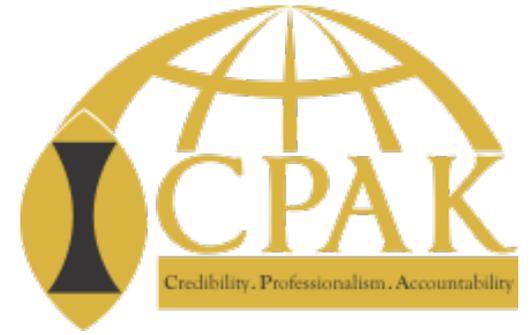


BOARDS: WHEN TO PARTNER AND WHEN TO STAY OUT OF THE WAY

FCS CATHERINE MUSAKALI

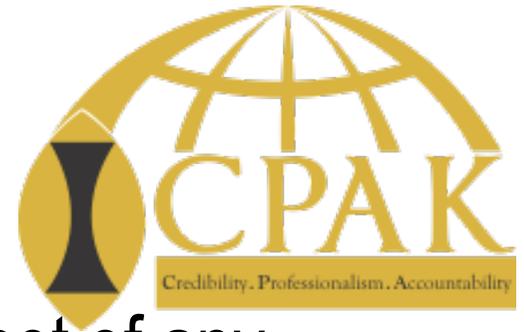
Uphold public interest

OBJECTIVES



- To lead a discussion on the Board's governance roles and responsibilities.
- To differentiate managing versus directing, and identify common dilemmas facing Boards and Management.
- To discuss how Boards and Management can effectively work together
- To lead a discussion on the prerequisites for high performing Boards

INTRODUCTION



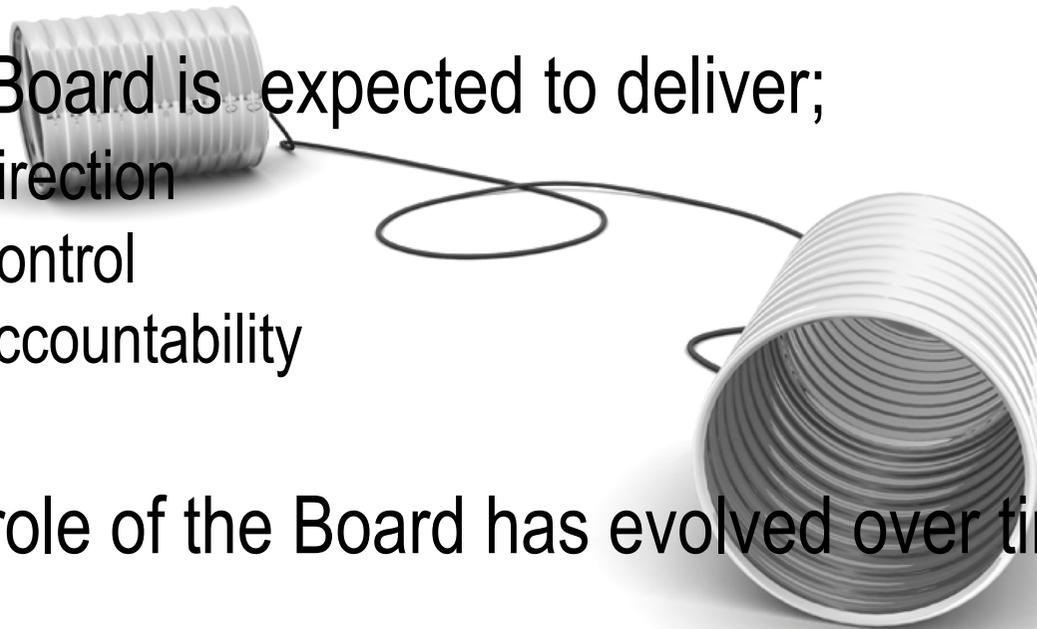
- The Board of Directors is a key strategic asset of any organization.

- The Board is expected to deliver;

- Direction
- Control
- Accountability

- The role of the Board has evolved over time.

- In order to deliver on its mandate, the Board is supported by Management



INTRODUCTION



- Boards are no longer passive participants in the running of organizations because of;
 - There are greater demands on Boards for transparency, accountability, independence and more structured engagements with the stakeholders.
 - Changes in the law codifying fiduciary duties and introducing more severe individual consequences
- As a result, unlike before, Board members now want to be more informed and involved.
- The increased involvement and demand for information sometimes leads to conflict between the Board and Management

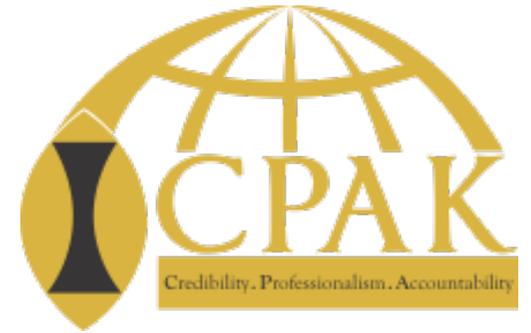


"Aren't you glad we had this meeting to resolve our conflict?"

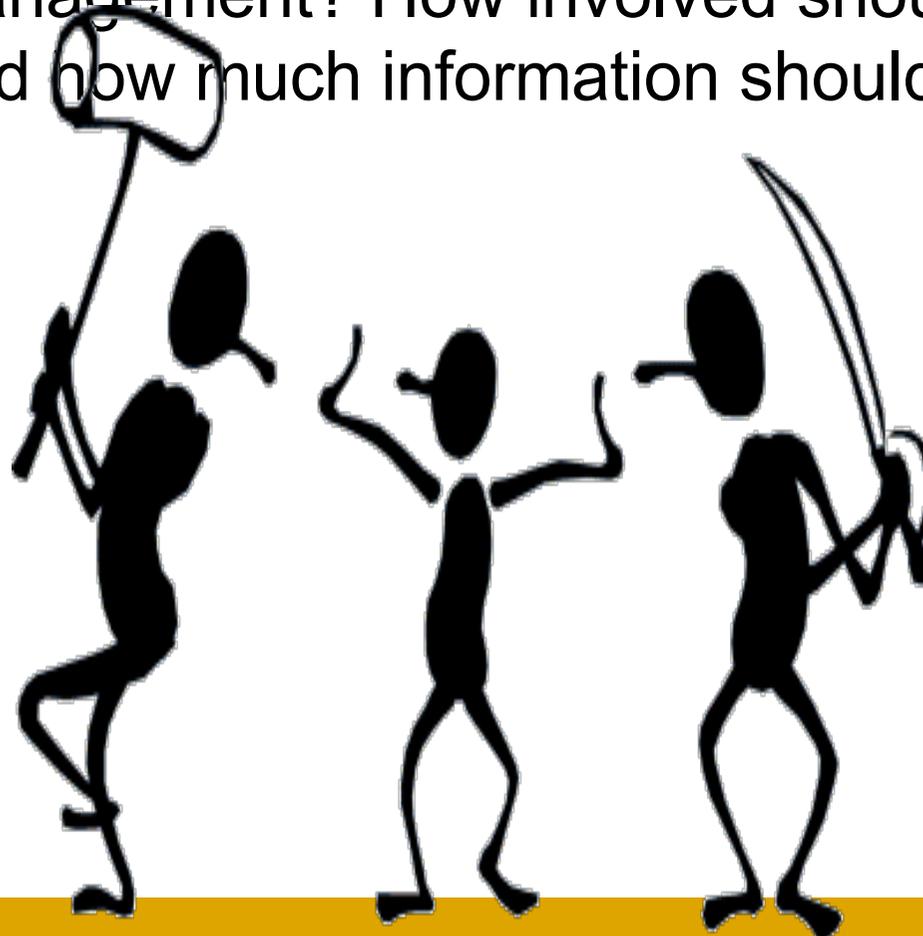


Dave Simonds

THE BOARD AND MANAGEMENT



- What is the cause of the conflicts between the Board and Management? How involved should the Board be? And how much information should it seek?



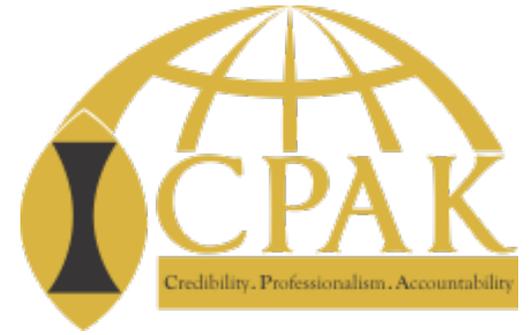
SOME CAUSES



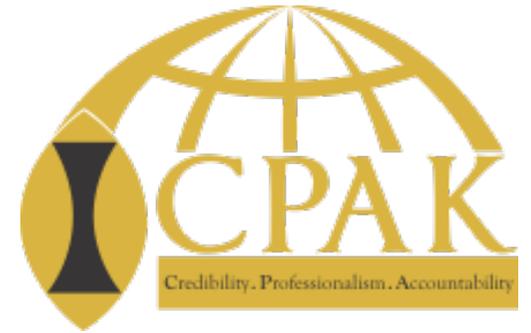
- Fear due to increased accountability requirements
- Conflict of interest
- Self interest, hidden agendas
- Intimidation, ego trips
- Familiarity
- Micromanagement
- Performance issues by Management
- Lack of alignment on strategy between the Board and Management
- Short-termism versus long-termism
- Lack of trust, more information and involvement.
- Lack of teamwork between the Board and Management
- Others?



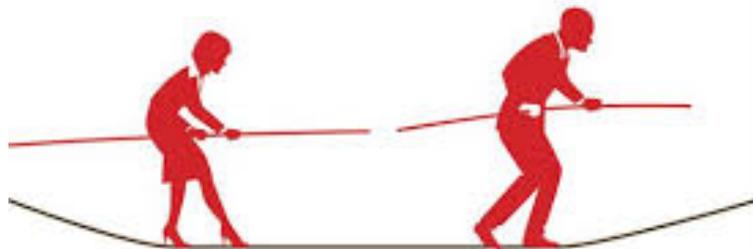
SOLUTIONS?



THE DIFFERENCES



- **Basic difference:** The Board decides, Management implements.
- However, due to increased accountabilities, Boards are now more involved in the management of companies, blurring the line of responsibilities, citing legal liabilities & fiduciary duties



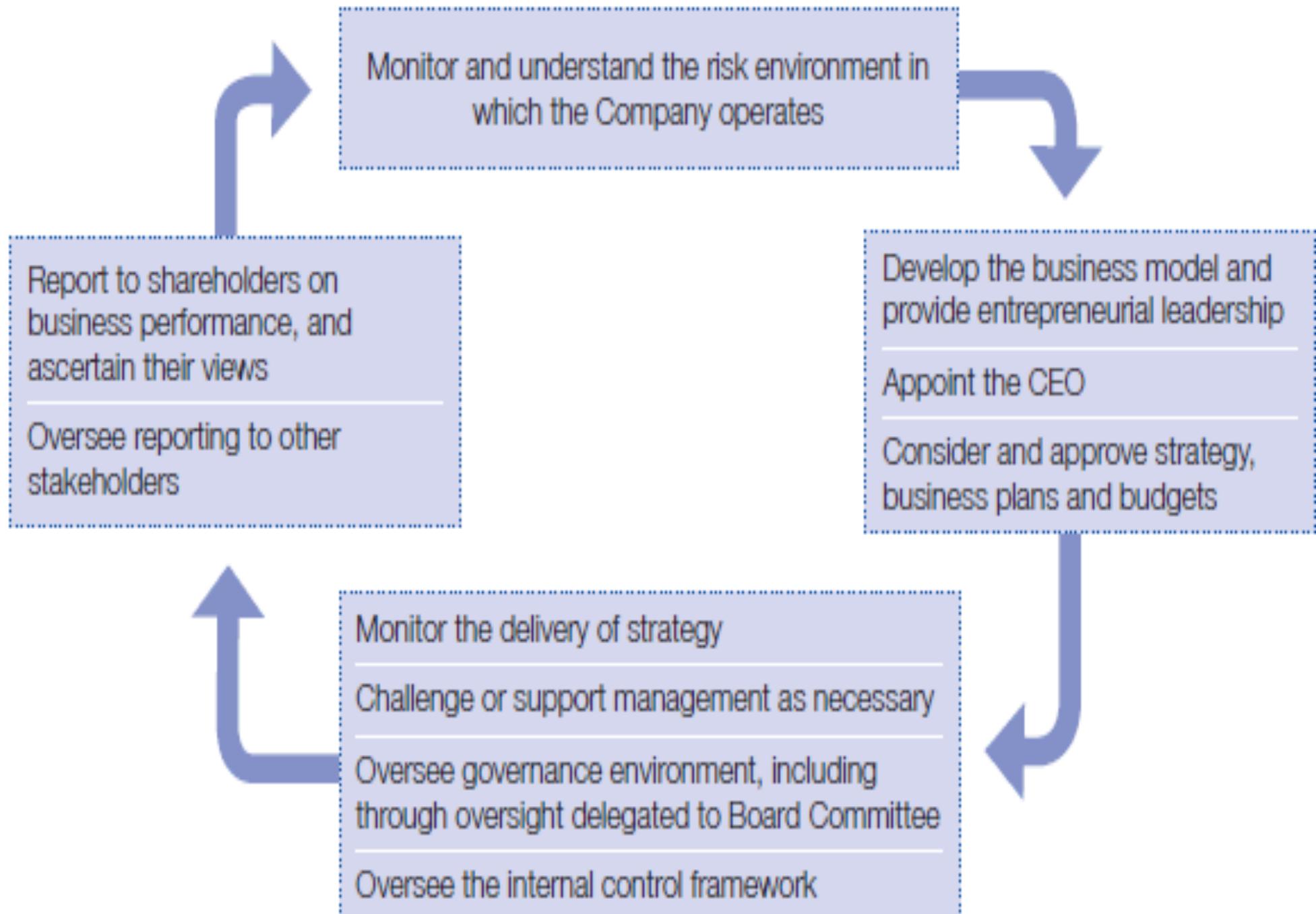
ROLE AND RESPONSIBILITIES OF THE BOARD



- Develop the company's purpose, vision, values.
- Determine and guide strategy for sustainability.
- Oversee and supervise Management .
- Monitor corporate governance.
- Safeguard interests of stakeholders by ensuring appropriate controls and risk governance.
- Policy formulation versus policy development.
- Financial governance.
- Develop Management.
- Ensure good corporate citizenship – the *“licence to operate”*
- Oversee disclosure, communications.
- Choosing and managing the CEO



Role of the board



WHAT ABOUT CEO/ MANAGEMENT?



- Responsible for the execution of the Board's strategies, decisions and policies.
- Ensuring the achievement of the objectives of the organization.
- Develop and recommend to the Board policies, annual plans.
- Day to day management
- Closely monitor results against plans and budgets
- Direct strategy towards profitable growth and operation
- Making operational decisions, planning and ensuring financial and operational controls and risk Management.
- Put in place effective administrative structures, processes and systems.
- Provide regular, thorough and prompt communication to the Board on key technical, financial and administrative matters.

WHERE IS THE BALANCE?



THE BOARD

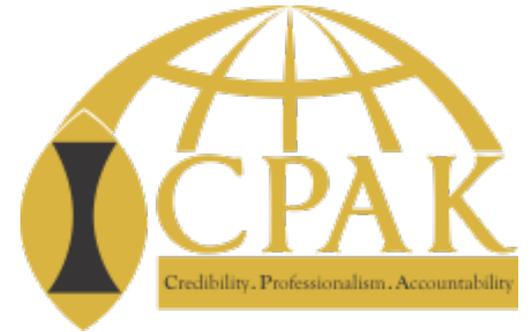
- Boards should focus on the future, strategy, sustainability, major decisions, compensation, Board procedures & conduct, CEO performance and high level policy, unless it sees red flags;
 - Drastic underperformance
 - Apparent lack of disclosure
 - Unethical conduct, criminal activities (S.23 of the Penal Code)
 - Management asks for support
- In such cases, it is permissible for the Board to get more involved in order to protect stakeholder interests.

MANAGEMENT

- Management should focus on the here and now, operational policy and matters.

Working
Better
Together

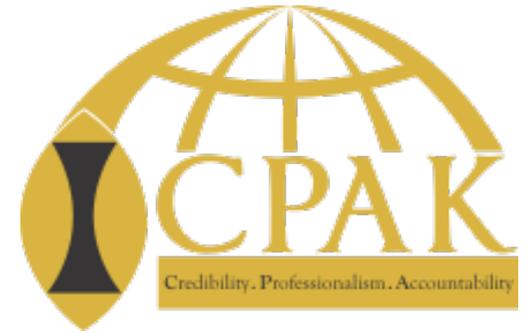
WHAT WORKS WHEN BOARDS NEED TO GET INVOLVED



- Clear guidance on performance measures, clear realistic KPIs
- Allow autonomy and hold accountable including consequence management.
- Develop a strong open and trusting relationship.
- Motivate and inspire.
- Support with stakeholders.
- Either respect or replace.
- Clarity in decision making
- Support Management to deliver on mandate
- Alignment: we must all sing from the same hymn sheet to everyone.
- Appropriate challenge, stretch
- Management need assurance that Board has confidence in them.
- Management to know when to seek support.



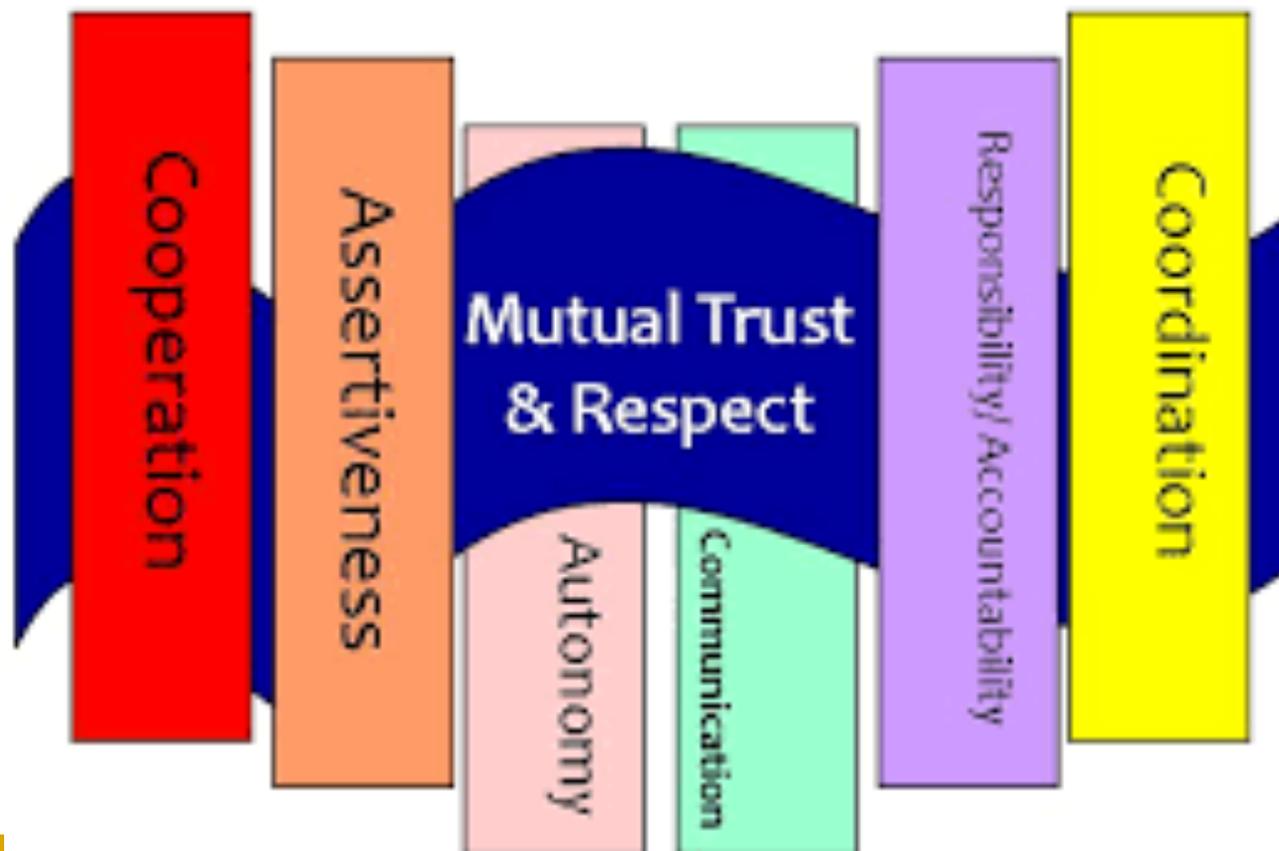
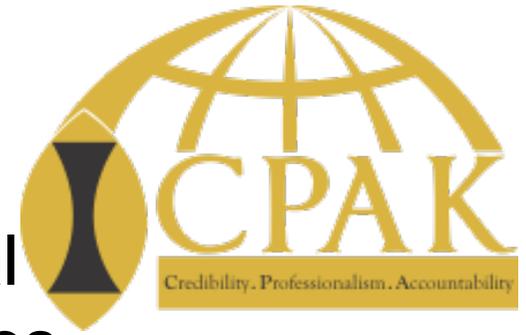
WHAT BOARDS NEED FROM MANAGEMENT



- Structured and accurate reporting
- Defining issues, providing recommendations and requesting action
- Leadership and performance delivery
- Timely and accurate information
- Transparency
- Ethical conduct

BALANCED EXPECTATIONS

- It is an adult-adult relationship!
- Constant communication –Information is critical
- Teamwork and appreciation of each other's roles.
- Mutual respect.
- Strong trust between the Board and Management



BALANCED EXPECTATIONS

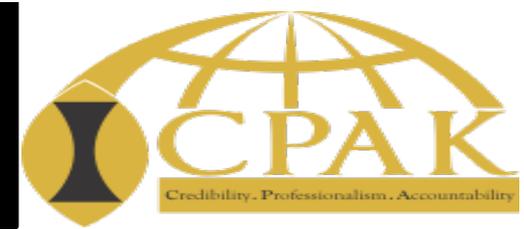


- Separate the Board from Management but ensure cooperation.
- Create a safe and supportive environment.
- Embrace and respect differences.
- Generate/encourage learning.
- Your word is your bond - Get tasks done effectively.
- Handle conflict and tension effectively.
- Act with independence, rigour and integrity.
- Acknowledging that the Board and the Management are on the same team.

WHAT OTHERS ARE SAYING...



SOME WORDS ON HIGH PERFORMING BOARDS



- **Is composed of the right people**
 - Has the right mix of skills and experience
 - Made up of members who are engaged and make meaningful contributions
- **Gets the right information at the right time**
 - Has formal induction and continuous skills development
 - Receives well written Board papers
 - Receives updates between Board meetings
- **Makes the best use of its time**
 - Only focus on the most important things
 - Focus on oversight rather than day to day management
 - Focus on sustainability
- **Has effective committees**
 - Interfaces with Management
 - Committees have effective leadership focusing on critical matters

Source: Beverly Behan

SOME WORDS ON HIGH PERFORMING BOARDS



- **Has effective leadership**
 - Draws out different perspectives
 - Keeps meetings focused on critical issues
- **Works effectively together as a team**
 - Respects different perspectives
 - Works to reach a consensus
 - Has positive energy
- **Works constructively with the CEO**
 - Provides constructive challenge
 - Motivates and rewards strong performance
 - Respects the boundaries between itself and Management
- **Has effective processes**
 - Has a corporate strategy
 - Has risk Management and internal controls processes that are effective
 - Has in place Succession planning for the CEO and senior Management staff.

Source: Beverly Behan

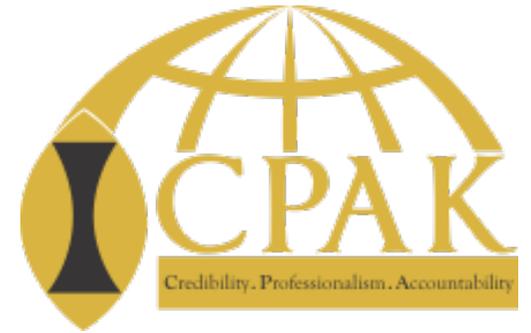
OTHERS



- Focus on teamwork & social dynamics of Board interaction
- Ensure competence, integrity & constructive involvement by the Board
- Guarantee the Board's independence from undue influence.
- Remember to empower the CEO and Management.
- Make the delegation of authority real and effective
- Allow open and free deliberations
- Provide concise, substantive materials on key corporate performance indicators
- Let the Board set the tone at the top in terms of integrity, professionalism and teamwork.



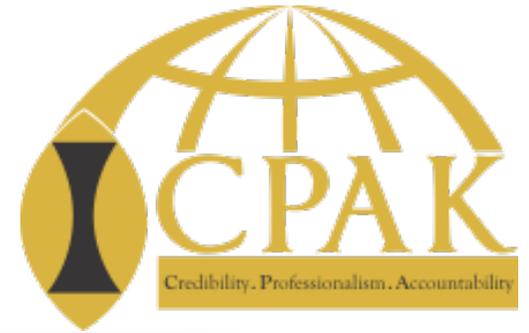
SOME NOTABLE QUOTES



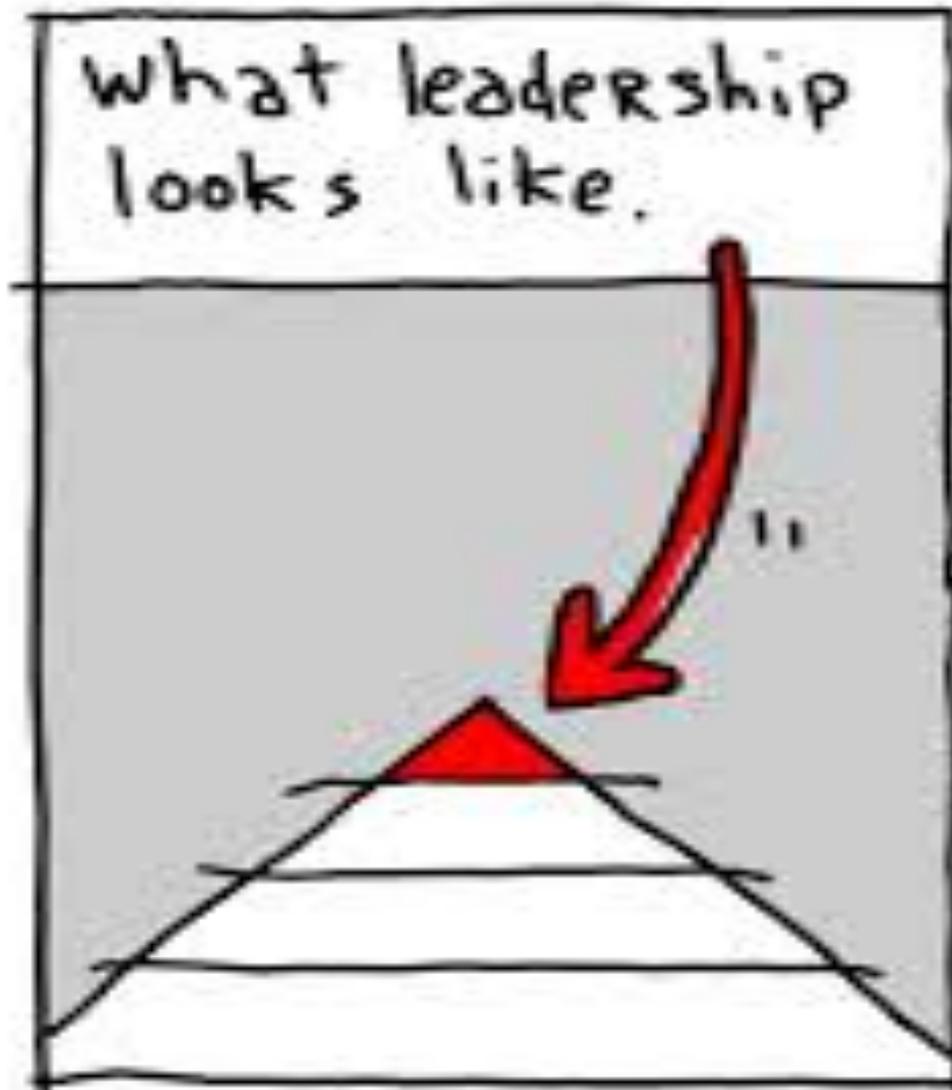
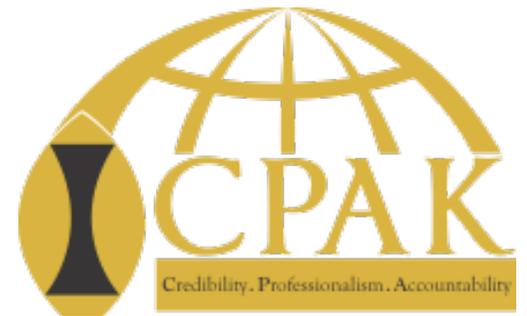
“Whereas Management is about running businesses, governance (the Board) is about seeing that it is run properly” - Bob Tricker

“Boards should focus on providing companies with **strategic advice** and getting their **relationship with the CEO right**” Boards That Lead: Ram Charan, Dennis Carey and Michael Useem

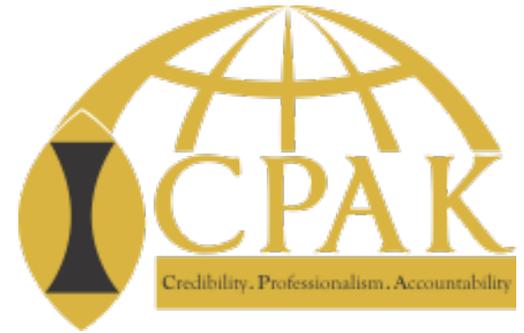
AS I END...



AS I END...



Thank
you!



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