A
positive
direction

Anna Bateson explains how you can steer your board through a successful programme of development.

This year's company secretaries conference offered the chance to take part in one of three workshops. This article is based upon the findings of one of these workshops, which was designed to share insights into board development. The workshop discussed three questions preoccupying many company secretaries:

1. How can board development agendas be created and what role can the company secretary play?

2. What are the existing approaches to developing boards and of these, which work well?

3. How can you measure the success of your investment?

Developing board agendas

The best agendas arise from a robust review of board effectiveness and address the structure, processes and dynamics of the board. These agendas specify the real outputs and benefits required from investment in board development and are arrived at through a process which involves all board members, actively sponsored by the chairman. It takes time to build a climate of trust and an appetite for change. The company secretary is in a unique position to observe the board in action and can act as a 'go between' for all board members, helping the chairman to build an investment case which focuses on the areas most likely to lead to a more effective board.

In the experience of those company secretaries who attended the workshop, a number of forces help to create a board development agenda. There is significant agreement on the most critical, with the most frequently recorded shown in figure 1.

Many of these forces relate to the style and dynamics of the board and the willingness of members to embark on a journey to improve

their effectiveness, both individually and collectively. The role of an effective review is highlighted as going beyond compliance and as being driven by a desire to evolve. External regulation lends weight to recent moves in corporate governance to bring about this required 'change in tone'. Figure 2 illustrates the forces that are considered most likely to hinder the creation of a board development agenda. Company secretaries highlighted a real or perceived shortage of time as the most likely force to hinder or derail attempts to create an agenda for change. Coupled with boardroom behaviours ranging from arrogance to complacency, these hindering factors provide a very real challenge for those seeking to develop a desire for improvement.

Those attending the workshop highlighted pragmatic ways in which they had influenced their boards to embark on development, which are shown in figure 3. Many of these stories recognised the differing motivation of board members and the need to build engagement and commitment over time. Building development opportunities on existing processes and events proved effective. Participants highlighted that company secretaries were best placed to observe their boards in action and understand the approaches that were most likely to succeed, indicating that they, rather than human resource (HR) specialists, should own the board development agenda.

The best approach

Board development needs to be pragmatic and produce real change, recognising that the starting point for each board differs. Initiatives should build *Situational Intelligence,* which is the wisdom to intervene in a way that is most likely to produce the desired results. The desired output is a board that performs effectively, combining independent challenge with an ability to reach appropriate decisions and support their implementation.

Forces which help to create a board development agenda
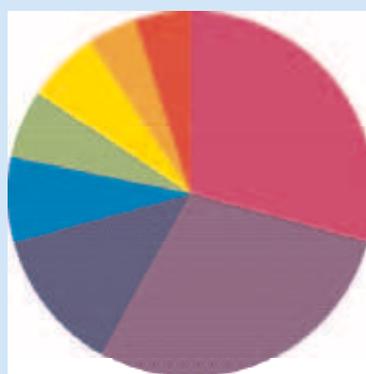
- Chairman's enthusiasm
- Chief executive/board member's support
- Effective board review
- Guidance on 'what good looks like'
- External regulation
- Link to board strategy
- NED stories of other boards
- Open to new ideas/open style

In deciding which development options to explore, it is necessary to identify the audience, establish the context in which it needs to perform and tailor activities to the board's style. Many providers exist. The best will be prepared to engage in a due diligence process in conjunction with you, in order to establish that they have the required capability and are able to deliver the value you require. Time should be taken to create a trusted business relationship and to establish a rapport, but a mutually dependent relationship should be avoided.

Workshop participants identified the development options they had used and shared stories about their effectiveness. On site visits were the most popular method employed for building a better understanding of the business, particularly for non-executive directors. These also developed engagement between board members and employees and helped to identify the talent pipeline. Encouraging directors to go 'back to the floor' offered the same insight and engagement.

Participants used workshops to develop strategy. They identified a need to tailor these workshops to specific industries and related issues. They also considered that workshop facilitators enable strategic thinking by allowing boards to draw their own conclusions, particularly through providing a highly interactive process.

Inviting speakers, such as executives and other representatives of the value chain, to present to the board creates stakeholder engagement. External speakers, such as academics and

The company secretary is in a unique position.

journalists can also provide updates on recent developments in regulation or best practice – the inclusion of effective question and answer sessions was recommended. For all speaker events, the suggested approach was to balance content to suit varying levels of understanding of the topic at hand.

Options for individual development included business coaching and mentoring. The success of both depended on finding the right fit between the provider and the director. While business coaching was seen as offering independent challenge and support to directors to enable them to address a specific objective, mentoring was an activity provided for and by directors and was seen as particularly relevant for new directors. Building a structured development programme for each individual director was recommended. Board induction was seen as providing the foundation for board development, with appraisal results helping to indicate specific development needs. There was some question as to whether internal development initiatives designed to meet these needs would be viewed as credible. Some executive directors were encouraged to seek non-executive director roles in other companies as part of their development. Those who had used expert

Forces which hinder creating a board development agenda
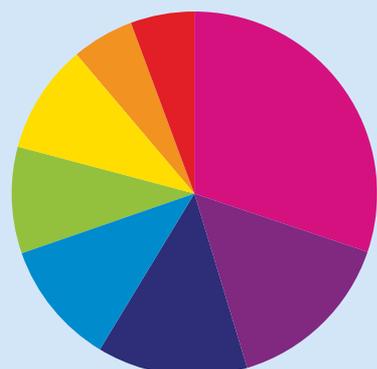
- Shortage of time
- Apathy
- Delusion/vanity: 'not needed here'
- Lack of change appetite/learning culture
- Can't see benefits/lack of vision of 'better'
- Resistance from chair/individual members
- Fractured board
- Group think/overly stable board

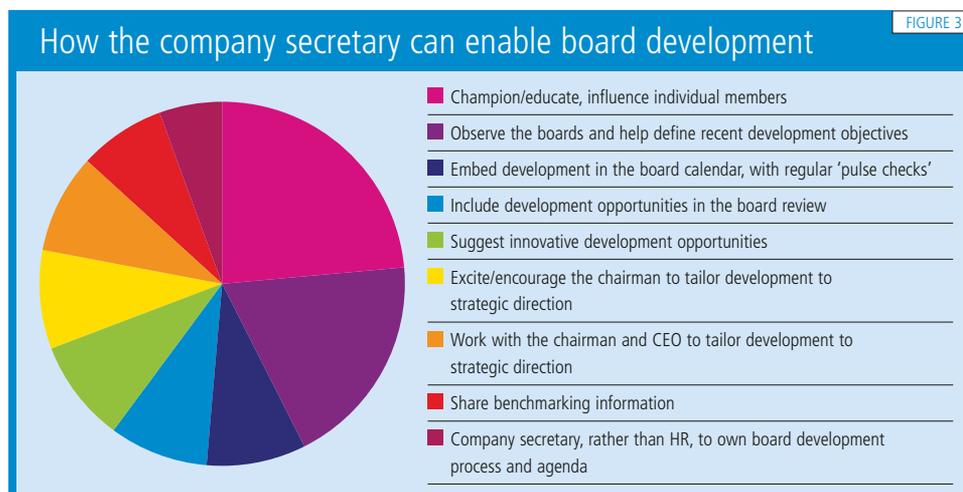**Follow us on Twitter!**
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A positive influence

observation as part of a board evaluation process considered that the process required careful handling and that the resultant report needed to be objective.

Measuring success

In order to establish return on investment, it is necessary to use both quantitative and qualitative metrics to track whether the value expected to be gained from a board development agenda has been realised. In doing so we assume that real outputs and benefits have been specified during the process of creating a board development agenda.

These metrics may include checking whether the investment in development fits with the future strategic direction of the organisation. Qualitative measures aim to record the initial response of individuals to development initiatives. They should also assess how new knowledge and strengths gained by board members are being applied in practice, starting some three months after any initiative and re-assessing at regular intervals. Both quantitative and qualitative measures can be

FIGURE 3

How the company secretary can enable board development

- Champion/educate, influence individual members
- Observe the boards and help define recent development objectives
- Embed development in the board calendar, with regular 'pulse checks'
- Include development opportunities in the board review
- Suggest innovative development opportunities
- Excite/encourage the chairman to tailor development to strategic direction
- Work with the chairman and CEO to tailor development to strategic direction
- Share benchmarking information
- Company secretary, rather than HR, to own board development process and agenda

they would go about measuring the relative success of the development programme.

If the aim was to develop a particular skill or area of knowledge a measure of success is the extent to which that skill or knowledge has been applied or put into practice following the programme itself. The relative availability

fed into board succession and renewal plans. In order to sustain the momentum generated by board development, board members can share what they have learnt. Any understanding of individual and collective strengths which has been gained during the process can also inform future board activity. In doing so it is easier to identify talent in the boardroom and deploy it in the most effective way to meet both current and future challenges.

At the workshop participants discussed how

Feedback establishes the board's reputation.

of appropriately qualified board members for committees and for succession planning can also be used to measure the effectiveness of the programme. A reduced reliance on external expertise could also be monitored. If improvements in key processes such as decision-making are the objective of the process, then these processes could be monitored and the adoption of new technology or methodology tracked.

If development is intended to build a

more positive board culture, with common understanding or agreement in key areas, then board dynamics need to be observed and monitored. The use of external observation was recommended and could be built into the evaluation process. The adherence to board agenda timings, the quality of the decision-making process and avoiding revisiting agenda items were all highlighted as effective measures, together with a lack of complaints about board effectiveness.

Many examples of effective measures of positive board dynamics were shared, including the level of challenge, quality of debate, independent contributions, contributions by all, timing of contributions, quality of listening, respect for colleagues and quality of the decision-making process. Seeking feedback from various stakeholders was recommended, including the views of shareholders at the annual general meeting. This feedback establishes the board's reputation and ability to attract investment and new directors from the external market.

Where the objective is to improve individual director effectiveness, the chairman's appraisal was identified as the most relevant measure. This should observe behaviour in terms of the level of contribution made, the degree of independent thinking, the extent to which the individual asks questions on topics outside their area of expertise, the respect they show for colleagues and the timing of their contributions. ■

» About the author

Anna Bateson is the founder of the business consultancy 'Cutting Through The Grey' – www.cttg.org – and works extensively with boards on their development agendas. In collaboration with global expert, Dr Laurence Lyons, she researches, writes and consults on the development of Situational Intelligence™.