

Quality at the Top

A Quality Guide for Boards

It is based on Quality principles and tools that bring benefits to Boards of Directors and Trustees and makes them friendlier to foster the use.

May 2023



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LETTER FROM THE QUALITY IN GOVERNANCE THINK TANK CHAIR

The word Quality is usually associated only with control and making things the right way. But this is partially correct. It is much more than that. It is making and delivering goods and services that satisfy users' and customers' requirements and needs. Explicit and Implicit.

This Guide is not a list of things a Board should do or be. Neither is a replacement for standards or evaluation models. It's a guideline of policies, practices, and tools a Board can use to improve their contribution to the organization's success.

These policies, practices, and tools are inspired by Quality Principles, methods, and tools, but most important, they result from listening to what Board members and CEOs of international companies have discussed and shared with us.

By taking action, or by ignoring to take action, a Board is impacting

positively or negatively on what management can do and achieve. Mainly in a family business. That's why we say you need Quality at the Top if an organization aspires to have sustainable quality processes, products, services, experiences, and results.

With this Guide, we hope we can help owners, directors, and executives to better understand how to use quality principles in their own responsibilities, aligned with those who, within their organization, are working towards, for example, quality, business excellence, and customer and employee experiences.

Furthermore, we will be pleased to receive any suggestions you may have.

Thank you.

Raúl Molteni, Chair

Marcos E. J. Bertin, Past-Chair

Hugo Strachan, Task Force Leader

ABOUT THIS DOCUMENT

These policies, practices, and tools are inspired by Quality Principles, methods, and tools, but most important, they are the result of listening to what *Board members and CEOs of international companies have discussed and are suggesting to other boards members to pay attention to.*

They are the result of the participation of 67 Board members and CEOs from local and international companies located in Europe, Asia, the USA and Latin America, through:

- (i) Workshops organized by IAQ Quality in Governance Think Tank using the World Cafe methodology.
- (ii) Surveys delivered by this Think Tank to IAQ Academicians, IAQ Think Tanks and Non-IAQ members.
- (iii) Surveys delivered by PWC.

- (iv) Questionnaire delivered to companies listed on the Tokyo Stock Exchange Prime.
- (v) IAQ Quality in Governance Think Tank members' insights based on their experience being part of international boards.

344 insights and suggestions were analyzed and summarized in order to make them simpler and friendlier to facilitate the use of this Guide.

The *Quality Manifesto for the 21st Century*, International Academy for Quality, was used as a main reference.

Although some organizations do not have a formal Board of Directors, as is the case of many small and/or family-owned companies, it is important that those people who share difficulties, opportunities, ideas and decision-making with owners and managers, follow the same approach and have the same competencies described herein.

ABOUT SOME TERMS USED

The term "board member" refers to individuals who hold such positions and have overall and well defined responsibilities and authority within the organization. It is typically associated with formal governance structures and implies a level of decision-making power and fiduciary duty. However, some organizations may use alternative terms like "director," "trustee," or "governing council member".

The term “sustainability” is frequently used in the Guide. It refers to the organization’s preparation and development of long term strategies and plans and the development of a culture to succeed in the future instead of being short-term sighted. But we also use that term under a full agreement and alignment with the 17 United Nations Sustainable Development Goals. (<https://sdgs.un.org/es/goals>)

The term “employee” was the one used by those board members who participated in workshops and surveys. Some organizations use different terms, such as "staff member," "worker," "team member," or "associate".

The term “stakeholder” refers to individuals or groups who have an interest or concern in a particular organization, project, or decision. Stakeholders can include employees, shareholders, customers, suppliers, community members, government entities, and others who are affected by or have an influence on the organization's activities.



About IAQ International Academy for Quality

- IAQ is an independent, self-supported, non-profit, non-governmental organization that is administered by a collegial assembly of individuals who have been elected by their peers from among the most-respected, active, and experienced protagonists of quality in the world.
- By our mutual contributions, IAQ advances quality throughout the world for the benefit of humanity, pursuing excellence through professionalism based on uncompromising fundamental values of respect for the individual, integrity in thought and action, and compassion for all living beings.
- Academicians make significant personal contributions to the advancement of quality and collaborate on team-based projects through participation in Think Tanks that operate within the Academy.
- Academician outreach has helped to establish many

of the national and regional quality organizations and IAQ has supported the United Nations in its early efforts to bring quality to the developing world. Currently, IAQ is assisting national quality movements in Brazil, Russia, India and China as they develop mature programs that support capacity development.

- Think Tanks concentrate IAQ member resources on the contemporary applications of quality that require focus and coordinated support to advance knowledge and to leverage lessons learned in order to accelerate the development and adaptation principles and methods to improve performance for the benefit of society or to improve applications of core quality-related methods.

<https://iaq.wildapricot.org/About-IAQ>



About IAQ QiGTT Quality in Governance Think Tank

PURPOSE

To analyze, promote and implement Quality concepts, methods, and tools in corporate governance as a key factor for maintaining the interests of all stakeholders, sustainability¹, ethics, and efficiency as a focus of attention.

WHY THIS THINK TANK

In 1968, in his book “The Corporate Director”, Joseph Juran, one of the Top Worldwide Quality Gurus, stated: “In the absence of sincere manifestation of interest at the top, little will happen below...”

More than 50 years later, Philip Armstrong, Former Head of the Global Corporate Governance Forum, International Finance Corporation, stated: “Quality is a substantive part of Corporate Governance. It is about

how the Board really looks at corporate governance as a value-added principle of its business proposition.”

And here is where the Quality in Governance Think Tank, within the International Academy for Quality, comes in.

We are professionals from the Quality, Finance, Legal and general management fields from Europe, North America, South America and Asia. We are convinced that Quality principles, methods and tools bring clear benefits to the functioning of governing bodies.

Our purpose is to analyze, promote and implement them in corporate governance as a key factor for sustainability.

² Deep understanding and based on UN SDGs



About IAQ QiGTT Quality in Governance Think Tank

THINK TANK ACADEMICIANS

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- Enrique Sierra (Switzerland)
- Evandro G. Lorentz (Brazil)
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- Hiroshi Osada (Japan)
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Former Head, Global
Corporate Governance Forum
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Managing Director, Valoris
Stewardship Catalysts
- Santiago Chaher (Argentina)
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Cefeidas Group
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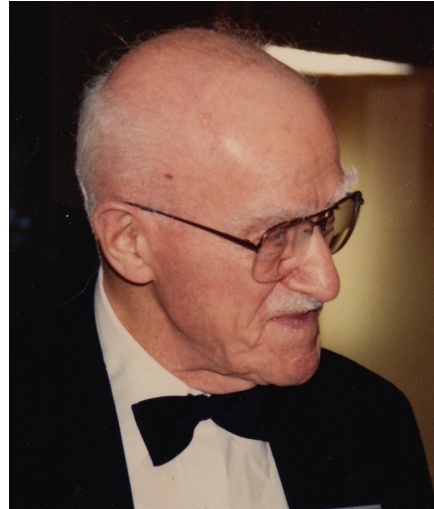
Introduction

About Boards and Quality

JOSEPH M. JURAN

Quality Guru

Honorary member, American
Society for Quality



“In the absence of sincere
manifestation of interest at the
top, little will happen below.”

Joseph Juran and J. Keith Loudon, *The Corporate Director*,
American Management Association; First edition. 1st
Printing (January 1, 1966)

PHILIP ARMSTRONG

Former Head,
Global Corporate Governance
Forum,
International Finance
Corporation



“Quality is a substantive part of Corporate Governance.


It’s not just about making sure that you have a nice report which shows you to have complied with a whole bunch of standards, that are either in some form of regulations or code or law, to something which is really about how the Board really looks at corporate governance as a value-added principle of its business proposition.

It’s part of a strategic definition, it’s part of its operational oversight and is about ensuring that the Board remains engaged with the business in terms of ensuring that the information it gets from the operations and from management is information which can be relied upon, which is reliable, and with which good decisions can be made. That’s the first part.

The second part, is then monitoring the processes, the policies and decisions that take place on the Board what is fundamental to the effective governance of any corporation. Is how those policies and standards are implemented and deployed within the corporation. Quality assurance ensures that you’ve got the processes that are appropriate to your business rather than ‘one size fits all’ compliance type approach that satisfies, perhaps, some regulatory provision. That is really very much part of your business DNA.”

Philip Armstrong, *Presentation at Marcos Bertin Quality in Governance Medal*,
International Academy for Quality

<https://www.youtube.com/watch?v=z6FHerayPQE>



A quick overview: Need for more accountability


DONALD BERWICK

President and CEO, Institute for Healthcare Improvement

“Historically, boards have assumed that they are responsible for the fiscal integrity, reputation, and lay management of the hospital, but that responsibility for care lies with the clinical staff, not with the board,” says Berwick.

“For many boards, medical care, itself, is remarkably foreign terrain. Yet, in a time of increasing corporate accountability, consumer voice, and system complexity, this view will no longer suffice, if it ever did. **A large share of the accountability for the safety and quality of care rests firmly in the board room.**”

<https://www.ihl.org/resources/Pages/ImprovementStories/ThePowerofHavingtheBoardonBoard.aspx>




A quick overview: Need for more involvement

INTERNATIONAL ACADEMY FOR QUALITY Quality Manifesto for the 21st Century

Involve everyone: stimulating the universal involvement of all individuals in an organization, creating ownership and capabilities for assuring the quality of their own work and in making improvements endlessly.

<https://iaq.wildapricot.org/resources/Documents/Position%20Paper/R-evitalizing%20Quality%20-%20The%20Quality%20Manifesto%20for%20the%2021st%20Century%20-%202021.pdf>



A quick overview: Need for being a role model

“If you don't believe it, sooner or later one of your decisions is going to show your real beliefs”. *Author unknown*

A Board is meant to “Walk the Talk”.

About Boards

THE KEY ROLE OF A BOARD

It is a common understanding that the Board of Directors plays a critical role by overseeing management and ensuring that the company operates in full compliance with all legal and regulatory requirements.

It is also understood, but not always accomplished, that is responsible for setting the strategic direction of the organization, overseeing risk management, setting and making certain that management sets clear expectations for ethical behavior and transparency, establishing a code of conduct, and establishing clear policies and standards among other rules.

We see the need for a Board to step forward and

perceive its contribution as much more than just ensuring compliance or overseeing management.

It's ensuring the sustainability of the organization.

This encompasses: (1) Purpose, in the spirit of service for the stakeholders and the greater society, and practice of "corporate" citizenship; (2) Strategic direction, including the vision of the future, major objectives and strategies, as well as the overall improvement and innovation system; (3) Culture, encompassing the values, beliefs and principles underlying a collective way of thinking, feeling and evaluating that reinforces engagement and is critical in shaping decision making and action.



About the Future

NEED FOR CHANGES

The speed of technological, environmental and social evolution, and its consequences on the functioning of all types of organizations, entails the need to review the principles and practices applied by boards.

So, some questions arise:

Are current board practices still effective, and efficient enough?

Should any be changed, interrupted, or added?

How can Quality concepts, methods, and tools help?

About Quality

MORE THAN DOING THINGS CORRECTLY

- The word Quality is usually associated only with control and making things the right way. But this is partially correct. It is much more than that. It is making and delivering goods and services that satisfy users' and customers' requirements and needs. Explicit and Implicit.
- By users and customers, we mean, for example, patients and doctors in the Health Care sector, students and professors in Education, cellular phone users, car buyers, even couples dining out at restaurants, or the whole of society when the use of natural resources is concerned.
- Quality provides concepts and guidelines for managing an organization, and methods and tools for designing, operating, controlling, and improving solid and sustainable processes to provide them with delightful experiences.
- Quality has two critical foundations: the discipline of science coupled with mutual respect for all human beings. (*)
- Through the dedicated practice of quality, we aim to enable humanity to thrive on a healthy planet thereby advancing the quality of life for all. To us, quality means that organizations fulfill the stated, implied, and latent requirements of all their

stakeholders while causing no harm to society or the environment. We believe quality can and must be applied for the betterment of humanity. (*)

- The quality discipline has demonstrated its constancy of purpose with evolving methodology support for management over the past century. (*)
- At its most profound level, the activity of conducting management through a quality prism, whatever label is attached to it, has the power to fundamentally help organizations to become extraordinary in doing good for all stakeholders. This viewpoint is unique among management concepts as it integrates the philosophies, mechanisms, methods, and techniques from multiple disciplines and functions into a holistic approach for improvement. (*)
- By its use, this document proposes a revitalized view of how Quality can improve the value a Board of Directors provides to its organization and toward a vision of achieving quality for humanity. (*)

(*) From the *IAQ Position Paper: Revitalizing the Global Quality Manifesto*.

<https://iaq.wildapricot.org/resources/Documents/Position%20Paper/IAQ%20Position%20Paper%20-%20Revitalizing%20the%20Global%20Quality%20Manifesto%20-Corrected%20May%202021.pdf>

About Quality and Boards

QUALITY REVITALIZING BOARDS - PILLARS

- Build strategy the quality way: sensitizing managers to the way in which vision and objectives must be established within the organization, not only to avoid its internal weaknesses and vulnerabilities and assure harmony with strengths and opportunities but also to increase profits to the benefit of its shareholders, while benefitting its stakeholders and considering the whole ecosystem.
- Do not cause harm: doing good for society and the ecology of the planet are not limiting conditions of quality applications but are integral to increasing returns and framing improvement objectives at the highest levels.
- Serve your customers: emboldening all organizational leaders to forever commit to the precedence of satisfying the needs of their customers-patients-students-citizens as their principal objective.
- Involve everyone: stimulating the universal involvement of all individuals in an organization, respecting property rights, creating a sense of ownership and identifying capabilities to assure the quality of their respective roles and functions and making improvements endlessly.
- Improve whatever you do: from promote steady information flows between board, management and shareholders, products, services and processes to sustainably accomplish the shareholders' interests and satisfy your stakeholders.
- Create trust and happiness: encouraging organizations to create a healthy environment wherein shareholders, officers and all employees gain confidence through their experience of prosperity, happiness, trust and full respect for their respective rights.
- Bring data into the daily conversation: rendering, in an age of data profusion, everyone from board members to frontline associates skillful in generating and interpreting data for applications in control, improvement, and daily conversation. And,
- Embrace the new technologies: weaving quality seamlessly into emerging digital, biological, materials, and other advanced technologies.

Based on the *IAQ Position Paper: Revitalizing the Global Quality Manifesto*.

<https://iaq.wildapricot.org/resources/Documents/Position%20Paper/IAQ%20Position%20Paper%20-%20Revitalizing%20the%20Global%20Quality%20Manifesto%20-Corrected%20May%202021.pdf>



Quality Guide for Boards

Insights and suggestions



Main suggestions for Boards **ABOUT THE PURPOSE**

- The Board of Directors' main responsibility is to ensure the organization's sustainability. It is the ultimate guarantor of continuity, which means compliance, present feasibility, and preparing the organization for the future.
- Above all, Boards must ensure compliance with and awareness of the law, both local and global. For example, a school board or hospital board may be required by law to have only members from the area served.
- Boards should be independent bodies. A director represents all shareholders.
- The need of all stakeholders need to be considered in benefit of the Organization.
- Be on the alert to identify new stakeholders that may come up in each specific scenario and be active to make rapid decisions. Be accessible to, and interact with, stakeholders. All stakeholder's interests including employees and union leaders should be considered during decision-making.
- Practice shows that a better understanding of the role of senior management versus the role of the Board is needed and depends on each organization.
- When owners and directors occupy management positions, they need to be aware that losing sight of their roles and confusing themselves and the rest of the organization is something with high probability.
- Depending on the organization and its present competitive and maturity situation, the Board may fully delegate responsibility to management or take a hands-on approach to some issues.
- The Board should devote more time to adding value –setting core values, re-creating the culture, forecasting possible scenarios, defining strategy, devising plans and managing risk- or helping to add value. It should limit any repetitive non-value-adding tasks. This is especially true when Board members also have managerial responsibilities.
- It's not a matter of time but a matter of adding value.



Main suggestions for Boards **ABOUT THEIR RESPONSIBILITIES**

Boards should:

- For example, discuss:
 - Should we (i) create scenarios and strategies; (ii) evaluate those presented by management; (iii) participate with management in the creation?
 - Hoshin Kanri should be a tool for us? (<https://blog.toyota-forklifts.es/hoshin-kanri-despliegue-estrategia-Toyota>)
 - How to assess if we are getting into micromanagement and taking over management accountability?
- Look beyond your competitive advantage. Understand the ecosystem you are in. Be aware of the power within the ecosystem. Have a holistic

view of your business model. It is not only a matter of avoiding an organization's internal weaknesses and vulnerabilities and assure harmony with strengths and opportunities.

- Contribute to strategic planning not only by approving what management suggests but prepare yourself proactively; have your own thoughts in advance. Consider internal and external issues and risks.
- Pay attention to global trends, 17 UN SDGs (<https://sdgs.un.org/es/goals>), management systems, technology, finance, ethics, digitalization, innovation & climate change. Assume the responsibility to be up-to-date about industry trends, technical advances, and competitive pressures.

¹ *Environment, Social and Governance*



Main suggestions for Boards **ABOUT THEIR RESPONSIBILITIES**

Boards should:

- Assess and/or help assess risks of all kinds. The importance of risk assessment is increasing. Deepen risk analysis comprehension and scope. All kinds of risks. Impact on sustainability¹ and consequences from digitalization – legal, ethical, and security -should be undoubtedly included.
- Sustainability -in its broad sense and aligned by 17 UN SDGs- is one key responsibility. Depending on which country -and region- you do business, it becomes a priority.
- Ensure aspirational goals. Be involved in the creation of scenarios, strategies, and plans, or be sure management does them thoroughly.
- Develop and/or ensure the development of key metrics to monitor strategy and plans.
- Ensure future talent, knowledge, technology, and competitive processes are under consideration of management and under control.
- Be active and have responsible roles in the community and society as expected and encouraged by public and government authorities. Look at the whole value chain.
- Participation in the decision-making process of relevant public policy depends on each country and industry. In general terms stay out of politics except when an organization's culture, mission, vision, and values are compromised.
- Make all efforts to make shareholders aware of new paradigms and changes impacting in their current and future business and its consequences on the functioning of the organization.

² Deep understanding and based on 17 United Nations Sustainable Development Goals. (<https://sdgs.un.org/es/goals>)



Main suggestions for Boards ABOUT THE COMPOSITION AND KNOWLEDGE

- As said in ‘Purpose’, Boards should be independent bodies. A director represents all shareholders. The need of all stakeholders need to be considered in benefit of the Organization.
- Having independent directors should be seriously considered. But the key is to have professional directors, those with knowledge and competencies to follow and foster the use of Boards’ best practices. Keep this in mind mainly if your is a family organization.
- Board composition is key to having the correct knowledge. Have a diversity of knowledge, experience, and opinions. Consider differences in opinions as something positive. Think about what composition should look like two, three, or four years from now, and create a plan to get there.
- Assess your Board. Assess whether the Board composition is fit for its purpose. Do not praise experience exclusively so that it does not become a burden. The Board must be open to transformation. Directors must be "curious“ and alert to what is happening around them (known and unknown).
- Have a proactive selection process and solid onboarding. Reading, talking, listening and learning should be part of a director’s profile.
- Assess individual and group knowledge and capabilities. Increase knowledge bandwidth within the Board. As organizations are required to make changes –e.g. due to social demands and qualitative changes in what value is to customers-, the ability requirements that make up the Board of Directors are constantly changing.
- Be aware and learn about new technologies and how they can disrupt your business. And how you can proactively take advantage. Have someone on the Board, and be sure the organization has, an expert in the matter.
- It is not necessary for all members to possess the same level of knowledge. The Board –collectively- should possess the knowledge.
- Be sure Board members are continuously educated and updated in available methodologies and techniques usually considered only for more operative and tactical roles.

Note: In some countries, shareholders are accountable for Board Composition. Suggestions regarding Board composition are directed to them.



Main suggestions for Boards **ABOUT THE COMPOSITION AND KNOWLEDGE**

- Through individual and group assessment, look for weaknesses in knowledge within the Board; address those weaknesses through continuing education, and briefings by management and outside specialists.
- Have onsite visits routinely. Understand, and get familiar with the business, management and employees.
- Since the Board is responsible for ensuring business innovation and renewal, it must develop learning and innovation skills and set it as a requirement for the number one authority of the organization.
- Prepare the organization to embrace unpredictability and develop skills of the Board and of the organization as a whole. In particular: (i) Learning Skills, (ii) Innovation Capacity and (iii)

Strategic Thinking

- Plan director's turnover.
- Look forward to maintaining knowledge, experience, and a fresh look at what matters. Consider (i) Board members training; focus on understanding the business –competitive analysis, supplier base, value chain, technology, future talent, & social, technological, and economical trends. (ii) Getting knowledge from the inside & the outside (experts, information...). (iii) Complement with external sources. (iv) Inclusion of board members of external, and independent professionals. (v) Having special committees like strategy, nomination & compensation, and risk. (vi) Remember that Management is a key source for Board knowledge.

Note: In some countries, shareholders are accountable for Board Composition. Suggestions regarding Board composition are directed to them.



Main suggestions for Boards **ABOUT DATA**

- Directors must have the ability to understand hard data and be able to turn them into the decision-making process. Use data to see problems and opportunities objectively.
- Be prepared in advance and consider speaking with data. Ask for help from those who know how to understand it. When questioning, ask for data. When being answered ask for the data supporting the answer.
- If the board is constantly monitoring key indicators, including risk, culture, VOC, Sustainability¹ –deep understanding and based on UN SDGs², ESG², etc., then "transformations" would not be so frequent.
- Assess or ask for help to assess the quality of data submitted to the Board. Ensure by using reliable data better value from the Board.
- Concentrate on evaluating trends, strategy, and other internal and external variables -technology, social responsibility, climate changes, and ethics- which may be influencing the organization's future progress and evolution.
- Emphasize digital transformation aligned with the company's vision, objectives, and strategy.
- Consider, analyze, and discuss opportunities and risks arising from digitalization; e.g. ethical, legal, and data security.

¹ Deep understanding and based on UN SDGs.

² 17 United Nations Sustainable Development Goals. (<https://sdgs.un.org/es/goals>)

³ Environment, Social and Governance



Main suggestions for Boards **ABOUT THEIR PROCESSES**

- Meet on-site or virtually regularly and be ready to meet on ad-hoc issues as necessary.
- Agendas for Board meetings should be aligned around a comprehensive Board work plan measured against key criteria; e.g., strategy, budget and forecast, and key risk analysis.
- Agendas should be established with all board members' participation and should be known by them with anticipation.
- Be more agile. Read the business environment and performance and learn to respond quickly.
- Make governance policy and processes visible; make sure they connect and align with those of senior management.



Main suggestions for Boards **ABOUT THEM, MANAGEMENT AND EMPLOYEES**

- Generate closeness and empathy with the Management. Coach and mentor management.
- Be alert to perceive when management understands the Board is getting into micro-management.
- Consider involving management in assessing Board performance and listen to them to find out opportunities for improvement. Also listen for feedback from all stakeholders, in particular from employees, suppliers, customers, unions, and social organizations.
- Avoid confusion regarding Management responsible for the execution and Board for guidance and control. Avoid taking over the role of management, which happens especially if Board members have also managerial responsibilities.
- Create, or be sure is being created, an environment where all stakeholders feel somehow considered by the organization.
- Create teamwork. Create a network among all management and employee levels and among all functions instead of relying on an organization chart.
- Create, or be sure is being created, an environment wherein all employees gain security through their experience of prosperity, happiness, trust, and inner confidence through their rising abilities and self-respect.
- Consider paying great attention to employee experience.
- Company culture is much more critical than company structure and a Board is ultimate responsible for shaping that culture (for instance by focusing on sustainability¹, making people aware of outside changes, how they approach risks, opportunities, and unforeseen events...).
- Ensure that a process for assessing the kind of knowledge and talent that will be important for the organization in the future is in place; diversity and talent attraction and retention are key.

² Deep understanding and based on 17 United Nations Sustainable Development Goals. (<https://sdgs.un.org/es/goals>)



Main suggestions for Boards

ASSESSMENT

- Assess your Board. Be open to feedback from all stakeholders. Take advantage and use it to improve. Lead by example.
- Self-assessment is a very good tool, just be aware of not playing games with qualifications or scores.
- Don't try to improve everything. Focus on issues that most impact your strategy.

INSIGHTS SUMMARY

Although some organizations do not have a formal Board of Directors, as is the case of many small companies, it is important that those people who share difficulties, opportunities, ideas and decision making with owners and managers, follow the same approach and have the same competencies described herein.

Shareholders. Board members represent all shareholders.

Global and future vision. Directors must be aware of the present and of the future. Transformation. Evolution. New technologies. Sustainability.

Business drivers must be clear. Make the business grow.

Add value. From “take notes and bless” to “ask, understand, visualize and give an opinion”.

Agility. Be more agile.

Service time. Shorter deadlines. More rotation.

Stakeholders’ Vision. Be on the alert for new and relevant stakeholders. Consider all. Proximity. Understanding.

Virtuality. Virtual communication. Virtual meetings. Frequent. Being effective and efficient in the use of new means of communication.

Being aware of the risks. Reinforce risk and management assessment. Consider a Risk Management Committee among Directors. Consider, analyze, and discuss opportunities and risks arising from digitalization; e.g. ethical, legal, and data security.

Involvement in Social and Ethical Issues. Have clear policies. Get involved in politics when the principles and values have been attacked. Aspects that affect the present and the future of the organization cannot be disregarded.

Sustainability –broad meaning and aligned with 17 UN SDGs-. Must be part of the board’s agenda.

A closer Board of Directors. A closer board of directors is necessary. Close to the management. Empathic. Directors must have the profile described above.

Assess your Board and directors. Focus on issues depending on their impact on your strategy.



Quality Guide for Boards

About next steps



FOR FURTHER STEPS

- Inspired by these insights, a Board might want to take a further step.
- Our suggested next step would be to go back to your strategy, find out the related constraints you have, prioritize and then decide which of all insights would be better suited to help the Board eliminate and/or elevate such constraint.
- An option would be to use the *ISO/DIS 37004 - Governance of organizations-Governance maturity model*; the *Board of Directors Evaluation Model* or the *Board Management Excellence Model* and generate a self-assessment (see chapter *For further reading - Books, papers & videos* in this Guide).



Quality Guide for Boards

For further reading

FOR FURTHER READING

Books, papers and videos

- Andersen, Bjorn, *The Role of Ethics in Responsible Corporate Governance*.
- Armstrong, Philip, *Presentation at Marcos Bertin Quality in Governance Medal Recipient*, International Academy for Quality
<https://www.youtube.com/watch?v=z6FHerayPQE>
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- Carmin Di Noia, *Presentation of the review of the G20/OECD Principles of Corporate Governance, 2022*, OECD
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- Forrest, Will; Li, Sidney; Tamburro, Isabelle and Van Kuiken, Steve, *It's cloud time for boards—in seven charts* , 2021, McKinsey & Company.
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FOR FURTHER READING

Books, papers and videos

- Fundación Premio Nacional a la Calidad, *Modelo de Excelencia para la Gestión de Directorios*, 2021, Fundación Premio Nacional a la Calidad, Argentina.
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FOR FURTHER READING

Books, papers and videos

- The *Best in Quality* series, International Academy for Quality.
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SOME BACK-UP DATA

From PWC Surveys delivered to directors and CEOs

- Almost half of directors (47%) think that one or more of their fellow board members should be replaced.
- More than 9 out of 10 directors (93%) say their board has taken action on diversity over the previous 24 months. The most common change they have made is to replace retiring directors with someone who brings diversity to the board (69%).
- Boards are still prioritizing wide skill sets over narrow ones. Cyber and ESG are important issues for boards, but they are not necessarily looking for experts in those areas.
- 27% of directors say that the push for diversity results in boards nominating unqualified candidates to address these issues.
- Almost every board is taking steps to increase their diversity. Many of those boards are looking for the same types of qualifications in their next director: often someone with financial and/or operational expertise.
- Only 29% of executives gave directors a grade of good or excellent. Most (55%) said that they were doing a fair job overall, and a small minority (16%) graded their effectiveness as poor.
- Many executives said that boards lack preparedness, put too little time into their duties, and have insufficient expertise in some emerging topics like environmental, social, and governance (ESG) matters and cybersecurity.
- 11% of executives say their board includes directors who lack true independence of judgment or are reluctant to challenge management.
- Nearly nine in 10 (89%) executives say one or more directors on their board should be replaced.
- just 29% of executives say their board has the right mix of skills and expertise.
- CEOs and CFOs were the most likely to rate board performance as highly effective, while technology and legal executives were the most critical.
- 25% of directors saying their board understands ESG risks very well, many boards have work to do to bring directors up to speed.
- about half (48%) say employee health and safety is getting the attention it needs in the boardroom, and 41% feel the same way about diversity and inclusion.
- 61% of executives say the board lacks technology expertise.