

5 benefits of getting to grips with good governance

Good governance isn't all about preventing negatives...

When we think about governance, we often focus on how it can help us prevent the negatives:

- stopping things going wrong
- avoiding pitfalls
- ensuring we can evidence things in the event of future challenge.

However, there is also a positive side to it. Good governance can:

- help us see opportunities we might otherwise miss
- support us in taking these opportunities
- ensure schemes can achieve their objectives
- secure positive member outcomes.

Governance is a broad topic that can feel hard to define and tackle, but taking the time to do so can bring real benefits. It encompasses pensions and technical expertise, soft skills, decision making, trustee effectiveness, risk management, succession planning, processes, and structures.

Here are 5 benefits that good governance will give you:

1. Making better use of time

Well governed schemes are both effective and efficient.

An effective governance structure is not only adequate to accomplish its purpose and to ensure objectives are defined and met, but in addition ensures value is added.

Efficient, well-organised operations, carried out by individuals with the right skills at the right level, ensure time is well used without wasted effort or expense.

Being efficient does not mean just doing things the quickest or cheapest way. It means getting the basics right, and delivering efficiency in the context of what supports effectiveness for your scheme in a proportionate and pragmatic manner.

2. Engaged stakeholders, working together

Governance involves thinking about the 'what' - operational effectiveness (structures, processes, roles, Board composition etc.) and the 'how' - behavioural effectiveness (the way in which individuals interact with each other, the culture and dynamics of the scheme, leadership etc.). Each scheme will achieve its own optimum outcomes through finding the best solution in each area for its own circumstances.

Desired outcomes are more likely to be delivered, with good and timely decision making, when you engage stakeholders holistically in scheme governance. Fostering positive relationships can only benefit a scheme and investment in these can be particularly valuable when challenging situations, with potentially conflicting views, arise.



3. A grounding for turbulent times

If the last few years have taught us anything, it's that things can happen that we might not have anticipated. When we have control over areas for which we are accountable and responsible, with an effective risk management framework in place, there will be greater capacity to accommodate and respond to unexpected or external events. This will include ensuring the walls don't tumble down in the process and that there is the ability to consider potential opportunities, not simply to respond to any immediate threats.

A team that is already rowing in the same direction, with an understanding of what could throw it off course and why, is much more likely to pull together and perform well under pressure. This will mean a greater chance of successfully seeing events through to a positive resolution whilst at the same time, ensuring no 'must do' items are missed.

4. A foundation for the future

Good governance is not a one size fits all, one-time activity. It will be specific to your own circumstances, and it is an evolution. What is right for a scheme now and for the future as it looks today, might not be the same in two, five, ten years' time. By understanding what good looks like now, and why, your scheme will be well placed to revisit and review that going forward. This will allow continuous improvements to be adopted as needed and can help avoid changes being made for change's sake.

We live in an environment where the demands on pension scheme trustees are ever increasing and drivers for change may come from a variety of sources. In these circumstances, having a strong foundation can help trustees pre-empt, react and respond to events in a manner that works for them.

“When governance is done right it not only reduces risks and mitigates impacts. It also allows you to spot opportunities...”

5. Informed decision making

Trustee decision making is critical to a scheme's success and member outcomes. Good governance can empower good and timely decision-making. It can ensure that Trustees have confidence in the information and support provided, at the right-level, to make decisions and that they have been able to appropriately discuss and challenge advice and recommendations.

A good governance structure will also help trustees focus their time on the decisions that really matter, the things that move the dial, whilst also ensuring there is sufficient transparency and comfort that any decisions delegated are being taken appropriately.

We work with schemes to bring together a broad range of areas to deliver better governed pension schemes...

