Board roles

UK regulatory literature concerning 'governance' and 'stewardship' provides clear principles which speak to the rational mind of boards and individual directors. Significant effort is devoted to the definition of terms and standards. Roles and responsibilities are described by The Financial Reporting Council (FRC), with the caveat that '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.'

The logic is that if we create a diverse board, set up appropriate committee structures, define reserved powers and institute processes for board decision-making, then we will govern effectively in 'business as usual' times. The chairman will lead the board, setting the tone and orchestrating contributions. The chief executive will lead the business, proposing strategy to the board and delivering the agreed strategy. The executive directors will bring 'an intimate knowledge of the company capabilities' to board discussion, representing the whole business not just their own operational areas. The non-executive directors will bring an independent, external perspective, taking into account the views of shareholders and other stakeholders and providing constructive challenge to board discussion. The company secretary will create trusted relationships with all board members, supporting the chairman, helping the board and committees to function efficiently and ensuring that their discussions are informed by high quality information.

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The issue which all boards increasingly face is that 'business as usual' can be intentionally or unintentionally disrupted. The board may scan the market place and wider environment, intentionally developing strategic change initiatives which significantly alter their organisational model. Alternatively, the market or wider environment may unexpectedly impact their company and require a response.

In periods of unplanned strategic change or crises, steady state logic changes. Roles need to be clarified in order to ensure that the board and committees continue to operate effectively. No single governance model exists for how to deploy board members. 'Situational intelligence' is required to determine what is appropriate and practical, taking into account the strengths of the individuals performing the roles.

Addressing crises

The media regularly shares stories of how high profile organisations are addressing crises. The actions of their spokesmen are closely scrutinised. From each story come lessons which may be of relevance to others.

In 2001, the impact of 9/11 on the global airline industry was significant. The combined profits of the world's top airlines fell to 50% of their 1996 level. On the afternoon of 9/11, British Airways, led by Chairman Colin Marshall and Chief Executive Rod Eddington, formed a crisis response team to focus on the first two weeks of the crisis. Executive groups dealt with operational issues such as diverted aircraft, stranded passengers and the potential financial impact on cash flow and projections. The Chairman managed external relations, assisted by non-executive directors who provided 'flag flying 'support in key territories. The Chief Executive led the executive directors' response through the initial crisis, and later identified five influential general managers who were tasked with identifying how the organisational model should change. The whole board was continuously briefed on progress and internal and external communications were co-ordinated.

Nearly a decade later, in April 2010, BP faced the Deepwater Horizon oil rig crisis. Working under the direction of the US 'Unified Command,' BP supported efforts to fight the Gulf of Mexico oil spill resulting from the rig explosion and the resultant impact on the environment and human health. The media spotlight fell on Chief Executive, Tony Hayward. He later commented: 'From day one I decided that I would personally lead BP's efforts to stem the leak and contain the damage, a logistical operation unprecedented in scale and cost.' The Chairman, Carl Henric Svanberg, reported that the full board of 13 non-executive directors and five executive directors met on 25 occasions during the year and formed a Gulf of Mexico Committee to provide regular reports to board members. A compensation trust of $20 billion was set up to address claims from individuals, businesses and Government entities. The reputational

A board's eye view with Anna Bateson

damage and impact on the granting of exploration licenses was tracked by the board. In September 2010, an internal investigation report was published. A review of governance processes was also undertaken and in October 2010 Tony Hayward stepped down from the role of Chief Executive, being succeeded by an internal candidate.

This month we watch the approach taken by multiple boards as they address the challenge of the compromised European food supply chain. Judgements will be made about the board members who present their organisation's messages in a story which is set to run for some time.

The FRC highlights the role of the whole board in anticipating and addressing strategic risks, which might lead to value destruction. The chairman is responsible for setting the board agenda, which should provide sufficient time to allow for board discussion of such risks. Determining who will manage internal and external activities and how they will be co-ordinated is critical.

The governance implications

The demand for board agility and adaptability is increasing and is not dependent on anticipating crises. For listed companies, there is a growing interest from institutional investors in transparency and in creating a continuous dialogue about strategic and governance issues. Methods for measuring stakeholder engagement are under development. Some are perceived as blunt instruments, such as the number of opposing shareholder votes at AGMs.

Visionary leadership creates stakeholder engagement in times of strategic change and depends on high visibility. Ensuring consistency of internal and external messages becomes critical. Processes which enable the flow of real-time information to board members can be co-ordinated by the company secretary, working closely with the chairman and chief executive.

Recognising and addressing the personal cost of high visibility receives less attention. Equipping individuals to anticipate and respond to the unexpected can be part of a board development programme. The provision of media training is increasing in popularity, but needs to recognise the impact of instant, global connectivity and the growth of social media. The company secretary can co-ordinate the identification and verification of suitable providers for the chairman and board to consider. The company secretary is also ideally placed to observe stress levels and raise the issue of individual and collective support needs for directors, with the chairman.

» About the author

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