

# Board development agendas

## Developing your board to deliver governance

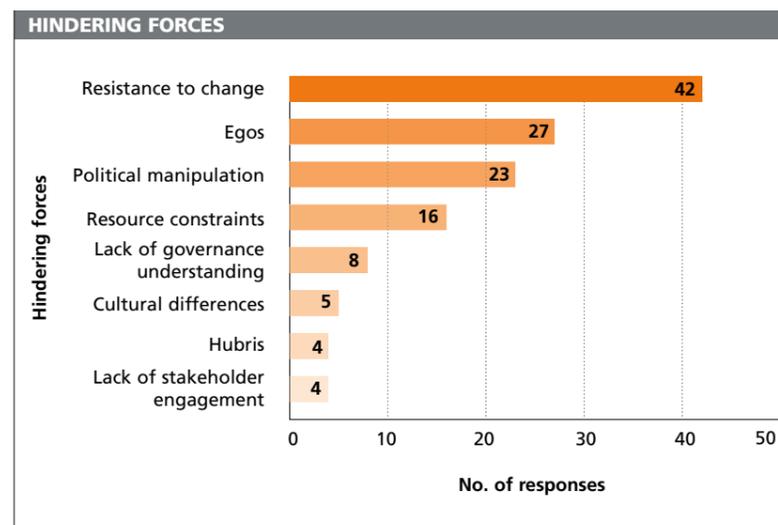
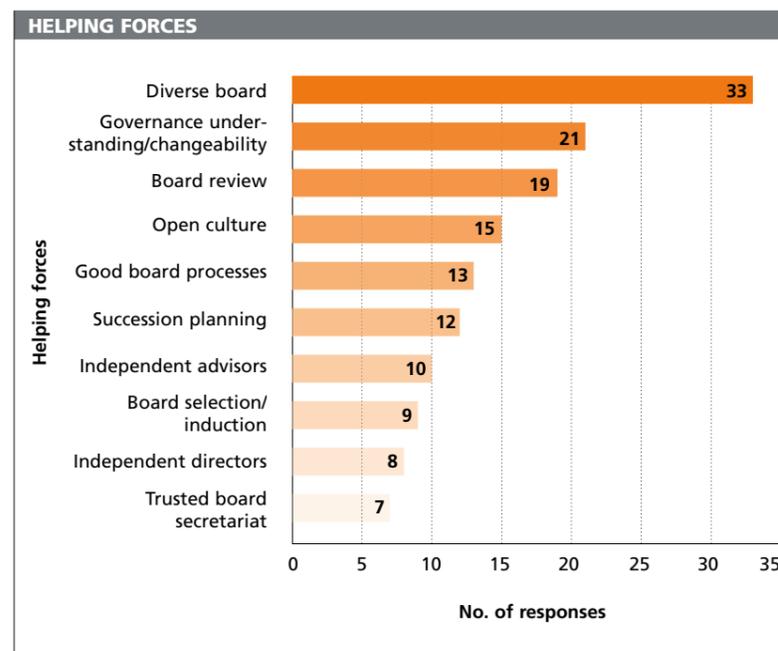
THE audience of directors, company secretaries and board advisers attending the ICSA Isle of Man Corporate Governance Conference in July were invited to take part in an interactive workshop exploring how to develop their boards to deliver good governance. The workshop discussed how board development agendas are created, which approaches for building capability work best and how the success of these interventions could be measured.

### Creating board agendas

The best board development agendas arise from a robust review of board effectiveness and address the structure, processes and dynamics of the board. These agendas specify the real outputs and benefits required from investment in board development and are arrived at through a process which involves all members of the board, actively sponsored by the chairman. The process takes time to build a climate of trust and an appetite for change. The company secretary is in a unique position to observe the board in action and can help the chairman to build an investment case which focuses on the areas most likely to lead to a more effective board (see 'Helping forces', right).

Participants highlighted the need for a diverse board and were aware of the need to change and with a common commitment to improving their effectiveness, individually and collectively. The importance of an effective chair and the creation of an open culture, based on clear values and ethics were also cited. Independent directors and advisors had been used to build board commitment to their development agendas. The importance of building trust and respect between board members and their secretariats was seen as critical. Boards with clear policies and processes concerning succession planning, selection and induction, found it easier to embark upon a programme of continuous board development. Agendas were informed by clear business models, agreed risk appetite and business performance monitoring processes and metrics. The link between clear strategy formulation and board capability development was also indicated (see 'Hindering forces' right).

Conversely, participants shared stories of difficulties in overcoming obstacles to developing their board's governance capability. There was agreement that resistance to change was fuelled by ingrained and defensive behaviour. The negative effect of egos was frequently mentioned, as was the difficulty in dealing with political maneuvering and manipulative behaviour. Resource constraints such as limited time and inability to meet the cost of initiatives were common. A lack of understanding about governance and the perception of perfection associated with



hubris were difficult to overcome. In complex organisations, working internationally and differences in cultural norms were cited. Many stakeholders were mentioned and the absence of engagement with various groups was seen as a constraint on developing the board's governance capability.

### The best approaches

Board development needs to be pragmatic and

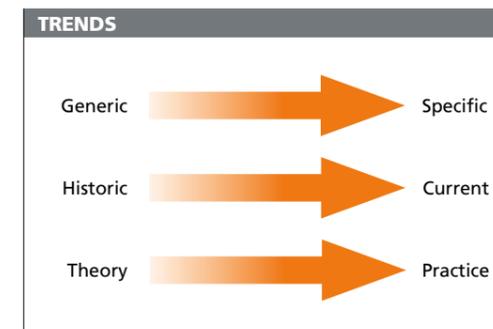
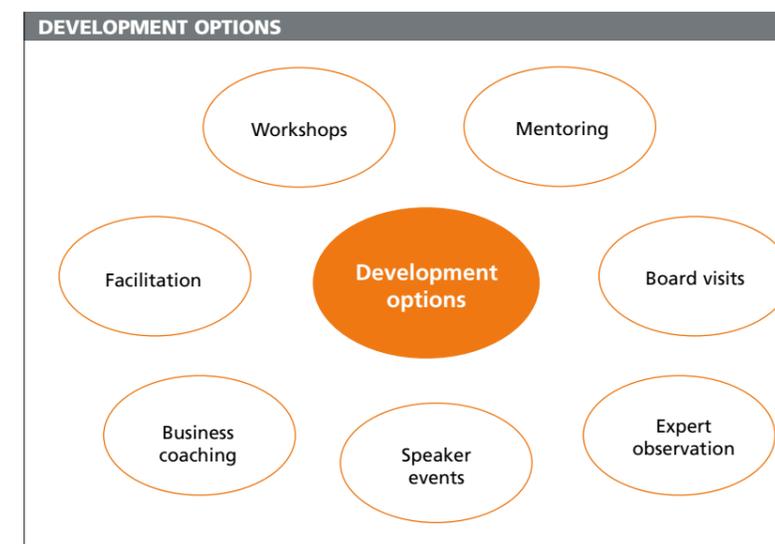
produce real change, yet it should be recognised that the starting point for each board differs. Initiatives should build 'situational intelligence', the wisdom to intervene in the way most likely to produce the desired results. The desired output is a high performance board, combining independent challenge with an ability to reach and support the implementation of cohesive decisions. In deciding which development options to explore, it is necessary to identify the audience, establish the context in which they need to perform and fit activities to the board rhythm. Many providers exist for this, however, the best will engage in a due diligence process with you, to establish that they are capable and are able to deliver the value you require. Time should be taken to create a trusted relationship and rapport, but a mutually dependent relationship should be avoided.

Participants identified the development options they had used and shared stories about their effectiveness (see 'development options', right). Workshops and away days were used by many boards to develop their strategic thinking. They were most effective when interactive and focused on core issues of relevance to those attending. Open discussion surfaced issues and encouraged the exchange of ideas. Mentoring was seen as particularly relevant for new directors and worked well when provided by those with expertise and credibility. Both non-executive directors and company secretaries were mentioned as providers. Board visits built engagement with stakeholders and were valuable in developing real awareness of operational issues and other jurisdictions. Expert observation of boards and committees in action could generate independent insights, provided that participants behaved naturally. Speaker events were also most effective when interactive, current, relevant and thought provoking. The quality of speakers was critical in maximising the retention and application of insights. Strategic advisers, professional bodies and internal experts were all mentioned as providers.

Business coaching provides a robust framework for business leaders who wish to engage individual support to think through issues they are addressing. Participants highlighted the need for individuals to be open to new ideas and committed to the process. Success depended on mutual respect. As well as expert providers, coaching between peers was also discussed. Facilitation of board thinking could address dynamics and ensure contribution by all parties. A quality facilitator was critical to ensure success.

### Measuring the success

To establish return on investment, it is necessary to use both quantitative and qualitative metrics to track whether the value expected has been realised. This assumes that real outputs and benefits have been specified during the process which created the board development agenda. These metrics may include checking whether investment has been made in development which fits with the future strategic direction. Qualitative measures generally include recording the initial response of individuals to



development initiatives but reinforce this evaluation by checking the application of new knowledge and strengths at intervals, starting three months after any initiative. Quantitative and qualitative measures can be linked to board succession and renewal plans. To sustain the momentum resulting from investment in board development, learning can be widely shared and an understanding of individual and collective strengths used to determine board activity. This leads to better identification and deployment of board talent to meet current and future challenges.

Participants reflected on the measures they believed would evidence the outcomes that the development was designed to deliver. Many of the insights they shared related to observable changes in behaviour by individuals, committees and boards. These behaviours related to levels of contribution, attitude to challenge and improvements in strategic decision making.

### Trends

Several trends emerged from the discussions which capture a direction of travel in the development of corporate governance capability (see 'trends' above).

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**Board development needs to be pragmatic and produce real change**