

## Does governance matter?

Harry Cayton

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It is a truth universally acknowledged that an organisation in possession of a board must be in want of governance.

It is 35 years since the UK's Cadbury Committee reported on corporate governance risks and failures. If you are as old as I am you remember Robert Maxwell stealing from his company's pension fund and the scandal of Polly Peck. More recently Philip Green's sale of Debenhams for £1 or the collapse of Carilion remind us that financial probity is still in doubt. Sexism, racism and bullying are reported in business, public life and politics.

Governance in the NHS gets a regular bashing from the media. Chairs and chief executives of hospitals have a short life span. Three years according to the Kings Fund. 'Heads must role', is the usual cry if anything goes wrong. It's interesting how enthusiastic the unregulated newspapers are to urge the regulation of others. Government ministers too seem more enthusiastic about the resignation of public servants than they are to resign themselves.

There is lots to read about good governance and much advice on what it is.

For 10 years we have had the Good Governance Institute, a training agency which says about health care, '*good governance is about ensuring that high quality care is delivered when it is needed and that individuals and organisations tasked with commissioning, delivering and regulating this care are supported in taking decisions which benefit the public, communities and patients.*'

I've actually no idea what that means.

The Care Quality Commission has standards for organisations to be 'well led'. That is admirably plain English. Unfortunately its explanation of what well-led means is anything but. *The starting point for the assessment of well-led at the trust-wide level should be an assessment of: the leadership and governance at trust board and*

*executive team-level; the overall organisational vision and strategy; organisation-wide governance, management, improvement; and organisational culture and levels of engagement.*

And that's just one sentence.

Douglas Bilton and I wrote a paper for the Authority in 2013 called 'Fit and Proper? Governance in the Public Interest' We proposed that the focus should be *'on collective and individual responsibility, on personal behaviour and standards, and on values in public office.*

Tom Kark QC's recent report on the fit and proper person test focuses on the personal qualities and competencies of board members not on policies and procedures for meetings.

It's very clear that people think governance matters. So why am I asking this question at all? (that incidentally is a rhetorical question about a rhetorical question).

Over the last twelve years I have looked inside many regulatory organisations, and observed many board and committee meetings, and read an infinity of policies, procedures, mission statements and strategic plans.

Quite simply my observation is that the correlation between good performance and good governance is not direct. And that much of what is said about good governance misses the point by concentrating on board and committee procedures rather than on the personal qualities, skills and behaviours of board members.

Good governance should be a means to achieve organisational ends. It's an input not an outcome. Good governance can really only be assessed by measuring good outcomes. Outcomes are delivered by staff not board members but the quality of decisions by boards affects those outcomes.

And yet so much that is written and taught about governance concentrates on the internal workings of boards and committees not on the external impact of their decisions.

Governance has become an end in itself, concerned with process, internal rules and reporting mechanisms. Boards do self-assessment questionnaires, conclude they are performing well and change nothing.

A board effectiveness questionnaire I received recently on behalf of a regulator had no questions about effective decision-making or delivery of public benefit or relationships with staff.

One regulator I know has 114 bylaws, and a Governance Manual stretching to 120 pages, along with a separate Board Orientation Manual of a modest 119 pages. This regulator has 10 statutory committees and has set up several more because 10 committees is obviously not sufficient. One of those is a Governance Committee, the function of which, having sat through its meetings, entirely eludes me. This Board is very concerned with good governance. Its meetings are consumed by points of order, procedural debate and careful consideration of the proper way of doing things. At the last board meeting I attended 40 minutes was dedicated to discussion of whether the members of a committee should have three terms of two years, two terms of three years or one term of six years.

Another regulatory organisation has over 70 committees. Its 32 board members say they don't know exactly how many there are or what they all do. But they do keep over 1000 volunteer members entertained and an army of administrative staff in gainful employment. Do they make any difference to public protection? I don't know because that regulator doesn't measure the outcomes of its activities.

A third regulatory board had all day meetings with 540 pages of papers. The Board members told me it was impossible to read all the papers. The staff told me that Board kept asking for more information and more papers. During the meeting I observed the board members virtually never referred to the content of the papers and asked questions which were answered in them. Probably they hadn't read them. Nevertheless they complained they didn't have enough information on which to make a decision.

I have heard this over and over again.

More information doesn't help boards make the right decisions; only the right information will do that.

As well as having the skills and values to make good decisions for the regulator there is a second important role for a board. It holds accountability to the external world, to the social contract that has given it statutory powers to act on behalf of the public and in concert with the profession it oversees.

Everyone here who is on a public board in the UK has signed up to the seven principles of public life to which all board members are expected to adhere. They include, honesty, openness, accountability, selflessness and objectivity.

I think we only pay lip-service to these principles, I wonder how many of us can name the missing two?

Basing our assessment of governance on the way people think, decide and act, rather than on the structures, and policies and procedures they espouse may be a more reliable way to connect governance with performance. It is not just how decisions are reached but the consequences of those decisions that matters.

In my observation, thoughtful, respectful relationships are at the heart of well-performing organisations; respect for each other, respect for staff, respect for external stakeholders, respect for those to whom you are accountable.

It may be that virtue based ethics, rather than rule based ethics may help us to understand how good governance influences good performance.

I referred at the beginning to sexism, racism and bullying in corporate life. Power imbalances exist within boards, between boards and staff, between regulators and patients and registrants. These can be exploited by those who wish to do so and are unrestrained by others. Boards may challenge or ignore the abuse of power.

Moral engagement by board members cannot be taken for granted.

If we want to understand the link between governance and performance we need to concentrate more on the virtues and behaviour of board members. But it remains my view that governance tells us little about performance. It's performance that tells us about governance.