

The Effective Company Director

the role and responsibilities
of a company director from
a shareholder's point of view

Prepared by *Probity* as evidence for the Higgs enquiry
into the role and effectiveness of non executive directors.

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Deteriorating standards of direction

The past quarter of a century has seen a serious deterioration in the quality of company direction. The philosophy of public service and working to the common good that infused our institutions for much of the twentieth century, has given way to a culture of personal greed and self-interest. Nowadays, boards of directors are spending less time on managing the development and growth of their companies, and more time on cost cutting, acquisition strategies and their own remuneration. The old fashioned concepts of leadership, loyalty, fiduciary duty and customer service have disappeared, to be replaced by an all embracing drive for wealth, profit and a strong bottom line. The pocket has replaced the heart in the boardroom mind.

Culture change

The rise in fraud and corruption exemplified by Enron and WorldCom in America, and BCCI, Maxwell and Marconi in Britain, must be reversed. The challenge we face is how to go about it. Historically the establishment has not excelled at the process of reform and redirection. Help is at hand from memetics, a new scientific discipline which identifies the environmental factors which drive human behaviour. This scientific approach, which was first discovered by Richard Dawkins of Selfish Gene fame, enables its proponents to engineer changes in an organisation or nation's culture. By removing the environmental causes of aberrant behaviour, and replacing them with systems and structures that cause beneficial behaviour to occur, rapid and radical changes in boardroom culture can be engineered.

Changing director behaviour

This paper proposes memetic solutions to two seemingly intractable problems of company director behaviour. Introducing fair director remuneration and appointing high quality directors.

1/ Fair director remuneration systems

Company directors' current focus on personal self-enrichment was assured with the advent of the Cadbury and Greenbury reports and director remuneration committees. Boardroom greed will cease when director remuneration committees are outlawed and boardroom appointments are made by competitive election of directors at an annual general meeting of shareholders. Directors' fees can either be established in advance as a multiple (max 5) of the pay of the lowest paid company employee, or candidates can be asked to compete for the post with the lowest fee requirement getting the job.

2/ High quality director appointments

Companies flourish when they are well led. The two lists of positive and negative leadership characteristics included below, can be used to enable electors (shareholders, employees) to identify high quality directors. By reviewing the performance of incumbents or candidates against the lists, electors put themselves in a better position to judge whether an individual is suitable for a boardroom role.

Good Leaders :-

- Lead from the front, demonstrating by example the appropriate behaviour.
- Act with integrity and probity for the common good and in the public interest.
- Pursue the interests of every stakeholder (clients, employees, suppliers, citizens).
- Always place others' interests and the common good above their own interest.
- Maintain a vision of a better future and communicate it clearly to stakeholders.
- Recognise and use the strengths, skills and qualities of all their stakeholders.
- Call for, recognise and use ideas, suggestions and contributions from everyone.
- Seek innovative solutions to problems, constantly searching for improvements.
- Live by a set of standards and values and monitor progress towards them.
- Maintain an overview, placing current events into a larger perspective and context.
- Regularly re-establish the strengths and weaknesses of the organisation's position.
- Identify the difficulties their organisation / nation is encountering, interpret the structural and systemic causes and introduce improved systems of governance.
- Consider a range of viable alternative courses of action for every challenge.
- Constantly experiment and test new or different ways of achieving results.
- Are decisive without being foolhardy, balancing action with inaction and thought.
- Support and encourage everyone involved in their joint venture.
- Regularly review and reflect on experience establishing what occurred in contrast to what was expected, and identifying what has been learnt.
- Manage morale by highlighting success and reminding people of their achievements strengths and capabilities particularly at times of difficulty.
- Seek the opportunities hidden by the difficulties, identifying unrecognised strengths and pointing out the silver lining to the cloud.
- Demonstrate the courage to stand by their convictions and values but admit their mistakes and make changes. (This leader is for turning !)
- Are compassionate and forgiving of human error and misfortune, but steadfast and unforgiving in the face of dishonesty and self interest.
- Are open and honest and hide nothing from colleagues or group members.
- Listen intently.
- Search for legitimacy, constantly checking that their organisations' actions are lawful and abide by professional, national and international rules of conduct.
- Work for justice striving to identify just solutions to every difficulty.
- Are risk takers and adventurers prepared to venture into unknown territory and uncharted waters accepting responsibility for failures as well as successes.
- Are keen, willing to learn from experience and determined to increase their own skill and capability always searching for improvement and a better way.
- Read voraciously, eagerly devouring the achievements and wisdom of others down the ages, using it as a guide to their own behaviour.
- Decentralise command and control, guiding followers through standards, values and principles rather than rules, regulations and control mechanisms.
- Share the hardships of difficulty and the rewards of achievement equitably.
- Abhor violence and conflict, and work ceaselessly for peace and co-operation.
- Pursue an inclusive, one-world, family of man philosophy.

Poor leaders

- Lead from the back, putting others at greater risk than themselves and requiring behaviour from others that they are unwilling to adopt themselves.
- Put their own self interest first above the interests of others.
- Are devoid of integrity, bowing to the whims and fancies of whoever will support them or maintain them in their position of power.
- Appoint favourites colleagues and cronies to positions of authority.
- Communicate a picture of the future that reflects popular competitive opinion rather than a stretching co-operative ideal.
- Treat their followers, employees and supporters unequally and as an expendable resource to be used to benefit their personal aims and increase their power.
- Call for contributions and ideas from everyone utilising only those that support their own ends. False consultation.
- Dominate and instruct colleagues and stakeholders rather than questioning, serving and supporting them.
- Blame difficulties on outside factors or other people's failings rather than taking or accepting responsibility.
- Take credit for others work and achievement / success whether it is due or not.
- Manipulate and spin information to their own advantage, ensuring that only those facts and interpretations that suit their position are released. Withholding, disguising or distorting any facts that could damage their interests or image.
- Only take risks utilising other people's money, resources or lives and taking care to avoid all personal loss.
- Are greedy, assiduously accumulating personal wealth and organising unequal and divisive distribution of rewards. (Can be found at or near the top of wealth lists.)
- Place money, profits and economic benefit above all other interests.
- Are unwilling to share hardships in times of difficulty, preferring to single out individuals or groups who will have to 'suffer for the cause'.
- Pursue an exclusive, competitive philosophy encouraging one-upmanship based on characteristics of race, gender, nationality, age, religion, language, geographic location or other spurious reasons.
- Pursue a win / lose competitive strategy avoiding co-operation and synthesis.
- Invest heavily in systems and weapons of war and conflict, utilising force and violence to achieve their ends.
- Regularly demonstrate their power and superiority over others.
- Centralise power and control systems / structures under their command overriding democratic processes whenever the opportunity presents itself.

All human beings change, learn and develop as they progress through life. A director who is deselected for poor performance may develop rapidly as a result of the experience and later prove to be ideal for a leadership position. However not all change is beneficial. Tenure of a position can cause leaders to develop inappropriate qualities and become unsuited to the job. When making a leadership appointment, be prepared to change the incumbent if and when their behaviour changes or a different style of leadership is needed.