



High-performance boards in action

ICPAR annual conference | Rusizi, Rwanda | October 2022





Today's journey

The changing landscape

The craft of board work

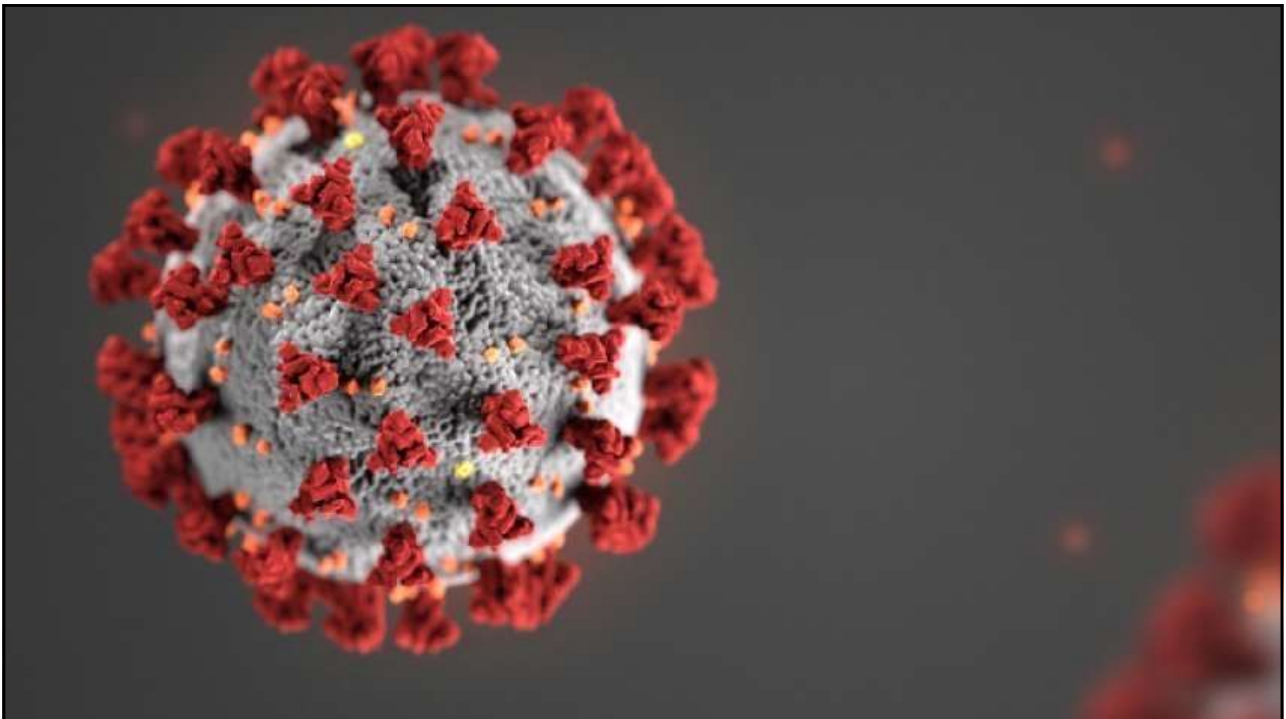
Governing well, despite uncertainty



The changing landscape



Sustainability
Participation (DEI)
Geopolitics / nationalism
Stakeholder expectations
Compliance demands





ESG: general approach

EU: centralised, regulatory heavy, publicly-backed

US, UK: institutional investors driving the agenda

Disclosures & reporting

Immature, but moving quickly

Many standards bodies vying for dominance

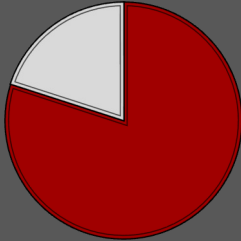
ISO 37000 (corporate governance)

Political/social/environmental expectations

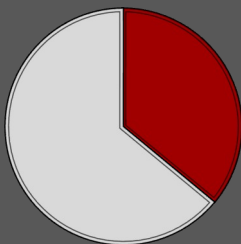
Desire v. delivery

One-third of all professionally-invested capital in ESG-aligned funds

- ✗ Blackrock: CEO's interests ahead of investors'
- ✗ Only one-quarter of boards understand ESG
- ✗ Little if any evidence of impact or alpha

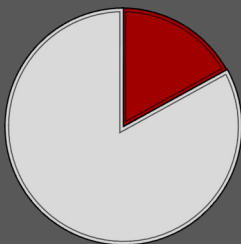


Claim “above average” rating for environmental sustainability.

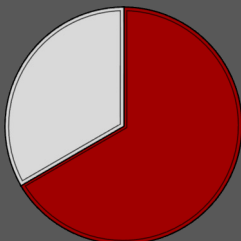


Measurement tools in place to track efforts.

(Harris Poll, 2022)

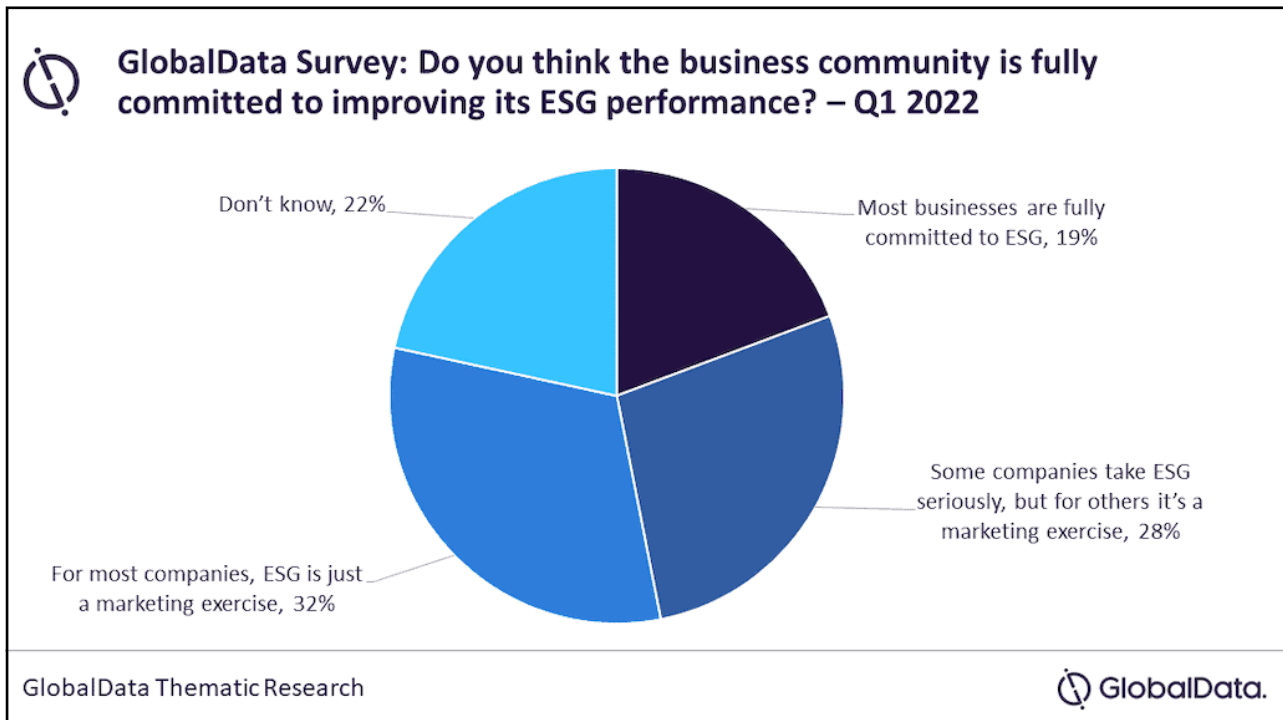


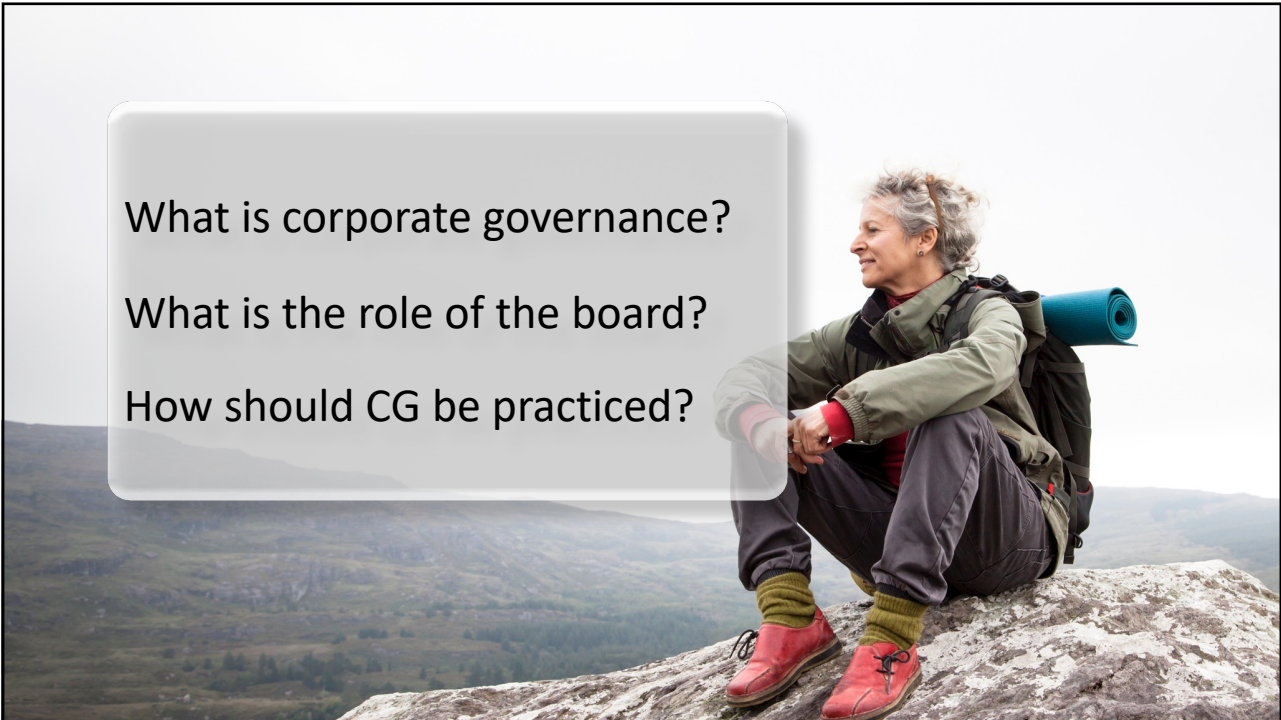
Use data to optimise sustainability strategies.



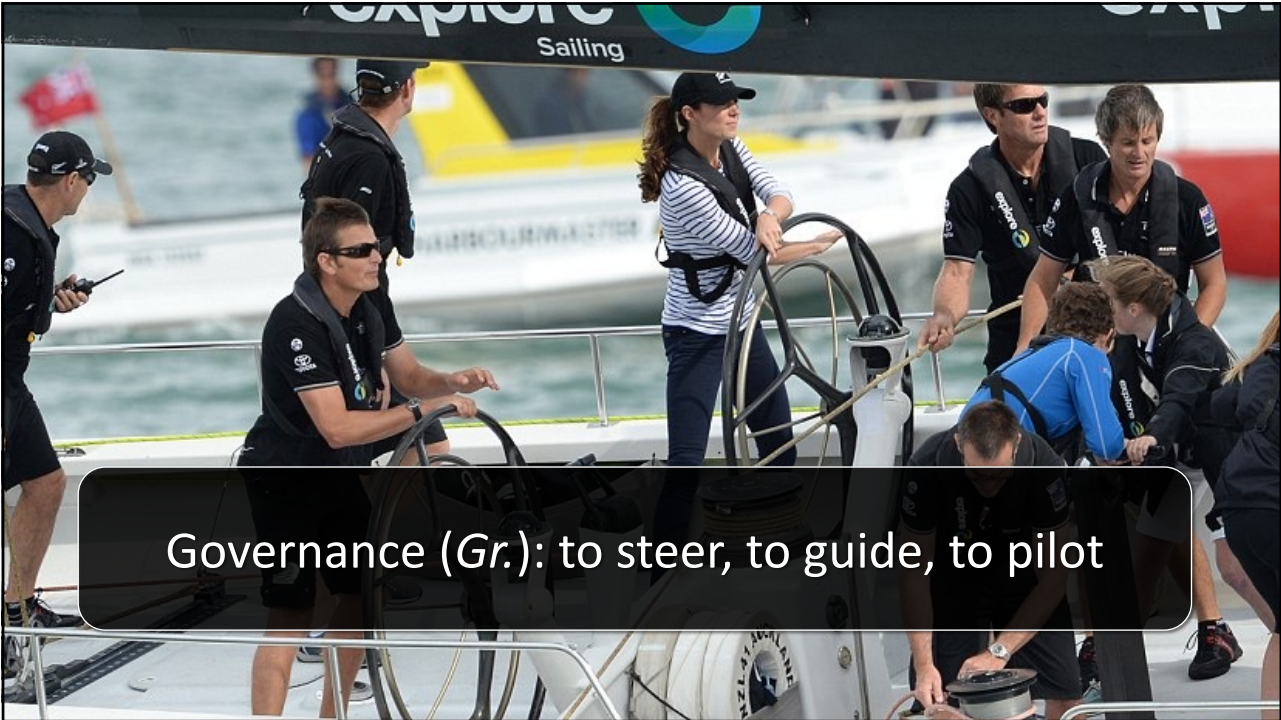
Admit to #greenwashing.

(Harris Poll, 2022)





What is corporate governance?
What is the role of the board?
How should CG be practiced?



Governance (*Gr.*): to steer, to guide, to pilot

Mainstream approaches



Recommendations

Board–management separation

Independence, for effective oversight

Governance and stewardship codes

Specific expertise (cyber, climatic change, ESG, etc.)

Various forms of diversity



But, significant hurdles

Lack of time

Ineptitude

Incompetence

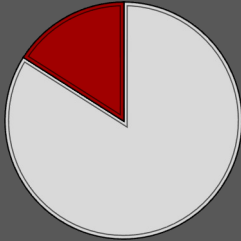
Weak engagement

Wrong expertise mix

Malfeasance

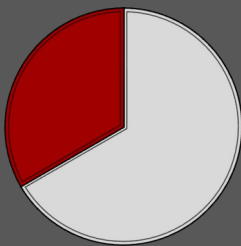
#corpgov misunderstood

Hubris



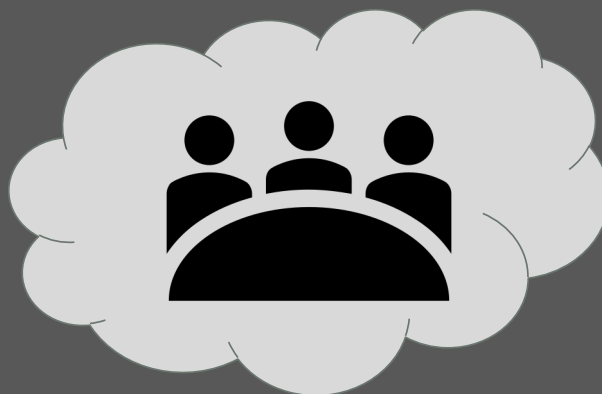
One in six directors understand the business of the business.

(Barton & Wiseman, 2015)



One in three boards reliably reach a conclusion on crucial matters.

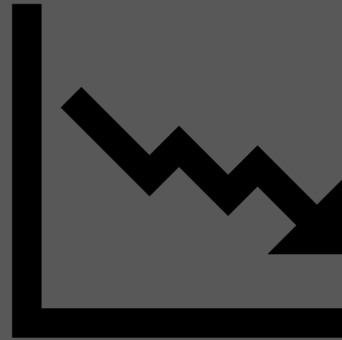
(Kakabadse, Kakabadse & Morais, 2017)



Accountability

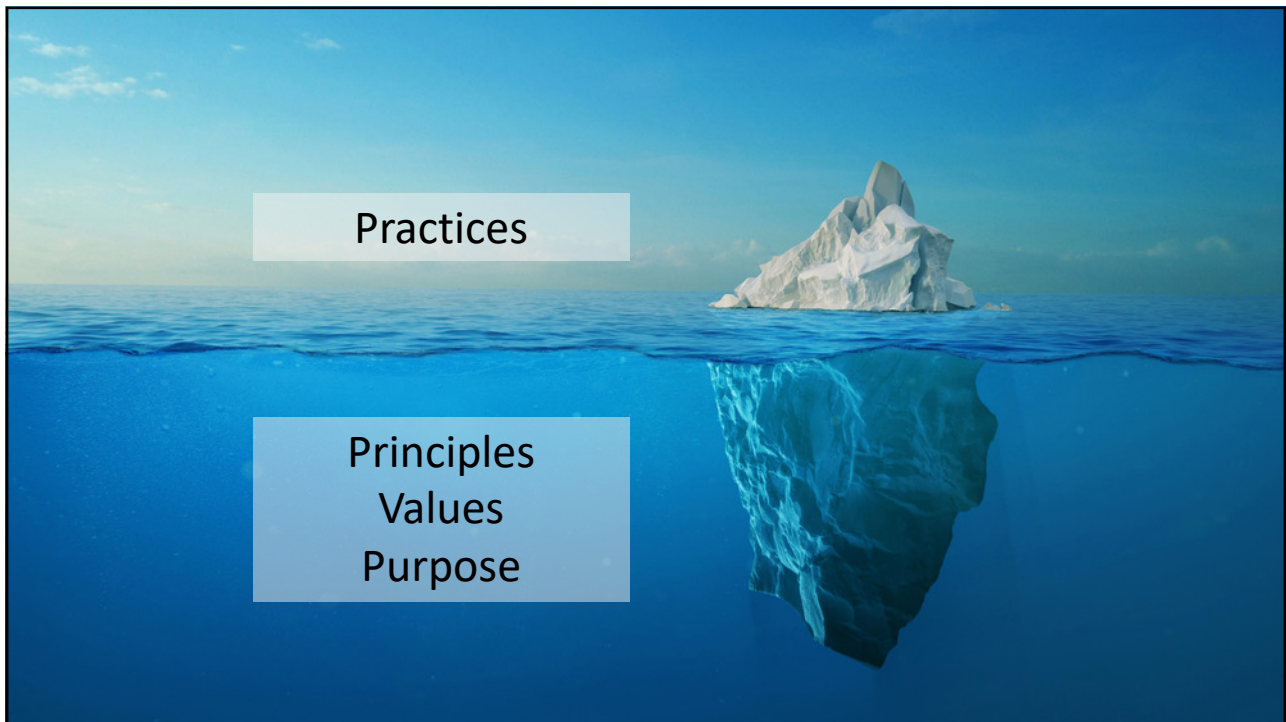
Productivity

Engagement



The craft of
board work





Conformance

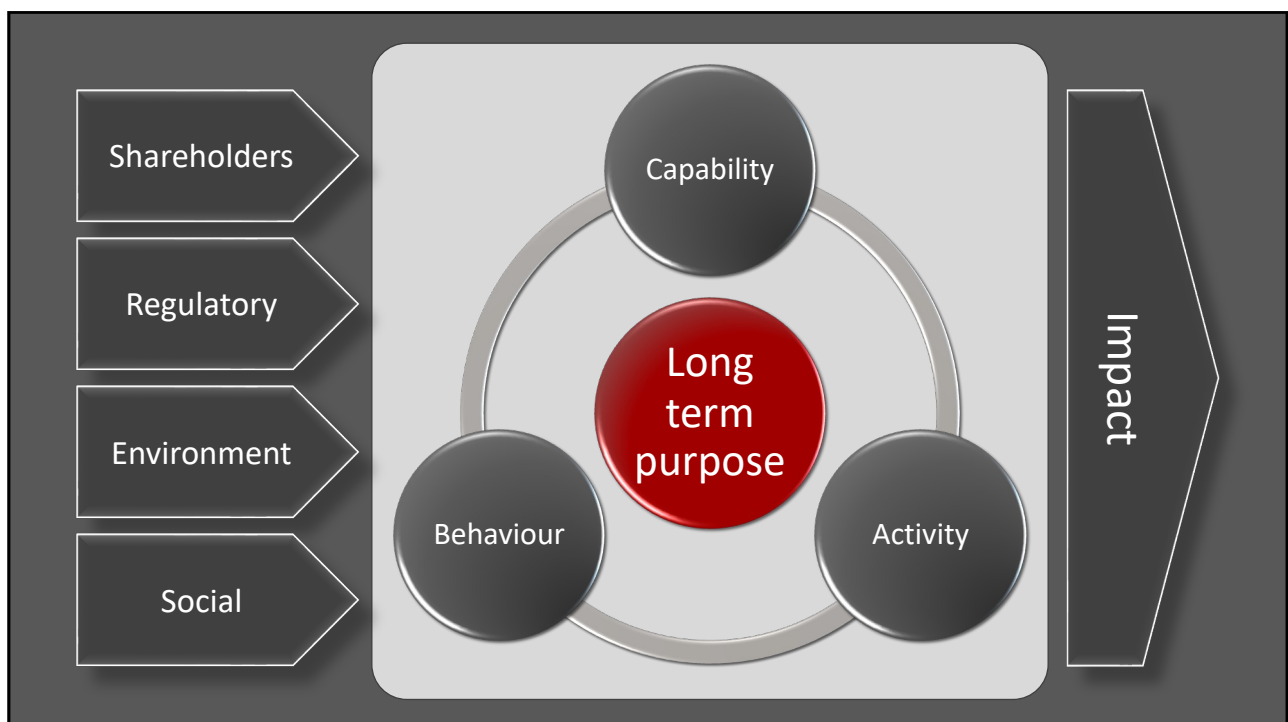


Performance

Smart
decisions

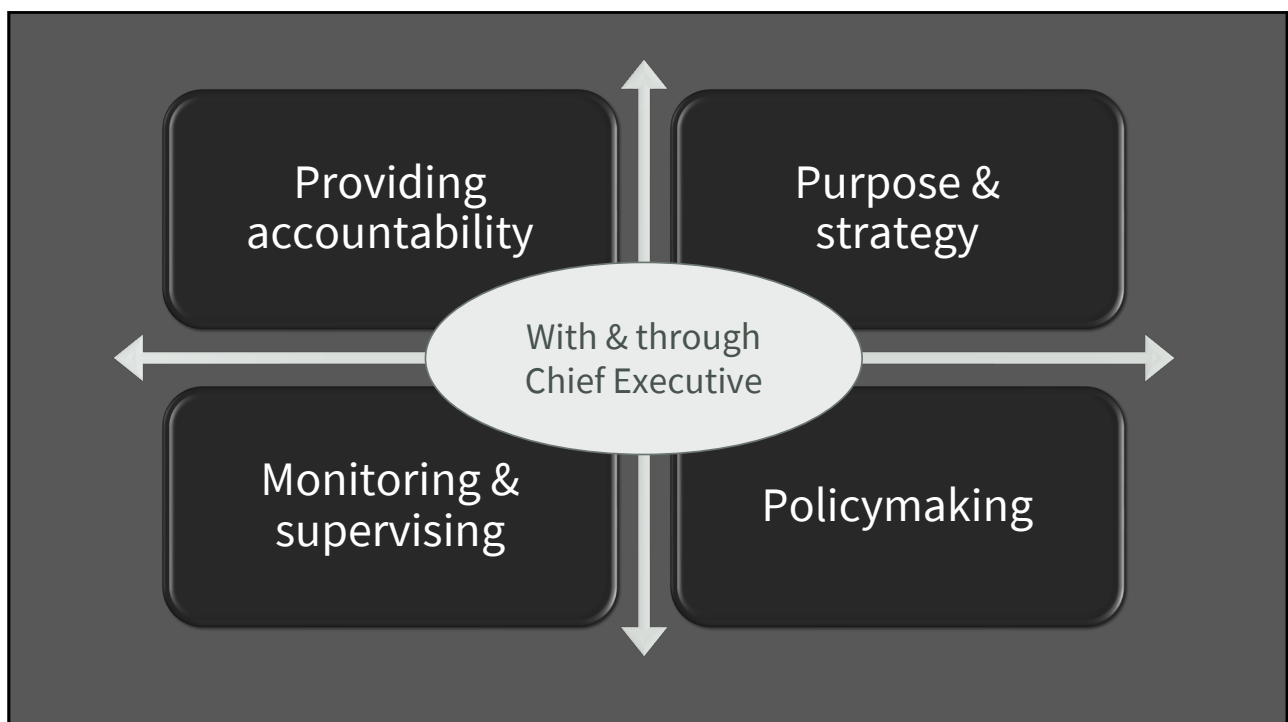


Strategic governance framework



Necessary capabilities

Sector knowledge
Technical expertise
Business acumen
Skillful communicator
Maturity and wisdom





Strategic competence

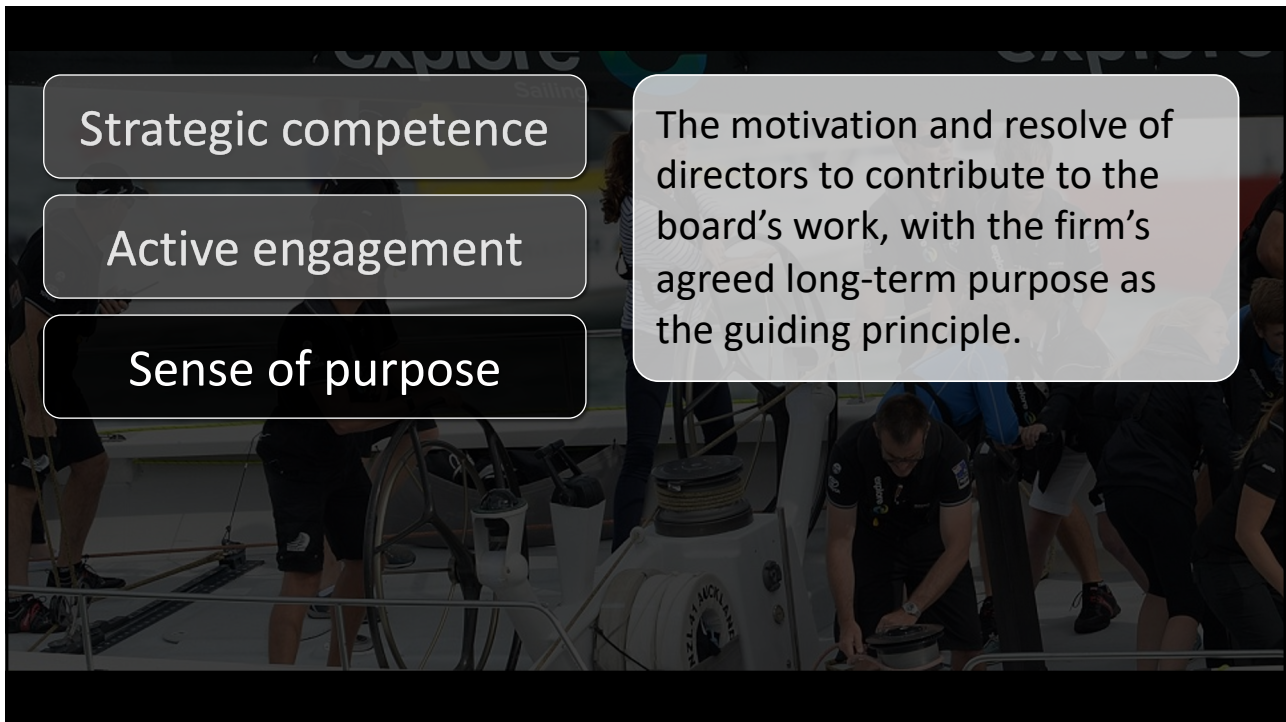
Encapsulates capability, intelligence and cognition of directors: their ability to learn and apply relevant skills, expertise and knowledge to perform tasks effectively.



Strategic competence

Active engagement

Demonstrable commitment to the board and overall aims of the firm, and high 'in-role' performance. Includes adequate preparation before meetings, active participation and debate during meetings, to inform decision-making.

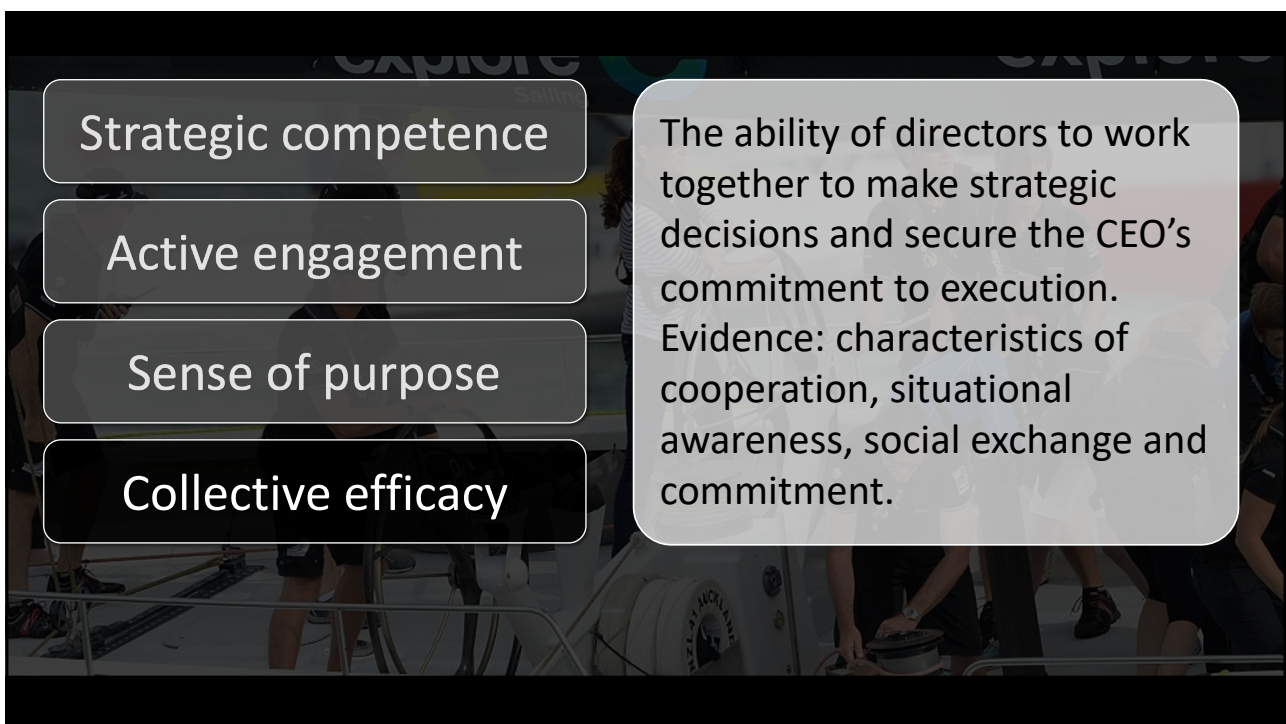


Strategic competence

Active engagement

Sense of purpose

The motivation and resolve of directors to contribute to the board's work, with the firm's agreed long-term purpose as the guiding principle.



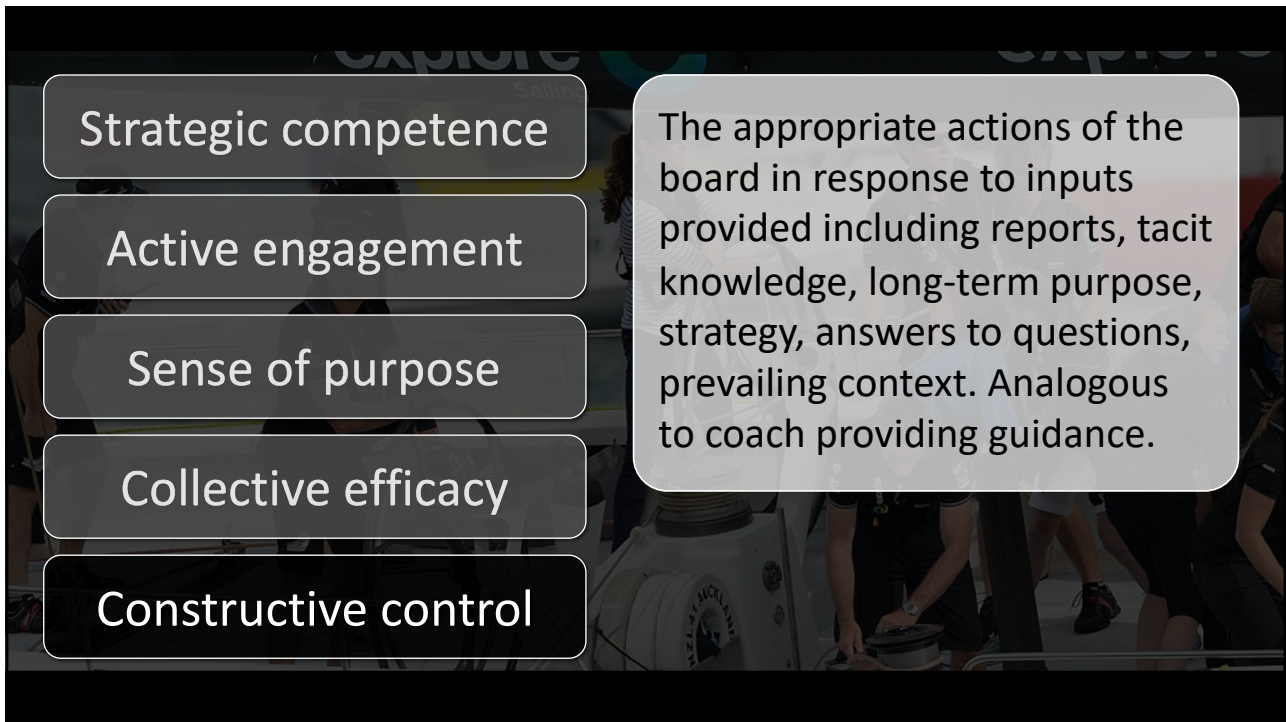
Strategic competence

Active engagement

Sense of purpose

Collective efficacy

The ability of directors to work together to make strategic decisions and secure the CEO's commitment to execution. Evidence: characteristics of cooperation, situational awareness, social exchange and commitment.

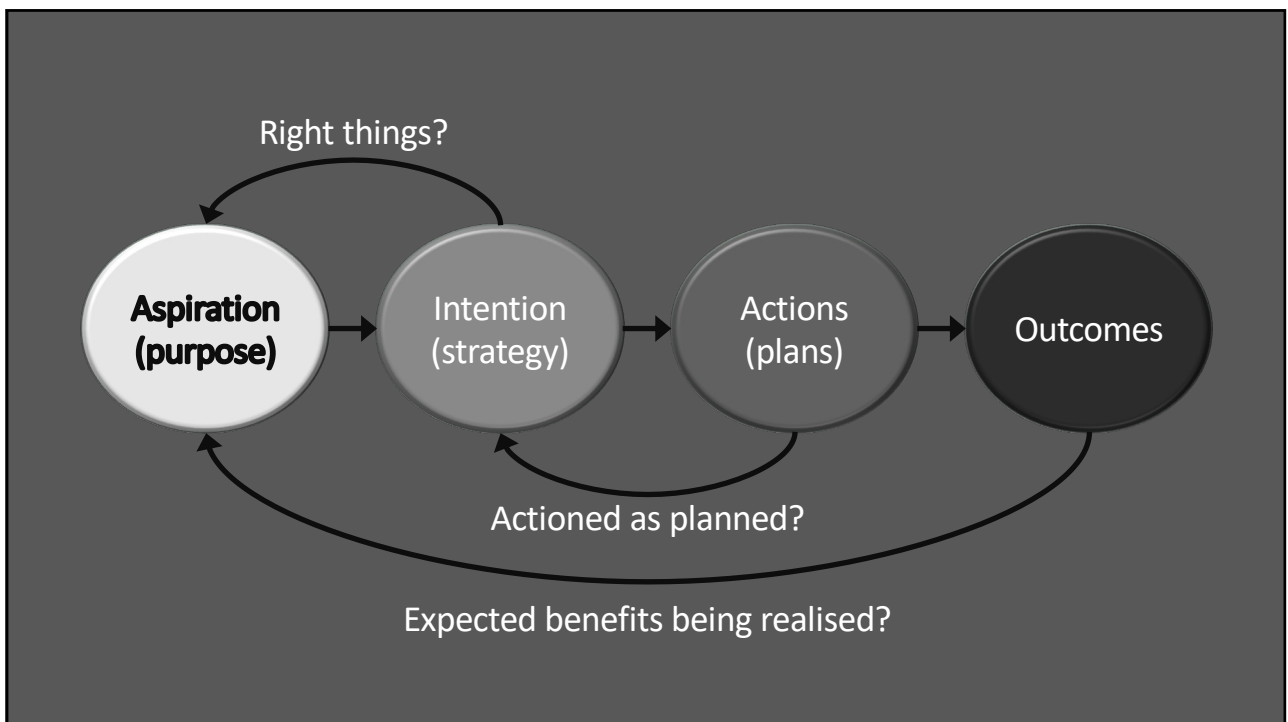


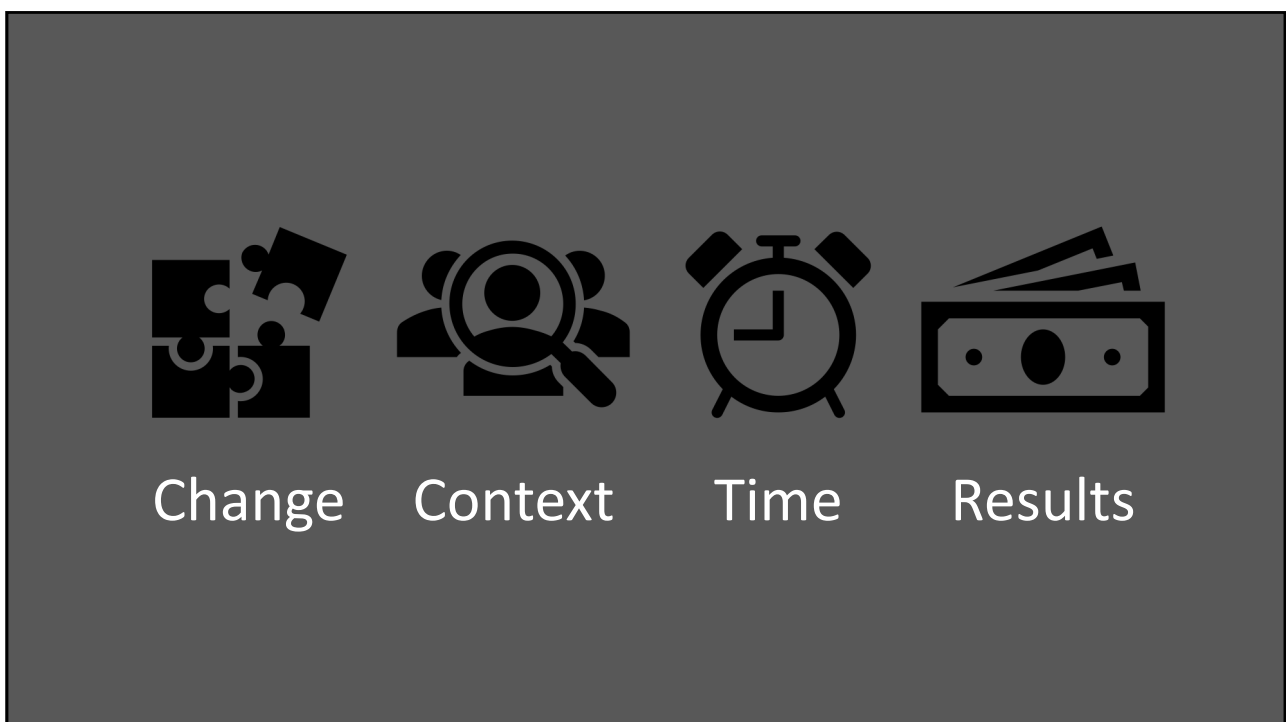
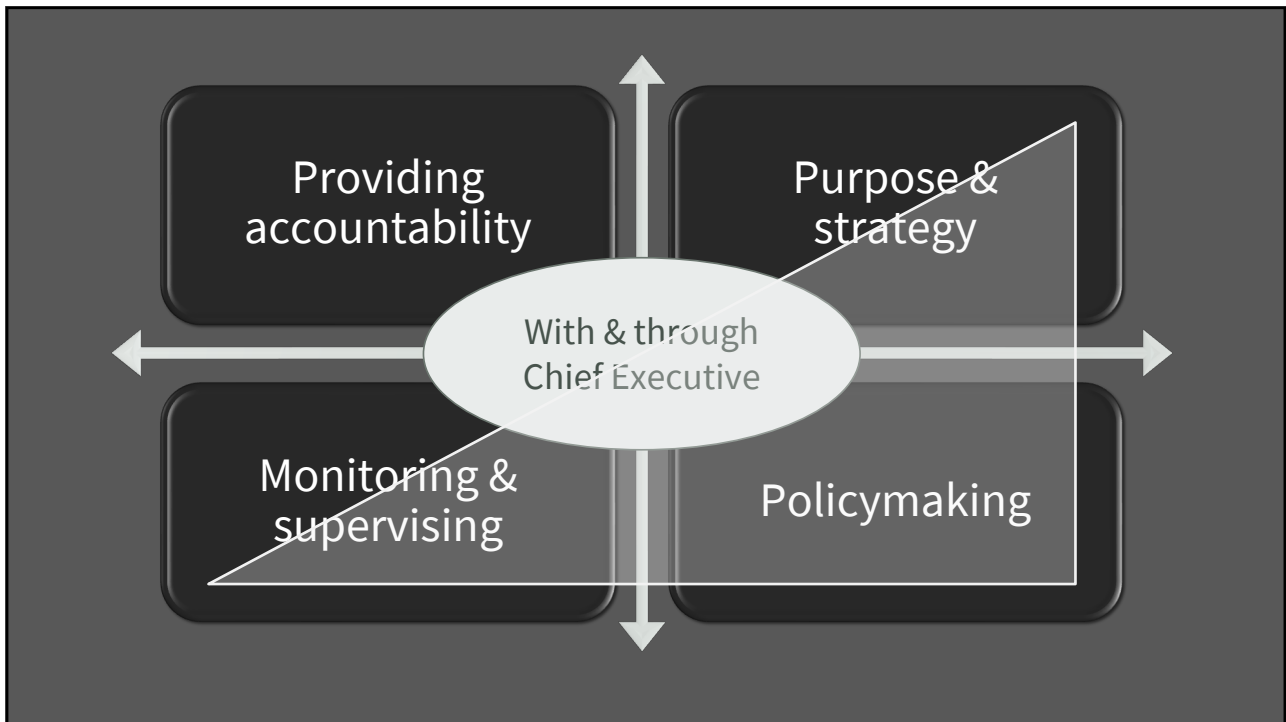
Strategic competence

- Active engagement
- Sense of purpose
- Collective efficacy
- Constructive control

The appropriate actions of the board in response to inputs provided including reports, tacit knowledge, long-term purpose, strategy, answers to questions, prevailing context. Analogous to coach providing guidance.

Governing well,
despite uncertainty







How is board monitoring and assessing signals, trends and other relevant changes?



Is board attuned to stakeholder expectations and preferences?



Is enough time being allocated to scenario planning and strategising?



Is resource allocation aligned with desired outcomes?

Board involvement is necessary
Governance is an activity, not a structure
Capability, activity and behaviour
The questions we ask matter

Thank you

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