



Big Ideas in the Boardroom

How can boards balance short-term
imperatives with long-term goals?
Dawn Murden speaks to range of
non-executives to find out



“Boards can sometimes fall back into thinking that all they’ve got to do is governance and then they’ve done their job, but that’s a trap,” says **Andy Brent**, Senior Independent Non-executive Director at Connect Group. “It’s important they are engaged in the long-term strategic direction of the business.”

Balancing short-term imperatives with long-term goals is one of the most challenging issues a board will contend with, as highlighted in Criticaleye’s recent [survey](#).

In fact, 95 per cent of respondents said that boards should pay greater attention to creating long-term value (see **Chart 1**), while devoting more time to strategy was cited as the best way to drive better business performance (see **Chart 3**).

On top of this, the time spent on corporate governance and reporting issues was seen as a potential barrier to adding value, with over half saying that it diminished the value a NED could add to the business (see **Chart 2**).

“Non-execs and the board have to spend time on governance because it’s a key part of their role,” says **Celia Baxter**, Non-executive Director at Senior. “But I think that if it’s all the board does then it’s not going to be very helpful. The board has to grow the business and purely focusing on governance is unlikely to do that.”

This point is echoed by **Charlie Wagstaff**, Managing Director at Criticaleye, who said that NEDs have to apportion their time carefully in order to add maximum value: “Non-executive directors must be the champions of their executives, but they must do so in an increasingly

Chart 1: 95% of those surveyed believe boards should pay greater attention to building long term value

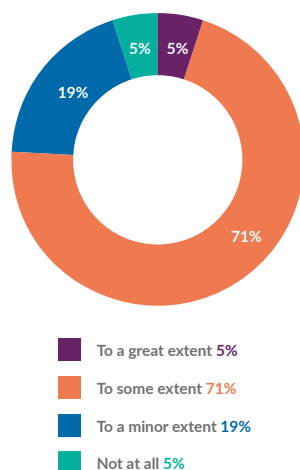
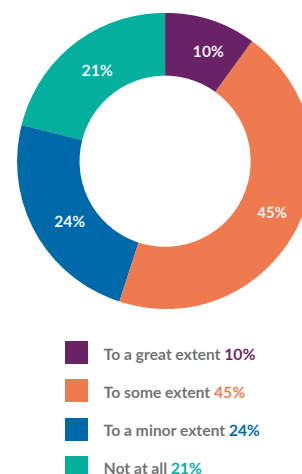


Chart 2: Over half of respondents think the time NEDs spend on governance can diminish the value they add to the company



complex and competitive environment – whether that’s getting the right balance between supervision and strategic input, or ensuring teams have a diverse set of views and experiences.”

Closing the Gap

The interplay between the executives and NEDs must be open and transparent. You cannot get sucked into an ‘us and them’ mindset.

Pauline Egan, Non-executive Director at AIB Group (UK), says: “[The relationship] varies from company to company. It is indicative of the culture and whether or not the executives see the NEDs as a sounding board, a source of alternative perspective and independent challenge, or just a regulatory nuisance that must be complied with.”

Chairman and NEDs have to make the effort to be visible. **Andy** comments: >

Chart 3: NEDs must devote more time to strategy if they are to drive performance





"Make sure you put the time in to go and visit your business regularly outside the cycle of board meetings, both to ensure that you know the people and so they know you understand what they're doing."

Andy goes on to say that there has been a conscious effort at Connect to make sure this is happening.

"We rotate our board meetings around the different company locations; wherever we go we'll have a pre-board breakfast session with the local management team," he continues. "It helps us meet more people and gives us a chance to see the nuts and bolts of the business."

Ultimately, this interaction helps the NEDs and executives understand their respective challenges and how to work together. "It's very important NEDs get that alignment," he adds.

Don't Get Overloaded

The information that boards are expected to understand and provide oversight on continues to expand, particularly in regards to risk. For some NEDs, it can be difficult to see the wood for the trees.

Phil Smith, Chairman for the UK&I at Cisco, comments: "You need a good company secretary and chairman to make sure you're giving issues the right focus, and to ensure you're not getting bogged down in unnecessary details and losing the purpose of the board."

"For example, if the board receives reports with hundreds of KPIs to look at, you can focus on one or two but ultimately the important issues are

“Ensure you’re not getting bogged down in unnecessary details and losing the purpose of the board”

drowned by the less important. The company secretary has to be vigilant on the information coming to the board."

Quite simply, "the board does not have the time or even the proper context in many cases to review a dozen 80-page papers", **Phil** comments.

This has put additional pressure on audit committees in particular, and an increasing number of sub-committees are being created to deal with specific challenges.

Tim Eggar, Criticaleye Board Mentor and Chairman at Cape, says: "Much of the governance can be done outside the main board, especially a lot of the process work. It's then up to the chair of each committee and the chairman to ensure it's not swamping the agenda for the main board meetings."

"The committee chairs should also ensure that routine governance process isn't dominating."

A good chairman will understand how to set the right rhythm for discussion

in the boardroom, so that governance and compliance are executed to a high-standard, while proper consideration is given to the business and its resilience over the medium to long term.

Andy recommends regular strategy reviews, whereby the board comes together and looks ahead to think seriously about where the business is going, and whether it possesses the leadership capability to get there.

"Don't run it as a session where the executives come with the plans and the non-executives sign it off, but rather a working session where the teams come together, challenge each other and maybe even go through one or two iterations of what the strategy should be," **Andy** adds. ■

Featuring Commentary From:



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