

# Governance for Sustainability and Differentiation

## ISSUES AND PRINCIPLES

# What kind of organization are we?

- ▶ Rule-follower
  - ▶ Efficient operator
  - ▶ Mostly catching up
  - ▶ Mostly “engineering”
  - ▶ Transformation agenda driven by our competitors
- ▶ Rule-maker
  - ▶ Innovative & growing
  - ▶ Mostly out in front
  - ▶ Mostly as “architect”
  - ▶ Transformation agenda driven by our foresight

# What is (corporate) governance for?

- ▶ To ensure that the Board, representing the Owners, allocates resources to make planned progress towards the organization's declared purpose;
- ▶ To ensure that Directors and Executives account appropriately to the stakeholders of the organization;
- ▶ To ensure that shareholders and other stakeholders can - and do – hold the Board to account.

[Source: ACCA, 2008].

# Parties to Corporate Governance

- ▶ Board of directors
  - ▶ Management
  - ▶ Investors/Financiers
  - ▶ Employees
  - ▶ Customers
  - ▶ Suppliers
  - ▶ Regulators
  - ▶ etc.
- ▶ All parties have an interest in the firm's performance. They make inputs, and also have needs and expectations that corporate governance should meet.

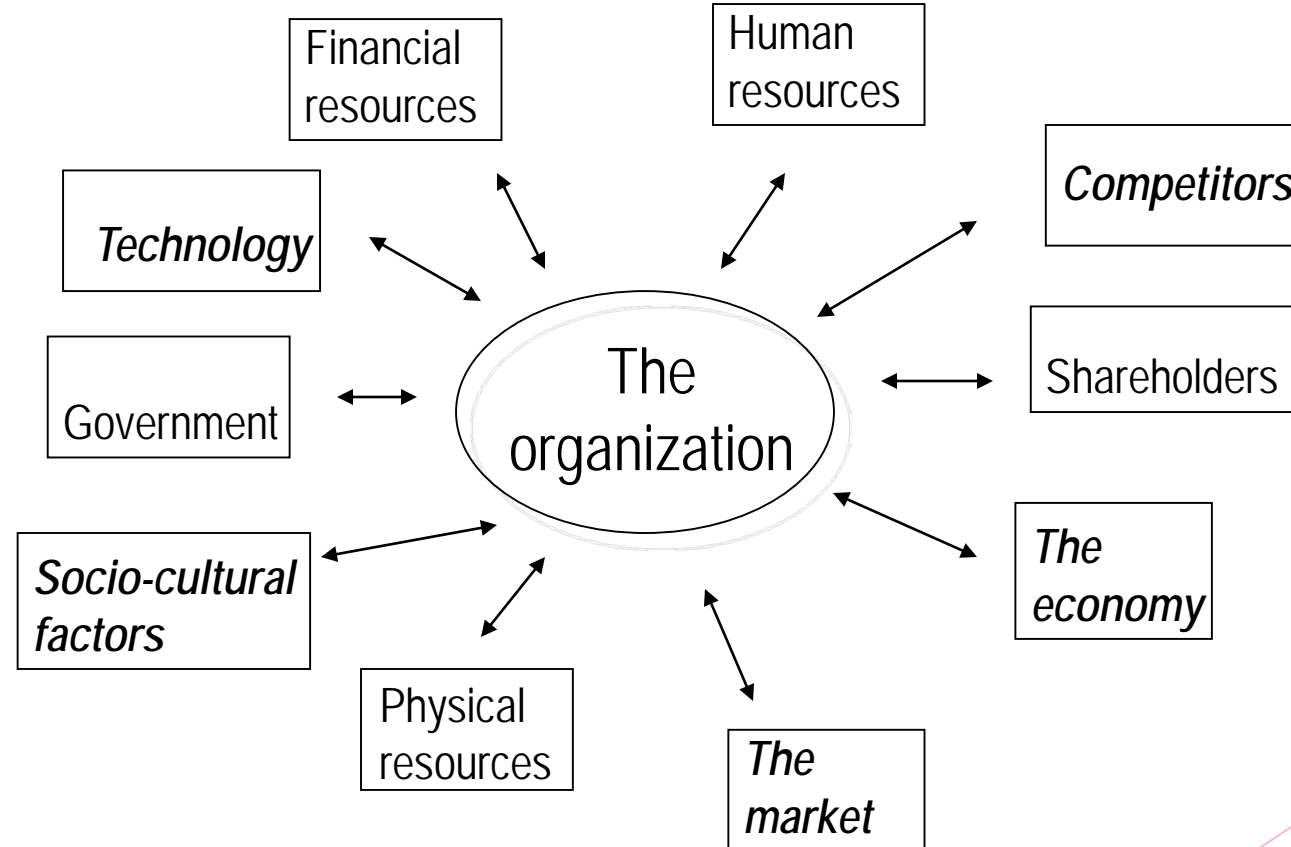
# Core principles of corporate governance

- ▶ The organization wants to achieve its business objectives consistently.
- ▶ It should offer “fair returns” for the input of each stakeholder;
- ▶ The organization should display appropriately high standards of ‘business’;
- ▶ Different stakeholder interests should be equitably managed;
- ▶ Office holders should handle fiduciary (and other) responsibilities conscientiously;
- ▶ The organization should practise good ethics.

# Issues for governance attention

1. RESULTS – How well is the organization meeting its objectives? Is performance on track with plan?
2. PEOPLE – good recruitment, deployment and development, stakeholder satisfaction.
3. CONTROLS – to ensure that assets are always used and managed effectively and prudently.
4. EVALUATION – periodic review of the business to ensure that the organization's strategy is well directed.
5. THE FUTURE – ensuring the establishment of the right conditions for sustainable success.

# The organization's changing task environment



# Governance for sustainability and differentiation

“Companies cannot control the weather –  
but they can build a ship

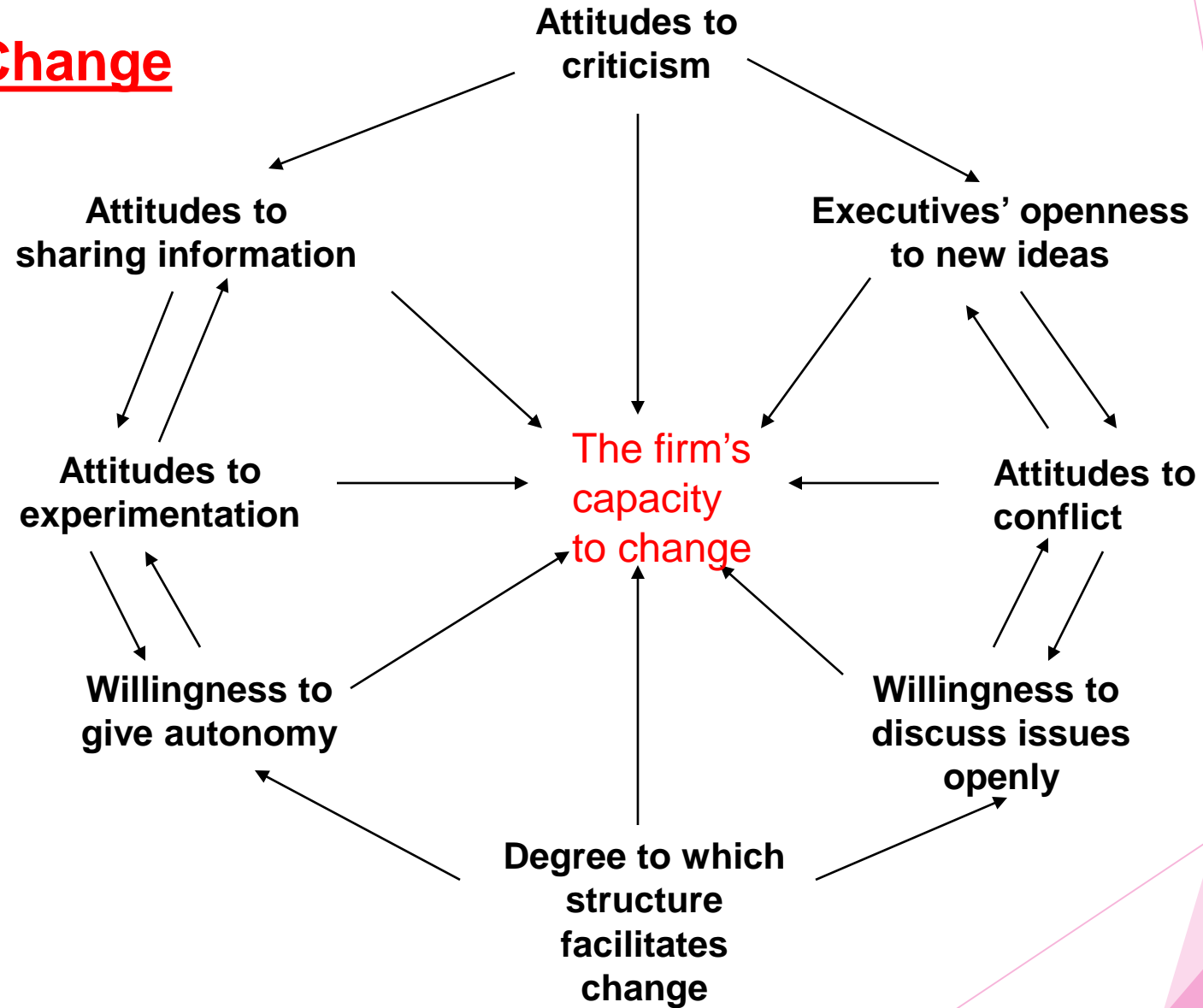
and equip it with a leadership team

that can navigate the ocean  
under all weather conditions.”

Lowell Bryan



# Leadership approach to Change



# A STRATEGY CHECKLIST

## for Board and Management

- ▶ What business(es) are we in?
- ▶ Are we (still) in the right business?
- ▶ Are our corporate objectives reasonable, appropriate and clearly defined?
- ▶ Are we in the right position in the market?
- ▶ Are we utilizing and managing resources and assets efficiently? .....

## Strategy Checklist(cont'd)

- ▶ Are our human resource policies effective for finding & retaining good people?
- ▶ What is our track record in community and environmental responsibility?
- ▶ What is our business ethics record?
- ▶ What are the threats to our business?.

# CREATING THE ENTERPRISE OF TOMORROW

- ▶ Who will be our customers/stakeholders?
- ▶ What needs/expectations will they have?
- ▶ How will goods/services be delivered?
- ▶ What new delivery competencies must we have?
- ▶ How will the competencies be acquired?
- ▶ Competition – what are the terms?
- ▶ What actions must we take - now - to be ready?

# Shaping the future: Growing new leaders

High-quality systems of recruitment, selection, development and advancement.

Allocating tasks that are challenging but achievable.

Creating team leadership opportunities.

Establishing a culture that encourages initiative, creativity, and the free expression of individual views.

A focus on good values, high standards and business-like discipline.

# Do we have a supportive culture?

- ▶ Committed to shared goals.
- ▶ Contributing to the best of our abilities.
- ▶ Each contribution is recognized and credited.
- ▶ Forums exist for all voices to be heard.

- ▶ We can hold differing viewpoints.
- ▶ We can express feelings and views freely.
- ▶ Our success is linked to the organization's success.
- ▶ Our worth is determined by the results we produce.

*We take care of each other;  
We take genuine pride in belonging here.*