

ASX Governance Submission

Dr David White April 2024

Thank you for the opportunity to provide a submission. This submission highlights the national importance and benefits of moving beyond just more prescriptive structure and process guidance.

Australia is a natural resource rich lucky country operating in 'muddling through' mediocrity cycles for country underperformance. A prime cause is governance standards, higher education/qualification frameworks and course accreditation that are not based on the competencies to work to systems that support making sound judgments proven to create a high performing country or organisations. The situation is equivalent to not having a prime focus on the judgment soundness of treatments by doctors. What could possibly go wrong? Is due diligence against relevant legal principles being exercised over country governance?

The following paper visions a high performing professionally governed country with standards, courses, and certifications for achieving a talent pool of world class professionals including governments, boards and executives that can provide hope and confidence for a better future.

Alternatively, Australians need to accept lower performing companies, prosperity and well-being. Section 7 highlights a governance learning disability cycle where 'muddling through' cycles are not being prevented. Governance problems and muddling through cycles may arise due to structure and process governance groupthink and myopia.

Governance professionalism is a prime determinant of Australia's prosperity and well-being. Australia needs world class standard setters. Trusted standard setters and regulators may need certified specialist proficiency to make highly sound performance and compliance judgments as overviewed in Section 10 and Appendix A.

Australia needs visionary leaders and world class capability builders who can see the serious limitations associated with increasing prescriptive governance standards and compliance burdens that are not making any significant difference to Australia's prosperity and well-being.

If the need for change is accepted, I could help support the ASX Corporate Governance Council in a governance grant application to the Federal Government to develop professional standards for directing and help influence high performance certified world class talent pools of directors, governance advisers and executives.

This direction is in Australia's public interest, of major strategic importance and therefore is more likely to attract public funding. Depending on scope and options chosen, a \$3-5M grant application could include for commitment building, design and implementation plan for professional standards for directing aligned to a vision of a high performing country and challenges faced.

If successful the ASX Corporate Governance Council would have a major opportunity to help professionally govern Australia for superior prosperity, economic growth and community well-being. Its reputation may be enhanced as a value-added contributor to world class governance for responsible high performance.

regards

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Visioning Australia as a High Performing Country for Superior Prosperity and Well-being

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Australia is a natural resource rich lucky country operating in 'muddling through' mediocrity cycles for country underperformance. A prime cause is governance standards, higher education/qualification frameworks and course accreditation that are not based on the competencies to work to systems that support making sound judgments proven to create a high performing country or organisations. The situation is equivalent to not having a prime focus on the judgment soundness of treatments by doctors. What could possibly go wrong? Is due diligence against relevant legal principles being exercised over country governance?

This paper visions a high performing professionally governed country with standards, courses, and certifications for achieving a talent pool of world class professionals including governments, boards and executives that can provide hope and confidence for a better future.

1. VISIONING A HIGH PERFORMING PROFESSIONALLY GOVERNED COUNTRY

There is a need for a clear inspiring and compelling vision of a high performing country (Figure 1) to create shared purpose, commitment and hope for a better future.

Figure 1



A high performing country is an attractive place to work, live and flourish benchmarked against relevant published indexes for country competitiveness, community well-being, liveability, affordability, credit worthiness and corruption/transparency rankings. There are prosperity plans for building internationally competitive products/services by highly skilled, productive, innovative and remunerated workforces: that is wealth creation by professionally governed companies based on professional standards, certification and accreditation of talent pools.

Revenues from taxation and other sources support professionally governed public and community services for physical, social, emotional and cultural well-being plans. Infrastructure, resources, economic development, monetary and fiscal policies support an attractive business environment for professionally governed companies.

2. PERFORMANCE AND GOVERNANCE OF AUSTRALIA

As discussed in the previous section, countries are benchmarked against indexes. Examples of ranking indexes include the Legatum Prosperity Index (2021), OECD Better Life Index (2020) and Global Liveability Index (Economic Intelligence Unit 2021). These indexes should be used to develop national prosperity and community well-being plans.

The OECD Better Life Index (2021) found Australia performs well in many dimensions of well-being relative to other countries. Australia outperforms the average in income, jobs, education, health, environmental quality, social connections, civic engagement and life satisfaction.

On a general satisfaction with life on a scale from 0 to 10, Australians rated 7.1 on average, higher than the OECD average of 6.7. However, this was achieved by working harder not smarter, with the 5th highest hours worked per capita in the OECD - 13% of employees work long hours in paid work, above the OECD average of 10%. Whether this quality of life is sustainable is dependent on economic prosperity and other success factors.

Australia has been described as a 'lucky' country because of significant national revenues obtained from natural resources, including minerals and agriculture. However, the available studies indicate Australia has a fragile economy highly dependent on being a raw materials supplier rather than a value-added producer. A trillion-dollar public debt is a key result of a COVID fiscal stimulus to avoid an economic slowdown. To repay the debt, a better alternative than tax increases/reduced public services is improved taxation revenues from, say at least ten country owned multinationals operating in high growth and attractive global industries and markets, opening up unique and world-competitive products and services.

For competitiveness, the Swiss-based Institute for Management Development's (IMD's), World Competitiveness Yearbook 2023 ranked Australia as 19th in a global ranking of the competitiveness of 64 nations. The four main factors are economic performance, government efficiency, business efficiency and infrastructure. Australia was among the lowest ranked of 64 nations on company agility, entrepreneurship, customer satisfaction and credibility of managers. The country's heavy reliance on mineral resources and a narrow set of markets resulted in a rank in the 50s for our export sophistication.

The World Economic Forum Report 2019 ranked Australia's as 16th in overall international competitiveness. Business dynamism ranked 23th and entrepreneurial culture ranked 16th is now viewed as just as important in driving competitiveness and growth as other pillars such as infrastructure, health, education and well-functioning markets. Australia was ranked 22th on future orientation of government and 39th on corporate governance. The Legatum Institute (2023) ranked Australia as 15th out of 167 global prosperity index countries (down 6 places since 2011) with productivity and competitiveness ranked 47th and confidence in government and financial institutions ranked 84/85th.

According to Transparency International's Public Sector Corruption Index 2023 Australia scored 75 out of 100 -10 points lower than in 2012 with an improvement due to a national anti-corruption commission. There was a need for a whole-of-government anticorruption strategy, including comprehensive whistleblower protections, reforms to political donations, expenditure, unfair lobbying and strong laws to stop money laundering.

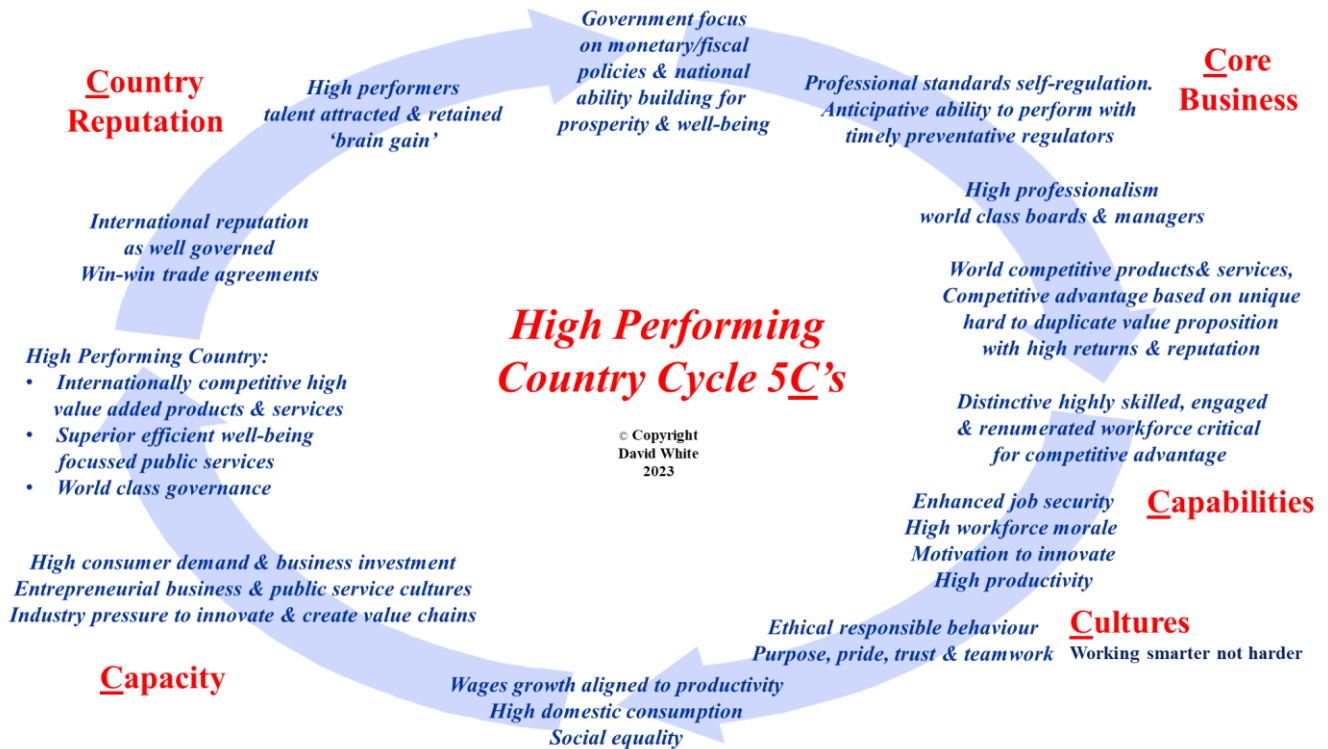
3. HIGH PERFORMING COUNTRY CYCLE

A high performing country and organisation has a combination of factors (5C's) that combine to create performance significantly more than the sum of the parts (Figure 2). Governments do more than focus on monetary/fiscal policies. They support national capability building. Professional standards for directorship and management self-regulation, accreditation and certification build a proven talent pool of world class boards, executives and managers.

Standard setters and regulators focus on an anticipative national ability to perform that support world competitive products and services based on unique hard to duplicate competitive advantages for high returns and a positive reputation. Innovative high customer value added products and services typically require highly skilled and engaged work forces.

If production involves highly skilled/remunerated workforces there are well-being outcomes including job satisfaction, security, personal income and career progression. Overall, there are the proven factors critical for high performance including shared purpose, trust, teamwork, continuous improvement, self-management and collaboration.

Figure 2



Nationally, this allows wages growth aligned to productivity which in turn supports higher domestic consumption. Because a highly skilled/remunerated middle class typically spends more of their income on consumption than the wealthier (who may focus on investments etc) there is more social equality as well as higher consumption. Supported by a strong export orientation and pressures to innovate, there is value-added business investment and supply chains. A positive international reputation supports win-win trade agreements, attracting and retaining world class talent for further nation building.

4. DIRECTORSHIP AND MANAGEMENT IN AUSTRALIA

The results for Australia arising from indexes for country competitiveness discussed in Section 2 are also reinforced by national studies into directorship and management.

Studies have confirmed that Australia has serious, long-standing management issues. For example, the report *Management Matters in Australia Just How Productive are We?* was issued in November 2009 by the Federal Department of Innovation, Industry Science and Research. The study found mediocre management was the differing factor between Australia and better performing, more innovative countries. Issues include people management skills/qualifications and management overestimating their own effectiveness.

In 2016 the Melbourne Centre for Workplace Leadership (Gahan et al 2016) concluded that Australian organisations should be concerned about the state of leadership and management capability. The findings revealed a pattern of mediocre leadership in many organisations that will likely impair their capacity to shift to a knowledge economy and impede their efforts to raise productivity. A significant proportion of Australian workplaces – more than 40% – were not meeting their performance targets for return on investment and profitability. Around one-third of workplaces underperformed against their sales targets. Because of insufficient training many leaders and managers were found to not have mastered basic management fundamentals such as performance monitoring, target setting and the appropriate use of incentives. There was poor strategic insight into challenges with only (18%) of private sector organisations reporting high levels of radical innovation.

A 2018 study into the strategic management of Australia firms by the federal Department of Industry, Innovation and Science (Moran et al 2018) found 58 per cent of firms were classed as having Low Engagement Management, with either no strategic plan or no monitoring of key performance indicators. At the other end of the spectrum, roughly 6 per cent of firms are classed as having Strategic Management, possessing a written strategic plan and monitoring three or more key performance indicators across two or more areas. The remaining 36 per cent of firms fell between these two extremes, classed as either Ad hoc (23 per cent) or Narrow Focus (13 per cent). Firms employing more than 100 employees were over six times more likely to have high strategic management capability than firms employing 5 to 19 employees.

Strategic management capability was positively associated with innovation, search for collaborative opportunities, responsiveness to skill and supply chain issues and labour productivity at the firm level. Productivity is a proven major influence on competitiveness and living standards. Australia's average productivity growth over the past 20 years to 2021–22 is around 1.2 per cent (Australian Treasury 2023) mainly achieved by working harder not smarter, with the 5th highest hours worked per capita in the OECD (Australian Productivity Commission 2020).

Global research conducted over many years, in countries including Australia, shows long-term low levels of employee engagement is significantly compromising profitability and productivity. This situation should have been prevented or at least detected/corrected by boards and executives. For example, the most recent Gallup 2021 global study of over 160 countries found 20% of the world's workforce engaged (20% in Aust/NZ), and 80% not engaged or actively disengaged (estimated at 1.2 billion employees). Organisations with highly engaged workforces were found to be 21% more profitable and 17% more productive. The productivity losses in Australia through employee disengagement alone are estimated at over \$50 billion per annum.

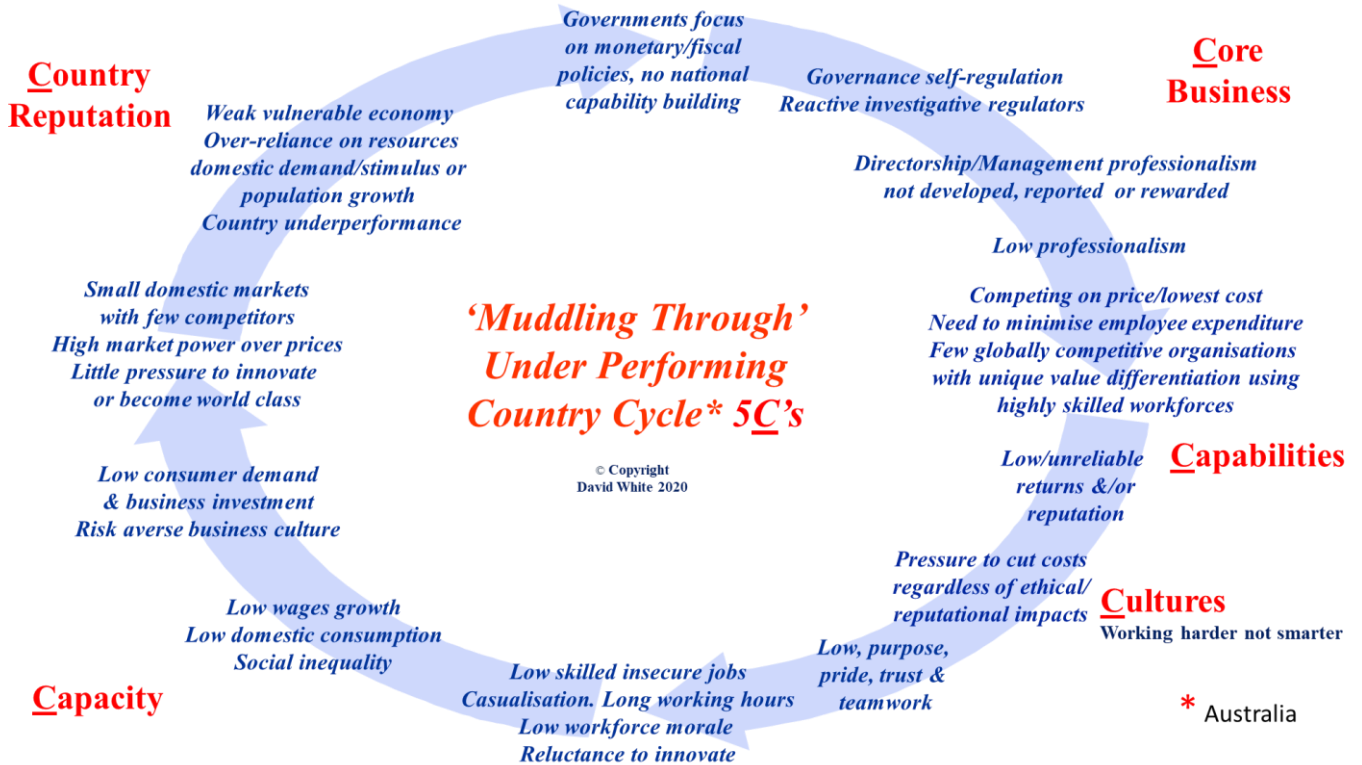
There is a lack of research into board effectiveness in Australia. Major issues, such as those found in the financial services (APRA 2018 and Hayne 2019) and age care sectors (Royal Commission 2021) have been identified. A key indicator of shareholder value is whether shareholders achieve a rate of return on their funds adjusted for risk that is at least greater than risk free bond rates. The Ruthven Institute (Ruthven 2018) found the average return on share-holders funds (ROSF) after tax by the nation's 2.2 million enterprises has stayed unchanged at 3.8 percent for the past three decades - lower than the risk-free 10-year government bond rate of 5.5 percent. Australia's largest 100 corporations averaged 8.7 percent ROSF over three years which is less than twice the normal bond rate. Only 9 achieved world best practice of 22 percent ROSF.

5. IS AUSTRALIA IN A COUNTRY 'MUDDLING THROUGH' CYCLE?

The anecdotal evidence suggests Australia is in a 'muddling through mediocrity cycle' for country underperformance overviewed in Figure 3. There are structure and process governance standards that focus on how things are done rather than professional standards that guide value creation/protection professional judgments for responsible performance. Directing and managing is not treated as a profession. Nor is there reporting and rewards aligned to professionalism attainment via standards accreditation or judgment certification. Regulators are reactive to problems and issues which inevitably arise due to low professionalism.

In relatively small Australian domestic markets, organisational performance may be due to geographic monopolies or oligopolies and/or competing on price/low cost. A cost focus may require unskilled casual workers and lower wages which may lead to weak domestic consumption/economic activity unless there is population growth including by migration. This may also help explain longer working hours than the OECD country average.

Figure 3



Profit creation may come from win-lose transactions/relationships, at the expense of suppliers or employees, rather than from value adding professionalism in directing and managing supporting innovative and productive workforces that deliver internationally competitive products and service offering unique value differentiation for export income and economic growth. Australia is more of a raw materials supplier than a value-added producer.

In this situation synergy of the 5C parts combine to create country underperformance. The cycle may be largely hidden if a country enjoys the benefits of natural resource advantages and population growth which contribute to national income and prosperity.

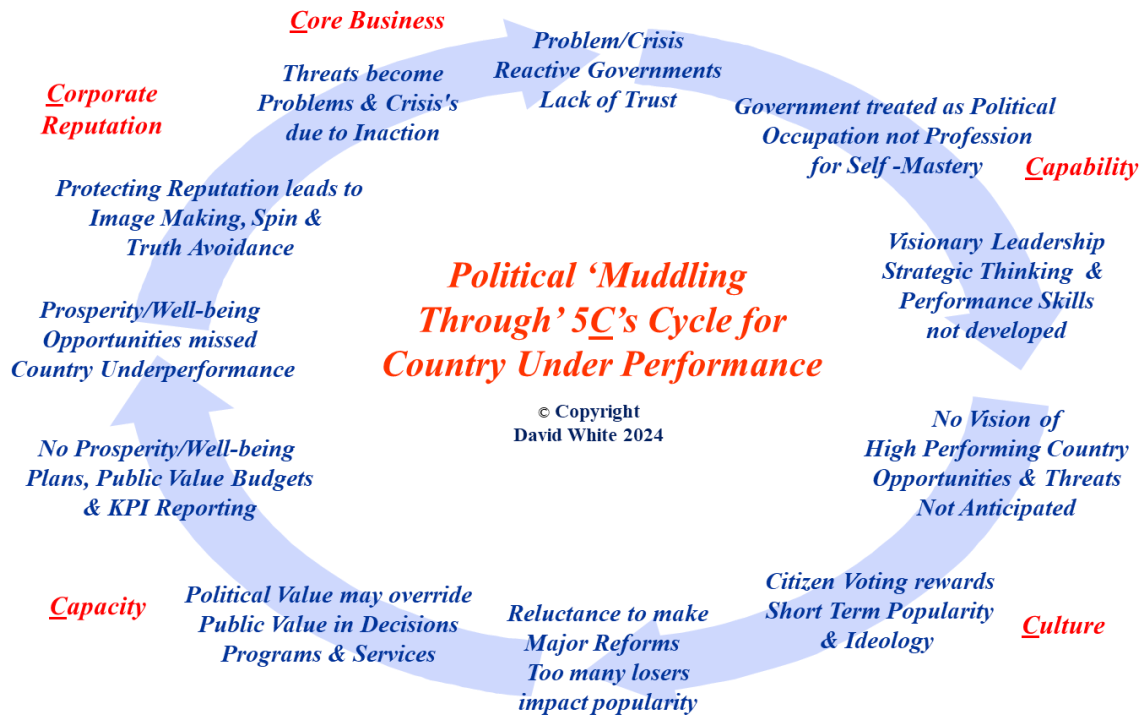
6. IS AUSTRALIA IN A POLITICAL 'MUDDLING THROUGH' CYCLE?

There can be a political 'muddling through' 5C's cycle for country under performance (Figure 4).

Government may be treated more as a political occupation for promotion than a profession for self-mastery. Visionary leadership, strategic thinking and performance evaluation skills may not be developed. Governments may primarily make decisions based on popularity, and ideology rather than a vision of a high performing country founded on factors proven to create prosperity and well-being.

Each policy decision has winners and losers. Difficult but important structural reforms of taxation, public expenditure, regulation and finances may be avoided where there may be influential losers that may compromise government popularity and adversely affect re-election. Decisions may also be influenced by ideology to maintain the party faithful and reward donors or those with influence and power. Ideology may be driven by adherence to left, right or centre/conservative political party doctrines related to size of government, regulation of society, welfare support etc.

Figure 4



When problems occur due to political decisions and/or if investigations/whistleblowers reveal what has happened, there may be image making, spin and truth avoidance to minimise reputational damage as well as funding cuts and independence of investigators compromised by role changes and appointments.

A country may not be aligned to its challenges. The outcome may be sub-optimal decisions and/or reacting to preventable problems or crisis's which in turn may create country mediocrity and underperformance. This situation may not be the fault of governments. Citizens get the governments (and standard of living) they vote for. Citizens need to vote for professionally governing the country rather than their self-interest and ideology overriding decisions in the public interest. Those seeking government should be offered relevant courses and qualifications for professional directorship based on a vision of a high performing country.

What is needed to get out of a 'muddling through' cycle? Acting in the public interest is demonstrated when there is evidence-based decisions of policies and services based on business case analysis for public value of benefits relative to costs and risks. There may be trade-offs including between caring and compassion for citizens with the need to maintain an attractive business environment for export competitiveness.

Governments may mature when there are national plans for prosperity and community well-being based on a benchmark assessment using country ranked indexes to determine gaps in well-being, directions and actions for improvement. The indexes should be evidence based on what is proven from reliable research to achieve sustainable economic growth and improve physical, social, educational, emotional and/or cultural well-being. As discussed in Section One, the aim is an attractive place to work, live and flourish.

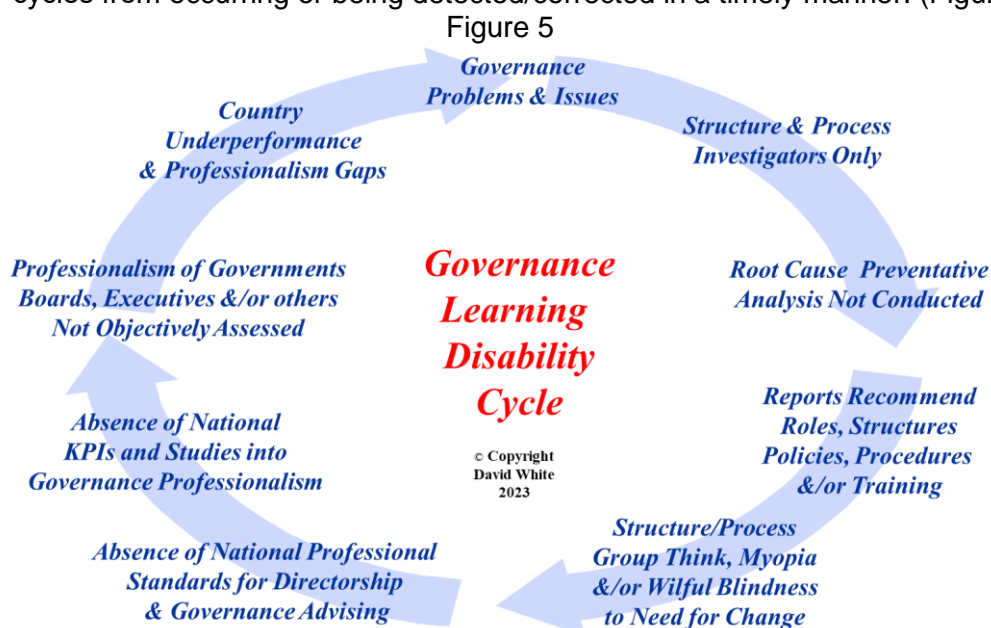
Governments are trained to professional standards including for directorship. Professional directorship enables strategic oversight of an organisation or public sector whilst allowing executives to manage within agreed directions for improved performance whilst acting ethically and legally in compliance. It is not a simple case of applying judgments in existing professional directorship courses for companies with some modifications for governments.

Professional judgments in the public sector have wider applicability including for governments, central agencies, public sector executive teams, councils and public sector boards. Director team dynamics is more complex in the public sector where appointments may be based on political factors and the influence of stakeholders externally and internally may require more collaborative inclusive leadership styles, values and behaviours.

Acting in the public interest whilst reconciling government interests and stakeholder interests may require courage, openness, transparency and accountability. There is a need for well-rounded balanced views of society, economies, health, education, infrastructure, climate and the environment etc as well as visionary leadership, advanced strategic and systems thinking, performance evaluation and complex societal problem-solving skills.

7. GOVERNANCE LEARNING DISABILITY CYCLE

There can be a governance learning disability cycle which would otherwise prevent ‘muddling through’ cycles from occurring or being detected/corrected in a timely manner. (Figure 5).



Investigations in governance problems and issues may provide an important source of learning about what went wrong and why. Just as important are recommendations which may prevent these types of situations from happening again in the future. Root cause analysis is an important tool to analyse what caused the problems in the first instance and to avoid just treating the symptoms.

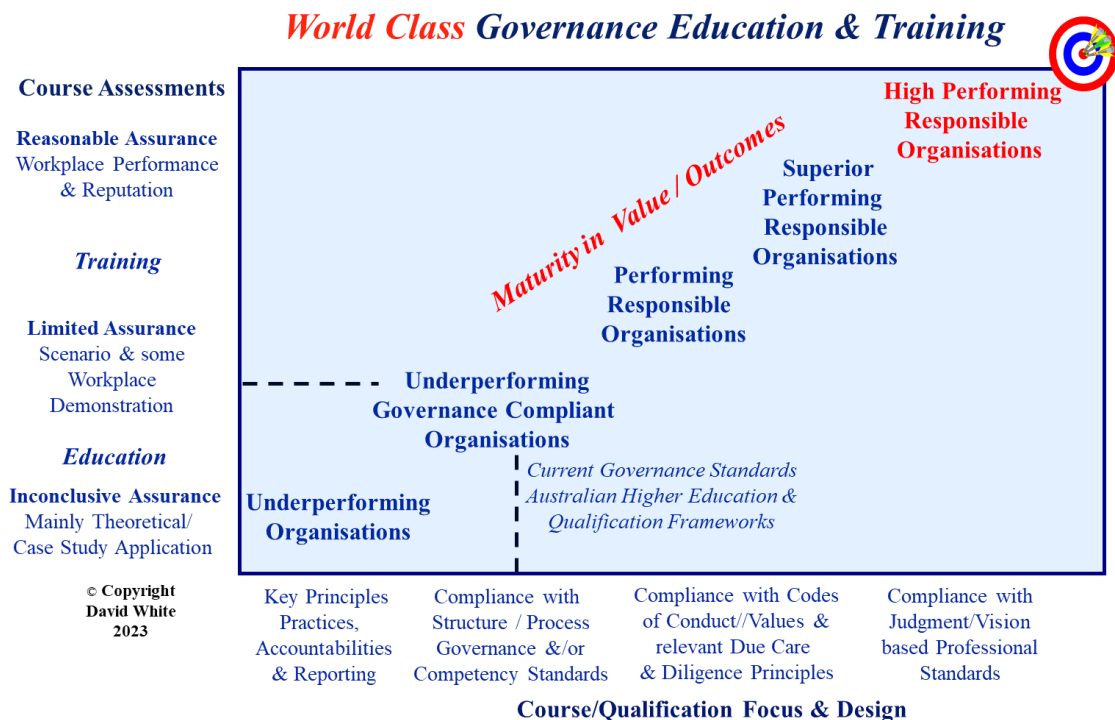
However, if the investigations are conducted by only those with structure and process skills/mindsets there may be a learning disability cycle. There can be group think and myopia which prevents understanding about the serious limitations of structure and process governance. This may reflect a power imbalance of risk, compliance and secretarial professionals over strategy, change and performance governance professionals. At best, recommendations for improved structure and process may lead to early detection. More prescriptive structure/process governance standards may create greater compliance burdens.

Only professional standards accreditation and judgment certification (capability assurance) can prevent similar type situations from happening in the future. The absence of professional standards, KPI's and reporting on governance professionalism may increase the risk of capability gaps and country underperformance. In Australia, reviews of Royal Commission investigations included Robot-Debt (2023) and Financial Services Industry (2019).

8. IMPORTANCE OF WORLD CLASS EDUCATION AND TRAINING

Australia needs world class governance education and training to break out of the ‘muddling through’ and governance learning disability cycles for underperformance (Figure 6).

Figure 6



As there is a move from general education to workplace focused training, course content, qualifications and/or certifications are designed to provide the knowledge, skills and judgments proven to create high performing organisations. However, there are constraints.

In Australia current company governance standards focus on structures and processes for board oversight. This may require boards, some of whom may be independent of management, to oversee strategy, CEO appointment/remuneration, ethical culture, business risk and financial management. For example, the Australian Stock Exchange (ASX) has issued *Corporate Governance Principles and Recommendations* (2019).

In addition, Australian Higher Education (2021) and Qualifications frameworks (2013) only focus on skills and knowledge in fields of education or disciplines involved. For example, skills may include technical, cognitive, communication, evaluation, conceptual and critical thinking. However, governance structures/processes standards and skills/knowledge qualification frameworks are not ends in themselves. They may guide directions and actions only.

Only judgments create organisational performance. Once judgments have been determined based on the proven characteristics of high performing organisations, *only then* can knowledge/skills and structures/processes be aligned. Without judgment-based governance standards and qualification frameworks there will be high risks of mediocrity and underperformance.

Not surprisingly judgments are critical to also demonstrating due diligence. For example, in Australia business judgments that are ‘honest’ (best interest belief), ‘rational’ (for business purpose) and ‘informed’ (benefit, cost-risk options) may afford protection and due diligence under Section 180(2) of the *Corporations Act 2001*.

Without courses, qualifications and certifications focusing on workplace demonstrated judgments designed to meet the proven characteristics/vision of high performing organisations there is a serious risk of graduates creating underperforming organisations. Furthermore, they may not be acting with due diligence. Governance problems and issues continue to arise. It is little wonder that Australia is in a 'muddling through' mediocrity cycle of underperformance.

The situation is equivalent to medical standards/qualification boards only focusing on the knowledge/skills of doctors as well as the structures/processes of medical practices. There is not a prime focus on medical judgment soundness for the right treatments with the right outcomes with the right facilities, team and equipment based on clinical studies into evidence-based proven treatments. What could possibly go wrong? Is due diligence being exercised?

My doctoral analysis of the global research (White 2010) from over 300 studies over the last 30 years shows high performing organisations have 20-50 percent higher financial returns than their peers. An analysis of the key characteristics found a logic related to how the combination of the characteristics collectively create high performance more than the sum of the parts. In particular they are governed to continually align their core business externally to challenges faced whilst internally aligning cultures, capability, capacity and corporate reputation for effective implementation of internationally competitive high value-added products and services in attractive industries and favourable markets (5C's).

The minimum standard for exercising diligence and trustworthiness in governments, senior public officials, boards and executives should be achieving a 'responsible performing' organisation (Appendix A). Judgments focus on the right products/services in the right industries/markets with the right organisation with the right supply chains and relationships to address the right challenges for improved competitiveness, value and performance. The judgments should be reflected in course assessments and certification/assurance.

9. WORLD CLASS TALENT POOLS FOR A HIGH PERFORMING AUSTRALIA

Australia faces multiple and complex challenges including:

- Economically fragile economy dependent of being a raw materials supplier with productivity, national debt and cost of living pressures
- Semi-continuous events such as droughts, fires, floods and pandemics
- Defence/security issues and unstable geo-political events that may suddenly deteriorate.

The more difficult and complex challenges a country faces, the greater the need for world class governance professionalism. Australia needs a high performer's world class talent pool based on a 5C's cycle overviewed in Figure 7.

The cycle logic of creating a high performing country and organisations is as follows:

There is a vision of a high performing country and organisations, so everyone knows *where* we are going and *what* prosperity and well-being challenges that need to be addressed to get there. This is based on a common body of knowledge on what is proven to work using reliable research evidence and not unsubstantiated consensus of opinions, fads, ideology etc.

Professional standards including for directing and managing provide guidance on judgments, competencies and cultures to work to systems that support making sound judgments. 5C judgment hierarchy maps (Section 10) are used that align and integrate judgments to create high responsible organisational performance – not just skills, knowledge and/or capability frameworks as an end in themselves with no alignment to making judgments or performance outcomes.

Figure 7



Governance standards provide guidance on roles, structures and processes. They are not an end in themselves for compliance but aligned and/or flexible to meeting professional standards, various types of judgments and visions.

There are talent pools of standard setters, regulators, high-performance PhD researchers, course/qualification designers, educators/trainers and judgment/professional standard assurance providers. Some courses may be delivered by educators with guest speakers who are leaders in their fields. However, the complexity and difficulty of visioning, integrated strategy, organisational design, leadership and change management demands a move from just education to training. Education is focused on knowing, thinking and applying/skilling. In contrast, training is focused on workplace evaluating, judging, performing and behaving to agreed standards.

A key outcome is pipelines and talent pools of world class governance directors, managers, governments, senior public officials, specialist advisers who are high performance judgment certified and professional standard accredited. This means making having the governance focus, roles structures and systems to make the right summary judgments on the right products/services with the right 5C organisations to address the right challenges for right competitiveness, value and high responsible organisational performance. Another key outcome is national, state/territory and regional prosperity and well-being plans and budgets using relevant indexes that globally benchmark country performance, governance and reputations with KPI reporting.

Trusted quality assured world class governance professional standard setters are professional judgment certified for obtaining the right evidence to develop the right vision with the right standards addressing the right challenges for the right performance, compliance and professionalism outcomes for a country and organisations.

Trusted quality assured world class governance professional educators and training providers are professional judgment certified to achieve an agreed vision and standards with the right education/training for the right courses, qualifications and certifications delivered by the right talent pools for the right performance, compliance and professionalism outcomes for a country and organisations.

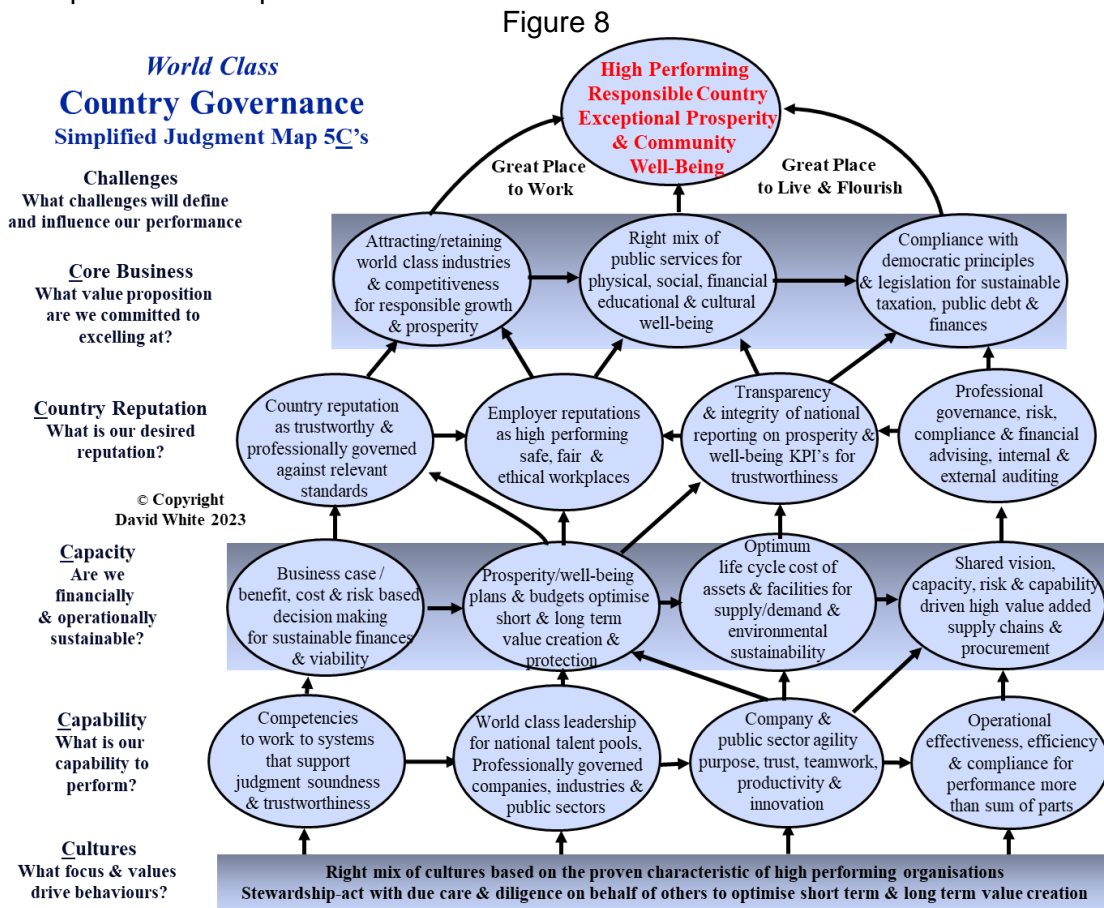
10. CERTIFYING TRUSTWORTHINESS TO PERFORM

There is a critical need for trust in governments and company boards. Trustworthiness to perform is primarily demonstrated by professional judgment certification. Appendix A overviews a summary judgment attainment scale for certifying and reporting on the achievement of a world class high performing responsible organisations. The minimum proficiency standard for exercising diligence and trustworthiness in governments, senior public officials, boards and executives should be achieving a 'responsible performing' organisation.

At best, workplace judgment certifications and standards accreditation may provide 'reasonable assurance' of abilities to influence creating high performing responsible organisations and country. Reasonable assurance means there is *enhanced certainty* of organisational performance/compliance but not guarantee of success (absolute assurance).

Sound judgments may balance benefits, costs and risks whilst addressing complexity, uncertainty, information limitations and trade-offs that need to be tailored to each situation. Research shows up to half the performance of an organisation may be due to external factors. Part time directors may only have a general understanding of an organisation and its environment. Therefore, by themselves they may only be realistically expected have the *generalist* proficiency to make *reasonably* sound judgments for less complex situations. Directors may need to be supported by *specialist proficient* performance and/or compliance governance advisers who may make *highly sound* judgments for complex situations. Standard setters, training providers and regulators may need to possess specialist proficiency.

As discussed in the previous section, 5C judgment hierarchy maps should be used to integrate judgments. For example, governments and senior public officials can be certified as making *reasonably* sound judgments using a *Country Governance Professional Judgment Map*. Figure 8 provides a simplified overview.



Ultimately what matters for citizens is country prosperity and community well-being as a great place to work, live and flourish. Governments and senior public officials should focus on public services such as education, health, transport, housing, law and order and economic development with integrated prosperity and well-being plans and public value budgets (benefits relative to costs/risks) at a federal, state and regional level.

There should be compliance with democratic principles and relevant legislation on taxation public expenditure for sustainable country finances and viability. Public sector agencies should continually align their core business/public value with the cultures, capabilities, capacities and reputation to deliver services effectively and efficiently in accordance with government priorities and funding. The complexity, difficulty and diversity of judgments reinforces government and boards as a profession for self-mastery rather than just as occupations for election or promotion.

11. DIRECTIONS FOR CHANGE

As discussed in the Section 9, Australia faces complex and difficult challenges. Never before has it been so critical to have governments and boards that are trusted professionals with a proven ability to perform. A target of say a world class talent pool may comprise:

- 500 high company performance judgment certified, professional standard accredited board directors, executives, managers and/or specialist governance professionals capable of collectively influencing at least ten country owned multinationals operating in high growth and attractive global industries and markets, opening up unique and world-competitive products and services for superior dividends/share price growth and viability
- 500 high country performance certified, professional standard accredited ministers, senior public officials and/or specialist governance/policy specialists capable of influencing integrated prosperity and community well-being plans at a national, state/territory and local government level for superior physical, financial, social, emotional and cultural well-being
- World class governance trainers accredited to meet professional standards with those who teach being high performance certified with a proven ability to assess professionalism.

Incentives and rewards for world class governance may create a world class talent pool of ministers, board directors, executives and specialists for driving change. For example, a training provider may receive partial or full funding based on the following:

- alignment of courses, qualifications and certifications/accreditation based on meeting relevant professional standards that support achieving the vision
- talent pool numbers of those enrolling and achieving proven professionalism including judgement certification and professional standard accreditation.

A funding pool of say \$20-40M over 3-5 years would incentivise national professional capability building. Funding may progressively pay for itself including benefits from:

- increased certainty of prosperity (taxation revenues) and well-being vision aligned professional governed companies and public services for public trust
- cost savings from investigations and royal commissions because there is less likelihood of material, foreseeable and preventable problems and issues arising ie a prevention rather than just detection and correction focus.

The value proposition of world class training providers may be reflected in reporting on the:

- estimated/actual workplace 5C value added contributions of individual graduates/certified members from their judgments using a qualitative value-added attainment scale

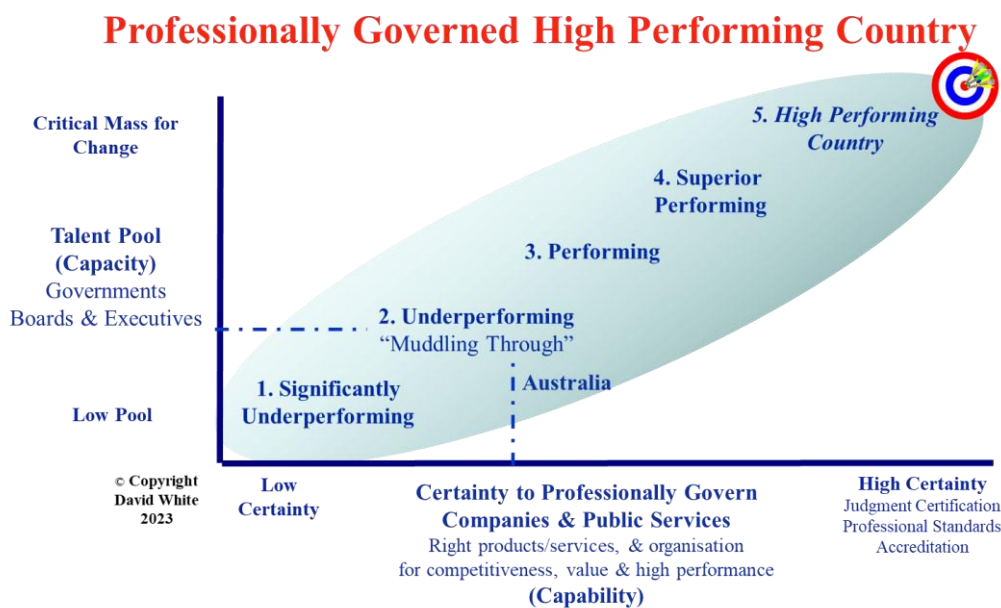
- estimated collective societal impact in terms contribution to prosperity and well-being from the talent pool created of alumni members from periodic independent long-term studies.

Reporting would be included as part of prosperity plans, budgets against national KPI's.

12. CONCLUSION AND CASE FOR CHANGE

Australia is a natural resource rich lucky country operating in 'muddling through' and governance learning disability cycles for underperformance. A national priority should be to develop both the capability and capacity to professionally govern the country for high performance. Figure 9 summarises the current position.

Figure 9



A 'muddling through' cycle may occur when those that govern make judgments that create low value-added products/services and organisations resulting in crisis/problem reactive mediocrity and underperformance. Low professionalism may be masked by profits/prices due to demand, bargaining power imbalances and other external factors. Country and political 'muddling through' cycles occur due to lack of integrated prosperity and well-being plans at a federal, state and local level (silos) that combine with ineffective governance and quality education standards to create a national pool of low professionalism.

What's missing is visionary leaders and world class talent pool capability builders for international competitive advantage, superior industry value and high responsible performance. Governments are not passive bystanders but active influencers of talent.

Australia's current governance structures/processes standards and skills/knowledge qualification frameworks by themselves cannot create talent pool performance. Only people who make sound professional judgments can directly influence organisational performance to create value. Transformational change is needed to professionalise governance that is vision, proficiency and value driven by professional standards for trustworthiness.

Governments should be voted in, retained and rewarded if they enhance the certainty of a professionally governed high performing country. A value proposition may include:

- governance, directorship and management talent pools including for developing internationally competitive export focused companies and effective/efficient public services.

The pools are aligned to address key national challenges to achieve a vision and proven characteristics of a professionally governed high performing country for superior prosperity and well-being

- high public value (benefit to cost/risk ratio) strategic resource allocated plans, policies and public services that optimize physical, social, emotional and cultural community well-being.

The aim is an attractive place to work, live and flourish benchmarked against relevant published indexes for country competitiveness, community well-being, liveability, affordability, credit worthiness and corruption/transparency rankings.

Governments, senior public officials should be incentivised, and courses, qualifications and certifications designed for judgment soundness aligned to achieving a clearly defined, inspiring and compelling vision of a high performing professionally governed Australia. What gets rewarded gets done. World class governance training providers should be funded for developing graduates with a proven ability to perform against standards.

A talent pool of high-performance judgment certified professional standard accredited individuals and teams would provide the critical mass capacity for national improvement. Governments, directors and executives may demonstrate trustworthiness by making sound judgments for responsible performance as well as meeting relevant due diligence principles.

Personal benefits of possessing a proven professionalism to perform may include competitive advantage, remuneration, career progression, trustworthy reputations and self-esteem.

Citizens would have hope and confidence of a better future because governments are competent to govern for superior prosperity, economic growth and well-being. Shareholders and investors would have greater confidence in boards oversight of a company's future performance, products/services and organisation for dividends and share price growth. There are few, if any material, foreseeable and preventable performance or reputation issues outside of agreed risk-taking tolerances due to professionalism in governance.

There is a compelling case for adoption. It's acting with due diligence in the public interest in compliance with Australia's Constitution.

'The public interest is a term embracing matters, among others, of standards of human conduct and of the functioning of government and government instrumentalities tacitly accepted and acknowledged to be for the good order of society and for the well-being of its members. The interest is therefore the interest of the public as distinct from the interest of an individual or individuals...' Appeal Division of the Supreme Court of Victoria in Director of Public Prosecutions v Smith [1991] 1 VR 63 (at 75), per Kaye, Fullagar and Ormiston JJ

The alternative is to persist with ineffective governance and educational standards that allow unchecked 'muddling through' cycles to continue that compromise country/organisational performance, limit value creation or at worst destroy value. Is this really an option?

In conclusion, it's time to professionally govern Australia as a high performing country for superior prosperity, economic growth and community well-being. This is achieved by a world class talent pool of trusted governments, boards and executives with a proven ability to perform responsibly that are judgment certified and accredited against relevant standards.

Trustworthiness to perform starts at the top. As a minimum standard, should governments, major company boards and executives possess a *generalist* proficiency detailed in Appendix A to professionally govern the country and organisations? Should world class *specialist* proficiency standard setters and training providers support and regulators assure world class talent pools of directors and their expert advisers for high responsible performance?

Australia's governance cannot continue to be reactive and muddling through. An urgent national priority should be a national governance plan and budget that provides the following:

- visions *where* we are going for a high performing professionally governed country that is inspiring, compelling and clearly defined for commitment as to *why* change
- details strategies and actions for the company and public services sector on *how* we are going to get there so there is a realistic and achievable pathway including judgment maps
- defines *what* targets and indicators of success are to be used to report on progress
- allocates *who* is accountable for what that includes clearly defined value adding propositions for governments, boards, standard setters, training providers and regulators.

The national governance plan should be seen as a starting point to help provide public confidence on trustworthiness to perform with due diligence in the public interest.

About the Author

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A high-performance governance specialist, Dr David White has five university qualifications including a PhD in the governance of high-performing organisations, company director's diploma and MBA. He has over 35 years' experience including in company and public sector governance, corporate management, executive development and internal/external audit roles.

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Professional Judgment Certification Reporting for High Performing Organisations

	Summary Organisational Attainment Rating				
	1. Significantly Underperforming Organisation <i>Crisis Reactive</i> 0-29% World Class	2. Underperforming Organisation <i>Problem Reactive</i> <i>'Muddling Through'</i> 30-49% World Class	3. Responsible Performing Organisation <i>"Chugging Along"</i> 50-59% World Class Generalist Proficiency	4. Superior Performing Responsible Organisation <i>"Excelling over Others"</i> 60-79% World Class Advanced Generalist Proficiency	5. High Performing Responsible Organisation <i>"Leading the Pack"</i> 80-100% World Class Specialist Proficiency
<p>Performance Judgments that enhance the certainty of organisational or country performance</p> <p>Companies</p> <p>Governments &/or public and not for profit community sector</p>	<p>Non-competitive products/ services delivered by <i>few</i> engaged productive employees with <i>few</i> resources, cultures and capabilities aligned that delivers <i>significantly below average</i> industry returns/share price growth and <i>significant</i> viability risks</p> <p>Not able to address well-being, prosperity, competitiveness and performance until major issues arise/need for change evident. Effectiveness, efficiency, engagement, productivity &/or innovation issues due to resources, cultures & capability non-alignment</p> <p>Key decisions influenced by dominant personalities, popularity, vote buying, ideology, short termism and/or vested interests</p>	<p><i>Local</i> competitive <i>parity</i> in products/ services/strategies delivered by <i>some</i> engaged productive employees with resources, cultures and capabilities alignment issues that deliver <i>below average</i> industry returns/share price growth with <i>some</i> financial viability risks</p> <p>Policies/strategies may improve performance but does not objectively assess public value of programs, allocate funding based on most good/highest need, well-being, competitiveness and prosperity. Some engaged, productive & innovative workforces with the right resources, cultures and capabilities for effective & efficient delivery</p> <p>Some decisions may be based on popularity, vote buying, ideology and/or vested interests</p>	<p><i>Locally</i> competitive value-added products/ services strategies delivered by a <i>majority</i> of engaged productive employees with <i>some</i> resources, cultures and capabilities alignment issues that deliver <i>average</i> industry returns/share price growth and <i>reliable</i> financial revenues/viability with <i>minor</i> risks</p> <p>Value added services and programs that do good for <i>many</i> people and/or prioritised need to create /sustain <i>average</i> community well-being/ prosperity. Majority are engaged, productive & innovative workforces with the right resources, cultures and capabilities for effective & efficient delivery</p> <p>Decisions with <i>majority</i> based on public value, benefits, costs and risks</p>	<p><i>Nationally</i> competitive value-added products/services/strategies delivered by <i>mostly</i> engaged productive & innovative workforces with resources, cultures and capabilities <i>mostly</i> aligned to deliver <i>above average</i> industry returns/share price growth and <i>solid</i> financial viability and improvement</p> <p><i>High</i> value-added services and programs that do the <i>most</i> good for most people and/or highest need to create/sustain <i>superior</i> community well-being, prosperity and competitiveness delivered effectively & efficiently by <i>mostly</i> engaged productive & innovative workforces with the right resources, cultures and capabilities</p> <p>Decisions <i>mostly</i> based on public value, benefits, costs and risks</p>	<p><i>Internationally</i> competitive <i>high</i> value-added, <i>unique hard to duplicate</i> products/services/strategies delivered by <i>highly</i> engaged productive & innovative workforces with the right resources, cultures and capabilities <i>fully</i> aligned to deliver <i>superior</i> industry returns/share price growth and <i>strong sustainable</i> financial improvement and viability</p> <p><i>High</i> value-added services and programs that do the <i>most</i> good for most people and/or highest need to create/sustain <i>exceptional</i> community well-being, prosperity and competitiveness delivered effectively & efficiently by <i>highly</i> engaged productive & innovative workforces with the right resources, cultures and capabilities</p> <p>Decisions all based on public value, benefits, costs and risks</p>
<p>Compliance Judgments that support the organisation acting ethically, legally and responsibly</p>	<p><i>Negative</i> reputation by key stakeholders with <i>little</i> cost-effective compliance with relevant laws, regulations, ethical/responsible standards and reasonable societal expectations.</p> <p><i>Few</i> key risks mitigated by appropriate controls to achieve <i>limited</i> compliance objectives within agreed risk tolerances. Ineffective lines of defence issues for risk/control assessments, assurance &/or risk/audit committee oversight</p> <p>Material foreseeable preventable compliance issues arise that significantly damage reputation</p>	<p><i>Patchy</i> reputation by stakeholders with <i>some</i> cost-effective compliance with relevant laws, regulations, ethical/responsible standards and reasonable societal expectations.</p> <p><i>Some</i> key risks mitigated by appropriate controls to achieve <i>some</i> compliance objectives within agreed risk tolerances. Significant lines of defence issues for risk/control assessments, assurance &/or risk/audit committee oversight</p> <p>Material foreseeable preventable compliance issues arise that impact reputation</p>	<p><i>Generally</i> positive trustworthy reputation by stakeholders with <i>majority</i> cost-effective compliance with relevant laws, regulations, ethical/responsible standards and reasonable societal expectations.</p> <p><i>Most</i> key risks mitigated by controls to achieve <i>most</i> key compliance objectives within agreed risk tolerances. Lines of defence issues for risk/control assessments, assurance &/or risk/audit committee oversight</p> <p>No material foreseeable preventable compliance issues arise. Some minor compliance issues that impact reputation</p>	<p><i>Positive</i> trustworthy reputation by stakeholders with <i>mostly</i> cost-effective compliance with relevant laws, regulations, ethical/responsible standards and reasonable societal expectations.</p> <p><i>Most</i> key risks mitigated by controls to achieve <i>nearly all</i> key compliance objectives within agreed risk tolerances. Lines of defence including management risk/control assessments risk/compliance specialists, internal audit &/or risk/audit committees</p> <p>No material foreseeable preventable compliance issues arise. Some minor compliance issues</p>	<p><i>Strongly positive</i> trustworthy reputation by stakeholders with <i>full</i> cost-effective compliance with relevant laws, regulations, ethical/responsible standards and reasonable societal expectations.</p> <p><i>All</i> key risks mitigated by appropriate controls to achieve <i>all key</i> compliance objectives within agreed risk tolerances. Cost effective lines of defence including management risk/control assessments, risk/compliance specialists, internal audit &/or risk/audit committees</p> <p>No material foreseeable preventable compliance issues</p>