



## GOOD GOVERNANCE ASSESSMENT PICTURE (GGAP)

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Non-Executive directors to a large extent are dependent on information (often 'hard' data) provided to them by the Executive board or their designees. In addition, time and other legitimate constraints prevent them from being as informed as the Executive board is. In practice they have limited access to (independent) information, although their role to a large extent requires them to exercise independent oversight. This information dependency and gap is often considered one of the main limitations in exercising one's duties as a Non-Executive Director.

The GoodGovernance.NU Foundation introduces the concept of 'GGAP' to assist Non-Executive Directors to improve or even regain control over their responsibilities. Rather than primarily focussing on hard-data, GGAP visualises the gaps between the *expectations* of the policy makers regarding defined strategy and its implementation versus how (operational) management perceives both. We define these gaps, or 'disconnects', as potential 'strategy losses', that in turn are indicators of possible failures or threats to the long-term success of the company. The notion of these disconnects should assist the internal discussion on some issues which are not easy to grasp from hard core reporting.

### GoodGovernance.NU Foundation

The goal of the Good Governance.NU Foundation is to stimulate the principles of 'good' governance to strengthen the management of organisations. This is done by providing a *platform for board members and managers* whom have encountered ethical and behavioural dilemmas, *discussion groups* to share their thoughts and personal challenges to deal with governance issues and *scientific research* into factors that promote Good Governance. Starting point of all activities is to stimulate the dialogue on themes that are important to the implementation of GOOD governance.

### Social information is an essential building block for good governance

Evidently top management can only take their responsibility on the basis of relevant information. Hard core information is the basis of the key-controls. In some cases, it looks that the quality of the governance is equivalent to the quantity of key-control systems: the more key-controls the better the governance.

Many believe however, that social information is just as important. Social information is related to individual values, norms, conclusions, rules, opinions, ideas and believes. The best way to collect social information is 'dig' into the 'all-knowing' eco-system of the enterprise. Conventional wisdom may not necessarily provide the answers in today's complex society, it seldom errs on the questions which need to be solved however. Data can be gathered (perceiving) and this data can be used as starting point for gaining knowledge (interpreting) which is necessary for acquiring wisdom (evaluation).



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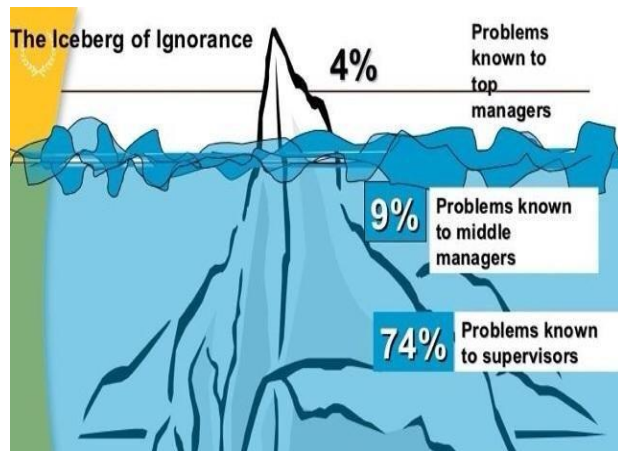


## Good Governance Assessment Picture (GGAP)

The Good Governance Assessment Picture is an assessment methodology which collects social information from different management layers and produces a picture of the gaps between the *expectations* of the Board regarding the implementation of the strategy and the *perception* of the same, by (operational) management. These 'disconnects' can be input for discussion between the Non-Executive board and the Executive Board to explore and address issues which come between strategy formulation and its proper execution. The GGAP tool is a method to highlight important issues for keeping the company aligned to its goals and strategy; is not meant to bring up more detailed information.

## You **don't** know what you **don't** know

Sidney Yoshida conducted a study \* in 1989 that concluded that top management was only aware of



4% of the problems in a company... only the tip of the iceberg. Anticipating that the top management will want to be aware of more than 4%, the Good Governance.NU questionnaire will help raising awareness and facilitate discussion around the most relevant issues which may derail the company in achieving its stated objectives.

\* Yoshida, S. "Quality improvement and TQC management at Calsonic in Japan and Overseas", paper second international quality symposium, Mexico, 1989

The questionnaire will be structured according the relevant themes of the Dutch corporate governance code (2013):

- long-term value creation
- risk management
- stakeholder interest and
- culture / Corporate Social Responsibility

By providing insight into discrepancies between the replies from the different management groups (this can be both geographic and functional) a picture is created of possible 'strategy loss'.

## Work in progress

1. In cooperation with some members of GG.NU a 'Proof or Concept' will be developed. We aim at having the questionnaire assessed and validated by external expertise (such as e.g. ACS, INSEAD, McKinsey and EY).
2. For the further validation of the questionnaire, we call on the cooperation of launching customers

## Follow-up

- A. Developing a Proof of Concept (PoC)
- B. Converting the PoC in a GGAP-app, with adequate data security.
- C. Making the tool available, under license, to interested parties.

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