Raw Talent:

Risks and Benefits of Young Professionals on Boards

Introduction

This document considers the benefits and risks of appointing young professionals to community and aged care Boards. Young professionals are lauded as entrepreneurs, head hunted by major firms and lead political change the world over. Third sector organisations who serve the community comprises of both employees and volunteers under the age of forty.[1] Anecdotal evidence suggests that including young professionals in strategy planning can help anticipate the changing needs of clients, expectations of family and changes in legislation. Research into gender diversity over the last decade has shown that even limited involvement of women onto boards has improved the overall performance of the organisation.

Of course, there are inherent risks to welcoming young and possibly inexperienced members to a Board. These potential Board members may be untried, but are willing to "put in the hours" to educate themselves. With a thorough induction process and ongoing mentoring, they can help build capacity for the future without jeopardising the current activity and viability of the Board.[2]

In 2012 the average age of male Non-Executive Directors (NEDs) in ASX 100 companies had increased to 64.1 from 59.5 in 2001 while the average age of female NEDs in ASX 100 companies had risen from 51.4 to 57.6 in the same period[3]. According to the 2013 Australian Institute for Company Directors (AICD) commissioned report on the not-for-profit (NFP) sector, the average age of the directors was 55 with only 5 percent under 40 years[4].

Increasing the age range of professionals who serve on a Board offers the opportunity to tap into a rich pool of talented and conscientious candidates, bringing new voices, experiences, conversations and approaches to the decision-making process. This adds depth to existing skills and ideas and, perhaps most importantly, could bring the board closer to appropriately representing its stakeholders and the wider community.[5]

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[1] Backes-Gellner, U. and Veen, S., 2012, The Impact of Aging and Age Diversity on Company Performance (Accessed June 6 2014)
http://www.ileraDirectory.org/15thworldcongress/files/papers/Track_1/Track%201_W5_1415_Mohrenweiser.pdf

[2] Ibid.

[3] Fetherston T., 2013, Our greying Boardrooms, AICD. (Accessed June 6 2014)
http://www.companydirectors.com.au/Director-Resource-Centre/Publications/Company-Director-magazine/2013-back-editions/November/Featherstone-Our-greying-Boardrooms

[4] Gilchrist, D., and Knight, P., 2013, Directors Social Impact Study, 2013, Curtin University. (Accessed June 6 2014)
http://www.companydirectors.com.au/~/media/Resources/Director_Resource_Centre/NFP/Directors_Social_Impact_Study_2013.ashx

[5] https://www.ourcommunity.com.au/Boards/Boards_article.jsp?articleId=1429

Method

Twelve individuals from the NFP sector provided qualitative data on their experiences of the risks and benefits of having young professionals on boards. They included academics, CEOs, Board Chairs, senior board members and recently appointed young Board members.

Conducted over a two month period, the interviews were based on the questions listed below:

1. How do you evaluate the progress, success and failures of your board members?
2. Are there professional and/or personal expectations of your board members in terms of knowledge and competency?
    a. If yes what skills would you expect your board members to have? For example project management, consulting, auditing, etc.
    b. If not then why?
3. As a board member, what risks do you associate with young professionals (under 35) on boards?
    a. How may the board mitigate these risks?
    b. Would a formal risk mitigation strategy promote age diversity on your board?
4. Would your fellow board members support a professional under 35 on the board? Has this ever been discussed by your fellow board members and if so what were their thoughts? Do you believe there are any benefits associated with having a young member on your board?
    a. If yes what may these benefits be?
    b. If not then why do you believe benefits are only associated with older members
5. Do you believe there is a particular style of board better suited to a professional under 35?

In addition, a few were asked the following questions:

1. Do you perceive advantages in having young members on boards? Do you believe that having an age diverse board increases the overall effectiveness of the board?
2. What has been holding back the selection of young members? Are age and lack of experience currently deterrents when selecting board members?
3. What are the perceived and real risks that young members pose to boards?
4. Are young professionals interested in sitting on aged care boards?
5. What can be done to improve age diversity?

Benefits to the Organisation, Board & Young Leaders

The following benefits were raised by interviewees, highlighting the advantages in engaging young professionals on not-for-profit Boards.

Organisation Benefit: Organisational Performance through diversity

Having diverse age groups on a Board can lead to better organisational performance. Young Board members can offer a fresh perspective and challenge conventional decision-making leading to improved governance. Better governance can lead to better results. Young people are the future of communities and organisations, so their representation on boards ensures succession and renewal for organisations, services and community groups.

Age diversity on a Board may promote like mindedness and value propositions that are essential for the organisation to achieve its mission. Often our values are developed at a young age; however if you were to take 10 people of varying age with the same value proposition, their attitudes and beliefs would vary due to their experiences and therefore age diversity would optimize organisational values achieving the needs and wants of its age diverse clientele. Participating in the community that the Board represents also presents immense reward for the members. Whether working for an animal welfare group, a sporting group, a church or a school, serving on a Board can put the individuals in contact with people not otherwise encountered. Getting to know the group's stakeholders can be a stimulated by this experience. Furthermore, transparency and active involvement in the decision making process, can hold great benefits for participating individuals and make the not for profit sector an attractive area to work in.

Organisation Benefit: Fresh Perspective

Young Board members can bring a diverse perspective which helps challenge status quo. They bring an enthusiasm which is based on unconventional experience and knowledge such as new primary, secondary and tertiary educational developments and techniques. Diverse groups can foster creativity and produce a greater range of perspectives and solutions to problems and are less likely to suffer from a stereotypical approach.

Board members can make a real contribution to the way an organisation is governed and the direction taken. This can be an empowering experience for any young person.[6] This empowering experience for a young Board member can further encourage younger professionals to add provide fresh ideas and a perspective not informed by experience, but by their generation. [7] A young person asking interesting and thought

[6] Audio Interview.

[7] Audio Interview

provoking questions in an articulate and respectful manner can enhance the Board dynamics and prompt the Board to look deeper into prevalent issues. [8]

Benefits for Young Leaders: Educational opportunities

The NFP sector is inherently significantly different from the for-profit sector. Becoming involved in an NFP community group can help young leaders gain a keen appreciation of how such organisations are run, the pressures they operate under and the intrinsic challenges of the sector as a whole. Serving on a Board also provides valuable insight into current governance standards and issues, which can be used in many other facets of a young professional's career. Successfully negotiating the challenges of the NFP sector such as undertaking fundraising and advocacy tasks for example, can offer experience in areas quite distinct from those required in the commercial or public sectors. Learning how to overcome these challenges can allow Board members to develop an entirely different and highly useful set of skills which can be transferable. Meeting and working with other talented and motivated people can also lead to a valuable expansion of skills.[9]

> *From time to time there is a need to look at specific projects - normally we could buy this service. The Board's role is essentially by a combination of all the Board skills and experience to frame a good brief and analyse the recommendations. If there is a Board member experienced in the matter concerned would look for that member to lead the process of Board* [10]

Organisational Benefit: Educational opportunities

Young Board members are confident and ambitious but these qualities may be dismissed as inexperience or naivety. However, if this lack of experience is given due respect, and if board perceives the go-getting attitude as a "constructive naivety" the Board can feed off of all the qualities that the young members bring.[11]

One CEO of an aged care organisation was personally supportive of having young members on Boards. He believes that there are very few risks associated with having young leaders on board:

> *Knowledge and experience are factors that play a role; however we shouldn't limit ourselves to these as it can be detrimental to an organisation if a person with 50 years of experience joins a board with blinkers on and is unwilling to compromise or understand.* [12]

[8] Audio Interview
[9] Ibid
[10] Ibid.
[11] Ibid
[12] Ibid

Young leaders are able to make positive contributions and the ultimate focus should be on building the dynamics of the board.[13]

Organisational Benefits: Expansion of Networks

Irrespective of sector, greater diversity also expands the networks available to the organisation, and the young professional specifically. This results in young professionals developing key skills earlier in their careers. This includes, reaching your "audience," in an effective and credible way as well as increasing the profile of your group and building support for what you are doing in key constituencies. Many professionals are invited to join a Board because of their particular talents, skills or attributes – and taking a seat alongside them at the Board table can allow new Board members to benefit from those attributes. Making connections through the development of relationships and friendships with other Board members can have long-lasting and positive personal and professional implications.

Benefits for Young Leaders: Expansion of Networks

A position on an NFP Board, poses many benefits to the young professionals seeking to create stronger connections with their community. Allowing and welcoming young professionals on a Board allows them to develop the requisite skills to make a long lasting difference throughout their career, and allows community groups to access a new pool of skilled and willing helpers. Making a difference and being heard is extremely important for some young professionals. Contributing to the 'real' achievement of something that aligns with their values, making a significant difference to people's lives and helping to achieve a better community brings a form of satisfaction that is unlikely to be equaled in other areas of their professional life. This resonates specifically with trends in the aged care sector where young professionals are now immersing themselves within one or two Board positions rather than many.

Benefits for Young Leaders: Professional Development

For a young professional, a position on a nurturing Board provides an opportunity for specialised development.[14] With an ongoing review and evaluation process inherent within most effective Boards, NFP organisations are generally committed to developing the governance and advocacy skills of each member on their Board.[15] This viewpoint centers on a commitment to encouraging development, which benefits the individual and the group.[16] The Chair of an aged care organisation exemplified this

[13] Ibid.
[14] Ibid
[15] Ibid.
[16] Ibid.

perfectly,

> *"If people were committed to the Catholic context but they did not have the [Board] skill set required we would be interested; however it might not be the right time for them to come onto the Board. If they have the fit and the skillset then the conversation would continue."*

The Board is largely interested in mentoring and individual development; however the fit of values for an organisation is non- negotiable.[17]

Technology

It was evident from the interviews of young Board members who are currently completing traineeships or have acquired Board positions that younger Board members are viewed as experts in information technology related topics and may be able to champion changes in process and tools. However, it must be noted that they should not necessarily be considered experts in all things technological and marketing related purely by virtue of the fact they use social media extensively.

Risks to the Organisation, Board & Young Leaders

There are a number of legal and operational risks to the organisation, Board and Young leaders

Legal Risks

As with any Board appointment, the new member must understand all aspects of Board service, including the legal risks posed to individuals and the organisation as a whole. By clearly laying out the legal and operational risks that can arise from the appointment of a new Board member, young or otherwise, a clear plan can be developed to address and mitigate potential issues. The benefits derived from separating perception from reality and mitigating these risks can greatly outweigh the commitment in time and expenditure and ensure access to the benefits that increased Board diversity presence. It is important, however, to first establish the difference between actual and perceived risks.

No matter what the legal form of the organisation, there are a number of risks that Board members personally take on. Both potential and current board members need to be aware of the risks and responsibilities that they acquire by accepting a young professional with a very different set of skills and experiences.

[17] Ibid

The perception that an association incorporated under the *Incorporated Associations Act 1987* imparts a lower risk for its board (or management committee) is one that has persisted since the statute was signed into law. Though the *Act* itself holds only specific restitutions for taking all reasonable steps to comply with the *Act* and to disclose conflicts of interests against the directors, it also states that the relevant sections of the *Corporations Act 2001* apply in the case of the business winding up. Therefore, no matter whether the entity is incorporated as an Association or Company, the board must prevent insolvent trading and will be held personally liable for any breach of that principle, carrying the potential for large fines issued by ASIC and personal compensation for unpaid creditors.

Member performance: A Company Limited by Guarantee's ("CLG") perspective

The duties of directors according to the corporations act include:

- The duty to exercise your powers and duties with the care and diligence
- The duty to exercise your powers and duties in good faith
- The duty to keep adequate books and records
- The duty not to improperly use your position to gain an advantage for yourself
- The duty not to improperly use information obtained through your position
- The duty not to trade whilst insolvent

These duties are the responsibility of each individual director as well as that of the Board. Therefore the Board must take action to ensure that all its members, especially new members, understand this responsibility and the implications for the organisation, individual directors and the Board as a whole.

Member Performance: An Association's perspective

From a legal perspective, the overall responsibility for a management committee or Board is to comply with its obligations under the act (for example, to retain applicable financial records, complying with all relevant laws and regulations and assessing the level of insurance required) and to comply with all external contracts such as funding arrangements with third parties. The act does however incorporate a limited level of protection for the overall management committee from the actions of an individual member, where that member has not acted in accordance with the act or the organisation's rules. Where an individual member has complied with all relevant rules, laws and regulations and a breach of responsibilities has simply not been communicated to the Board at large, the committee as a whole is responsible. That is to say that a management committee can still be held accountable for the actions of a member, and ignorance is not accepted as a defense.

Recommendations

It is vitally important for all Board members to be aware of their duties to the Board and organisation as required by law regardless of structure or purpose. The following recommendations can be applied to any Board member regardless of age, however may have specific relevance to Board members in their first board position.

Board Traineeship Programs

A structured program designed to deliver a Board experience to the candidate without raising the risks and responsibilities of a full Board member. A detailed report on this subject has been developed by the Young Leaders on Boards program; please refer to www.YoungLeadersonBoards.com.au for further details.

Induction Process

The preparation of a "new starter pack" that contains industry and entity specific information can be an effective tool to bridge the knowledge gap and encourage meaningful participation and knowledgeable decision making. This pack could contain organisation specific processes and procedures, strategic documents, KPI's, communication of expectations, communication channels, contact details, and any other relevant information.

Governance Training Programs

Formalised training programs incorporating leadership and strategic skills as well as legal and governance requirements and director responsibilities will ensure a greater understanding of the role of a Board member for a young professional.

Alternative Entry - Subcommittees

The use of Board subcommittees as training and recruitment platforms allows the Board to ensure that any new candidates are sufficiently versed in the specific organisation and qualified to perform the role of a Board member. It is also a useful tool for evaluating the specific skills and qualifications that a prospective Board member may bring prior to their official appointment. Utilising a prospective Board member in a subcommittee role that suits their skillset and draws on their strengths can ultimately encourage more meaningful and confident participation when they are inducted to the Board.

Operational Risks

During our research, the following risks were identified in the interviews pertaining to younger Board members in particular.

Young professionals can have a lack of Board and business experience.

Young professionals may lack Board and business experience; however may provide behavioral benefits to a Board. There are also an increasing number of examples of young professionals with experience on NFP Boards across the sector. In addition to this, the impact of the experience levels could vary greatly depending on the size of the NFP Board, for example a young professional earlier in their career could provide valuable professional expertise to a smaller organisation or a start-up organisation.

Young professionals can have a large appetite for risk

Some NFP organisations that have been around for a long time may historically seem risk adverse – and for good reason - with (at risk) funding provided at the discretion of a third party, conservative policies are often a necessity. However, for an industry on the cusp of the largest regulatory changes it has seen in decades, different approaches and solutions to the risks facing aged care and community organisations are fast becoming a necessity.

Young professionals can lack personal and emotional intelligence

Some people are not suited for the responsibilities of Board positions – whether they are a young professional, or not. All potential Board appointments should be screened thoroughly to ensure they have the necessary skill set and behavioral characteristics that add value to a Board.

Work-life balance factors and family responsibilities

Work-life-balance can be extremely important to some young professionals as they develop their careers and grow their families. With the Fair Work Act 2009 and the National Employment Standards18 containing employee entitlements that employers must provide in order to improve balance, there is a larger focus on flexibility in the workplace. As a result, young professionals are able to balance work and family and this should not be viewed as a risk of having younger professionals on Boards.

Executive leadership experience

The risk for Boards here, relates to the possibility that younger professionals might not have the executive leadership experience required to understand the impact of certain decisions on the organisation as a whole. Currently, a number of successful professionals are below the age of 35 and already are in executive leadership roles. This indicates that some young professionals would already have the executive/strategic management skills that are required for Board leadership.

Lack of interest and commitment to aged care and community sector

The national Voluntary Work Survey conducted by the Australian Bureau of statistics in 2006 indicated that although the age group contributing most to volunteering remained the 35 to 55 year-olds, there has been a steady incline in the number of 18 to 24 year-olds and 25 to 34 year-olds volunteering on a regular basis.19

This is an indication that the number of young people that are genuinely passionate about the NFP sector is steadily increasing. This coupled with the increasing possibility of younger professionals challenging the status quo, taking different approaches to the sector and asking the questions that might be obvious to more experienced Board members, could lead to great innovation and expansion.

18 http://www.fairwork.gov.au/

19 http://www.abs.gov.au

Recommendations

In review of the perceived and actual risks discussed above, the following recommendations can mitigate the risk for current and potential Board members when considering the recruitment of a young professional to a community board.

Formal Recruitment Policy

A documented set of requirements for selection of most appropriate Board members, both at the general Board level and for each specific appointment advertised. The criteria included in the policy should include requirements of candidates that satisfy the relevant competencies and fill specific experience, knowledge or technical gaps identified by the existing Board[20].

Clear Communication of Expectations

Both existing members and young candidates should recognize that the experience and skills required to be an effective board member take years to develop. By effectively communicating the expectations regarding contribution, knowledge base, ground rules and time commitments to prospective candidates, either in a formal document or via discussion, the perceived risk of inexperience may be mitigated.

Mentors

By formally assigning an experienced Board member as a mentor to the new member, an organisation can effectively transfer the knowledge gained through experience of its leadership team to the younger generation and facilitate a smooth transition for new board members as part of long term succession planning strategy.

[20] Megan Paull; Senior Lecturer, Murdoch University School of Management and Governance, Audio Interview

Conclusion

This document considered the benefits and risks of appointing young professionals to community and aged care Boards. The value that some young professionals can and want to add to the not-for-profit industry cannot be understated. There are qualified and professional young people who want to help bring the vision of your organisation to life. The opportunity is out there for all organisations and it's exciting to see the most innovative aged care and community organisations harnessing this opportunity.

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