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Big Questions for the Board

The UK Corporate Governance Code states that listed companies are required to carry out annual board reviews. **Dawn Murden** finds out what they entail and how to ensure they're truly effective

Familiarity in the boardroom doesn't always breed contempt, but it can encourage complacency and assumptions that alienate directors from a business and its wider market. A good chairman, in conjunction with the CEO, will be fully aware of this and won't be afraid to shake things up.

Ian Durant, Chairman at London property company Capital & Counties Properties (Capco) and bakery chain Greggs, has been through five board reviews at three different organisations. "If the chairman wants to get something done then the board review can act as a tool to make it happen, or if board members want the chairman to behave differently it can assist the delivery of that message," he explains.

Adding to this assessment, **Judith Nicol**, Director of Leadership Services at executive search firm Warren Partners, says: "Board reviews provide that time to think. Being made to stop and reflect opens up possibilities for the business."

According to **Judith**, reviews generally have the most impact when "you have a new chair, new directors or a new set of challenges that the board is facing".

Glen Moreno, Chairman of international publishing and education company Pearson and FTSE 250 bank Virgin Money, explains how he carried out his first review at Pearson after he had been there a year: "I led the effectiveness review with the support of the board... We decided that to add value we should focus on four key areas that would make >

a difference to the company: governance, strategy, business performance and people. We built our entire board cycle and agendas around those four themes."

The code also states that FTSE 350 board reviews should be externally facilitated every three years. For **Glen**, specialist external advisors can help address softer issues, like board chemistry. "People need to be able to open up and say someone speaks too much, the chairman is too dominant or not dominant enough; a good external advisor can help facilitate that," he comments.

"Like most things in life, board reviews are what you make of them. They can either be expensive, time consuming and useless, or they can be creative and valuable. It's the chairman's job to ensure the latter."

Making The Most of It

Boards are often criticised for box-ticking their way through evaluations, carrying them out purely as an act of compliance.

Glen says: "Practitioners ignore the code's unique flexibility and attempt to apply it rigidly. The phenomenon we all refer to as box-ticking is spreading like wild fire... whether the review is internal, external or externally assisted.

"Boards are there to create enduring businesses that benefit customers, employees, shareholders and other societal stakeholders... We need to reconcile good practice with the realities of business life."

Some board directors cite a lack of time as the reason for taking a prescribed

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approach to evaluations. **Ian** vehemently disagrees and says it's down to attitude: "Some boards view the way they do things as satisfactory and don't think anything needs to change.

"Board evaluations need to be viewed as a useful forum and a democratic process for improvement. Circulate the report after the review and give members time to go through it. The board may dismiss some points, but you have to discuss them and decide what should be actioned and why. Then, it's up to the chairman to make sure they are pursued."

For **Charlie Wagstaff**, Managing Director at Criticaleye, it's important to note that even the most competent individuals can learn how to improve, both from an individual and collective perspective.

"Bringing together successful people does not guarantee a successful board – the two are not necessarily aligned," he says. "Constant evaluation is a necessity, as it can all too easily drift off course."

While the success of a board evaluation rests heavily on the shoulders of the chairman, the chief executive must fully participate because it's the CEO and executive team that will ensure change is felt across the company.

As **Rob Margetts**, Chairman at Britain's mapping agency Ordnance Survey, says: "All reviews start and finish with the chairman; it's their job to make it work and to get the most out of them.

"No one can argue over the virtue of improvement; you need a chairman who is both humble and self-confident so they can drive that. And if you show a real commitment to enhancement and effectiveness at the board level, it should echo throughout the organisation." ■

These comments were taken from a recent Criticaleye Discussion Group, Board Effectiveness Review – Why Bother?, held in association with executive search firm Warren Partners.

Featuring Commentary From:



Ian Durant
Chairman
Greggs



Judith Nicol
Director
Leadership Services
Warren Partners



Glen Moreno
Chairman
Pearson



Rob Margetts
Chairman
Ordnance Survey



Charlie Wagstaff
MD
Criticaleye

Contact the contributors through:
www.criticaleye.com

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