
COMPANY SECRETARIES' DISCUSSION & DINNER

GETTING THE BOARD TO WORK

Overview

Telos Partners' Dinner Discussion entitled "Getting the Board to Work: How to Make the Board More Effective", held in February 2015, was attended by a select group of Company Secretaries from various sectors, including engineering, food manufacturing, outsourcing and travel.

Ashley Harshak, a Partner at Telos Partners, presented Telos' thinking on the subject of boards and board effectiveness and this was then followed by a wide ranging discussion.

Telos Partners' Perspective

Telos believe that for organisations to achieve long term sustainable success they need to balance the demands of shareholders with those of customers, employees, partners and the community. Success cannot be measured in financial terms alone. Boards play a vital role in determining what success looks like for their organisation and whether an organisation is set up to deliver sustainable success. An effective board is a cohesive and organised group with complementary experiences, whose members are mutually accountable for achieving a common purpose and outcomes through collaborative behaviours and debate.

To be effective, boards need to get three things right:

- A collective sense of purpose that drives performance;
- The right organisational components that enhance board operations;
- And a set of behavioural dynamics led by the Chairman, that supports team working, collaboration and challenge.

Getting this right is not an easy task and the role of the Chairman in this cannot be underestimated. The Chair, along with the board, needs to manage carefully its development across the year. This ability to manage board development on an ongoing basis needs to be embedded in the fabric of the board.

Key Themes

In the ensuing discussion many points were raised and discussed. There were a number of key themes that emerged:

- Does the board need to be a team?
- The importance of the Chairman
- The challenges facing Non-Executive Directors
- Board consideration of their own development
- How boards help develop talent
- The role Company Secretaries can play

DOES THE BOARD NEED TO BE A TEAM?

There was discussion about whether boards are a team, or even should be one. The conversation acknowledged that boards come together infrequently and they do not have the time or ability to form a team. Attendees noted that it can often feel as though there are two groups on a board – the Non-Executives and the Executives – and this difference can be widely felt. Some of those present talked about the things their boards do to enhance the way they work as a team, such as seeking opportunities to spend time together before meetings. It was also recognised that boards who have faced major issues often come together and work much more effectively as a result, and have a sense of being a team.

THE IMPORTANCE OF THE CHAIRMAN

Throughout the whole of the conversation there was a recurring theme of the importance of the role of the Chair. All those present spoke about the way the Chairman can enhance the way discussions are held, enable people to participate and feel at ease. Some people spoke about the level of preparation and thought some Chairs put into the sessions, even down to considering where they might want people to sit. Another point that was raised was the importance of the relationship between the Chair and the CEO and the need for the Chairman to be able to be both supportive but also ensure the right degree of challenge.

THE CHALLENGES FACING NON-EXECUTIVE DIRECTORS

A lot of the discussion focused on Non-Executive Directors and how they could be more effective. Most attendees spoke about the challenge NEDs face in getting to know the business, in fully understanding their role as Non-Executives, and in how they interact with the organisation.

Getting to know the business: There was a sentiment that many NEDs do not feel they know the business well enough to question or debate with the CEO. In some instances it was felt that CEOs do not want the NEDs to have too much access to the organisation, although some Company Secretaries shared examples that in their organisation visiting sites and meeting employees were a key requirement for the NEDs.

Understanding their role as NED: Many of those present shared their experiences of the work Company Secretaries do to induct NEDs and help them prepare for their role. When the NEDs were from outside the UK, where the board structure was different, they often struggled with the need to provide stringent oversight and strict scrutiny of management.

Another point raised was about how to get the most out of NEDs and their expertise. An attendee shared an example of how one NED became overly involved in the organisation, to the extent of blurring the distinction between Non-Executive and Executive.

Acting as Ambassadors for the board: There was agreement that board members do not have a lot of interactions with the rest of the organisation. The question was posed whether NEDs should actively go out to the organisation and act as ambassadors for the board. There ensued a discussion about the advantages that this could bring, as well as the dangers of the board members not being consistent and actually causing confusion.

BOARD CONSIDERATION OF THEIR OWN DEVELOPMENT

Board development was another major topic that was covered. The attendees noted that rarely, if at all, board members took up professional development opportunities that were offered to them. Nor did their boards usually discuss or seek collective development opportunities. This was in sharp contrast to what happens within the organisation and the importance their organisation placed on leadership and team development. It was acknowledged that this might be an area that boards need to consider more.

HOW BOARDS HELP DEVELOP TALENT

Most of the attendees shared examples of how the board is used in support of talent management and to prepare individuals for one day joining the board. Some boards actively review talent pipelines and have opportunities to meet and interact with high potential employees. In addition, boards sought to provide upcoming talent with opportunities to present at board meetings, so that they could begin to feel more familiar with and appreciate the type of discussions that take place at the board. One attendee gave the example of how external board appointments were sought for some key individuals below board level, so that these individuals would already be familiar with board practices once they were appointed to their own company's boardroom.

THE ROLE COMPANY SECRETARIES CAN PLAY

At many points the conversation touched on the role Company Secretaries can and do play in enhancing the way the board operates. The areas covered included: the degree to which the Company Secretaries' role should be proactive or reactive, how Company Secretaries ensure the smooth operations of the board, and the role they play in getting the best out of people on the board or presenting to the board.

Being proactive or reactive: an important discussion was had as to whether the role of the Company Secretaries was to help the Chair lead and develop the board, or whether it was to respond to and follow the direction the board wants. The spirit of the conversation was that Company Secretaries play a vital role behind the scenes in enabling and facilitating, navigating between the Executives and Non-Executives, and helping the Chair steer the board in the right direction.

Ensuring smooth operational functioning: everyone shared stories and examples about the importance of their role in making sure the board operated smoothly. Be it through getting the papers out in time, making sure all the logistics have been thought through, or helping the board get through the agenda.

Getting the best out of people: the attendees saw it as part of their responsibilities to help people succeed in the boardroom. For the NEDs this was about their induction and preparation, for Executives it was about explaining the way the board operates and the preferences and styles of those around the board table. Company Secretaries spoke about how, in some instances, they encouraged presenters to visit the board room prior to attending and presenting.

CONCLUDING COMMENTS

In today's business environment, it was agreed that having an effective board is an imperative. When boards work well they contribute directly to corporate performance and competitiveness and the pitfalls that can destroy a company are far more likely to be avoided. Despite the wide ranging topics and areas covered there were also some areas that were not discussed. Among these were:

- What are the main challenges facing boards?
- How much more do boards need to do to ensure diversity of background and experience?
- How effective are boards at managing their dynamics and encouraging the right behaviours?

BOARD EFFECTIVENESS

THINK
BELIEVE
ACT

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