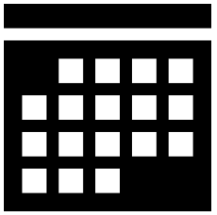
All Aboard: Why Board Inductions are Vital

*"**An effective board induction is essential** for new board members if they are to maximise their contribution within a **reasonably short time scale.**" (Long, 2008, p. 41)*



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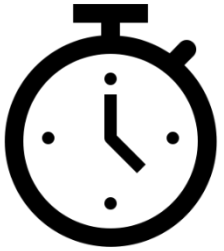
Why are Board Inductions Important

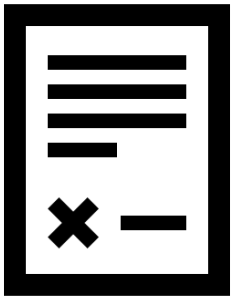
The opening quote from Tracy Long, Founder of Boardroom Review – a specialised consultancy on board evaluation and corporate governance – insists that an induction is not just important but *essential.* That is, if the board wants its new members to "maximise their contribution within a reasonably short time scale" *(Long, 2008, p. 41)*.

Given that a directors duties become legal responsibilities under the *Corporations Act 2001 (Cth)* from a directors first day on a board, then that "reasonably short time scale" should represent a time period prior to a directors first day.

A director should know enough about the organisation and their responsibilities **by day one** to not only maximise their contribution, but also to fulfil their **legal obligations.**

This goes for **even the most experienced director** who can benefit from learning about the particular board structure, process, culture and life-cycle, unique to each board (Long, 2008, p.41).





What the AICD says

As the Australian Institute of Company Directors toolkit of ‘Evaluating an Organisation before Joining’ explains, the amount and focus of a Directors Due Diligence required before joining a board is not defined (AICD,2019).

Given that it is not specified and/or known, what a new board member will have researched about the board they are joining and what they know about their responsibilities of a director, then it is key that the business satisfies itself that the director can perform their duties appropriately.

It is our view that the best way to do this is by providing a board induction program.

What the RBC Findings Say

If board inductions are not done right and directors aren't able to fulfil their duties effectively there may be some serious repercussions arise. The final round of hearings into the **'Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry'** discussed the importance of board governance matters, including director induction processes (Linwood & McGirr, 2018). Discussion included that inductions should include key risks and issues facing the Company, and, that this induction should occur as "quickly as possible" (Linwood & McGirr, 2018).

Overall, the research and lived experience points to the importance and essentiality of a formal, yet tailored, board induction process.

We aim to provide some simple tools and checklists to enable even the most time/resource poor board to enable an effective induction for it’s new directors.

Elements of a Board Induction

Familiarization

This should include site visits, including meeting and talking with all people to make sure the director gets a thorough understanding of the organisation.

Training

There may be a need for formal director training covering duties and responsibilities, such as workplace health and safety or risk management.

Mentoring

If possible, some form of informal mentoring is useful, says Harte. "My concept is what I call the 'Godmother' or 'Godfather' director who takes the fledgling director under their wing for the first 18-24 months. It helps them understand the way things work and the history of issues.

Tailoring

Most boards forget to tailor their induction programs to the knowledge and needs of the new director, says Harte. "People are time-poor and a one-size-fits-all approach can be a bit frustrating." Harte recommends that the chairman take some responsibility for monitoring the new director's induction.

Best Practices for Board Inductions

Ensure the new board member obtains:

- An appropriate level of knowledge of the sector in which the organisation operates,
- A clear understanding of an organisation's business operations,
- A clear understanding of the organisation's financial circumstances,
- A clear understanding of the organisation's strategy and direction,
- A clear understanding of what is expected of the board member in their role, including legal responsibilities,
- High-level knowledge of the business risks that may affect the organisation's success, and
- Access to relevant background information.

Overarching Board Induction Policy

Your organisation may wish to adopt a board induction policy which outlines the purpose and implementation of the board induction process. The following provides an outline of the two key board induction elements; however, these should be adapted to suit the specific needs of your organisation.

Board Introduction Letter : An introduction or welcome letter should be sent by the Chair/President to new board members soon after their election or appointment to the board. The letter should formally welcome the new board member onto the board and outline what the induction process will entail.

Board Induction Checklist : To support the board induction process, an induction checklist is a useful tool to ensure that all procedures outlined in the induction policy have been carried out.

Board Role Description : Along with an introduction letter, the new board member should receive *a role description and code of conduct* to ensure they have a clear understanding of their new role as board member. This will allow them the opportunity to review these documents and clarify any queries prior to commencing their new position. A board role description is similar to that of a job description. It outlines the key roles of the board member and should form the basis of all board operations and discussions.

Critical for Board Induction Success: Set the Board Culture from Day 1

Mentoring and Support : Board behaviour and culture can be significantly enhanced by providing appropriate mentoring and support for board members. If newly appointed board members are assigned a mentor they are more likely to feel welcomed into their position, feel included in the board culture, have greater self-confidence and feel better informed to contribute to discussion and decision making sooner. Interviews conducted with female board members as part of Vicsport's governance research (2013) also revealed that a comprehensive induction process involving mentoring and support results in a more rewarding experience for board members.

Board Code of Conduct : A board code of conduct clearly describes the expectations of board members specifically relating to the behaviour, culture, values and ethical standards as agreed to by the board. Developing and committing to an agreed set of behaviours and values can have a very positive effect on board operations and culture. It can strengthen board unity and help to develop leadership, trust, integrity and transparency within the board as well as with staff, members and stakeholders. A Code of Conduct may also assist to manage conflicts or disputes should they arise.

Industry Review of Board Induction Checklists

We reviewed the Board Induction Checklists from eight sources including: Institute of Community Directors, Southcare, Volunteering WA, YMCA, Community Vision Inc., NSW Dept. of Family and Community Services, Aging Disability, and Health Care, NFP Law, and Leading Governance

Most Common Processes on Checklists

- **Mentoring:** New Board Members were assigned an existing Board Member as a Mentor from Day one
- **Allocation of Induction Responsibilities:** Responsibilities for inducting a new board member are allocated to the appropriate person, usually: Chair to provide history of the organisation and overview of board activities, CFO to provide financial status, and CEO to carry out site visit
- **Feedback:** Feedback on the board induction process is received from the new board member for continuous improvement

Most Common Documents on Checklists

- Contact list of board members and other key personnel
- AGM from previous year
- Minutes from previous board meetings
- Any specific board policies and procedures (such as code of conduct, attendance policy, disputes, delegations, confidentiality, risk management framework)
- The organisation's governing document (rules or constitution)
- List of future key dates

Options to Streamline the Induction Process

Consider splitting the board induction checklist into packages that can be given to the new board member at different points in time during their tenure. For example, documents that will be useful in future but do not need to be read prior to the first board meeting.

Due Date	Induction Checklist Items
By Board Meeting 1	Mentor – first meeting
	Read AGM and MoM from last Board Meeting
By Board Meeting 2	Site visits with CEO
	Read policy documentation on risk management framework and constitution
By Board Meeting 3	Read policy documentation on how board documents are circulated, amended, and stored, attendance policy, and delegations

Consider an online portal for accessing all documents, including the "non-immediate or non-must read" documents so board members can choose what to read based on their time availability.

Have a sign off on the induction checklist from new and chair board members – for accountability and drive to ensure induction is carried out in a timely fashion.

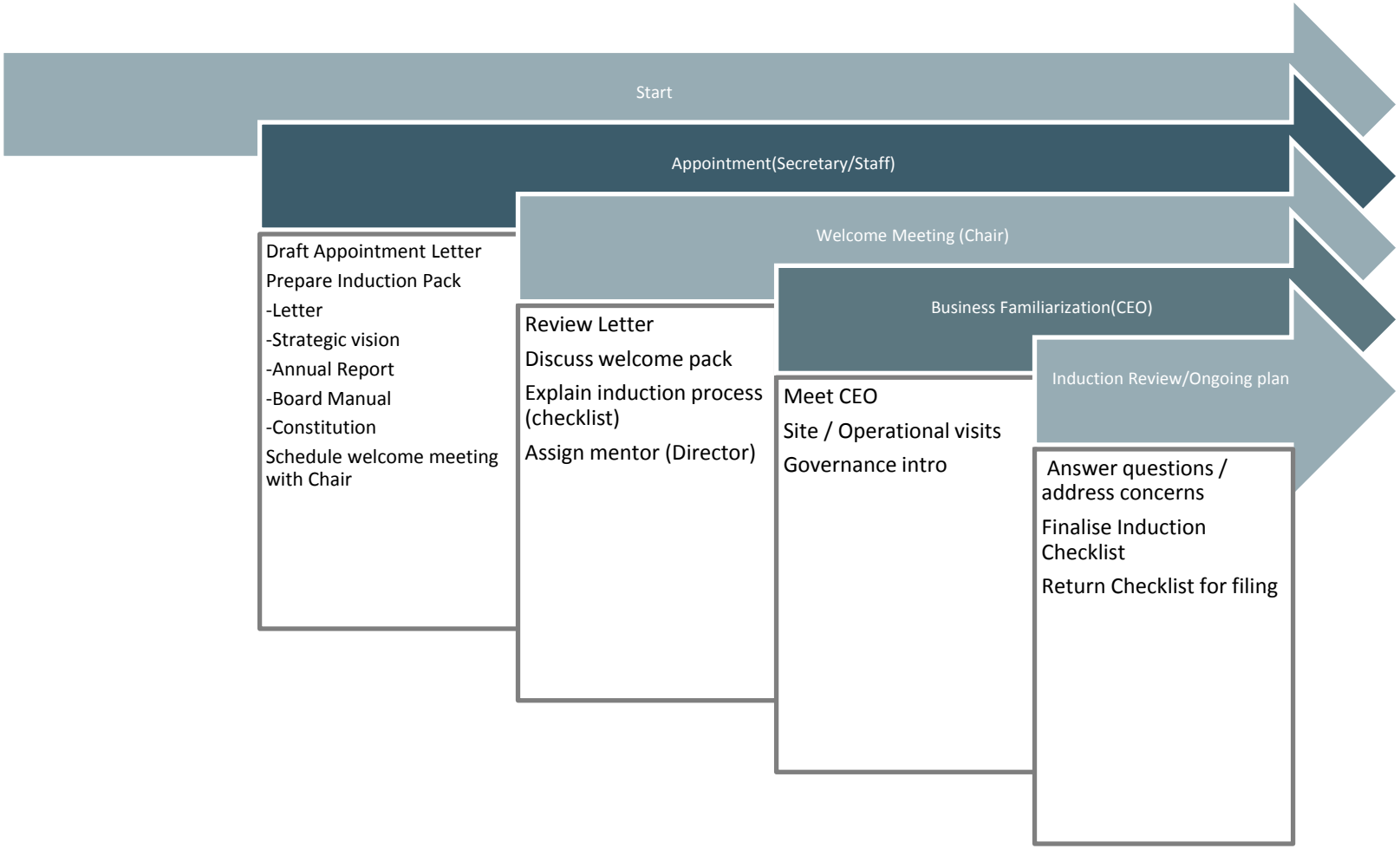
Example Induction Framework (adapted from YMCA WA)

Objective 1: Ensure Appropriate Credentials and Indemnities	Process	Responsibility
Complete Checks and Clearances **- Ensures Director fulfils requirements of character (i.e. Working With Children Check, National Police Clearance)** **- Ensure Director has all appropriate credentials (i.e. GAICD)**	External application via relevant channels	HR / Board Chair
Insurance and Indemnity **- Check to make sure Director is covered by insurance, provide their name to insurance company as necessary** **- Check any other indemnities as appropriate**	Ex: HR to advise insurance company	HR
Human Resource Briefing **- Ensure Directors are inducted to vision, mission, practices and any applicable standards of the organisation**	On line training course / HR manual, etc	HR / Board Chair
Objective 2: Create Familiarity with the Business	**Process**	**Responsibility**
Introductory Conversation **- Detailed conversation and welcome, including** **- Discuss Strategic Framework and Annual Report** **- Discuss Governance Framework** **- Provide copy of any relevant previous meeting minutes**	Face to face meeting	Chair
Meet with CEO and Executive Team **- induct Director to operational side of Business, including:** **- Meet and Greet with CEO, combined with key sites tour and possibily meeting Executive Team** **- Meet with CFO for high level explanation of Financials (optional)** **- Share**	Various	CEO
Objective 3: Orientate Director to the Board and it's function	**Process**	**Responsibility**
Understand Governance Framework **- Review and Discuss Constitution** **- Review and Discuss Board Charter and Culture** **- Review Key Board Documents – eg Delegations of Authority, Conflict of Interest etc.** **- Board Committee structures and roles** **-Develop understanding of the roles of each committee and (where appropriate) Directors role within**	Face to face meeting	Chair
Objective 4: Prepare Directors to Govern and Ongoing Learning	**Process**	**Responsibility**
Induction Close out meeting **- Review that induction process has been completed** **- Follow up with Director regarding any comments on the induction process or further queries**	Upon completion of first board meeting	Chair
Establish Buddy/Mentor Relationship **-Schedule initial meeting with Mentor**	Pair up new Director with established Director to form Mentor relationship	Director/Mentor
Exposure to Committees and Operational working **-Board member to observe committee meetings and/or operational side of organization**	At Director and CEO discretion	Director

Core Induction - Suggested Meetings	Responsibility	Timeframe
Welcome / Introductory Meeting	Chair	2- 4 hours
Business Familiarisation: CEO Meet and Greet Initial site tour Executive Staff meet and greet	CEO	8 hours
Close out meeting	Chair	1 hour
Total Time commitment		11-13 hrs

Ongoing Induction	Responsibility	Timeframe
Established Buddy /Mentor relationship	Director / Mentor	@ discretion
Ongoing Business Familiarisation Monthly coffee with Mentor / Board Director / CEO for exposure to organisation	Director / CEO	1 hr per mth over 6 months
Exposure to Board Committees and working	Open invitation	Director's discretion

Board Member Induction Flow Chart



Flow Chart adapted from YMCA WA

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