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GOVERNANCE RESILIENCE IN DIFFICULT TIMES

1. All over people's businesses they look to find savings, cut costs, increase revenues and otherwise take measures which will help them "weather the storm".

What is frequently ignored is adapting governance processes to help cope better. There are no silver bullets in adjusting governance. Experience shows however that there are useful things which can be done.

Here is our short list – at least check them!!

2. The starting point is the Act – it is the reminder. Section 128 says the board must govern the affairs of the company (no one else) and that it has all the powers necessary to do that. No excuses then.
3. You can revert to business as usual when things are "as usual"

GOLDEN RULE – YES IT'S AN 80:20 WORLD IN GOVERNANCE TOO

4. 20% of the decisions at most account for 80% of the performance. The object is to make 80% of the meeting focus on this 20%. How? Cut the "other" till it is only 20% of the time – cut, cull, edit, bullet, exception report, periodic report – just get it done.

GET CLOSE – BUT YOU STILL GOVERN

5. As a board you don't "do it" but you do "ensure, be responsible for, review, monitor, satisfy yourself, independently check" – get those verbs stuck in your brain. The challenge is not to make management's life a misery doing it.

CHECK THE MEETING SCHEDULE(S)

6. When times are tough meeting more often, often makes sense. Situations change frequently, new information emerges, decisions need to be made more quickly. Review the schedule – your management may need more support than a leisurely 4 or 5 times a year meeting.
7. Don't forget your sub committees – the same applies to them especially your risk committee.

CHECK THE REPORTING

8. You need more information than is usual but you can't tie down staff being bureaucrats so:
 - 8.1. Don't be precious about long corporate looking reports. There just isn't time;
 - 8.2. Don't be precious about bullet point reporting;
 - 8.3. Don't accept slow time frames. Just because your external accountant always gets paid is no excuse for slow reporting. Get over "the creditors aren't in yet" excuses and do better, demand better and get better.

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9. Cut the reporting of history by at least 50%. Last month has gone. Its relevance is only what it can tell us about next month. Take a knife to long explanations about sales and yesterday's performance. Replace with "what we think is going to happen and what is crucial".

FINANCE REPORTING

10. It may pay to disaggregate if only temporarily - 4 inch paint brush is not sharp enough:

WORKING CAPITAL – THE KILLER

- 10.1. You do need to see aged receivables – at least once a month
10.2. You do need to know how to analyse them... yes directors do when times are tough
10.3. You do need to see actual cash – report the bank balances – not last months "accounts"

BAD DEBT AND CREDIT POLICIES

- 10.4. Review all your credit policies and conditions of trade. Aim to shorten everything up
10.5. Review the staff instructions – or have the CE do it
10.6. Is the company being innovative enough – everyone else is hurting remember. So "some money beats no money", discounts for bad debts, discounts for Cash? Early payment? Has the CFO reviewed all this recently?

ASSET VALUES, INVENTORY AND LIQUIDITY

- 10.7. Numerous companies are totally unrealistic about the value of their assets – this comes from entering "book value" at procurement cost off the invoice.
10.8. Review:
 - What is the "Trade Me" value... what would "it" get on trade Me... that's all it's worth
 - How much inventory do you have? Can you cut it back? Dump stuff you know will be too slow, won't shift, isn't core.
- 10.9. Now re-write the balance sheet.
- 10.10. This is not typical director work – but then times are not typical. Reviewing and questioning tells management you are watching, let's you understand reality better, gets you closer to the source of problems, informs your decisionmaking.
- 10.11. The challenge is how to do it without being a nuisance, interfering, irritating, being stubborn or fascist – but then its making good judgments in this area that makes you a good director isn't it?

CHECK THE TIMETABLING

11. Not all things have to be done immediately. Even if their current timing made sense "before" times got tough, does it still make sense. Is a shift advisable? Postponement?
12. There may just as much a case to speed up projects – especially if they save costs (especially fixed costs) or generate revenue or growth in revenue.

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OSH

13. People under stress make mistakes. People under cost pressure cut corners. People finding they have new responsibilities become easily distracted.
14. Each of these can be detrimental to strong OSH practice. Extra care, not less, is warranted in tough times.

SET THE TONE – MOOD POSITIVE

15. As directors you govern you don't manage. Good Governors inspire the management, set the tone, build confidence in the "do ers", maintain perspective – and the many other intangibles that make up positive leadership.
16. Grasp that nettle.....

LAST CHECK – THE BOREDOM BAROMETER

17. Boredom is a great barometer. Ask yourself if there is still anything on the Board agenda that bores you silly. If there is and it does bore you that is (80: 20 again) 80% likely to be because it is irrelevant, tedious rubbish. Ditch it.

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