

Some Characteristics of High Performance Boards

*“We don’t have to live with organisations that are ethically challenged, inflexible and inhuman. We can build organisations that are noble, that change before they have to, and that are bureaucracy free”**

*“What Matters Now” : Gary Hamel p256/248



Saturday 22 February 2025

1) Board Accountability for Corporate Governance

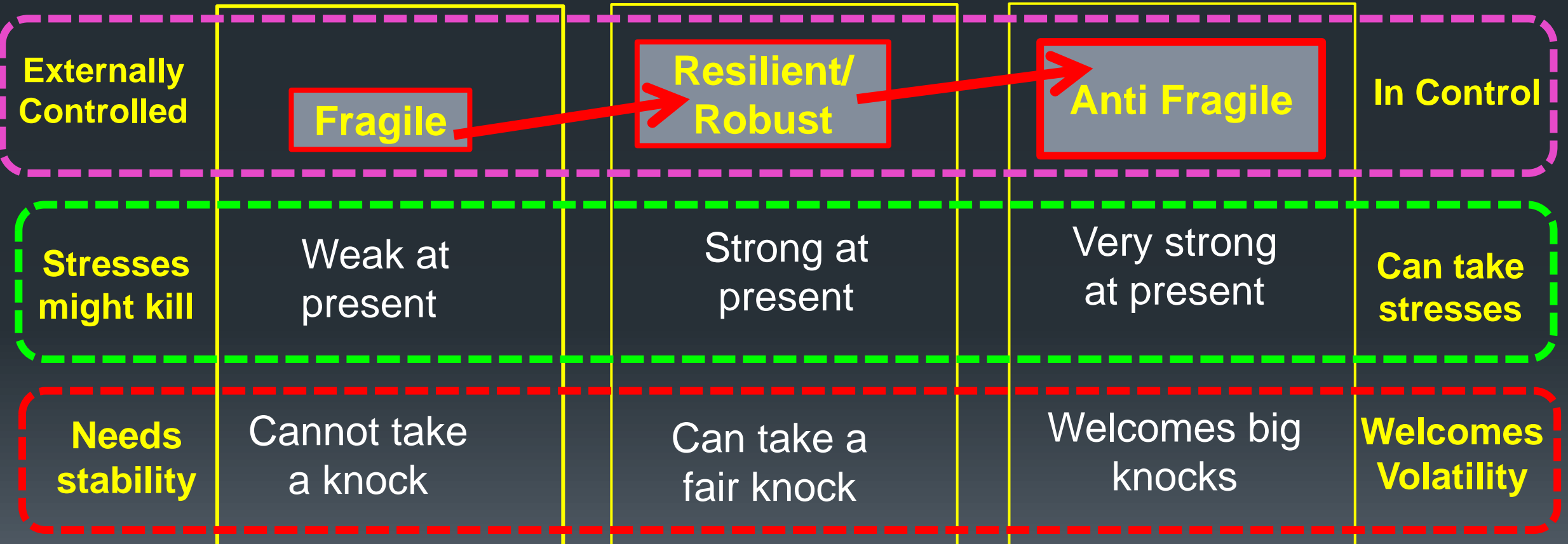
The governing body is the structure (the Board) that has primary accountability for the governance of the entity” - King IV

Corporate Governance is the totality of the (internal and external) policies, controls, processes, checks and balances that make up the “**SYSTEM**” by which a company is **directed (steered) and controlled by the Board**

Corporate governance is simply the way in which we make and implement decisions here = A Culture!

1.1) The Objective of Good Governance

Building an anti fragile business in a VUCA environment!



Adapted from "Anti Fragile - How to Live in a World We Don't Understand" : Nassim Nicholas Taleb

2) The real purpose of private enterprise and its importance

“In 215 BC the Roman state and the Roman corporation were close partners in a grander project: building a prosperous and flourishing society”*

*“For Profit – A History of Corporations” : William Magnuson : p18

“There is no country in the world that can ‘pro growth’ but ‘anti-business’.
Business is the answer NOT the enemy, precisely because when business succeeds, society does well”*

*“Lift As You Rise” : Bonang Mohale : p193

2.1) The Ultimate Goal of any Business

Serving the common good is the right thing to do and it makes good economic sense ensuring survival over the longer term

“The ultimate goal of a market economy cannot be anything but social justice. This is a matter of business sense”*

**<https://www.just-food.co./interview/danone-ceo-emmanuelfaber>”

“Democracy and capitalism must be allies. They should work hand in hand to ensure corporations are institutions of the common good, as has always been the intention behind them”*

* “For Profit – A History of Corporations”:
William Magnuson *p323

2.2) Doing “Good and great things” for All

- Business often forgets its role in society
- **No business is an island or silo**
- A license to operate is not a given!



“He did not see profitability only in financial terms. There were cases where he saw the greatest profit to be an increase in the general welfare of the people and the environment”*

The Stakeholder Model is fundamental to success in the long term

2.3) Adopting the SDG's makes a real difference!

Maintaining A License to operate

“I heard Advocate Thuli Madonsela speak of the causes of governance failures including inadequate accountability to stakeholders...Effective governance is about giving serious consideration to the legitimate concerns of not just shareholders but of all stakeholders”*

*"Lift As You Rise" : Bonang Mohale p192



The new model = Risk, Return and Societal Impact

3) Leading Times of Radical Uncertainty

“If we are to cope with the turbulence of life today, we must start by **finding a way to organize it in our minds**. Until we do that, we will feel impotent, victims of events beyond our control or even our capacity to understand”*

*“The Empty Raincoat” : Charles Handy

“The proper response to uncertainty is not to redouble our efforts to predict an unknowable future, but to develop strategies that are robust and resilient to events which we cannot anticipate”**

“Radical Uncertainty - Decision-making in an Unknowable Future ” : John Kay and Mervyn King p13pxx

3.1) Leading in a radically uncertain environment

“What does it mean to be rational in a world of radical uncertainty?”

Once we are liberated from the view that there is a single optimising solution, then rules of thumb – technically known as heuristics – are better seen as rationale ways to cope with an unknowable future”*

*“The End of Alchemy” : Mervyn King p134

“If you hear advice from a grandmother or elders, odds are that it works 90% of the time”*

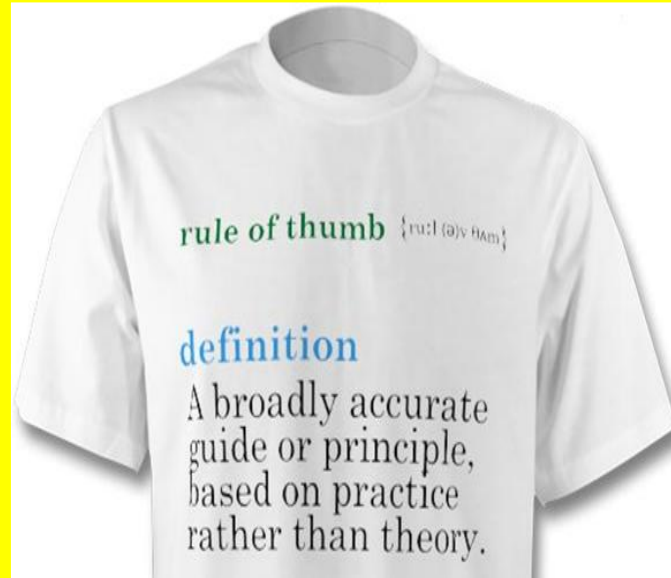
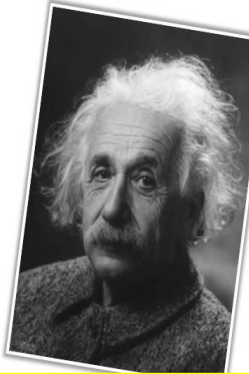
*“Skin In The Game” : Nassim Taleb p180

RULES OF THUMB HAVE ‘STOOD THE TEST OF TIME’

3.2) Using heuristics in times of radical uncertainty

Everything should be made as simple as possible, **but not one bit simpler**

Albert Einstein



The time to repair the roof is when the sun is shining.

JOHN F. KENNEDY



“BUSINESS PRACTICES MAY CHANGE, BUT PRINCIPLES MUST REMAIN”*

*"A Sprat to Catch a Mackerel": Raymond Ackerman p168

4) Learning Boards

“Two sure ways to kill a company are through arrogance, and ignorance!”*

Arrogance;

“The recovery in profitability has been amazing following the reorganization, leaving Barings to conclude that it was not actually terribly difficult to make money in the securities business”**

Ignorance;

e.g. Folks don't know WHERE and WHY the money is made

*"The Great Game of Business" : Jack Stack & Bo Burlingham p13

**"Bad Company-The Strange Cult of the CEO" : G Hatch p32

4.1) Seeking Always to Better Understand!

A director must have 'taken reasonably diligent steps to become informed about the matter' when taking a decision. (BJR)

- Boards do not have all the info – Flying Blind to a degree
- Board's must always be in Learning mode trying to determine;

“What is going on here?”

*“When you start with an honest and diligent effort to determine the truth of your situation, the right decisions become self evident”**

*“An organisational ability to learn faster than the competition becomes its most sustainable competitive advantage”**

*"Good to Great: Jim Collins p88

4.1A) Learning is Time Hungry

**“Claudio Abbado explained why he wouldn’t conduct an American Orchestra:
‘They finish the rehearsal not because the music is finished but because the time is finished!’”***

Rome wasn't built in a day!

* “The Corporation in the 21st Century” : John Kay p44

Decisions made in haste
are repented at leisure.

Marta Molnar

4.2) First Dialogue, then by Debate

- The effective processing of information in a VUCA environment requires dialogue not debate!
- We work to an answer (diagnostic vs prescriptive).

Lawyers




Normal folks

“It struck me one of Lex’s biggest failings was that he could never admit he was wrong, he could never lose an argument”**

4.3) Using Curiosity to create Optionality

- “Why is this...?”
- “Help me better understand..”
- “What if we...?”
- “What if they...?”
- “What about.....?”
- “Could it be that...?”
- “Would it be possible to..?”
- “Is there merit in considering..?”
- “What could go wrong here..?”

I HAVE NO SPECIAL
TALENTS. I AM ONLY
**PASSIONATELY
CURIOUS.**
-ALBERT EINSTEIN



**IGNORANCE
KILLED THE
CAT...**
**CURIOSITY
WAS FRAMED**

*“The only
sustainable
competitive
advantage for a
company comes
from out-
innovating the
competition”**

*“What It Really Takes To
Be World Class”: Clem
Sunter p172

4.4) Using an “AND” Strategy to Manage Risk and Opportunity

“Instead of being oppressed by the ‘Tyranny of OR’ highly visionary companies liberate themselves with the ‘Genius of AND’”*

“What will it cost us?”

- Least time and effort given to the initiative
- Money spent begrudgingly
- Get it off the Board agenda

NET NEGATIVE

“How do we deal with this AND make money out of this challenge?”

- Start by looking for upsides
- Set up new projects to manage workstreams
- Onto Board agenda
- Everyone excited and learning

NET POSITIVE

“The quality of the questions you ask, will determine the quality of the answers you get back”**

*“Built to Last: Successful Habits of Visionary Companies” : J Collins & J Porras p148

**“Trust Your Gut” : Lynn A Robinson p24

4.4A) Asking the Right Questions is Key!

A man saw an old timer standing next a mean looking German shepherd, and asked 'Does your dog bite?'

The old timer said 'Nope' and so the fellow went to pat the dog which nearly took his arm off.

Stunned, he said 'I thought you said your dog didn't bite'.

The old timer replied; 'Ain't my dog'*

*Taken from "Thoughts of Chairman" : Simon Reynolds

4.5) Board members accept that there is no perfect decision!

- But, prior learning often presupposes right or wrong outcomes

*“Accountants and engineers typically have a hard time (with scenario analysis) because their training is deterministic”**

*“Real households, real businesses and real governments do not optimize, they cope. They do not attain the highest point; they seek only a higher place than the one they occupy now”***

*” The Art of the Long View” : Peter Schwartz p34

**” Radical Uncertainty” : John Kay & Mervyn King p41

4.6) It's all about the Decision making processes

“Intelligent views about actions, and the range of possible outcomes, are expressed at the end, not the beginning of the process of ascertaining **‘what is going on here?’**”*

“We think they should manage radical uncertainty by listening to the evidence, inviting challenges to the narrative, and finally reaching a considered decision”**

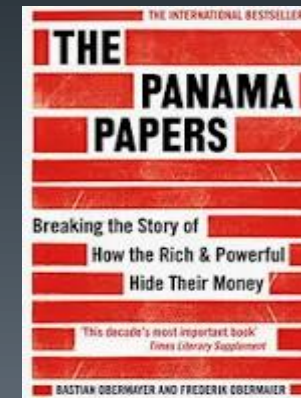
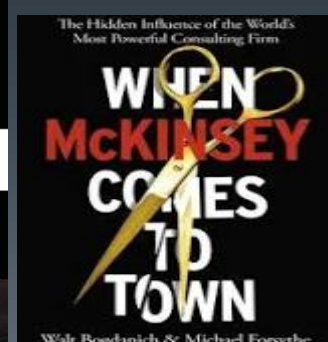
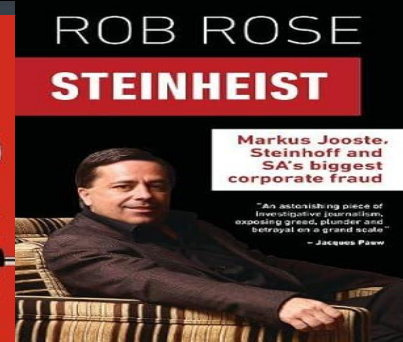
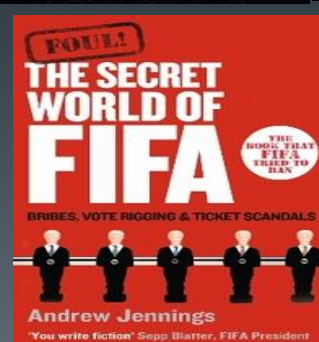
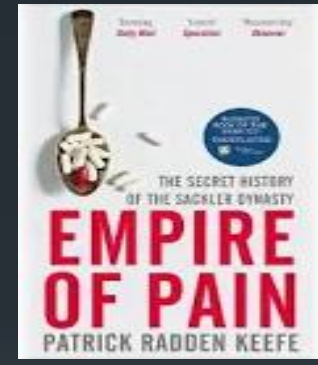
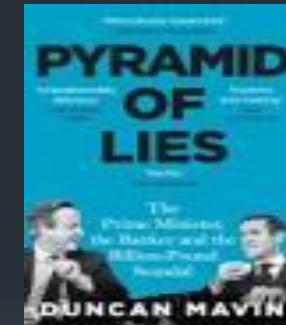
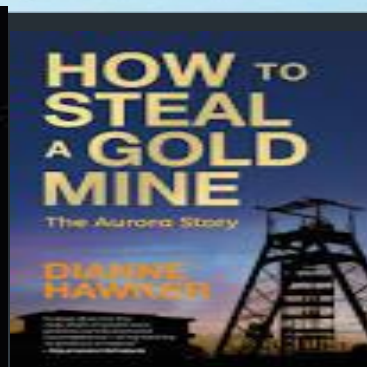
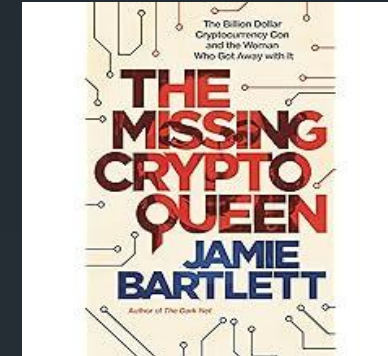
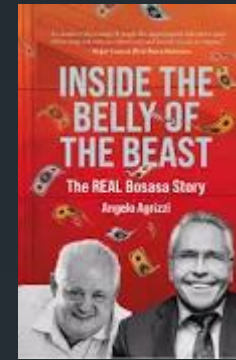
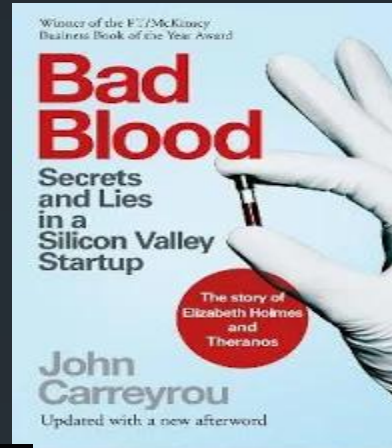
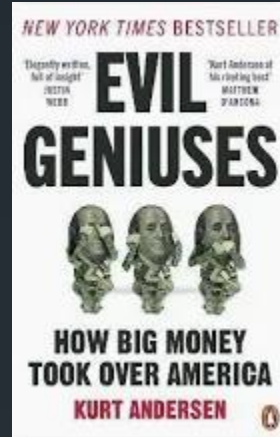
*” Radical Uncertainty” : John Kay & Mervyn King p120**p179

5) Being professionally sceptical

“We weren’t smart enough to ask naïve questions”*

*”In Good Faith”: K Sharp p216

Evil is an equal opportunity employer!



5.1) The importance of professional scepticism

*“The good stuff was hiding the bad stuff!”**

*“If you look at a selection of recent UK disasters.. in all cases the information needed to avoid the disaster was known somewhere inside the organisation!**”*

*“But the more information that came out about the fraud the clearer it became that dozens if not hundreds of people took part, including many who reported directly to the board***”*

**“Creativity Inc.”: Ed Catmull p63*

***“The Fish Rots from the Head” : B Garratt p55*

****“Faster, Higher, Farther – The Inside Story of the Volkswagen Scandal” : Jack Ewing p349*

6) Understanding Ethics is not a static science

Nothing should be done that is not ethical....EASY but...

Ethical beliefs are not fixed.

“Slowly it incrementally changed from ‘We can’t do that, it would look bad’ to ‘If both clients agree, or a sophisticated client signs a big boy letter then it’s okay’”*

*"What Happened to Goldman Sachs" : Steven Mandis
p191

Ethical behavior is contextual.

“But let’s be crystal clear about something; in a competitive world ethics do not always win. Ethics come with a price tag and the price is not always affordable”*

*"Stuff Matters – Harry Bingham p129

“Economics without ethics is a crime, and ethics without economics is a fantasy” - Ninomiya Sontoku

6.1) Understanding ethical failures have a huge hidden price

“One innovative idea devised by McKinsey was to offer rebates each time a patient subsequently overdosed or developed a use disorder. These rebates would not go to the patient who had been harmed but to the big pharmacy chains and insurers to encourage the pharmacies to keep selling OxyContin”*

“McKinsey had counseled that urging patients to take bigger doses for longer periods of time was the way to protect company profits”**

“The global consulting firm McKinsey and Company Friday agreed to pay \$650 million to settle a federal probe into its role in helping ‘turbocharge’ sales of the highly addictive opioid painkiller OxyContin...”***

*“Empire of Pain – The Secret History of the Sackler Dynasty” : Patick Keefe p349 ** p359

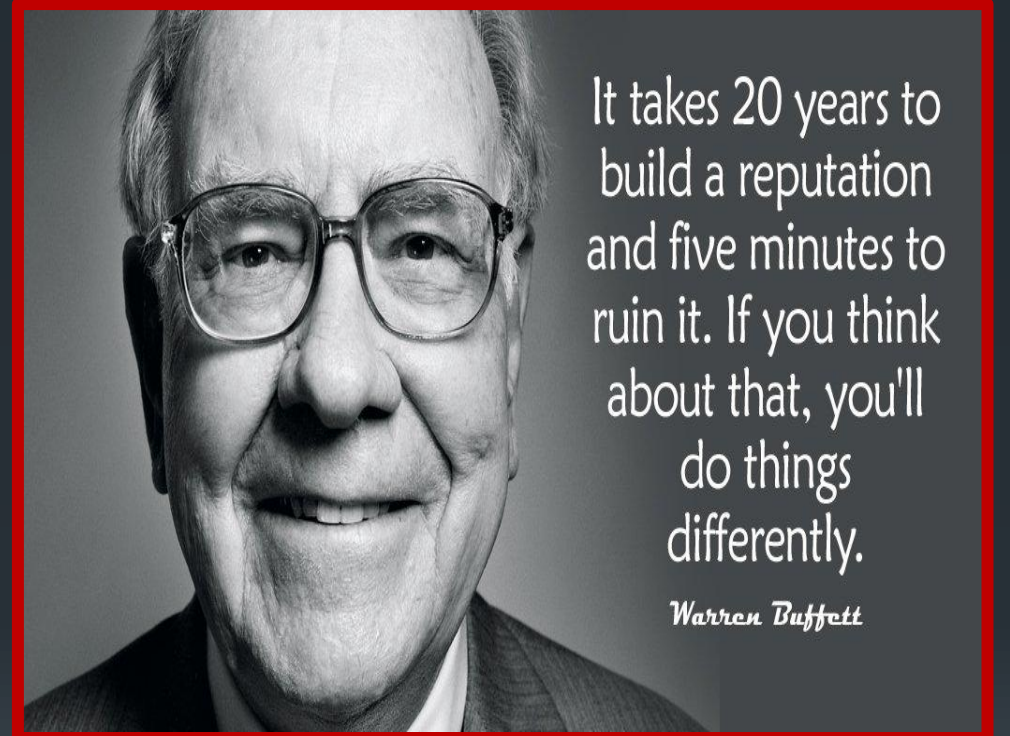
***<https://www.npr.org/2024/12/13/nx-s1-5155962/mckinsey-purdue-opioid-prosecution-doj>

6.2) Jealously guarding company reputation

“A company’s reputation is the sum of all the actions of its people and its products. You have to demand integrity from all of your people and your products at all times”*

“The Ride of a Lifetime” : Bob Iger p 228

The longest route between A and B is always a shortcut!



It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

Warren Buffett

“You are a ‘trust me’ company until you are not”*

*“Hot Seat – Hard-won Lessons in Challenging Times” : Jeff Immelt : p28

7) Going beyond the financial numbers...

What is needed to get to the numbers

- Quality of products improving
- Level of end consumer satisfaction up
- Stakeholder relationships improving
- Employee engagement levels up
- Improving combined assurance
- Quality of Human Capital better
- Through put productivity increasing
- Brand strength growing
- Improving third party audit assessments

“Management by numerical goal is an attempt to manage without knowledge of what to do”*

“Paper profits do not make bread: improvements in quality and productivity do”**

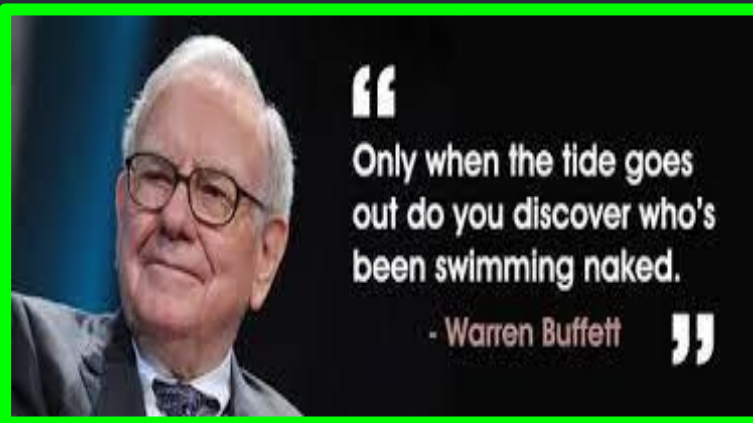
Financial numbers are only ever an Outcome

***“Out of the Crisis” W Edwards Deming p76**p21**

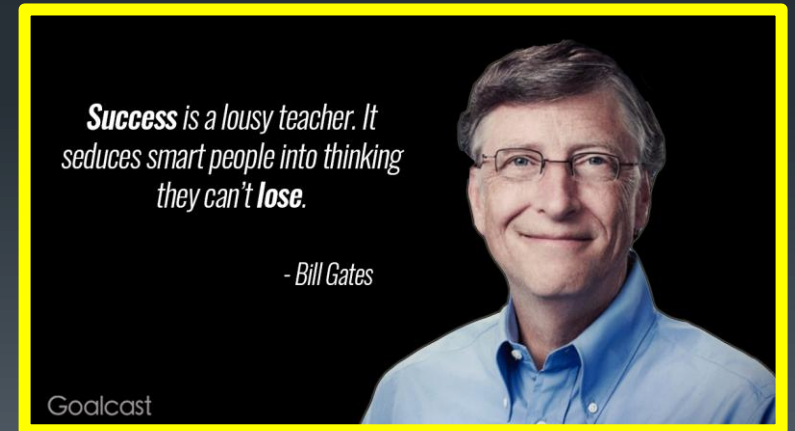
8.) Productive Paranoia and Headroom!

“10X winners always assumed conditions can unexpectedly change...continuously asking ‘what if?’, preparing ahead of time, building reserves, maintaining ‘irrationally’ large margins of safety.

“They understood the only mistakes you can learn from are the ones you survive!”*



RULE 1 in the Board = Do Not Run Out of Money (DROOM)



* “Great By Choice” : Jim Collins and Morten Hanson p102

9) Understanding the relationship between efficiency and risk

“Most people consider higher efficiency as an absolute good; more efficient is always better than less efficient.

The insight that sometimes efficiency comes at the expense of resilience is often both a surprise and a difficult idea to grasp”*

- Efficiency is a short-term strategy which is often positively correlated with Risk
- Hyper efficiency creates fragility – we saw this with Covid.
- Requires a conscious investment in redundancy to ensure survival in the long run

*“Turbulence A Corporate Perspective of Collaborating for Resilience” : p28 Edited by Roland Kuipers

10) Beyond Compliance - Substance Not Form

“In the place of judgement there was a rule book. And rules could be gamed”*

“I followed the rules, but I tried to get around the principles. The deals were technically allowed, but misrepresented what Enron looked like.

I was using the rules to try and create an advantage for my company” - Andrew Fastow**

* “Bean Counters : The Triumph of the Accountants and How They Broke Capitalism” Richard Brooks p 89 &109

**Fastow Speaks on Ethics By Lucy Feidelson, The Colgate Maroon News Apr 26, 2018

11) Approaching strategy differently

“Strategising is not a once-a-year rain dance, nor is it a once a decade consulting project.

*Strategising must be a skill as deeply embedded as total quality or customer service”**

*”Strategy bites back”: Gary Hamel p:229

11.1) There is seldom a grand design in strategy!

“ It might be far more satisfactory to look at well-adapted companies not as the result of brilliant foresight and strategic planning but largely as consequences of a basic process – try a lot of experiments, seize opportunities, keep those that work well and fix or discard those that don’t”

“A key thing to remember is that truly innovative strategies are always, and I mean always, the result of lucky foresight”

“Built to Last: Successful Habits of Visionary Companies” : J Collins & J Porras p148

“Strategy Bites Back” : Gary Hamel
p 220

12) A Strong Board Community

“Getting the team right is the necessary precursor to getting ideas right.


Even the smartest people can form an ineffective team if they are mismatched.

Getting the right people and the right chemistry is more important than getting the right idea”*

Diversity and Inclusivity count in large amounts

- Age, race, gender and experience
- Need a solid mix (diversity)
- All directors need to be heard...(inclusivity)

*“Creativity Inc.”: Ed Catmull p74



People working together in a strong community with a shared goal and a common purpose can make the impossible possible.

12.1) The Chair is Critical in a High Performance Board

- The Chair acts as an Orchestra conductor
 - Facilitator role not an Expert role
- Every director needs to have an opinion, and the Chair must ensure that all directors understand what each director is thinking (process driven)
- Most of the time, this a First Amongst Equals role
- Chair should manage the Exco/Board alignment.

“At the heart of governance is the relationship between the CEO and the Chairman. One sure test of the relationship is that the CEO and the Chairman should never surprise each other”*

*“Commanding Heights” : Roy Andersen p151

12.2) The Role of the CEO in the Board?

“Board meetings were never just a dog and pony show, where you just listen and go to lunch. We had some wonderful debates”

*“Indeed, Wurtzel stands as one of the few CEOs in a large corporation that asked more questions of his board members than they put to him”**

VS.

*“...Marcus Jooste is so dominant he drowns out other voices... Mervyn King speaks from experience ‘When you have a dominant CEO, an intolerant CEO, that wants it his way and no other way, who dominates other executives, that is something non-executive directors need to look into’”***

*“Good To Great” Jim Collins p:74

**“Steinhiest – Marcus Jooste, Steinhoff and SA’s Biggest Corporate Fraud”: Rob Rose p188

12.3) Trophy Directors ('Big Man' Syndrome)

Highly Qualified and Experienced Board Members

- Sits on many Boards of listed entities... compliance driven?
- Often brings answers not questions – limits dialogue and learning
- Tends to prescribe not diagnose = Board Overreach!
- Can create factions (hierarchy) in the Board destroying community
- In the Age Of Radical Uncertainty experience can become a liability

"Give help and advice if they want it, but let managers make their own decisions" –
Warren Buffet

**All I know is one
of us is right,
and the other
one is you.**

12.3A) Factions in a Board are very dangerous

“At Facebook, at Satyam, at Lehman Brothers and in many other cases, the concentration of power in the hands of few, largely unaccountable people led to disaster”*

*“Disaster in the Boardroom” : Gerry Brown & Randall Peterson p98

12.4) The ideal Director

- Focused on doing what is good and right for the entity that they serve
 - Ethical in all matters
 - Aware of and free from conflicts of interest
 - Suppressed Ego – willing to serve
 - Independent of mind, thought and action
 - Willing to do the hard yards - Curious
 - Stands on principle



*To know what is right
and not to do it is the
worst cowardice.*

Confucius
Ancient China
-551 // -479

www.wordsandquotes.com

*“If you are going to
place friendship
above all else you
cannot lead.*

*If you are incapable of
hanging your brother,
let alone your friend,
you cannot lead.”**

*“Leadership : The Care and Growth
Model” : Etsko Schuitema p95

13) The trick to becoming a High Performing board?

*"Virtually every success story.... involves someone or some group **working harder** than their peers"**

*"Outliers The Story of Success" : Malcolm Gladwell p239

There are no



Those who turn good into great are motivated by a deep creative urge and an inner compulsion for sheer unadulterated excellence for its own sake. Those who build and perpetuate mediocrity, in contrast, are motivated more by the fear of being left behind."

It is all about Continuous Improvement of the Board

*"Good To Great": Jim Collins p:174