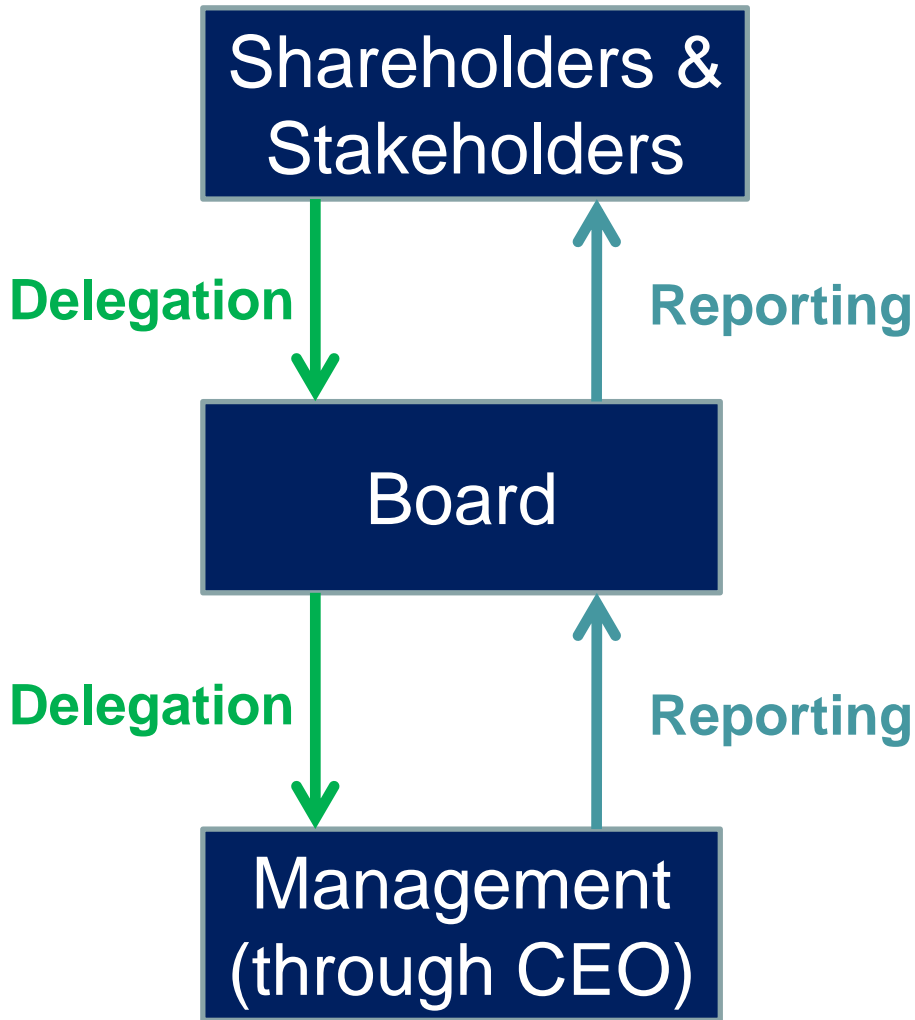




# Engaged governance thinking

# Management Governance The New Frontier

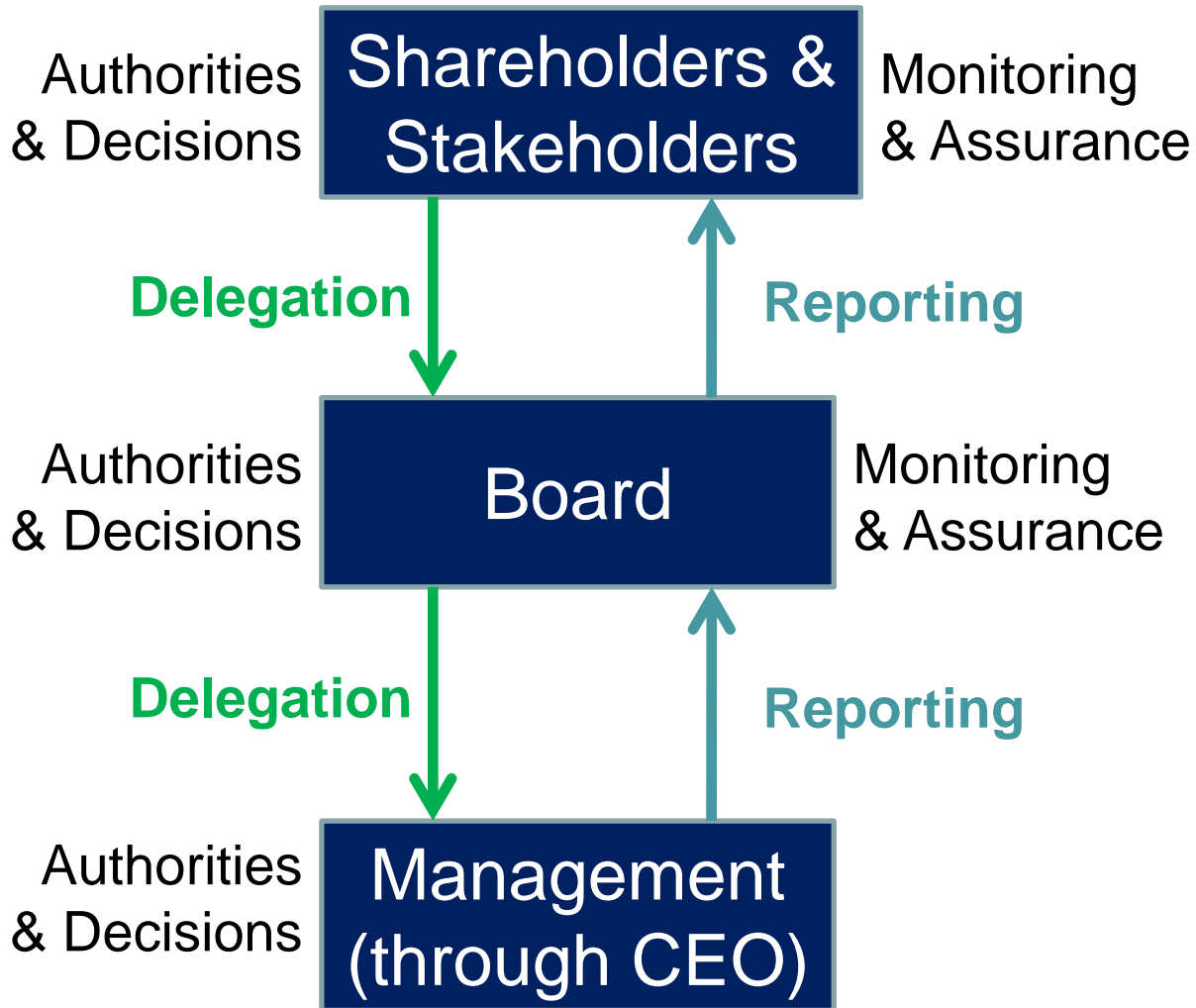




Source: Bob Tricker - Corporate Governance - practices, procedures and powers in British companies and their boards of directors, 1984

# What is the Board's role?

- Ensure framework adequate & working properly
- Set mission, macro objectives & incentives
- Delegate authority to CEO
- Set top down view of mandatory requirements
- Ensure objectives, authorities & policies implemented & resourced properly
- Approve key controls (eg code of conduct)
- Establish assurance mechanisms
- Monitor performance, conformance



# Management Governance

- What is 'management governance'?
- How does it interface to the board's role?
- Why is it important?
- What does good management governance look like?
- How do I go about it?

# What is ‘Management Governance’?

**Corporate governance** is “the framework of rules, relationships, systems and processes within and by which authority is **exercised** and **controlled** in corporations”.\*

**Management Governance** is thus:  
How **authority** below the **Board** is:

- a) **exercised**
- b) **controlled**



# What is 'Management Governance'?

## Four key elements:

1. Objectives & incentives (Mission, Strategic Plan, Budget, KPIs, pay incentives) – Ends/WHY
2. Decision-rights (Delegated authorities, discretions) – Means/HOW
3. Boundaries on decision-making (policies, procedures, processes) – Means/HOW
4. Assurance mechanisms (internal controls, audits, systems, reporting, sign offs) – Means/HOW



Source: Bob Tricker - Corporate Governance - practices, procedures and powers in British companies and their boards of directors, 1984

# Board - Management Interface

2. Decision-  
rights

Outward looking



1. Objectives  
& incentives

4. Assurance  
mechanisms

Inward looking

3. Boundaries  
on decisions

Source: Bob Tricker - Corporate Governance - practices, procedures and powers in British companies and their boards of directors, 1984

# Why is it Important?

1. When everybody in the organisation knows their objectives and pursues them,
2. When everybody understands:
  - how decisions are made and
  - what they can and can't do and when to consult with others, complies, and holds others to account

**Reduce Risk**   **Improve Performance**   **Protect Organisation**

# What's Good? What's not?

## Many organisations:

- Objectives & incentives in reasonable shape
- Delegated authorities unclear, poorly understood, not linked to policies, often inaccessible
- Policies ad hoc, confusing, not well governed, too much or too little. Some core processes embedded.
- Assurance mechanisms reasonable but can be hard to test conformance

# Delegated Authorities

- Paper-based – many places, multiple versions
- Unclear at lower levels - difficult to cascade
- Complex, hard to understand
- Difficult to search – can be inaccessible
- Hard to update and communicate
- Out of date
- No clear owner/sponsor
- Often only cover ‘financial’ decisions

Source: and Approved Programs  
September, 2006, 2007

Authority	Authority Name	Authority Type	Authority Status	Authority Description	Authority Owner	Authority Sponsor
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# Policies

No Strategic  
View

Too Much or  
Too Little

Reactive  
Ad Hoc

No Clear  
Owner(s)

Multiple  
Versions

Poorly  
Controlled

No  
Framework

Confusing -  
Policy or  
Procedure?

# So What?

- People not Empowered or Accountable, Uncertain
- Inefficient - slow decisions, inertia
- Reputation risk for company, directors & officers
- Operational risk: bad decisions, lack of accountability
- Hard to gain assurance the system is adequate and working properly - directors and officers exposed
- Difficult to audit – conformance to what?



# What does Good Look Like?

- Relevant, cascaded objectives, plans & KPIs linked to incentives
- Delegated authorities:
  - clear, easy to understand
  - all material decisions, financial & non-financial
  - cascaded & accessible to all
  - kept up to date & embedded into BAU
  - linked to policies (mandatory requirements)
- Well embedded processes in key risk areas (eg P2P)

# What does Good Look Like?

- Mandatory requirements (policies):
  - proactive, top down view based on strategy & risk
  - easy to understand and follow
  - clear framework & terminology
  - well governed - owned & periodically reviewed
  - comprehensive but simple (less is more)
  - well communicated - training
  - one version of the truth
- Effective monitoring & assurance mechanisms

# How to go about it?

- Confirm Board – CEO “handshake”
- Understand current state – evidence of what’s working well & what’s not and the impacts
- Build case for change – outcomes, benefits, costs
- Engage key executives & Board
- Fix easiest or riskiest things first – often delegated authorities
- Raise bar over time – policy control areas, framework, etc – continuous improvement

