



Diana Forsyth
Founder, Augmentia

Developing a governance framework that suits your business



Diana Forsyth has served on 14 boards since 1994 as a chair, committee chair and non-executive director. Her governance expertise and background in people, workforce, culture, engagement and organisational design and development has been developed over 35 years working in Australia and internationally.

As the founder of Augmentia, her team of experts provide advice on people and social strategy, organisation capability and governance.

“We operate in a corporate governance environment that incorporates the law, regulatory bodies, shareholders/ members, other stakeholders, society’s expectations and self-regulatory codes – all of which are underpinned by the founder’s or board’s ethical approach,” Ms Forsyth says.

How you define your governance framework will have a significant impact on performance, the capacity to innovate, develop strategy and respond to changing markets.

So how can you execute a practical governance framework in your business?

How can you protect your business and ensure that it goes in the right direction?

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Authority – who has the power?

Ms Forsyth says one of the challenges for start-ups and small to mid-caps is the question of when to pivot to a formal governance structure, moving away from a founder centric to independent governance approach.

“Legal requirements, for example, can be strengthened and clarified through clear articulation of authority in a shareholder agreement, board charter or governance manual, making the entity more attractive to potential funders,” she says.

“When a substantial shareholder has a differing world view to the founder, how can you protect your business and ensure that it goes in the right direction? Clarity on how differences are resolved, and appropriate shareholding exit provisions, can be useful in this context.”

She says an independent board can also act to protect the best interests of the company ahead of sectarian influences and conflicts of interest.

Risk, strategy and decision making – who calls the shots?

Ms Forsyth says it’s important to define who in the organisation will set the risk appetite and strategy – is it the board, the founders, or primary shareholders?

“At what point do you transition from a representative to an independent board? How does this board and the management team work together?” she says.

Similarly, building clarity around the company’s strategy and decision-making framework is essential.

“Is development along the value chain to production or processing, or is asset sale the goal? Is it appropriate to pursue other mineral deposits? Enter JV arrangements or go it alone? What type of capability do we need as an organisation?” she says.

Resolving differing views on strategy is essential; defining who makes the call to move on available choices even more so.

Accountability – how is your culture meeting expectations?

Protecting the interests of shareholders is a must. Ms Forsyth says business owners need look at their remuneration structure and how it incentivises leaders to maximise shareholder and stakeholder benefit.

“Are performance expectations and KPIs clear and measurable? The enrichment of directors at the expense of shareholders is increasingly unpopular, as is a board that acts without shareholders and stakeholders at front of mind,” she says.

She says companies are also under greater obligation to meet stakeholder expectations around culture. Recent high-profile events – such as the controversy surrounding several AFL clubs and allegations of racism and sexism – show societal pressures are changing the way people do business.

“What is our culture and how do we respond to poor behaviours? How are we engaging with traditional owners? The events leading to the destruction of Juukan Gorge caves had serious consequences for officers of Rio Tinto. Often unintentionally, interests can diverge,” she says.

A well designed, proportionate and flexible governance approach will help to manage risk and clarify how to govern for success in changing environments. ☘