

# Sustainability Framework for Developing a Conscious Board

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There has been an increasing emphasis in the past year on developing governance frameworks that will ensure sustainability of organisations. The background to this emphasis has been the public scrutiny arising from governance related debacles such as the corporate meltdown of companies that includes Enron, Worldcom, Parmalat, HIH and OneTel, the tarnishing of the reputations of companies such as NRMA, Coles Myer and National Australia Bank, and the increased interest from regulators that has resulted in the Sarbanes-Oxley Act, the Australian Stock Exchange Corporate Governance Council Guidelines, and CLERP 9. Fortunately for Australia, the regulatory regime here is still one of guidance rather than prescription (unless, of course, we fail to take notice of the guidelines).

One of the major issues facing Boards today is the tendency towards prescription and conformance with governance systems, rather than conscious governance that adds value to the organisation. A sophisticated and thorough compliance and governance system is only as useful as the people who are responsible for that governance. In other words, no amount of compliance or governance systems will compensate for Board members who do not consciously govern!

The processes of governance and the systems that Boards should put in place are well documented. It is now time to move on to the delivery of the insight, passion, enthusiasm, excitement and energy that should be the right of every Board, and the contribution of every Board member.



## **Sustainability Framework for a Conscious Board**

We propose a sustainability framework for developing a Conscious Board that has four major components.

1. Invite conscious people on to the Board
2. Recognise and implement the role of the Board
3. Raise individual Board members consciousness levels
4. Conduct Board Evaluations annually to review all the above

## 1. Invite conscious people on to the Board

There are a number of key attributes that should be sought from potential Board members before they are approached for a Board position, or before they are elected or appointed to the Board. These key attributes have been identified as the signposts to demonstrable consciousness as an individual who would add value to the governance process, and should form an integral part of the nomination process for potential Board members.

### **Attribute 1:**

#### **The ability to ask probing questions.**

Look for evidence and examples that the potential Board member understands and has used the three principle types of Board questions in previous organisations:

Strategic (Why are we doing this, how expansive will this be for our organisation, and how does it fit within our vision and strategic plan);

Ethical (are there any issues of rights, obligations, fairness or integrity in what we plan or do) and

Compliance (what does our constitution and relevant law require from us)

### **Attribute 2:**

#### **The conscious seeking of truth.**

Look for evidence and examples that the potential Board member is not easily influenced by others, is not dependant on a collegial atmosphere, and has sought independent verification of information provided to them.

### **Attribute 3:**

#### **A willingness to accept intuition.**

Look for evidence and examples that they have used their intuition and knowing to assist in making a decision, rather than acting only on other people's information and assessments.

### **Attribute 4:**

#### **An understanding of risks and consequences.**

Look for evidence and examples that risk analysis is an integrated component of the decision making process of the potential Board member.

### **Attribute 5:**

#### **Automatically considers multiple scenarios.**

Look for evidence and examples that multiple possible futures are considered, and that "what if.." is a common filter.

### **Attribute 6:**

#### **Willingness to confront facts and mistakes.**

Look for evidence and examples that there is a willingness to confront facts, without taking a fixed point of view or filtering out the information that is uncomfortable, and the fortitude to identify and correct mistakes.

### **Attribute 7:**

#### **Ownership of performance targets.**

Look for evidence and examples that there has been ownership of performance targets for the Board and organisation, and evidence of actions taken to ensure those targets were reached.

### **Attribute 8:**

#### **Custodian of the Vision.**

Look for evidence and examples of the potential Board member acting as custodian of the vision of the organisation, and utilising the key intents of the Vision as a filter for decision making and resource allocation.

## 2. Recognise and implement the role of the Board

One of the most important governance tools that a Board should adopt is the creation of a Board Charter. The Board Charter delineates the key roles and responsibilities of the Board. Some useful examples of these Board Charters, in different formats, are to be found at

[http://www.lifemastery.com.au/Resources\\_tools.htm](http://www.lifemastery.com.au/Resources_tools.htm)

and

[www.epilepsy.org.au/epilepsy/epilepsyteen.nsf/Content/OurBoard](http://www.epilepsy.org.au/epilepsy/epilepsyteen.nsf/Content/OurBoard)

The Board Charter forms the backbone behind the Board Induction program and the annual Board Evaluation process for all Board members.

A very useful tool for analysing the effective use of Board time in the agreed areas of Board responsibility, is the Board Role Time Allocation Checklist. This is usually completed by the CEO and Chair, with a “best guess” over a 12 month period.

It is our experience that the following may provide a useful Best Practice guideline for time allocation:

- Legal/Compliance: around 5-8%
- Strategy and Policy: around 65-75%
- Accountability: around 5-10%
- Public Relations: around 5-10%
- Risk Management: around 10-15%
- Operational: around 10-15%

<b>Board Role Time Allocation Checklist</b>			
<b>Board Role</b>	<b>% time currently spent</b>	<b>% time should spend</b>	<b>Recommended Remedial Action</b>
Legal/Compliance (Constitution; Directors responsibilities; legal compliance; insurance)			
Strategy and Policy (Strategic plan monitoring; testing strategic assumptions; approving and monitoring strategic, ethical or compliance policies)			
Accountability (Board evaluation; succession planning; reporting outcomes to constituents; performance management of CEO; financial monitoring; compliance audits; remuneration of key staff and Board)			
Public Relations (Relating programs to Vision statement; feedback to and from constituents; support of Board decisions)			
Risk Management (Risk assessment; monitoring of critical risks; compliance monitoring)			
Reports from Operational Committees/Divisions (Non-governance committees; non-strategic plan related reports; non-compliance issues; non-ethical issues)			

See [www.lifemastery.com.au/Resources\\_tools.htm](http://www.lifemastery.com.au/Resources_tools.htm) for more tools and discussion around these areas.

### 3. Raise individual Board members' consciousness levels

The Board is a collection of individuals, each with their own skills and attributes. Being a conscious Board member is not about forcefulness, but about energy and direction; it is not behaviour or policy, it is a focus and mindful awareness. A Conscious Board member has focus, clarity, coherence, synchronization, intuitive insight and empathy and can earn trust and provide direction.

The Chair may choose to take a pivotal role in raising the consciousness levels of individual Board members. Utilising the same key attributes described above, the Chair should individually ascertain if the Board members show evidence of these attributes, and encourage AND MODEL these behaviours and awareness. If these behaviours and awareness are modelled, (by the Chair, or in fact by any member of the Board), then other Board members will pick up on the energy generated by that individual, and entrainment will slowly but surely occur.

Entrainment is a phenomenon often seen throughout nature, where systems or organisms exhibiting periodic behaviour will fall into synchronisation, and oscillate at the same frequency and phase. In organisational terms, entrained teams are those that operate with a higher degree of synchronisation, efficiency and coherent communication. A conscious Board member can energetically entrain other individuals. For further discussion of entrainment and consciousness in Boards and organisations, see

[www.lifemastery.com.au/Consciousness\\_in\\_business.htm](http://www.lifemastery.com.au/Consciousness_in_business.htm)

and

[www.lifemastery.com.au/Consciousness\\_emotional\\_freedom\\_FreezeFramer.htm](http://www.lifemastery.com.au/Consciousness_emotional_freedom_FreezeFramer.htm)

The Chair should encourage and model the following attributes (for a fuller discussion of these, see the beginning of this article):

Attribute 1: The ability to ask probing questions

Attribute 2: The conscious seeking of truth.

Attribute 3: A willingness to accept intuition.

Attribute 4: An understanding of risks and consequences.

Attribute 5: Automatically considers multiple scenarios.

Attribute 6: Willingness to confront facts and mistakes.

Attribute 7: Ownership of performance targets.

Attribute 8: Custodian of the Vision.

A further technique that is beginning to be adopted by some Boards is the creation of a Lead Independent Director position on the Board. This is someone who provides a source of leadership independent to the Chair and CEO, and acts as the conduit between the Board, staff and consultants. The person best suited to this would be someone who has evidenced a high degree of conscious behaviour, and who is seen as fiercely independent.

Some Boards are creating mentor positions within the Board, with similar responsibilities to the Lead Independent Director but more emphasis on mentoring other Board members.

### **Lead Independent Director Position Duty Statement**

The chief executive officer is the senior executive of the Company.

The CEO is responsible for:

- providing management of the day-to-day operations of the Company;
- recommending policy and strategic direction of the Company, for ultimate approval by the Board of Directors; and
- acting as the spokesperson of the Company.

In contrast, the Lead Independent Director is responsible for coordinating the activities of the independent directors. In addition to the duties of all Board members as set forth in the Company's Governance Guidelines, the specific responsibilities of the Lead Independent Director are as follows:

- advise the Chair as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Company operations;
- provide the Chair with input as to the preparation of the agendas for the Board and Committee meetings;
- advise the Chair as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the independent directors to effectively and responsibly perform their duties; although Company management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material;
- recommend to the Chair the retention of consultants who report directly to the Board;
- interview, along with the chair of the nominating committee, all Board candidates, and make recommendations to the nominating committee and the Board;
- assist the Board and Company officers in assuring compliance with and implementation of the Company's Governance Guidelines; principally responsible for recommending revisions to the Governance Guidelines;
- coordinate, develop the agenda for and moderate executive sessions of the Board's independent directors; act as principal liaison between the independent directors and the Chair on sensitive issues;
- evaluate, along with the members of the full board, the CEO's performance; meet with the CEO to discuss the Board's evaluation; and
- recommend to the Chair the membership of the various Board Committees, as well as selection of the Committee chairs.

## 4. Conduct Board Evaluations annually to review all the above

To embed the Sustainability Framework for a Conscious Board, annual Board Evaluations need to be developed. These evaluations should be based on the Board Charter, in essence asking how well the Board and its members individually understood, implemented and monitored the responsibilities as defined in the Board Charter. The overall aim of the Board Evaluation is to enable the Board to review its effectiveness and to gain a better understanding of its role, responsibilities and operating procedures. This understanding, together with a framework for appraising Board performance, can deliver substantial improvement in the achievement of organisational objectives.

There are four types of Board Evaluation processes that may be developed.

**The Group Board evaluation** is where the Board asks the question

“How well did we, as a Board collectively, understand, implement and monitor the following:”

**The Individual Board evaluation** is where the Board asks the question

“How well did I, as a Board member, understand, implement and monitor the following:”

**The Grouped Individual Board evaluation** is where the Board asks the question

“How well did I, as a Board member, understand, implement and monitor the following, and how well did the Chair, and Board member 2, Board member 3 etc understand, implement and monitor the following:”

**The Stakeholder Evaluation** is where outside non-Board member stakeholders such as major suppliers, customers and/or funding agencies are asked the question

“In my perception, how well did the Board perform in the following areas”

Each Board Evaluation should include the following steps:

- Agree the purpose of the Board Evaluation
- Decide whether to do this in-house or utilise an independent expert
- Develop a Board Charter as a basis for the Evaluation
- Agree on one of the four potential Board Evaluation models
- Agree on the Evaluation questions and format
- Develop and distribute the Evaluation survey
- Analyse the responses and provide a written report with recommendations
- Provide best practice examples to facilitate any changes the Board may wish to instigate
- Develop a plan of action for agreed Board performance enhancement

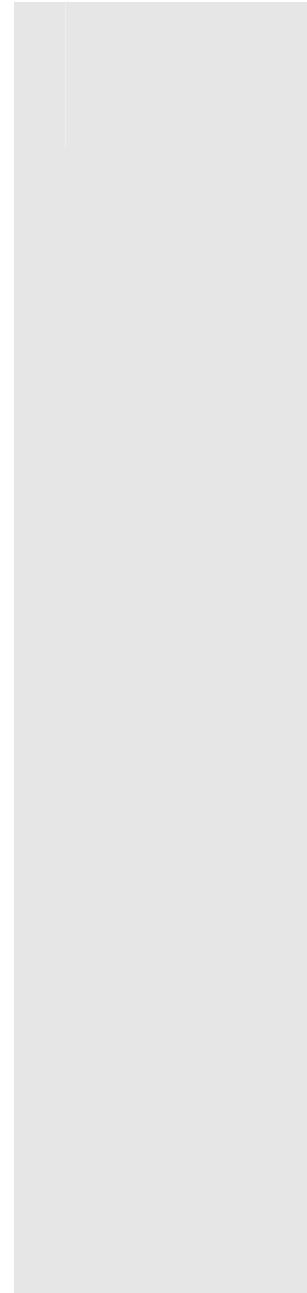
For further information on Board Evaluations, see [www.lifemastery.com.au/Our\\_Approach\\_BoardDevl\\_Evaluation.htm](http://www.lifemastery.com.au/Our_Approach_BoardDevl_Evaluation.htm)

## **Summary**

A Sustainability Framework for developing a Conscious Board has four major components.

1. Invite conscious people on to the Board
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Higher levels of conscious behaviour and attitude at the Board level are the key to creating a balanced integration of organisation vision, strategic and operational realities. Sustainability for the Board and the organisation is achieved when all elements of this Sustainability Framework in synchrony.





## What is LifeMastery?

LifeMastery is an international practice dedicated to facilitating individual and organisational transformation through expansion of consciousness in the workplace so that consciousness can spread throughout society and transform the world.

We empower CEO's, Boards and Organisations to cultivate and expand consciousness capabilities that in turn increase accountability, strategic position, and the power to choose and implement the future they want.

We facilitate magnification of consciousness in governance and empowering directorship of the boards of commercial, public and Not for Profit organisations. We support Chief Executives and their teams to develop conscious and mindful partnerships with their boards.

We work globally with

- Individual Chief Executives
- Individual Chairs
- Individual Directors
- Boards of Directors

We work initially with the CEO and/or the Board to develop the skills and tools necessary to further develop a culture of consciousness within the organisation. These skills and tools include conscious governance, creative executive leadership and embedded strategic thinking processes.

In addition to consulting engagements, we also provide keynote presentations and workshops at conferences and in-house business meetings, conduct public seminars and publish articles and e-books. Our objective is to support organisations who want to grow individual and group consciousness.



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Contact [Steve Bowman](#) for a proposal or quote on providing expert services in these areas, or visit our website on [www.lifemastery.com.au](http://www.lifemastery.com.au) for more details.

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- Governance Restructure Facilitation
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