

# Best Practice Partnership

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Sharing knowledge and resources in the pursuit of  
Quality and cost effective best practice

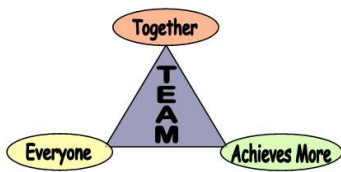
## DENCH M<sub>C</sub>CLEAN CARLSON

CORPORATE ADVISORY

### BEST PRACTICE PARTNERSHIP

### GROUP REPORT ON GOVERNANCE DIAGNOSTIC AND ORGANISATIONAL EFFECTIVENESS PROCESSES, 2006

DECEMBER, 2006



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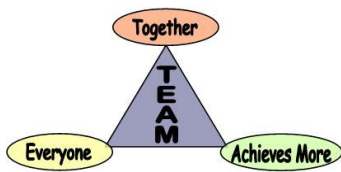
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## 1. INTRODUCTION

Following a presentation by Rowan McClean earlier in 2006, the Best Practice Partnership (BPP) commissioned consultants Dench McClean Carlson to conduct two online diagnostic exercises. Dianne Avenell, who manages the corporate diagnostic process and who is an accredited OEP consultant, worked with Rowan on the project.

The first diagnostic, for completion by Board members and senior managers, is a process that seeks to identify Governance priorities for each participating organisation. The second, directed at staff employed by the organisations, identifies issues perceived by them to be blocking the effectiveness of themselves, their teams and their organisations during normal operations.

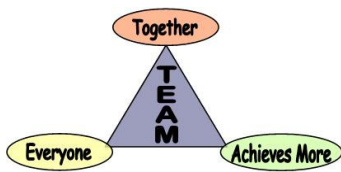
*Effectiveness* is defined as 'focussing on the right things' as opposed to *efficiency*, which is 'doing them well'.

Both exercises are designed as online processes, although it has been necessary this first time to process some hard copy responses.

The governance exercise drew only 17 responses (23%). This was caused by a combination of factors. It was distributed at a difficult time of the year. More importantly, some respondents experienced a technical problem with the completion process in that it 'timed out' before submission. This is currently being rectified by DMC technical staff. Some Board members are not comfortable working with computers. Also, some people might not have had ready access to computers to meet the deadlines for the exercise. Hard copy surveys had been offered and were provided to organisations that requested them, but the requests came quite late in the process.

The OEP questionnaire drew 143 responses (68%), distributed as follows:

Organisation	OEP
Noweyung	23
Wallara	19
Marriott	29
I-Gain	24
Moonya	18
LVE	14
Mawarra	14
Tadpac	2
	<b>143</b>



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As a minimum sample size was set at four responses to preserve the anonymity of people completing the exercises, Tadpac could not be reported on in any form this time. Rowan McClean telephoned the CEO and discussed this outcome.

Both processes potentially have a hidden benefit in that they can be used to introduce technologically averse people to very straight-forward online processes and, thereby, build their confidence in making use of the internet. Both processes can be completed on any PC anywhere, including libraries (where staff are usually very helpful), internet cafes, at work or at home. As these processes are repeated in future, BPP CEOs should encourage Board members and staff to complete them online.

In addition to individual company results, benchmarking is being used with both processes to compare organisational governance and effectiveness with that of others in the Partnership. It is intended that both exercises will be repeated over the next three years at least annually; this will add a very valuable dimension to benchmarking, *internal benchmarking*, whereby results for each organisation will be able to be compared over time and the impact of actions implemented measured when the results of the second exercise are available.

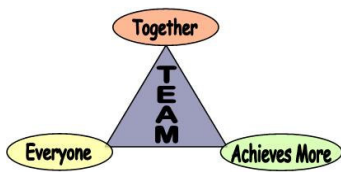
Visits were made by the consultants to seven participating members of BPP but excluding Tadpac in Tasmania. The purpose was to provide prompt feedback of initial results to the participating organisations. In some instances presentations were made to just the CEO, and in others to all available staff. Some companies included directors and senior managers in the meetings.

## 2. THE CORPORATE GOVERNANCE DIAGNOSTIC

### 2.1 OVERVIEW

Governance is defined broadly as an 'organisation's relationship to society'. It is accepted that compliance with relevant legislation is essential for Board members but compliance alone, narrows the definition. A broader definition includes responsibility for understanding, and where appropriate, meeting the needs of the organisation's interested parties, that is, its stakeholders.

With public scrutiny now on the governance of not-for-profit organisations in Australia, it is essential that Boards consider their performance in light of the current health and future of their respective organisations. According to Dr Richard LeBlanc (York University Canada), many Boards neglect to evaluate their own governance performance.



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Members of the Best Practice Partnership acknowledge that their Boards/Committees, as critical stakeholders, need to evaluate their performances in order to ensure the future effectiveness of each of the partnership organisations.

## 2.2 AIM

BPP Boards and senior management teams were invited to complete the on-line governance diagnostic. The process examines thirteen key areas of governance and asks Board members and senior managers to think about how well the issues in each are being handled.

The diagnostic enables an organisation to identify governance priorities for their organisation through the anonymous responses. It reports the governance issues that respondents generally consider need attention and also discloses where there are diverse opinions about governance effectiveness in specific issues that might undermine effective decision-making.

## 2.3 PARTNERSHIP RESULTS

Technical problems experienced with the diagnostic precluded some Board/Committee members from completing the exercise on-line. While hard copies were distributed on request, very few were returned.

An in-depth analysis of governance results cannot be conducted because of the low number of completions, but there is evidence to indicate that there is a need to clarify the interface between governance and operations.

It is suggested that the Board/Committee members of each organisation formally review this interface and what this means in terms of roles and responsibilities. The lack of a clear and shared understanding of this distinction can cause misunderstandings and tensions and detract from effective performance.

## 2.4 REPEAT OF EXERCISE

Taking into consideration the technical problems and timing of the governance diagnostic, the BPP steering committee has agreed to run it again in February 2007. It is envisaged that, with more time available and technical problems addressed, the number of respondents will be significantly increased thus providing more useful information about governance practices.



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## 2.5 A GUIDE FOR THE SECTOR

The diagnostic process was developed following major international research projects into good practice and the development of two governance guides for the tertiary and other education sectors.

As much of the design and research work has been done, it would be very cost-effective for the sector to produce its own guide as:

- An induction tool for new members of Boards and senior management teams
- A review and planning resource
- A training tool and
- A reference document.

Such a document could be made available to sectoral participants throughout Australia and, if desired, to like organisations in special communities. This could represent a commercial opportunity for BPP.

## 3. ORGANISATIONAL EFFECTIVENESS PROFILING

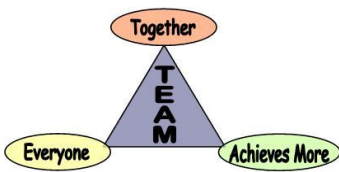
### 3.1 AIMS

The principle objective of OEP is to survey staff anonymously concerning their perceptions about what barriers prevent the achievement of full effectiveness in their organisation. OEP thereby identifies areas for attention.

The process measures strategic intent, culture and behavior and business processes issues using 19 'drivers of performance' (drivers) measured through 107 randomly-organised standard questions. Custom questions designed by the BPP Steering Committee have also been added to explore some specific issues of importance to the sector in 2006. These custom questions are likely to change for subsequent OEP implementations.

Through the use of 'demographic' parameters, sub-groups of respondents are created so that issues can be isolated by organisational area or group. This is valuable, as an overall organisational response alone inevitably 'hides' matters important to specific respondent groups. Identifying them enables management to target direct action where it is needed, often very cost-effectively.

A traffic light system is used to identify areas for priority attention (RED drivers), areas where there is room for improvement (YELLOW drivers) and areas that are seen as organizational strengths (GREEN drivers). The main causal factors are often informative to management and indicate what type of action might be valuably taken and where.



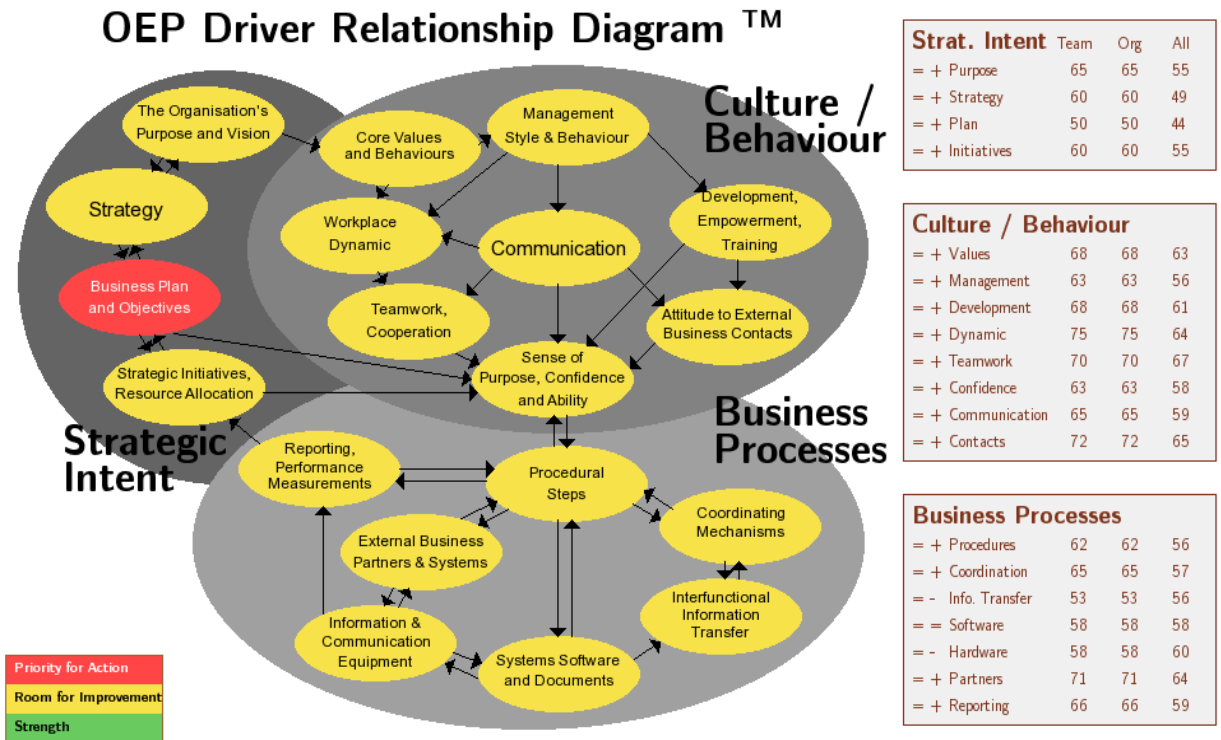
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## 3.2 PARTNERSHIP RESULTS

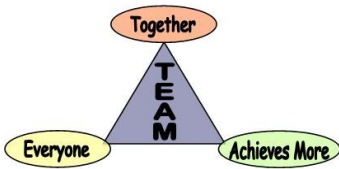
An analysis of overall BPP responses showed one RED and 18 YELLOW Drivers, as shown here.



The RED Driver was *Business Plan and Objectives* (50%), and it would have been YELLOW if it had scored one more percentage point. While not an extreme score, this is an important issue for any organisation and there is a need across the partnership for clarity about it; some people feel they are not sufficiently consulted during the development process, some believe plans and objectives are not well enough communicated throughout their organisation and some do not understand the connection between what they do and organisational priorities.

There is one other low scoring driver, *Interfunctional Information Transfer* (58%). This is a challenge for all organisations – it can indicate that the units are operating separately, that people are not providing important information to others or that people have difficulty in obtaining the information they need to do their jobs properly.

Workplace Dynamic is a high scoring driver (75% - one more percentage point would have made it GREEN), and this indicates that there are high levels of satisfaction by staff with their jobs. Other high scoring drivers were *Attitude to External Contacts* (72%), and *External Partners and Systems* (71%), both of which reflect the effort made by this sector to maintain exemplary standards of quality and communication with customers and client families.



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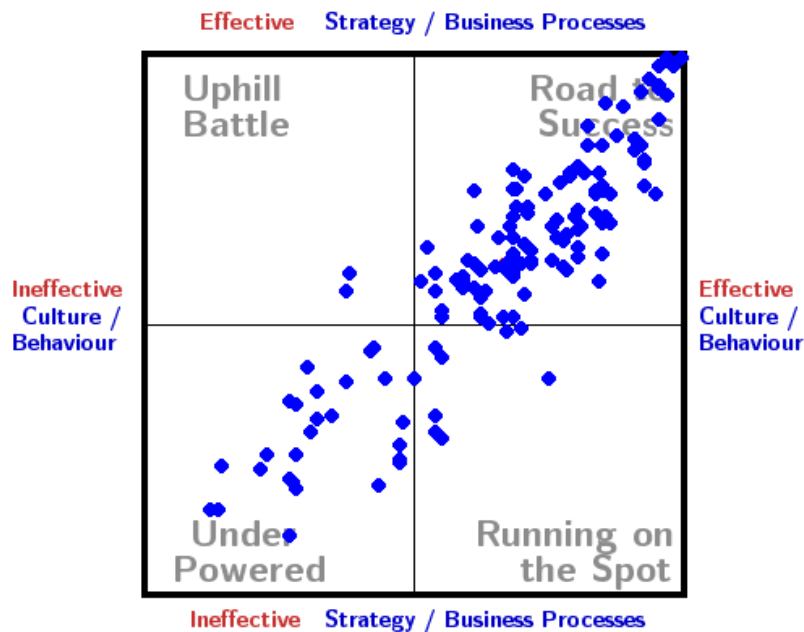
Given the limitations of 'averaging' alluded to above, this is a sound result that uncovers no major concerns but does indicate that improvements are seen as needed in a number of areas. GREEN drivers are difficult to achieve because just one low-scoring issue from those asked about (usually five to seven) can adversely affect a Driver score.

Individual participating partnership members will obtain more valuable data from their own OEP results. PDF reports are enclosed for each organisation with this report.

### 3.3 PARTNERSHIP BENCHMARKING

The distribution of all BPP respondents follows so that individual company response distributions can be compared with it.

## Preparedness Quadrant Diagram



When visits were made to some BPP sites, particularly those visited in the week after closures, not all data had been processed and included.

Following the finalisation of analysis, the overall picture did not alter significantly but the individual benchmarks of drivers between organisations did change.



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After final comparisons, the following chart resulted:

DRIVERS	1	2	3	4	5	6	7	BPP Avg
<b>STRATEGIC INTENT</b>								
Purpose	73	76	52	65	71	54	58	65
Strategy	67	74	44	60	71	52	47	60
Plan	52	64	35	50	58	40	39	50
Initiatives	73	75	39	60	59	54	51	60
<b>CULTURE AND BEHAVIOUR</b>								
Values	68	78	68	68	71	60	60	68
Management	71	80	56	63	63	60	48	63
Development	70	81	57	68	75	60	55	68
Dynamic	76	83	67	75	75	72	69	75
Teamwork	69	81	69	70	75	58	56	70
Confidence	67	76	54	63	63	56	49	63
Communication	70	80	56	65	66	59	53	65
Contacts	76	82	59	72	72	68	63	72
<b>BUSINESS PROCESSES</b>								
Procedures	65	75	51	62	63	56	54	62
Coordination	68	79	57	65	71	58	53	65
Info Transfer	44	67	39	53	56	52	55	53
Software	49	72	45	58	60	59	60	58
Hardware	51	74	49	58	50	60	67	58
Partners	78	81	67	71	71	64	64	71
Reporting	69	80	59	66	71	60	53	66

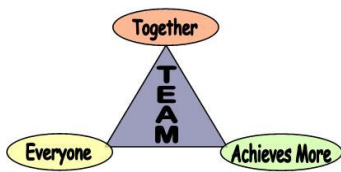
Looking at the organisations separately, there were 15 GREEN Drivers, 15 RED Drivers and the remainder YELLOW. Six Drivers scored 75, which is a high score and is the highest YELLOW score before Drivers become GREEN.

It was decided not to identify individual partnership members for this comparison, but it is interesting to note that the GREENS are concentrated in two of the member organisations (one in particular), and that the REDS are more evenly spread with the most highly rated organisation being the only one without a RED Driver.

CEOs will need to decide if they want to share results and how. It seems that the essence of the partnership is to learn from 'best practice', and therefore it would be productive for those organisations with REDS where others have GREENS to discuss how the organisations rated better by their staff handle the specific areas concerned. Of course, this could be handled by discussing the approaches / strategies to RED Drivers by those better rated organisations in a general forum, without specifically identifying particular organisation results.

### 3.4 YOUR ORGANISATIONAL PRIORITIES

An interim report was provided to individual partnership members soon after closure of the exercises. As mentioned above, governance data were not meaningful (except in one case, where some broad conclusions were possible).



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Organisation-specific computer-generated OEP reports are being provided in PDF format to each partnership member with this report, with the exception of Tadpac as mentioned above.

The PDF report shows your priorities as reflected by responses from your staff.

Some specific comments are included in the cover email from the consultants, who have analysed indicative causes for RED Drivers as a further guide for management attention.

Dench McClean Carlson will be pleased to respond to any specific questions / issues from participating organisations that they would like to pursue.

Similarly, if the partnership wishes to organise a CEO workshop to explore best practice in relation to some Drivers or individual issues for the benefit of the group we would be pleased to facilitate that process.

One attractive suggestion that emerged from the project is that BPP Board / Committee Chairs could usefully come together with partnership CEOs to discuss governance as it applies to the sector and, again, we would be pleased to assist with that meeting.

Submitted for Dench McClean Carlson

Rowan McClean, Managing Director.

## DISCLAIMER

Information and advice contained in this document is provided in good faith and reflects our considered professional judgement, but Dench McClean Carlson, its officers, consultants and agents will not be responsible to any person who relies on the information or advice for any inaccuracies or omissions contained therein.