



Notes from the second meeting of the Julia Farr group governance community-of-practice

1. Introduction

This community-of-practice event took place on Wednesday 6th May 2020, with 20 participants.

It is the second in a series of events designed to support current and aspiring board members to deepen confidence and capacity in governance work.

These notes are confidential, and are intended only as a reference for members and invited officers of the following:

- JFA board
- inhousing board
- JFM board
- Julia Farr group governance committees
- Disability Elders of All Ages working group
- Julia Farr Youth committee
- Our Voice SA committee

At this second meeting the group looked at strategy, risk, and crisis management

The conversation was facilitated by a governance specialist, Virginia Hickey.

These notes are a summary of the main points of the conversation, which was also recorded. These notes do not match exactly the flow of the recorded conversation, because they have been arranged to group key messages together.

2. What's on our mind re strategy, risk and crisis management

Key issues raised by participants were:

- How does a board talk through risk issues; what information should it look for, how should it use that information, and for what decisions?
- What questions should board/committee members be asking, and when we do we hit the panic button?
- How to respond to a complex and unprecedented incident like covid
- Working out when it is the board, and when it is the staff, who are responsible for dealing with risk
- Building confidence about making decisions, when those decisions can affect a lot of people not just me

- How to explain risk when working with committee members who have different cognitive capacity e.g. a person living with intellectual disability
- What should risk committee members expect of board colleagues who aren't on that risk committee
- Balancing the conversation about risk when there are board members with differing capacities

3. Key ideas about the relationship between strategy and risk and crisis management

- Strategy and risk are intertwined. For example, strategy might include advocacy, innovation, growth, etc, and there are risks in all of these
- Every organisation takes risks when trying to achieve its goals
- Risk is taken on when organisation takes action and when it *doesn't* take action
- Strategic risk is about a balance between risk and reward
- Risk is 'the effect of uncertainty on achieving objectives'
- The origins of the word 'risk' relates to 'to dare'
- Strategy is about choosing, and it's as much about choosing what not to do as it is about choosing what to do. For example, an organisation might resist the temptation to pursue interesting opportunities that don't align with its vision and mission and strategy;
- Any analysis/discussion about risk needs always to refer back to strategy; it's important that the board always asks the question, *how does this decision align with our vision, mission, and strategic direction?*
- Management can also ask the same question, especially if a board want to add more activities in to the organisation's work once the strategy is set. "what would you like us to stop doing in order to start doing that"
- It's important to understand the organisation's history, why it was created, and to build on that

4. What to do when board members disagree about a course of action

When board members disagree about a course of action, this is not necessarily a bad thing. Differences of opinion are important because this can help a board test its options. Decide what the criteria are for the board's choices. This can help board members weigh-up the different options, and that can help reduce conflict. Keep the discussion at an objective level rather than at a personal level. If a board/committee member seems stuck in their own opinion, ask them to explain their point of view in the context of the above criteria, and ask them to explain why they disagree with the option that other board members favour. And write stuff down because this is all an important learning experience for the board/committee.

5. The role of the board member in managing risk

Ideas from the group included:

- A board can be expected to focus its time on the higher risks, with management working up the details across all risks
- Board and management have a dual role in managing risk, and detailed work can go to a committee of both. This committee can help set the rules for how the organisation identifies, assesses, and manages risk
- When the Julia Farr management recently tackled the covid issue, it dealt with issues in order of urgency. First it put arrangements in place for *infection control*, to reduce the risk of people getting sick. Then it put in place arrangements for *business continuity*, to help reduce the risk that staff cannot do their work. Finally it put in place arrangements for *business sustainability*, to reduce the risk of the agency losing some or all of its business.
- A board/committee can expect management to know the business well, so a board member can talk with management and test their thinking. It is important there are good lines of communication between governance and management
- A board member should sound alarm bells if there is a rush to make a decision without a process of consideration. Key question for a board member: 'how would I feel if not just the decision but the *process of the decision* was reported on the front page of the morning paper?'
- The board's job is to provide oversight of management's job in managing risk; making sure there are frameworks in place

6. An approach to managing risk

- Step one: identify risks. At the Julia Farr group, there is a Risk Log. When management or board think about or see a new risk, it is added to the log, and then we can decide which ones we need to focus on
- Step two: assess risks. Risks fall into different categories: financial risk, OHS risk, client safety risk, reputation risk. You can easily identify hundreds, and you can feel swamped by that. So you sort them by those which are most likely to happen, how soon, with how big an impact, and how easy they are to address
- Remember again that some risks you simply have to take on if they are how you are going to achieve your strategy. When people advocate for a cause, that is strategic and is about their vision and mission. But advocacy can sometimes mean you can upset people. One way to manage the risk is to focus on building a relationship with the people you are trying to influence with your advocacy. This can help them to understand what you're trying to achieve and perhaps then take it less personally. And because you know more about that person and their issues so you can shape your advocacy so it's less likely to offend.
- Step three: treat the risk: this is where you decide what actions need to be taken to manage the risk, and make sure those actions happen
- Step four: reassess the risk as a result of the actions. Does the board/committee now think the risk is down to an acceptable level. The risk may not have gone away completely, but the board may decide that what is in place is enough, that the level of risk is acceptable. This is often referred to as a *risk appetite*.
- Step five: treat the risk again as required. If the actions have not brought the risk down to a level the board considers acceptable, then further actions will need to be applied. Don't let go until the risk is at an acceptable level

- Remember always to reach out for evidence to support your decisions about risk, and make notes so that you can remember what happened and why decisions were made

7. Managing risk when you're new to a board/committee

Ideas from the group included:

- Hunt down any introductory resources that look at risk
- Prepare ahead of time for the discussion
- Remember that it is the organisation is taking the risk, not you. Board members need to ask how management is managing the risk.
- Importance for all members of having the strategic plan on hand at every meeting. The agenda could include a 'what is the relevance of this agenda item to our strategic plan' guide

8. Making decisions that can affect other people seems like a big deal

The law doesn't require board/committee members to be perfect, and lots of boards have made decisions that later they wish they had done things differently. But that's how it is with hindsight.

So the main thing is how you approach the decision. Covid is a good example; the states and territories, and other countries, may have access to similar 'evidence' which is incomplete, and they are making slightly different decisions to each other, based on how they are interpreting the evidence and what they think the priorities are, and what their risk appetite is

9. The role of the board committee, and of management, in crisis management

Ideas from the group included:

- It's good for boards to have thought in advance about crisis planning and management. This can help make sure the organisation has a plan ready for when crises happen.
- What happens when the board is not told about a crisis? It is the main manager's role (CEO, or Executive Officer, or Executive Director, etc) to make sure the board knows there is a crisis, and what s/he is doing about it, to keep them in the loop, and to take direction from the board about it
- Often a board will allow its chair and CEO to talk with each other outside the board to keep things moving along
- It's important the board has thought through who takes the lead on any communications about the crisis.