

BOARD LEADERS OR BORED MANAGERS?

“Rather than love, than money, than fame, give me truth. I sat at a table where were rich food and wine in abundance, and obsequious attendance, but sincerity and truth were not; and I went away hungry from the inhospitable board.”

(Henry David Thoreau (1817 - 1862), "Walden," the Conclusion)

Many companies, organizations and institutions in UK Plc, and much of the developed world for that matter, are governed and led, if that is the right word, by a board of directors consisting, one hopes, of people who are best suited to provide appropriate and relevant input, advice, support and direction in order to achieve corporate aims and objectives. But do those boards consist of open, honest, committed and dynamic individuals striving to do the best for the company, organization or institution or are they, as some have suggested, bored managers and individuals who are only there because of their contacts?

I apologize at the start for making reference to companies like ENRON, TYCO or Worldcom/MCI or the other major multinationals in the USA who ‘fell from grace’ in the past few years but they are, allegedly, examples of how boards of directors should not operate. For example, the non-executive directors of ENRON were, allegedly, not really independent but, through consulting contracts or other forms of employment, were somehow beholden to the all powerful Chief Executive and MCI/WorldCom the CEO appears to have exercised total control over decision-making in the company and the board of directors appear to have been powerless or perhaps even careless.

The problem with the formation of any board of directors, whether a public limited company, group of directors or managers or even a team of people, is trying to achieve the right balance. Without the right balance of experience and knowledge of an industry sector, contacts, interests and ability to ‘add value’ to the deliberations of the group then you are unlikely to achieve the results, whether purely financial, technological innovation or corporate governance requirements, demanded to keep the organization functioning, efficient and profitable. And, it is imperative not to allow nepotism to rule, not to choose people from exactly the same background and not to have too many people such that meetings degenerate into a discussion group and not a decision-making forum. If that happens it is unlikely that the right results will be achieved.

The membership and composition of a board depends on the type of organization or company and will usually translate to mean a cross-section of people, some with professional, practical and operational experience, some with electrical, electronic or mechanical experience depending on the sector, some with marketing experience, some with financial expertise and all with an awareness of overriding political, economic, social and technical factors.

A board must also have a chief executive or managing director with the background knowledge, skills and ability to determine and advise not just on financial issues but on strategy, including strengths, weaknesses, opportunities and threats, produce risk factor assessments based on political, economic, social and technological information, set targets and advise on direction; and, it requires a Chairman with the ability to listen and take advice, to be able to exercise control and not allow one person or section to override or overrule and to recommend or make and take decisions.

However, once such a composition has been clearly established then it is important to measure progress and results such that the membership can be changed or re-balanced to meet changing demands. The chief executive, managing director or Chairman should also be aware that changes to the structure are carried out to maintain that balance and should also be prepared to recruit additional members not only for succession planning but also for shorter or longer periods to strengthen advice and input to the decision-making process.

And, Chairmen or Chief Executives must have the ability to make and take decisions, affecting the direction of a company, without delaying the process. That is because procrastination is the mother of delay and eventual decline, and too often we, that is UK Plc, appear to have politicians and senior business leaders who rely increasingly on management consultants, on conducting surveys and on questioning interest and focus groups leading to dithering and inaction whilst often ignoring advice from experts, customers and the electorate. That is not leadership or good government; it is being led by the nose.

The same or a similar set of parameters should be applied for membership of a board or committee of non-profit making organizations, such as a charity or the Council of an Institute or a school, with the probable addition of other board members with appropriate academic and vocational experience and qualifications to add a touch of practicality to proceedings. That is because it has been suggested, cynically perhaps, that committees tend to be made up of the unwilling, chosen from the unfit to do the unnecessary, for the shortest time possible, and probably impractical business of making decisions that are not in the best interests of others with a vested interest.

So, what is of paramount importance is that the group and the board must have credibility and that this credibility should be clearly visible through the background, experience, knowledge and qualifications, professional and vocational as well as academic, of each individual. This should also appear through the general bearing, manner, appearance and attitude of each individual such that they can clearly be seen to represent the culture and style of the company, organization or Institute to employees, customers, suppliers or other stakeholders. That is because leadership is and must be seen to be from the board as a whole and not from one or two individuals.

I suggest that if a board consists of even one or two people with questionable backgrounds, in any shape or form, then it is unlikely to command the necessary respect from other companies, organizations or institutions with which they do business. It is paramount to ensure that company guidelines, processes and procedures or orders and instructions are followed to the letter, that the company complies with regulatory information and more particularly where such matters as finance are concerned.

Of course there are always risks in the formation and composition of any group or team for a variety of reasons. Bringing together such a diverse group of people, and more often than not they tend to be people with strong views and opinions, means they must all be prepared to commit to work together, primarily, in the best interests of the company, organization or Institute and not just for their own personal gratification or aggrandizement and that means the ability to compromise when necessary. Problems arise when there are too many thinkers and not enough doers in a group, or when some will not share knowledge and information and when too much time and effort is wasted trying to reach complete consensus on the optimum way ahead.

If some are not prepared to share knowledge, information and offer best advice then the result is likely to be instability; and, if and when that happens the stronger views and political affiliations will dominate and militate against progress. If, for any reason, there is continual or even regular disagreement at board meetings or an undercurrent of distrust, disloyalty or muscle-flexing such that it disrupts the work and progress of the company then the Chairman and senior executives need to address the causes and take the necessary remedial action.

This could or should include the possibility of removing executive or non-executive members of the board as and when appropriate and for explaining their reasoning, for recruiting additional members to the Board to provide input and advice even in the short term, and for maintaining the credibility of the organization by taking bold steps to deal with controversial issues in the quickest and most appropriate manner with the best interests of the company or public body at the earliest opportunity.

And do not forget that the reputation, culture and success of an organization depends, to a degree, on the way in which it addresses such important issues as customer relationship, corporate governance, ethical matters and corporate social responsibility. Otherwise one might be accused of agreeing with the observation of Mark Twain when he suggested,

“God made the Idiot for practice, and then He made the School Board.”

(Mark Twain (Samuel Langhorne Clemens) (1835 – 1910), American Humorist and satirist)

(1400 words including quotations)

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2004