



The Board Doctor

Expert Diagnosis for Board & Committee Ills





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Foreword

In the multitude of counsellors there is safety, the Book of Proverbs assures us. Or, to put it another way, it never hurts to get a second opinion.

If you're on the board of a community group there are going to be times and places – lots of them – when you could do with a bit of advice from someone who knows the ropes. Even better, from several people who know the ropes and disagree with each other. That way, you can practice your own decision-making abilities, and that's the way to learn and grow.

Which is why Our Community thinks the Board Doctor is a good idea.

In every issue of our *Board Builder* newsletter we bring together a panel of people with different perspectives on the running of community organisations to dissect a problem suggested by our readers. They prod every problem, shake it, question it, and suggest remedies. They draw on their experience and use their common sense. They know the law, they know what has worked in practice, and they trust their judgement. They cut it small and then piece it together. And we all learn.

For this book, we've brought together all these exercises in criticism drawn from the past three years of producing the *Board Builder* newsletter, as well as the more free-wheeling exchanges from each year's Board Builder conferences.

There are a lot of smarts there, and after following our specialists through their analyses you'll be in a good situation to cope with the next crisis that sails into your harbour.

I've been working around community boards for many decades now, and I still find difficult questions popping up. I've got some new ideas out of the panel's suggestions, and doubtless you will too.

Many of Australia's 700,000 community groups are held back every day by their lack of depth in the philosophy and practice of governance. Our Community brought out this manual to remind board members of the complexity of the issues and the importance of finding solutions. Go to it!

Rhonda Galbally
Chief Executive Officer





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Boards Centre

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Recruitment





Boards Centre

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NO LIMITS: Planning for Succession

“A few years ago our not-for-profit organisation changed its constitution to ensure that no board member served more than two three-year terms. This was to make sure that old wood was pruned to make way for new growth. However, at the next rotation we will lose some invaluable board members who will be difficult to replace. Should we change our constitution back to allow them to stay on?”



Murray Baird

First Glance – how bad is this problem?

This board is not alone in grappling with the question of rotation of board members. One view is that there ought to be mandatory retirement of board members after a given number of terms. The Higgs Report (2003) recommended two three-year terms with extensions only in exceptional circumstances. It's argued that this policy clears out dead wood and allows for new growth. There is some truth in that argument. Some board members ought to retire well short of their maximum term. On the other hand, some people are effective beyond their first two terms and compulsory retirement is a loss to the organisation.

Your board is realising the dangers of an inflexible mandatory retirement policy. The problem is not disastrous but needs to be addressed in the long-term interests of the organisation. The question is not simply whether you should change the constitution to allow individuals to stay on. It's whether the long-term interests of the organisation would be better served with greater flexibility in board members' terms of office.

First Step – what's the burning issue? What needs to be done first?

The organisation should adopt a constitution that facilitates long-term good governance of the organisation. Much will depend on the nature and circumstances of the organisation. If the current constitution is not adequate, it should be amended.

This should not be a knee-jerk reaction to accommodate current personalities. It should involve consideration of the long-term strategic objectives of the organisation. The constitution can always be changed with the consent of the members. If a previous decision is considered unwise in the light of experience, it should be remedied. If the board is of the view that mandatory rotation inhibits flexible long-term





strategies, the members should be asked to change the constitution to allow for additional terms where appropriate, or at least in exceptional circumstances.

My personal view is that generally, mandatory terms are inflexible and take the focus off more rigorous evaluation and strategic thinking about board positions.

Next Steps – what other steps should be taken?

A term limits policy is only one tool in a strategy of good succession planning. Any policy must allow board members to be selected, elected, inducted, oriented, evaluated and have time to perform. There should be performance evaluation of individual board members with a mechanism (such a nominating committee) to make recommendations as to whether the member has served their time or ought be encouraged to continue. Such a mechanism should balance the value of continuity with the value of new blood.

Red Flags – how can we stop this happening again?

Good boards regularly assess the skills and contributions of each board member and the performance of the board as a whole. Succession planning should be on the annual agenda and consideration could be given to the establishment of a nomination committee to give serious thought to future governance and bring recommendations to the board. Considerations of retirement and appointments should not be left to the eleventh hour prior to the close of nominations before the Annual General Meeting. Performance management, continued assessment and an effective but flexible rotation policy will bring new people on to the board in an orderly fashion and improve the range of skills and attributes represented on the board. Such policies will also allow organisations to retain board members as long as they are performing well.



Catherine Brown

First Glance – how bad is this problem?

The original reason for amending the constitution in order to provide opportunities to reinvigorate the board with new board members was basically sound. The real problem is that the organisation has not planned for the consequences of introducing limited board terms. The problem of losing invaluable board members is potentially a major one, especially if a succession plan has not been developed and potential





new board members have not been identified and approached. I would not recommend changing the constitution without stepping back and considering what is in the best long term interests of the organisation – the original decision to introduce limited terms would not have been made without good reason.

First Step – what’s the burning issue? What needs to be done first?

There are two initial questions:

What skills do the retiring board members bring to the board?
Can the board operate without these skills?

What are the requirements in the constitution in respect of reappointment for the retiring board members? Do they become eligible for reappointment after 12 months, two years, or more?

The first step is to find other ways of filling the skill and expertise gaps left by the retiring board members. Could the retiring members stay involved with the organisation as advisers on certain key projects? Could they attend relevant board meetings as observers at the invitation of the new board? Could the skills be contracted from other sources, i.e. accounting or legal services? How can suitable new board members with these skills be found quickly?

Next Steps – what other steps should be taken?

The organisation must review its board skills and develop a succession plan so that there is a smooth transition when board members retire and new members join. It would be best if a mix of experienced and new board members were on the board at all times.

The organisation also needs to revisit its decision to amend the constitution in light of current circumstances. Would it be more effective if board members could stay on for 3 x 3 years, rather than 2 x 3 years? Is the period when a past board member becomes once again eligible for re-election too long?

Red Flags – how can we stop this happening again?

Planning, planning, planning. The board should have known that the problem of losing a group of important board members all at once was looming. It should have been actively planning around this. Once the answers to the questions about the constitution (see above) are clear, the organisation can decide whether to amend the constitution – and how to amend it – or learn how to use the constitution to really make way for new growth as was intended. The board could establish a Recruitment Committee, which had responsibility for succession planning and approaching and interviewing potential new board members.

