

Maximising Contribution,
Maximising Return.

High-Performance Boards E-Book Series

Contribution Compass Board Appointment

Introduction

In Chapter 4 of *Traversing the Avalanche* by Carl Bates – ‘The Team That Climbs With You’ – we refer to the Sirdar Group methodology of appointing high-performance directors using natural energy. Our preferred model for understanding a director’s natural energy, and supporting them to maximise their contribution to the board, is the Contribution Compass.

The Contribution Compass is a profiling methodology and platform that enables you to understand both your area of maximum contribution to a team and to a company and how you can leverage the most value for yourself and for your organisation.

The Contribution Compass is the result of years of experience at Sirdar Group combined with robust questioning aimed at determining what is referred to as your natural energy. Natural energy indicates the way that you naturally think and operate.

Some people are spontaneously innovative and intuitively drive concepts, projects and activity forward, despite all odds. Others wait for the right time to make a decision or take action based on their sense of the market, their team or their clients. Some will be focused on who is affected by a decision and who they can connect with, whereas others will naturally think of the process or the system first and how that should operate.

The profiling tool, and its practical application, leverages your natural energy for optimum performance and return by investing your time in your area of maximum contribution. Identifying, creating and sustaining your value is the cornerstone of working effectively with your natural energy. It requires that you have a deep understanding of your profile and that you actively seek to utilise that energy to create, build, focus and deliver value – for yourself and others.

When there is a balance of natural energy around a boardroom table, in an executive or management group, or across the operational or frontline team, there is a much more effective flow, and in turn results, for the directors, team members and the business as a whole.

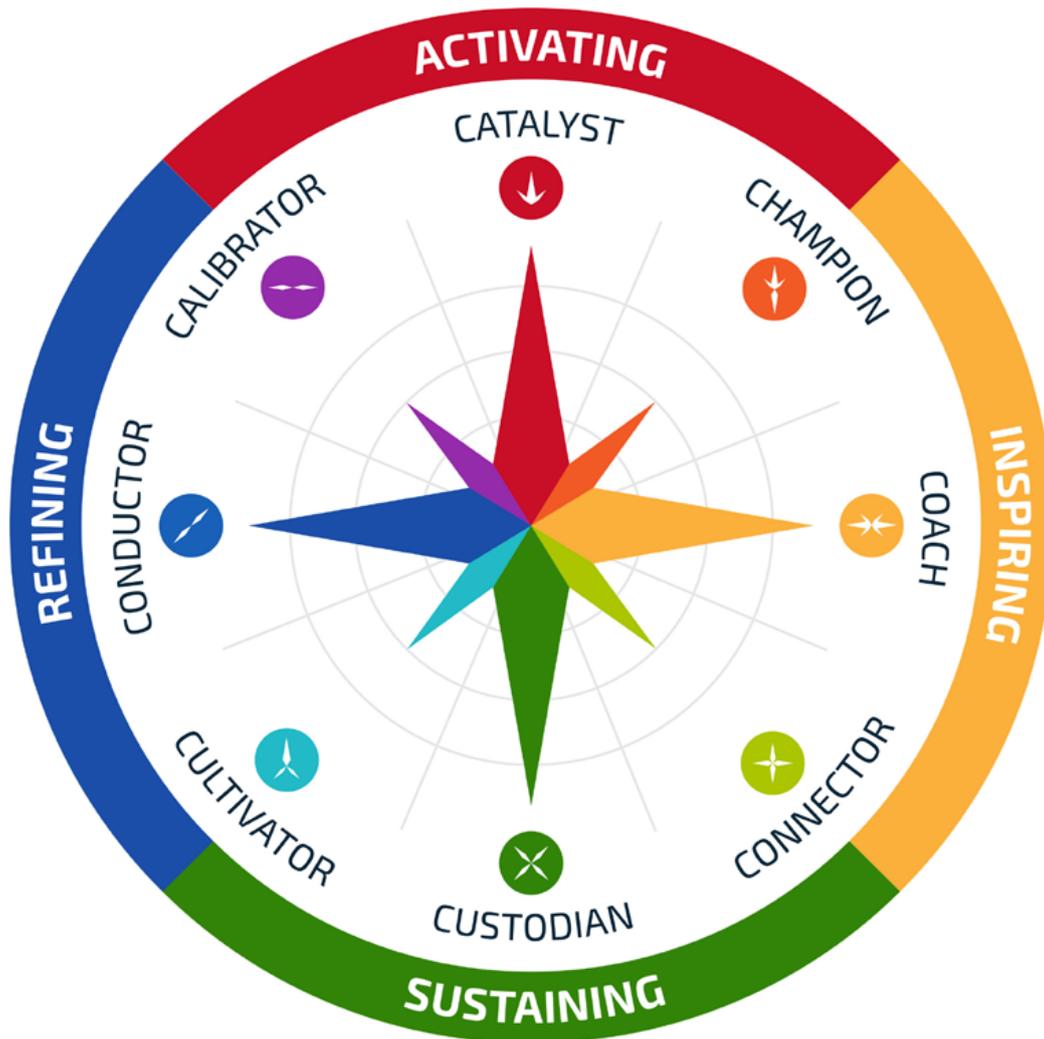
A company that is focused on maximising its growth opportunities should commit to consciously understanding and bringing into balance the natural energies of its board, team and key functions.

In this e-book, we explore the complexity of board composition and the opportunity to maximise board appointment through natural energy and the Contribution Compass. While this e-book will provide some insight into this fascinating aspect of high-performance board composition, it is the practical application of the Contribution Compass that will drive performance of your board and deliver return.

For more information on how to apply this powerful tool within your board, executive committee or operational teams, contact Carl Bates at carlbates@sirdargroup.com.



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 www.contributioncompass.com



Maximising Your Board's Success Using Natural Energy

Appointing directors can be a difficult task. For those appointing a board for the first time, it can be even harder. In the past, the appointment of directors was driven by considering the value of the letters after their name. More recently, the appointment of directors considers diversity, gender and specific skills and experience, as well as how an individual's appointment contributes to the overall board composition.

Effective board appointment processes have a direct impact on the board's overall board performance. A high-performance board requires a group of high-performance directors to come together as a team. A group of great directors, individually, might not collectively make a great board for a specific company. A vast amount of research has been compiled internationally on how board composition affects overall board performance, and therefore company performance.

The Sirdar Group uses the Contribution Compass for our independent director selection and client appointment processes because it takes cognisance of a person's natural energy and enables us to achieve these outcomes. The reason this e-book considers a director's natural energy as part of the overall mix is due to our 15 years' experience at the Sirdar Group, which has shown that having the right balance of directors on a board translates into improved business performance and an increase in company value. It has also shown us how having the incorrect mix of directors can have the opposite effect on a company.

The dynamic application of this methodology continues to inspire and guide our boards with deeper levels of understanding on this team called 'the board' and what it takes to drive high-performance board outcomes. This is not an intellectual pursuit. It is a practical approach to fulfilling the clear mandate of a board – to act in the best interests of the company. And this requires a balanced board that considers its decisions from all angles.

This e-book does not address board appointment processes in general. That is a topic for another day. What this e-book does consider is how you can go about utilising natural energy in your director selection and appointment process to improve the performance of your board.

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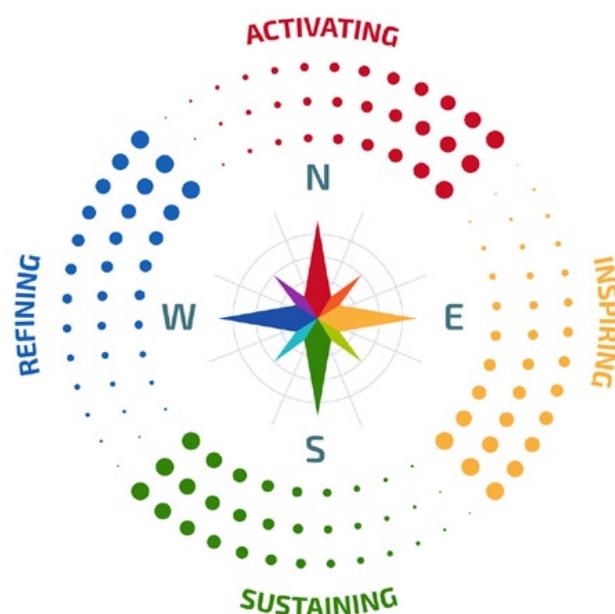
What is Natural Energy in the Context of the Boardroom?

Your natural energy reflects the way that you naturally think and operate. Natural energy is most easily observed in critical moments, when you will always respond based on it. A critical or defining moment is usually a brief and intense pressure or turning point in which the decision you make or the action you take dramatically impacts your journey, either positively or negatively.

By default, you will respond in that moment from your natural energy as your instinct kicks in. However, your ability to respond effectively in a critical moment can be refined. This is achieved through developing a deep understanding of your natural energy, asking the right questions at the right time and committing to on-going learning and development.

Some people are naturally innovative and intuitively drive concepts, projects and activity forward, despite all odds. Other people wait for the right time to make a decision or take action based on their sense of the market, their team or their clients. Some people will always be focused on who is affected by a decision and who they can connect with, whereas others will naturally think of the system first and how that should operate.

From a board perspective, an individual's natural energy changes the way they engage in the board's discussions. While some directors naturally focus on the company's next big opportunity and what needs to happen to get it going, others will always have the current performance of the company at the front of their mind. A different group of directors will consider data and information before making a decision, while other directors will orientate themselves to consider the impact of any decision on people before giving consideration to other aspects.



Activating energy (North) accelerates and ignites change and directors will drive innovation and strategy. Inspiring energy (East) ignites the spark in others, rallying the team to realise the vision. Such directors would focus on leadership, team and culture. Sustaining energy (South) brings others' ideas to life through the implementation of those ideas. Sustaining directors would prioritise operational excellence and sustainability. Refining energy (West) brings a refining eye and razor-sharp detail, with directors focusing on financial performance and efficiency metrics.



Once you can see the importance of natural energy when considering the big issues, you should also be able to translate the same impact into every board discussion that is conducted. For example, a board full of people-focused directors (what we call Inspiring energy) may consistently put 'people' in front of the reality of data and information, which could ultimately be to the detriment of the company. The point is that the incremental impact of this approach could have a fundamentally negative impact on the company, particularly when the 'people' aspect should not be the key consideration in a critical decision.

Despite not being involved in the operational activity of the company, directors have significant influence over the way that issues are considered and decisions are made. In the boardroom, the way that directors engage will determine the factors considered in the decision-making process and the importance given to each aspect. While a manager's natural energy affects the way in which they implement and fulfil their role and duties operationally, the natural energy of the combined board will determine the way that the company approaches growth, strategic issues and board discussions.

Furthermore, a board that remains unconscious of its collective bias towards a particular natural energy may indeed be teetering on the brink of a few challenges. In South African company law, the process of effective decision-making is at the crux of the Companies Act and its codified directors' duties. If a board is a Catalyst collective, as an example, and is biased towards solving all problems through revised strategy and new projects, the board is not really fulfilling its responsibility of care, skill and diligence if the other aspects of the decision are not fully explored.

The concept of natural energy does not suggest that any of these approaches are right or wrong. It simply acknowledges that they exist, and therefore different people will naturally be more effective at different aspects of a business' activities. If your board consists of directors, regardless of their skill and experience, who have a common underlying natural energy, it is highly likely that the board will miss key aspects in the consideration of an issue. Balancing the natural energy of the board ensures that regardless of the issue under consideration, the board has someone who has an inherent focus in that area – someone who will see the relevance of a critical aspect or issue others might miss.

So why does a director's natural energy have anything to do with their performance on the board of a company? In short, it relates to how their performance ties into the combined performance of the entire board. In other words, does the appointment of a specific individual add to the board's overall natural energy – and therefore performance – or detract from it? This effect on board performance occurs because different people naturally ask different questions, bring different perspectives to the table and consider different things to be of importance. A high-performance board is one that asks the right questions at the right time.

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Establishing Who You Need on Your Board

Understanding Your Current Position

To use any kind of compass effectively, you must understand where you are currently standing. The application of the Contribution Compass in your board appointment process is no different. To appoint the appropriate director to your board, you must first understand your board's current composition. In compiling a summary of the composition of your board you should consider aspects such as:

Skills and abilities: Understanding the current matrix of skills and abilities of your directors is critical. This should include both the executive and non-executive directors. Using a skills matrix enables you to easily see where the gaps are and to focus on the selection of directors that will support the board in these areas.

Diversity: Gender, age, background, ethnicity, language and other such factors all have an influence on board performance. There is a significant amount of international research that has been undertaken demonstrating the value of diversity around your boardroom table. Balancing natural energy is also an aspect of diversity.

Challenges and opportunities: What are the challenges and opportunities that the company faces? Is the current composition of the board going to enable you to address it effectively? For example, if the next big opportunity for your company is international expansion, do you have any directors with international experience? Or even better, consider if you have skilled directors from the areas of the globe that you are considering expanding into.

Natural energy: To be able to select the most appropriate director for your board, you must understand the current composition of your board's natural energy. You should know the natural energy profile of each of your directors (both non-executive and executive directors) and have a view of the impact of the consolidated results and collective natural energy.

If you have an executive team that is involved in board meetings or the board and executive team work closely together on strategic issues, then you must also understand the natural energy of your executive team members. Without knowing the profiles of your executive team you could find that addressing an imbalance at board level could create an even bigger overall imbalance when the board and executive teams' profiles are considered as a whole.

Which Contribution Compass Profile Should We Appoint Now?

Once you can determine the specific profile(s) of directors you should seek to appoint, the key is to balance the board based on its overall average percentages of each natural energy. The diagram overleaf illustrates.



“ Balance on Averages ”

		Activating	Inspiring	Sustaining	Refining
Champion	Christopher Columbus	41.67%	33.33%	8.33%	16.67%
Catalyst	Francis Drake	43.97%	27.24%	17.12%	11.67%
Conductor	Edward Blackbeard	27.46%	13.11%	18.44%	40.98%
Average		37.70%	24.56%	14.63%	23.11%
Custodian	Ernest Shackleton	10.80%	25.60%	36.40%	27.20%
Amended Average		30.98%	24.82%	20.07%	24.13%

Using the fictitious example above, imagine a board made up of the first three individuals. While the three individuals all have different profiles, their Activating energy is particularly high (an average 37.70%). This means that any director who gets added to the board with an above-average (above 25%) Activating energy is going to exacerbate this aspect of the board’s engagement in the company’s affairs. The potential result of this could be the board continuing to focus too much on innovative product development and continually discussing new opportunities for the company to grow and develop, while also ignoring customer engagement and satisfaction issues the business is facing. There would quite likely be a lack of focus on what the data and analysis is saying about the financial future of the company.

Instead, the board should look for a director who complements the current board by reducing the average Activating natural energy percentage while increasing the energy levels that are under the targeted average. In the above example, you would probably need to appoint a Custodian profile to get the percentage of Sustaining energy desired. However, a Connector or Cultivator profile with very strong Sustaining energy and somewhat balanced Refining and Inspiring energy could also fit the bill. The key is making the decision through analysis and consideration. By appointing such a director, the board would bring a grounded, delivery-focused energy to the boardroom table that makes sure issues are considered from a practical and implementable perspective.

In the above example, adding Ernest to the board, with an Activating energy of only 10.80%, reduces the balance of the board’s overall Activating energy significantly and increases the Sustaining energy to achieve this outcome. Even with Ernest’s balancing impact, the board is still heavily Activating focused, so it might take several appointment changes over a prolonged period to achieve an even better balance. While you will unlikely find a board that has a natural energy that is perfectly split with 25% in each of the four natural energies, understanding the board’s overall natural energy composition and looking to balance it through the appointment process is what is critical.

It is important to note that in order to determine the profile of the director(s) you seek to appoint, you should calculate the average of the board’s natural energy as per the table above. The key to the calculation is to only include the profiles of directors you know are going to continue to be on the board. Any director who is about to retire, resign or may not be reappointed in the near future, should be excluded. Including their natural energy in the calculation could produce a very different answer on the type of profile you should appoint. While in the short term you may find that the result works, the moment the director is no longer present, the imbalance in the composition of your board will become evident.



When to Involve Profiling in Your Board Appointment Process?

Like all recruitment processes, you should involve the use of natural energy in your appointment process from the beginning. As described in the previous section, using it to consider the actual candidate you seek is the first step. The next step is to design your advertising to attract directors with the type of natural energy that you desire. This is described in the next section.

Some companies are concerned that including natural energy in the selection process of directors can create a stumbling block for the appointment of the right directors or may upset potential candidates when they find out that they must complete the assessment.

We suggest introducing the concept as part of the appointment specifications document you provide to all interested candidates. In finding and selecting directors, the potential director's specific natural energy should be as important as the attributes, skills, experience and diversity that you seek in your candidates.

A specifications or briefing document demonstrates a level of professionalism by the company towards the board, the role of the directors and the seriousness and tone of the board. If you are including the Contribution Compass with this document, you might even find that keen applicants complete their profile themselves. Regardless of whether or not you choose to include the Contribution Compass in your appointment process, creating a formal briefing document for potential candidates is a must-do activity.

There are two broad options regarding the stage at which you could complete the profile of potential candidates:

At short-listing: By getting candidates to complete their profile during the short-listing phase you remove all potential directors who do not have the relevant natural energy to complement the board's composition. This makes your appointment process more effective, leverages the time of those involved in the selection and interview process and makes sure that you focus on candidates who you should be considering for the role. Taking this approach also supports you to not get caught up in liking a candidate who is not appropriate for the board's overall composition. This is particularly important if you are the type of person who will justify to yourself why such a candidate is perfect anyhow.

After the interview: The alternative is completing the profiles of your preferred candidates after the initial interviews are completed. Reducing both administration and cost, this is an approach that would be appropriate for those who will stay true to appointing the type of candidate defined in the appointment summary. However, it also means you have to put more energy into ensuring the advertisement and short-listing repels potential candidates who are not of the desired natural energy. You can support this process by ensuring the wording of your advertisement speaks to the type of directors you seek. You can also consider what questions you can ask to help select candidates that are more likely to be of the natural energy that you are looking for. This is critical if you choose to go with this approach.

Some boards use the appointment process as an opportunity to review how they have been working with each other. As part of this they consider how their respective natural energies have contributed to the effectiveness of the board's working relationship and the results achieved. Getting a Contribution Compass facilitator with boardroom experience to review this with you can be a very valuable to your appointment process.



How Can I Get the Right Director Candidates to Apply?

Different natural energies have different language preferences and are attracted via different types of presentation of data and information. The four natural energies will consider what is provided to them in varying ways. Therefore, using energy-aligned language is critical in maximising your effectiveness in attracting and appointing the right candidates. The key here is to understand that a generic advertisement will get generic responses. A generic process will also get generic results. You must tailor the entire process, from advertisement to appointment, to the specific type of profile you seek to appoint to your board.

For example, if you write your advertisement without considering the language that your preferred profile is most likely to respond to, you will get applications from people representing all the profiles. If the advertisement does not have the right cues in it, it will not stand out to the right people. Yet if you tailor the advertisement to the language of the profile you are trying to find, then you will significantly increase the likelihood of the candidates who apply being of the natural energy that you seek.

What do we mean by tailoring the language of the advertisement?

To some degree this question requires a whole e-book of its own. This relates to the different styles of engagement each profile prefers. Represented by the four natural energies, the engagement styles depend on the specific natural energy (like a Coach, who is predominantly Inspiring energy) or a combination of two natural energies (like a Connector, who predominates in both Inspiring and Sustaining energy).

People's attention is therefore sparked by the type of information or language desired by their specific natural energy. For example, if you are seeking to appoint a director with 'Activating' energy, then you must trigger Activating's core driver of 'seeking potential' and include in the advertisement insight into where the business is headed, the opportunities that are available in the future and the exciting things that you are considering doing. However, if you are looking for a director with Sustaining energy who is driven by 'a sense of belonging', then you need to focus on information on the board's processes, who is already on the board, the rhythm and cycles of the company and the company's focus on community development.

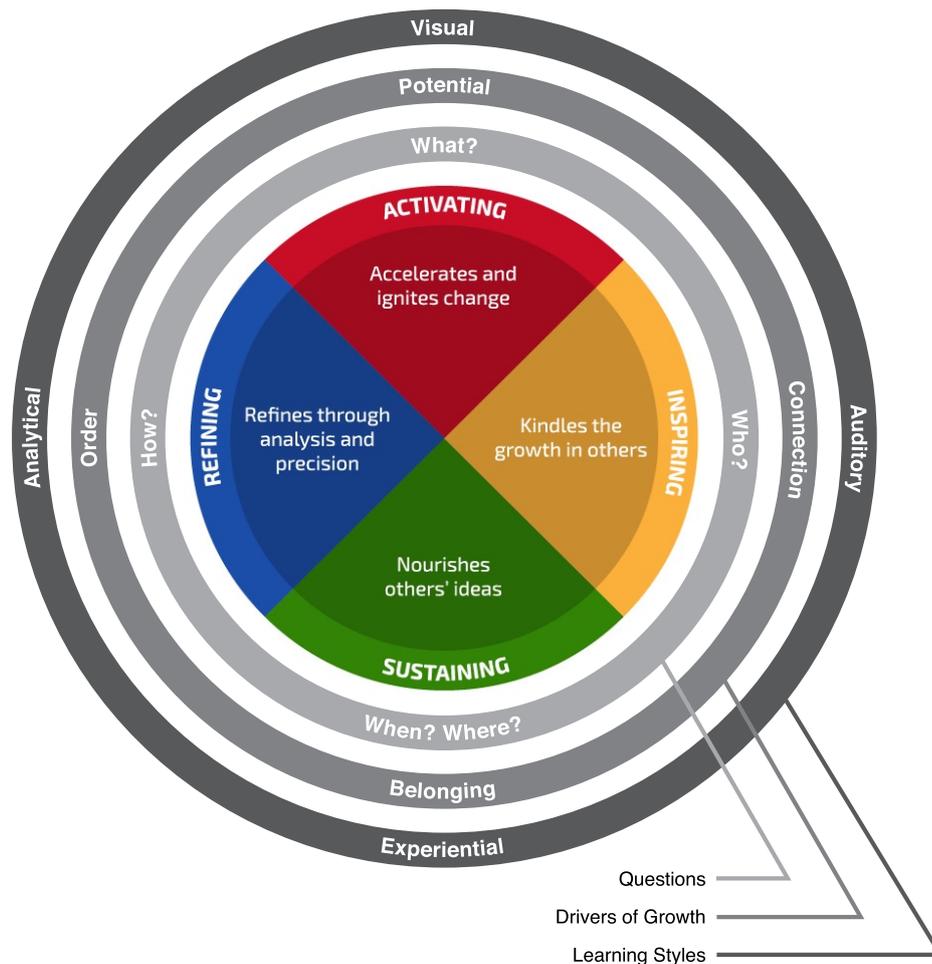
What do we mean by tailoring the process?

People's desire for specific types of engagement also flows through to the interview and due diligence processes. As an example, if you have identified an Activating energy director and are keen for that candidate to seriously consider accepting an appointment to your board, spend an hour or so with the candidate brainstorming opportunities to take the company to the next level. Activating energies like to be involved in innovation and are forward thinking, so this will give them a sense of where the business is headed and give you a sense of whether they will add value to the board's discussions going forward.

On the other hand, try and get a 'Refining' energy director to accept an appointment too early in the process, having not given the candidate director the information to analyse before accepting, and you might just lose out. If the director did accept without this data and analysis, which is their preferred engagement style, you may have to wonder what is driving the candidate's eagerness to be on your board without having fully understood where the business is at and what is involved.



If you are looking to appoint an Inspiring natural energy director, load up a two-minute video alongside the director advertisement and share the type of person you want to join your board. This supports an Inspiring energy's desire for personal engagement and having the candidate hear the message as an audio, rather than just as a written specification, is likely to support the process as well.



Understanding these nuances takes time, so consider having someone from your management or human resources team get to understand the profiling system and how it can be practically applied in these different circumstances.

If you are not currently utilising the Contribution Compass in your board appointment process, doing so will support taking your board's interaction to a new level of understanding and enable new appointees to quickly deliver value to your boardroom. By balancing your board through the appointment of a new director, who adds a currently missing dynamic, you may even find that the board has new energy and switches on the executive team to new opportunities and insights not previously considered.

If you do not have the expertise to tailor the advertisements yourself, find someone on your team who understands the different natural energies and ask them to do it for you. Alternatively, contact the Sirdar Group team to support in this regard.



Next Steps: Maximising Your Board's Contribution

We trust that you have found valuable insights in this e-book regarding the relevant considerations to your board appointment process and that it brings you a new dimension to how you will go about the selection of directors into the future.

Here are the key takeaways for you to action to maximise your board's contribution going forward:

1. Complete your board's profiles today, so that you know what your base is and what to look out for when you need to appoint the next director
2. Ensure advertisements for directors are written in a language that attracts the profiles you seek
3. Profile all short-listed directors to make sure you do not invest time interviewing directors who are not suitable for the board based on their natural energy
4. Make sure you are not tempted to appoint a candidate because you really like them regardless of whether they are the right profile or not
5. Identify someone, even yourself, to become an internal expert on your team about the Contribution Compass and how to practically apply the methodology in your board appointment processes

Sirdar Group

The leading educator, appointer and guide of high-performance boards for privately-held companies and family businesses.

‘Sirdar’ is the name given to the lead Sherpa on a mountain expedition. Where others view a high mountain as a great challenge or an insurmountable obstacle, the sirdar sees it as a clear path of opportunity. The sirdar builds the right team, chooses the correct route and knows when to go for the summit. At Sirdar, this strategy is applied in walking with companies on their journey to success.

Meaningful Economic Impact

This serves as the promise against which we measure our behaviour and decisions. It is underpinned by the understanding that effective boards grow companies. These companies become more sustainable with less risk and better returns. Stronger companies support a stronger economy. Stronger economies can do more for their people.

When the economy is flourishing and there is measurable, reliable growth, quality of life has the opportunity to improve on a national scale. It makes both the lives of the people, and the world, a better and more meaningful place. Facilitating long-term economic impact makes a meaningful impact on everyday people.

Sirdar Group delivers on its promise by providing three key services to the boards of privately-held companies and family businesses.

Educate. Appoint. Guide.

The first step in creating sustainable businesses is sharing the importance of the role of a board in a business.

Boards are often incorrectly thought of firstly as a practice reserved for big businesses and corporates, and secondly as a group whose key role is to ensure compliance. In reality, a board of directors is a critical business tool for privately-held companies and family businesses. In so doing they improve performance, increase company value and deliver a return to shareholders and other stakeholders.

Sirdar Group therefore drives awareness about boards and in-depth and practical education surrounding their importance and how they function.



The second step is appointing a high-performance board.

Often the success of the board is seen as a function of the names that sit on it. While critical to board success, it is only one part of the three key areas that are the foundation of, and sustain, a high performance board – people, methodology and process. Sirdar Group ensures that the foundation of the board, through the selection of the right directors for the specific circumstances, occurs. Through understanding an individual’s commercial astuteness, to testing their natural energy and ensuring their governance knowledge, Sirdar Group makes sure the right people are appointed to the team.

And the third value-adding step is guiding the board on its journey of success and growth.

To complete the picture, Sirdar Group’s unique methodology to create and sustain high-performance boards blends best practice thinking, holistic governance models, the practical application of governance principles, the provision and performance management of independent non-executive directors and a team to guide the board. This delivers real value to the companies in which we are involved and we see an immediate positive impact as well as an increase in sustained profitability and value in the businesses we work with. It is how we deliver impactful and meaningful economic growth.

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