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Creating and Sustaining a High-Performing Board

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Introduction

Being part of a high-performing board is a wonderful feeling and something that most board members strive for. Being involved with a high-performing group demonstrates the amazing things that can happen when individuals successfully come together to work towards and achieve a desired outcome.

However, for many boards, high-performance remains elusive. This can be due to dysfunction, a lack of intention, the belief that board high performance should happen naturally, and/or a lack of adaptation to changing board and organisation circumstances.

Many boards never take the time to answer the question, 'What does great look like for our board, given our current and near-future purpose and requirements?' Instead, the assumption is made that because we have many intelligent and accomplished individuals around the table that an effective board will happen naturally.

The board group is no different from any other group of individuals who come together to achieve a desired outcome. If no rules of engagement have been intentionally set and agreed to, and if no desired outcome has been determined, group dynamics and behaviours will be allowed to unfold naturally.

Unfortunately, a directionless board gives way to power struggles, lack of accountability, disengagement, a focus on the wrong issues, the wrong people getting onto the board, ineffective board structures and processes, the wrong (or no) information at the wrong time in the wrong format, and poor board and organisational culture. Downright dysfunction.

While there is no one right way for a board to lead and govern an organisation, there are better, more effective, ways for boards to approach and achieve high-performance.

The first step is to determine, as a group, what great looks like; what does 'high performance' mean and look like: for your board and organisation for your current and near-future context?

Once your board has come to an agreement on that, there are four pillars of board effectiveness that need to align with and support your board's high-performance ambitions. These are: People (quality, focus, and dedication); Information Architecture (formal and informal/external and internal); Structures and Processes; and Group Dynamics and Board Culture.[1]

Good governance is a choice, and it starts with us – as individual board members and as a board as a whole – making the time and having the intention to create a system that supports the board and board members towards governance excellence. These four interdependent pillars can help us achieve that outcome.

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1. This framework was created by Didier Cossin and is discussed in detail in his book High Performance Boards: Improving and Energizing Your Governance. John Wiley & Sons, Inc. June 2020. See chapters 4-7.

Pillar One
People (Quality, Focus, Dedication)

People quality refers to board members' expertise and competence. We all show up to the boardroom with our own unique mix of skills and abilities. The kicker is making sure that ours and others' expertise and competencies are value-adding to the board and organisation.

Achieving this outcome – where the board's value is greater than the sum of its parts – starts with a simple skills map or skills matrix.
But don't just consider professional experience: extend your skills map to include personal attributes and traits, such as communication style, leadership potential, ethics and the individual's network.

The competencies, expertise and other attributes that you include on your skills map/matrix should form part of a conversation for your board (probably starting at your nominations or governance committee, before being presented

to the board). This relies on the board being clear of its purpose within the organisation, and what the board will be focusing on over the short-term future (always with a consideration of long-term implications).

The skills matrices from Qantas, Commonwealth Bank of Australia (CBA), and CSL Limited have been outlined on page 4. While there are many attributes that are universal to all boards, each of these organisations has determined what unique attributes are desirable based on their board and organisation now and into the near future.

Since boardroom diversity – gender, personality, industry, professional background, culture, opinion – can enhance a board's effectiveness, consider adding diversity attributes to your skills map/audit.

The Directors possess a range of skills and experience as set out below:
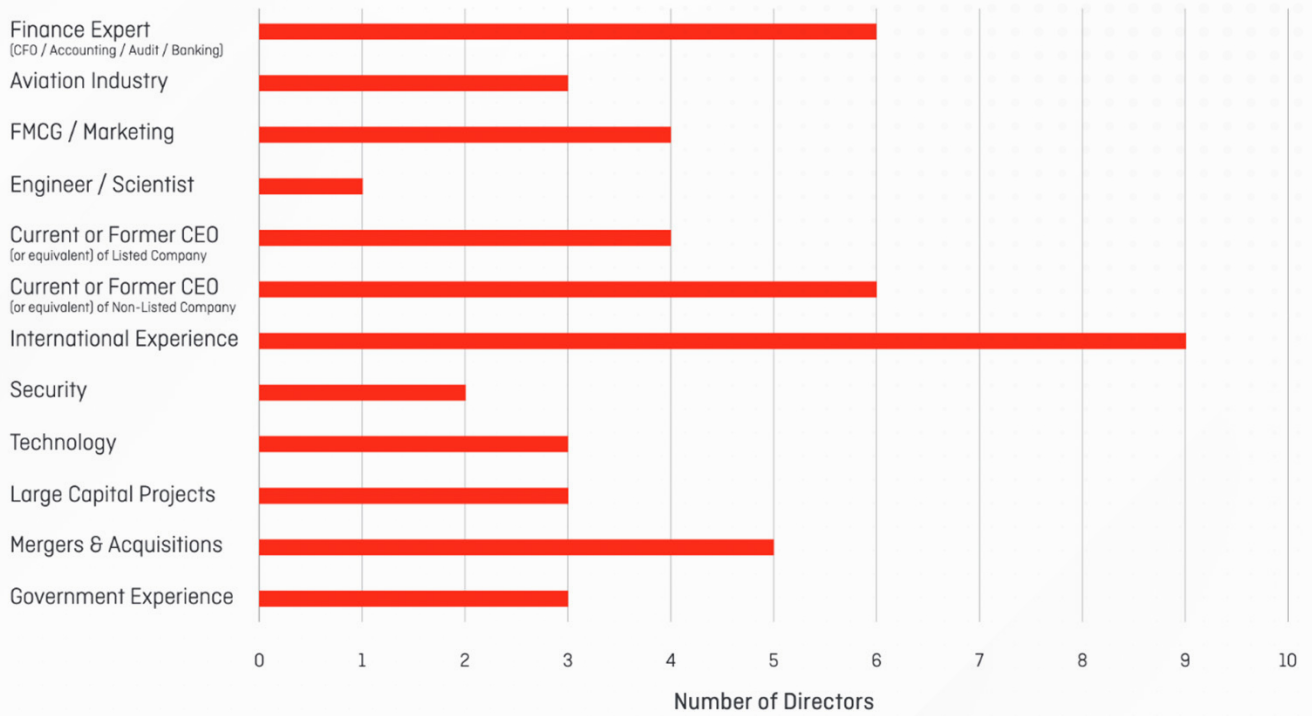
Figure 1 Qantas Board Skills Matrix
Source: Qantas Corporate Governance Statement, 30 June 2021

Board Skills Matrix

Skills and experience		Relevance to CBA
Leadership █ 8 █ 2	Held senior leadership role such as CEO or similar position in an organisation of significant size or complexity.	Setting strategy and evaluating the performance of senior leaders.
Financial services █ 5 █ 1	Experience in the financial services sector and regulation, including retail and commercial banking services and adjacent sectors.	Appreciation of the operational landscape, opportunities and challenges in the sector.
Financial acumen █ 7 █ 1	Proficiency in financial accounting and reporting, capital management and/or actuarial experience.	Assessing complex financial and capital management initiatives.
Strategy and global perspective █ 7 █ 3	Experience in leading, developing or executing strategic business objectives including bringing to bear a global perspective.	Reviewing and setting the organisational strategy in a global context.
Governance █ 7 █ 3	Experience as a non-executive director of a listed entity (Australia or overseas) and/or understanding of legal and regulatory frameworks underpinning corporate governance principles.	Understanding local and offshore legal and regulatory frameworks to effectively perform the role of director.
Risk management █ 7 █ 3	Experience in identifying, assessing and monitoring systemic, existing and emerging financial and non-financial risks.	Monitoring risk appetite, assessing the overall risk profile and adapting to emerging trends.
Digital and technology █ 4 █ 3	Experience in technology and innovation and the impact on customer experience.	Supporting the Bank's digital strategy.
Enhanced customer outcomes █ 7 █ 2	Understanding of the changing needs of customers with a focus on improving their financial wellbeing and enhancing their experience.	Providing constructive challenge to ensure customer needs are met.
Stakeholder engagement █ 7 █ 3	Experience in building and maintaining trusted and collaborative relationships with governments, regulators and/or community partners.	Ensuring an effective engagement program with regulators and other stakeholders is in place.
People and culture █ 7 █ 3	Understanding organisational culture, succession planning, and remuneration and reward frameworks.	Overseeing the culture of the Group and upholding the Code of Conduct.
Environment and social █ 1 █ 8	Understanding the potential risks and opportunities from an environmental and social perspective.	Influencing sustainable practices, policies and decisions that support environmental and social outcomes.

█ High competency, knowledge and experience   █ Practised/direct experience

Figure 2 CBA Board Skills Matrix
Source: CBA Corporate Governance Statement, August 2021

Skill Category	Skill Description	Number of Directors
Biopharmaceutical, Biotechnology or Medical	Senior executive who has deep operational or technical experience with a large global biopharmaceutical, biotechnology or medical organisation (and a deep understanding of patient focus).	3
Global Experience	Global experience working in a globally diverse organisation including a deep understanding of and experience with global markets, economies and international political issues.	8
Strategy	Experience in developing and implementing successful strategies in enterprises with long implementation timelines, large research and development (R&D) programs, and complex supply chains.	6
Risk and Compliance	Experience and deep understanding of risk management and compliance frameworks and controls, ability to identify and oversee mitigation strategies for emerging risk and compliance issues in the organisation.	4
Finance	Board audit/risk management membership or senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls.	3
Capital Projects – Manufacturing/Quality	Experience in an industry with projects involving large-scale capital outlays on manufacturing/quality operations with long-term investment horizons and complex regulatory requirements.	5
Health, Safety, Environment and Corporate Responsibility	Experience related to complex workplace health, safety, environment and corporate responsibility issues within a large, patient or stakeholder focused, business enterprise.	4
Change Management, Corporate Culture and Remuneration	Board Human Resources committee membership or senior executive or equivalent experience relating to change management, corporate culture and the remuneration issues applicable in a global organisation.	4
R&D/Product Development	Experience in research and development or product development with a large biopharmaceutical, pharmaceutical or medical organisation.	3

Figure 3 CSL Limited Board Skills Matrix
Source: 2020 Corporate Governance Statement, June 2020

Having the 'right' people is not enough to guarantee success. The next decision that your board must do is figure out what matters most and make sure the board's time and energy is concentrated on those issues. The board must define (and redefine) its role to help set its priorities. This picture will help guide the board's work for the next one to three years.

Naturally, a board must always maintain focus on its governance oversight role. In addition to this, a board can vary in its engagement/involvement with management. Nadler[2] ranks board involvement across a spectrum from least involved to most involved, detailing five board models based on the required and desired level of involvement: the passive board, the certifying board, the engaged board, the intervening board, and the operating board. Cossin advises boards to also be conscious of the context in which they are operating and understand how that impacts and influences the role the board should perform (i.e. level of involvement).

To further set the areas of priority for the board, Nadler recommends surveying the board members on where they believe the current and desired level of board engagement is for each strategic business activity. Board members are asked to rank each, from 1–5 (1 being solely left to management, and 5 being exclusive board engagement). These strategic business activities are derived from the board's decision regarding its role and priority areas.

2. David A Nadler, Building Better Boards, Harvard Business Review, May 2004. Vol. 82 Issue 5, p102–111.

In a recent study, Russell Reynolds Associates[3] found that 'gold medal boards' prioritise their time on the following issues (from most to least time spent over a year):

1. Strategic Planning or Review	11. R&D/Innovation
2. Operational Performance Review	12. Compliance-related Activities
3. Oversight of Major Transactions	13. Cyber Security
4. COVID-19 Response Strategy	14. Executive Compensation
5. Capital Allocation	15. External Stakeholder Interactions
6. Financial Statement Reviews	16. Succession Planning (Board)
7. Risk Oversight	17. Audit-related Activities
8. Succession Planning	18. Shareholder Communications
9. Digital Strategy	19. Purpose and Social Value
10. Sustainability	20. Board/Director Education

Genuine passion, energy, dedication and motivation (beyond financial or social rewards of board service) are priceless attributes of the best board members. They go the extra mile when preparing for board meetings, often spending up to 17x more time per hour of meeting time in preparation (including reading the official meeting papers, seeking external information via social media and news outlets, talking with other board members or relevant professionals, and spending time reflecting on the information received).

3. Russell Reynolds Associates, 'Focusing on the Future: How Gold Medal Boards Prioritize Their Time', 29 April 2022, web article, accessed 19 July 2022 <https://www.russellreynolds.com/en/insights/reports-surveys/global-board-culture-and-director-behaviors-study/focusing-on-the-future>.

Pillar Two
Information Architecture

For the board to produce high-quality decisions that enable the board members to maintain its desired focus, it needs to receive the right information at the right time in the right format. Too little or too much information can both keep the board in the dark.

Having sophisticated information architecture supports the board in producing high-quality decisions effectively and efficiently.

Ideally, the board's information architecture is designed around the board receiving information from internal and external sources, via formal and informal channels, and a blend of lead and lag indicators. Boards are usually well versed in internally produced, formal information; however, self-discovered external information via informal channels largely remains ignored or forgotten about.

External issues to be considered include:

- **Reputation analysis**
- **Competitive landscape trends**
- **Customer knowledge**
- **Understanding of shareholders**
- **Technology evolution**
- **Legislative/Regulatory changes**

Informal information channels include:

- **Access to employee and stakeholder networks (appropriately managed)**

- **Communication between fellow board members (appropriately managed)**

- **Connections with management via BBQs, coffee meetings, and phone calls appropriately managed**

- **Independent information sources: Social media channels, market information, news outlets, employee review websites (e.g. Seek Company Reviews), industry newsletters**

As you have worked hard to populate your board with high-quality and dedicated board members, much of the informal and external information sourcing and sharing is self-directed by individual board members and encouraged as part of the board's culture.

The board has taken the time to ask itself "what conversations do we want to have?" and then gets to work creating the information architecture to support the answer to that question. Board packs are crafted with focus, prioritising what matters most for the board.

The board takes the lead in the process, with management supporting.

The Centro Case[4] reminds board members that the amount and format of information received in their meeting papers is under their control. Ensuring you receive the right information, in the right format, at the right time, in the right quantity is the board's responsibility.

4. ASIC v Healey & Ors [2011] FCA 717. For a discussion on this case, see Clayton Utz, What does the Centro case mean for directors?, 29 June 2011. Accessed 22 July 2022 <https://www.claytonutz.com/knowledge/2011/june/what-does-the-centro-case-mean-for-directors>.

Pillar Three
Structures and Processes

Every effective and efficient group establishes and works within structures and processes that support its focus on delivering the right information at the right time in the right format.

This board infrastructure only comes about with intention and effort to initially determine the most effective systems of organisation that enable the group to get done what it needs to get done: strategy, supervision and support.

The structures and processes are not complex, but rather form a framework for the board to follow that they know enables them to deliver on their mandate (established in pillar one) – including the fundamental purposes of a board such as adequate oversight, compliance, and risk management – and to support their information requirements.

What is included in structures and processes?

Structures

- **Annual board calendar (to smooth out the necessary tasks of the board across the year)**

- **Use of technology to support the board in its work**

- **Annual strategy session**

- **Analysing the impacts of long-term megatrends, changes in the competitive landscape, and opportunities**

- **Board secretary as 'chief governance officer'**

- **Committee structures that meet organisation strategy and other requirements (e.g. Singapore Airline's Safety and Risk Committee)**

- **Agenda setting (strategic and tactical)**

- **Reviewing and monitoring management performance**

- **CEO succession**

- **Stakeholder engagement**

- **Audit**

- **Compliance**

- **Risk**

- **Strategy**

- **Continual board improvement (individual roles, group performance)**

- **Tracking the success of the board's decisions**

How you work is just as important as what you work on. It is not possible to leave the 'how' – the structures and processes – to chance, continue with what you inherited because 'we've always done it this way', or hope that they evolve organically. It won't happen or it will happen poorly, and the systems that supported you yesterday won't support and enable you today or tomorrow. The necessary structures and processes must cascade from and support the board in its purpose within the organisation at a particular point in time. This also points to the fact that structures and processes must remain dynamic and change to meet the shifting needs of the board and organisation over time.

Pillar Four
Group Dynamics and Board Culture

In a recent LinkedIn poll[5], 83% of respondents selected 'Group Dynamics and Board Culture' as having the most influence on board effectiveness. This unsurprising result echoes Peter Drucker's edict that "culture eats strategy for breakfast". Even with the best intentions behind working through pillars one to three, if the dynamics within the group are unsupportive of the agreed-upon focus, do not properly utilise the information architecture, nor follow the set structures and processes, the board will be ineffective.

This is not to say you stamp down any dissention or desire for change. These can be important indicators that new ideas are emerging and would perhaps be beneficial to entertain. However, the better kind of conflict – productive conflict – can be welcomed in.

This, of course, is a delicate situation to invite in, manage, and do in a valuable way. This is where an agreed-upon and well-written document outlining the board's values, behaviours and rules of engagement can help facilitate robust discussion and maintain equal participation and respect.

The repeated behaviours and consequences of individual board members create the board's culture. Therefore, signs of dysfunction including disruptive or dominating board members, 'groupthink', and mismanaged conflicts of interest are red flags that must be heeded immediately.

5. Lisa Cook (LinkedIn, 5 July 2022) < https://www.linkedin.com/posts/lisamcook_governance-boardeffectiveness-activity-6950971897232637952-7zFQ>.

Do not underestimate the influence that one or two 'bad eggs' can have on the other board members. You are who you hang out with, so it is worthwhile regularly asking yourself, "Is the sum of this board greater than its parts?" The answer to that question will help you to identify whether intervention is necessary.

Questions to reflect on:

- **How does your board handle differences?**

- **How does your board generate trust?**

- **What is your board doing to create the right context for discussions and decision-making?**

- **How does your board manage conflict?**

- **How does your board establish leadership roles?**

- **Is your participation and contribution during board meetings supportive of board effectiveness?**

- **Can the board's dynamics shift (positively) depending on the context or the issue being considered?**

You know you have a good culture with beneficial group dynamics when your board can have a productive exchange of views that lead to effective decisions.

"Human dynamics are critical to understanding the complexities of how people function and interact with one another."[6]

We expect board members to show up to board meetings but what we end up with are human beings.

6. Cossin, Didier. High Performance Boards: Improving and Energizing Your Governance, John Wiley & Sons, Inc. 2020. ProQuest Ebook Central, https://ebookcentral.proquest.com/lib/adelaide/detail.action?docID=6173702, p 60.

Sustaining a
High-Performance Board

A high-performance board requires time and intention to establish, from setting a focus through to creating supporting infrastructure and culture. What is clear is that this isn't a set-and-forget activity that a board undertakes. Effective boards know that they must consistently define and redefine their definition of effectiveness given the ever-shifting and evolving circumstances of the organisation and its operating environment.

The task of revisiting what the board does and how it gets that done is an activity worthy of being included in your annual board calendar, so that it gets addressed at least once per year. In addition, it is something that needs to be addressed when it needs to be addressed.

Resources

- Cossin, Didier. High Performance Boards: Improving and Energizing Your Governance, John Wiley & Sons, Incorporated, 2020. ProQuest Ebook Central, https://ebookcentral.proquest.com/lib/adelaide/detail.action?docID=6173702

- David A Nadler, Building Better Boards, Harvard Business Review, May 2004. Vol. 82 Issue 5, pp102-111. https://hbr.org/2004/05/building-better-boards

- Russell Reynolds Associates. 2022 RRA Global Board Culture and Director Behaviors Study. https://www.russellreynolds.com/en/insights/reports-surveys/global-board-culture-and-director-behaviors-study

Get on Board Australia

Get on Board Australia is the hub for aspiring and new board members, helping them to secure their ideal board positions and thrive in the boardroom. Get on Board Australia offers free-to-access resources via its website and Board Shorts podcast, affordable educational courses through its Academy, and provides custom workshops and seminars for boards and board members across Australia.

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About BoardPro

We exist to increase boardroom productivity and create better functioning boards. We don't believe good governance processes should be left to the domain of larger companies. We know that all parties in a board/management relationship want to use their time and resources most efficiently and productively. We found that a product that helped with the processes, workflows and guidance to work on the right things was missing from the market. So we developed BoardPro in partnership with some of the best independent directors and most progressive CEOs.

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