



Practitioner's perspective

Company secretaries share their thoughts on how best to provide board support

SINCE the launch of the ICSA Company Secretary Development Programme (CSDP) five years ago, there have been many discussions about the situations faced by company secretarial teams when enabling their boards to deliver governance and compliance. Practitioners have shared insights into the way they enable their boards and committees to perform effectively and although some challenges are specific to particular sectors and organisations, others are common to all.

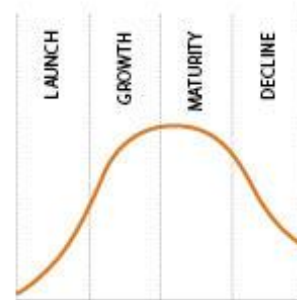
Challenges and changing roles

When reflecting on the wider environment in which their organisations operate, increasing regulatory and legislative requirements were highlighted as a major challenge. Those supporting premium, listed organisations with complex structures covering multiple jurisdictions are particularly affected. They also mentioned the recent increase in merger and acquisition activity, in particular the growth of value chains involving strategic alliances and joint ventures, as contributing to the complex situations they face. Those providing support for unlisted organisations agree on the need to understand what regulators believe to be good business practice.

Organisational lifecycle

The size, scale and lifecycle of an organisation all affect the governance and compliance controls it requires. The graph (see right) illustrates how the type of company corresponds to the level of governance required. After the launch of a new business and when it is in decline, the primary difficulty is typically securing airtime with board members to discuss governance and compliance. During an organisation's growth phase, providing structure and a framework for thinking about governance and compliance is imperative. With organisational maturity comes the desire to embed good practice and a focus on sharing that success with a range of different internal and external stakeholder audiences.

There is universal recognition that in order to be effective, individuals need to 'develop an understanding of the bigger picture'. Practitioners acknowledge the need to improve their 'line of sight' beyond the boards and organisations they support. One part of this is the need to stay abreast of all regulatory and legislative developments,



filtering them for relevance and focusing board attention on those that are critical. Added to this is the need to develop a broader interest in other trends in the wider world and market dynamics, which could impact the boards who determine the strategic change agenda of the organisation.

The move from providing a reactive service to anticipating change and providing proactive advice is widely committed to by practitioners. When questioned on the barriers to making this transition, a significant proportion of those attending the CSDP cited resource shortages as a factor which limits the extent to which this is achievable.

Conducting an audit of activities and time spent on them is a popular action which enables teams to establish whether they are doing the right things, rather than exclusively focusing on doing things right. Discussions centred on what to stop doing in order to refocus attention on the things which are critical for effective board performance. In-house teams mention the difficulty in deploying people wisely but welcome the collaboration of colleagues. External service providers, particularly those outside the UK, highlight the need to develop partnerships with their boards, based on clear expectations and service level agreements.

The economic environment in which many organisations tend to focus on short-term performance rather than long-term stability, is a second common challenge expressed by individuals operating in a wide range of sectors and territories. The ownership structure of an organisation contributes significantly to the timeframes used for their strategic thinking and the expectations of return on investment. In listed entities, the emergence of nano-second trading and activist shareholders have affected the definition of good performance, although regulation seeks to rebalance the paradox of delivering results now and building long-term stability.

The issue for company secretaries is how to raise the focus of board attention to consider the governance implications of strategic decisions rather than limiting activity to prove compliance. The solution requires the repositioning of practitioners to positions as trusted board advisers. Not for the faint-hearted, this ensures early involvement in discussions and a voice which is heard. Those who have achieved this relationship talk about the time required to develop a reputation as a respected and safe pair of hands, capable of contributing to strategic and operational thinking.

A change in the tone of leadership of organisations is the third major challenge facing boards and those who enable their effective operation. Recent relevant publications for boards include the PwC Board Radar, which clearly indicates that in order to implement the Corporate Governance Code, behaviour change rather than technical awareness should be the focus of board's attention. In addition, the Financial Reporting Council (FRC) indicates that setting the tone from the top involves clearly articulating and living the culture, values and ethics of the organisation. The

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International Corporate Governance Network's Global Governance Principles also defines six clear statements of board responsibility in the area of corporate culture.

The gap between articulated values and ethics and the behaviour of individuals is obvious to practitioners, often called upon to navigate between powerful, opinionated board members. Talented company secretaries share stories of how they have learnt to manage the conflicting agendas of chairmen and CEOs, make sense of matrix reporting and ensure that the purpose and boundaries of their role are clearly understood.

Practical advice

Practitioners value the time to reflect on the challenges they face and approaches they take to their roles which the ICSA CSDP provides. Their experiences clearly evidence the unique role which company secretaries play in facing both the board and the organisation. The practical advice they offer can be summarised into three areas:

- 1 The right board
- 2 The right processes
- 3 The right behaviour

The right board

One sign of a healthy board is an effective succession plan. Practitioners advise their boards on the need to balance stability with refreshment. They ensure that difficult conversations take place which recognise the human tendency to see succession planning as personally threatening. Regulatory advice and evidence of good practice is shared, in order to develop a culture in which considering a time beyond personal tenure is seen in a positive light. The need to address the conflict of interest experienced by investor directors is highlighted as a specific challenge which can be addressed by refreshing representatives.

For most organisations, a regular review of their board composition is used to check that there is an appropriate mix of skills and experience to lead their organisation into the future. Whether delivered as a formal or informal activity, internally or externally, practitioners see the process as an effective means of surfacing gaps in board capability and agreeing actions to address them. From a simple preoccupation with gender diversity, many have seen a better board understanding develop when seeking to attract quality non-executive directors bringing diverse insights. Having attracted new members, the objective is to ensure that on-boarding activities cover not only



factual and current information on the way the board operates but also corporate memory on the organisation's history and culture.

Establishing appropriate committee structures and clear terms of reference is common – but it is less common to continually review these structures. Practitioners frequently remind members of their purpose and boundaries.

The right processes

Practitioners suggest planning the board schedule early and providing opportunities for addressing tactical and strategic, routine and ad hoc board matters. Getting dates, times and venues in everyone's diaries and discouraging change for no good reason requires strong influencing and negotiation skills. Working more than 12 months ahead tends to prevent unhelpful behaviour from board members.

Collaborative agenda setting and the provision of effective board intelligence are priorities for most practitioners. Conversations on when to put specific items on agendas highlight the need for a clear understanding of stakeholder objectives and motives in order to prioritise. Clear, concise, accurate and timely are among the adjectives used to describe effective board packs.

Papers are marked for information, discussion or decision. Practitioners ensure there is a clear and common understanding of regulatory expectations and an accurate record of discussion, criteria applied and decisions taken.

With a growing recognition that boards are tracking multiple decisions and initiatives, practitioners have developed processes for recording progress and following up on actions committed to. Although commonly agreed to be an essential aspect of the role of board support, this appears to be the area which needs most attention in the future.

The right behaviour

Establishing a code for boards and committees provides a foundation for promoting the right behaviour. To make the code live requires significant effort from all members and a common desire to address unacceptable behaviour. Successful codes should encourage alternative thinking, provide a right to record disagreement and create a mindset of

accountability and transparency.

Some boards specifically create debate on issues by nominated advocates and challengers. All have a chance to play this role. They seek to improve the ability to constructively challenge through enabling individuals to practice. The quality of the resultant decisions is discussed and their implementation tracked. Trusted board advisers observe real board behaviour in practice and provide feedback. The activity of openly reviewing the effectiveness of each board meeting on conclusion, is growing in popularity. Working well in high trust environments, it provides an instant indication of the impact of behaviour.

Creating the right environment for formal board and committee events is a simple way of improving board behaviour. Selecting appropriate locations and times also contributes to success. Many practitioners point to a move towards more frequent and shorter meetings to facilitate a better quality of discussion and decision making. The availability of non-executive directors is often a decisive factor in frequency and location. As well as formal events, practitioners promote informal events as a means of building relationships between board members.

All boards have the potential to develop better performance. The capability of the chairman is seen as a key determinant of whether directors are committed to board learning. Opportunities to practice chairing in advance of assuming the role are valued. The ability to explore personal strengths and weaknesses in a safe environment with trusted business coaches and mentors is seen as highly effective. Company secretaries highlight two learning priorities for the chairman they support: ensuring that all directors contribute and make time for proper discussion so that the board reaches a common understanding and decision.

Good practice

It is commonly understood by the CSDP community that the past five years have seen a significant change in the role of company secretaries. The change has been experienced by all organisations – not only those which are regulated. The role is dynamic and the profile of practitioners is increasing in importance.

Practitioners recognise the new capability and behaviour which enables them to perform effectively. They are committed to developing themselves and their teams. High priority is given to the development of strategic understanding and the ability to navigate complex relationships through influence and leadership. Although recognising the need for appropriate confidentiality, there is a growing inclination to collaborate and share experiences, in a profession which historically has led to individual isolation. This collaboration provides individuals with a support network that enables them to perform effectively in a dynamic environment.

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