

# **AGENDA**

*October 2011*

1. Introduction
2. Objectives of the session
3. Building a better board
4. The four key tasks of the board
5. Features of a well run board
6. The attributes of a Director
7. Board Development

# BOARDROOM DILEMMAS

1. The board must simultaneously be entrepreneurial and drive the business forward while keeping it under prudent control.
2. The board has to know enough about the company's workings to answer for its actions, yet be able to stand back from the day-to-day management and retain an objective long-term view.
3. The board must be sensitive to the pressures of short-term issues and yet be informed about broader and long-term trends.
4. The board must be knowledgeable about local issues and yet be aware of national, international and even global opportunities, competition and other influences.
5. The board is expected to be focused on the commercial needs of its business while acting responsibly towards its employees, business partners and society as a whole.

## THE FOUR KEY TASKS OF THE BOARD

### There are four key tasks of the board: -

1. establishing the purpose, vision and values;
2. setting strategy and structure;
3. delegating to management;
4. exercising accountability to shareholders and being responsible to relevant stakeholders.

# THE TASKS OF THE BOARD

**Outward-looking**

4. Exercising accountability to shareholders and responsibility to other interested parties

1. Foresight – determining purpose, vision and values

**Inward-looking**

3. Oversight – delegating to management

2. Setting strategy and structure

## Oversight and delegating to management

involves: -

1. delegating authority to management to implement the policies, strategies and business plans;
2. setting the criteria, and monitoring and evaluating the implementation;
3. communicating with senior management

## Exercising accountability to shareholders and being responsible to relevant stakeholders involves: -

1. Ensuring that communications both to and from shareholders and stakeholders are effective
2. Understanding and taking into account the interests of shareholders and stakeholders
3. Monitoring relations with shareholders and stakeholders
4. Promoting the good will and support of the shareholders and stakeholders

**Few boards fulfil all of the tasks in the framework well. 'Any organisation that thinks it does everything the best and need not learn from others is incredibly arrogant and foolish' (Browne, CEO at BP, quoted in Prokesh, 1997 : 147).**

## What are the features of a well-run board?

### A board that exhibits 'goods practice' will probably: -

1. Have a good balance of well-chosen and competent directors;
2. Meet regularly under the leadership of the chairman;
3. Have challenging agendas and minutes that are correctly kept;
4. Shape the destiny of the company;
5. Focus on the four key tasks of the board – determining purpose, vision and values; setting strategy and structure; delegating to management; and exercising accountability to members and responsibility to interested parties;
6. Have board induction, inclusion, competence building and appraisal systems in place.

## What are the features of a poorly run board?

### A board that exhibits 'poor practice' will probably: -

1. Be wrongly structured in that it is too big or too small;
2. Have insufficient range of expertise;
3. Contain directors with executive responsibilities who see their role as protecting their own turf;
4. Take major decisions with inadequate debate or no challenge (it is a 'country club' board that will not take hard and unpleasant, but necessary, decisions)
5. Have decisions overturned by a dominant individual;
6. Have decisions made by cabals of the board;
7. Have decisions made outside the board;
8. Have few, if any, reviews to see if the decisions were correct or not;
9. Fail to push management hard on succession, investment (including training), R & D, or product or market development;
10. Fail to keep the company's financing arrangements under review: the wrong banks, too many banks, the wrong means of finance, the wrong structure of indebtedness, the wrong risk profile.



# The attributes of a director

## a. Strategic Perception

- change orientation;
- creativity;
- foresight;
- organizational awareness;
- perspective;
- strategic awareness;

## b. Decision making

- Critical faculty;
- Decisiveness;
- Judgement;

c. Analysis and the use of information

- Consciousness of detail;
- Numeracy;
- Problem recognition;

d. Communication

- Listening skills;
- Openness;
- Verbal fluency;
- Presentation skills;
- Written communication skills;
- Responsiveness;

e. Interaction with others

- Confidence;
- Co-ordination skills;
- Flexibility;
- Presence;
- Integrity;
- Learning ability;
- Motivation;
- Persuasiveness;
- Sensitivity;

f. Achievement of results

- Business acumen;
- Delegation skills;
- Drive;
- Resilience;
- Risk acceptance;
- Tenacity.

- Is a board performing at its optimum?
- What is the optimum for the board?
- Are standards and goals set?
- How are underperforming boards identified?
- How is spare capacity of a board identified?
- How can the capability of the board be measured?
- What level of competence should a board have?
- How can the board be benchmarked against others?

# Board Development Continued

- Board composition and organization;
- Clarifying the powers, roles and responsibilities of the board;
- Planning and managing board and board committee meetings;
- Developing the effective board.

## Board composition and organization

When building the potential of a board, you can consider a number of strategies to deal with the membership and how they work. You might:

- increase the number of executive directors;
- Increase the number of non-executive directors;
- Make more use of external resources within the board's networks;
- Make better use of underutilized resources within the board and company;
- Increase the capability of the board in areas of strategic thinking;
- Develop the knowledge and expertise of existing directors;
- Develop the board by looking especially at processes in use.

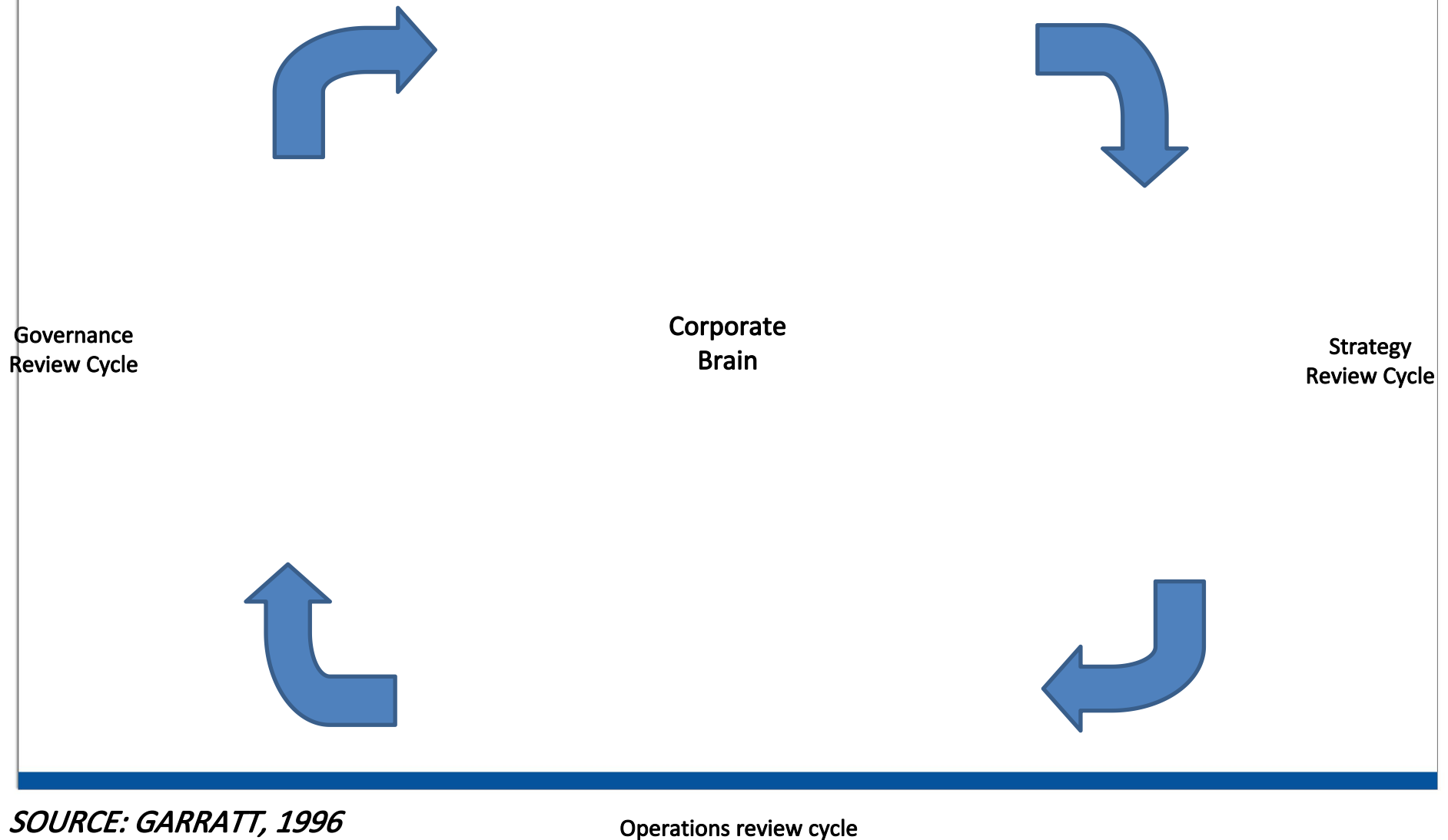
# Boardroom Issues

Boardroom Development Issue	Respondents who identified Issue as Important
Strategy development	75%
Leadership	73%
Teamwork	65%
Continual development and updating of knowledge	49%
Continual development and updating of skills	48%
Adaptability and flexibility	46%
Selection	38%
Succession	38%
Appraisal of the board	28%
Appraisal of individual directors	26%
Remuneration of directors	24%
Preparation for board appointment	21%

*SOURCE IOD (UK) 1998b*

# The Learning Board Model

Policy Reviews Cycle

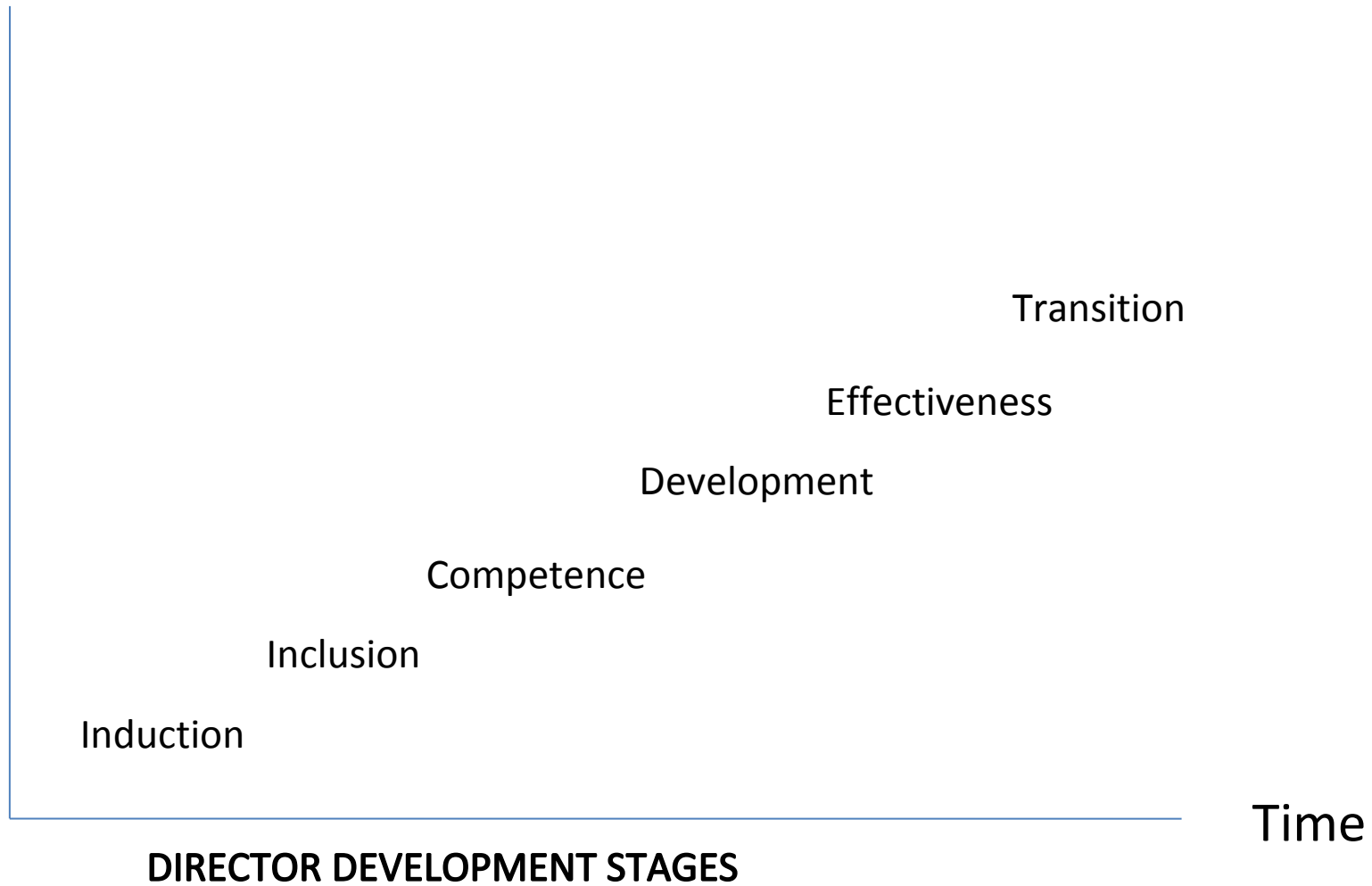


*SOURCE: GARRATT, 1996*

Operations review cycle



## Maturity as a Director



*SOURCE: GARRATT, 2000*

# Director Preparation

In a recent survey directors were asked how they prepared themselves or how they were prepared for their role as a company director.

No preparation	35%
Previous experience	42%
Professional/management qualification	30%
Career development	30%
Appropriate training courses	27%
Proper board inductions	6%

They were also asked how they thought individuals should be prepared for the role as a company director.

Proper board induction	61%
Specific courses	59%
Proven executive success	47%
Co-option to the board	23%

### At recruitment

- Explanation of the function of the organisation
- Outline list of services provided

### At appointment

- Initial discussion and welcome (Chairman and Chief Executive)
- One to one with Chairman
- Explanation of director's role
- Explanation of business plan
- Explanation of partnership agenda, including briefing on individual partners
- Handover of written materials
- Introduction to senior staff
- Introduction to operational staff

### At first board meeting

- Welcome and introduction to board members
- Support and attention through meeting
- Personal de-briefing after meeting

### Over the longer term

- Member to spend time with a Personal Development Adviser
- After 3 or 4 months further meeting to identify outstanding concerns