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## **BOARD INDUCTION: A CRITICAL COMPONENT FOR BOARD UNDERSTANDING AND PERFORMANCE**

Article by Terrance M. Booysen and reviewed by Andrew Johnston (Director: Corporate Services - Sun International)

As Sir Winston Churchill famously once said, *“There comes into the life of every man a task for which he and he alone is uniquely suited. What a shame if that moment finds him either unwilling or unprepared for that which would become his finest hour.”* Undeniably, this axiom would apply when new directors are not properly inducted within the context of their new board environment and the affairs of the organisation.

Given the wide reaching implications and personal liability which is attached to directors in most juristic entities -- be these of a local or international arena -- it would be foolish for any person intending to occupy a board position, not to be properly inducted into the affairs of the organisation. It is imperative that the induction process is properly designed and that it covers as much relevant information in order to allow the new director entering the board an opportunity to become familiar with the affairs of the organisation as quickly as possible.

The Chairman of the board, backed by the organisation's Company Secretary, should ensure that the new director is inducted shortly after they have been formally appointed to the board, thereby enabling them to become 'productive' in board discussions. This being said, the Company Secretary fulfils a pivotal role *vis-à-vis* the induction programme, and further assists the newly appointed director to understand some of the following matters; namely the board's expectations of the director, the manner in which they will be held accountable on the board as well as informing them of the proper discharge of their responsibilities and fiduciary duties. It goes without saying that all directors, not only the newly appointed ones, must be informed of all the relevant laws and regulations, including the prescripts found within the organisation's constitutional documents, charters, delegations of authority, codes and key policies which have bearing upon the organisation.

The sooner the induction occurs, the quicker new directors are able to meaningfully participate in the boardroom discussions; all of which are geared towards improving the organisation's strategic position through proper oversight, appropriate risk management and judicious decision making. The induction programme should include sufficient detail to rapidly inform the new director of a broad range of organisational matters, covering not only the new director's roles and responsibilities, but also making introductions to the relevant stakeholders.

Expectedly, the programme may vary quite significantly in respect of its duration and content from one organisation to the next; in some cases a director's induction may simply be a discussion with the organisation's chairman and a meeting with the executive, but in other cases the induction programme may be extended over a period of time which is complemented by detailed site visits, key stakeholder interviews, product demonstrations and so forth. Either way, there

*“The purpose of an induction process is to ensure that the new director is in a position to maximise his or her contribution to the governance of the organisation from the earliest possible date. It is also to ensure that a board maximises the benefit from having new members. A well designed and explicit induction process should also be a signal to the board that things are not as they were. A new team is in place and the board as a whole now has to re-form its thinking and approach.”*

**Source: Getting on board - The new director process  
(August 2010)**

should be no 'gaps' in the induction process, neither the induction programme.

Many director induction programmes tend to rely on the new directors simply reading through a pack of documents, and often the detail is missing or limited which leads to the incumbent being left frustrated, or even uncertain of their decision to serve on the board. Together with a well-constructed director training programme, including informal social gatherings to acquaint new directors with their existing boardroom colleagues and the culture of the board; these activities are designed to provide maximum benefit for its intended beneficiaries, not least also the organisation. In many cases, an existing experienced board member may also be temporarily assigned to the newly appointed director to act as their mentor. This function is typically designed to 'fast-track' the new director into the functions and operations of the board, and it is phased out once the new director has been properly orientated regarding the board and the organisation. As the mentor would be largely responsible for updating the new director on the organisation and the board's affairs, this relationship also greatly reduces unnecessary boardroom discussions and unproductive board time where the new director asks questions that may be irrelevant and such which may have been previously dealt with by the board. But having said this, a thorough induction programme will also create opportunities for the new director to add their own insights and value, even at this early stage. With the new director's fresh perspective and experience, it is quite possible that existing norms or decisions which were previously not regarded as 'defective', may well be spotted by the new director's fresh perspective and subsequently corrected.

Some of the key objectives pertaining to new directors undergoing a comprehensive board induction include:

- enlightening directors regarding the purpose, values, culture and strategic objectives of the organisation;
- enhancing the knowledge, skills and experience of directors so that they are better equipped to discharge their fiduciary duties;
- improving the director's levels of confidence, competence and boardroom participation;
- reinforcing knowledge, standards and behaviour, whilst debunking wayward corporate governance practices;
- understanding the Corporate Governance Framework® within which the board operates;
- addressing the expectations / requirements of the board, whilst understanding its broader challenges;
- addressing the expectations / requirements of the new directors to ensure they fulfil a meaningful role on the board;
- introducing new directors to the key stakeholders of the organisation; and
- creating a sense of engagement and building unity amongst the new directors and the existing board, including with the CEO, Company Secretary and executive management.

Various international codes of good governance encourage directors to be properly inducted prior to them occupying seats on the board. In this regard, the recently launched King IV™ Report on Corporate Governance for South Africa (2016) recommends that "the governing body should ensure that incoming members are inducted to enable them to make the maximum contribution within the shortest time possible" (Part 5.3, point 22) and that new directors with no or limited experience should be developed through mentorship and training programmes (Part 5.3, point 23).

*"Unless there is very comprehensive initial induction into the regulatory regime under which the company operates, and thereafter on-going refresher training, there is a very real risk that an incorrect decision can be taken by the board of directors."*

**Jason Howell (Chief Legal and Compliance Counsel Africa: Aon South Africa)**

## ARTICLE

Finally, regardless of the size or type of organisation, the quality of the organisation's board induction programme and processes should be professional, thorough and enriching. Failing to address any important matters which are expected of such a programme will inevitably have negative implications for the director, the board and the organisation. Whilst there are a number of shortcomings associated with a poorly conceived director induction programmes, notably when organisations get it wrong, the impact could lead to poor board performance, marginalised organisational strategic outputs and ultimately a tarnished reputation.

### ENDS

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#### **For further information contact:**

CGF Research Institute (Pty) Ltd  
Terrance M. Booysen (Chief Executive Officer)  
Tel: +27 (11) 476 8264 / Cell: 082 373 2249  
E-mail: [tbooysen@cgf.co.za](mailto:tbooysen@cgf.co.za)  
Web: [www.cgf.co.za](http://www.cgf.co.za)

Sun International Ltd  
Andrew Johnston (Director: Corporate Services -  
Sun International)  
Tel: +27 (11) 780 7762  
E-mail: [andrew.johnston@suninternational.com](mailto:andrew.johnston@suninternational.com)

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