

Board Performance

AUTUMN 2010

NEWSLETTER

This newsletter focuses on our Board Performance service. It is underpinned by over a decade of working with directors and boards, and coincides with the FRC's publication of the UK Corporate Governance Code June 2010, and the UK Stewardship Code July 2010.

Our role is straightforward: we help boards to maximise their performance.

Getting the best from the Board – leadership of the chairman

An effective board is one that thinks broadly and strategically, is not afraid to challenge internal and external perceived wisdom and is prepared to use the dynamic between executives and non-executives to enhance decision making. Processes are robust but not mechanical, and the relationships between non-executive directors and executives are neither too comfortable nor antagonistic.

Getting the best from the board is obviously one of the big issues for chairmen. There is a clear trend for shareholders and the public to demand more from the chairman in controlling and supporting the chief executive - and on being more visible, particularly in times of difficulty or crisis. The role requires a very high level of interpersonal skills and dedication to bring out the best performance from powerful non executive directors and dedicated executive teams. The senior independent director can support, but it is a lonely role and, of course, the 'buck stops' with the chairman. And all of this is subject to the increasingly intense scrutiny of shareholders, other stakeholders and the media.



Measuring Board Performance

How do you measure whether your board is doing a good job? The UK Stewardship Code requires investing organisations to monitor regularly the effectiveness of investee boards and their committees.

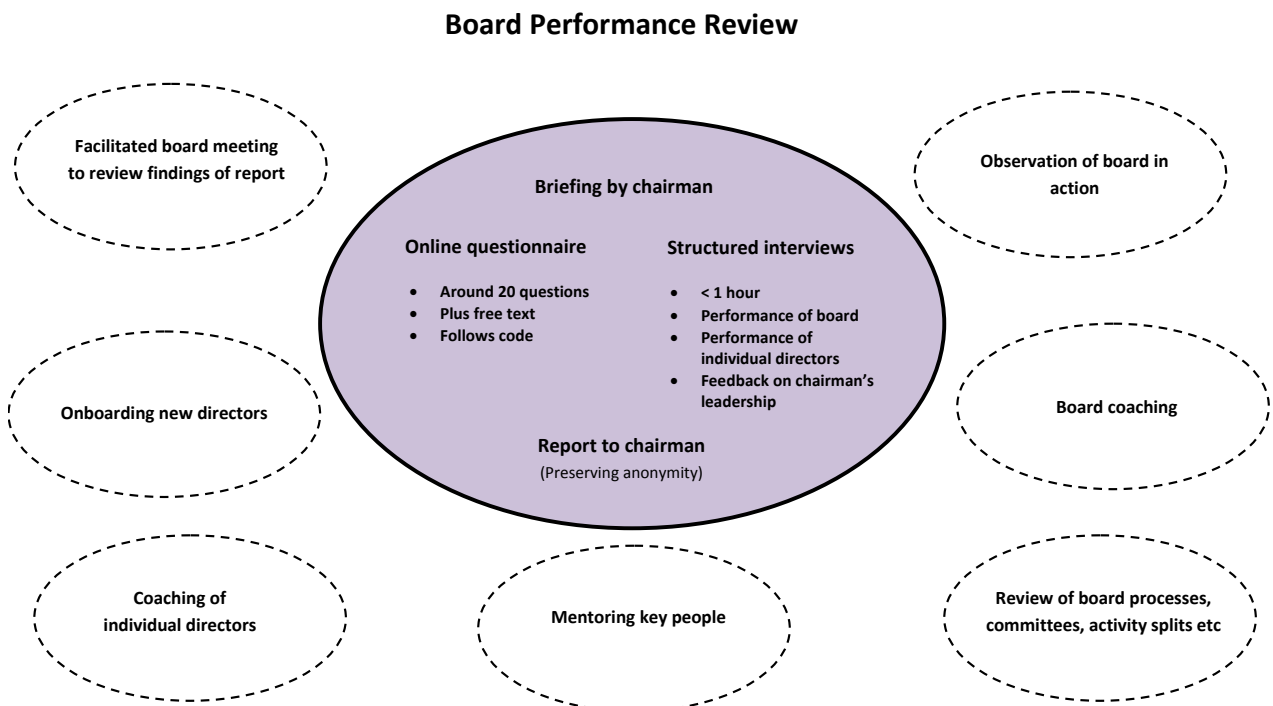
The UK Corporate Governance Code 2010 (which replaces the Combined Code) places greater emphasis on leadership, the behaviour of directors, and on transparency. The Code proposes that the boards of all FTSE-350 companies should be externally reviewed every 3 years. It also calls for the non-executive directors, led by the senior independent director, and taking views from the executive directors, to evaluate the performance of the chairman. All directors should be re-elected annually, subject to continued satisfactory performance.

The Code does not specify what constitutes good performance – or how to evaluate it. However, there is a clear shift from following procedures to addressing the way that the board and its members behave. In our experience, any performance evaluation must cover the board as an entity, its committees, and the individual directors. It has to embrace strategy and operations, how contributions are made, and how well decisions are reached. Having a transparent and objective process in place is the key: it enables reliable year-on-year performance comparisons to be made easily and defensibly. Merely evaluating the board misses the point: it is no longer about ticking boxes but about helping each director and the board as a whole to use the evaluation to enhance their performance.

Public Service boards

Getting the best from the board is just as important in public service, and such boards have their own *Good Governance Standard for Public Services - 2005*. More than 450000 people contribute as governors to a wide range of public service organisations. Their effectiveness has a critical bearing on both providing the services the public need, and providing value for the taxpayers who fund the service. In July this year Lord Browne was announced as the Government’s lead Non-Executive Director with the remit to appoint NEDs to the board of every government department. The intention is to galvanise these boards and drive up performance, but whether or not they have the desired impact will depend critically on how well they establish themselves – and how well the existing directors appreciate what the incomers bring to the board.

The core of our board performance process is in the centre of the diagram. The surrounding elements are all options which we can deploy as needed:



What do external consultants bring?

Apart from helping a company demonstrate that they comply with the Code, they bring an independent and objective assessment of the current effectiveness of the board and its individual members - impossible to achieve by internal review alone. They bring specialist skills to support the chairman in his/her leadership role and provide focus for ongoing dialogue. They can more readily recognise and challenge 'groupthink' and complacency, and can bring an external perspective of best practice based on a wide range of clients. It requires skill and sensitivity, and the right consultants will quickly strike the balance between challenge and support, and encourage practical improvement plans that can be measured over time.

"...the potential benefits resulting from the greater objectivity that an external facilitator can bring to the evaluation process are such that a provision should be added to the Code"

-FRC 2009 Report

Why Keary Harper?

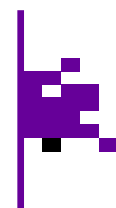
"The support Keary Harper have given both at board and individual level has been invaluable"

We have always recognised that honest and constructive dialogue, focused on long term behavioural change, is the most sustainable way of enhancing performance. That is what we do, every day, with a very broad spectrum of senior people in many industry sectors. We have been encouraged that the latest codes acknowledge the efficacy of this much more demanding approach. We have worked with boards for a decade as executive coaches and consultants - we know how to be challenging, tough yet constructive. Chairmen and directors trust us to tackle sensitive issues and reach practical and sustainable outcomes. As performance coaches, we are also business people – we know what it is like at the 'sharp end' in a board. Most importantly, we are specialised and wholly independent, with no potential conflicts of interest such as existed with executive search or financial advice.

Keary Harper Board Partnerships

Board effectiveness is ultimately all about performance – of the chair as leader of the team, of individual directors, whether established or new to the team, and the board as a whole in delivering results. Each board is unique with its own specific issues and challenges. Our response is tailored to the specific circumstances and needs of each board.

Some organisations will wish to engage us for a one-off 'healthcheck' or to address particular issues, others to undertake an annual/tri-annual review. We have found that other organisations seek the benefits of a longer term confidential arrangement with a strategic partner, who has invested in building knowledge and understanding of the organisation and its individual directors, and who can be called in quickly to support board change and development.



Keary Harper LLP

First Floor
6 Porter Street
London
United Kingdom
W16 6DD

Tel: 0044 (0)207 486 1321
Email: info@kearyharper.co.uk

Maximising Board Performance

Please visit
www.kearyharper.co.uk

Our Board Performance Team

Our team comprises our most senior and experienced board level coaches, who also have all held director positions in business.



John Keary
Managing Partner



Rosemary Harper
Managing Partner



Louise Beckett
Senior Consultant



David Smith
Senior Consultant



Ray Longbottom
Senior Consultant



Sir Colin Chandler

We are delighted to be joined in this work by Sir Colin Chandler. Sir Colin is currently Chairman of Clarity Commerce Solutions plc. He has been Chairman of easyJet, Chairman and Chief Executive of Vickers plc, Deputy Chairman of Smiths Group, Chairman of TI Automotive, CEO and Chairman of Racal Electronics, Head of UK Government Defence Export Services and Pro Chancellor of Cranfield University. He was knighted in June 1988 for his services to export.