

# The Effective Board

*Tim Clarke Associates(UK) Ltd.*



# Your Issues – Working Together as a Board

1. How well does the board prepare for a meeting?
2. How well does the board understand the items under discussion?
3. To what extent does the board focus on strategic/policy issues rather than operational detail?
4. To what extent is the board familiar with its governance responsibilities?
5. How familiar is the board with the organisation's business, including its strategic and operational objectives?
6. How well aware is the board of the environment or context within which the organisation operates?
7. How well does the board evaluate the information presented?
8. To what extent does the board contribute to problem solving?
9. How well does the board demonstrate constructive and supportive behaviour?
10. To what extent are meetings chaired well?

# The Effective Board

“a small number of effective people with complimentary skills who are committed to a common purpose, set of performance goals, and shared approach for which they hold themselves mutually accountable”

*Katzenbach and Smith (1993)*

# Board Exercise Chairman, CEO and Non Exec Director roles

- For **each** role describe what you expect, you may wish to split into teams.
- If you have time, list what the wider workforce should expect from board members and chairs

# Role of Chairman

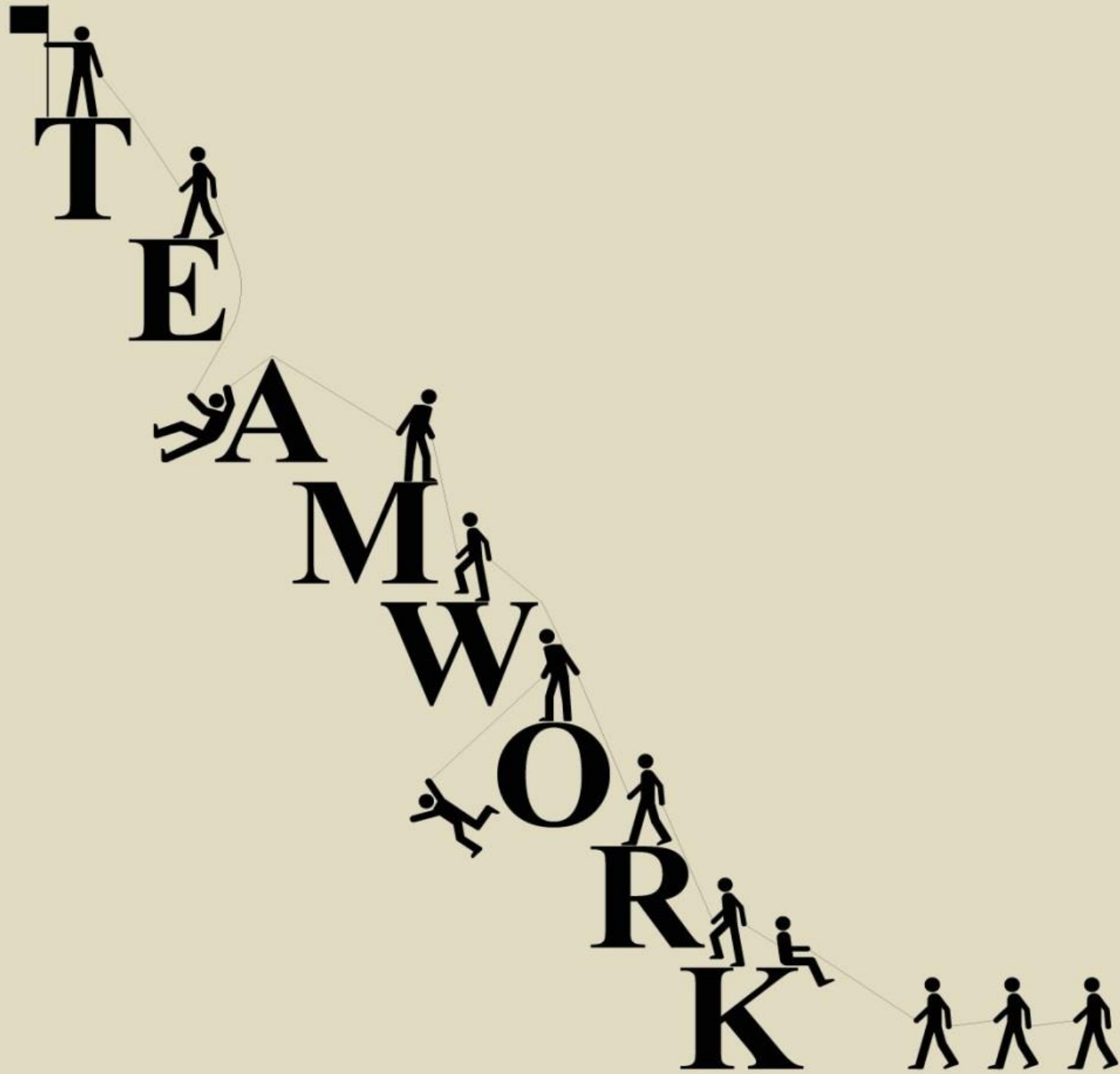
- Leads the board
- Sets board agenda
- Ensures effectiveness of the group
- Promote openness and debate
- Communication with Shareholders
- Ensure board members receive accurate, timely and clear information
- Ensure good relationship between exec and non exec
- Risk reviews

# Role of Board Members

- Constructive challenge and help in developing proposals on strategy
- Scrutiny of management's performance reports
- Satisfying themselves on the integrity of financial information and that controls and risk management systems are robust
- Determine appropriate levels of remuneration for non-execs
- Appointing and removing executive directors and succession planning

# Role of CEO

- Leading the executive and the wider team
- Day to day management (operations, safety, commercial, financial)
- Relationships with customers, suppliers and stakeholders
- PR





# Teamwork

“The directors determine whether or not a company survives and thrives. The extent to which the board liberates or constrains the energies and talents of the people of a company is determined by the competence of the directors and how effectively they work together as a team”

*Peter Morgan ex – Director General of the Institute of Directors, from Coulson Thomas 1993*

# An Effective Team

“a small number of people with complimentary skills who are committed to a common purpose, set of performance goals, and shared approach for which they hold themselves mutually accountable”

*Katzenbach and Smith (1993)*

“The common approach needs to include ways of effectively meeting and communicating that raise morale and alignment, effectively engaging with all the team’s stakeholder groups and ways that individuals and the team can continually learn and develop”.

*Peter Hawkins 2011*

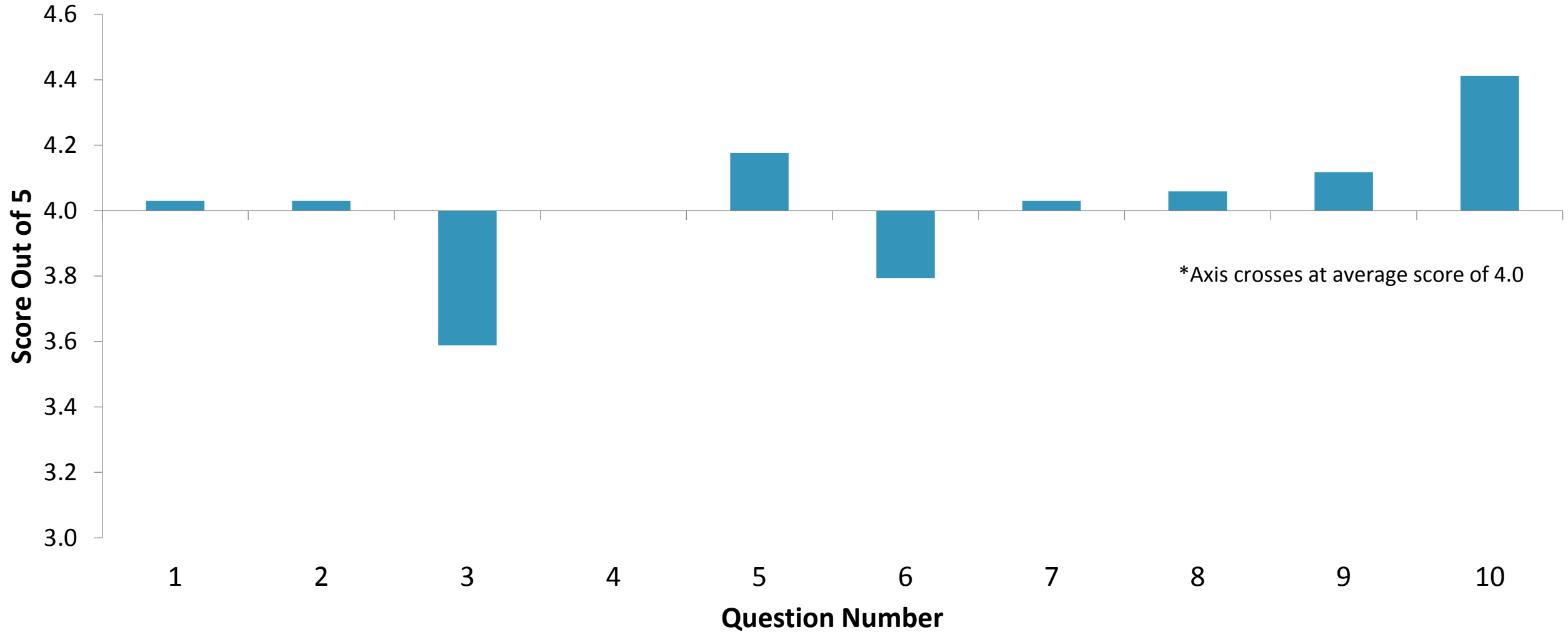
# Results of “Working together as a Board” (1)

- How well does the board prepare for a meeting?
- How well does the board understand the items under discussion?
- To what extent does the board focus on strategic/policy issues rather than operational detail?
- To what extent is the board aware/familiar with its governance responsibilities?
- How familiar is the board with the organisation’s business, including its strategic and operational objectives

# Results of “Working together as a Board” (2)

- How well aware is the board of the environment or context within which the organisation operates?
- How well does the board evaluate the information presented?
- To what extent does the board contribute to problem solving?
- How well does the board demonstrate constructive and supportive behaviour?
- To what extent are the meetings chaired well?

# Average Scores: Q 1-10





coffee break

# Corporate Governance - Cadbury

“Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The responsibilities of the board include setting the companies strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to the shareholders on their stewardship”

*Cadbury Committee 1992*

# Governance – What is it?

- Governance is about understanding and managing risks
- Ensuring there are the right checks and balances for boardroom and executive power
- That the values of the organisation are fully supported and practised,



# Growing Challenges for Boards

- Incompetence and corruption
- Greater demand for transparency from shareholders, institutions and stakeholders
- Globalisation – move to international standards
- Greater speed of change and complexity
- Greater speed of change – the need to adapt
- The internet drives awareness and active interest in all organisations

# Exercise – Board Responsibilities

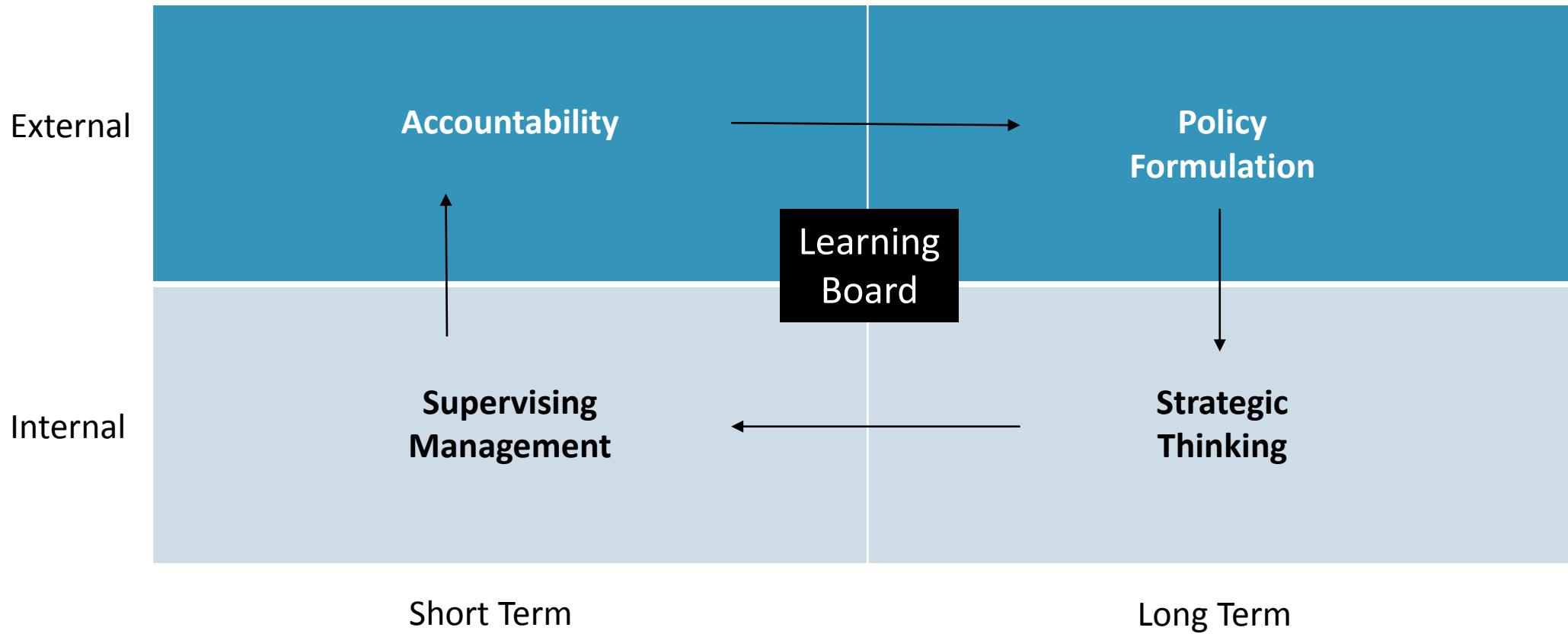
- Quickly list all the areas a board is responsible for...

# Areas of Governance - IOD

Shareholder relations  
Stakeholder relations  
Investor analysis  
Stakeholder ratings  
Return on shareholder funds  
Participation in transparency initiatives  
Audit and risk/external accountability  
Auditor experience  
Audit fee  
Board effectiveness  
Board relationships  
Committee and meetings  
Director experience  
Diversity

Organisation human capital  
Remuneration and reward  
Senior salaries  
Total remuneration  
Profit and size  
Business environment  
Percentage of overseas business  
Business sector  
Credit scores

# Functions of the Board



*Peter Hawkins, 2011*

# Board Effectiveness Review

- Strategy
- Business Principles
- Internal Controls
- Shareholders and Stakeholders
- Communications
- Organisation and Culture
- Succession, Development and Reward
- Board Composition
- Board Induction and Training
- Delegation and Accountabilities
- Board meetings
- Secretariat
- Other



# Trust

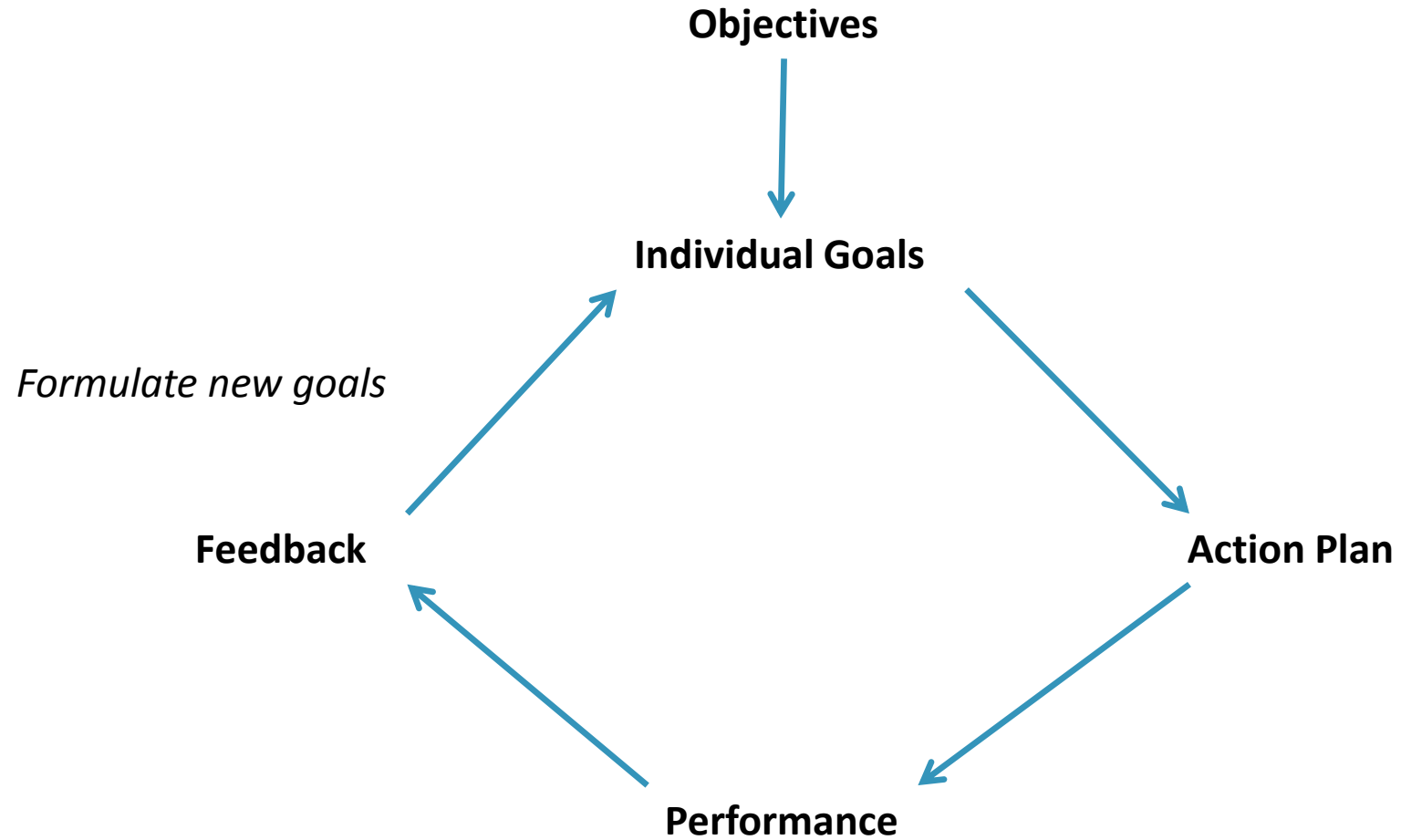
- Only 51 per cent of employees have trust and confidence in senior management
- Only 36 per cent of employees believe their leaders act with integrity and honesty
- 76 per cent of employees observed illegal or unethical conduct

# Leadership

- 11 percent of leaders are deemed to be inspiring
- One third of all managers and half of all junior managers rate leadership in their organisation as poor – public sector being particularly bad
- Strong evidence that in the US and the UK that the psychological contract between worker and employer has been broken

*(Stephen Covey)*

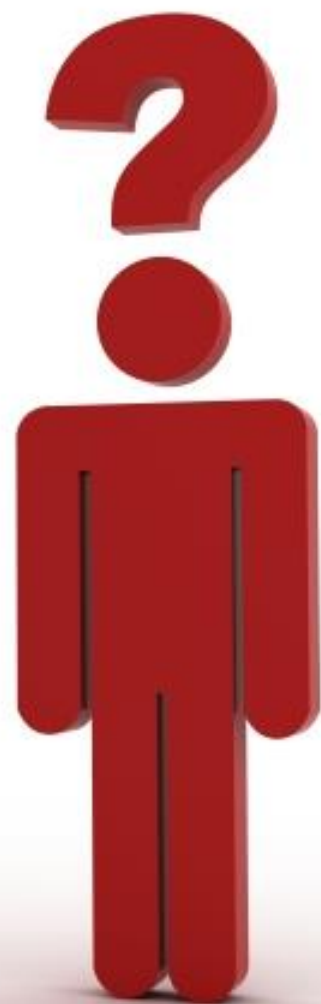
# Leadership process





# Leadership

- Goal setting
- Frequent catch ups
- What they want to achieve for themselves
- Quarterly review
- Annual appraisal



# Quick Exercise: Which Risk Can Bring your Business Down?

- List of issues....

# Issues which can bring an organisation down

- Strategic mishaps
- Disagreements to make a board dysfunctional (CEO & Chair most damaging)
- Appointment of CEO unsuited to strategic direction of organisation or not compatible and has to be replaced
- Failure in control environment resulting in mis-statement of earnings or fraud.
- Breakdown in values of the organisation resulting in serious complaint e.g. discrimination, bullying need for whistle blowing etc.
- Major health and safety failure



# More issues:

- Inability to recruit, retain and motivate people with required skills to deliver the strategy
- Serious service failure.
- Disagreement with regulator
- Public opinion, elected representatives
- Suppliers/contractors/customers



# Strategic failures

- More shareholder value has been wiped out by mismanagement and poor strategy execution than by all the worldwide corporate scandals
- Among the 360 worst firms, 87per cent of the lost value was due to 'strategic mishaps'
- Only 13 per cent of lost value was due to regulatory compliance

*(Booze Allen study of 1,200 companies)*

# Chief Executive - Performance

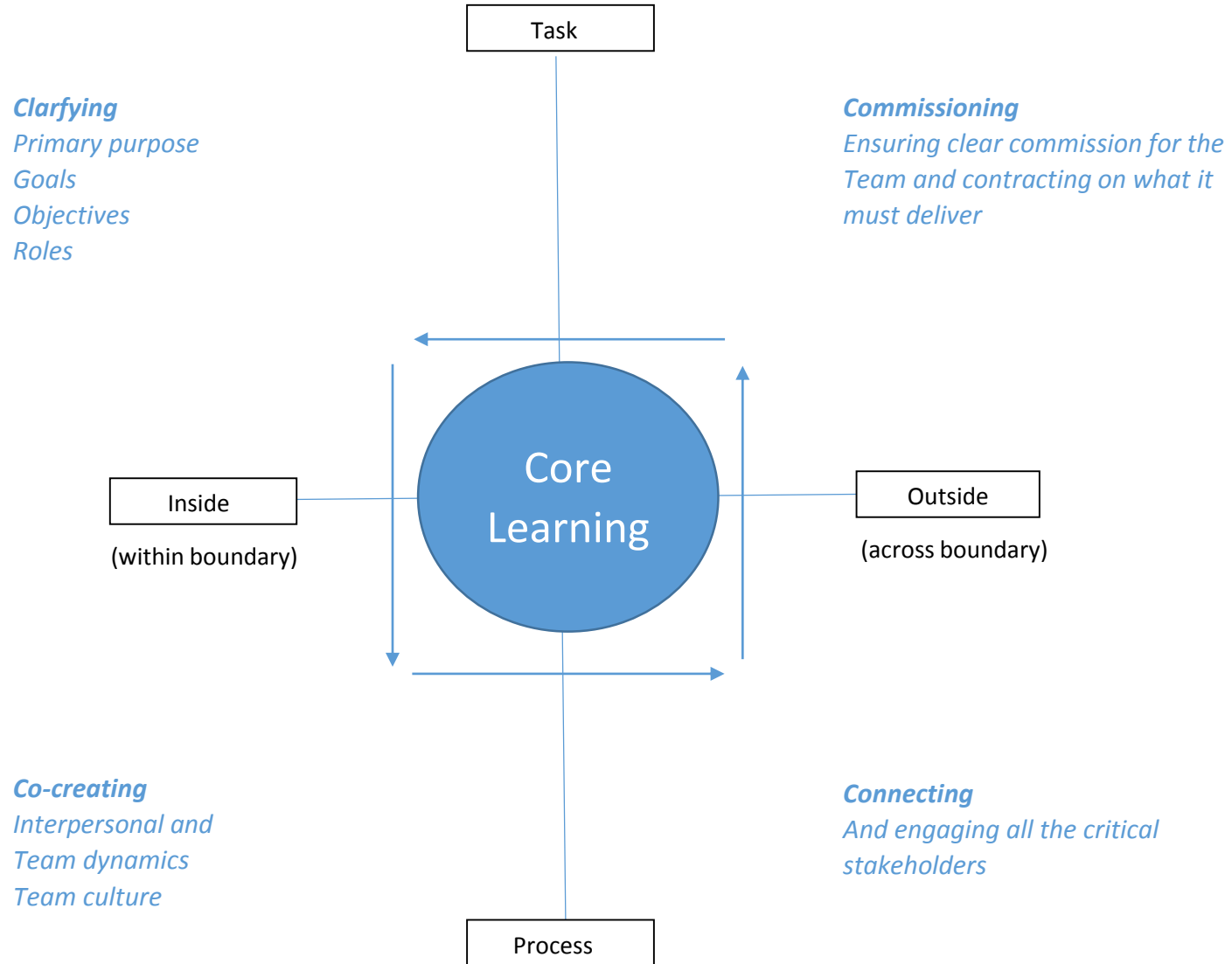
- 2 out of 5 top CEO fail in first 18 months
- “the same pattern in America, Germany and Japan: those who failed were hired on the basis of their drive, IQ, and business expertise – but fired for lack of emotional intelligence. They simply could not win over, or sometimes even just get along with, their board of directors, or their direct reports, or others on whom their own success depended.” *Claudio Fernando-Araoz head of research for the executive recruitment firm Egon Zehnder International*
- Unsuccessful CEOs lacked emotional strength when it came down to personnel decisions. In short, the fatal flaw of “failure to execute” was due to bad personnel decisions. *Charan and Colvin, Fortune Magazine*

# CEO failure

- Arrogance — you think that you're right, and everyone else is wrong.
- Melodrama — you need to be the centre of attention.
- Volatility — you're subject to mood swings.
- Excessive Caution — you're afraid to make decisions.
- Habitual Distrust — you focus on the negatives.
- Aloofness — you're disengaged and disconnected.
- Mischievousness — you believe that rules are made to be broken.
- Eccentricity — you try to be different just for the sake of it.
- Passive Resistance — what you say is not what you really believe.
- Perfectionism — you get the little things right and the big things wrong.
- Eagerness to Please — you try to win the popularity contest.



# Five disciplines of high performing teams



# Stakeholders and Shareholders

- Opinion in a vacuum
- Freedom of Information
- The Internet / Twitter
- Networking
- Transparency

# Planning For Stakeholders and Shareholders

- A strategy.....
- AGM
- Meetings
- Matrix
- Annual Report
- Invitation to Board
- PR
- Online Presence

# Risk Management

Exercise on risk reviews- Instructions:

Now score your list 5 x 5

Score by likelihood and impact

Easy action plan possible?

# Examples

- Loss of a major service
- Significant EU directives
- Imposition MCZ etc
- Major oil spill
- Fatality / Accident
- Vessel in serious contact with quay
- Close quarter situation
- Flooding

# Risk Management

- Risk workshop:
  - Evaluation of probability and impact
  - Risk ranking
  - Ownership of each risk
- Not just financial or annual
- Risk Review must be by committee (risk and audit) and the board
- Develop a plan to manage and thereby ameliorate risk



LUNCH











# You and your organisation – board member performance (1)

1. Do you feel you understand the values, culture and philosophy of your organisation?
2. How prepared and informed do you feel prior to trustee meetings?
3. Are you satisfied with your ability to attend and contribute at meetings, as well as trustee activities outside of the meeting?
4. Do you feel you have sufficient information to effectively probe and test information and assumptions?
5. In what way do you feel you have contributed to the organisation achieving its objectives during the last year?
6. To what extent do you feel engaged in the strategic shaping of the activities of the organisation?
7. Which areas of our activities engage you the most?
8. Are there areas in which you would like to gain more understanding?
9. Are we using your time effectively?

# You and your organisation – board member performance (2)

10. What would you like your legacy of service to be?
11. What sort of support or further training (if any) would you find useful in carrying out your role as a trustee?
12. Have you undertaken any training or development that you feel has contributed towards effective governance?
13. Are there any areas or methods of governance you have experienced elsewhere that you feel would benefit the organisation?
14. Do you feel the format of the trustee meetings could be improved (length, frequency, structure, business transacted etc.)?
15. Do you feel part of a team?
16. What do you think are the main strengths and weaknesses of the organisation?
17. Any other comments?

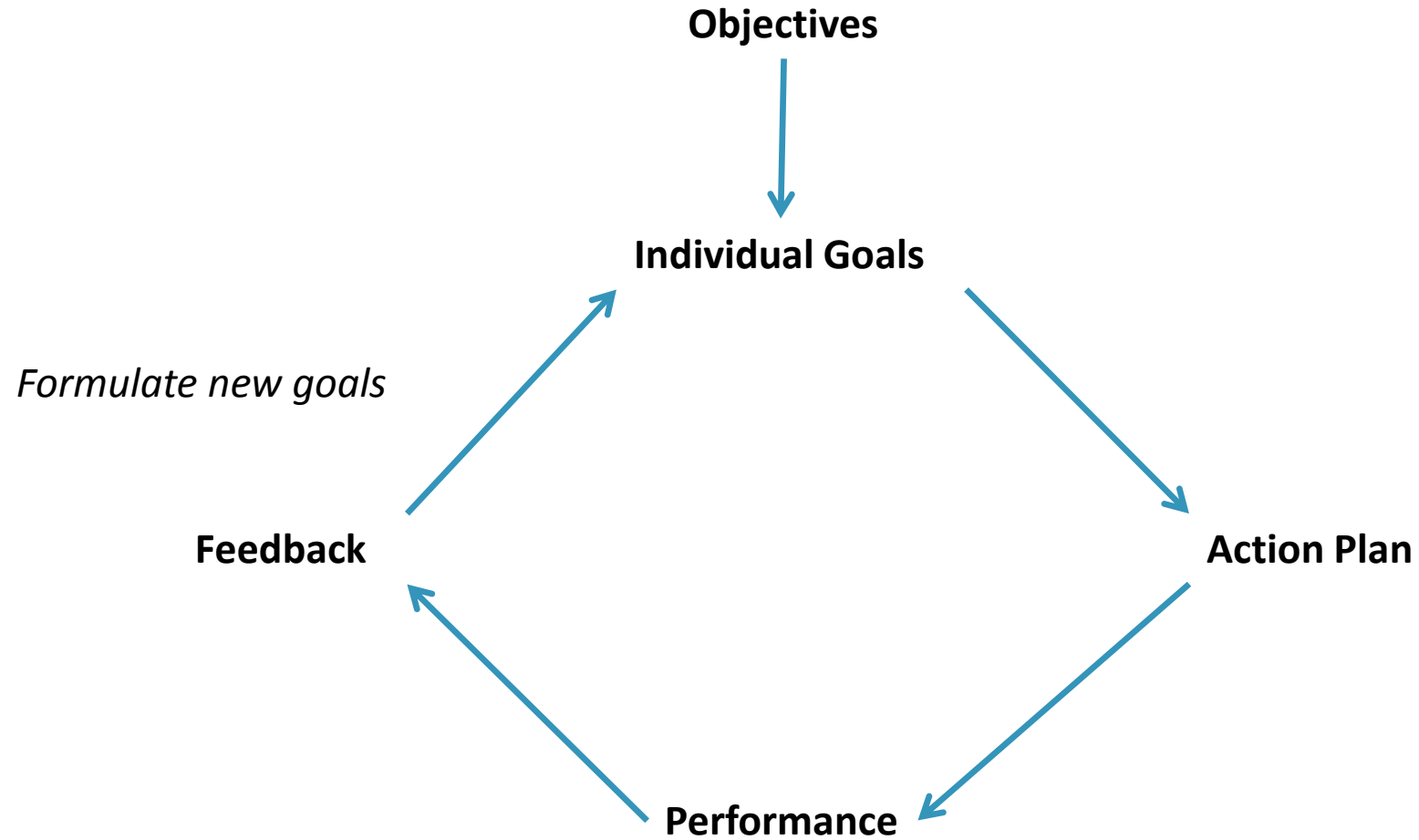
# What are the major problems with board member review?

- List all the issues.....

Provide Feedback!



# Giving Feedback





# What is Feedback for?

- Who has recently received any feedback?
- Who has given any feedback recently?

# Definition of Feedback

'A process of telling another individual how they are experienced'

*Peter Hawkins 2003*

# Why don't we give feedback?

- Don't wish to hurt feelings
- Not my job to judge
- Not in culture
- Time
- Too senior and experienced
- “They should be able to do the job otherwise why are they here?”
- Mollycoddling – “they should know what to do”
- Too “touchy feely”

'Feedback is the breakfast of champions'

Kenneth Blanchard

# Giving Feedback Successfully



Check:

- Your intent
- Will this help the receiver?
- Is the relationship strong enough?

# Case Studies:

CASE 1 – Walmington-on-Sea Harbour Trust

CASE 2 – Hampstead-on-Sea Harbour Commissioners

CASE 3 – Bridehaven Harbour Board