



Raise the bar

As the point of communication between directors and shareholders, company secretaries are able to help improve board effectiveness

THERE IS heightened attention on governance since the financial crisis. Although the basic requirements are set out, the key question the business media and organisations are asking is: 'How can we reach beyond governance and really bring it to life?'

Company secretaries can go beyond simply ensuring their organisation complies with standard financial and legal practice and maintains standards of corporate governance. In fact, as the point of communication between directors and company shareholders, they are able to help improve board effectiveness. The following seven areas provide an evidence-based approach to improve a board's effectiveness:

- The composition of the board
- The ability of the board to use the strength of its members
- Clarity about roles and responsibilities
- Joint vision
- The ability to resolve conflicts between the board and management
- The structure and organisation of the board's work

- Regular reviews and reflection about the board's work.

Board composition

This area has received most attention to date, especially with discussions in the media about diversity and quotas for women on boards. Yet diversity is just a small part of the puzzle. Organisations that have the funds tend to hire well-known headhunting firms which are briefed to find executives with a distinguished background, expertise and track record of achievements. More often than not the exercise produces a board full of 'achievers' and 'alphas'. This type of selection provides security and the feeling among all involved that they have done a good job. This is a well-intentioned (but rather expensive) way to form a board and by no means guarantees superior returns. In fact, the chances that such groups really work well together are slim. A well-composed board is not a question of education, experience or past achievements, but of complementary skills, personalities, role behaviours and fit.

As a starting point, company secretaries should

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establish what know-how areas, role behaviours, strengths and weaknesses are present in the existing board. Second is to ask the chosen headhunter to design an interview and selection process that specifically tests and identifies these criteria. This can be done through the combination of tried and tested interview techniques and validated psychometric tests.

Leveraging the strengths

Board members' awareness of their own strengths and how they can make best use of them varies enormously. It is also the case that seasoned board members often struggle to identify the strengths of other board members and are less willing to learn than the newer generations of directors. Encouragingly, the latter are very interested in learning about themselves and how they can become more effective.

The company secretary can encourage the identification of personal strengths. Validated instruments and tests, such as the VIA Signature Strengths test or the Gallup Strength Finder, can be useful tools in doing this.

Roles and responsibilities

Roles and responsibilities are not as clearly defined as one may wish. Some grow over time or are the result of a specific initiative of an individual board member, tailored around their agenda, skills and needs. Boards often have substantial 'grey areas' of responsibility. These can be the root cause of daily conflicts and waste, and can destroy resources that could be used to create value for the organisation and its stakeholders.

The company secretary should make sure that roles, responsibilities and tasks of individual board members are defined, and a map of these is created.

A common vision

This sounds simple, but in practice it can prove to be a challenge. Developing a shared vision and gaining the approval and commitment of all stakeholders is a process. The communication of a shared vision is

essential: nothing is more damaging to a company than the revelation that there are disagreements on the board about vision, strategy and subsequent action to be taken.

Encouraging and designing a process for establishing a common vision is a role for the company secretary. The most successful companies design a development process for defining and communicating the vision throughout the whole organisation – but it starts at the board.

Resolving conflicts

Executives below the board have often been to first-class universities or business schools and have their own ideas about the company and its direction. This can lead to open conflict. Board members need to convince these executives, with the quality of their argument and personality, to analyse conflicts and solve them. The size of this challenge should not be underestimated. A coalition or alliance between the board and management is crucial for success. The board can serve as a role model for the development of a culture where conflicts are resolved constructively, and the company secretary should aid this by encouraging investment in personal development and conflict resolution skills.

Structure and organisation

Many board members report that they felt completely lost when initially joining their board, and had to learn how to operate at that level the hard way, over time. The work of many governing boards is poorly structured and new members have to settle into a system that works for those in the know but is not necessarily logical to those observing or joining it. This is a factor that deserves more attention; much can be done to improve the organisation of a board's work, often at little cost but with a highly positive effect on the organisation. The company secretary can encourage the collection of information and documentation about what has worked well in the past or what works well in other organisations so that boards can learn from their peers. This will be mirrored at lower organisational levels.

Reviews and reflection

Many practitioners appreciate regular shared time out – where people have the opportunity to connect with each other and reflect on their work. This is considered a crucial component of any best practice process. Scheduling time for this should be made a priority.

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