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BOARDS WITH IMPACT:

Going beyond the playbook to navigate turbulent times

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TURBULENT TIMES FOR BOARDS

Leaders everywhere are grappling with disruption, disillusionment and complexity. Chief among the challenges are exponential technological developments and the tangible effects of a changing climate. Both are compounding social stress and inequality. Our world order is changing and we must anticipate and prepare for more turbulence ahead.

Directors are expected to take responsibility and chart a course through this rapidly shifting and increasingly volatile landscape. The organisations they lead need to build resilience to continue to deliver value.

Boundaries that used to stop at the organisations front door no longer do. As the risks compound, the number of issues that do not fit old economic models grows. This is the era of consequences.

Many leaders have not fully grasped the magnitude of the disruption coming. For some organisations, the threats are existential: move too slowly and the structural instability could be fatal; fail to engage effectively with the opportunities and lose your competitive edge. This is a time for transformative leadership and strategic coherence won through clear choices and priorities.

Going beyond the playbook is a call to action for leaders seeking to lift the ambition of their organisations, knowing that today's decisions will shape coming generations. It is designed as a practical guide to bring renewed focus to purpose, and put integrity of an intention to achieve positive impact at the centre of decision-making.

It is also a thank you to leaders confronting the structural challenges who are facing into what is needed now and next. We understand the personal and professional courage and sustained commitment this style of leadership demands.

The imperative to better integrate social and environmental issues is not going away. The next generation will call current leaders to account for both, how their organisation has avoided doing harm, and where their organisation is having a positive impact.

Directors need a more complete and nuanced view of the constraints, and opportunities to orient for longevity and focus on what impacts matter most. That orientation won't come from regulation and markets. It requires clarity of purpose and a reframe of where value will be delivered in future.

This new geography calls on leaders to go beyond the 20th Century playbook and take up the board's role as an essential lever of change.

2 ■ ESSENTIAL SETTINGS TO FIND FOCUS

Turbulent times are, by nature, disorienting. Rapidly changing demands and expectations shift and expand what is expected. As a leader, you need to be prepared to explain how your organisation is approaching this deep structural transition.

Finding focus is essential. How is the context being understood to inform decisions? That is hard to assess without a complete picture of your strategic context, with all of its complexity. Without more insight into social and environmental issues there is not sufficient context for decision-making.

That requires a wider aperture that takes in the non-financial dimensions of the landscape. A fuller picture of this geography exposes more and different dimensions of choices and consequences for decisions your board is making – or not making explicitly enough – and their consequences.

Three key anchor points can help sharpen your focus and inform your orientation.

1. KEEP YOUR EYES ON THE HORIZON; THE PRIZE IS LONGEVITY AND RELEVANCE

A longer-term focus is critical. Sustaining longevity and relevance requires resilience over time. The focus needed now is on identifying the impacts that will matter most for future resilience and performance.

That focus brings into frame different possible pathways for building agility and innovation. Building fluency and 'muscle' around impacts that matter most for your organisation in the short, medium and longer term becomes a survival skill.

Ask questions such as:

- ▶ What are the big social and environmental challenges, shifts and potential disruptions we need to be prepared to respond to – over the next 1 - 3 - 5 - 10 years?
- ▶ Are our goals ambitious enough? Do we understand our contribution relative to the rate of change required to make measurable progress and avoid being disrupted?
- ▶ What big bets might we regret not having made now in 3 years - 5 years' time?

2. ESSENTIAL SETTINGS TO FIND FOCUS CONTINUED

2. ALIGN AROUND PURPOSE TO DRIVE CULTURE, STRATEGY AND DECISION-MAKING

Clarity of purpose that is relevant and measures up to the changing context can sharpen your focus. Interrogating purpose as a relevant expression of what your organisation is and does and why, the impacts it seeks to have, for whom and how it contributes to achieving that, is vital.

Purpose is dynamic and has a co-evolution with strategy. Organisations that haven't already will likely need to (re)evaluate their purpose for how it responds to the context with a changing set of constraints and opportunities.

Even those with a clear purpose will need to ensure their organisation's culture promotes behaviours and norms to bring it to life. This is essential to build alignment and capacity to respond to the changing context.

Ask questions such as:

- ▶ Have we (re)evaluated our purpose in the context of a changing set of factors and how is that (re)evaluation shifting (internal and external) norms and expectations for our organisation?
- ▶ What may be needed for the board and organisation's culture to equip us to advance our purpose?
- ▶ Are we setting a direction – in the near, mid, and long term – that enables and encourages people throughout the organisation to put energy, resources and priority on strategic opportunities for impact?

2. ■ ESSENTIAL SETTINGS TO FIND FOCUS CONTINUED

3. GROUND STRATEGIC CHOICES IN CONTEXT AND PURPOSE

Successful organisations in the 2030s will look very different from those of today. They are likely to have a clear (and clearly communicated) purpose with strategies that are explicitly responsive to social and environmental realities.

Every strategy is loaded with potential impact – positive and negative, intended and unintended. It is the board's job to find it, understand it, and make clear choices where necessary.

If your organisation is not building these factors into its strategy now, it risks irrelevance in the longer term. Engaging with factors beyond narrow financial indicators is essential to sharpening focus on what is going to matter beyond the current turbulence. Failure to engage with these factors invites vulnerability.

Recognising the co-dependent relationship and evolution between purpose and strategy guides the board to see new opportunities.

Ask questions such as:

- ▶ Are we clear where we need to focus and what we need to invest in to advance our purpose over the near, mid and long term in this changing context?
- ▶ What other dimensions do we need to understand to inform our strategy from both a risk and opportunity perspective?
- ▶ Can we defend to external (and internal) stakeholders the choices we are making and why?

3. THREE STEPS TO REFRAME AROUND PURPOSE

Once you have the landscape in focus, you can start to chart a course for the organisation in this new geography. A wider aperture beyond the boardroom is fundamental to reframe how decisions are made inside it.

Three key settings can help re-frame decision-making and maintain your focus.

1. TAKE THE DRIVER'S SEAT TO ANTICIPATE WHAT'S COMING AND RESPOND WITH AGILITY

Relying on regulation and reporting to make decisions, is akin to driving through difficult and changing terrain looking in the review mirror. Reporting and compliance become valuable when they are interrogated for insights that invite different questions and answers that can point you toward new potential for products and services.

Ask questions such as:

- ▶ What insights from compliance requirements should we be paying closer attention to?
- ▶ Where do we need to probe more deeply and ask different questions to move beyond compliance and deliver net positive impacts across the strategic agenda?

3. THREE STEPS TO REFRAME AROUND PURPOSE CONTINUED

2. PLAY OFFENCE TO PURSUE STRATEGIC CLARITY AND OPPORTUNITY

Reframing from a compliance mindset to ask what opportunities your organisation may be missing is a more straightforward path to differentiation, new value and influence. Boards that clearly see structural obstacles and anticipate disruption, prioritise more effectively.

The only way is forward. Time is not on your side to wait and see what happens. Simultaneously framing decisions through a risk prism and an opportunity prism enables you to start to see connections that open new frontiers of innovation and value.

Ask questions such as:

- ▶ Do we have a complete picture of the potential consequences of the decisions to act and not act in light of the changing context we've identified?
- ▶ Are we equipped to tell the story that's an accurate representation of what we're actually doing/achieving with respect to the environment and society?

3. DON'T WAIT TO FIND TIME, TRACK THE REFRAME RIGHT ACROSS THE BOARDROOM AGENDA

Reframing holds the key. Time and time again we see boards saying we don't have enough time on sustainability and we need more insight on how environmental and social issues link to strategy.

If you don't consider the implications of interventions from a social and environmental perspective you will develop blind spots, including to unintended consequences.

A wider lens can bring impact into frame across the board agenda. That invites a level of strategic clarity and consistency that lowers risk and builds agility because you can build understanding of the implications for business in a more holistic way.

Ask questions such as:

- ▶ Are we clearly established as an organisation that acts to avoid creating harm and provides benefit to stakeholders and contributes solutions?
- ▶ Are we equipped to tell the story that's an accurate representation of what we're actually doing/achieving with respect to the environment and society?

4 ■ FIVE ELEMENTS TO TRACK THE REFRAME ACROSS THE BOARD AGENDA

The right time will never come. The right perspective will be obscured if some dimensions of the organisations operations and impacts are either not considered or considered separately from others.

Tracking impact across the board agenda maintains a sharp focus in a fast-moving environment. This is also where boards and management forge and test the strength of their partnership, set the tone for the rest of the organisation and inform expectations and parameters of performance.

Right across the typical cycle of a board's agenda, there are questions any director can ask to keep the focus sharp, and to reframe how questions are explored.

We've illustrated this across 5 key areas that come up on every board's agenda. In each case, there is a central strategic question we don't see being asked enough and supplementary questions you can ask as a director to change the setting and reframe the board discussion.

1. RISK: TO WHAT EXTENT DOES OUR APPROACH TO RISK MANAGEMENT TAKE APPROPRIATE ACCOUNT OF THE SOCIETAL AND ENVIRONMENTAL CHALLENGES IN OUR STRATEGIC AND OPERATING CONTEXT?

Also ask questions such as:

- ▶ How is our risk appetite influencing decision-making?
- ▶ Where are we risk seeking, risk tolerant and risk averse and why?
- ▶ Could the real risk be not acting decisively enough?
- ▶ Do we track unintended consequences? How?

4

FIVE ELEMENTS TO TRACK THE REFRAME ACROSS THE BOARD AGENDA

CONTINUED

2. PEOPLE & REMUNERATION: TO WHAT EXTENT ARE WE ATTRACTING, RETAINING AND MOTIVATING THE RIGHT PEOPLE WITH THE SKILLS, MINDSET AND COMMITMENT TO ADVANCE THE ORGANISATION'S PURPOSE?

Also ask questions such as:

- ▶ How can the board keep its finger on the pulse of people matters as the range of issues and considerations expands to social and environmental issues beyond the direct operations of the organisation?

3. STAKEHOLDER ENGAGEMENT: TO WHAT EXTENT DO WE TAKE ACCOUNT THE EFFECTS THE ORGANISATION IS HAVING BEYOND ITS DIRECT EMPLOYEES AND CONSUMERS WHEN WE'RE MAKING DECISIONS?

Also ask questions such as:

- ▶ Are we clear on who we serve (directly and indirectly) and who our stakeholders are? And why?
- ▶ Are we considering the perspective of stakeholders in connection with the company's purpose and strategy?

4. RESOURCE ALLOCATION: TO WHAT EXTENT ARE WE ALLOCATING RESOURCES TO ACHIEVE OUR NON-FINANCIAL GOALS?

Also ask questions such as:

- ▶ Are we matching our commitments with resources to deliver?
- ▶ Are we consistently and explicitly using clear criteria to make the priority decisions for how we are making these investments of resources?
- ▶ What would we include in a framework for resource allocation and prioritisation that takes account of externalities?

4

FIVE ELEMENTS TO TRACK THE REFRAME ACROSS THE BOARD AGENDA

CONTINUED

5. PERFORMANCE MANAGEMENT: TO WHAT EXTENT DOES THE REPORTING WE RECEIVE PROVIDE A CLEAR UNDERSTANDING OF SOCIAL AND ENVIRONMENTAL HARM AND THE BENEFITS?

Also ask questions such as:

- ▶ What is the scope of non-financial information we need to have a more complete picture and understanding of the organisation's performance and track progress against purpose and strategy?
- ▶ Do the individual components of information we are receiving give us that picture?
- ▶ Are we sufficiently ambitious in setting our performance goals relating to social environmental performance?

5. NEW FRONTIERS OF PERFORMANCE

This approach is intended to be useful to leaders who understand that effective governance remains an undervalued lever of change. It is actionable now and anticipates new and different issues, choices and trade-offs that leaders will continue to confront and for which Directors and their organisations will increasingly be asked to account.

If you accept the changing context – that the outside world affects what happens inside the boardroom – you will see constraints and opportunities differently. The insights available by making impact explicit provides data on what is happening and possible – positive and negative, intended and unintended, shorter term trade-offs and longer-term horizons.

Directors' capacity to understand and be able to explain and, where needed, defend performance in the context of this rapidly changing environment is essential. It requires clarity of purpose, knowing where to keep the focus tight and where to look further beyond the horizon. This approach will inform sound choices and anticipate what will matter most for resilience and relevance over the long term.

Rapidly changing demands and expectations are shifting and expanding the elements of performance. This new reality is undoubtedly difficult terrain to navigate. Yet a longer-term view opens the door to innovation. Purpose can become a driver of creativity and dynamism, shaping new frontiers for performance. In this way, purpose and profit meet and are mutually reinforcing.

Purpose informs more than incremental improvements. It invites new products, new services and new alliances that can differentiate and generate new value.

Every leader, every board member, can bring this new lens to their role to inform different questions and dimensions to the board agenda, purpose, strategy and business.

ABOUT US

Mondiale Impact was founded on the belief that the boardroom is a critical lever of change. We support and challenge leaders as they confront new governance realities and navigate transformative global shifts.

Mondiale Impact brings together experienced leaders at the forefront of shaping sustainable and impact markets, with a shared mission to accelerate the governance response needed to meet the urgency and scale of sustainability issues and opportunities confronting leaders, their organisations and society.

Our Founding Partners are pioneering leaders combining decades of multilayered expertise with a proven track record as Chairs and Directors.



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