



Mentoring Circle

Outcome Report

Topic: Open Discussion

Date: 17 February 2016



INSTITUTE OF DIRECTORS
SOUTHERN AFRICA

The aim of the Mentoring Circles is personal development, building a community of directors, and contributing to the social and personal competencies of the Director Development Framework.

The Challenges

- Ensuring the company is not placed at unreasonable risk can be impeded by poor processes of accountability, responsibility and low levels of trust, both between directors and between the board and management. Poor separation of strategic and operational roles can exacerbate this.
- Becoming a director requires knowledge, skills, experience and confidence which can be challenging to achieve.
- Trust among board members, including between executive and non-executive directors is crucial, but can be hampered by individuals or groups bringing personal issues to bear in board discussions. This can be further hampered by there being no shared understanding of a unique vision for the company.
- Improving the performance culture of the organisation at all levels requires that the board display a certain (high) level of competence, which is lacking at times.
- A mismatch between international and national shareholder agendas can misdirect the focus of the board.
- Perceptions and the realities of seniority and power can prevent individuals from holding directors accountable for board decisions.
- Holding management accountable as a board can be impacted negatively when there is little or no consequence management implemented.

The Solutions

- All directors – executive and non-executive – must understand their roles, scope of responsibilities and duties, as per legal and governance requirements. Where directors with little experience are appointed, their induction and development plan must take this into account, including where necessary the use of facilitators, coaches, mentors, external and/or internal governance training programmes.
- If there are disruptive or sabotaging influences regarding decisions made after adequate consultation, mediation should be employed for change management, before disciplinary processes or whistle-blower activities are initiated. Risky behaviour, decisions or phenomena of any kind should always be quantified financially to highlight the impact of this on the interests of the company. In the case of a public entity, directors can approach the Public Protector, make use of the Whistle-blower Act, or gain the support of political parties to proffer charges if needs be.
- It is important to keep in mind that a board is not a team, but a collective of independent minds. Nonetheless, personal agendas must not affect decision-making in the best interests of the company, through directors exercising their fiduciary duties, duty of care and independence. If directors are not fulfilling their mandate (which can be established through individual and/or collective board appraisals), they can be removed by other directors. Short-term, issue-based, limited board sub-committees can be also be appointed.
- The process and content of deferral and delegation of authority must be formally articulated and documented by the board, including objectives, expectations, timelines, compliance, priorities and levels of materiality. Directors must be made aware of legal requirements (duties), liabilities and penalties, including through use of the Board Charter. Where necessary, these (and any other) issues can be put on the board agenda by **any** director.
- Board competence can be enhanced through various channels including: in-house training on governance, internal mentoring of inexperienced directors by more experienced directors, and introducing directors with different skills sets and approaches. Board competence is a critical issue for the Chairman, and issues of director performance can be articulated in risk language and quantified to highlight the obligations of directors.
- Where personal, national, and/or international agendas compete, contextually quantified risk, including reputation, can be used to align agendas with the best interests of the company. Client pressure can also be useful. Company values should be discussed as part of the board agenda, as should the King III Corporate Citizenship requirements. In South Africa, the social context of organisations can be highlighted by designing social programmes that have financial benefit.
- To work towards becoming a director, other than pursuing the requisite formal training, individuals may choose to gain experience on boards of non-profit organisations. Building networks with existing directors is also useful. Requesting an experienced director to review one's CV and highlight what boards would look for is one approach.