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“In Support of Progress”

Newsletter

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Rotting Fish

The role of Boards

Salmon

Of fire and flood

Rotting Fish – the role of Boards

There is an old Chinese proverb “The Fish Rots From The Head”. These days it is used widely to highlight where the blame should lie when things go wrong within an organisation. Typically, an organisation is run by a Board, which again typically, appoints a Chief Executive to run the place.

A Board should be responsible for determining which direction should be taken, while the CEO takes the organisation forward along the chosen path. It is the Board's responsibility to ensure management is performing to criteria laid down by the Board.

If management fails, it is the Board's responsibility to determine what went wrong, and if necessary change the CEO. If the failure is one of direction, or lack of action against the CEO, then the owner(s) of the organisation need to change the Chair, or even the entire Board.

There are many recent examples to draw upon, but here are a few.

Example 1 - The CBA

When ASIC advised of money-laundering by the Commonwealth Bank, the first response of the Board's chair was to state the Board had confidence in the CEO.

It appears that the activity did occur – on a grand scale. If management knew what was happening, and there is evidence on the public record that bank officers were aware that it was, then management is culpable, and the CEO should be fired - immediately. If senior management was unaware of what middle management knew, then there is a culture problem. Again, that is the responsibility of the CEO, and again the responsibility rests with him.

However, when the activity was first made public, the Board's chair sprang to the defence of the CEO, claiming he had the full support of the Board. A week later, after much publicity, the Chair advised that all bonuses would be cancelled, that Board remuneration would be cut, and that the CEO would be leaving the bank, but only after a further year's employ.

What an extraordinary state of affairs! To my mind this now puts the Board chair in the frame - totally, and her position is now very shaky. On what basis can she possibly defend the CEO's continuing presence in the organisation?

Example 2 - TasTAFE (1)

An enquiry is now underway into the management of TAFE, given the resignation of the CEO under very dubious circumstances (see #1713, 1714). In this instance, the Chairman MUST have known of these activities. If he did, he should have acted, but didn't, and that is inexcusable. And if he didn't know, then he should have known, and that is inexcusable. A recent media article referred to him being “asleep at the wheel”. In either case, there is no defence for him maintaining his position (see #1716, 1717). If he does not resign, then the Minister must act - immediately.

Example 3 TasTAFE (2) - Drysdale House

TAFE has a responsibility to train people to be industry-ready. Whether it be in the building trades or mechanical trades or hairdressing, whether through apprenticeships or other means, TAFE needs to be industry-connected, industry-focused and industry-savvy.

Drysdale House is meant to provide trained personnel to the hospitality industry. It has been such a failure that calls have been made by industry for greater industry oversight, and the government has now granted industry its wish. Now a subcommittee of the TAFE Board, including industry representatives, will be established to oversee the oversight.

Surely it is the Board's responsibility to ensure this is so. Some say the problem has been the development of a public service mentality within TAFE (i.e. no longer listening to industry) whereas others say there has been a loss of focus. Whatever the cause, the responsibility comes back to TAFE management and the TAFE Board. If it is not working, then the Minister must step in and change the Board.

If the Board has been making representations to the Minister, and the Minister has not listened, then their obligation would be to stand down. As it stands the mud is sticking everywhere.

Example 4 - Hydro Tasmania

The Tasmanian Energy Security Taskforce has recently brought down its findings, after a year's deliberations. Included in its recommendations is the establishment of an independent "oversight" body to review water storages. This is absurd. The body that should be doing this is the Hydro Board, and it should receive the appropriate advice from its owner, the government, as to what is required in this space. Establishing an authority to oversight the Board is in fact a vote of no confidence in the Board.

Example 5 - Defence Spending

The postal survey on same-sex marriage has raised the ire of many in that over \$120m will be spent on running a non-binding survey that will not change the minds of one MP, who will still have to vote on the matter

And yet this pales into insignificance when it comes to the billions of dollars that is spent on defence equipment that either doesn't work or is so bespoke that it is non-interchangeable. A recent commentary described some decisions as being the equivalent of retrofitting propellers on an Airbus.

Government must act to resolve this chronic problem of ordering the wrong gear, and the extraordinary blowout in timelines and budgets. It is a national disgrace.

Example 6 – CEO Appointments

Choosing CEO's is not the easiest job in the world. It takes careful consideration, to ensure the person has both competence and capacity, and can align with the overall strategic direction of the Board. For Government departments, the Board is in fact Cabinet. I would be intrigued to find out what rigour has been applied to choose the new Deputy CEO of TAFE and the new CEO of the Justice Department. Both have been rapid appointments, and both have come from within the Tasmanian public service, but to my knowledge, with only limited experience – if any – in their new field of endeavour.

It makes for interesting times for these organisations.

Salmon

TASSAL has recently announced a record profit for the last year, and has highlighted a continuing growth strategy to meet an expanding market. It is a very good result. Unfortunately, TASSAL has also recorded a record level of public disquiet about its operations, which taints the economic result somewhat. A diverse range of groups have spoken up against the company, with environment groups to the fore, with stunts and hyperbole to emphasise their concerns and garner public support for their cause.

The government has recognised the need to impose greater operating restrictions on the industry as a whole and has imposed a tighter regulatory framework to ensure oversight and compliance. It needs to, and I welcome it.

To the company's credit, the company has shown leadership in the past in developing a high level of community engagement, in exposing its operations to public oversight, and in obtaining international accreditation. And yet...

Social licence is a strange term and a strange concept. Like freedom, it is an intangible which you only know about when you haven't got it. The company will need to ensure that in its leadership it continues to recognise the importance of its relationship with the community and the environment it operates in. Its continuing profitability depends on it.

I am a supporter of the company, and the industry. However, the Board of the company needs to recognize and respond to the overall environment (economic, social, and environmental) that the company is working in. The desire and the drive for growth can sometimes overwhelm other considerations, and the company needs to ensure that it does not go the way of Gunns.

Huon has also announced a record profit, and is to be congratulated for it, as well as for its efforts in offshore farming. It is very much a leader in this field and deserves our support. However, continuing public discord amongst the salmon companies will do no-one any good.

Floods

We are again in the rainy season. Again rivers are on the rise, and already minor flooding has occurred. Two towns in particular, Huonville and Latrobe, are prone to flooding, and yet still no plans have been put in place to provide adequate protection from flood waters.

An Independent Review into the Tasmanian Floods of 2016 spent about a year reviewing the response to these floods and the level of readiness of emergency services. Surprisingly, its deliberations focused on flood response and not on flood prevention. Maybe that was its brief. However, there is no particular mention in the report of flood mitigation measures such as levees. These towns remain at the mercy of the weather.

Just as Launceston is protected by a levee system, so should these towns be. I suspect a levee system is beyond the capacity for individual councils to build, but they should at least be designed and government assistance provided for that purpose.

Given the aspirational targets laid out in the government's much-vaunted 43 point plan for the future of the state, I would have thought consideration would have been given to this matter. Maybe this could be aspirational target 44!

Further information is provided at www.julianamos.com.au.