less easy to define because they are based on personal interactions and relationships. Moving toward the dynamic people-side of what the board does will not necessarily bring things into balance. The board might focus on establishing its optimal mix of skills for effective performance. The board might tackle this procedurally, for example, with a skills matrix, induction processes and recruitment procedures. But while this moves the focus along the green line it does not encompass any 'below the green line' activity; the tactics being used are still above the line/rational and may not be sufficient to achieve the desired outcomes.

The differentiating features of high performance distilled from this project during the comparative analysis are described below:

Quality and availability of board information

- identify specific information needed to achieve board's role and organisation's mission
- ensure access to accurate, complete and timely information in language and formats that are appropriate to the board's membership mix
- ensure that information enables the board to
 - participate fully in processes and make informed decisions
 - understand their roles, rights and responsibilities

Culture, ethics and relationships

- detailed analysis of overt and underlying cultural and ethical factors such as
 - pressures and incentives
 - interpersonal dynamics
 - core groups and key influencers
 - frequency and types of communication to foster desired behaviour
 - level, visibility and consistency of organisational commitment and support
- identify where and how to foster cultural change including procedural and relational activities
- promote and reward open dialogue, constructive challenge and reporting of concerns and prevent negative consequences
- ensure frequent discussion and communication of values, ethics and related issues
- identify specific leadership skills and attributes needed and manage how to achieve them
- recognise the leadership style and personal skills of CEO and Chair and other key influencers and how they can be used to influence culture and ethics
- model desired ethics and behaviour consistently

Communications and engagement

- provide anonymous or confidential options for reporting concerns and contributing to evaluation of board performance and culture
- identify stakeholders and communications strategy with consideration of:
 - stakeholder rights for example shareholder voting rights

- the value of two-way communications to reputation and ability to achieve organisation's mission
- ensure frequent discussion and communication of values, ethics and related issues and processes

Board performance and resourcing

- support board capacity and capability through targeted proactive processes to identify and address issues including
 - development of knowledge and skills including interpersonal skills and ethics
 - barriers to participation in meetings, discussions, decision making
 - independence in decision making
 - mix of skills and diversity
- regularly evaluate board's culture and performance, including individual and team performance, using an external facilitator on appropriate schedule (typically every 2 to 3 years)
- provide adequate resourcing of board in areas such as:
 - secretariat and administrative support
 - timely provision of appropriate information
 - frequency and location of meetings
 - IT support
 - use of committees, panels and external advice and other structures
 - planning and running meetings to ensure sufficient time to consider information and discuss issues
- provide anonymous/confidential options for input into evaluations of board culture and individual and board performance.

Conclusion

From the onset the SA Hub Governance Working Group aimed to explore what good and high performing governance is and this study has met this through identifying and developing the above mentioned high performance governance principles. There are many similarities between the corporate governance and good governance models reviewed in this study. Arguably these can be taken as the basics of good governance. The models cover a range of issues that sit along the functional-dynamic continuum of what a board does. The comparative analysis highlighted that high performance manifests from the behaviour and ethics of individual board members; supported by board leadership and culture. A system for good governance sets the foundation of structures, expectations and activities on which high performance can be built. High performance of a board relies on achieving the right balance of the diverse aspects of what a board does and how it operates. In doing so a high functioning board requires adaption to identify and achieve the right balance to govern and reflect an aged care provider's mission, context and culture.

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Table 1. Key aspects of governance principles and guides selected for comparison analysis

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector (The Code Steering Group)
<ol style="list-style-type: none"> 1. Lay solid foundations for management and oversight A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated. 2. Structure the board to add value A listed entity should have appropriate size, composition, skills, commitment to discharge its duties effectively. 3. Act ethically and responsibly: A listed entity should act ethically and responsibly. 4. Safeguard integrity in corporate reporting A listed entity should have formal and rigorous processes that independently verify and safeguard integrity of reporting. 5. Make timely and balanced disclosure A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. 6. Respect the rights of security holders 	<ol style="list-style-type: none"> 1. Roles and responsibilities There should be clarity regarding individual director responsibilities, organisational expectations of directors and the role of the board. 2. Board composition A board needs to have the right group of people, having particular regard to each individual's background, skills and experience and how the addition of an individual builds the collective capability and effective functioning of the board. 3. Purpose and strategy The board plays an important role in setting the vision, purpose and strategies of the organisation, helping the organisation understand these and adapting the direction or plans as appropriate. 4. Risk – recognition and management By putting in place an appropriate system of risk oversight and internal controls, boards can help increase the likelihood that their organisation will deliver on its purpose. 5. Organisational performance The degree to which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the board determining and assessing appropriate performance categories and indicators for the 	<ol style="list-style-type: none"> 1. An effective board will provide good governance and leadership by understanding their role. 2. An effective board will provide good governance and leadership by ensuring delivery of organisational purpose. 3. An effective board will provide good governance and leadership by working effectively both as individuals and as a team. 4. An effective board will provide good governance and leadership by exercising effective control. 5. An effective board will provide good governance and leadership by behaving with integrity. 6. An effective board will provide good governance and leadership by being open and accountable.

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector (The Code Steering Group)
<p>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p> <p>7. Recognise and manage risk A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</p> <p>8. Remunerate fairly and responsibly A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and align their interests with the creation of value for security holders.</p>	<p>organisation.</p> <p>6. Board effectiveness A board’s effectiveness may be greatly enhanced through: careful forward planning of board-related activities; board meetings being run in an efficient manner; regular assessments of board performance; having a board succession plan; and the effective use of sub-committees, where appropriate.</p> <p>7. Integrity and accountability It is important that the board have in place a system whereby: there is a flow of information to the board that aids decision making; there is transparency and accountability to external stakeholders; and the integrity of financial statements and other key information is safeguarded.</p> <p>8. Organisation building The board has a role to play in enhancing the capacity and capabilities of the organisation they serve.</p> <p>9. Culture and ethics The board sets the tone for ethical and responsible decision making throughout the organisation.</p> <p>10. Engagement The board helps an organisation to engage effectively with stakeholders.</p>	

Table 2. Comparison analysis of governance principles and guides

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
What the board has to do		
Who the board is responsible and accountable to and its roles		
<p>Lay solid foundations for management and oversight (1)¹</p> <p>A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</p> <p>How</p> <ul style="list-style-type: none"> • define the roles and responsibilities of board and management • roles are typically to appoint CEO/management, oversee compliance and disclosure, set remuneration framework, risk management framework and specific role of company secretary • have policies for board appointments, evaluations, diversity • have written agreements to ensure directors are clear about their role and time 	<p>Roles and responsibilities (1)</p> <p>There should be clarity regarding individual director responsibilities, organisational expectations of directors and the role of the board.</p> <p>How</p> <ul style="list-style-type: none"> • define role of board in charter and protocols • roles are typically to determine purpose vision and values, approve strategies and budgets, provide a check on integrity of financial and other reports, monitoring the management of the organisation, provide risk oversight, represent the interests of the organisation (not a stakeholder group) • provide letters of appointment and induction/orientation to ensure directors are clear about their role • support effective engagement with key 	<p>An effective board will provide good (1) governance and leadership by understanding their role.</p> <p>Board members have a duty to act within the legal and regulatory frameworks that apply to the organisation.</p> <p>The board sets the culture of the organisation and leads by example. The ethos of the organisation underpins the delivery of its activities/services and achievement of objectives.</p> <p>How</p> <ul style="list-style-type: none"> • understand collective and individual roles and responsibilities in relation to legal duties, stewardship of assets, meeting the provisions of the governing document, the external environment, purpose and structure of the organisation • role is typically to set and safeguard vision, values and reputation of organisation,

¹ This is the original number of the principle within its model

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
<p>commitments</p> <ul style="list-style-type: none"> • disclose policies and where applicable the progress against them • ensure security holders have adequate information on electing directors 	<p>stakeholders</p> <ul style="list-style-type: none"> • provide clarity where role confusion might arise e.g. when a director ‘wears two hats’ in an organisation • have clear delegations of authority from board to CEO/management 	<p>oversee the work of the organisation, manage and support staff and volunteers if applicable</p> <ul style="list-style-type: none"> • define roles and mechanisms for supervising and working with the CEO • ensure independence of board decision making • provide information, induction, training, guidance to members • distinguish between strategic and operational matters and manage ‘wearing two hats’

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
The functions the board performs – setting direction and delivering the purpose of the organisation		
	<p>Purpose and strategy (3)</p> <p>The board plays an important role in setting the vision, purpose and strategies of the organisation, helping the organisation understand these and adapting the direction or plans as appropriate.</p> <p>How</p> <ul style="list-style-type: none"> • define and periodically review the vision and purpose of the organisation • articulate vision and purpose in the constitution/charter and communicate to stakeholders • develop strategies to and plans to achieve the vision and purpose • ensure decisions and activities align with strategy • ensure management reports on progress against strategic plan 	<p>An effective board will provide good governance and leadership by ensuring delivery of organisational purpose (2)</p> <p>The organisation’s purpose is its reason for being and the board must make decisions that best help to fulfil that purpose.</p> <p>How</p> <ul style="list-style-type: none"> • align activities with the organisation’s governing document and any relevant legal requirements • identify and consider information that is needed to deliver purpose • monitor whether purpose remains relevant and valid and identify any action to be taken • develop agreed long term strategy • agree operational plans and budgets • monitor progress and spending against plan and budget • evaluate results, assess outcomes and impact • review and amend plan and budget as appropriate

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<p>Organisational performance (5)</p> <p>The degree to which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the board determining and assessing appropriate performance categories and indicators for the organisation</p> <p>How</p> <ul style="list-style-type: none"> • select financial and non-financial performance indicators/measures as part of the strategic planning process • ensure they are meaningful, measurable, are timely and cost effective to produce, allow useful comparisons • identify and plan for resources needed to implement strategic plans 	
	<p>Organisation building (8)</p> <p>The board has a role to play in enhancing the capacity and capabilities of the organisation they serve</p> <p>How</p> <ul style="list-style-type: none"> • appoint and manage performance of CEO and senior executives • ensure CEO skills and experience suit current and future organisation requirements • ensure CEO is accountable to board 	

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<ul style="list-style-type: none"> • oversee/contribute to organisation’s human resources planning • ensure induction and appropriate training for volunteers 	
<p>Recognise and manage risk (7)</p> <p>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</p> <p>The board of a listed entity is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives.</p> <p>How</p> <ul style="list-style-type: none"> • have a framework to manage risk on an ongoing basis • have a committee that meets requirements for independence to oversee risk • disclose its charter, meetings held and attendance • if no committee disclose alternate mechanisms for overseeing risk • disclose any internal audit functions or processes it employs for evaluating and improving risk management and internal controls 	<p>Recognition and management of risk (4)</p> <p>By putting in place an appropriate system of risk oversight and internal controls, boards can help increase the likelihood that their organisation will deliver on its purpose.</p> <p>How</p> <ul style="list-style-type: none"> • have policies and procedures to identify and manage risk • recognise risk across all areas e.g. financial, compliance, operational, reputational, strategic • determine risk appetite • access external advice as appropriate to identify, manage and mitigate risk • ensure management reports on management of risk 	<p>An effective board will provide good governance and leadership by exercising effective control (4)</p> <p>The board provides leadership and oversight to ensure that everyone who acts on behalf of the organisation is complying with the board’s directions and relevant legal requirements.</p> <p>How</p> <ul style="list-style-type: none"> • ensure that the organisation complies with all legal and regulatory requirements • maintain and review effective internal financial and management controls • identify, review and manage risk • supervise delegations of authority • review board structures and operations • take professional advice where needed

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
<ul style="list-style-type: none"> disclose any exposure to economic, environmental and social sustainability risks and if so how it manages them 		
The functions the board performs – compliance and accountability		
<p>Safeguard integrity in corporate reporting (4)</p> <p>A listed entity should have formal and rigorous processes that independently verify and safeguard integrity of reporting.</p> <p>How</p> <ul style="list-style-type: none"> have an audit committee that meets requirements for independence to review corporate reporting, verify financial statements and oversee audit arrangements disclose its charter, meetings held and attendance if no committee disclose alternate mechanisms 	<p>Integrity and accountability (7)</p> <p>It is important that the board have in place a system whereby: there is a flow of information to the board that aids decision making; there is transparency and accountability to external stakeholders; and the integrity of financial statements and other key information is safeguarded.</p> <p>How</p> <ul style="list-style-type: none"> ensure management regularly reports on progress against purpose, plans, projects, financial measures, risk and compliance ensure the board has sufficient information and skills to assess financial and non-financial performance clear understanding and agreement with board and management on roles and responsibilities, accountabilities, how effectively the board operates and how effectively the board interacts with management communication of purpose internally and 	

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<p>externally</p> <ul style="list-style-type: none"> ensure integrity of financial reports e.g. committee, internal audit function, external expertise, board financial literacy 	
<p>Make timely and balanced disclosure (5)</p> <p>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</p> <p>How</p> <ul style="list-style-type: none"> have and disclose policy for complying with disclosure obligations policy should address the specified issues 		
<p>Respect the rights of security holders (6)</p> <p>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p> <p>How</p> <ul style="list-style-type: none"> provide specified information about the company and its governance to investors via its website implement investor relations program providing two way communications 		

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
<ul style="list-style-type: none"> • disclose policies and processes to encourage participation at meetings of security holders • offer electronic communication options 		

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
How the board operates		
<p>Structures, size and composition, specialist roles/duties, meetings, decision making, percentage executive and non-executive directors</p> <p>Who should be on the board – types of experience and skills, balance of experience/independence, diversity, representation</p> <p>Board effectiveness</p>		
<p>Structure the board to add value (2)</p> <p>A listed entity should have appropriate size, composition, skills, commitment to discharge its duties effectively.</p> <p>How</p> <ul style="list-style-type: none"> • have a committee that meets requirements for independence to make recommendations about board recruitment and induction and succession planning, • disclose its charter, meetings held and attendance • if no committee disclose alternate mechanisms • have and disclose a board skills matrix outlining current and planned mix of skills and diversity • regularly assess the independence and potential conflicts of interest of each director and disclose any issues and the outcome • disclose names of independent directors and 	<p>Board composition (2)</p> <p>A board needs to have the right group of people, having particular regard to each individual’s background, skills and experience and how the addition of an individual builds the collective capability and effective functioning of the board.</p> <p>How</p> <ul style="list-style-type: none"> • determine and review optimal size of board and duration of terms, within requirements of governing document, to balance the ability to deliberate and make decisions with breadth of experience • determine the desired mix of skills, knowledge, experience for an effective board • consider balance of expertise suited to the organisation e.g. legal, financial, strategic planning, managing people and change, fundraising, sector-specific, risk management • define transparent procedures for nomination, selection, retirement and 	<p>An effective board will provide good governance and leadership by working effectively both as individuals and as a team (3)</p> <p>The board has a range of policies, procedures, knowledge, attitudes and behaviours to enable individuals and the board to work effectively.</p> <p>How</p> <ul style="list-style-type: none"> • comply with relevant legal/statutory and governing document requirements • recruit board members to meet changing needs for skills experience and diversity • provide information, induction, training, guidance to members • distinguish between strategic and operational matters and manage ‘wearing two hats’ • provide induction and appropriate professional development • review performance individually and as a team

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
<p>length of service of each director</p> <ul style="list-style-type: none"> • have a majority of independent directors • ensure that the Chair is an independent director and not the CEO of the organisation • provide induction for new directors and appropriate professional development to ensure they have the skills and knowledge needed to perform effectively 	<p>removal of members</p> <ul style="list-style-type: none"> • plan for board succession and renewal • recognise the need for Chair to have leadership qualities, the confidence of the board, productive relationship with management, conduct effective meetings • agreed protocol on how CEO is to interact/interface with the board 	<ul style="list-style-type: none"> • reflect on performance and functioning of board and make improvements as appropriate • hold sufficient well managed meetings • invest sufficient time in developing positive working relationships within the board and with CEO and senior staff • act quickly and positively to deal with any relationship strains/breakdowns using external mechanisms as appropriate • eligibility requirements and conflict of interest
	<p>Board effectiveness (6)</p> <p>A board’s effectiveness may be greatly enhanced through: careful forward planning of board-related activities; board meetings being run in an efficient manner; regular assessments of board performance; having a board succession plan; and the effective use of sub-committees, where appropriate.</p> <p>How</p> <ul style="list-style-type: none"> • define board structures and any use of advisory panels, technical experts, sub-committees • use sub committees as appropriate to share workload or focus on specific issues with clear terms of reference, regular review of 	

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<p>ongoing need and defined reporting mechanisms e.g. audit, nomination, remuneration committees</p> <ul style="list-style-type: none"> • have a calendar and work plan for board meetings that allows for preparation time and includes discussion on strategy • provide adequate and timely information for meetings and records of decisions • well structured meetings with focused concise agendas • well managed meetings with inclusive, relevant, robust, respectful debate • regular meetings of non-executive directors without executive directors or staff • monitor/review skills, knowledge and experience requirements and provide professional development or mentoring as appropriate • evaluate performance of board and board members using external facilitator and formal tools or internal processes 	

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
Culture, ethics and relationships		
<p>Act ethically and responsibly (3)</p> <p>A listed entity should act ethically and responsibly.</p> <p>Acting ethically and responsibly goes well beyond mere compliance with legal obligations and involves acting with honesty, integrity and in a manner that is consistent with the reasonable expectations of investors and the broader community. It includes being, and being seen to be, a “good corporate citizen”.</p> <p>This principle recognises that good corporate governance depends on the personal integrity of those on boards and in management, but also recognises that this can’t be legislated.</p> <p>How</p> <ul style="list-style-type: none"> • have and disclose a code of conduct for directors, senior executives and employees. • the code of conduct must be, and be seen to be, a meaningful statement of core values. • it needs to be promoted and reinforced by proper training and disciplinary action if breached. 	<p>Culture and ethics (9)</p> <p>The board sets the tone for ethical and responsible decision making throughout the organisation.</p> <p>The board plays a leading in promoting a healthy culture for the organisation. While culture can be a complex and elusive thing to identify and improve, it can have a direct impact on the activities and success of an organisation.</p> <p>How</p> <ul style="list-style-type: none"> • code of conduct, ethical standards and accountability for board • maintain impartial decision making • policies on declaring and handling conflict of interest • take action to promote cultural change e.g. <ul style="list-style-type: none"> ○ encourage and facilitate open conversations on the values of the organisation ○ establish formal code of conduct and ethical standards ○ challenge undesirable practice and behaviour 	<p>An effective board will provide good governance and leadership by behaving with integrity (5)</p> <p>The board plays a key role in safeguarding and promoting the organisation’s reputation and ensuring the organisation delivers according to its purpose.</p> <p>How</p> <ul style="list-style-type: none"> • act with high ethical standards and honesty • identify and manage conflicts of interest in line with legal/governing document requirements and defined procedures • ensure decision making is well informed and in the best interests of the organisation and its beneficiaries • incorporate values, ethos, ethical and standards of behaviour into policies, practices, codes of conduct • foster an environment of constructive challenge and respect for diverse views • have policies, procedures and safeguards for whistle-blowing

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<ul style="list-style-type: none"> ○ team-building exercises ○ training and support ○ review hiring and firing practices ○ change how success is rewarded/celebrated 	
<p>Remunerate fairly and responsibly (8)</p> <p>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and align their interests with the creation of value for security holders.</p> <p>How</p> <ul style="list-style-type: none"> • have a committee that meets requirements for independence to oversee remuneration • disclose its charter, meetings held and attendance • if no committee disclose alternate mechanisms for setting appropriate remuneration • disclose details of remuneration policies and practices 		

Corporate governance principles and guides (ASX)	Good governance principles and guidance for not-for-profit organisations (AICD)	Good governance: a code for the voluntary and community sector
	<p>Engagement (10)</p> <p>The board helps an organisation to engage effectively with stakeholders.</p> <p>Stakeholder engagement involves listening to and talking to stakeholders to gather useful information, promote good relationships and reputation and ultimately increase the likelihood that the organisation will deliver on its purpose.</p> <p>Stakeholders typically include members, donors, suppliers, clients, volunteers and government.</p> <p>How</p> <ul style="list-style-type: none"> • identify key stakeholders • develop policies and practices to facilitate engagement with stakeholders, encourage participation and support transparent communications • define the appropriate approach for the organisation – ranging from clear information in the annual report to formal stakeholder analysis and engagement strategies 	<p>An effective board will provide good governance and leadership by being open and accountable(6)</p> <p>The board maintains two way communications with stakeholders about its work and significant changes to the organisation. It handles complaints impartially and recognises its responsibilities to the wider community.</p> <p>How</p> <ul style="list-style-type: none"> • comply with legal/governing document requirements for financial and other reporting, annual meetings, membership records • identify stakeholders and ensure a strategy for regular effective communications • ensure stakeholders can and know how to hold the board to account • use information from stakeholders and complaints to inform planning and decision making • apply equality and diversity principles e.g. use plain language, community languages, audio/Braille to ensure information and meetings are accessible • define membership policies and procedures, if applicable, regarding eligibility, records, participation in governance

Additional resources

Principles and frameworks		
Organisation	URL	Title
International Corporate Governance Network (ICGN)	https://www.icgn.org/best-practice	Global governance principles 2014 and series of principles and guides
The Code Steering Group 2011	http://www.governancecode.org	Good governance: a code for the voluntary and community sector (version for small organisations) 2 nd edition
German Corporate Governance Code Commission	http://www.dcgk.de/en/code.html	German Corporate Governance Code
OECD	http://www.oecd.org/daf/ca/oecdprinciplesofcorporategovernance.htm	OECD Principles of Corporate Governance
General information		
Organisation	URL	Title
Australian Charities & Not for profits Commission (ACNC)	https://www.acnc.gov.au/ACNC/Home/ACNC/Default.aspx	Website
Australian Institute of Company Directors (AICD)		Website
Better boards	http://betterboards.net/	Website
Blackhall and Pearl	http://www.blackhallpearl.com/category.php?catmenu=Board%20Performance%20Insights	Various fact sheets
Brown dog consulting	https://www.youtube.com/watch?v=zpxBeq6W2i8	What is governance (video)
Canadian Coalition for Good Governance (CCGG)	http://www.ccg.ca/	Website
Corp.gov.net	http://corp.gov.net/links-page/#Network	Website links page
Governance Institute	http://www.governanceinstitute.com.au/knowledge-resources/good-governance-guides/	Good governance guides
Tools and training (free)		
Organisation	URL	Title
Institute of Community Directors (ICD)	http://www.communitydirectors.com.au/icda/tools/?articleId=1342	Board effectiveness quiz
Open SUNY, State University of New York	https://www.boardcheckup.com/	Online board checkup tool
Open SUNY, State University of New York	https://www.coursera.org/course/nonprofitgov	The Governance of Nonprofit Organizations (online training)

ICGN Global Governance Principles

ICGN Global Governance Principles

The International Corporate Governance Network (ICGN) outlines nine principles:

1. Responsibilities
2. Leadership and independence
3. Composition and appointment
4. Corporate culture
5. Risk oversight
6. Remuneration
7. Reporting and audit
8. General meetings
9. Shareholder rights

The principles apply to listed companies and are similar to the ASX principles in terms of the governance issues covered. They are also similar in focusing on structures and procedures to address the issues.

The principles are supported by a number of guidance documents for example model contract terms and guidelines on risk oversight and gender diversity.

OECD Principles of Corporate Governance

OECD Principles of Corporate Governance

These principles focus on the broader governance framework. Developed by the Organisation for Economic Cooperation and Development (OECD) they are designed to inform policy makers (governments) as well as corporations.

There are six principles:

1. Ensure the basis for effective corporate governance framework
2. Rights of shareholders and key ownership functions
3. The equitable treatment of shareholders, including minority and foreign shareholders.
4. The role of stakeholders in corporate governance
5. Disclosure and transparency
6. Responsibilities of the board

The content of the principles is broadly similar to the ASX principles and focus on structures and procedures to address the issues.

German Corporate Governance Code

German Corporate Governance Code

The German code integrates legal requirements with recommendations (you have to explain if you don't do them) and suggestions which are optional. The code also combines broad statements (principles) with very specific procedural and activity statements.

The code is structured around six components which relate to board structures, functions and responsibilities:

1. Shareholders and the General Meeting
2. Cooperation between Management Board and Supervisory Board
3. Management Board
4. Supervisory Board
5. Transparency
6. Reporting and Audit of the Annual Financial Statements

German listed corporations are required to have a dual board system of management board and supervisory board and this is reflected in the code. Aside from this the governance issues are similar to the ASX principles – defining board roles, maintaining shareholder rights, financial accountability, conflicts of interest and remuneration.

However the approach is more prescriptive; and in some cases specific procedures are defined. The approach is rational and focuses on procedures and structures such as requiring a nomination committee, mandating aspects of board composition, eligibility and tenure, financial controls,.

Another significant feature of this model is that it does not make any references to the role of culture, leadership and relationships.

Referring to the spectrum outlined in the body of this report the German model sits entirely above the line and heavily to the left.