



# Benchmarking board performance:

Learnings from 500 Board Reviews



# Contents

---

<b>Introduction</b>	<b>3</b>
The 27 big learnings for you	4
Are boards improving? The good and the not so good insights	7
<b>Global Insights</b>	<b>12</b>
Tone from the top is now mission critical (Australia)	13
Rethinking the chair's role (New Zealand)	15
The elephant in the room: 25% of boards are dysfunctional (International)	17
Unlocking the value of risk management (UK)	19
Building future-ready boards (India)	21
Gender diversity on boards (Malaysia)	23
The role of a board in strategy (Mauritius & East Africa)	25
<b>Peakstone Global &amp; Westlake Governance Ltd</b>	<b>27</b>
About Peakstone Global & Westlake Governance Ltd	28
Our Board Advisory Partners	29
There are over 500 boards to compare	30
Contact details	32

# Introduction

---

Together Peakstone Global, Westlake Governance and Board Benchmarking and partner firms have reached a milestone in conducting more than 500 board reviews! This is a massive achievement that very few organisations in the world have accomplished. We are very proud to share some of our learnings and insights with you.

The 500 Report shares our research, findings and learnings on what makes a highly effective board including:

- The 27 big learnings for you
- Are boards improving? The good and the not so good insights
- Articles contributed by us and our global Board Advisory Partners addressing important board matters, issues, and tips.

The overall conclusion of this report is that boards have improved over the last few years, but not fast enough to keep up with the increases in community expectation and new regulatory and governance demands.

A very big thank you to the 500 plus boards that invited us and our Board Advisory Partners across the world into their boardrooms to help them measure and improve their performance, effectiveness and decision making.

Thank you for your trust and the privilege of helping your board on its improvement journey.

Our vision is to help thousands of boards across the globe to increase their performance and effectiveness so we still have a long way to go. Helping your board and others improve will also make a positive difference not just to your organisation but to the lives of your employees, customers, other stakeholders and the local community.

Thank you,

**Nicholas Barnett**  
Executive Chair  
Board Benchmarking

**Peter Kronborg**  
Chair  
Peakstone Global

**Richard Westlake**  
Managing Director  
Westlake Governance Ltd

# The 27 big learnings for you



**Nicholas Barnett**  
Executive Chair  
Board Benchmarking



**Simon Rumore**  
B.Com, CIECL, FAICD  
Managing Director  
Peakstone Global

**Board  
Benchmarking**

**PEAKSTONE™  
GLOBAL**  
GOVERNANCE | TRUST | PERFORMANCE

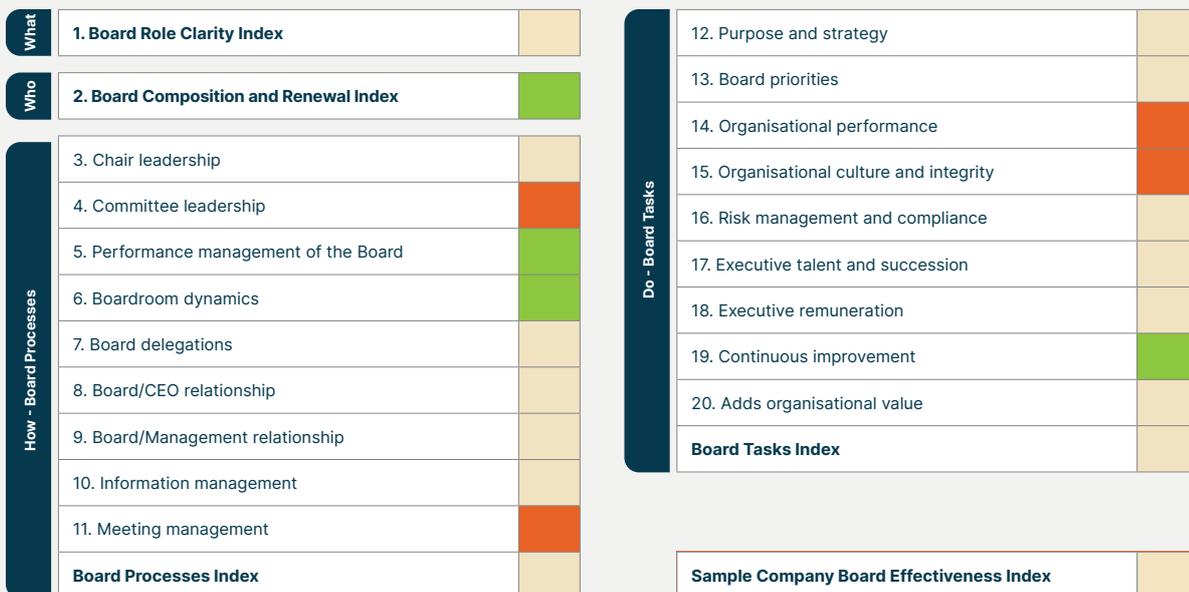
1. Our biggest learning of the last 15 plus years is that boards are much more complicated than most people think. Our research has shown that there are 20 discrete dimensions of a board's effectiveness – not five, not 10 or 14 but 20! That's a lot of things to get right - and each one is important. Getting any one or two of them badly wrong can be devastating for a board and consequently an organisation.
2. Research shows the effective functioning of a board is a very important contributor to an organisation's success. Also, a significant number of corporate failures and scandals have been attributed to board mismanagement, conflicts and ineffectiveness. We hope you don't need to be convinced that Better Boards means Better Organisations.

3. Appropriate benchmarking means comparing your board's responses with the survey response of similar boards for that same survey item. It is equally important not to benchmark boards of large-listed organisations against small not for profit or government organisations or visa versa. That's why appropriate benchmarking against comparable boards makes all the difference.

Our other learnings, structured under our WhatWhoHowDo framework follow over.

It took us nearly 15 years and the help of Deakin University to work out what we all now see as the bleeding obvious. Here is our framework of those 20 discrete dimensions of a board's effectiveness.

## Sample summary page for a benchmarked Board Effectiveness Report



● Bottom quartile    ● 2<sup>nd</sup> and 3<sup>rd</sup> quartile    ● Top quartile

## What – Board role clarity

4. Many directors don't fully understand their role and how it differs from the executive team. Some aren't sufficiently strategic and dig too deeply into operational issues. Some others think they are there to police the executive. This needs to be managed well by the chair with the help of the CEO.

## Who – Board composition and renewal

5. Board diversity and renewal are important foundation stones for a high-performing board. Many boards could improve in one or both of these areas.

6. We should all know by now that diversity is critical to high performance. What is less known is that it takes much longer to build relationships, trust and rapport with those directors who are quite different from us – and not enough boards invest the time and effort required to build those strong and robust relationships.

7. Many boards still don't have enough directors with the appropriate skills and experience in the core business of the organisation. This compromises the board's ability to govern rigorously and add value.



**Many boards still don't have enough directors with the appropriate skills and experience**

## How – Board processes (or what we also often call the hygiene)

8. If the board, and each director, were more proactive in supporting and developing their chair, the board and organisation would benefit. If the board has an ineffective chair, it is better for everyone if the chair is replaced. That is often easier said than done, but it is important.

9. Committees are often too siloed, and their work is often not sufficiently aligned with and connected to the organisation's priorities.

10. Poor director behaviour, commitment or performance too often goes unchecked by the chair and others. This undermines the board's effectiveness and its working relationship with management.

11. Robust relationships and dynamics are essential for a high-performing and resilient board. At least 25% of boards have dysfunctional relationships within the board, with their CEO and/or executive team. Not enough effort is made to understand and then deal with the dysfunction.

12. The board's time is precious so use it wisely. Calibrate the meeting at the start to ensure extra focus on the most important issues. Limit presentations from management and maximise discussion time.



**The board time is precious so use it wisely**

13. Most boards would benefit from being less reactive and learn to sit with the frustration and tension of the unknown and not knowing. This provides a space for new learnings, innovation and 'out of the box' thinking to emerge.

14. Not enough boards run a sufficiently differentiated board agenda, and instead just go through the motions doing the same old thing.

15. Many boards could have more regular and more effective in-camera sessions (ie., sessions without the CEO or other management in attendance).

- 16. Many boards could spend more time just with the board and CEO, including informally. Dinners prior to a board meeting are a good time to do this.
- 17. Boards should set a high bar for their own performance and effectiveness and embed continuous improvement. This helps set the high tone from the top which is so important.
- 18. Many boards could improve how they manage the overall performance of the CEO. Ideally all directors are engaged at the front end of the process and updated after the process has been completed.
- 19. Many boards and executives could work better together to improve the format, relevance, insightfulness and forward-looking nature of board papers. This helps the development of executives and the oversight of the board.

## Do – Board tasks

- 20. Most boards don't think deeply enough about the legacy they want to leave, the difference they can/will make and the value they will add.



**Most boards don't think deeply enough about the legacy they want to leave**

- 21. Boards are likely to add more value if they become aligned around a smaller number of priorities and pivot their focus and efforts accordingly. Too many differing priorities erode the focus and efforts of the board, the executive team and the organisation.

- 22. Most boards don't involve themselves early enough in the development of strategy, with too many simply waiting for the strategy to be presented for approval by the CEO. Boards should engage earlier in discussions with management about the big strategic questions and provide appropriate strategic guidance.
- 23. A greater focus is still required by many boards on organisation culture and integrity. This includes understanding the current and desired culture and overseeing any cultural change required.



**A greater focus is still required by many boards on organisational culture and integrity**

- 24. Governance of risk management and compliance is taken seriously by most boards, but many could be better at understanding and overseeing the management of emerging risks, including IT and cyber risk.
- 25. Many boards could do more to encourage a strong culture of organisational performance, including ensuring appropriate action is taken when performance measures are not met.
- 26. Most boards could take a more active role and a longer-term approach to their oversight of executive talent, development and succession planning.
- 27. Boards that have performed poorly and been ineffective in the past can significantly improve their performance and effectiveness within, say, twelve months. Almost always a catalyst for change is required. A clear benchmarked Board Effectiveness Report is often that catalyst.

If you would like to receive more research and insights please subscribe to our regular newsletter.

# Are boards improving?

## The good and the not so good insights



**Nicholas Barnett**  
Executive Chair  
Board Benchmarking



**Richard Westlake**  
Managing Director  
Westlake Governance Ltd

**Board  
Benchmarking**



**Our first 500 board reviews have involved the responses of 3,621 directors. Whilst we encourage boards to involve their executives in their board reviews only director responses were used for the purpose of this research paper.**

The big question is, have boards improved since October 2020 compared to the period prior or are they worse? And if so, in what areas have they improved and what are they worse at?

### Boards have improved slightly overall

Readers will be pleased to know that boards have improved overall over the last few years compared with the period prior, albeit not by a significant amount.

The survey items in our 500 board surveys were responded to on 7-point agreement scale where 1 = strongly disagree through to 7 = strongly agree. The average response improved by 0.21 when comparing the second 250 with the first 250.

In the last few years there has been significant increase in regulations, focus on corporate governance and the rise in community expectations, along with Royal Commissions and some spectacular corporate failures. In this context it is disappointing that governance and board effectiveness had not improved by more over this period.

The more important question for your board is of course, not whether other boards have improved or are worse, but whether your board has improved?

We encourage boards to find out the answer to that important question in an objective way including to find out the areas with the greatest potential for improvement. It is only then that they can develop an evidence-based plan to improve.

### The main areas of improvement

We explained how we identified the 20 most important areas of a board's effectiveness as in the article on page 6. This enables us to categorically identify the areas of greatest improvement by boards post October 2020 compared with the period prior. Because each of the 20 factors comprise a number of relevant survey statements, we can also identify the greatest contributors to the improvement in each area as shown below.

The good news is that boards have improved their oversight of executive remuneration, have improved board/CEO relationships and performance management of the board with the main contributing factors for each being as follows:

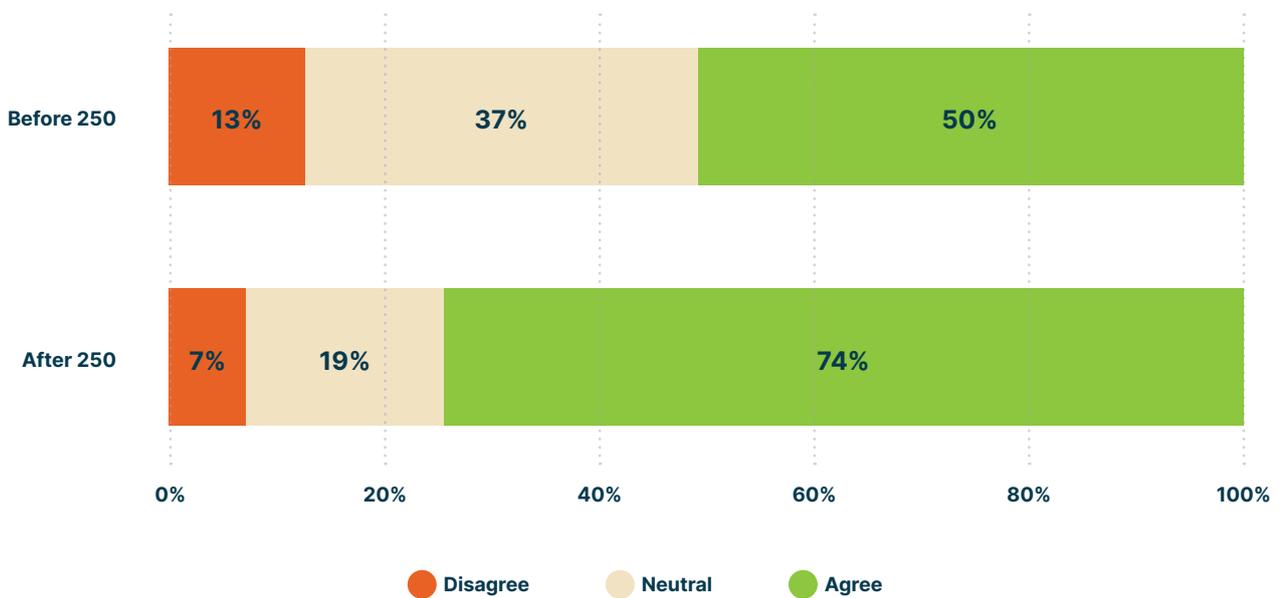
- **Executive remuneration** – the biggest contribution to this improvement was boards ensuring that the CEO's pay is appropriate with an improvement in average response by 0.62.
- **Board/CEO relationship** – the biggest contribution to this improvement was ensuring that the CEO's performance was managed well on behalf of the board with an improvement in average response by 0.64.
- **Performance management of the board** – the biggest contribution to this improvement was the more regular review of the effectiveness of individual directors with an improvement in average response by 0.62.

Survey participants responded to survey items on a 1 to 7 scale as shown below.

To simplify the way the information is shared in this paper we have combined survey responses into three categories as set out below.

- Disagree**
  - Strongly disagree (1)
  - Disagree (2)
  - Slightly disagree (3)
- Neutral**
  - Neither agree not disagree (4)
  - Slightly agree (5)
- Agree**
  - Agree (6)
  - Strongly agree (7)

**8.3 The CEO's overall performance is managed effectively on behalf of the board (i.e., constructively, measured against predetermined criteria and with appropriate input from all directors).**



## Little or no change

Disappointingly, the areas of little or no improvement were

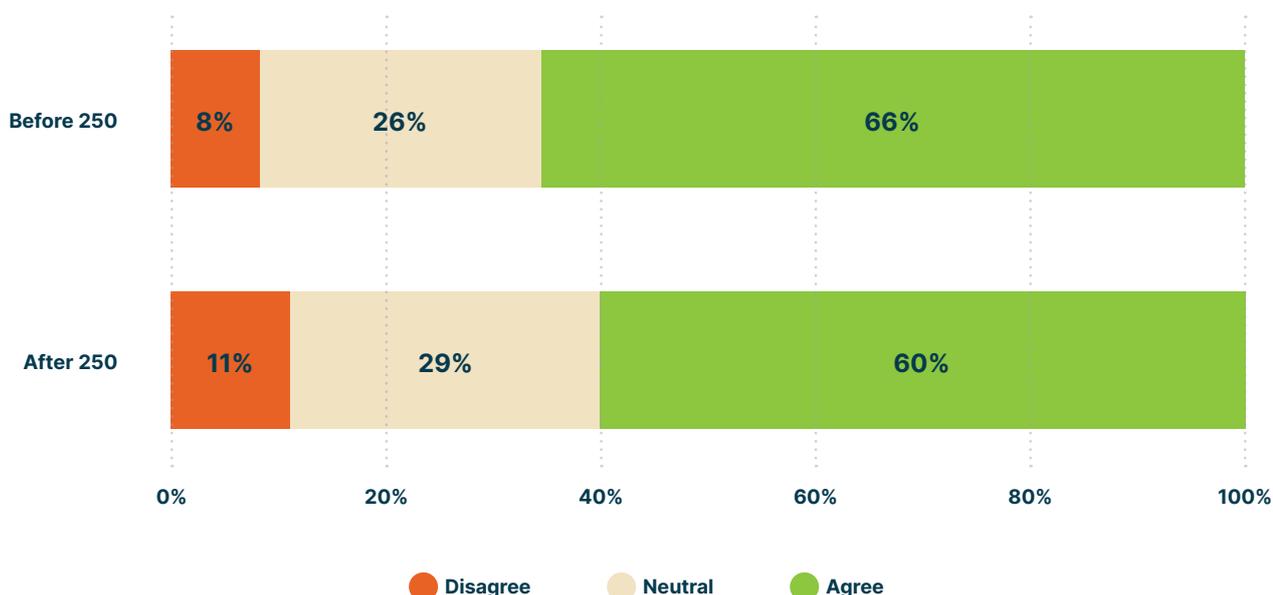
- **Organisation culture and integrity** – there has been a greater focus on culture by regulators and others in recent years. Accordingly, it is surprising that boards have not improved at taking an appropriate role in shaping the organisation’s culture with a slight decline in average response by -0.09.
- **Board priorities** – great boards carve out time to deep dive into the most important matters. As regulatory and other demands increase focusing on the most important matters becomes even more important. But boards haven’t improved at this with the average response declining slightly by 0.12.

- **Board/management relationships** – good board/management relationships are foundational to a board’s performance and effectiveness. Unfortunately, the board’s working relationship with management was one of the few survey items that declined with a decline in average response by -0.23 albeit from quite a high base.



Boards have got slightly worse at carving out time to deep dive in to the most important matters

### 13.2 The board carves out time during the year to ‘deep dive’ into the most important issues.



## Other good news

The chair plays a very important role in the current and future success of the board. And you won't find an effective board that doesn't have an effective chair.

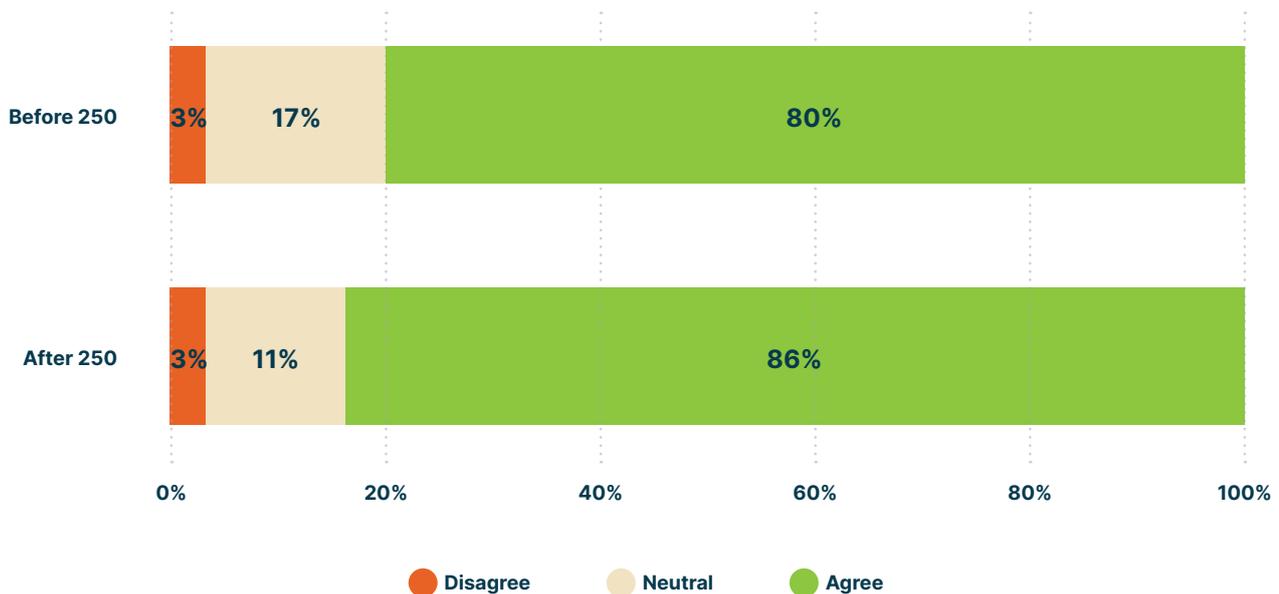
Pleasingly, the chair's effectiveness continues to be rated very high by their fellow directors. It is also rated as one of the highest survey items which is good news too.

This is where benchmarking is important. If you don't use benchmarking and you get what appears to be a pretty good average director response for your chair's effectiveness, you may have a bottom quartile chair without even knowing it.



**You won't find an effective board that doesn't have an effective chair**

### 3.1 The chair is highly effective (sets high standards, exercise sound business judgement, drives key priorities and has the appropriate gravitas).

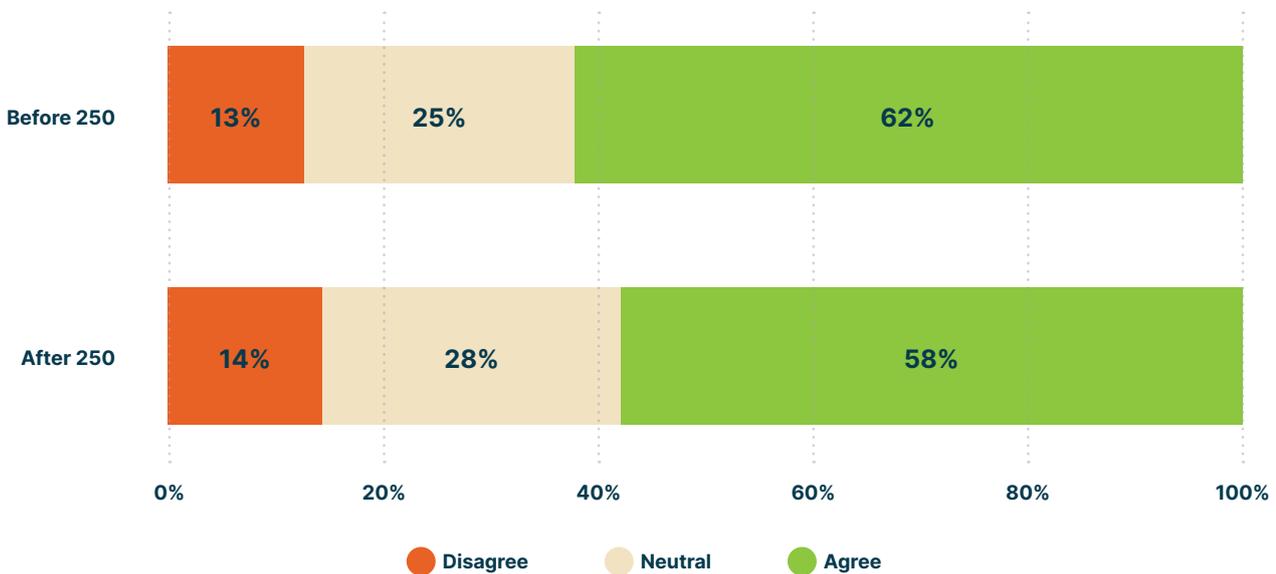


## Other bad news

With all the focus on diversity and the significant benefits for better decision making and improved productivity, innovation and performance too many directors still think that their boards are lagging in this area.

With board's holding the power to deal with this issue why don't they? In our experience one reason they don't is that many ineffective boards fail to take a broad minded and innovative approach to sourcing new directors. Instead, they continue to just rely on who they know and fish from a very small pond.

### 2.2 The board ensures that it has the appropriate diversity (e.g., gender, ethnicity, educational background, life experience, age, tenure, etc.).



## Profit versus not-for-profit

For-profit organisations were found to out-perform not-for-profits in the following areas indicating that nor-for-profits have the opportunity to add focus in some or all of these areas:

- **Talent** – Taking an active role in overseeing the growth of the organisation's leadership talent pool
- **Remuneration** – Ensures the remuneration packages of Management other than the CEO are appropriate
- **Performance Management** – Ensures the organisation has an effective performance management system with agreed accountabilities

- **Innovation** – Directors keep abreast of new developments and innovations through study and training.

Not-for-profits did not outperform for-profit organisations in a measurable way in any areas.

## Conclusion

Boards need to improve faster if they are to keep up with the new governance demands and the increase in community expectations.

The more important question for your board is, however, not whether other boards have improved or are worse, but whether your board has improved? Please don't let the side down. Start taking steps to measure and improve your board's performance and effectiveness today!

# Global Insights



# Tone from the top is now mission critical



**Peter Kronborg**  
B. Juris, LLB, MBA, FAICD, FIPAA, FGIA  
Chair  
Peakstone Global



**Dr Melinda Muth**  
BSC, MBA, PHD, FAICD  
Practice Director  
Peakstone Global



**At Peakstone Global we have seen significant shifts in the expectations of board conduct and values over time, especially in recent years. Examples range from the outcry over Rio Tinto's destruction of the Juukan Gorge caves ancient artworks, to fossil fuel companies' environmental responses and the ethical responses of certain financial services companies. It is clear, more is expected from boards than ever before.**

Directors are now expected to exhibit heightened professionalism and possess a diverse set of soft skills beyond their traditional responsibilities. Technical skills and legal compliance are necessary but not sufficient. Fair, ethical, and responsive behaviour from organisations is expected, starting with boards at the top.

This growing emphasis on boards' behaviour, the tone at the top, can be attributed to several factors:



## Stakeholder expectations

Stakeholders, including shareholders, customers, employees, suppliers, and community members are increasingly demanding transparency, social responsibility, and ethical behaviour from corporations. Directors are expected to lead the way by behaving with integrity and interpersonal sensitivity.

For example, Australia's Banking Royal Commission placed a spotlight on the way customers were treated in the banking sector resulting in intense scrutiny of both executives and board members.

**Pleasingly, 85% agree or strongly agree 'the board sets a high tone from the top in relation to organisation's culture, ethics and integrity'**



## Reputation and brand value

In today's hyperconnected world, brand damage can occur rapidly and have far-reaching consequences. Australia's unfolding PwC story dramatically highlights this point. The brand damage to PwC and the Big 4 has been immense and the fallout is likely to continue for years. PwC has even been forced to cut ties with its substantial government consulting business and to sell it for only A\$1!



## Employee engagement and retention

Employees today seek more than just a pay-check, they want to work for organisations that align with their values.

A company with a strong ethical culture is more likely to attract and retain top talent. Directors who prioritise strong standards for behaviour and positive relationships create an environment where employees can feel valued, respected and motivated.



## Long term sustainability and investor confidence

Investors are increasingly considering environmental, social and governance factors (ESG) when making investment decisions. They look for companies that demonstrate ethical practices and manage risks effectively.

BlackRock, one of the world's largest asset management firms, as well as other leading pension/superannuation funds have explicitly stated that they expect directors to understand and address these issues. They clearly expect positive and ethical engagement with society, people and their concerns.

In summary, Boards are increasingly seen as the custodians of organisation culture and ethics. They are expected to create a positive tone from the top that permeates the entire organisation. As companies face heightened scrutiny from consumers, investors, and regulators, we believe fostering clear, honest communication and cultivating a positive work environment is not only an effective but a crucial governance practice.

At Peakstone Global, we believe today's directors and boards must possess a range of soft skills to effectively navigate the complex business challenges they face. Emotional intelligence, plus quality, open, probing constructive conversations, empathy and authentic stakeholder engagement are all important parts of the director toolkit.

We recommend that all directors and boards deeply consider the need for greater focus on culture, ethics, values, communications and behaviours when setting the tone from the top.



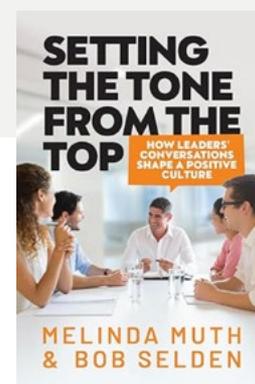
## Transparency and reporting

Boards are accountable for ensuring transparency and accurate reporting. This includes providing regular honest updates on performance, disclosing relevant information to stakeholders, and addressing any breaches or concerns promptly.

Directors need empathy and strong communication skills to handle issues properly. The complaints about Optus and their communication with customers after a huge data breach illustrates this point.

To that end, our Practice Director, Dr Melinda Muth, has written a book, 'Setting the Tone from the Top: how leaders' conversations shape a positive culture', full of practical actions that directors can take to develop these skills.

**To develop these skills, contact Peakstone Global for your advice on the subject or free copy.**



# Rethinking the chair's role



**Richard Westlake**  
Managing Director  
Westlake Governance Ltd



**People unfamiliar with the role of the board chair (to some extent, anyone who hasn't been a chair) might ask what's so different from being 'just a board member'. After all, they attend the same number of board meetings as other directors, don't they?**

Over the last few years, I've developed a framework that I hope de-mystifies the role, describes its scope, and demonstrates how critical it is to the success of both the board and organisation. This has resulted in a Scottish-sounding acronym for the **Five Roles of the Board Chair – 'MCBED™'**:

## M

The first role of the chair, the one that everyone knows, concerns **Meetings**:

The chair's most obvious job is to plan and lead powerful board meetings – meetings at which the board makes the decisions that only the board can make, where we tackle the tough issues, where differing views are sought and tested, and when we know by the end of the meeting that we've made the boat go faster – that the organisation is better off than at the start.

Achieving this in our limited time together takes careful agenda planning and ensuring that we receive high quality briefing material in plenty of time. In the meeting, the chair must remain alert to who's speaking; who still needs to – and who needs not to; ideas that might be emerging; what we still need to address; what we might be missing; and, finally, when we're ready to decide.

## C

The second job, that can occupy a lot of time, is managing the board's relationship with its only direct report, the **Chief Executive**:

At its best, this is one of the most satisfying parts of the role – developing and nurturing a strong working relationship based on trust, openness and respect (in both directions). The paradox is that it must not evolve into close personal friendship: as chair, you act on behalf of the full board, not on your own account, and you always need to keep that professional distance.

In contrast, if the relationship breaks down, or if the board begins to lose confidence in their CEO, managing this relationship will become challenging, time-consuming and potentially frustrating. If the relationship breaks down completely, one of you probably needs to go: I can't remember a broken relationship ever being fully rebuilt, and if the chair and CEO can't work together the organisation will suffer.

## B

One of your biggest responsibilities as leader is to build and develop your **Board**:

Some chairs have the luxury of being able to select, or at least nominate, who joins you. You must resist the temptation to appoint people who look and think like you, which might make for a more superficially collegial board. Instead, you need to think hard about the attributes that will add the greatest value, offer the best oversight and deepest insights, and find people who think differently, so that the whole board is greater than the sum of a few cosily-connected parts.

Where directors are appointed or elected by others (usually shareholders or members), I don't believe in waiting passively to see who's appointed, but rather that the board and chair have a right – even a duty – to let the shareholders/members know what skills, experience and personal networks might add the greatest value to the board. The shareholders may choose to accept that advice, or not.

By whichever route your fellow directors arrive, as chair you need to make the most of your team:

- Supporting their professional development as individuals and as a team;
- Ensuring regular evaluation of the board and individual performance;
- Establishing the best committee structure and membership; and
- As well as planning for and managing the next round of succession.

## E

Gone are the days of the invisible board, or the chair who appears only for the AGM and set-piece media announcements. Today, our **External stakeholders and shareholders** expect to know us, to hear from us and to be able to contact us if needed:



**Gone are the days of the invisible board, or the chair who appears only for the AGM and set-piece media announcements**

As chair, I also find huge value in getting to know the organisation on the ground, and in hearing from the people in it. This is not about getting in the way of management – it's vital that we don't – but about understanding what makes the organisation tick, and at the same time repeating the board's key messages, showing that we're all heading in the same direction, and helping people to understand the valuable part each of them can play.

If you 'dig the well before you need the water', to build the trust and confidence of your shareholders and other stakeholders, you'll find it easier to have the tougher conversations when things aren't going to plan, or you see clouds on the horizon.

## D

You're still a **Director**:

Finally, one important aspect of the job that I've seen several chairs forget, especially those who are new to the role: besides balancing your time with the tasks I've mentioned above, you're not simply a facilitator or coach – you're also still one of the directors.

You mustn't dominate or cut discussions off too early, but you're probably better informed than your colleagues, you still have a valid perspective and the right to ask probing questions.

You also need to avoid a trap I've seen several chairs fall into: you're not in the boardroom as 'defence counsel' for your CEO.



**You're not in the boardroom as 'defence counsel' for your own CEO**

If you want to make a real difference in your governance role, there's no greater satisfaction than leading your board through challenging times and seeing the value that you and your colleagues have added.

As someone said to me recently, 'Your job isn't to live forever ... it is to build something that will.'

Good luck!

**Pleasingly, 91% agree or strongly agree 'the chair has the respect and trust of all directors'**

# The elephant in the room: 25% of boards are dysfunctional



**Nicholas Barnett**  
Executive Chair  
Board Benchmarking

**Board  
Benchmarking**

**Too many boards have an elephant in the room that they fail to acknowledge and deal with. We encourage boards to name, understand and deal with the elephants.**

So, what is the elephant in the room when it comes to boards, as a whole, across Australia and the world? What is the big issue for many boards that you never hear the AICD and other director and governance institutes, board forums, boards or individual directors acknowledging, discussing and dealing with?

## Research shows that at least 25% of boards are dysfunctional

We think the very big elephant in the room when it comes to boards is the fact that at least 25% are dysfunctional. And what's worse, many of that 25% don't even know they are dysfunctional, and if they do know they don't have the capacity and/or the will to deal with the dysfunction.

Board Benchmarking is an evidence-based company. At least 25% of the more than 500 boards reviewed by Board Benchmarking and its partners in Australia and overseas were dysfunctional at the time of the relevant review. The dysfunction is not especially higher or lower in particular industries or in certain sizes of organisations – it is across the board.

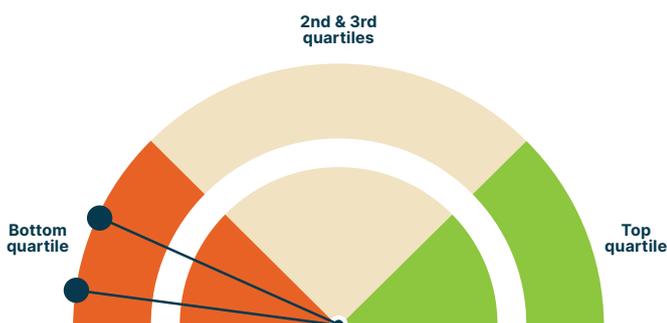
Those 500 plus boards self-selected to carry out a board review, so they are more likely to be the better boards. It is likely that many dysfunctional boards have self-selected not to carry out a board review — but it is those boards that are more in need of such a review.

## What does dysfunction look like?

Dysfunction comes in many shapes, sizes and often disguises. There are also different levels of dysfunction. For the purpose of this article, we define board dysfunction as an abnormality or impairment that has, or is likely to, significantly adversely impact the board's performance, effectiveness and decision making.

Most consider dysfunction to include poor director relationships and dynamics, inappropriate behaviours by one or more directors that go unchecked or poor board/CEO and/or board/executive relationships. Those issues are certainly important examples of dysfunction. Sometimes they are a cause of dysfunction and sometimes they are a symptom of dysfunction in other areas including some of those areas of dysfunction are set out on the next page.

**Only 42%**  
**agree or strongly agree**  
**‘the board conducts a**  
**regular assessment of the**  
**effectiveness of each director’**





Directors who think their role is to be the “policeman” and to double check lots of operational and minor details.



An impotent board that has abdicated its authority to an overly powerful and controlling CEO.



The over deferral by directors to one or two others – whether that is to the major shareholder representative or to the all-knowing expert(s).



Lack of alignment between directors as to the vision, purpose and/or strategy of the organisation.



A board that lacks the skills and experience required for the size and complexity of the organisation. If directors are out of their depth, it shows.



A board that is tired and/or stale. Those boards often lack diversity and have lacked appropriate renewal.



A board that hasn't built the rigour and resilience to deal well in tough times and/or a crisis.



Directors who agree with decisions inside the room and then undermine those decisions outside the boardroom.



Directors have formed into two or more distinct groups with entrenched and contrary positions that they seek to protect.

### A benchmarked board review can be an important catalyst for change

It can be quite confronting for a board to see that their effectiveness is benchmarked in the bottom quartile (and coloured in red) overall and in several important areas of effectiveness. The comments section of the board survey is likely to add important context as to why certain areas are benchmarked lower than other areas.

A board advisory partner can help boards interpret and act on their benchmarked board survey report. This can include assisting a board to deal with any areas of dysfunction.

If the board and their advisory partner take a constructive approach to their board review, their report that is benchmarked in the red can act as an important catalyst for change. As one chair of a board we reviewed said, “the benchmarked report gave us great insights that will enable us to improve out of sight over the next year”.

# Unlocking the value of risk management



**Chris Burt**  
Principal of Halex Consulting (UK)  
and co-founder of the Risk Coalition



**While governments and regulators have pushed the concept of risk management across sectors, academic evidence to prove the value of all this activity and associated cost is relatively sparse.**

In a recent Risk Coalition roundtable, the importance of risk management and its potential to add value to businesses was explored by a group of experienced CROs and risk professionals.

Key points raised during the discussion, highlighted the need for a shift in mindset and a change in the role of risk management in facilitating strategic decision-making.



## Unlocking the value of risk management

While there is academic research suggesting a link between the maturity of enterprise risk management frameworks and the relative success of organisations, it is not clear whether this is a causal link. The discussion emphasised the need to move beyond viewing risk as a mere cost.



## Shifting perspectives

Organisations must change how they perceive and position their risk functions. One participant shared an example of rebranding the operational risk manager's role as operational risk advisors. This change in job title helped shift the perception of the risk management function away from being responsible for managing the organisation's risks, to a function that provides valuable advice and guidance to the business.



## The role of risk management in driving business strategy

Participants expressed the need to highlight the positive aspects of risk management, such as identifying opportunities and contributing to strategic decision-making. They also emphasised the importance of obtaining board support and fostering alignment between the board and the executive team to enable effective risk management.

The key lies in asking thought-provoking questions, challenging assumptions, and driving discussions that others might shy away from by bringing alternative viewpoints to the table, promoting cognitive diversity and breaking away from groupthink.

**84%**  
**agree or strongly agree**  
**'the board takes an active**  
**role in ensuring that the**  
**organisation has comprehensive**  
**and effective enterprise risk**  
**management system'**



## Ownership and accountability for risk

A value-add is for risk management professionals to support those who are accountable for risk. Education around risk management accountabilities – including board accountabilities – is key.



## Board support and independent risk capability

To realise risk management's full potential, boards must actively support the function. Consequently, there is a linkage between board effectiveness and effectiveness of an organisation's risk management arrangements.

The risk function should be seen as a strategic advisor rather than a mere compliance activity. Boards play a critical role in fostering an environment where risk professionals can challenge the executive team safely, ensuring effective risk management across the organisation.

Independent risk capability helps keep a check on the executive team's decision-making, promoting transparency and accountability.



## Unthinkable risks and the role of risk management

These are risks that boards may not typically be willing to consider, such as culture – including board culture – related risks. Risk professionals should have the courage to hold a mirror to the organisation, challenging the status quo and highlighting risks that may not be readily acknowledged.

The discussion shed light on the value of risk management and the need to move beyond a compliance-driven mindset. Risk management can significantly contribute to an organisation's success by providing strategic advice, driving decision-making and mitigating risks.



**Risk management can significantly contribute to an organisation's success by providing strategic advice, driving decision-making and mitigating risk**

To unlock this value, organisations must recognise the importance of risk management, foster board support, and empower risk professionals to ask the critical or uncomfortable questions that lead to improved risk governance and business outcomes. By embracing the risk management function as a strategic partner, organisations can navigate uncertainty and seize opportunities in an increasingly complex business landscape.

# Building future-ready boards



**Vijay Karkare**  
Managing Director (India)  
Cornerstone International Group



## The role of corporate boards in India has gained significant traction, with a growing emphasis on corporate governance and the need for effective board practices.

Corporate governance in India gained prominence after the liberalisation of the Indian economy in 1991. The first phase of India's corporate governance reforms was focused at making audit committees and boards more independent, focused, and powerful supervisor of management, aiding shareholders, including institutional and foreign investors, in supervising management.

The reform efforts were channelled through several different paths. Companies Act 2013, SEBI Guidelines, Standard listing agreement by stock exchanges, accounting standards, secretarial standards, shareholder activism etc. have further strengthened the corporate governance practices.



## Board composition

It is important to have a balanced mix of executive and non-executive directors, including independent directors, who can provide unbiased advice and oversight. The current trends reflect a shift towards greater diversity in terms of gender, age, ethnicity, cultural background, domain expertise, industry knowledge, international experience.

- The average size of boards has been getting larger; 80% of boards have 6-10 members with around 50% independent and 25% being non-Independent.
- Most boards have 1-2 female board members.



## Board evaluation

Board evaluation is the most efficient method to ensure board members comprehend their duties and adopt effective good governance practices.

To achieve effectiveness, boardroom appraisals need to have specific, clearly defined steps and practices, and a special commitment from the board. Board evaluation as a good governance practice has found its place in the Companies Act, 2013 which mandates formal annual evaluation of the board, its committees, and individual directors.

**Disappointingly, only 46% agree or strongly agree 'the board has appropriate ongoing renewal (inc. succession plans for the chair, committee chairs and the addition and/or replacement of important skills and experiences)'**



## ESG adoption

ESG considerations are now prevalent across various stakeholders, propelling the adoption of ESG scores and ratings across organizations. The oversight of ESG matters has become integral to the full board's agenda, as its impact resonates across different dimensions of the business. This trend is further substantiated by the surge in ESG-focused funds in India, as evidenced by the remarkable increase in Assets Under Management (AUM).



## Digital governance and cybersecurity

Recognising the expanding digital landscape's challenges, boards are actively incorporating digital governance and cybersecurity into their purview.

A future-ready board is diverse, socially conscious, and tech proficient, understands inclusion, and demonstrates keen awareness of how to harmonize profit expectations with long-term stakeholder values. It's a journey and an evolution process for the boards in India.



# Gender diversity on boards



**Karthigayan A/L Supramaniam**  
Executive Director, Advisory  
BDO Malaysia



**Richard Abas**  
Founder  
Benchmarking PLT



**Board  
Benchmarking**

**Diversity is a vital element of a high performing board. In general, a diversified board better reflects the realities of the society, strengthens strategy development, governance, and risk management by providing differing views and heightens the overall credibility of the company.**

Over the past decade, Malaysian regulators have promoted diversity in various forms among its public listed companies (“PLCs”) especially within the board. These changes were driven through the Malaysian Bursa Listing Requirements and Malaysian Code on Corporate Governance (CG), which includes: the board to comprise at least 30% female directors; disclosure in its annual report of the company’s policy on gender diversity not just for the board but also senior management. The Malaysian Securities Listings mirror this reporting but for boards only, as well as the reporting of diversity (including gender), mix of skills and independence.

So how impactful are these codes? Statista Research Department data released in December 2022, suggest some success with an increase in the percentage of women sitting on boards in Malaysia. It reported that in 2021, 27.4 percent of members on boards in Malaysia were women, surpassing that of its neighbours, Singapore and Indonesia. Yet it still falls short of the 30% target set by the CG Blueprint.

The discussion on the inclusion of women on boards remains in the public domain. The Institutional Investors Council Malaysia (“IIC”) in their Malaysian Code for Institutional Investors 2022 have clearly laid expectations for investee companies to comprise at least 30% women representation on their boards within three years. The IIC’s stance is in line with the large global institutional investors, such as BlackRock, who have started voting against companies with all-male boards.

Another important initiative is the requirement for listed issuers (“PLCs”) with a market cap of RM2 billion as of 31 December 2021, to appoint at least

one female director on their boards by 1 September 2022 while for the remaining PLCs, the requirement must be complied with by 1 June 2023.

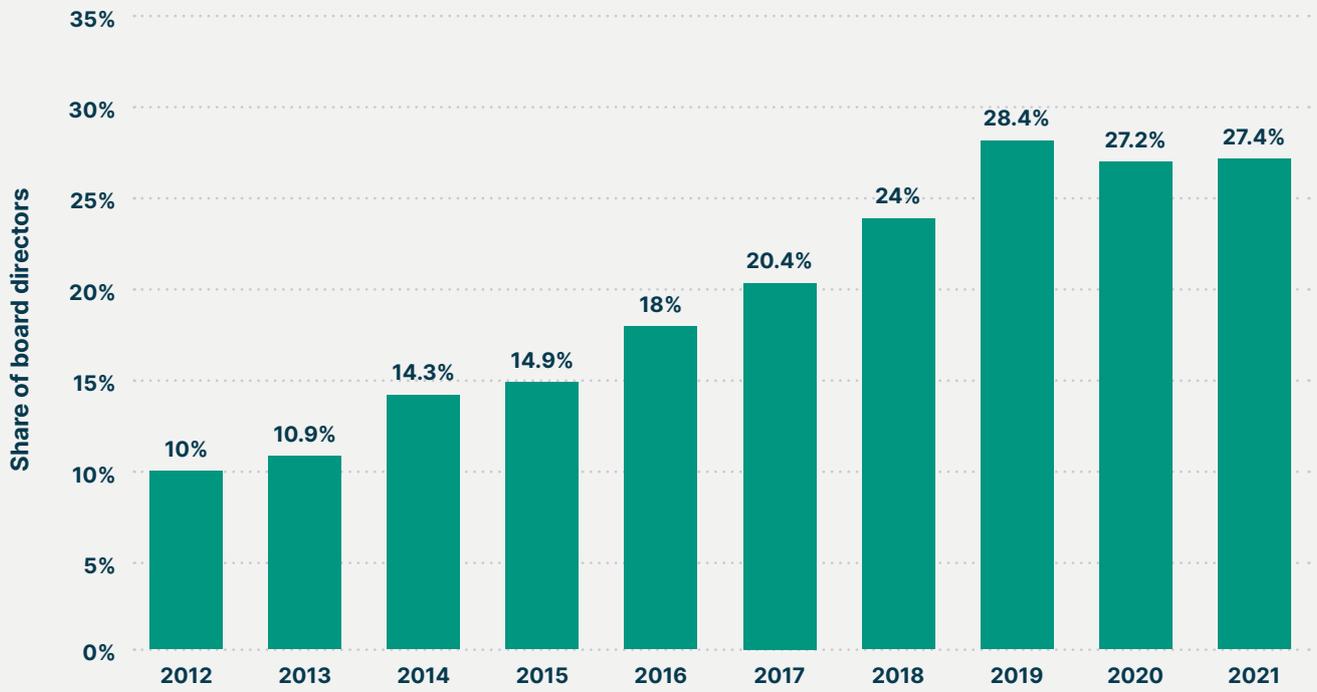
Not everyone agrees the notion of minimum representation of woman on the board, the same old argument that board appointments should be based on merit rather than being mandated, continues to surface. This can be addressed effectively via a nomination committee that is independent and objective.

Based on our experience dealing with nomination committees during board evaluations, we observe that there has often been active involvement from the board to push this agenda within their organisation. We also note that organisations are now more likely to have in place talent sourcing procedures and comprehensive training and development plans to identify and train candidates for board roles.

Many companies argue that they have robust processes in place to source the right talent regardless of gender. We point out that in the context of a board or an executive team there’s a bigger picture to consider. That is, the right person to add value to a board or an executive team isn’t just about the actual skills they bring. It’s probably more about how the inclusion of that person will benefit the board/team. Questions like, will they add to the diversity and rigour in our thinking and be a positive addition to our culture are very important factors. Research has shown that a gender diverse board will add more value than a male dominated board.

**Disappointingly, only 58% agree or strongly agree ‘the board ensures that it has the appropriate diversity (gender, ethnicity, educational background, life experience, age, tenure, etc)’**

Share of women at boardroom level in Malaysia 2012-2021



(c) Statista 2023



# The role of a board in strategy



**Yusuf Abdoollah**  
Partner/Board and Risk Advisory Services  
BDO Mauritius and Eastern Africa

**On some of the boards where we conduct evaluation, the prevailing view is that strategy is their job, and they insist on having board strategy retreats during which they set their organisation's strategy.**

On some other boards, the prevailing view is the extreme opposite: their job is to wait for management to come forward with its strategy and to either approve it or not.

The above two views are somewhat extreme, and neither is likely to work.

The right approach is normally an iterative process in which the CEO leads the process and ensures that the board is appropriately engaged at key points along the way. And if the CEO doesn't engage the board at those key points, then the board should take the appropriate action to ensure that it is engaged.

This iterative process can be done in three simple steps:

## First – Understanding

At the start of the process, the CEO should seek the board's input on the main challenges that the board thinks the strategy should address. Most disconnects that we have witnessed between boards and CEOs are because of the CEO's strategy attempting to address problems other than the ones that board thinks are most critical.

During this first step the CEO should also seek to understand the broad parameters that the board would like the strategy to achieve. Too often CEOs and executive teams do all the hard work in developing their strategy only to find that the board had different ideas as to what the strategy should achieve.

A constructive conversation about the key challenges and the broad parameters that the board wants achieved at the start will help ensure alignment.

## Second – Options

The CEO should come back to the board with high level strategic options to deal with the main challenges and deliver on the broad parameters set by the board. Here, the CEO isn't asking for ratification of a particular approach, but rather seeking advice and feedback on the potential solutions which resonate more, what concerns remain outstanding, how possibilities could be modified, etc.

These discussions between the board and CEO and/or executive team will agree on steps that will be needed to achieve the high-level strategic options, any additional resources required and ensure that the thinking behind the options presented is both rigorous and realistic.



**The CEO should seek to understand the broad parameters that the board would like the strategy to achieve**

---

### Third – Commitment

Entails the CEO and executive team preparing the desired strategy and presenting it to the board for approval. The preceding two steps will have paved the way for board buy-in and approval.

In our experience, a CEO should be in charge with the board providing oversight, input and sage advice. Often, the appointment of an external consultant can be of great assistance in the strategy formulation process and helps to make the connection between the board and the executive team.

Going through the steps set out above will ensure that the board, CEO and executive team forge alignment and a deeper commitment to the successful execution of the strategy.

If you want to ensure your board and executive team have undertaken all the right steps in preparing for, developing and having your strategy signed off and executed try our Strategy Effectiveness Survey.

**70%**  
**agree or strongly agree**  
**‘the board sets the broad parameters for Management to prepare the organisations’ strategic plan (e.g. for new investments, borrowings, risk and return)’**



# **Peakstone Global & Westlake Governance Ltd**



# About Peakstone Global & Westlake Governance Ltd

---

**Peakstone Global and Westlake Governance Ltd, leveraging over 200 years of boardroom and chairing experience, have come together to offer a unique, full-service global governance advisory business.**

Our joining forces is unmatched in providing a wide range of specialised services to boards across Australia, New Zealand, and beyond. We bring a practical and experienced lens to develop and help you implement comprehensive, tailored governance solutions, and we work with boards of all types and sizes across an array of organisations.

Our core services include:

- **Board Evaluations**
- **Director, Committee and Chief Executive Assessments**
- **Governance and Structural Reviews (including M&As)**
- **Building and Developing the Board**
- **Governance of Strategy**
- **Governance of Risk (including cyber & information management)**
- **Sustainability & ESG Governance Frameworks and Reviews**
- **Cultural Governance Frameworks and Reviews**
- **Customised Governance Training and Development, from the Elements of Governance through to our 'Turbo-Chair' structured programme**
- **Remuneration Governance Frameworks**
- **Board and Senior Leadership Succession Planning and Assistance**
- **Governance Troubleshooting, for when the board or internal relationships aren't working.**

We're here for you as the only full-service global governance advisory business, combining our extensive experience and broad range of specialisations to bring you bold, practicable and durable governance solutions.

As experienced non-executive directors we've been there ourselves, so we can walk with you when you need us.

Our partnership is built on a foundation of trust, global perspective, and a commitment to future-focused, value-driven results. Our collaborative approach, integrating the strengths and insights of numerous experienced governance advisors, ensures that we deliver unparalleled governance excellence to organisations across a broad geographic and industry spectrum.

We are proud members of ICGN



# Board Advisory Partners

Tap into the comprehensive network of certified Board Advisory Partners, ready to provide expert advice on how to interpret and act on your survey results.



**(Australia & Asia Pacific)**

Our purpose is to enhance our client organisations by building outstanding Governance, Trust and Performance. We diagnose, design, deliver and embed improvements in boards and governance processes.



**(New Zealand & Asia Pacific)**

Westlake Governance sets the course for organisations to understand what good governance is and how to achieve it. Our extensive practical experience on boards means we can develop workable solutions for organisations of all types, in all sectors.

## Board Benchmarking

**(Asia)**

Board Benchmarking has representative offices in Singapore and Malaysia.



Established in 2009 and based in the City of London, Halex Consulting provides high-value board evaluation services and advice to some of the largest organisations in the UK and Europe.



**(India and Middle East)**

Cornerstone Group prides itself on being strategic partners to their clients, offering expertise in four key areas: strategic talent acquisition, executive coaching, board consulting, and leadership consulting.



**(Asia)**

BDO's Governance, Risk and Compliance (GRC) Services provide a structured on-demand service approach to clients' GRC requirements while providing sufficient consideration as to the right approach for the organisation's culture, people and values.



**(Africa & Middle East)**

The specialist governance and risk practice of BDO Mauritius has carried out board evaluations for several of the largest listed companies in Mauritius and services clients across Africa and the Middle East.

We are continuing to seek and add new Board Advisory Partners. Our vision is to help tens of thousands of boards across the world to improve their performance and effectiveness. Adding the right new Board Advisory Partners in every region and country will ensure we deliver on our vision. If you would like to become a Board Advisory Partner, please **Contact Us**.

# There are over 500 boards to compare you with





# Contact us or one of our Board Advisory Partners

---

## Peakstone Global Australia



**Simon Rumore**  
B.Com, CIECL, FAICD  
Managing Director  
Peakstone Global

M: +61 450 459 059  
T: 1300 860 450  
E: srumore@peakstoneglobal.com  
GPO Box 1486  
Queensland 4001  
Australia  
[peakstoneglobal.com](http://peakstoneglobal.com)

## Westlake Governance Ltd New Zealand



**Richard Westlake**  
Managing Director  
Westlake Governance Ltd

M: +64 21 443 137  
T: +64 4 472 2007  
E: office@westlakegovernance.com  
P O Box 8052  
Wellington 6140  
New Zealand  
[westlakegovernance.com](http://westlakegovernance.com)

## Board Benchmarking Australia

Level 27  
367 Collins Street  
Melbourne, Victoria 3000  
T: +61 (03) 9909 9285

## Halex Consulting United Kingdom

86-90 Paul Street,  
London, EC2A 4NE  
T: +44 (0)20 3823 6569

## Cornerstone India

313 Gokul Arcade,  
Subhash Road, Vile Parle East  
Mumbai, 400057  
T: +91 9819077135

## BDO Malaysia

Level 8  
BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
T: +60 3 2616 2888

## BDO Mauritius

10 Frère Félix de Valois  
Port Louis  
T: +230 202 3000