

Intro: Hello and welcome to the CPA Australia podcast, your weekly source for business, leadership and public practice accounting information.

Wendy Lewis: Welcome to the CPA Australia and Pitcher Partners podcast series for the not-for-profit sector. In this five-part series, we discuss some of the key issues for those working in the not-for-profit space, covering a different topic each podcast.

Today's topic is "Things to think about before you join a not-for-profit."

My name is Wendy Lewis and I'll be hosting today's podcast. So just a little bit about me. I have been a member of CPA Australia for 36 years, and I'm currently the executive officer for the Collier Charitable Fund, a philanthropic fund. I'm also the chair of two boards, one being the Invergarry Foundation, another philanthropic organisation, and the other is the Knox School, an independent co-educational school in Wantirna.

So with me today to talk about things to think about before you join the board of a not-for-profit is our expert presenter, Matthew Pringle, who is a partner at Pitcher Partners, Melbourne, responsible for leading the corporate governance and board advisory service offering.

Welcome, Matthew.

Matthew Pringle: Thanks, Wendy.

Wendy Lewis: I must say, Matthew's background is very impressive, and extensive, so I'm going to give you all a short version of his background.

Matthew's been with Pitcher Partners and predecessor firms since 1982, and was admitted to the partnership in 1994. He has particular interest in working with senior management, directors, boards and advisory boards, providing experience-based commercial advice on how they can achieve their strategic objectives, with a focus on sound decision-making. Matthew previously was responsible for leading Pitcher Partners' transaction services offering, both in Melbourne and nationally, and has been a senior audit and business advisory partner.

He has acquired extensive knowledge and experience in providing transaction and board advisory services to corporate clients and has developed specialist knowledge on the requirements of public companies, large private businesses, and, importantly for this session, not-for-profit organisations.

Thank you for agreeing to be our guest presenter. It's great to have you with us today.

Matthew Pringle: It's a pleasure, Wendy.

Wendy Lewis: So let's jump straight into the questions, shall we?

Firstly, why would people want to join the board of a not-for-profit?

Matthew Pringle: Well, most join actually simply because they're thrilled to get the invitation, so they're enticed through friends or family or acquaintances to join a board. Others maybe because they're commencing a board portfolio, they just want to get experience in that sector. It's perhaps moving through their career to that phase in their career where they're looking for some sort of board exposure. Or they've got a keen interest, a passion or a desire to help a particular not-for-profit or school, a charity or another sort of typical organisation.

All of these are quite valid reasons, and I guess, when you get tapped on the shoulder, you need to reflect on why you're being asked, who the other members of the board might be. Typically, I advise people to be really grateful for the approach, but don't jump in straight away, give yourself some time to think about it and suggest you'll come back to them with your answer in a day or so.

Wendy Lewis: When you are approached it is flattering, but what do you need to know about the organisation?

Matthew Pringle: Well, the organisation itself, look, its history, where it is at the moment and what its future aspirations are.

So, historically, you'd be looking at what it's done in the past, you know, where it came from, its foundations, its roots, if you like, its culture and starting point.

You want to know the good, the bad and the ugly. Every organisation I've ever been involved with, they're aspirational. They've generally got a good track record, but there's often a skeleton in the closet somewhere, so you do want to be aware of that. It may have no current impact, but you'd like to know.

And just what the reputation of the organisation is, so you'd sound it out. You know, get soundings from people that are involved with them and see what the reputation is.

With the present, you'd really want to have a think about where they are today, and what they're currently doing, what their current financial position is, and the issues they're presently dealing with.

And as far as the future goes, because that's really what you're going to be involved with if you do choose to join the board, is what their stability and certainty is going forward, sort of what that risk profile is for the organisation, and then, obviously, for you.

Is it aspirational, the organisation? Is there radical change coming that they're aspiring to fulfill, or is it a business as usual-type organisation, typically of a school or those sorts of things. That would be a business as usual-type model, typically, whereas, other charitable foundations or not-for-profits, they may have quite aspirational goals, which could be challenging.

And you'd want to know who the other members of the board are that you're joining.

Wendy Lewis: Well, that's interesting. What would you want to know about the other board members?

Matthew Pringle: Look, you've got to work together, so board culture's really important. You actually want to know whether you can work with these people. You've got to work collaboratively. You want to know that you can actually walk into a room and feel comfortable in that environment with the individuals that are sitting around the table with you. You don't want to feel as though, necessarily, that there's tension and anxiety in the room. You want to be able, from my experience, you want to walk into a positive environment.

But sometimes, there's need for change, and you're there as a catalyst for change. But certainly, that's the aspiration you want to get to.

Whether you've got the right mix of skills and experience on the board, for example. Just who the people are and what they're bringing to that function.

A good understanding of why the other board members are there. Are you all of a like mind, or are they there for different, there's a different agenda behind why they're sitting on the board.

As I said, what skills and attributes they do bring. What are their relevant qualifications? You're often there because you're a CPA or something like that, so, but what other skills do they have other than perhaps just business acumen and experience, or do they have any other technical competencies? Have they got training as board members, for example? Are they really aware of what their role is?

And, with all of that, will the board be managed well enough to minimise the risk that you're about to take on?

Wendy Lewis: There's some interesting stuff in what you've just said there. Sometimes it's difficult to find out about your co-board members, certainly, initially, when you join. Sometimes people are a bit more reluctant to talk about their background. They just get there for the meeting, and then they sit there and then you don't really converse much. But that's all good stuff, actually, how you try to find that out. I've found a lot of boards don't actually do the skills matrix-type thing, so it's always a bit difficult, as well.

Matthew Pringle: Yeah, can be.

Wendy Lewis: When we talk about risk, how do you find out about that sort of stuff?

Matthew Pringle: You talk to the people that are involved in the organisation, they'll have experience with the individuals. Discussion is good. You don't want to necessarily put a private investigator on the task. This is a private inquiry, generally, just for your own information, so often the not-for-profit's own website is not a bad start. It'll have, often, the CVs of the board members, what their relevant experiences are, or the annual report of the organisation. That's not a bad starting point.

I'd say your personal contacts, just, you know, a few phone calls and emails will flesh out whether people know people and what they know of them.

Google searches are an amazing thing these days.

Look, there's all sorts of public records, like ASIC and those sorts of things, though I wouldn't necessarily go down that path unless you really want to delve into something, but that's an option.

And LinkedIn is really good these days, too, to get an idea of people's CVs and track records and those sorts of things.

Wendy Lewis: People seem to be pretty open when they're using LinkedIn. I think I've probably put too much stuff on there myself.

So how do you go about assessing risk and personal exposure of being on a not-for-profit board?

Matthew Pringle: Look, risk is a funny thing. Many people join a board or become a director with really no understanding of what their personal risk and exposure is, and often they're doing it ... Look, larger not-for-profits where you've got experienced people with strong commercial backgrounds are often aware, but, for me, not-for-profits that we initially get involved with, they tend to be, you know, school-based, or local sporting clubs, or a small charity that you've got a passion or a bent for. And typically, people that are involved with those aren't fully aware of the risks that they are actually taking on, personal risks.

There's quite simple ones. The not-for-profit status of the organisation, are they at risk of losing their DGR status or something like that, or is the school compliant with its requirements, or whatever the organisation might be.

Look, you just need to make sure, too, that you're up-to-date with all your filings that are required by the ACNC. They're quite strict these days on charity and not-for-profit obligations.

Does the not-for-profit actually employ people? Because with employment comes a whole new set of risks and challenges. You've got occupational health and safety and work cover and those sorts of things. That's a very important part, and personal liability risk back with the directors with many of those things.

You've got the finances of the organisation, and are they completely up to date? Because, again, if they're not, in relation to employment taxes, superannuation and now even GST, then, worst case, those obligations can fall back on the directors, even directors of not-for-profits and charities. So, again, just being aware of where we are with that sort of information.

And one thing that I often encourage boards to do in their CFO reports, or their financial reports to the board, is the CFO actually put in a statement that says oh, we are actually up to date with all of our filings and payments, because the board often doesn't delve into that much detail. They just assume it's being done, but often a positive statement that things are up to date is worthwhile.

Wendy Lewis: And that's actually really good advice, because I think a lot of people probably that do get onto not-for-profit boards don't necessarily understand a lot of that, those legal requirements, you know, the ongoing things, and actually having the CFO put that statement in is good, because at least it starts to prompt in the board members' minds, you know, the sort of things they should be looking at, too. Because a lot of people go in not even knowing what they should look at, so, I think that's really what we're sort of saying here. At the end of the day, as people used to say to me, your house is on the line. That's pretty dramatic, but you do need to actually understand that you are responsible for what you're doing.

Matthew Pringle: Yeah, you are.

Wendy Lewis: So you need to actually sort of follow along, don't you?

Matthew Pringle: Yeah, you do.

Wendy Lewis: How do you know what you should receive in terms of quality and quantity of information?

Matthew Pringle: In many instances, this is coming to you after you're sitting on the board. Or you'll want to know what's available perhaps before you come on the board, but typically, this is something that comes to you after you've joined the board, more so than beforehand. And the sorts of things you consider is am I receiving enough or am I being swamped? I'm sitting on a board, maybe an unpaid role, and I'm getting two litre Arch files of information once a month to read and pore over and digest, and that's too much, for example. So you'd look back and say what decisions am I or we as a board making or being asked to make? What's our role? If it's a strategy role, is the information about strategy, is it

enough and pertinent information for us to make a decision? Is there enough background material? Or again, is it just a whole lot of fill and a whole lot of day to day stuff that we don't need to know?

So, is it enough or too much information is a really important thought, and you need to put your mind to that periodically to make sure you don't sort of slip into bad habits, which often is the case.

Is it the right information? Is it the sort of information that is actually meaningful for what we are being asked to do, and does it include the sort of things that you will need to make the decision?

And is it informative, and is it of a high quality, so can you rely on it? Has it been prepared by someone that you trust to deliver the right information, or is it delegated to someone that, perhaps, hasn't really thought about it properly, and isn't really preparing a paper or a package that has what you really do require? So is the information reliable?

So it's typically the sorts of things I go through. You need to bring that thought process, I'd suggest, to the board every six months or twelve months, when you look back on the board packs, and say, are they what they should be?

Wendy Lewis: Once you have had a look at the organisation and its board, how do you assess what you bring to the board and what is expected of you?

Matthew Pringle: Look, you have to be honest with yourself, to some degree. You really have to ask the question, am I here just because they need a CPA on the board, for example? Do they need someone with financial experience or the relevant experience that you bring? Is that the only attribute that I am bringing? Or are there other skills and experience that they're seeking, and that they identify that I have?

So you want to be honest with yourself as to why you've been asked. Or, if you're approaching a board and you've actually asked to join, you need to be honest about you bring, so you don't oversell what true skills that you have. I think, sometimes, we tend to upskill ourselves a little bit when we are chasing something we'd really like, and that can be dangerous sometimes.

You want to go, too, with an active, positive, make an active, positive contribution, so with a really positive state of mind, so I think that's really important.

You need to understand whether the board is a passive, non-executive board, or is it, for many not-for-profits, you're actually a de facto executive, you very much roll your sleeves up, get in and do the work, so you need to understand what that role really is.

Is it a paid or an unpaid position? And that brings different expectations on you, as well, whether you're being paid or whether it's an unpaid role.

Look, I think you need to also understand the expectations that the board or the organisation has of you, because for many not-for-profits or charities, they're expecting board members to bring money, either their own substantial donations, or other donors or fund-raising efforts and supports, so you need to really understand and be prepared to make that contribution, if that's expected of you, as well.

Wendy Lewis: When you were just speaking about passive or the de facto executive concept, that brings up the terms of governance and management. And in terms of boards actually understanding what the governance role means, and what the management role is, and certainly, in sort of larger not-for-profits, there's sort of a tendency sometimes for boards to actually try to manage. Do you have any comment on that?

Matthew Pringle: No, it's quite true. And often, I think, from my experience, that often happens where the board is actually made up of managers, actually. They can't resist getting into the detail. They haven't yet philosophically moved from management to that governance role. And it's a tough transition. You really have to stop yourself. Everybody likes to delve in. Accountants love numbers, you know, we just love delving into the detail. You've actually got to draw yourself back and say no, it's not that I don't need to know, but for what I'm being asked to do, I actually don't need to know, or I don't need to ask that question, and pull yourself back out of it.

Wendy Lewis: And the staff are there and are paid to do a job, so, therefore, that's what you're delegating. You're delegating to them to do it and report back to you on what they're doing. So, you know, a governance role is really setting strategic direction and then getting management to follow through on it, basically.

Matthew Pringle: No, it is. And just picking up on the two, I think, if you don't do that or you can't do that, there's a broader question, is management really doing what they're being asked to do?

Wendy Lewis: And that's true, too, yes. Excellent.

So how do you know how long you'll be on the board for?

Matthew Pringle: Look, for most organisations, unfortunately, there's not a term, but I really do encourage not-for-profits to think about set terms for their roles. Many organisations, I mean, CPA Australia is probably a typical one where regional council probably have expected terms or minimum terms, and the maximum numbers of terms you can spend. I think that's a really good idea.

From my experience, I think the minimum term would be three years. It takes you a good twelve months to work out what's going on, no matter how well researched you are coming in, until you start to actively engage with the board and work through the monthly meetings, and there might only be ten for a year. It might you three, four or five to actually find your feet and work out how it actually operates, and so suddenly the first year's gone. So three years, I think, would be a good minimum term.

And then a maximum would be three terms, I think. Beyond that, I think you reach a point where I think you start saying no to things because you've seen it happen before. You're not bringing fresh ideas. It's time for a renewal of refreshment to come on to a board after about three terms.

Wendy Lewis: Well, that's been an excellent insight into not-for-profit boards. Do you have any sort of final words of wisdom that you'd like to share with us?

Matthew Pringle: Look, just a couple of things. I think you've got to find your own successor, typically, so that when you come onto a board, I think you've got to have in the back of your mind that it's your role to actually find a successor for you so that you don't leave them in the lurch when you do leave, even if you have to leave them in a hurry.

And, then, in relation to board roles themselves, look, I've found that they're enormously satisfying and fulfilling, so, for all of our discussions on the risks and the things to look out for, I think, at the end of the day, these can be roles that provide enormous satisfaction and contribution back to the community, so I think, you know, I really encourage people to take them on once they've thought them through properly.

Wendy Lewis: It's also important for people who are already members of not-for-profit boards to reflect on these points today, as well, and to maybe do a bit of self-review on how they are performing, and the value they are adding. It's not always easy to be objective, I suppose, on those things, but I think everybody's got to do it, whether you're new to the role or whether you've been in it a while.

So, on that note, I'd like to thank Matthew Pringle for his expert insights today. I'm sure we've all discovered much more about the things to think about before joining the board of a not-for-profit.

So thank you to our listeners for tuning into the CPA Australia and Pitcher Partners podcast series for the not-for-profit sector. Please join us next time for discussion on another important topic for the sector.

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