



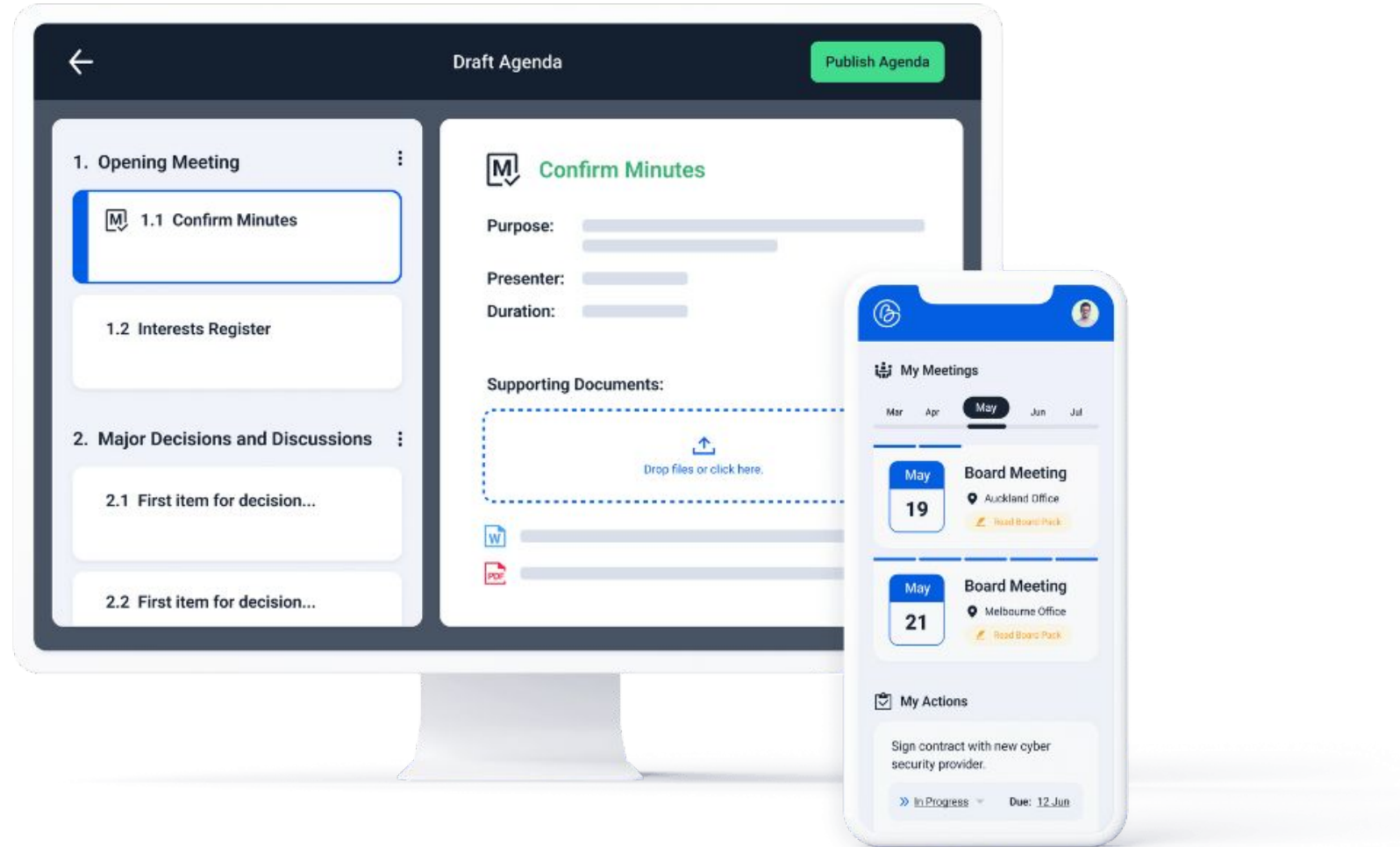
Webinar

How to determine if your **governance is fit for purpose**

Special Guest -Dr Dean Blomson






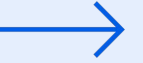




**Making the fundamentals of
governance free and
easy to implement**



**Slides, webinar video,
and presentation will
be sent to you.
Relax, listen and ask
questions**



**Dr Dean
Blomson**

Professor
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Managing Director
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Lisa Cook

Managing Director
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There are five key messages that I hope you will take away from today

01

'Fit-for-Purpose' is by definition an idiosyncratic question. There are, however, six structured thinking and design steps that directors can go through to develop a governance systems that is tailored to needs

02

Context is king. The external environment will place varying demands on governance – some common across entities; others unique. Control systems need to recognise these differences and be up to the task.

Q: Have we determined various scenarios, defined our beliefs and assumptions, about what our external environment could throw at us and where it could challenge our governance? (likely pressure points)

03

Governance is also determined by the complexity of both the business model and operating model. These could bring distinctive needs and challenges

Q: Have we described these needs and governance implications ? (for e.g., in managing our supply chain, alliances, channel, portfolio)

04

To determine 'fit-for-purpose', start with Purpose. Living out a purpose (demonstrably, not performatively) will impact your governance – what you pay attention to, decisions made, behaviours expected.

Q: Where does the uniqueness of our purpose and our culture place specific demands on our governance, for e.g. in how we conduct ourselves, make decisions or carry our accountabilities?

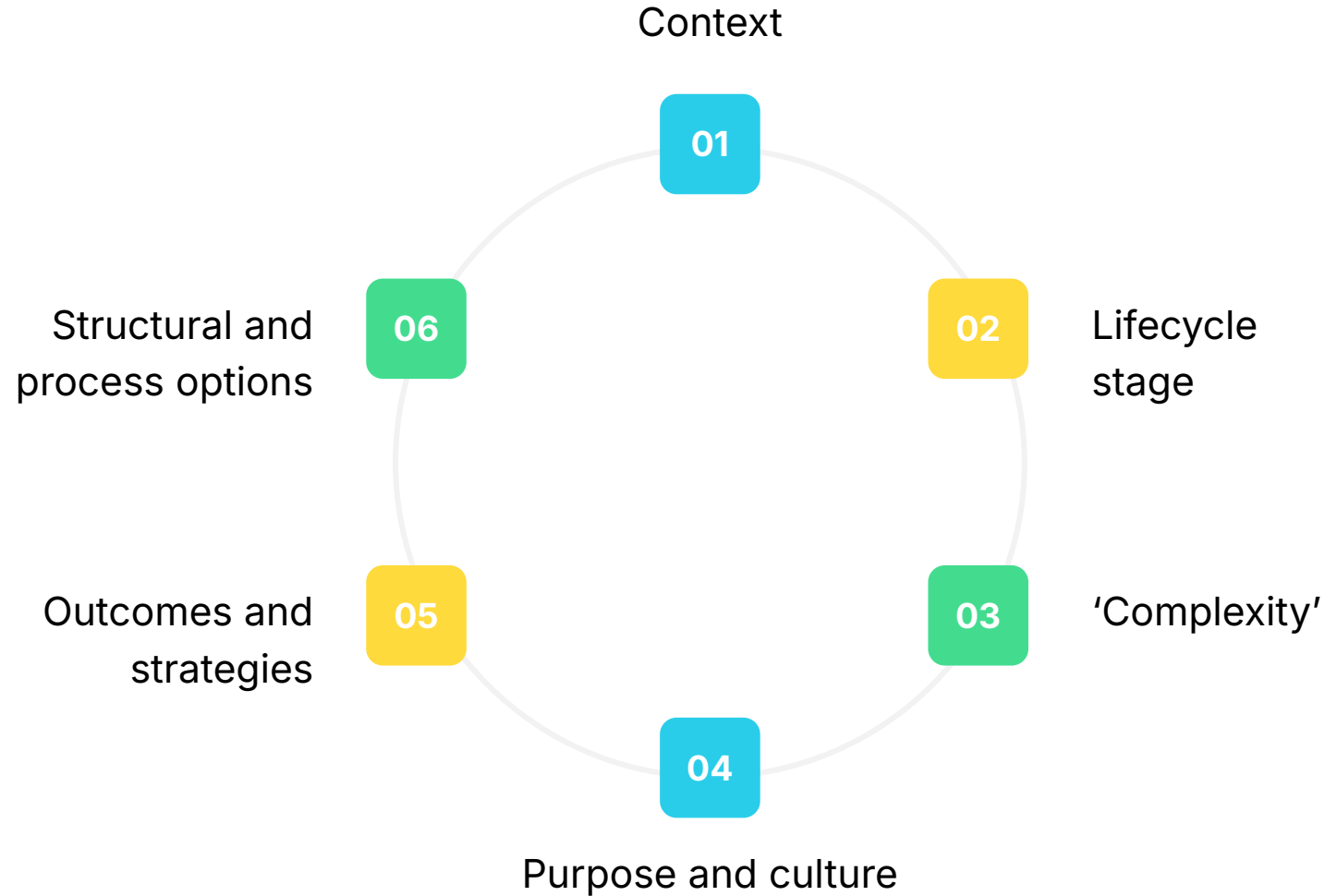
05

Lastly, if our enterprise is in many ways unique (we have a distinctive positioning, brand and capabilities), our governance systems, and what we pay closest attention to, ought to reflect this uniqueness.

Q: Where can our governance safely be 'stock standard'? And where should we dare to be different?



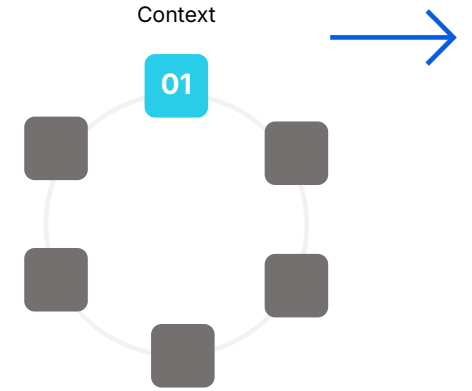
→ There are six key factors that should influence the selection and design of what is called a 'fit-for-purpose' governance model





01

The challenge (or opportunity) is that internal control states should match the challenges of the context



Controls (especially important ones) need to be fit-for-purpose. This is a truism. Refer to 'Ashby's Law of Requisite Variety'. (see below). Therefore, how do we go about assessing:

1. **"What is 'right governance' or 'fit-for-purpose governance', for our company, in our specific context, given our strategy, given the level of complexity of our business, and at this stage of our evolution?"**
2. **"And how do we do so in a logical, deliberate, defensible way?"**

This law, now well-known as the First Law of Cybernetics, can also be described as:

“ In order to deal properly with the diversity of problems the world throws at you, you need to have a repertoire of responses which are (at least) as nuanced as the problems you face.

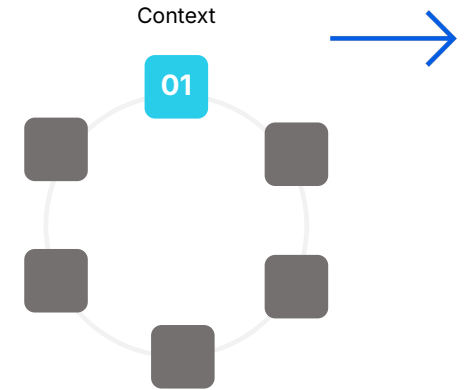
<https://www.businessballs.com/strategy-innovation/ashbys-law-of-requisite-variety/>



Firstly, thinking about context – context is all-important

Some questions for the board and executive to reflect on:

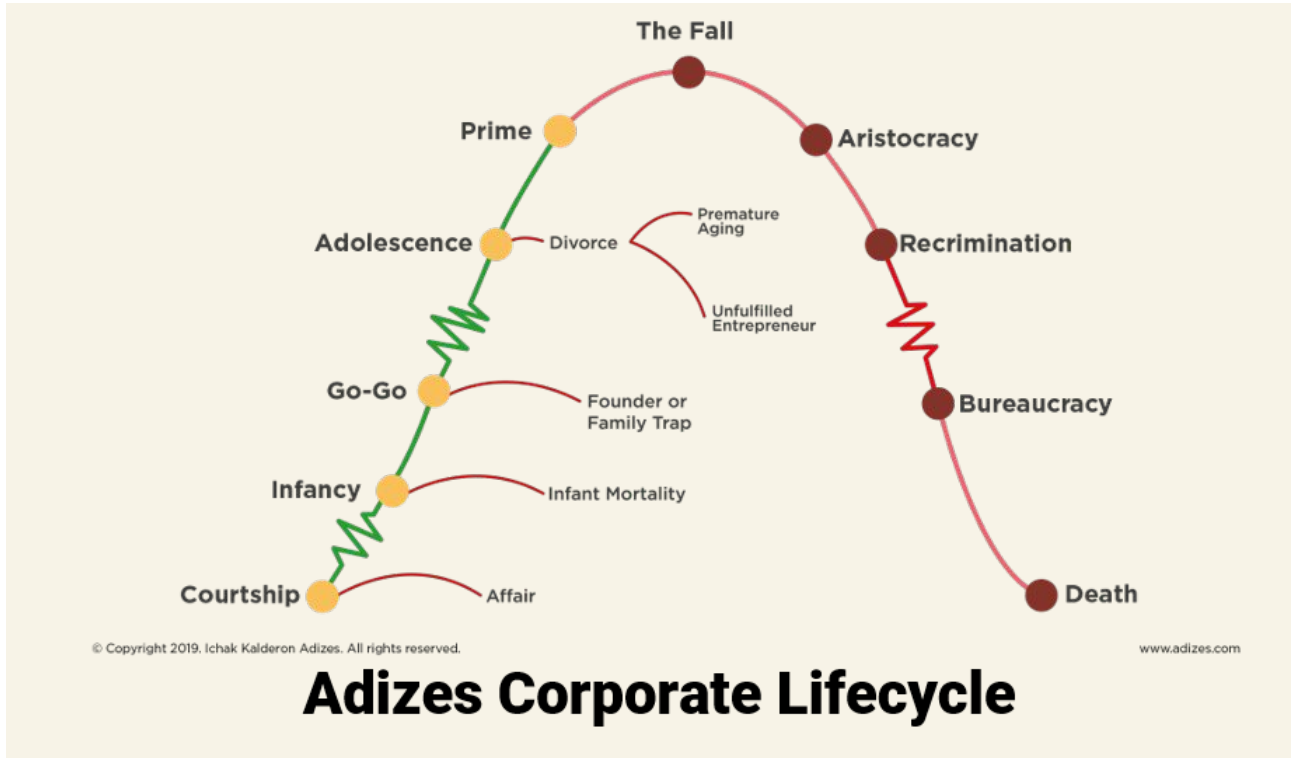
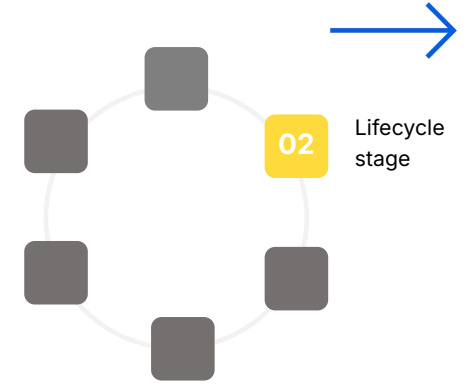
- 01** Who are our different constituencies / stakeholder groups: which ones do we give primacy to?
→ On what objective basis? What does this mean for how we construct our engagement mechanisms?
- 02** What is the composition of our share-register and ownership structure? What key investor expectations do we need to be most responsive to?
- 03** What is the degree of flux / rate and extent of change in our sector? Today versus tomorrow?
→ VUCA'ness and speed with which events could unfold and responses have to take place (responsiveness).
→ What implications does this have on our governance processes /structures/ technology / data etc..?
- 04** What are our ambitions for this enterprise? What does that mean for the governance competencies we will need?
- 05** What is our competitive milieu / heat? Will that cap our growth? Might we need to merge or exit?
- 06** How vulnerable (i.e. exposed to risk and scrutiny) are our:
→ Technical/ legal license to operate (regulator scrutiny) and our Social license to operate?
→ What mechanisms (light touch or heavy duty) will we need to have in place to manage compliance and risk?





02

Is our governance model well-suited to where our organisational growth-maturity, with an eye on the next stages?



→ How fast growing is the business (rate of evolution) i.e. before it outstrips the current governance arrangements?

→ How advanced, sophisticated is the entity? Today? Tomorrow?

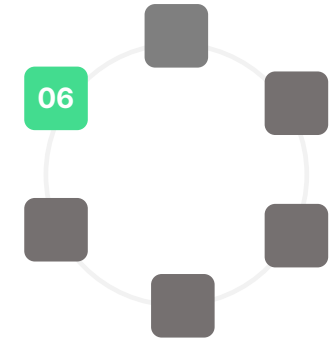
<https://adizes.com/lifecycle/>



06

Fit-for-purpose means having efficient and effective processes that traverse the organisation, that directors can rely on

Structural and process options



Executive and Board are reliant on getting predictable performance and reliable outputs

Management – plans, executes and reports / recommends

Executive - sets policy and direction; then monitors and corrects

Board – exercises stewardship, ensures oversight; and agrees material decisions / actions

Inputs, Policies, Standards, and Procedures

Risk Mngt

Compliance Mngt

Financial Mngt & Reporting

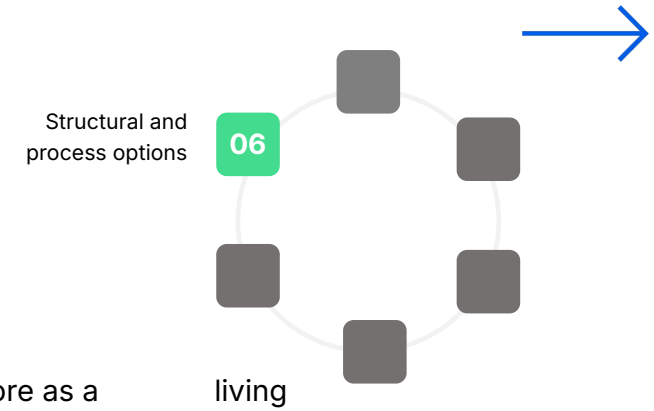
Performance reporting

Performance, Outputs and Outcomes

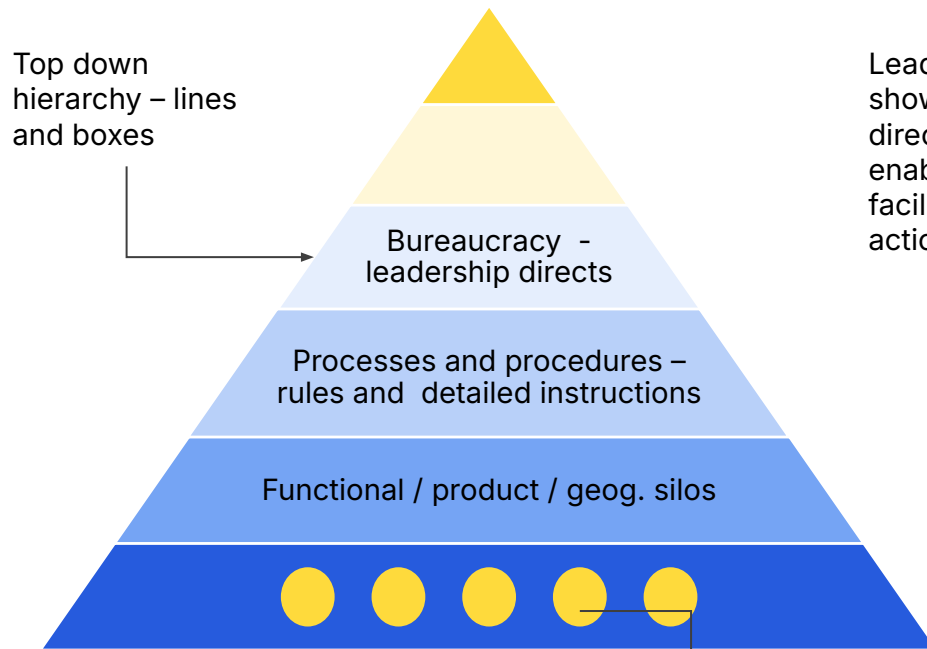


06

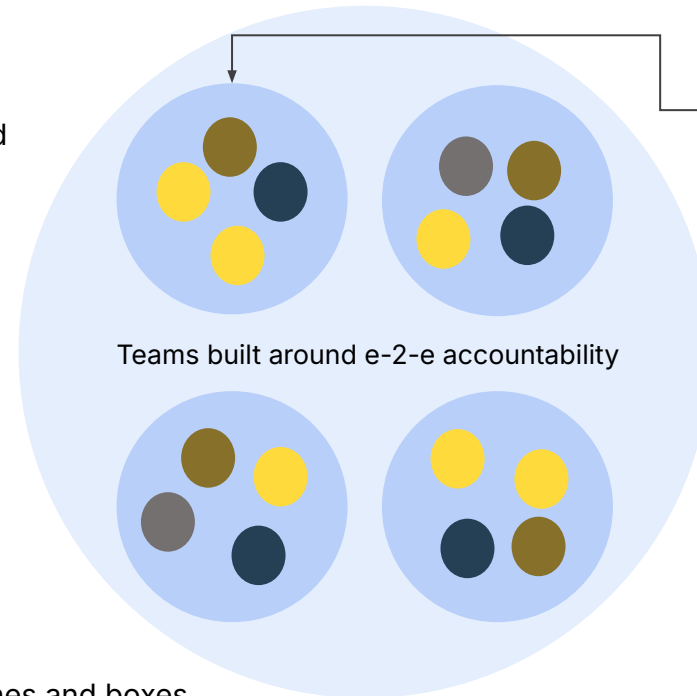
It means discussing whether governance is going to be hierarchical and 'closed'; or devolved, more organic, open and networked?



Do we organise our business - and its governance - as a 'machine'?



...Or do we organise more as a organism that is agile?



Focus on actions and outcomes more so than on titles and levels

Processes and procedures are important; but focus is on outcomes

Quick changes; flexible resources

Source: adapted from McKinsey; The State of Organizations 2023: Ten shifts transforming organizations, April 26, 2023 | Report



Some closing thoughts and two questions



Most organisations compete through distinctiveness (whether via differentiation or cost).

We know that enterprise operating models should be fit-for-purpose. So why not too governance models?

Surely the nature and form of governance mechanisms / systems, should also suit the strategy, basis of competition, differentiation and operating environment?

Therefore, the elements of a governance model need to be carefully designed or selected to be suited to these determinants of enterprise performance – and periodically re-assessed (given we live in such a dynamic world).

That means we need to ask:

01

Where does that internal and external uniqueness need to be represented in how we govern? And

02

Where could (or should) we be 'stock standard' (off-the-shelf) in our governance mechanisms?



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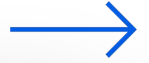
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Webinar Schedule

- Nov 2024



96.	Skill matrixes for succession planning and onboarding	Sept 12
97.	Adaptive strategy: the changing paradigm of management thinking	Sept 20
98.	Setting the strategic board agenda	Oct 3
99.	Setting the strategic board agenda (UK) 9:30pm	Oct 3
100.	Using strategy to shape boardroom conversations	Oct 10
100.	Creating a CEO report that will delight your board	Oct 24
101.	The four key elements of board induction	Nov 7



Thank you

