

Building and Leveraging a High Performance Board

Sustainability at the top of organisations

A. Introduction

To effectively realise ambitions in good corporate governance and responsible business practice it is essential to ensure Board members understand and are able to respond to the challenges and opportunities of sustainable development.

Many practitioners come across barriers to engaging senior decision-makers in their company. Previous research has identified “an unarticulated sustainability business case, group think, and the mindset of the Board chairperson” as key barriers.

This paper will consider the theory and practice of building and leveraging a high performance Board to deliver sustainable business success.

B. Understanding the operating environment

It has long been recognised that one of the key challenges of strategic leadership is the ability to manage in an environment characterised as VUCA - one of volatility, uncertainty, complexity and ambiguity.

For Board members, the issue is to lead and decide in a situation where you don't have all the answers, where recent history and previous tactics do not apply. Having the judgement, wisdom and patience to steer an organisation successfully through such uncharted waters is a core skill of a successful Board.

Any good Board should have an oversight of strategic planning; understanding changing market dynamics; risk management; compliance; reputation etc. The Companies Act in the UK requires directors to have regard to the impact of the company's operations on the community and the environment. In the USA, Sarbanes-Oxley imposes responsibility to identify and disclose material issues. This type of regulatory pressure has placed sustainability at the heart of senior decision making.

It is not only essential for successful businesses to respond to this challenge; society requires companies to operate in a new paradigm. A study prepared for the World Economic Forum found that the single most important priority to create a step change in sustainable consumption would be getting Boards to better understand the total environmental impacts (“total lifecycle impacts”) of a company's products and services.

C. Developing appropriate skills and competences

To respond to this changing environment requires the development of new skills, knowledge and attitudes – the fundamental competencies of Board members. Research undertaken by the author sought to define and describe the qualities, management skills and reflexive abilities of successful leadership.

Leadership Qualities – In understanding responsible business behaviour, the starting point is the leadership qualities that are in the domain of personal attitudes and beliefs. These are values-driven and relate to the moral aspects of decision making – distinguishing between right and wrong, good and bad. As such, they comprise those characteristics of the individual such as honesty and integrity. They are the deep seated personal qualities that change and develop only slowly over time.

Management Skills – Management skills can be seen as the antithesis of leadership qualities. They are amoral, normative and entirely instrumental. They describe those aspects of management practice that are the tangible manifestation of socially and environmentally responsible business behaviour. They include expertise in areas such as stakeholder relations and building partnerships. Unlike leadership qualities, these management skills are amenable to being taught and developed over the short term.

Reflexive Abilities – The reflexive abilities identified through the research are the synthesis of leadership qualities and management skills. They are the core characteristics of responsible behaviour and comprise a mixture of skills, attitudes and knowledge sets. These reflexive abilities can be considered as the key competencies required to integrate sustainability considerations into core business decision making.

The presentation will consider in more depth five core reflexive abilities that are the key to effective Board performance, together with a discussion of the implications for management development of Board members.

D. Developing an appropriate governance structure

Assuming Board members have developed the necessary competencies for successful leadership, the other crucial issue to create the appropriate governance structures for embedding sustainability into the organisation.

This final section of the presentation will look at the both the role of the Board (in terms of strategic planning; risk management; remuneration; selection and succession planning) as well as the role of external Advisory Panels or CR Committees.

The paper will conclude with a consideration of ways to measure the effectiveness of the Board in implementing sustainability into the business.

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