

Elements of High Performance Governance

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Improving board governance: McKinsey Global Survey results

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Board Makeup

One of the top five governance issues of 2017

- Profile needed board competency mix for business environment five years out—board as strategic asset.
- Governance / executive committee coordinates search for and screening of candidates.
- Business Competency based appointments vs. activists.
- Active succession plan: term limits.
- Officer development investment.
- Should your next board member be a Geek?

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Future Governing Boards

"In the not too distant future, new board members, at all levels of enterprise—from community organization to corporations--will be required to 'certify governance competency' to qualify for an appointment."

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BOARD AS STRATEGIC ASSET

Board Survey's Tell Us...

- "Not enough time discussing strategy."
- "Too much time looking into the rear view mirror."
- "Lack a strategic orientation."
- Shallow metrics tracking strategy progress.

"Building a Forward Looking Board,"
McKinsey Quarterly (Feb. 2014).

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Board as Strategic Asset

70% of Boards
feel they don't get enough strategic dialogue

- High performance boards adopt "a regular, systemic process of strategy engagement."
- Two strategy retreats a year: ONE explores the changing business environment, disruptions, and innovative development (partnerships, digital strategies, etc.). TWO explores strategic options, identified priorities and creates a strategic agenda in advance of the budget setting cycle.
- 70% of all meeting agendas become strategically focused.

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Future Proofing Your Organization with a Strategic Rhythm

- **Future proofing** is the process of anticipating the future and developing methods of minimizing the effects of shocks and stresses and taking advantage of future events.

Not a once a year event.

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- Strategy progress updates.
- Business environment discussions.
- New models / benchmarking discussions.
- Tracking client / payer / government value shifts.
- Scenario development
- Developing partnerships / affiliations.
- Governance succession and development.

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Oversight and Risk

- Board dashboards track "key performance indicators" in three domains: financial performance, client experience, organizational culture.
- "Quality" committees (or audit committees) expand to an "ERM"—enterprise risk management view of the organization.
- ERM committees are standard in high performance boards and generally track/monitor the top ten risks to an enterprise from cyber security to personnel retention.
- Starting out, the journey to ERM is approximately an 18 month learning journey for the board and executive team.

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Full Organizational Dashboard Tracking

- Financial performance.
- Risk (payers, compliance standards, org. ERM areas).
- Client / customer experience.
- Value based system—care team continuum performance.
- Organizational Culture and Engagement.*
- Innovation.
- Community citizenship [sustainability].

**"Culture eats strategy for breakfast!"*
Peter Drucker

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Enterprise Risk Management

- Cyber security / fraud.
- Strategy risks: too fast, too slow.
- Board profile for future business environment.
- Talent risks.
- Innovation / lack of.
- Mergers / acquisitions.
- Aggressive competition.
- Client demographics.
- Compliance.
- Reimbursement shifts.
- CEO compensation.



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Agenda Setting

- **Chair, Executive Committee set agenda.**

Agenda Order:

- ☒ Convene
- ☒ Consent Agenda
- ☒ Financials
- ☒ Regulatory/Quality
- ☒ Strategy
- Committee Update **reports in Consent Agenda.**
- Committee **action items** in appropriate section of agenda.



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Board Meetings as Dialogue

- 70% of meeting agendas become strategic dialogue.
- Agendas mirror this format:
 - Convene
 - Consent agenda
 - Finance report/tracking
 - Quality/Risk management reporting / tracking
 - Strategic

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Flipped Presentations

- No oral reports to the board—are reports submitted in advance via “executive summaries.” Board discussion of issues then begins in “dialogue mode.”
- No presentations to Board without “pre-submitted materials!” This includes consultants!
- An executive summary prior to the meeting scopes any recommendations.
- The “agenda item” therefore begins in “discussion” mode rather than background mode—thus saving precious face to face time for dialogue.

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The Board's Role in Measuring Committee Performance

- Every committee has a written charter beyond what's in the by-laws.
- Every two to three years the board will assess its committee structure and performance.
- Committees will prepare an “annual report” of accomplishments and what they believe the priority agenda should be for the coming year.

“A committee is a dark alley down which good ideas are led to be strangled.”

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“Help Your Board Assess It's Way to High Performance”*

50% of boards do no self assessment
25% only conduct informal discussion



* <http://www.slideshare.net/LesWallace>

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Partnership: What Your CEO Ask Me to Remind You!

- A professional relationship: not bowling, golfing, or skiing buddies.
- Feedback / direction / inquiry should be conducted in an executive manner **not @ the in the hallway or on the golf course.**
- Rules of engagement should exist:
 - ✓ Commit to face-to-face meetings outside of Board meetings.
 - ✓ Have an advanced agenda for the conversation.
 - ✓ Effective communication is specific not general.
 - ✓ Good feedback is timely!

Crucial Conversations (Patterson)

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Miscellaneous Governance Trends of Interest

- Benchmarking.
- Business and strategy savvy boards.
- Officer development.
- Six not twelve meetings a year with off months tracked by Executive / Finance committee.

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- Dr. Wallace is recognized for tracking business environment and workplace trends and their impact upon business and government. His publications have appeared in *Leadership Excellence*, *Personnel Journal*, *Credit Union Management*, *Public Management*, and *Nation's Business* as well as numerous research and conference proceedings. His latest book, co-authored with Dr. Jim Trimka, *A Legacy of 21st Century Leadership*, outlines the leadership organizations need in a global, fast moving business environment. His book, *Principles of 21st Century Governance* (2013) is being used by many boards in the profit and not-for-profit sectors to design governance development approaches.
- His latest book, *Personal Success in a Team Environment* (2014) is used by individuals and organizations to improve teamwork, career building and success at work.
- Les is a frequent consultant and speaker on issues of organizational transformation and leadership, employee engagement, strategic thinking and board of directors development and governance. His clients include Fortune 100 businesses, Government agencies, and not-for-profit organizations world-wide. Dr. Wallace is also the host resource on the *5Minute Mentor*, a series short video tutorials governance.
- Les has served on the Board of Security First Bank and the International Boards of the World Future Society and Counterpart International. He currently serves on the board of the Mental Health Center of Denver. He is a member of the National Association of Corporate Directors.

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