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## Boardroom composition

There was a time, not so long ago, when a non-executive job on a top board, beyond that of the chairman, was regarded as a cushy number. If you felt conscientious, you could look at the minutes the night before the meeting, mark a few points, then ask the occasional studied question the next day. Or you could settle for sporadic innocuous interventions, ensuring that your name went on the record by seconding any resolutions.

That way you could survive your various boardroom tenures in the knowledge that you would be recognised as a "good sort" who would lend moral support to the chairman and would not rock the boat in meetings. Executives tended to like this gentle approach, since it allowed them to get on with running the business as they saw fit.

The relationship of the board to the executive was rather like that of the House of Lords to parliament. Excessive intervention by peers is rarely welcomed but a degree of wise counsel is regarded as healthy in the government of an inclusive, democratic society.

But the corporate sector is not yet convinced of the merits of democracy. Business still prefers a military-style approach to growth, expanding empires through acquisition and beating the opposition at every opportunity. It likes a single identifiable leader: a general.

How many existing bosses, I wonder, would sympathise with the remarks of the Duke of Wellington after holding his first cabinet meeting as prime minister? "An extraordinary affair," said the duke. "I gave them their orders and they wanted to stay and discuss them."

Organisationally, most companies remain conservative. In spite of the collapse of Enron, in spite of Sarbanes-Oxley, in spite of the Higgs report and all the increasing powers and capacities of shareholders, companies retain a suspicion, bordering on cynicism, of radical boardroom change. For "radical" here, read "any".

In some respects I side with the cynics. Why shouldn't Barclays Bank appoint Matthew Barratt, its chief executive, as chairman, or J. Sainsbury do the same with Sir Peter Davis, its own chief executive? They are immensely capable individuals whose valuable operational knowledge would be lost to their respective companies. If they were trusted enough to run these companies, why can they not be trusted to oversee the work of their successors?

You could see the persistence of such sympathies in the resistance of the Carlton board when faced with a shareholder revolt against its decision to make Michael Green, its chairman, the chairman-designate of a merged Carlton and Granada. In taking their stance, the board might have felt emboldened by another of Wellington's observations - of the French at Waterloo: "They came on in the same old way and we sent them back in the same old way." Only it did not go according to form. It was the Carlton board that met its Waterloo. The shareholders won the day and we have yet to discover the cost.

Both the rules and the practice of governance are changing so markedly that boards today face competing tensions between their traditional supportive role and the scrutineering expectations of governance. Compounding these tensions is the presence of further scrutiny from shareholder bodies.

These developments are bound to change the composition and behaviour of boards. In future we may expect less rubber-stamping and a more questioning attitude - which is exactly what Derek Higgs was seeking in his proposed reforms, most of which were adopted this week in the Financial Reporting Council's combined code on corporate governance.

But will this lead to greater transparency of behaviour? Canny board members in a post-Enron world will be as attuned to the new demands as they were to the clubbable behaviour of the past. Studied questions may be supplanted by studied criticism - possibly the best ploy for boosting your personal profile in a governance-obsessed world.

Will companies be better run in future? The duties, numbers and cost of non-executives are going to increase. Non-executives will need to know their part-time companies in the kind of detail that militates against membership of too many boards. In a world where ignorance of malfeasance is not so much a defence than a sign of negligence and incompetence, no one wants to be held liable for fraud or corporate failure. Unfortunately this all spells more work for executives who would rather be running the business.

Worries about increased liability explains why Korn Ferry International's latest annual board directors study found that 23 per cent of directors surveyed in North America had turned down additional board positions in 2002, compared with 13 per cent the previous year. The findings of the study, based on responses from 1,362 directors of Fortune 1000 companies in 15 countries, suggest the days of collecting board positions as if they were scout badges appear to be over.

The Korn Ferry study, combined with the more onerous demands on non-executives, might lead us to conclude that non-executive posts on the boards of public companies are becoming less desirable. Not a bit of it, says Miles Broadbent, head of the Miles Partnership, the London-based headhunting firm.

"It's complete nonsense that people are reluctant to take on non-executive posts. I'm finding that people are still very keen to do this work," he says. "I have only ever had one person turn me down because of fears of liability. Most chief executives of plcs want to be on at least one other board. It's an important addition to their CVs."

Much of the demand for non-executives, he says, is among companies keen to broaden the composition of their boards. This is leading to increasing opportunities for women. In the past 12 months, his non-executive placements included Stella David, managing director of Bacardi-Martini UK on the board of Nationwide Building Society; Ana Maria Llopis, the Venezuelan-born executive vice-president of Indra, the Spanish information technology company on the board of BAT; Mary-Teresa Rainey, joint chief executive of Rainey Kelly Campbell Roalfe/Young & Rubicam, the advertising agency, at WH Smith; and Clare Chapman, human resources director of Tesco, on the board of First Choice Holidays.

These appointments suggest that large boards are becoming sold on the idea of diversity. The next stage is to broaden their recruiting to include more "non-corporates" with public sector and professional backgrounds. If headhunters are

reluctant to search in these areas, companies should copy the public sector and advertise their non-executive posts. That would make a change.

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