



Best and Fairest

The key skills to succeed in modern governance



Introduction

High-performing boards are greater than the sum of their parts. They enable each director to give their best and contribute their unique perspective and experience.

Getting the right mix of people around the boardroom table to tackle the organisation's challenges and opportunities isn't easy. But it's one of the most powerful things a board can do to develop resilient governance.

Company secretaries are moving off the sidelines, being called on for advice on issues across the evolving environmental, social and governance (ESG) field.

At a recent webinar, our expert panel explored key capabilities for directors and company secretaries, the importance of continuous learning, and how to maximise your impact as a governance professional.

"The company secretary has evolved into a multi-faceted role that is in a position to make such a powerful impact on an organisation. The opportunities for company secretaries to develop their skills and knowledge really are out there for the taking." Jane Kahler, General Manager of Risk & Governance and Group Company Secretary, Intrepid Group

"Boards are looking for people who have an approach that means they will be able to manage content, they'll be able to add value to it, but also they will be a part of a culture that has the potential for high performance. That's the difference between simply having a knowledge base and making a significant impact."

Leah Fricke

Non-Executive Director, GRL Advisory

Changing the line-up

There's a significant shift occurring in the skills that are most highly sought-after among directors. Boards are looking beyond CEO experience, which has historically been a gate-opener to a board seat.

It's a trend that's occurring around the world, said Dottie Schindlinger, Executive Director of the Diligent Institute. Australia is at the forefront, with the overall level and speed of growth in director appointments from backgrounds other than CEO, CFO and COO far higher than in the US and UK.

In the first five months of 2021, more than one-third (36.3%) of new directors appointed by Australian public companies came from non-traditional backgrounds, according to the Diligent Institute's research. That was almost double the rate in the US, as shown below.

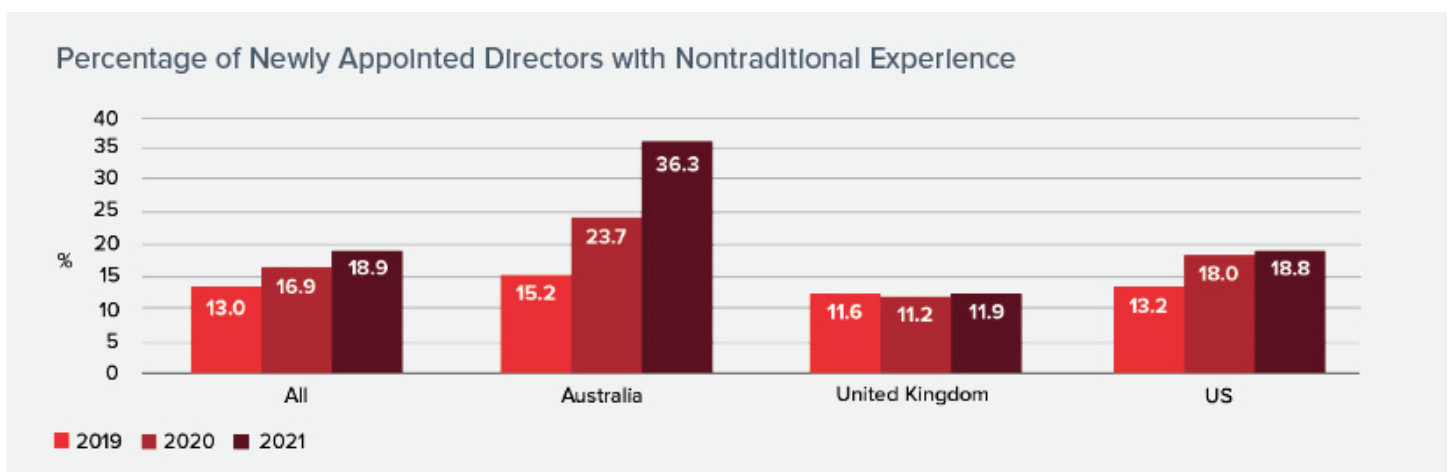
The skills that are in hot demand for new directors include sales, marketing and technology. While appointments from human resources and ESG are lower in number, they have been increasing steadily in recent years.

This was echoed by the audience at Diligent's recent webinar. A spot poll of more than 185 attendees revealed

that the top areas of expertise they expected their boards to prioritise over the next 3-5 years were technology and cyber, closely followed by ESG and sustainability.

The shift in the profiles of new directors is delivering a dual benefit. Not only do boards gain a wider range of capabilities, many are also improving their gender balance. The Diligent Institute found that many newly appointed directors with non-traditional skill sets were women.

While progress to increase the number of female CEOs remains disappointingly low, more boards are recognising that diversity boosts business performance and sustainability. Expanding the approach to board recruitment to broaden the pool of potential candidates establishes a benchmark for executive appointments.



Source: Beyond the C-Suite: Trends in Director Skill Sets, Diligent Institute, July 2021.

Changing the mindset

Tackling the range of challenges boards now face needs more than skills and experience. It calls for qualities that equip directors to engage meaningfully with the people who are affected by their decisions.

Courage, compassion and curiosity are key attributes that position directors to add value says Leah Fricke, who is a non-executive director in the financial services, technology and health sectors.

“It’s hard to imagine a board with zero compassion getting through the last 18 months in an effective manner with any size workforce.”

Those qualities are also increasingly important for company secretaries, enabling them to build strong relationships.

“The last 18 months have demonstrated that a company secretary can be as prepared as possible in the moment, and yet there’s still going to be times when something comes out of left field,” said Jane Kahler, General Manager of Risk & Governance and Group Company Secretary at Intrepid Group.

“It’s how we react to those challenging moments that determines our success and we need to have prepared ourselves. We need to be curious and we need to be asking questions and having those high-quality discussions with directors and senior management.”

A new focus on the rules of the game

The rules for directors are largely unchanged, but they’re coming under increased focus.

Leah Fricke sees it as a result of boards facing heightened external expectations.

“In Australia, there’s not a significant change in the fundamental legal obligations of directors, but I think what we’re having is a greater awareness of what that means,” she said.

“The most significant change is really around stakeholder expectation. There are stakeholders that are engaging with boards and organisations in a much more active way, and in ways where their voices are heard and require a response. Boards are needing to manage those issues and upskill their own capabilities.”

It’s resulting in more intense workloads for directors, including more time and greater rigour across a wider range of considerations.

For company secretaries, quicker reactions and greater flexibility are essential to stay one step ahead.

Jane Kahler says the rapid pace of change coupled with the ongoing uncertainty from COVID-19 has meant boards are looking at a wider range of options.

“Boards have been wanting more depth and breadth of scenario planning, analysis and forecasting throughout the pandemic, and I think we’ll continue to see that.”

Changing the baseline

Making it onto the team is where the work starts, not where it ends. It takes a proven record of expertise and achievement to be appointed to a board, but that's not enough to stay relevant. Becoming a director requires a commitment to ongoing development.

People without the self-awareness to be open to improvement are likely to find their capacity to add value diminishes. Talent and intelligence need to be accompanied by hard work.

Company secretaries have the board insights to make opportunities for training more appealing and accessible.

"It really comes down to how individual people are motivated," said Leah Fricke. "As a company secretary working with a board, your skill in working with those people to help them see the benefits of training themselves is one of the key components that you need to bring to the role."

Professional directors who are focused on deliberate mastery of their capabilities appreciate that ongoing training is one more aspect of their job.

At other times, company secretaries need to take a more active approach. Sharing what other organisations are doing can show the way.

"Seeing comparisons with similar and adjacent industries demonstrates what is possible, and when directors understand what is possible, they understand their competitors are going there, they will soon realise that they need to as well," Leah Fricke said.

It can also be part of a more direct strategy to encourage training. Sharing examples of governance failures at other organisations may galvanise boards into action by highlighting the consequences of inadequate capability and awareness.

Ongoing learning is equally important for company secretaries to elevate their contribution. That goes beyond keeping up with regulatory developments to a wide range of current issues.

"We often look at the directors as the ones in the boardroom making those key decisions, but I see it as just as important that a company secretary has that similar level and breadth of knowledge, and a really good understanding of the company and its strategy,"

Jane Kahler

General Manager of Risk & Governance
and Group Company Secretary, Intrepid Group

Changing your impact

Our panel shared four tips for company secretaries to expand their influence and enhance their individual capability:

1. Be passionate about good governance

Passion is a key driver of successful organisations that company secretaries can tap into to build support for better governance, says Jane Kahler. “If you’ve got the passion around governance and you can match other managers’ level of passion for what they do, that goes a long way to enabling you to sell good governance to them. There’s only so far an organisation can go without a mature governance framework before that’s going to start holding them back.”

2. Make the case for effective systems

System-based controls and digital governance solutions are a key part of company secretaries being able to operate at a higher level, said Jane Kahler. “Having confidence in the processes around them enables company secretaries to elevate their focus, so they can provide proactive advice to the business without fear of missing core compliance responsibilities.”

That includes advocating for investment in the technology they need and making a strong business case for its impact, she said. “The right technology can smooth a company’s track towards its long-term strategy by improving compliance, providing greater visibility, delivering ongoing time savings and building trust and reputation. Whereas not having the technology to support governance can derail the company on the way to achieving its objectives.”

3. Know your worth and limits

Company secretaries often lead the smallest function in an organisation, developing broad relationships and the agility to make an outsize impact. However, that impact goes both ways, and an organisation that’s reluctant to keep pace with expectations can eventually hold you back, said Leah Fricke. “If you have a board that is resistant to modern governance, if you have a chair who isn’t interested in good quality practice, it’ll eventually impact your skills and experience. And sometimes you need to move on from the environment that you’re in – you can’t fix everything, no matter how good a governance professional you are.”

4. Look after yourself

As the demands on company secretaries continue to increase, self-care is an important part of survival. “We don’t just need the right technical skills but also the ability to be open to change and handle uncertainty,” said Jane Kahler. “The pandemic in particular has taught us that by looking after ourselves and having an emotionally resilient base we can place ourselves in the best position to remain passionate about our roles, and to keep developing our capabilities.”

About Diligent

Diligent leads the way in modern governance. We empower leaders to connect and share insights that enable them to make the best business decisions.

Our integrated cloud-based solutions enable organisations to enhance their governance framework and streamline their processes so that directors, executives and governance professionals can concentrate on the key issues.

With our origins in New Zealand, Diligent has grown to become a global company with clients in more than 90 countries. We've come a long way, but local expertise and award-winning service paired with rigorous security are still at the heart of our business.

Diligent is here to help you thrive.

Explore our solutions at diligent.com/au



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