



Governing the ungovernable

Mark Twain once said, “If two people agree on everything, one of them is unnecessary”. Good governance is all about the quality of the interaction between the individuals within the boardroom, and making the most of the limited time they have together. If those individuals always agree, they are wasting everybody’s time and adding no value as a board.

The complexity and diversity of modern companies and corporate life is huge. It therefore also follows that the people who lead those companies must be diverse, and must bring to bear a diversity of perspectives.

Diverse boards should be able to avoid groupthink, promote challenge and provide an appropriate response to the range of stakeholders with which the company interacts. But diversity is not without its challenges – it can make for some uncomfortable and awkward conversations. However, having a broad range of views has proven to be the route to better, more considered outcomes. It was no surprise that the Davies Review into boardroom diversity identified significant evidence of the value of making boards more diverse in terms of female representation. Of course, diversity means more than this; the lesson of this evidence should be applied more generally.

Despite this, many believe that effective governance of a company can be achieved by simply adhering to guidelines and box-ticking exercises. Too often, the language of governance is just about compliance with a set of rules.

At its heart, however, governance should be about people and how they can work together to reach common goals. A strong corporate governance framework has high-quality individual directors who understand the board format and how they can be most effective within it. A board that includes a range and diversity of perspectives and experience means a proper debate can be held on the critical issues facing the company.

As shareholders, we rarely have a preference about the structure of a board, whether it is a unitary board, or a German or Chinese-style dual board structure. Similarly, the proportion of non-executive directors (NEDs) to executives should not be a determining factor (though the bulk of this article focuses on the quality and contribution of NEDs). There is one exception to this: the chair of the board should be independent.

Every orchestra needs a conductor

The conductor is the unsung hero, if you will. Every orchestra needs a flawless conductor to fine-tune the overall performance and make the whole greater than the sum of its parts. The chair’s key role is to provide a sounding board for the CEO, alongside appropriate support, mentoring and challenge. Complementing this should be the ability to get the maximum out of board discussions. This means generating a boardroom atmosphere conducive for debate, ensuring all perspectives are drawn and encouraging hesitant directors to express their point of view. Ultimately, a

range of perspectives will help shed light on issues that could otherwise be overlooked.

In some ways, the chair must be both highly present – close enough to the business for advice and input to be trusted – but also self-effacing so they can facilitate, but not dictate, board discussion. The chair also has a role to maintain continuity of contact with the business, particularly when the board meets infrequently. The chair should be close enough to the operations (without intruding) and keep the NEDs informed of developments, as appropriate. These are challenging, diplomatic skills, and they require an independence of thought and approach to be fully effective. The role should be without ego – hardly rare in many CEOs. At the very least, the individual needs to be able to suppress their ego.

Where the board chair is involved in the management of the business – particularly where they combine the role with that of chief executive – the board's overall ability to challenge and hold management to account is notably reduced. The role in providing an independent bridge for the non-executives to the executive team and

operations disappears altogether. A lead independent, or senior independent, director can help fill this gap by setting of board agendas, chairing meetings, and being a point person for collating the thoughts of non-executives. But this is a clear second best to the benefits of having a fully independent chair.

People can be frustrating. They don't always agree with your point of view. However, by harnessing people's differences, businesses can achieve better results. At the boardroom level, this is where an effective chair comes in, generating and encouraging the debate that comes from the diversity of perspectives gathered around the boardroom table. The chair needs to create an ungoverned discussion between these diverse individuals and then guide it and govern it towards a useful conclusion. The board members need to both disagree, and ultimately also agree. Otherwise, they risk being unnecessary.

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