

# Enhancing the Effectiveness of the Corporate Governance of Public Bodies in the Northern Ireland Public Sector

Emerging Findings from the Research Project

CIPFA Governance Conference  
18 November 2015



Dr Gary Martin  
Tony Wall



## Defining the nature of the research project

- Corporate governance:
  - 'Corporate governance is the system by which organisations are directed and controlled' (Cadbury)
  - '...set of relationships..' (OECD)
- Focus for current study:
  - Board effectiveness
  - Stakeholder engagement



## Setting the scene.....

- Emphasis in joint CIPFA/IFAC report (International Framework: Good Governance in the Public Sector - July 2014)
- ‘Enhanced stakeholder engagement, robust scrutiny and oversight of those charged with primary responsibility for determining an entity’s strategic direction, operations, and accountability leads to more effective interventions and better outcomes for the public at large.’



Adam Smith  
Business School

- ([www.cipfa.org](http://www.cipfa.org))



## Setting the scene.....

- Public sector bodies have to ‘satisfy a complex range of political, economic and social objectives and face diverse stakeholders with contradictory demands’ (ANAO)
- Building the evidence base regionally – research project aimed at enhancing the effectiveness of corporate governance of public bodies in Northern Ireland



Adam Smith  
Business School



## Two stage data collection process

- Phase One – scoping of key issues using a questionnaire instrument; Phase Two – series of in depth semi-structured interviews, investigating the issues identified in Phase One
- Both phases – operated on the ethical principle of ‘informed consent’
- Frame of reference – ‘Public Bodies’ document published by OFMDFM



Adam Smith  
Business School



## Phase One – An Overview

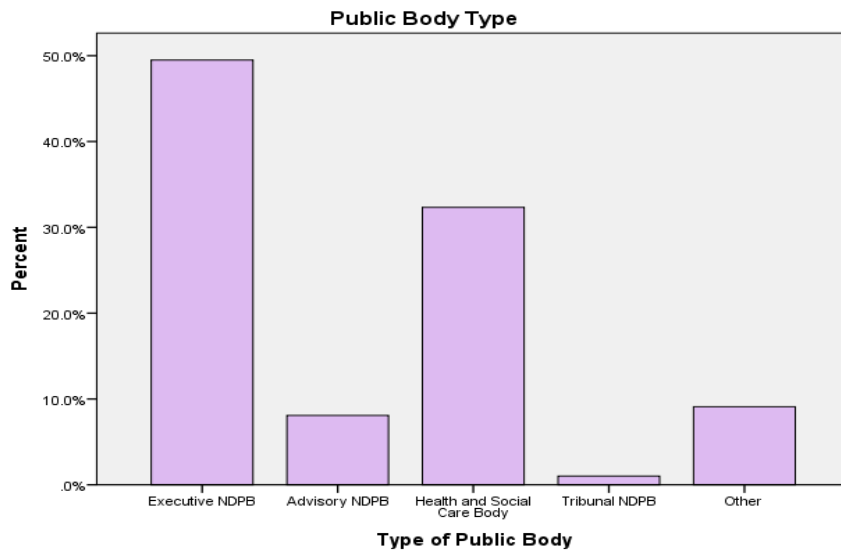
- Respondents: n=100
- Strong levels of respondent engagement, across a range of board functions
- Broad spread of respondent profile: just over half respondents were non-executive board members, approximately a fifth were Chief Executives, a fifth Chairs and the remainder Executive Directors
- Results generated valuable insights to meaningfully inform Phase Two



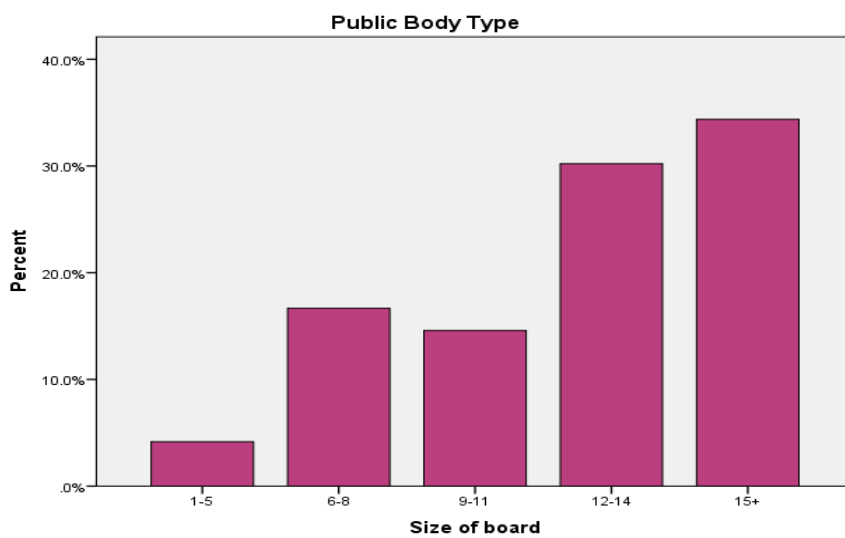
Adam Smith  
Business School



### Respondent Profile (1) – Type of Public Body



### Respondent Profile (2)



## Questions – Board Effectiveness

Issues identified where boards were most effective:

- promoting effective working relationships with executive management
- working to agreed deadlines
- fostering a culture of constructive challenge



Adam Smith  
Business School



## Question – Board Effectiveness

Issues identified where boards were least effective:

- role of the board in increasing citizen awareness of public body activities
- encouraging ongoing CPD of board members
- taking a structured approach to succession planning
- the use of technology in supporting board processes



Adam Smith  
Business School



## Phase Two – A Synopsis

- Number of interviewees – 27
- Semi-structured interview process, open questions to allow for in-depth exploration of issues
- Interviewees – involved in a range of senior governance roles in public sector
- Fieldwork carried out between May and September 2015



Adam Smith  
Business School



## What makes an effective board?

- Role clarity crucial
- Everyone involved in governance should have a common vision for the organisation, a sense of 'corporacy'
- A culture of constructive challenge, underpinned by effective relationships



Adam Smith  
Business School



## What makes an effective board?

- Necessary ingredients:
  - Strong leadership and communication skills from Chair and clarity around board member roles
  - Climate of trust between all involved
  - Outcome focused
  - Structures to serve achievement of outcomes



Adam Smith  
Business School



## What makes an effective board?

- Necessary ingredients (continued):
  - Demonstrable understanding of risk
  - High levels of preparedness, enabling engagement
  - Board composition
  - Importance of localised adaptation of best practice
  - Chair/CEO relationship



Adam Smith  
Business School



## Strategic and operational issues

- Clarity about how these issues are dealt with
- **But....**present fiscal environment is conditioning how these matters are presenting themselves
- Strategy in the context of public bodies is different – public body boards providing their perspective on strategy, making sure it is implemented....rather than setting it



Adam Smith  
Business School



## Use of information and board size

- Good amounts of information, evidence of use of technology
- Need, however, to have more uniform provision of information, data to be managed more effectively
- Variety of opinion on board size: some preferring smaller board size; others seeing number on boards not as important as the competencies of those sitting on them



Adam Smith  
Business School





## Strategic Succession Planning

- Practice could be much better, and more effective
- Strategic consequences
- Rethinking approaches to succession planning
- Expanding the diversity of board member skill sets



Adam Smith  
Business School



## Risk Management

- Better managed than previously
- However, still process heavy
- Wider system functioning – impacting on risk management
- Need for streamlining and simplification



Adam Smith  
Business School



## Stakeholder Engagement (1)

- Time and resource intensive
- To be effective, effective communication linked to organisational values necessary, a continuous process
- Being influenced by prevailing resource constraints
- Local context for engaging with the local population – benefits of proximity



Adam Smith  
Business School



## Stakeholder Engagement (2)

- Views on Sponsor Department Engagement
  - Effectiveness of outcomes – determined by Grade at which you engage
  - Grade 7 issue identified
  - Department/NDPB interface conditioned by the following range of issues, amongst others: the culture of the civil service; proportionality; attitudes towards risk; differing understandings about the nature of NDPB independence; and variability of engagement experience across departments.



Adam Smith  
Business School



## What do board members worry about most?

- The unknown, in one guise or another
- Association between the organisation's performance and the reputation of board members personally
- Expectations

## Key messages emerging for further discussion

1. Rethinking the emphasis of current governance guidance
2. Recalibrating relationships with the Civil Service
3. Creating spaces for sharing best practice
4. Developing techniques for improving decision making

## Next Steps.....

- First draft of final report delivered
- Finalisation of full research report, publication following thereafter
- Continuation of debate and discussion amongst members of Chief Executives' Forum and Chairs' Forum at events during 2016
- Over to you.....



Adam Smith  
Business School



## A few final thoughts....

- 'If you always do what you've always done, you'll always get what you've always got'

**Henry Ford**

- 'Progress is impossible without change, and those who cannot change their minds cannot change anything'

**George Bernard Shaw**

- 'Carpe diem.....' **Horace**



Adam Smith  
Business School

**Thank you!**

