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EVOLVING BOARDS: THRIVING IN THE MIDST OF DISRUPTION

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There is a Chinese proverb which states: *“The wise adapt themselves to circumstances, as water moulds itself to a pitcher”*. To ensure that organisations continue to thrive in an evolving business environment, boards and business leaders must embrace and adapt to the challenges being presented by shifting landscapes.

Board composition

In these modern times, the criticality of board composition cannot be underestimated. The board knowledge, skills and experience matrix should be regularly reviewed to identify the gaps between the knowledge, skills and experience currently resident on the board and those that will be required to drive the future strategy and governance of the organisation. Well-performed, this gap analysis will quickly highlight the risks introduced by a dearth or concentration of skills and experience or any dependencies on certain key individuals (or specialists). Adequate depth and breadth of specific strategic knowledge, skills and experience (such as artificial intelligence (AI) and cybersecurity) are essential in ensuring that the board (as a collective) can robustly engage in discussions with management on organisational purpose, strategic goal setting and risk management. Importantly, the board composition must add value to the overall governance of the organisation. As confirmed by Professor Roy Shapira in his recent interview with the European Corporate Governance Institute, it is imperative that board expertise and skills sets actually positively impact corporate behaviour.

Engaging with management

Whereas, previously the divide between board members and management was quite notable, the increasing complexities of the current business environment necessitate more interaction between the board and management. Nowadays, it is not uncommon for board members to share their specialist knowledge directly with management to address specific issues in the interests of the organisation. Board (and committee) meetings are no longer limited to quarterly interventions; instead, board agendas are being informed by the outcomes of governance assessments in the context of double materiality.

Environmental, social and governance (ESG)

With growing stakeholder emphasis on sustainability and social responsibility, boards are now also required to integrate ESG factors into their governance practices and business strategies. This involves overseeing the

organisation's ESG initiatives, disclosures, and performance metrics. The board matrix should therefore separately identify ESG skills and experience to ensure suitable representation such that the board can heighten its understanding of evolving stakeholder demands, strengthen product development/service delivery and oversight, and complement its stakeholder engagement.

Diversity

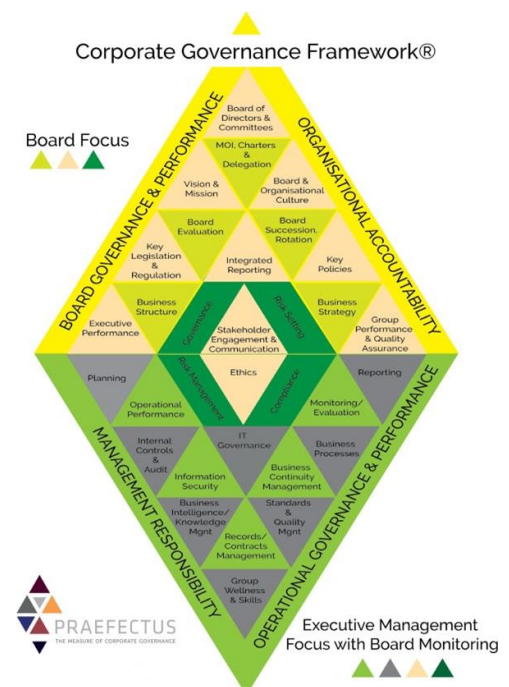
Boards also need to embrace diversity in all forms, including professional background, industry experience, gender, ethnicity, and age. Diverse boards are better equipped to understand complex and varied stakeholder perspectives and bring a broader range of insights and solutions to the table. A broader board representation from different socioeconomic backgrounds can strengthen oversight of bias; build trust; provide different perspectives and augment creativity and forward-thinking. Similarly, given the changing profile of key stakeholders, boards should not be averse to reviewing their overall age profile with a view to ensuring that an appropriate balance is achieved between wisdom and institutional knowledge on the one hand, and disruptive thinking on the other. After all, effective integration of diversity, equity and inclusivity starts at the top and is certain to bolster oversight of problem-solving and innovation.

Geopolitical landscape

The shifting geopolitical landscape is amplifying the requirement for board agility grounded on a strong ethical foundation. Understanding the dynamics of economic power and global business trends and how these impact on the organisation's sense of purpose and strategy, are critical insights enabling board members to craft resilient and sustainable business models. As these complexities increase, so do the ethical considerations. Boards must lead by example, setting and enforcing high ethical standards and a strong corporate culture that permeates every level of the organisation. Assessing the extent to which the organisation's supply chain upholds basic human rights is a case in point where stakeholder expectations regarding moral imperatives are changing.

Artificial intelligence (AI)

The transformative impact of AI on the boardroom cannot be ignored. Board members need to be able to leverage the opportunities introduced by disruptive technologies to improve efficiencies, productivity and the quality of decision-making while at the same time minimising risk. Furthermore, there can be no compromise in upholding the organisation's ethical standards in the application and management of these technologies.



Data-driven decision making

Boards that are not able to quantify the measurement of their governance performance will find it extremely difficult to direct and control the organisation with purpose and derive expected value. Modern day governance requires boards (and management) to measure and monitor governance performance across all critical business functions. Digitising the organisation's governance framework helps to ensure that the organisation's people, processes and activities are aligned to serve a common purpose and deliver quality services and solutions.

Stakeholder engagement

In the face of these additive changes, stakeholders continue to demand increased transparency. It is clear that where voluntary disclosures are not forthcoming, regulation and compliance standards (such as the Corporate Sustainability Reporting Directive) are going to drive more open and engaging communication strategies with all stakeholders. It is therefore important that board members adopt a proactive approach to stakeholder engagement, recognising the value of soliciting varied strategic insights from different perspectives (such as that of the investor or the community activist). These interactions present an opportunity to build trust and long-term relationships which are essential to success and sustainability.

Culture of learning

It is clear that board members need to stay ahead of the game. Ongoing compulsory education, training and professional development are essential in ensuring a comparative level of knowledge amongst board members on emerging topics and issues (such as AI and ESG) to strengthen the quality of board decision-making and underpin effective stakeholder engagement.

By adapting in these ways, boards can better navigate the complexities of the modern business environment, steering their organisations toward sustainable growth and resilience in the face of mounting challenges.

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