

GOOD GOVERNANCE ALIGNMENT PRACTICE (GGAP)

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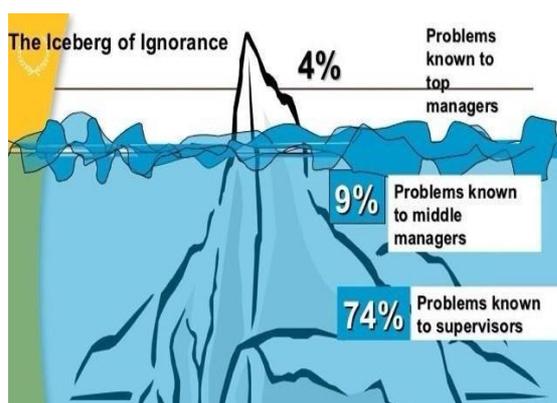
Within large corporations, effective strategy execution is highly dependent on information exchange and communication between all stakeholders. This only works if the company manages to track organizational performance and strategic success. Although financial and other key data provide important guidance, they fail to identify root causes crucial for accomplishing a meaningful and informed dialogue to ensure good governance.

The GoodGovernance.nu Foundation has developed a tool -the Good Governance Alignment Practice (GGAP)- that explores possible gaps between the intentions on strategy execution by executive management and its implementation versus its perception by (operational) management. We define these gaps as 'strategy losses', which may adversely affect a company's long-term performance. As hard data, such as financial reporting will not identify or predict them, strategy losses will most likely go undetected. By identifying these disconnects, GGAP output will enable the internal discussion so organizations can improve their strategy implementation and bottom line results.

WHY: Social information is an essential building block for good governance

Top management can only take their responsibility on the basis of relevant information. Financial information and other key control systems deliver hard data, embedded into the organization's reporting structure and are readily available to all management layers. Too often it is assumed that the quality of the governance is equal to the quantity of key-control systems: the more key-controls, the better the governance.

At GoodGovernance.nu we believe that social information is a vital complement to hard data, and an essential component to assess and improve the good governance processes with the company. Many organizations today however, lack means or methodology to effectively collect this social information and provide a basis for using this information in governance discussions. GGAP is intended to fill this void. It is designed to 'dig' into the 'all-knowing' eco-system of the enterprise and to gather social information in a structured and objective manner. GGAP transforms social information from anecdotal to objective input. It enables meaningful dialogue and improves the decision making process. Based on this insight, the board can weigh, evaluate and possibly amend existing strategy. GGAP helps boards engage internal brainpower to understand issues, challenge given assumptions and helps improve and focus strategy to the benefit of the company.



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 top management wants to be aware of more than 4%, GGAP will help raise awareness and facilitate discussion around 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



HOW: GGAP adds structured social information to the strategic planning process

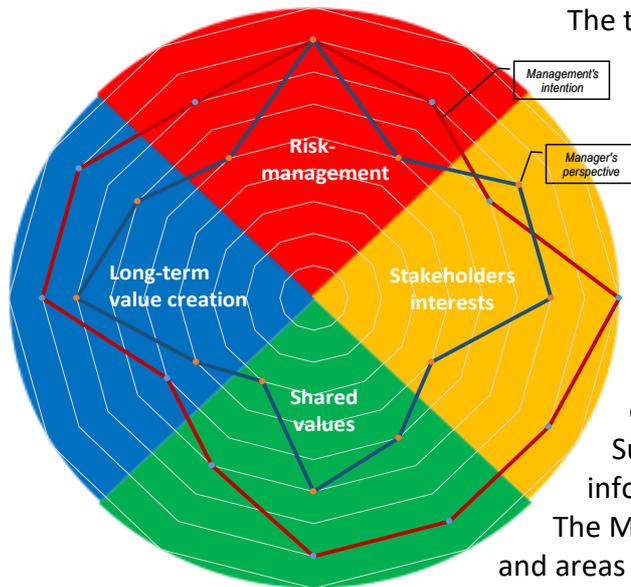
GGAP is an assessment methodology which collects social information from different management layers within the organization a picture of the gaps between the intentions of the executive management regarding the implementation of the strategy and the perception of the same, by (operational) management. These 'disconnects' may serve as input for discussion between the Non-Executive board, Executive Board and senior management to explore and address issues which come between strategy formulation and its proper execution.



Once collected, social information, become data-points for a picture or X-ray image of the organization. GGAP enables informed discussions about its strategy and alignment processes. By integrating it into the cycle of Plan-Do-Check-Act, GGAP puts a spotlight on areas of potential strategy loss and promotes actionable discussions on strategy effectiveness and implementation.

WHAT: Good Governance Alignment Practice (GGAP)

By identifying areas of potential strategy loss, management can drive decisions on where strategy effectiveness can be improved.



The tool consists of a questionnaire to be completed by executive management and those (key) managers responsible for executing the objectives of the company.

Questions center on the generally accepted corporate governance focus areas: Long-term Value Creation, Risk Management, Shareholder Interests, and Corporate Social Responsibility. The results are value free. There is no right or wrong answer, just perceptions of situation as seen from the view of the respondent GGAP output delivers structured social information that provides direct benefits to each stakeholder group.

The Supervisory Board receives objective aggregate information to support and evaluate leadership decisions.

The Managing Board gains insight into strategy effectiveness and areas of strategy loss. Operational Management use GGAP to

facilitate structured feedback to senior management. All stakeholders use the objective input GGAP generates to improve strategy implementation and results.

INITIATED BY The GoodGovernance.NU Foundation

Good Governance.nu is a not for profit organization with a mission to stimulate and foster good governance practices. We provide a platform for board members and managers to share their governance dilemma's, promote dialogue, share thoughts and personal challenges by all those dealing with governance issues. We are a think tank that initiates and stimulates scientific research of the factors that promote good governance.