



## “Getting the most from your Board”

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The recent financial crisis demonstrates just how closely linked the economies of the world really are. The crisis has moved from one of a purely financial nature originating in USA to one that has engulfed the world markets and then with knock-on affects the economies of the world.

In current times it certainly is understandable that companies should batten down the hatches reduce the cost base and transform the corporation to meet the current and anticipated challenges in the planning period ahead. While the board will be supportive of such actions and will encourage the management to get on with it they also need to challenge if the core values and the essence of their business model is being sustained. For example there is little point in cutting the front line of customer service where this is a key factor in premium pricing. Equally I strongly suggest that in these challenging times management development and succession planning expenditure is vital for the future health of the business and indeed for current morale.

I have seen many examples in the current time where the board has responded very positively to the current circumstances in a number of ways. First a recent McKinsey study has suggested from its research that many directors are not sensing the need to make some radical changes in response to the current conditions as they expect things to return to “normal” for this is what they have done in the past. They talk of this as anchoring beliefs to past patterns.

The best boards with strong leadership are not taking that view. They are holding special meetings to address very specific challenges such as liquidity special acquisition and disposal opportunities or some very special operating issues that impact on the strategy. There are examples in all countries where the board is demonstrating the loose-tight approach. There is more delegation and trust in the management to get on with the operating issues and the board changes its regular agenda to leave out the routine and focus on really critical matters. In these circumstances good information is a must-have. Most of the companies will have some form of balanced scorecard that may well be modified for the short-term needs driven by this credit crisis.

It seems logical to me that the board would on an annual basis want to have an open mind on how it can improve its effectiveness. While some may see this as a luxury in the current climate I maintain that it is essential. Do not allow this to be a process driven issue. There are many approaches that are truly effective and light on time and documentation that will improve the board effectiveness. It is not a major undertaking!

What about governance? Most directors initially wince at the thought of taking time out to look at the governance of their organization. The culture in the organization starts with the values that are adopted and embedded, being practiced every day. Governance doesn't have to be a chore full of analysis and filling in of forms so that you can tick the boxes. I abhor unnecessary process and insist that good governance must add value. If the external world has greater confidence in your controls and standards then the cost of capital is almost certainly going to be lower. Here are the key things that I think can add real value.



### **“Getting the most from your Board”**

1. The composition of the board. The combination of the experience and competences that are reflected there.
2. Balance on the board. There needs to be a clear division of duties and an opportunity for clear challenge and alternative views.
3. The composition and scope of the key committees especially the audit and risk committee.
4. The board appraisal process that will help the board be more effective.
5. The management development and succession planning in the organization

From what I have seen in my visits to Russia over the past 8 years I see real talent in the key people in the companies I have interacted with. I see an entrepreneurial spirit and a determination to succeed. I believe in the relatively short history of corporations boards have evolved and developed with some truly excellent ones. I also believe that there are some further quick gains through the boards being even more effective as the undoubted talent here is more fully utilized. The boards can be more effective and will gain by having good governance on agenda recognizing that the focus on a few key items need not be an onerous task.

### **Dr Neville Bain**

*Neville Bain is a company Director, Consultant and author of a number of books on Strategy utilizing people effectively in organizations and Board practice. He has worked internationally his entire career, first in Cadbury Schweppes where he ran the worldwide confectionery business and was later Deputy CEO and Finance Director for the Group. He was headhunted to run the large worldwide diversified textile and fashion company until he elected to select a portfolio career of directorships alongside his personal investment company. Currently he is chairman of the UK Institute of Directors, Chairman of the Board of two large pension schemes, and a director of a number of other companies. He has also worked alongside Board Solutions in both research studies and on assignments.*