

How to increase Board effectiveness through behaviour change

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Consulting People Ltd.

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Our Belief

any Board has the potential to deal effectively with any issue – risk or otherwise – through growing:

- **awareness** of their risk mindset
- **choice** of risk management process
- **courage** to change their risk culture using Double Loop Learning to FLEX



Your Experience

In the Boards and teams that you have worked with, what have you experienced as **effective board behaviour** in relation to risk?

On the following behaviours, rate your experience 0(low)-5(high)

- welcomes the surfacing of risk issues
- recognises the contributors to good governance and operational/commercial mitigation of risk
- supports the immediate resolution of risk
- strengthens the resolve for a risk management culture
- personally involves themselves in risk assessment and mitigation at all levels of enterprise; a living beacon for a positive risk attitude.



An Effective Board....FLEXES

Achieves results through:

- being aware of the **nature of the topic**
- choosing an **appropriate way of working**
- having the courage to **deal with implications**



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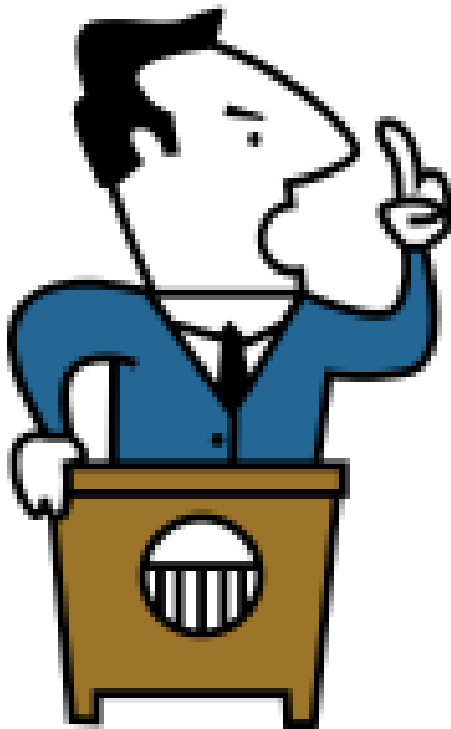
From section B – Board Effectiveness of the UK Corporate Governance Code

“The board should undertake a **formal and rigorous annual evaluation** of its own performance and that of its committees and individual directors. “



Implementation is Key

What is said, sometimes....



So how does a Board arrive at :

- awareness
- choice
- courage

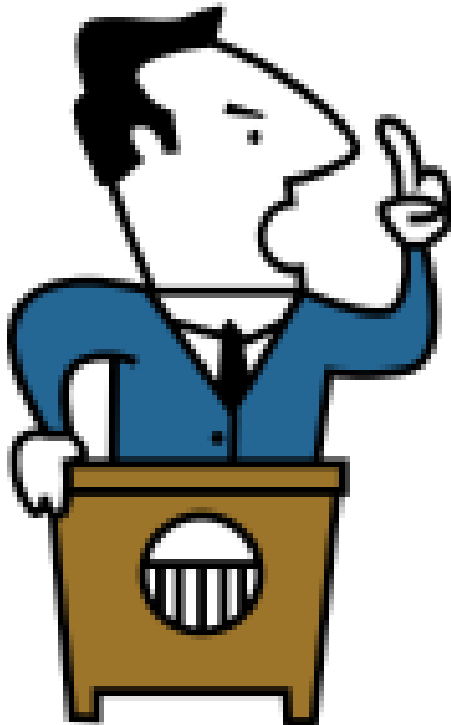
...to FLEX and DO what is SAID?

....differs from what is done or results from managerial action



Generate Discuss-ability

What is said, sometimes....



Board discussion can look and sound like familiar patterns of:

- preparation
- agreeing the minutes
- who says what
- who listens to whom
- who interrupts who
- who gets the action points
- what happens as a result.

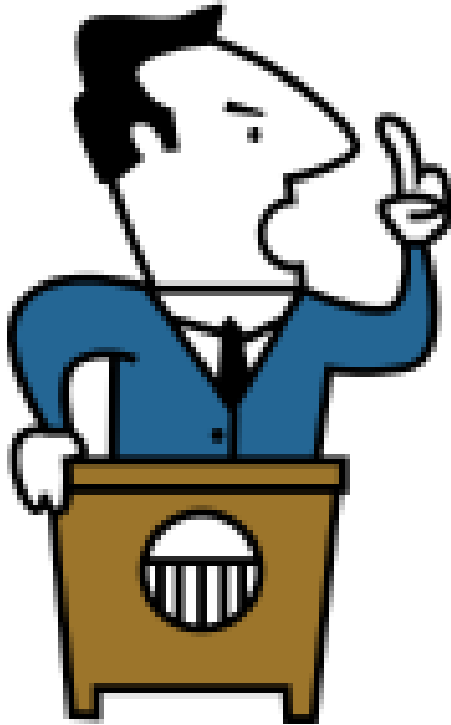
These patterns build the Board dynamic - shaped by the feelings and mood of the Board when different topics are introduced. This dynamic creates a micro-culture that sets the culture pattern for leaders of the whole enterprise, affecting implementation right down to grass root level.

....differs from what is done or
results from managerial action



Implementation is Key.....achieved through.....

What is said, sometimes....



Professional/Technical dimensions

- 1.knowledge of regulation/law/company's experience/technical expertise
- 2.what this looks and sounds like in Board discussion: advocacy of knowledge, assertion of expertise

Managerial dimensions

- 1.use of the chosen managerial method of the enterprise
e.g.lean to allocate resources of time, budget, expertise to the issue
- 2.what this looks and sounds like in Board discussion: agenda planning, invitation to relevant people, selection measures, agreed methods of sharing data and making decisions, monitoring and evaluating the effectiveness of discussion using the resources available.

Cultural/Leadership dimensions

- 1.individual behaviour, Board and enterprise dynamics – what is discussable, what remains 'under the table'; double loop learning capability
- 2.expectations, judgements, what is acceptable, how the tension between shareholder value and enterprise risk is balanced.

...differs from what is done or
results from managerial action



Dimensions of Board Behaviour

	Professional/Technical	Managerial	Cultural
Awareness of how an issue is currently dealt with	WHAT Ensures an expert/technical analysis of existing risk information together with an assessment of potential legal, reputational, commercial, environmental and operational impact?	HOW Sets objectives, budgets, timescales, for training and reviews. Seeks feedback from key personnel at all levels?	BELIEF Explores the terrain of implementation (mindset and beliefs/attitudes/behaviour) leading to implementation and communications strategy?
Choice of effective action	Develops expert depth to deal with risk?	Ensures robust operational capability and invests to anticipate future need?	Board Members invest in their ability to be an effective team to deal with risk?
Courage	Does hierarchy inhibit Board Members speaking and listening freely to allow new/appropriate risk solutions to emerge?	Press the stop button in the face of pressure to continue (activity)?	Does the Board deal with the consequences of risk in a constructive way that grows the Board's ability to deal with more risk?



In Conclusion

Effective Boards **FLEX** how they work with risk, issue by issue.

They address the 3 dimensions of Board behaviour:

- professional/technical
- managerial
- cultural

by growing:

- awareness
- choice
- courage.....in each individual Board member.



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