



Developing Effective Board-Management Relationships

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It's All About Trust!

“The major aspect to improving Governance is testing and building trust at various levels primarily trust in management and each other, but also encompassing trust in commitment to the company, trust in competency to advise, trust in caring about the welfare of the company as well as management.”

(L. Erakovic)



Pre- conditions for a Smooth and Balanced Relationship

- Clear framework, good chemistry and a supportive environment
- Effective problem resolution
- Respect for each other's role, functions and authority
- Clear behavioral expectations



Effective Board-Management Relations Requires the Understanding of:

- The Organizations mission and vision
- Strategic and business plan
- Capabilities
- Implementation plans
- Probability of achieving outcomes
- Each others' expectations
- Boundaries



Reasonable Expectations of the Board from Management

- Ethical conduct
- Regular and open communication
- No surprises
- High quality information for informed decision making



Reasonable Expectations of Management from the Board

- Commitment to adding value, giving advice and support where necessary
- Commitment to teamwork
- Knowledge of industry and organization
- Regular attendance at meetings
- Adequate preparation
- Clear performance expectations and a fair evaluation process



Tools to assist in Board-Management Relationship

- Clear Roles - Work together to create a Governance Matrix that clearly delineates who is responsible/ whether responsibility is shared
- Common Vision and commitment to strategic direction
- Clear Processes – Use of Policies and Codes, structural and organizational approaches such as dispute resolution mechanisms
- Nurturing relationships through orientation, training and retreats
- Well run HR and Compensation Committee with clear mandate

Tools to assist in Board-Management Relationship Contd...

- Annual or Bi-annual performance appraisal of Board members (a peer and external review) is critical. A formal performance appraisal sensitizes the need for accountability of individual board members
- Effective and Open Communication - A two-way flow of information
- Supportive Environment - Culture of transparency

Clear Roles, exchanges of information and opinions, and good processes increase effective decision making.



How Board and Management should Manage Roles and Responsibilities

- Be prepared, read and discuss reports and documents
- Attend meetings and participate fully, ask questions listen critically, express views, share, think things through
- Be open to ideas and opinions
- Know and learn about the Board's legal obligations and make sure they are upheld
- Ensure clear and sound relationships with stakeholders
- Keep the organisation's mission/purpose in mind

Where the Board Falls Short

- Interference by Board members in operational matters (which can lead to overlooking the major issues that can severely impact the organization).
- Involvement in matters pertaining to recruitment of personnel
- Seeking special favors/treatment
- Assertion of authority
- Transgression or encroachments in each others area of authority
- Board orientation on roles and responsibilities for Board members and executive officers

Where the Board Falls Short Contd..

- The urge to micro-manage staff
- Failure to comply with policies
- Neglecting performance management
- Inadequate Board knowledge and knowledge acquisition processes
- Surrendering of the policy-making function to management, thus encouraging a one man organization.
- Inadequate training and indoctrination of new directors
- Conflicts inherent in the directorate position.

Where Management Falls Short

- Managers hesitate to make decisions and escalates difficult decisions upwards, which leads to a risk averse or conservative culture
- Doing the Board's job
- Providing the Board with inappropriate information
- Insufficient knowledge of Governance
- Failure of the manager to request for guidance of Board members in making important decisions

Where both Parties Fall Short

- Lack of understanding by the Board and Management of the respective duties and functions of each
- Failure to establish and approve clear-cut overall policies
- Failure to carry out periodic review of accountability of the organization's status.
- Differences in objectives and values between Board and Managers
- Communicating and listening
- Lack of trust

The background of the slide features a grayscale image of a desk. On the left side, there is a dark vertical bar. The desk surface is covered with a document that has some text and a line graph. A pen is lying on the document, and a pair of glasses is resting on it. The overall scene is dimly lit, creating a professional and focused atmosphere.

Where both Parties Fall Short Contd..

- Lack of preparation and facilitation at meetings
- Inability to build strong and effective teams

A Long-term View;

Organisation's should:

- Develop knowledgeable and capable people on the Board and Management teams.
- Encourage a collaborative approach between the two parties.
 - Collaboration within the boardroom and the development of close working relationships between Management and Board increases the Board's effectiveness and creates synergy.

A good partnership leads to improved strategy, more transparent decisions and effective dealings with customers and the community.