



Mentoring Circle

Outcome Report

Topic: Courage

Date: 17 May 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

- It can be difficult to deal with poor performance by individuals at Board level in a way that is not offensive or destructive.
- Challenging a dominant Board member, or one that is not living the organisations espoused values, particularly the CEO, can threaten a directors' job. This is particularly problematic where the individual is creating sound financial performance and is therefore backed by other directors.
- Perceptions of not being taken seriously (due to being new) and resistance to new ideas can hamper effective participation at Board level.
- Where the Chairman is weak, helping to create an effective board is a challenge.

The Solutions

- In dealing with an ineffective Board (due to individual lack of performance) there are a number of approaches. These include (i) address the issue through highlighting risk increase through lack of fulfilling fiduciary duties (ii) Ensure that tenure of individuals is written in to Board charters, if necessary through a revision (iii) do a Board appraisal (as required) that may include a 360 degree review, and/or a review of the MOI (iv) engage the individual constructively, either directly or with support from an influential colleague (v) make it about yourself rather than about the individual, i.e. "I need to be effective, so please explain this issue to me" (vi) accept that your interpretation of the situation may be incorrect or ill-informed, and confirm this with board colleagues before raising it formally (vii) every director must have KPIs against which they must be measured, and to which remuneration can be linked (viii) bring in a neutral third-party (potentially even a former director of the company) to assist in an objective review (ix) if there is a preponderance of executive directors the Board structure should be reviewed (x) raise the issue of the King III / draft King IV requirements of triple bottom line measures of success, not only financial success (xi) undertake a pre-emptive "King IV readiness" assessment to depersonalise performance issues.
- Accept that for contemporary directors, there is no 'comfort zone', and remember that all directors have equal say. Boards should constantly reflect and introspect on how they are performing (including through review of Board minutes), and how they measure themselves – a debate that can be initiated by any director. As a director you have the right to put anything on the agenda via the company secretary or the Chairman, and a moral and legal duty to raise any issues of dysfunctionality. Courage can be increased through thorough preparation.
- New directors can raise issues for clarification and understanding, and to understand the priorities of the Board. This may hold up a mirror to a Board that has become comfortable in its ways. All new directors should go through a comprehensive induction process, which allows questions to be raised. As a new director make a concerted effort to contribute from the start. Where necessary. At times, direct confrontation regarding fiduciary duties may be required.
- Directors are required to have a broad understanding of the business, but not a deep specialised knowledge of all aspects. Courage is built on maximising your own unique contribution, and being open to learning about all the other issues, not least through visiting operations.
- Boards should focus on seeking solutions, not attacking individuals, and on the long-term legacy, as individuals and the collective - courage is not always about the big defining moments. Recognising the humanity of each director – that they will have insecurities and fears – can lead to a more constructive engagement. Understanding the personality profiles of oneself and colleagues can assist in this engagement. Keep in mind that being a director is about being respected for one's value contribution; it's not about being a friend. If you are uncomfortable with a decision that was made even if you agreed with it at the time, this can be raised after the fact.
- If necessary, circulate an article for information, particularly to bring international directors up to speed on legal requirements of South African incorporated companies.
- The judicious use of self-deprecating humour can diffuse a tense situation and allow difficult issues to be raised. For example, saying "You will probably fire me after the board meeting, but....." makes it difficult for any retaliatory consequences to ensue.