

ADVANCED BOARDROOM EXCELLENCE



THE EFFECTIVE BOARD

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Foreword



Boards function principally around relationships – the way directors interact, the values they hold, the culture they seek to embed, the behaviours they display, the tone they set, and the sense of purpose they share.

Management theory, and practice, places great store in teamwork – rightly so. We are usually more effective, and achieve bigger things, when we work with colleagues who share our vision, challenge their thinking as well as accept challenge to our own, communicate with commitment, listen with empathy, and then seek to take the best possible decisions.

Understanding how boards work, and what will help produce those better decisions, requires an understanding of how directors work together.

Board relationships are constantly evolving and there is no simple answer to the challenge of how to make them more effective. We learn as we go along. Some features of board activity are consistent from one organisation to the next, while certain insights are unique to a given company, at a given time.

What is clear is that the financial crisis, and the economic downturn, has led to even more time and attention being devoted to the issue of board effectiveness. In my view a thoughtful facilitated board effectiveness review process brings huge opportunity to improve performance and optimise the activities of the board.

This publication seek to bring together some of the more important aspects of current thinking about boards, and individual and collective director effectiveness, based on recent research and experience, and new understanding. I hope it will provide some food for thought.

A handwritten signature in black ink, appearing to be 'R. Olver'.

Sir Richard Olver

Chairman, BAE Systems plc



Board reflections

By Helen Pitcher

A truly effective board is one which is open to scrutiny on all levels – process and procedures, behavioural dynamics, skillsets, values and attitudes.

Being on the board was once almost a reward for past service but this is no longer the case. These days a place on the board demands a level of sophistication – not just in an interpersonal sense, but in terms of the capacity to deal with ambiguity, the possession of intellectual acuity to understand quickly the key issues and implications of those issues, and the ability to steer the executive through the appropriate decision-making process and execution model.

Board members must then apply the requisite level of oversight to ensure all is on course, that the risk profile is appropriate, and the business has the right people on the bridge and in the engine room. They need to ensure an appropriate succession plan in case the 'admiral is felled at the helm'. This last element seems to have dropped down the boardroom agenda of late, probably as the result of focus on issues such as risk – in all its aspects and, ultimately, reputational risk – not to mention the challenge of issues of remuneration.

How can a board 'bombproof' itself so as to negotiate this minefield? The answer is that it can never truly do so. The best that it can do is be constantly vigilant, have an efficient process for decision-making, and manage key stakeholders at all levels. Little wonder that non-executive directors now find, on average, that they need to put in three times as many hours as they did before the financial crisis.

Boards are crying out for those with CEO, or senior executive, experience, preferably current or recent; yet how can a CEO be expected to devote significant amounts of time to another board? What are the implications of this for the composition and diversity of thought on boards going forward? As for those business people who have 'retired', their experience in our dynamic and fast-moving business environment soon loses currency, particularly in terms of relevance to the constantly-evolving requirements of the market place.

This leads neatly into the topic of board succession planning and the board pipeline. In recent years a great deal of attention has been devoted to the female pipeline, or perceived lack of it; yet the same concerns are relevant to male directors.

If you haven't served on a board then you haven't served on a board and, irrespective of gender, ethnicity, background, you simply don't have prior experience. At what point, and on what basis, does a board decide that a 'virgin' non-executive director should be appointed? I regularly hear first time non-executives being described in these terms. Once appointed, how do we induct and develop the new non-executive appropriately, to ensure smooth acceleration up the effectiveness curve?

The diversity debate is also much broader than pure genetics. The main issue is to have diversity of thought and input around the boardroom table. We are making progress in terms of getting more women into the boardroom, but if a small pool of female candidates scoops up multiple directorships then, in essence, we are in danger of creating a female network to complement the old boys' club; such a situation will not broaden the pool of available talent. Recent research illustrates the problem – as of 1st October 2013, 470 women hold 606 non-executive director roles between them across the FTSE 100, 250 and Small-Cap. This compares to 250 women holding 341 non-executive director roles at 31st December 2010. Is this what we mean by diversity?

And while there is a legitimate focus at present on the financial services industry, other sectors – extractive industries, support services, mobile phone operators and supermarkets, to name just a few – move in and out of the spotlight. As regulators and investors seek directors who specifically understand their sector, what implications does this have for diversity of thought and input?



Executive succession is another key issue for boards. Developing talent at all levels, and of both genders, of diverse ethnicities and varying backgrounds, is vital in the increasingly-complex business environment. Companies also need to consider reflecting the composition of their customer base, their staff and maybe some of the other communities with whom they interact.

Effective governance and oversight encompasses both behavioural and process issues. The role of the chair is pivotal in finding the right balance, ensuring the dynamic is effective, appropriate and fit for purpose. The company secretary plays a key role in assisting the chairman but must do so in a way which, as well as keeping the board on the compliance tracks, adds real business value. Both need to be working closely together, and firing on all cylinders, for the board to be effective.

These are some of the issues and concerns that face UK boards, and on which we must focus our energies and skills to find answers which are practical and which deliver sustainable business benefit.



An evolving landscape

By Seamus Gillen

Board effectiveness is about much more than complying with the UK Corporate Governance Code ('Code'), or explaining why a company has done something differently.

Why does board effectiveness matter? The board is the engine room of corporate wealth creation. If UK companies are working at an optimal level, we maximise value for the wider public benefit, and increase our competitiveness on the global stage.

As the Code indicates, the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management able to deliver the long-term success of the company. There are a number of themes that come into play when we consider board effectiveness. Diversity, as mentioned, remains a significant issue. The risk agenda has been prominent recently, and the audit agenda now looks set to follow suit. Remuneration remains a contentious topic, where we have still not yet found the balance between what directors and investors seek, in governance terms, and public and political expectation.

These, and other, important issues always bring us back to the two principal questions with which we should be concerned.

Firstly, what can boards do better to help their companies create value? Well-run companies are not only more efficient and effective in achieving their objectives. They also generate greater confidence among, and enjoy higher levels of support from, key stakeholders – investors, customers, suppliers, employees and others. How can we reinforce the factors which generate these valuable outcomes?

Secondly, what can boards do better to avoid the risks of value destruction? While the economic crisis has given rise to a number of examples of significant value collapse, the problem has affected more than the financial services sector. Why do companies stumble in areas of core expertise? Why, in some cases, do they not seem to be aware of business-threatening risks which, taken at a lower level, end up 'betting the company'?

The key lies in considering the directors who sit on the board, and the culture, values and behaviours they exhibit. We certainly have to pay attention to policies and processes and systems, but these are often hygiene factors in comparison.

Boards must continue to strengthen what is working well, while identifying and addressing cases of governance dysfunction. The FRC's Guidance on Board Effectiveness, with its emphasis on behaviours, made a significant contribution to the thinking in this area. As we survey the changing landscape, it is work we must continue.

One of the biggest challenges for boards in an increasingly complex world is maintaining brand credibility, and reputational stature, at both an organisational and personal level (and here, both collectively and individually). Directors have a common cause in understanding the potential for their companies, as well as the exposures.



This requires a renewed, and stronger, commitment to understanding the needs of stakeholders – not just investors, but all those whose continual commitment to the company is essential for it to achieve its business objectives. The list continues to grow of near-misses, and head-on collisions, involving companies who have ignored this basic fact.

The irresistible spread of social media, which allows stakeholders to access an astonishing range of news, views, information, misinformation and disinformation is redefining the relationship between companies and the markets, and wider communities, within which they operate.

While, like King Canute, companies can't turn the tide, there is also a host of opportunities for a board to communicate to use social media to build and manage stakeholder confidence. But the company's actions must be consistent with the messaging. And that requires the board, and all its directors, to display the business imperative of ethical leadership, based on honest, genuine and transparent relationships with stakeholders. Failure to do so allows regulators to intervene, and competitors to step in.

These challenges come on top of all the other tasks which require the exercise of directors' skills, knowledge and experience. Against this backdrop of complexity and ambiguity, taking high-quality decisions which focus on the value creation and value protection agendas will build the sustainable business, capable of surviving into the longer term, of which the Code talks.

Never have directors needed to be so adept at navigating choppy waters. And never has it been more important to ensure that, acting collectively as the board, they are up to the task.

The company secretary

"The company secretary's effectiveness can be enhanced by his or her ability to build relationships of mutual trust with the chairman, the senior independent director and the non-executive directors, while maintaining the confidence of executive director colleagues."

FRC Guidance on Board Effectiveness

It is important to understand the role the company secretary can play in developing board effectiveness.

Company secretaries can add significant value and make a real impact by bringing to the table strategic understanding, political judgment, interpersonal skills and emotional intelligence, in addition to demonstrated governance, compliance and legal expertise.

A well-qualified company secretary, with a solid depth and breadth of career experience and strong commercial acumen, is the key governance professional on the board. Ideally, he or she will offer a holistic governance perspective, and be an accomplished communicator and influencer.

The company secretary will preferably be an integral member of the senior management team, adding value and 'bench strength' in terms of the company's operations and the delivery of its objectives.

Bringing this knowledge and experience into the boardroom, the secretary is one of the principal links between the board and the business. In also acting as a bridge – inside the boardroom – between the chairman, directors and non-executive directors, building and managing effective working relationships with directors, and securing the trust of board stakeholders, the secretary is ideally positioned to take a view on the strengths and development needs of the board. Working with the chairman, the secretary can make a valuable contribution to the induction of new directors, and the ongoing development needs of all the directors.

Current boardroom themes

Our previous research has looked at some key aspects of the effective board. In subsequent sections we look at these issues in more detail.

The role of the chairman

The role of the chairman is particularly challenging and managing relationships is key:

- Managing communication and working relationships with the CEO, board members and stakeholders calls for a range of professional skills and competencies
- Training and induction for the new chairman is sparse, would be welcome and, in common with non-executives, they often feel a lack of support
- Board evaluation can be considered a challenging process, sometimes viewed as a matter of compliance rather than effectiveness, and the effort is often not appreciated by stakeholders

The role of the non-executive director

The role of the non-executive director has changed in recent years, with a definite trend towards well qualified professionals choosing to become involved:

- Time commitments can be onerous and non-executives don't always receive the administrative support they need
- The accountability imputed to non-executive board members is not always adequately reflected in their remuneration
- Non-executives are generally proponents of external review and are keenly alive to their responsibilities in terms of challenge and accountability in the boardroom
- Trust, respect and effective working relationships are key attributes for non-executives in terms of board effectiveness

Board diversity

Diversity remains a fraught issue, and not simply in terms of the gender question. Boards need a mix of professionals with different points of view, competencies and strengths:

- Two-thirds of major companies have at least one woman on the board
- A number of independent reports have suggested that to see the full benefit of a diverse board, three or more directors should be women.
- Diversity in the boardroom promotes good governance and helps challenge 'group think'
- "Greater diversity improves atmospherics, dynamics and decision-making in British boardrooms. Businesses can only secure the best available individuals if they look at the widest pool of candidates." Sir Roger Carr

Board evaluations

An increasing number of companies now carry out external evaluations on the grounds that:

- A rigorous, structured evaluation can raise issues and uncover concerns that, when addressed, allow chairmen to make their board more effective
- Attention paid to procedures and processes is valuable but more value can be derived from conducting an evaluation that addresses culture, values and behaviours and the working relationships of board members
- Internal and external evaluation both have a place in the process
- A carefully-formulated external evaluation is more likely to uncover problematic issues and dilemmas, specifically interpersonal issues, as members of the board are likely to speak with a greater degree of frankness to an independent consultant

Chairmen ringing the changes

The financial crisis has reinforced the importance of the role and responsibilities of the chairman, and the part he or she plays in maximising the value of the board's outputs, and those of its committees, while securing the optimal contribution from the directors, individually and collectively.

The chairman needs to focus on the culture of the boardroom and engagement with the directors, ensuring the board and committees have an appropriate balance of skills, knowledge, experience, qualifications and independence. Crucial to creating conditions for effective board culture are processes for recruiting, inducting and developing the right people through a formal, transparent and rigorous appointment process.

Having selected a balanced board, the chairman must manage relationships with the whole board team – the CEO, executive directors, non-executive directors and the company secretary. Both teamwork and challenge are necessary, securing the best from strong people who have their own egos, needs and agendas, and forging them into an effective collaboration.

The relationship between the chair and the CEO is important – the role of the chairman is to run the board, the role of the CEO is to run the company. Coaching the CEO, while also challenging him, is a balancing act; the chair must maintain a measure of independence, while also being able to align with the CEO and the business when appropriate.

The role of chairman requires a significant level of professionalism, and a talent for displaying a range of 'soft skills', including the ability to coach new board members, manage board debates effectively, identify and evaluate concerns, orchestrate an often disparate group, and instigate behavioural change as necessary.

The chair is responsible for appraising non-executives, and providing them with meaningful feedback about their contribution, the time they commit and the preparedness they display with regard to board affairs. The chair should review non-executive appointments to ensure that, when fresh skills and attitudes are required, new candidates are sourced and appointed in a timely fashion.

Some chairs may prefer an informal system for appraisals, but a structured process is much more likely to lead to positive shifts in behaviour. For any appraisal process to be effective, it should be a two-way dialogue.



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“Good boards are created by good chairmen. The chairman creates the conditions for overall board and individual director effectiveness.”

FRC Guidance on Board Effectiveness

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Increased emphasis on succession is one of the positive developments in recent years. Apart from issues of succession at board level, the chairman must ensure that the executive maintains an adequate pipeline of internal candidates capable of being developed towards board roles. The chairman should also maintain relationships with senior individuals in the company so that, in conversations about promotion, the chairman can make an informed contribution to the process.

Nomination committees are under increased shareholder scrutiny and it is good practice that companies consult major shareholders about key board appointments, such as chairmen and important non-executive positions.

Non-executive directors – a ‘new’ profession

The role of the non-executive director has changed significantly in the last decade. In the past, these roles could be seen as a reward or perk for being a loyal supporter of the CEO or chairman – carrying little responsibility, requiring little effort or commitment, and consolidating the ‘old boys network’.

Today, non-executive directors are increasingly making the critical contribution originally envisaged in the 1992 Cadbury Report, to “bring an independent judgement to bear on issues of strategy, performance and resources, including key appointments and standards of conduct.”

However, as the FRC has indicated, it is also a case of thinking “deeply about the way in which they carry out their role and the behaviours that they display”.

Non-executive directors’ role in supplying an independent, objective and external perspective in the boardroom, and their constructive challenge of the executive directors, is a key factor in improving organisational performance and maximising value for all stakeholders. It represents one of the key strengths of the UK unitary board.

The new generation of non-executive directors views the role as part of their career development, many chairmen and non-executives moving into the boardroom via a role as CEO, or other senior executive. A trend is developing towards younger professionals, who make a conscious choice to take on a non-executive portfolio, having reached senior executive positions relatively early in their careers.

In working as part of the boardroom team, these highly skilled, competitive and dynamic individuals need to function as part of a collective, but also to challenge any dominant mind-set, or ensure the board avoids the groupthink risk of passively and complacently, or proactively and assertively, slipping into a routine of acceptance, acquiescence and false alignment.

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Boards need to think deeply about the way in which they carry out their role and the behaviours that they display, not just about the structures and processes that they put in place.

Baroness Hogg, Chairman,
Financial Reporting Council

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They need to be capable of coupling tact and diplomacy with tenacious determination and integrity, exercising influence without power, and building supportive and meaningful working relationships that facilitate the board dynamic. This requires skills not necessarily possessed by the majority of senior executives.

The best non-executive directors are confident and committed board members who, while remaining independent, put their breadth and depth of business experience at the disposal of the board in order to help it make the best possible decisions.

The behavioural question – the board as a team

"An effective board should not necessarily be a comfortable place. Challenge, as well as teamwork, is an essential feature."

FRC Guidance on Board Effectiveness

Corporate governance is as much about culture, values and behaviours, as about policies, processes and systems, and issues of compliance. If boards function principally by means of relationships, then behaviours become key.

Do board members ask the right questions? Do they understand the answers and the implications for the business? Is the chairman able to manage debate so as to bring out the best from each board member? Is there a good relationship between management and the board which is conducive to optimal performance and the creation of value? Is challenge constructive and of high quality?

A well-managed board should achieve the right balance in terms of teamwork and challenge – while a board is not supposed to be a comfortable place, nor is it supposed to be a battlefield of egos and rivalries. To allow high-quality decisions to be taken which move the company more quickly towards the achievement of its business goals, directors need to work together in a way which helps them understand each other's styles and strengths.

A board evaluation should ideally allow for an observation of a board, and its committees, to allow the reviewer to understand these behavioural dynamics, and propose solutions which move significantly beyond a technical and compliance-focused audit.

The diversity question

Achieving a sufficient diversity of experienced professionals around the boardroom remains a challenge and a priority. Diversity adds strength, and broadens the perspective available to the boardroom team. While traditional thinking focuses mainly on issues of gender, and occasionally ethnicity, it is important also to address the need for a range of thinking styles and cultural perspectives from people who will see things differently, and bring an alternative insight and point of view to the table.

Achieving a balance is the ideal outcome. Experienced professionals, for example, with a strong business track record, are more likely to understand business cycles, and have previous experience relating to a range of problems. Younger executives, by contrast, may bring more up-to-date specialist expertise and sharp-end experience, particularly in regard to leading-edge technologies and market developments.

The business case for improving the diversity profile is clear. Research shows that strong stock market growth among European companies is most likely where there is a higher proportion of women in senior management teams. Companies with more women on their boards were found to outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity.

Company profitability is not guaranteed simply by inviting more women into the boardroom but research from Australia, Spain, Singapore and Israel points to improved company performance, such as increased shareholder value, better attendance at meetings and more diverse skill sets, with board members actively seeking more information and taking the initiative.

Women in particular are seen as offering value, not only in terms of the qualities they bring to the table, and how that may broaden the scope of boardroom debate, but also in how they reflect a company's customer base and employee profile. Boards which address issues of diversity are likely to be seen as employers of choice. Their external and internal audiences perceive the corporate leadership commitment to the diversity agenda, and this enhances their ability to attract talent to the organisation.

A board which is successful in enhancing its diversity profile is well placed to acquire fresh perspectives, and be in a better position to, for example:

- identify, evaluate and manage short and long-term business, financial and reputational risks;
- identify, explore and exploit strategic opportunities, particularly those involving diversification into new markets and products, or the development and application of new technologies;
- contribute to a better understanding by the company's leadership of the diverse constituencies that affect its success
- enhance confidence in the board and the quality of governance for employees, customers and investors, and thereby improve the company's reputation.

Structured board review processes should highlight opportunities to harness the benefits of diversity by providing a systematic consideration of the skills and capabilities on the board, relevant to a company's current and future needs.

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“The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their duties and responsibilities effectively.”

UK Corporate Governance Code

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As far as gender diversity is concerned, the drive to recruit more women to the boardroom has undoubtedly broadened the search for suitable candidates. But companies continue to fish in a shallow pool. There has been a narrowing and concentration of 'female non-executive power' as the 'suitable' women take on multiple board positions. This will not, in itself, deliver greater diversity in the boardroom.

Chairmen will also be faced by the challenge of highly-regarded directors limiting the number of roles they are prepared to take on. There are welcome moves towards opening up the talent pool and considering those from advisory, professional services and senior public sector backgrounds, and companies will need to continue to be more open-minded about the qualities and experience that will allow boardroom teams to perform at their best. This will need to include initiatives, internally, to build strategies to develop and nurture talent right up to board level through the development, for example, of a female executive pipeline which is robust and substantial.



Standards and board effectiveness

The chairman is responsible for ensuring board members are competent and that, collectively, the board has the necessary skills, experience, independence and knowledge to fulfil its obligations. This responsibility extends to ensuring continued competency, development and succession planning. The company secretary should work closely with the chairman in developing induction and development programmes.

Competence standards – the skills, experience and knowledge expected of the board and its directors should be documented and used in director selection and performance assessment processes, and for board succession planning

Assessment – the competence of the board and of members should be reviewed regularly to ensure the board has the right mix of capabilities to ensure it delivers its responsibilities, and that development and contingency plans are in place

Development – notwithstanding the formal responsibility of the chairman under the provisions of the Code, board members must take individual and collective responsibility for ensuring their knowledge and skill sets are maintained, and that relevant professional development is pursued within the structure of a development plan

Improvement – the board should explore strategies for improvement, which may include reviews conducted by external parties.

Crucial to improving board performance is a commitment from the top down to the development of the board in the best interests of the company, and its stakeholders. This means looking regularly at every aspect of board performance, identifying and acting on potential improvement opportunities and ensuring that the board is constituted and operates so as to maximise its effectiveness.

High standards of corporate governance make an important contribution to companies' long-term performance, and are therefore in companies' business interests.

The Advanced Boardroom Excellence approach

Advanced Boardroom Excellence is passionate about standards and behaviour in the board arena, and the development of individual and collective director effectiveness. As a leading boardroom consultancy firm, its work covers experience-based mentoring, assessment, coaching, facilitation, and strategic advisory and governance services.

The Advanced Boardroom Excellence approach is based on the notion that building better boards is about people and how they work together. Its structured evaluation approach is tailored to help boards and chairmen identify opportunities for tangible, practical and meaningful change.

Advanced Boardroom Excellence services the increasing focus on board behaviour, and aims to help create high-performing boards, adept at challenge and decision-making.

Independent reviews

Within a broad offering of board effectiveness services, the firm undertakes development-focused independent board reviews to deliver solutions that demonstrably add value to the performance of the board.

While capability and experience are a fundamental platform for an effective board, it is the subtleties of individual contributions, and the collective dynamics orchestrated by the chairman, which characterise a high-performing board.

A structured questionnaire and review follow the principles set out in the FRC's Guidance on Board Effectiveness. This approach is supplemented by the Advanced Boardroom Excellence high-performing board model, which addresses individual and collective director effectiveness.

The Advanced Boardroom Excellence team has direct board experience and, through its experience with clients from the FTSE100 and 250, to private companies and divisions of major subsidiaries, is aware of the challenges that face chairmen, non-executive directors and executive directors.

The approach is tailor-made for the needs of each organisation, developed in discussion with the chairman and the company secretary. It includes a review of the whole board, its committees and individual directors, and recommends actions in respect of areas identified for further development against stated organisational strategic goals.

The scope of the review will typically cover the following:

- One-to-one board effectiveness structured questionnaire
- Observation – main board and committees
- Board documentation review
- Governance model review
- Initial feedback to the chairman, including one page on each director, focussed on their development
- Discussion with the senior independent director regarding the one page on the chairman's feedback
- Final report and actions
- Board feedback

The board effectiveness questionnaire provides a consistent and structured feedback process in relation to the key criteria set out in the Guidance on Board Effectiveness, covering board structure, board membership and board process.

Individual director effectiveness is assessed in the areas of director independence, director competence, and director behaviour.

In addition to the formal evaluation, Advanced Boardroom Excellence is able to offer an integrated board effectiveness review which provides the chairman and non-executive directors with the means of standing back and assessing the board's readiness to meet the needs of the immediate, and evolving, strategy. This integrated approach consists of board leadership and behavioural effectiveness facilitation, and a board development assessment.

There is also the option of a more detailed in-depth independent review of the effectiveness of the remuneration committee to assess whether it has the capability and processes to ensure that it meets appropriate governance standards. This can be carried out as part of the full board review, or as a separate initiative.

Our full board effectiveness service offering

In addition to independent board reviews and governance assessments, Advanced Boardroom Excellence provides the following services:

- Transformational performance coaching – a dynamic and strategic approach to executive coaching, director level assessment-development and executive career management.
- Leadership impact – board and leadership development designed to accelerate the impact on the organisation.



The Advanced Boardroom Excellence board governance team

Helen Pitcher

Chairman

Helen is recognised as a leading board effectiveness practitioner, and writes and presents regularly on the subject of the chairman's and NED's role in creating a high-performance board culture, and the behavioural aspects of board performance.

Her career spans 30 years in both the business world and the consulting sector. She held a variety of senior roles in blue-chip companies then, in her subsequent consulting career, became CEO of CEDAR, which she built into one of the best-regarded consultancies in the human capital arena. Her most recent role was as Chairman of IDDAS, a boardroom effectiveness consultancy.

Helen is a leading organisational performance coach and mentor, and works at the most senior level in FTSE100 companies, international companies and in the public sector. She has a worldwide network of alumni whom she has coached over the years.

Helen is chairman of the Selection Panel for Queen's Counsel, a panel member of the Employment Appeal Tribunal, chairman of KidsOut, and a trustee and fundraiser for several other charities. She was appointed to a Special Appeals Panel for returning Armed Forces veterans.

Helen holds an MA, LLB (Law), is a qualified psychometric assessor and is an alumnus of the ground-breaking INSEAD Challenge of Leadership Programme and the INSEAD International Corporate Governance Programme. She is the only consultant in the UK board effectiveness arena to hold this qualification. Helen is also an APECS accredited coach. She is a Fellow of the IOD, CIPD, and RSA and a Member of the European Corporate Governance Institute.

Mark Winkle

CEO and Executive Coach

Mark is an experienced board effectiveness consultant and executive coach. His experience covers a wide range of sectors including a financial services focus, with a career spanning consulting and executive management with ITT Financial Services, Chase Manhattan Bank, KPMG, GAN Financial Services, CEDAR TM and IDDAS.

Mark has particular expertise in creating a board effectiveness review process which captures the future focus of the organisation as a platform for active development of the board. Mark is adept at establishing the assessment frameworks, context and development programmes to support the chairman and the board in their drive to create a high-performing 'board team'.

Mark has over fifteen years of executive coaching experience working with a wide range of directors and senior executive across all disciplines and sectors. His work focuses on performance development, including facilitating organisational strategies at the individual and team level.

He completed his Masters of Business Administration at Roffey Park and is an APECS accredited executive coach. He is a qualified NLP Practitioner, certified in the process of Systemic Thinking, and is also a qualified psychometric assessor. Mark has a BA in Law.

Noreen O'Kelly**Corporate Governance Consultant**

Noreen is a qualified chartered accountant and company secretary with twenty years' experience in two of Ireland's leading companies. She has extensive experience in all aspects of corporate governance and board management, together with a record of achievement in pension reform, risk management, treasury, strategic planning, budgeting and financial control.

Her most recent corporate role was as Group Company Secretary and member of the Executive Committee reporting to the Chairman/CEO for C&C, a leading drinks manufacturer, whose principal brands are Bulmers, Magners, Gaymers Cider and Tennent's Beer. C&C is listed on the Irish and London Stock Exchanges.

Prior to this, Noreen spent 12 years with Independent News & Media PLC, a leading international newspaper and media group, whose interests are in Ireland, Northern Ireland and South Africa. This culminated with her becoming Company Secretary from 1997 to 2002, reporting to the Chairman/CEO.

Noreen has a BA (Economics) from University College Dublin, and a Masters of Business Studies from Dublin City University. She is a Fellow of the Institute of Chartered Accountants in Ireland, and holds a Diploma in International Financial Reporting Standards.



Effectiveness, and the role of board reviews

An effective board creates value. It is more likely to make the high-quality decisions which will help the company achieve its objectives, manage its risks, and safeguard its reputation. Effective boards – and successful companies – build trust and confidence among investors, employees, customers and all those who have a stake in the company's ongoing success.

How does a board become more effective? The answer lies partly in the role played by board evaluations. Here the Code sets out an expectation that:

- evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.
- The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.
- Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).
- boards should recount in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted;
- board evaluations of FTSE 350 companies should be facilitated by an external consultant at least every three years;
- non-executive directors, led by the senior independent director, should take responsibility for conducting performance evaluation for the chairman, taking into account as part of the process the views of executive directors.

The effective functioning of the board is key to company success. Building an effective and successful board is a challenging task for any chairman, and the evaluation process should be designed to provide a mechanism by which performance can be judged, and improved. Evaluation offers a useful opportunity for the chairman to step back and consider collective and individual director effectiveness.

Board evaluation, done well as part of a structured process, offers substantial opportunities. An effectively-conducted evaluation should lead to performance improvements for the board, the directors and the company as a whole.

An evaluation allows a board to address issues that have been identified as blocking effective performance, including those which the board has been unwilling to tackle, and sometimes even acknowledge. Undertaking the process signifies a willingness to pursue continuous improvement.

The Guidance on Board Effectiveness identifies the areas in which effectiveness might be considered, and against which performance can be assessed. The draft Code of Practice for independent external board evaluations¹ sets out suggested good practice for running an evaluation through all stages of the process.

External facilitation is designed to provide a rigorous and objective evaluation where the process is enhanced by calling on an external perspective that is likely to proffer new ways of thinking. The use of external reviewers provides reassurance to stakeholders that a board is prepared to be challenged on its performance, and to contemplate better ways of working.

A significant advantage of independent and external board evaluation is the potential to investigate the dynamics of the boardroom. Objective and evidence-based evaluation makes a critical contribution in terms of reinforcing accountability and delivering operational value and results.

A good understanding of board strengths and limitations is necessary in order to design effective board development plans for individual and collective growth and development. The board and chairman may be seasoned and experienced, but the opportunity to question and challenge is usually beneficial, and should provide a yardstick for assessing good practice.

Regular evaluation is key to high quality board performance, and is an essential part of good governance. Reflecting on past performance and achievements, as well as activities which did not go well, provides insights which can make a profound difference to the board, and act as a source of both inspiration and transformation.

¹ www.abexcellence.com

Reputational Risk

Reputational risk can, if it crystallises, threaten the survival of companies. It can wipe out millions in revenue, and result in regime change at the most senior levels of management.

While reputational risk can sometimes appear to materialise out of the blue, the seeds of value destruction are often sown quite visibly.

Reputation is built on the back of stakeholders' interactions with a company, and the perception of how the company will behave compared with those stakeholders' expectations. When a company meets, even exceeds, stakeholders' expectations, it builds up a store of reputational capital. When reputational risk crystallises, the opposite happens – a negative event impacts stakeholders' perception of that company, and destroys reputational equity. When a company fails to deliver against the expectations it has set, the outcome can be anything from mildly irritating to catastrophic.

From the actions of employees incurring trading losses at some of the world's biggest financial institutions, through supply chain problems, to accidents or scandals, the cause of reputational risk is often treatable, and the potential impacts either avoided or mitigated.

In a globalised marketplace, and a world of instant communication and social media networks, devising a reputation management strategy is a priority. If reputational risk does crystallise, a crisis management strategy, equally, needs to be deployed quickly and smartly.

Reputation may be an intangible asset, but it can represent the entire value of the company. Business risks affecting reputation should therefore be addressed as part of an integrated programme of risk management that is strategic, holistic, and driven by the board. Good corporate governance lies at the heart of a robust system of reputational risk management.



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