



# The go-between

**Anna Bateson** reflects on the shifting governance agenda and the opportunities it presents for the company secretary.

**A**s boards recognise that delivering corporate governance requires more than proof of regulatory compliance, the role of company secretaries is changing. Boards are required to embed the principles which differentiate companies that are effectively governed. Company secretaries can influence and facilitate this agenda if their voices are heard.

In the new UK Corporate Governance Code

(the Code), which came into effect in June, encapsulates a 'change in tone', the Financial Reporting Council (FRC) underlines the key principles which guide the structure, processes and dynamics of effective boards. While the Code applies to Premium Listed companies, many other organisations seek to apply these principles in ways that are relevant and appropriate for their situation.

#### The change in tone

Across the Code, themes emerge which

underline this 'change in tone' and which have implications for what the role and behaviour of company secretaries should be.

There is an increasing emphasis on board leadership and the role of the chairman. In order to perform effectively and orchestrate board effort, the chairman will need the active support of an effective company secretary. Effectiveness depends on the ability to read rich pictures of complex situations, understand the various motivations of board members and use judgment to deploy personal strengths. Savvy operators are seen as politically and culturally astute. They nurture and sustain the relationships which enable them to optimise the services they provide to their boards.



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## Fit for purpose

The principle that all directors should have appropriate knowledge of the organisation and access to its operations and staff has highlighted the importance of enabling non-executive directors to contribute independent, robust and constructive challenges to the board's strategic decision-making. The company secretary generally acts as the conduit for non-executive directors to access both information and insight. With this support, non-executive directors build a rich picture of the context in which they are being asked to make strategic decisions alongside their executive board colleagues.

The Code promotes a formal and rigorous annual evaluation of the performance of the board, the committees and individual directors. Provisions for evaluation have been tightened to avoid a mechanistic, compliance-driven response. The Code promotes objectivity through external facilitation at least every three years. The establishment of a development agenda to drive

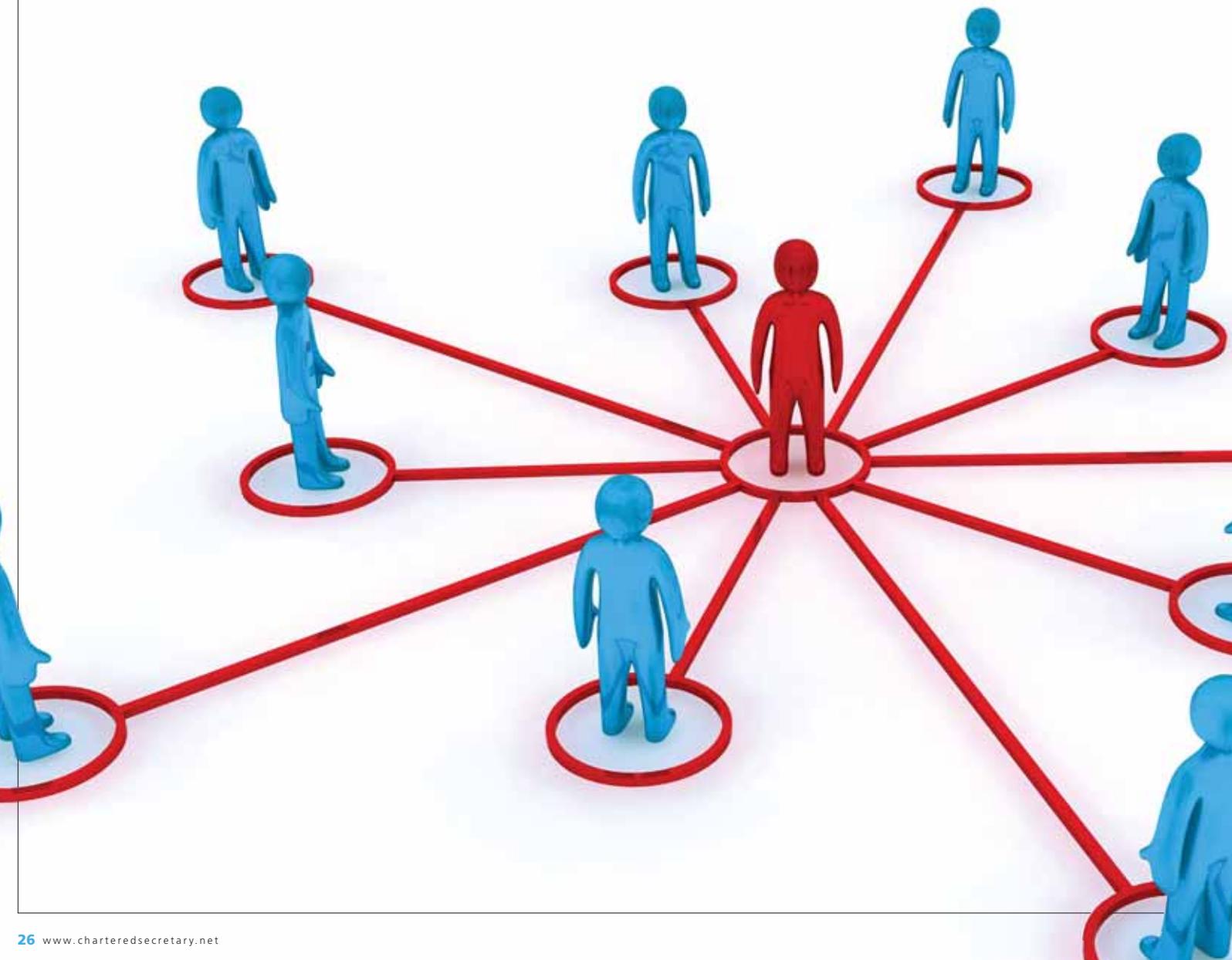
continuous improvement contributes to effective governance. Such an agenda arises naturally from an appropriate process undertaken with the commitment of all board members and the active sponsorship of the chairman. Provisions in this area have not been universally supported by high-profile chairmen. Company secretaries report that they are being asked to provide expert advice on alternative approaches and the critical success factors relevant to each. Preparing the ground to build commitment is often a joint activity undertaken by chairmen and company secretaries. Underestimating the time it takes to build emotional engagement after gaining rational acceptance is a common problem.

The focus on ensuring that a board is fit for purpose and fit for the future has prompted changes to the principles and provisions regarding the search for and selection, appointment and re-election of, board members. The composition of boards and committees seeks to bring diverse insight to the table, thus

enabling a better quality of debate and resultant strategic decision-making. The avoidance of dominance and 'groupthink' are promoted. The principle of submitting directors for annual re-election is challenged by some commentators on the basis that it could reinforce the short-termism that boards are asked to avoid. The company secretary advises the board through

## Learning opportunity

Recognising the need to provide company secretaries with an integrated development programme to build capability, ICSA and Anna Bateson have launched 'Influencing skills for company secretaries – effective engagement to embed corporate governance'. Designed to share current insight and enable company secretaries to explore real challenges with their peers, this modular course provides time to prepare, question, reflect and practice addressing personal challenges. Visit [bit.ly/f2dbuh](http://bit.ly/f2dbuh) for more details.



the chair on all governance matters. As such chairmen and company secretaries can identify suitable external advisors and processes to support the search for new directors and their induction, as well as the continuous professional development of all board members.

### Investor relations

The principles relating to dialogue with shareholders are designed to ensure that all directors are aware of issues and concerns raised by them. Since these insights should inform board debate, together with insights from a range of other stakeholders, the company secretary may find that the nature and presentation of information required by the board has shifted to encompass the factual and the perceptual.

### The challenges

The general challenge for all company secretaries is how to enable the chairman and the board to effectively govern the organisation with a full understanding of Code principles and their appropriate deployment. Together the chairman and company secretary should seek approaches to optimise the effectiveness of the board, the committees and each individual director. Because each situation is different, there are no universal solutions and the Code's principle-based approach requires judgment to be exercised. The corporate governance agenda has not only changed in tone, it is continuously evolving. Ensuring that this evolving agenda is tracked, discussed and reflected on poses a critical challenge for both parties.

The specific challenge that the 'change



in tone' in corporate governance presents to the company secretary is the need to be able to create and sustain effective working relationships with a range of parties, including the chairman, the executive directors led by the chief executive or managing director and the non-executive directors. Developing relationships with continuously refreshed committees and key executive managers across the organisation further complicates the stakeholder map. Given the premise that what gets included on the board agenda is what gets debated, the company secretary should seek to ensure that critical governance questions are regularly explored and lead to the embedding of principles, rather than tick box compliance.

## What would you do in this hypothetical situation?

### The situation

Expert Solutions plc is a Premium Listed business on the London stock exchange. Over the last ten years, the institutional shareholding has shifted away from UK-based pension funds to a wider global representation. Over the last six months, the chairman has become aware that concerns have been expressed by some new institutional shareholders over the risk profile associated with entry into new Asia-Pacific markets. While the board has always been compliant with regulatory codes, there is some concern about the way in which strategic decisions are arrived at, and the absence of evidence that the board has used in external evaluation of this process.

### The characters – notes

#### Chairman – Chris Black

- In post for almost six years
- Seen as effective but not inclined to invite challenge
- Industry spokesman
- Background as executive director in same sector
- Portfolio of NED roles

#### Chief Executive – Jay White

- In post for three years
- Joined from competitor to take ES plc into Asia-Pacific markets
- Background in marketing and business development
- Works closely with chairman
- Filters opportunities for board to consider

#### Non-Executive Director – Lee Brown

- In post for five years
- Working knowledge of EMEA markets.
- Introduced by chairman and worked together as executive directors
- Portfolio of NED roles
- Inclined to agree

#### Non-Executive Director – Jean de Nouveau

- In post for six months
- Finding feet with support from Sam Gray

- Service industry background, not in same sector
- Previous NED post with entrepreneurial board growing global presence through acquisition
- Used to a federated business model

#### Chief Operating Officer – Pat Steel

- In post for four years
- Joined from competitor
- Seen as potential successor to chief executive
- Ambitious and proactive
- Keen to see the big picture

#### Finance Director – Lin Lee

- With organisation for ten years
- On board for seven years
- Working background in same sector
- Precise and thorough
- Provides clear and detailed analysis of options that the chairman and chief executive wish to explore with board

#### Company Secretary – Sam Gray

- With organisation for ten years
- Promoted to company secretary four years ago
- Trusted as an 'expert'
- Developed a highly efficient secretariat function
- Networks extensively across the profession

### The challenge

While the chairman has made all members of the board aware of the concerns expressed by institutional shareholders and the need to evidence their robust and rigorous decision-making process, there is no consensus about the best way to do so. The chairman has publicly questioned the value of external facilitation of board evaluation. As Sam Gray, how would you enable the chairman to address this challenge?

E-mail your suggestion to [chartsec@icsa.co.uk](mailto:chartsec@icsa.co.uk).



The extent to which these challenges are captured in role descriptions for company secretaries will vary. Many specify activities and outputs but may omit to capture the political and diplomatic nature of the role. Sitting at the centre of a web of relationships in an enabling and influencing position, the company secretary is required to identify the most appropriate approaches to achieving a desired outcome, recognising the different motivations of the key stakeholders, the context in which

principles must be applied and their own strong suit. Building a thorough understanding of context and developing judgment in assessing situations is critical. Developing a self-awareness in terms of personal strengths and the ways these may be optimised is also essential for success. ■

### » About the author

Anna Bateson is founder of business consultancy Cutting Through The Grey, [www.cttg.org](http://www.cttg.org), and an expert on strategic change and board leadership.