



Directors' Circle
Outcome Report
Topic 3: Inclusivity
Date: 19 August 2015



The aim of the Directors' Circles is personal development and building a community of directors.

The Challenges

- Time pressures; different priorities; single-minded focus on self-interest and profit; lack of skills, knowledge and/or commitment; a paucity of director mentoring; and directors who feel they have all the answers, i.e. patriarchal chauvinism can detract from efforts to build genuine and purposeful engagement with stakeholders, and understand business' impact on them.
- Boards do not always recognize the importance or value of stakeholder engagement, so it attracts little of their attention. Organisations with broad objectives can also have a very wide range of stakeholders, making it difficult to engage.
- SMEs face challenges with engagement. The requirements of King III are particularly burdensome, and there is a lack of experienced and willing directors to serve on those boards.
- It is not always possible to know when all stakeholders have been included, not all stakeholders can engage in a reciprocal and robust manner, and discerning between the need for information, consultation or negotiation is problematic.

The Ideal

The inclusive Board builds, maintains and actively manages meaningful, genuine, ongoing relationships with stakeholders, and takes their input into account when making decisions. Inclusivity of stakeholders and all sustainability issues is imperative to business success.

The Solutions

- Inclusivity must encompass the broadest range of stakeholders and issues, to contribute towards sustainability, in the spirit of mutuality and integrity. Inclusivity must be part of the culture of the organisation. Ensure corporate social responsibility issues are integrated with the organisation's strategy, with clear criteria available for deciding on material issues and stakeholders.
- All stakeholders and issues are important but some are more material than others, which may be dependent on the issue at hand. Look at issues from other people's perspectives; keep looking for the "one stakeholder" who might be significant. If the relationship is an ongoing conversation, it will contribute to effective risk management - upside and downside - will build trust, and will comprise information sharing, negotiation and consultation at appropriate times. Use legislation and precedent to help to determine the need for consultation.
- Everyone wants to be heard: ensure that mechanisms and processes are functionally in place for this. SMEs need to look at the principles of King III and use the "apply and explain" concept, through identifying material issues and ensuring these are on the Board agenda.
- Inclusivity should include business-to-business engagement, particularly sharing lessons learned, whether about the engagement process itself or about issues requiring engagement. There is a new British Standard (BS11000) published about Collaborative Business Relationships.
- Some stakeholders (including business people) need to be empowered to engage meaningfully. This includes active listening, hearing, paying attention, acknowledgement, asking questions, clarifying expectations, and potentially the use of third party facilitators.
- As an ongoing business practice, think systemically and systematically when trying to address all issues and all stakeholders. Address the uncomfortable questions and/or 'difficult' stakeholders as a matter of priority, as unusual as that approach may be. Directors must put the best interests of the company at the forefront of decision-making, not the best interest of the individual shareholder.
- In order to identify and address director's skills gaps, use board assessments, new director induction packs, and in-board mentoring. Board agendas can be structured with the chairman to include issues that address the gaps (including case studies). If the culture of the Board is conducive, 360 degree reviews can also be used. In the case of consistently non-performing directors, it is the duty of the other directors to confront this and if needed, remove that person from the Board. Directors must not allow themselves to be swayed by peer pressure, but at the same time must be secure enough to be inclusive of a dominant voice if the person's input is good for the company.
- Participate in Sirdar and mentorship with the IoDSA where a chairperson is appointed by IoDSA and Sirdar and this allows the external person to bring some of the knowledge on board processes.