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## **THE NOMINATIONS COMMITTEE CAN SECURE THE BOARD'S LONG-TERM HEALTH**

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Corporate failures result from poor governance. There are a multitude of reasons for poor governance, but at the heart lies the composition and effectiveness of the board. Clearly, it is time for the Nominations Committee to take a stronger and more definitive role in ensuring the long-term health of the board and thereby the organisation.

One of the most fundamental roles of the Nominations Committee is to carefully and critically evaluate whether potential candidates are suitable for the directorship role they are expected to fulfil. This process is typically limited to once-off criminal checks, financial checks and qualification verifications. Moreover, these checks are performed at a superficial level to ensure that the "box has been ticked" from a governance perspective - and therein lies the risk for organisation.

The Nominations Committee must consider broadening the scope of its candidate vetting process to include matters such as continuing professional development ('CPD') confirmations, skills and personality assessments, lifestyle audits, wellness checks and reviewing the number of external board appointments. Indeed, these checks, verifications and assessments should be re-performed on a regular basis to ensure that directors remain fit for purpose for the duration of their appointment.

### **Continuing professional development**

For good reason many professional bodies (for example the South African Institute of Chartered Accountants) require their members to maintain a minimum number of CPD credits or risk being discredited as a member. Clearly, the failure to keep up to date on the changing professional landscape will negate the value which a director with specific qualifications is expected to bring to the board. Whilst King IV™ recommends that the board implement CPD programmes, it remains the director's responsibility to ensure that they keep abreast of new and changing developments in their professional field. It is therefore incumbent on the Nominations Committee to ensure that directors' CPD credits remain valid for the duration of their tenure as directors.

### **Skills, competency and personality assessments**

Skills, competency and personality assessments are often only performed when making executive appointments. However, the absence of diversity and key expertise are primary contributors to poor performing boards. Matching board skills to future organisational skills requirements is critical in an era where digital technology and business models are rapidly evolving and strongly influencing strategy formulation. Performing regular skills, competency and personality mapping exercises should be a standard element of the Nominations Committee work plan. Furthermore, ensuring that boards comprise a satisfactory mix of gender, race, ethnicity and temperament will bring different and (possibly) more robust dimensions to board discussions and reinforce a stakeholder-inclusive approach to sustainability. In

addition, these skills, competency and personality mapping exercises should inform board CPD and induction programmes as well as board succession planning initiatives.

### **Lifestyle audits**

Today, lifestyle audits are becoming a critical management tool to detect fraud and corruption. Whilst these lifestyle audits are not conclusive proof of illicit activity, they can raise red flags about matters which may negatively impact the organisation - not least of which may include financial loss and/or reputational damage. The Nominations Committees should therefore ensure that lifestyle audits are performed not only on incoming directors, but on existing directors too.

### **Health and wellness checks**

There is no doubt that the ever-increasing pace of change in our business (and therefore our personal) lives contributes to increased stress which medical research confirms contributes to various non-communicable diseases, such as coronary heart disease. Whilst many organisations arrange health wellness days for their employees as part of their internal stakeholder engagement strategies, only a few organisations extend health assessments to their directorship. Progressive Nominations Committees should recognise the benefits of performing these health assessments and use them to assist the board in proactively managing board succession risk.

### **External directorships**

A McKinsey survey of 1100 directors in 2017 reported that directors spend on average two days less on board related matters as compared to 2015 (24 days vs 26 days). These statistics are quite concerning bearing in mind that many directors at the same time also acknowledge that boards need to spend more time on strategy. Be that as it may, a simple mathematical calculation using this information gives a reasonable indication of the maximum number of boards that a director can be expected to serve at any one point in time.

To ensure that directors can dedicate sufficient time to perform their fiduciary duties to the organisation, the Nominations Committee should periodically confirm the total number and the nature of the external boards and committees being served by each of their directors and relay any concerns (risks) in this regard to the director in question as well as the chairman of the board. Decisive action must be taken by the board when it is evident that a director is not able to fulfil his/her commitment to the organisation.

Understanding which other boards are served by the organisation's directors serves a dual purpose. Firstly, it gives insights into how much time the director has available to dedicate to the organisation and secondly, it gives the Nominations Committee a mechanism for verifying the information contained in the director's Register of Interest. Identifying potential conflicts of interest and helping the director and the board to manage such conflicts must form an important component of the Nominations Committee's ongoing director vetting process.

The Nomination Committee should regularly assess its own performance to ensure that it is indeed positively fulfilling its mandate to make recommendations to the board and shareholders regarding director

appointments. Well-informed board appointments are more likely to result in competent and effective boards. Furthermore, by actively ensuring that directors remain fit for purpose, the Nominations Committee can help the board to govern the organisation in a sustainable manner.

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