**The Practice of Corporate Governance**

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**WORKBOOK**

What this workbook is about

This Workbook is the underpinning of *The Practice of Corporate Governance.* Each chapter concludes with a worksheet, which enables readers to confirm they have understood the material and to apply it to their own organisation. On completion, these worksheets form a valuable workbook that describes and analyses the governance of the reader’s own organisation.

Using the completed workbook

The basic premise of the book is that all corporate entities need to be governed, whatever their purpose, structure, or size and importantly that they are governed well. Every member of a governing body, whether called a director, counsellor, committee member, or any other name, will find the workbook useful.

On completion, the workbook can be used in various ways:

**1** As a personal summary of the reader’s own understanding of corporate governance in the context of the governance of their own organisation.

**2** As the basis of a personal report that could be passed to the Chair.

**3** As the basis for a board-level assessment project, in which the Chair, with the approval of all board members, uses the workbook for each director to critique that organisation’s governance and identify opportunities for change.

**4** As the basis for a board-level review, conducted with the Chair and board approval, by one of the directors or an independent expert.

This workbook has been provided in Microsoft Word format, so it can be used to turn the questions into commentary appropriate to the report.

A word of caution

If the completed workbook is turned into a report, it is important to have the approval of the Chair and all other board members whose contribution will be discussed. Inevitably, the report will contain judgements on the characteristics and quality of board members. Because it contains personal data, a report must meet the relevant Privacy Law and avoid possible libel or defamation actions.

The information in the report could damage the organisation if leaked. For example, in a stock-market listed company, the report could contain price-sensitive information. In other situations, it might be valuable to competitors or damage the organisation’s reputation if made public. The report should meet the organisation’s security protocols, including its distribution-list, access restrictions, method of transfer (including encryption if electronically), storage requirements, and final disposal.

Worksheet #1

All corporate entities need corporate governance

1 The name of the corporate entity

>

2 When was it founded or incorporated?

>

3 What is its constitution?

For example:

• the memorandum of incorporation and articles of association of a limited-liability company

• the rules of a co-operative society or a trade union

• the charter of a chartered professional body

• the partnership agreement in a partnership

>

4 What is the legal basis of your corporate entity?

For example:

• a company incorporated under company law

• a partnership operating under partnership law

• a registered society operating under the laws of, for example, co-operative societies, building societies (savings and loan associations), or credit unions

• a trust operating under the trust law

• a charitable society operating under the regulations of governing charities

• a private organisation operating under the law of the relevant jurisdiction

>

5 Obtain a copy of the constitution.

Are you conversant with its provision on the following:

• purpose, objectives

• members, and their rights and duties

• registered office

• structure of the board

• nomination and appointment of members of the governing body

• preparation and presentation of accounts

• audit

• winding up

>

6 Who are the members of your corporate entity? Provide some statistics: Are there categories with different privileges or voting rights, how many?

>

7 What part do the members play in the governance of the entity?

>

8 The structure of your governing body

Sketch the structure of your governing body on the following ‘board circle and management triangle’ diagram – show executive directors in both the circle and triangle as squares and non-executive directors outside the management as circles (at this stage, do not attempt to analyse the calibre of the board; we will do that in Worksheet 2).

The structure of the reader’s own board

9 Consider the size of the board. Is the overall size of the board reasonable (too many, too few)? How might this be developed in the future?

>

10 Is the balance between executive and non-executive directors appropriate?

>

Worksheet #2

Board structure and board members

This worksheet focuses on material in this chapter. At this stage, do not be concerned about board processes, board leadership, or interpersonal issues within the board.

1 Describe the board structure

Complete the board circle and management triangle diagram again, for the corporate entity whose governance you are describing. Number each member shown on the board so that you can write notes about each position

**Board Circle and Management Triangle**

2 Now consider each position on the diagram. Write a brief profile for each of your colleagues on the board. Cover the following:

• age, gender, ethnicity

• education

• professional knowledge and qualifications

• personality and interpersonal skills

• experience throughout their career

• experience particularly relevant to this entity

• board-level experience

• experience relevant to the entity’s corporate objectives

• network contacts relevant to the entity’s work

• relationships with stakeholders, including members, employees, and others

• relationships with the other board members

>

3 What are the strengths of the board? Consider overall experience, financial knowledge, relevant expertise.

>

4 Are there any weaknesses of the board? Consider overall experience, financial knowledge, relevant expertise.

>

5 What is your opinion of the board size: too small, about right, too large?

>

6 Consider the balance of the current board between executive and non-executive directors (both independent and connected non-executives). In your opinion, is this balance appropriate?

>

7 Looking ahead, how might this be changed, and how could this be done?

>

 8 Has any thought been given to such issues on your board?

>

Worksheet #3

The role of the board

This worksheet relates the material in this chapter to the work of your board.

1 Use the template of Figure [3.4](#bookmark) (below) to answer the following questions:

a In an ideal world, for a board like your own, how should the director spend their time in board meetings? Show the percentages in each of the boxes in the quadrant.

b How does your board actually spend its time in board meetings? Think back on the agenda of recent meetings, were you formulating strategy, making policy, overseeing the work of management sorting out ongoing problems, or being accountable to members and other stakeholders.

Accountability

 Ideal % >

 Actual % >

Strategy
formulation

 Ideal % >

 Actual % >

Executive
supervision

 Ideal % >

 Actual % >

Policy making

 Ideal % >

 Actual % >

How my board should allocate its time ideally,
and how it actually does.

2 Reflecting on your answers to question 1, are you satisfied with this situation, do things need to change, if so, how might that be brought about?

>

3 How does your board go about formulating strategy?

>

4 What is the strategic time horizon that is appropriate to the activities of your enterprise? Do your board colleagues think at this distance?

>

5 What are the goals, objectives of your entity? What is your vision of its long-term future? Is this vision shared by your board colleagues?

>

6 Are you satisfied with the board-level policies created by the board? How might they be improved?

>

7 In fulfilling the board’s responsibility for supervising executive management, are you satisfied with the existing situation? Is reporting adequate? How might it be improved?

>

8 Does your board fulfil the requirement to be accountable to members and other stakeholders adequately? If not, how might it be improved? Consider, not only regular, routine written reports, but other ways of interacting with them.

>

9 How does your board work with and through management? How might this be improved?

>

10 Building on your answers to questions 3 and 4 in the previous work-sheet #2, and thinking overall about the way your board works, what are its strengths and weaknesses? What are the opportunities for improvement?

>

Worksheet #4

The corporate entity and society

Refer to Figure [4.1](#bookmark1). You have already considered the members of your corporate entity and reviewed your colleagues on the board in the previous three worksheets.

In this worksheet you will consider the four groups of stakeholders, involved in your corporate governance. Given the diversity of organisations, please use the questions as a prompt to building your own perspective on your corporate situation.

Turning first to the ***contractual stakeholders***:

1 Considering your *employees*: List the numbers in categories, such as senior staff, middle management, and employees in all branches, divisions, or subsidiaries, including part-time and casual workers, and people on contracts who might be considered employees. Does the organisation have retired workers to whom they still have a commitment?

>

2 Are you satisfied that the board has regular and sufficient information about its employees? If not, what needs to be done? As a director, how do you judge the morale of your employees? Are they satisfied with the organisation? Should the board be taking any action in connection with the employees?

>

3 Identify and categorise the next set of contractual stakeholders – *the suppliers of your goods and services*. Review the board policies on suppliers. Do they provide adequate control of choice and terms, pricing and tendering, and the control of possible conflicts of interest?

>

4 If your goods or services are supplied through a *supply and delivery chain*, identify those contractual stakeholders, including warehousing, transport contractors, distributors, and retailers. Are the board policies adequate to ensure that they abide by your corporate policies?

>

5 Identify the *customers or consumers* of your organisation’s output or services. How does the board monitor the ongoing satisfaction of these contractual stakeholders? Is this adequate; if not, what needs to be done?

>

Turning now to the ***financial stakeholders***:

6 Identify any financial institutions, organisations, or individuals to whom your organisation has a financial commitment. Identify and categorise these, noting the sums involved, and terms including interest rates, repayment terms, and security required. How heavily geared is your enterprise? Is this level of financial risk appropriate?

>

7 Is the board sufficiently aware of the significance of creditors as a source of working capital? Are the board policies in this area adequate? Are they being followed?

>

Now focusing on the ***non-contractual stakeholders***:

 8 As a director, are you confident of your knowledge about *competitors*, both actual and potential? Are there ways in which the goods or services offered by your entity could be met in a different way? Does your board discuss such matters?

>

9 What beneficial impact does your entity have, or could have, on your *local community*? What adverse impact does your entity have, or could have, on your local community?

>

10 Does your entity operate at the national or international levels? If so, is the board sufficiently aware of the potential cultural or community impacts of these activities? How is that information obtained? Do the outside, non-executive directors accept a responsibility for questioning the cultural and community implications of strategic decisions? Do they have sufficient information for that effectively?

>

11 Does your board reflect society’s growing concern for the environment, climate change, and sustainability? Does the board have regular information on ESG (the Environment, Society, and Governance)? Do you consider that your organisation meets governance and societal expectations, as well as meeting the objectives in its constitution?

>

Finally, focusing on *audit and regulatory matters*:

12 Who are the auditors of your corporate entity? How are they appointed? Has consideration ever been given to changing them? Have their recent audit reports been unqualified? Are the auditors genuinely independent of your organisation?

>

13 Is your corporate entity registered under specific legislation? If so, which act(s)? (e.g., Companies Act, Partnership Act, the law of charities, trade unions, or cooperatives, or other regulations). How does your board ensure that it is meeting all the requirements of the law and regulations? How do the directors ensure that formal reporting requirements are being met?

>

14 Look again at Figure [4.1](#bookmark2): Are there any other sets of organisations or individuals who might legitimately be considered to fall within the scope of your corporate governance? If so, how does the board relate with them?

>

Worksheet #5

Board culture and the challenge of the chair

The first part of this worksheet identifies your perception of the style of your board.

1 Identify the cultural characteristics of your board, using the characteristics in the text and the scale 0–10 (‘not at all’ to ‘fully, completely’)

1 Board leadership

What is the level of board leadership in your board?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

2 Board size

How appropriate is the size of your board?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

3 Board structure

How do you assess the balance of executive and non-executive directors on your board?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

4 Board members

Overall, how well do you assess the quality of your board members?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

5 Board adaptability

How well does your board adapt to changing circumstances?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

6 Board collaboration

How well does your board collaborate?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

7 Board conflict

Is there conflict among the members of your board?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

8 Board relationships

How do you assess the relationships between the members of your board, from poor to ideal?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

9 Board tradition

Does your board have its own special traditions?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

10 Commitment

How strong is the commitment of your board colleagues to the organisation?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

11 Communication

How well do your board colleagues communicate with each other?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

12 Conformity

How strong is the sense of conformity among your board colleagues?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

13 Corporate accountability

How strong is your board sense of accountability to the members and other stakeholders?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

14 Corporate policy-making

How competent is your board on its policy-making?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

15 Corporate supervision

How well does your board supervise executive management?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

16 Corporate vision

How strong is your board sense of vision of the purpose and future of the organisation?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

17 Decision-making

How competent is your board at taking decisions?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

18 Innovation

How innovative is your board?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

19 Status

How concerned are your board colleagues about their status?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

20 Trust

To what extent do your board colleagues trust each other?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

2 We can now attempt to turn your assessment of your board’s cultural characteristics into a measure of board style.

Copy the score you have given above to each characteristic into one of the two columns below. Add any additional characteristics that you feel are unique to your board.

**Board style assessment A B**

| Board leadership | 0 |  |  |
| --- | --- | --- | --- |
| Board size |  |  | 0 |
| Board structure |  |  | 0 |
| Board members |  |  | 0 |
| Board adaptability |  |  | 0 |
| Board collaboration |  |  | 0 |
| Board conflict |  |  | 0 |
| Board relationships |  |  | 0 |
| Board tradition | 0 |  |  |
| Commitment |  |  | 0 |
| Communication | 0 |  |  |
| Conformity | 0 |  |  |
| Corporate accountability | 0 |  |  |
| Corporate policy-making | 0 |  |  |
| Corporate supervision | 0 |  |  |
| Corporate vision | 0 |  |  |
| Decision taking | 0 |  |  |
| Innovation | 0 |  |  |
| Status |  |  | 0 |
| Trust |  |  | 0 |
|  |  |  |  |
| **TOTALS** | 0 |  | 0 |

Column **A** covers those cultural attributes that contribute mainly to board relationships and **B** to those that contribute mainly to corporate performance. Add each column A and B and divide each answer by the number of cultural characteristics you have used in your assessment (i.e. 10, unless you have added further characteristics). The result will be two indices, which can be plotted on the board-style matrix that follows (Figure [5.2](#bookmark3) in the book)

0

10

0

10

 concern for

 board

 relationships

Concern for

corporate performance

Board style matrix

You now know where you feel your board stands on the board style matrix. Obviously, the result hinges on the two variables we have used (concern for corporate performance and concern for board relationships), the cultural characteristics we have chosen, and your own personal perceptions of your board’s behaviour. Consequently, the board style represented reflects your personal perspective.

Nevertheless, it will give you a marker for further development and could be used in director or board performance appraisal exercises.

3 What might be done to improve your assessment?

>

The second part of this worksheet is about role of the chair, corporate politics, and business ethics.

4 Which of the possible roles of chairman, discussed in the text and listed below, does your chair adopt?

• Leadership of the board

• Strategic leadership

• Arbitration among board members

• Linking the board with management

• Being the public face of the enterprise

• The management of meetings

>

5 Looking back on your answers to questions 4, how do you rate your chair? Is there anything you could, or should do, to change that situation?

>

6 Review the agenda of recent board meetings. Was the allocation of time to performance and to conformance issues appropriate? Were there matters which should have been discussed, which were not?

>

7 Reviewing your board meetings as a political process, do your board colleagues (or you) play political games? How did the chair handle such activities?

>

8 Do you consider that your organisation behaves in an ethical manner in relation to its employees, its members, its customers, its suppliers, and other stakeholders who might be involved with or affected by its activities?

>

9 Does your organisation have an ethical code? If it has, does it work? If it does not, should it have one?

>

10 Has your board instituted a whistle-blowing policy? If it has, does it work? If it has not, should it have one?

>

Worksheet #6

The effective board

1 On board effectiveness

How effective is your board?

Reviewing each of the six characteristics of board effectiveness in the text on a scale
0–10:

1 Board leadership

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

2 Culture

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

3 Collaboration

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

4 Competence

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

5 Creativity

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

6 Contribution

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

For each characteristic, what might be done to move the score closer to 10?

>

2 On board information

Assess the information your directors receive for board meetings against the criteria described in the text, on a scale of 0–10

1 Reliable and credible

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

2 Understandable

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

3 Relevant

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

4 Comprehensive

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

5 Timely

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

6 Cost-effective

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

Reviewing each of these six characteristics, what might be done to move the score closer to 10?

>

3 On managing board meetings

Reviewing the criteria in the text, how effective are meetings in your organisation? Could anything be done to improve their effectiveness?

>

4 Do you hold virtual meetings? If so, how does the management of those meetings compare with the criteria described in the text?

>

5 On board Committees

1 Does your board have an audit committee?

If yes, reviewing the criteria in the text, could it be more effective?

If no, would an audit committee be appropriate for your board?

>

2 Does your board have a remuneration committee?

If yes, reviewing the criteria in the text, could it be more effective?

If no, would a remuneration committee be appropriate for your board?

>

3 Does your board have a nomination committee?

If yes, reviewing the criteria in the text, could it be more effective?

If no, would a nomination committee be appropriate for your board?

>

4 Considering any other board committees, standing or ad hoc, formed by your board, how might they be more effective?

>

6 How well do your board committees report to the main board?

>

7 Do your board committees have clear mandates for their activities?

Are they effective?

>

Could they be improved?

>

Are they reviewed regularly?

>

8 Does your board have a regular board review?

If yes, how might it be improved?

>

If no, would a board review be a good idea?

>

9 Overall, how effective would you say your board was?

 0 1 2 3 4 5 6 7 8 9 10

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

What could you do to improve that score?

>

Worksheet #7

The effective director

1 On board effectiveness

Consider, first, how you add experience, knowledge, or skills to your own board.

1 Review each of the elements mentioned in the text and evaluate yourself, using the scale.

Your knowledge of the constitution of the corporate entity, including its legal format and whether that format imposes legal responsibilities on its directors:

 LOW Just adequate HIGH

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

Knowledge of the members of the entity and their expectations.

An understanding of the organisation and its ongoing operational activities:

 LOW Just adequate HIGH

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

Familiarity with the financial accounts and an appreciation of the financial situation:

 LOW Just adequate HIGH

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

Sensitivity to the entity’s history and culture:

 LOW Just adequate HIGH

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

A confident appreciation of the strategic situation of the enterprise, including its strategic context, strategic strengths and weaknesses, and potential economic, environmental, political, sustainability issues that might affect the future of the organisation:

 LOW Just adequate HIGH

 I I I I I I I I I I I

 I I I I I I I I I I I

 X X X X X X X X X X X

2 What experience, knowledge, or other attributes do you contribute to board deliberations? List them.

>

3 Could these be enhanced? If so, how?

>

4 Review your interpersonal skills as a director. Do you communicate fully with the chair and all your board colleagues? Are you able to introduce new ideas, influence board thinking, and achieve results? How might these skills be improved?

>

5 What, if any, induction do newly appointed directors receive? Is this adequate? How might this be improved?

>

6 How does my board meet the need for director development, training, and updating? What could be done to improve the situation?

>

7 Do I have the skills and knowledge to contribute fully and responsibly to board-level activities? Is there any action I should take?

>

8 Does my board have director and officer insurance? If so, is it adequate? If no, should this be considered?

>

9 Can I access all the information I need to make a viable contribution to board discussion and decision? If not, what should be done?

>

10 Are there areas in which board information could be improved?

 If ‘yes,’’ What should I do?

>

11 Does your board have an individual director appraisal policy?

 If so, could it be improved? If not, might such a policy be worth considering?

>

12 Overall, am I an effective director of the board on which I serve?

 What might I do to increase my effectiveness?

>

Worksheet #8

Governance issues in different types of corporate entity

1 In which of the categories, described in this chapter, does your corporate entity fall?

>

2 What type of constitution does your corporate entity have? (e.g. Royal Charter, partnership agreement, memorandum and articles of association, etc.)

>

3 Is your corporate entity covered by specific legislation? If so, what is that act, ordinance, or set of regulations? What demands does that legislation make on your board and on individual directors?

>

4 What are the basic governance requirements in your constitution on the following:

1 the governing body membership – the nomination and election of directors, minimum number of directors

>

2 the duties of directors

>

3 governing body meetings: quorum, notice required

>

4 financial records and accounts: members’ rights to financial information and directors’ reports

>

5 Independent auditors: appointment, duties, and replacement

>

6 Director remuneration and expenses

>

7 The liability of directors

>

8 Ensuring financial viability and winding-up procedures

>

5 Who are the members of your corporate entity?

>

6 What rights do they have?

>

7 How does the Governing Body interact with them?

>

8 How could this be improved?

>