

# Giving structure to the Board of Directors

## – their roles, responsibilities and interrelationships

### The purpose of this white paper

To provide a structure to the Board of Directors that supports sound direction, good management and effective compliance in order to deliver sustainability and continued growth, whilst avoiding duplication or omission. Originally written for the **Nominations Committee** and relevant to any business owner or senior manager

### Preamble

This approach is valid with all sizes of company and has even been used to assign Director responsibilities for a company with just four people! However, for simplicity and completeness, this note is written from the perspective of an idealised UK blue-chip multinational where all the parties are present and can be readily defined and positioned.

Presented in this way, much of what is to follow might be regarded as common sense or even as quite obvious; however, common sense is a rare commodity and the obvious is often obscured by the hidden agenda<sup>1</sup>

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#### Introduction

The study of personality types seems to be confined to about 15% of the population who are drivers or high achievers, for example Isobel Briggs-Myers completed much of her work with the American Senate and Henley has Belbin. 85% (the workforce) don't feature.

The Board of Directors is based on four types of high achieving manager who can be described in a number of ways; perhaps the most widely known is Myers-Briggs (see also *Please Understand Me* by David Kiersey) which is used here in the scenario of a river. By placing people in the setting of a river which can flow with different speeds and different volumes we play to peoples' strengths and aptitudes, not categorise them into boxes.

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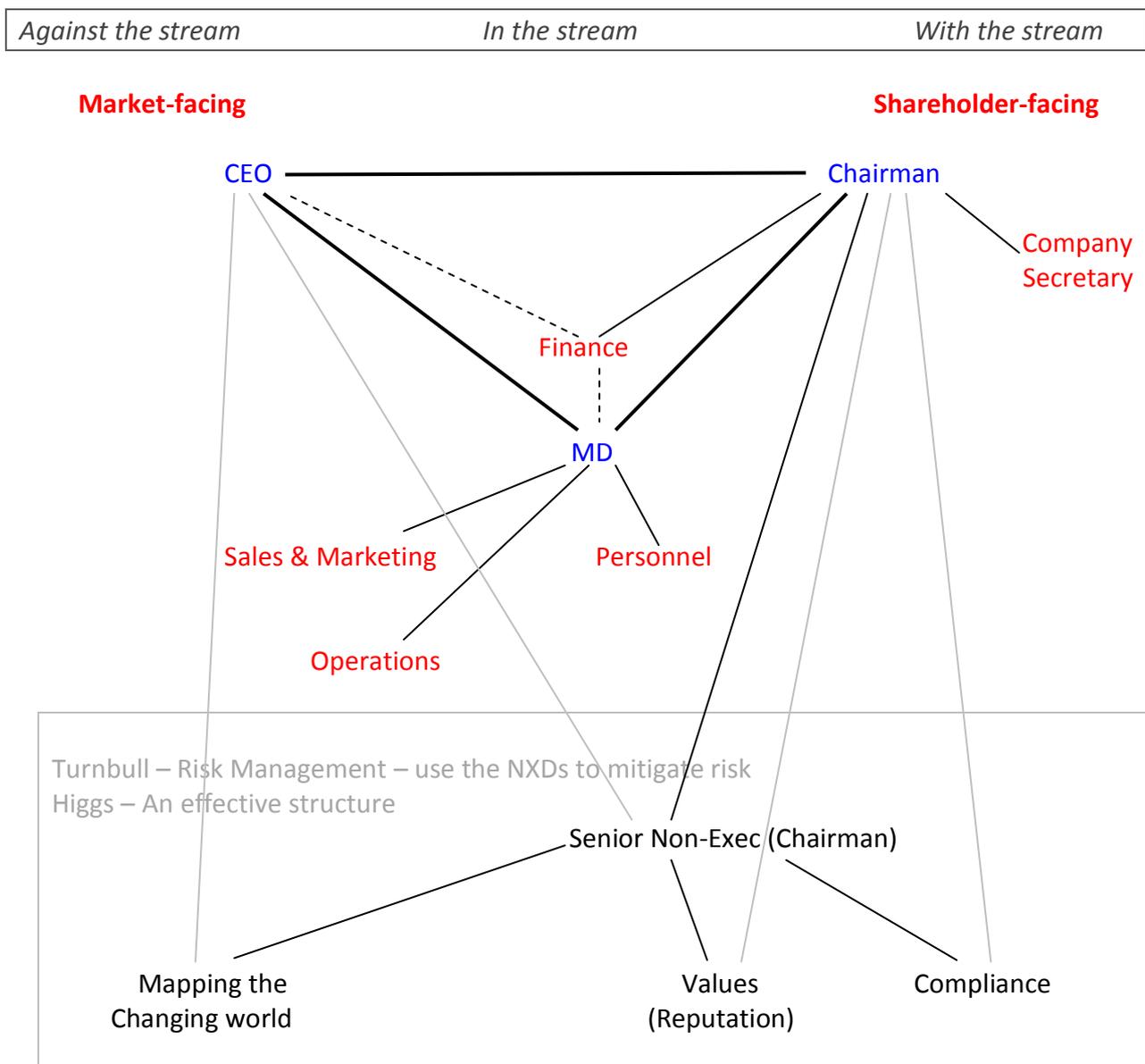
<sup>1</sup> Practical problems are readily resolved, imaginary ones are much more difficult

In the river are a number of people including:

- The manager who **swims against the current** trying new things, unsure of what's ahead enjoys the adventure of finding out, exploring novelty and taking controlled risk (xNTx).
- The manager **stood in the current** very much aware of what is happening all around, actively looking for challenges and things to do in the here and now (xSxJ)
- The manager **swimming with the current**, where there are established rules, precedent and approved ways to do things, ensuring that what has gone before is sound (xNFx)
- The manager **on the riverbank** chronicling events whether in words, pictures or music, describing what is happening but not being really involved (xSxP)

These are the types that may be used to define the positions and aptitudes of the people that comprise the Board of Directors.

**Figure 1 – The complete Board of Directors, – or where this journey is taking us**



**Part 1. The Top Three** – Chief Executive Officer (CEO), Managing Director (MD), Chairman  
These three posts provide the vision to look ahead and give long-term purpose and direction (the CEO) whilst ensuring delivery is maintained, products and services are consistent with market expectation and the business continues to grow (the MD) with the surety that the way business is conducted, reported and controlled is consistent with legal requirements and best practice (the Chairman)

1.1 The **CEO** (Goes against the flow – leads the organisation into new territory)

The key elements that make up the CEO's responsibilities are: **Corporate Social Responsibility (CSR)**, in ensuring the sound overall management of the organisation, maintaining and developing the **strategic focus** to ensure *sustainable competitiveness*, managing **policy** to be consistent with emerging events and **mapping the changing world** to identify trend and inform strategy

### CSR

In bringing together policy and strategy with a view of what is happening outside the organisation, the CEO can ensure the company is being managed in a responsible manner applying best practice appropriate both to internal demands and also external requirements (e.g. legislation, reporting, environment and society). There is linkage with the Chairman, who is accountable to the Shareholders, to ensure emerging (as well as existing) ways of working will be met by the organisation as strategy evolves and change is required

### Strategy

Strategy is derived from the vision, mission and objective for the organisation, it ensures the CEO and Chairman work closely together to plan the business; drawing the various strands [finance, market, people etc.] into the properly developed, sequenced and interlinked format necessary for the sound management process that takes a long-term view of events and options.

### Policy

Policies are the overriding courses of action that direct the organisation, even in changing external circumstances, and include internal codes of management. These are not set in stone and, given sufficient reason, may be subject to review and change within set parameters. Policies guide strategy and operations, but are not a substitute; they act as an advisor to intelligent management and to mitigate risk. However, as policy advises strategy which demands commitments, reasons for change really do need to be very substantial

Policies will be clearly articulated in order to allow external people acting as advisors to challenge management with knowledge and confidence, and by so doing they help the organisation to maintain its focus and continually improve its effectiveness.

A key role of the CEO is to ensure policies are soundly based and sustainable because policy informs strategy and once a strategic plan is committed there is a degree of inertia with commitments to, and by, others; frequent changes to policy can readily undermine trust and commitment, whilst leading to a lot of activity and expense but little real progress and profit

### Mapping the changing world

One of the roles of the CEO is to maintain a watching brief on what is happening outside the organisation and to track changes and trends in order to identify emerging opportunities or threats – recognising that a threat to one organisation is an opportunity to another.

The core management and decision-making processes can be significantly enhanced by regularly introducing understanding and nuances from outside the organisation and from similar organisations and markets. By sharing this with the MD, the CEO can support intelligent management [see below] in a changing world, to better guide operations and improve competitive responsiveness.

The Non-executive Directors can also be very supportive by listening out for what is happening elsewhere, monitoring the continual changes in the external environment and reviewing the company's standing in the market place from the viewpoint of an outsider. This information may be fed back to the CEO for incorporation in decision-making

## 1.2 The **MD** (In the flow – delivering today)

The key elements that make up the MD's responsibilities are: **delivery** of goods or services to the customers, the management of **sales and marketing** to keep goods and services appropriate, controlling **operations** to ensure competent staff and effective delivery, and **tactical/intelligent management** to ensure the organisation remains responsive and competitive

### Delivery

Delivery has two main elements: an outward-facing part, ensuring the goods and services that are being sold are profitable, properly fit for purpose, delivered to time and in good order; and also an inward facing part providing customer support and effective back-up in the event of additional sales or queries to be resolved. This aspect, plus R&D are the only two activities that actually generate income – everything else is a cost

### Sales & Marketing

This is a function where even the most experienced can meet significant tension between the tactics of selling and strategies of development for the market; it demands a very clear understanding of the organisation in its competitive context.

The sales imperative is primarily an outward focused activity generating the revenue to run the organisation; is generally short-term and dedicated to making the sale. The longer-term element of sales is Key Account Management (KAM) which sets out to develop and nurture long-term customer relationships

Marketing, on the other hand, has its primary focus in the medium-term which involves identifying trend and emerging needs in order to source or amend the products and services that are about to be in demand – fashion is a good example. Strategic marketing is long term and supports the CEO in taking the company into new and profitable business options

### Operations

Operations must be able to produce to specification and within agreed price and margin parameters. There is often a need for close control of this function as it comprises many interlocking disciplines and unfortunately provides opportunities for individuals to interpret requirements in a way that may not be wholly consistent with policy or strategy. To support management there are many systems, standards and processes to give that control, for example: ISO 9001, Kanban and Prince to name just a few.

The operations function also involves investment in new technology or ways of working that involves training in disciplines that are consistent with the strategic plan; and again, a need to work closely with the CEO

### Intelligent and Tactical management

There is an intermediate position in management between strategy and tactics. It may be termed **Intelligent Management** where the majority of practical management decisions are focused two weeks to six months ahead<sup>2</sup>, ensuring budgets are met, agreements upheld, products delivered and by the year end the organisation will meet shareholder (or owner-manager) expectation.

Intelligent management is a function that identifies medium-term opportunity and potential competitive threat; it demands the agility (and evidence) to support the re-directing of operational resources to remain competitive in a changing and threatening market.

Tactical management is normally the domain of experienced middle managers who have good connections that can be contacted to efficiently overcome some immediate business issue. There is a need for trust and openness between MD and middle management which can be difficult to achieve as it is often the experienced middle managers who are laid off during times of commercial difficulty – and taking with them the contacts and means to respond to short-term issues.

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<sup>2</sup> A place consultancy avoids as advice and decisions within this time frame might be held accountable; strategic advice, on the other hand will always be changed by external events.

### 1.3 The **Chairman** (Goes with the flow – to ensure sound governance)

The key elements that make up the Chairman's responsibilities are: **accountability** to Companies House, shareholders and investors, maintaining the **vision** for the organisation, keeping the organisation true to its **mission**, maintaining the **corporate objective** and providing a point of reference and managing the **non-executive Directors**.

#### Accountability

The Chairman is accountable to shareholders for the performance of the company, which is achieved by managing the Board to work effectively together, whilst ensuring that the contributions from the Non-executive Directors are properly integrated into the decision-making process.

A pivotal part of this function is the scrutiny and [if appropriate] audit of Board activities, with the capacity and authority to revisit decisions and recommend their amendment if appropriate.

#### Vision

All the Directors need to understand and have assimilated the vision for the organisation. They must also challenge if there is any uncertainty. By providing a clear goal that can stimulate the imagination, others can be taken on the corporate journey and readily contribute their support and commitment – even in changing and difficult circumstances. This role will be challenged and supported by the non-executive Directors.

#### Mission

The *Mission Statement* is written to answer "What is the purpose of this organisation?" in a form that that will withstand changes in market expectation, product range or external events.

A mission statement that 'is simply to make money' does not acknowledge the customer and does not give direction. This approach rarely leads to sustainability because the organisation is at the mercy of events outside its control. The mission gets beneath the practical to address the aspirational – and link the aspirations of customers to those of the organisation itself. Organisations that waver from their mission risk a significant fall in customer confidence, market presence or share price.

#### Objective

The corporate objective is perhaps the most difficult of the responsibilities in that, by definition, there can only be one objective and that it needs to be quantified.

For that reason it needs to be significant. An example may be 'to become listed within a given number years'; such a statement is quite precise and the requirements may be clearly specified.

When everyone knows the objective and the particular criteria leading to it they can clearly see their own role in reaching the stated goal which allows appropriate and relevant decisions to be made at management level, not just by the Board.

A clear objective also provides the basis for targeted investment and sound administration; measuring only that which is necessary<sup>3</sup>.

### Managing the Non-Executives

The Chairman also acts as the point of management for the senior Non-Executive Director to guide and manage the non-executive team to ensure their contributions are appropriate and timely. This is discussed in more detail below.

#### 1.4 The **Management Team**

The three senior people work together as a team to ensure the sustainability of the organisation.

In overall terms: the Chairman is the champion for the organisation's mission and is accountable for the organisation operating ethically and within government guidelines, the CEO manages CSR in line with agreed guidelines whilst developing and delivering the strategy to take the organisation forward and the MD ensures that the organisation can continue to deliver the goods and services it is renowned for whilst responding appropriately to changing market requirements.

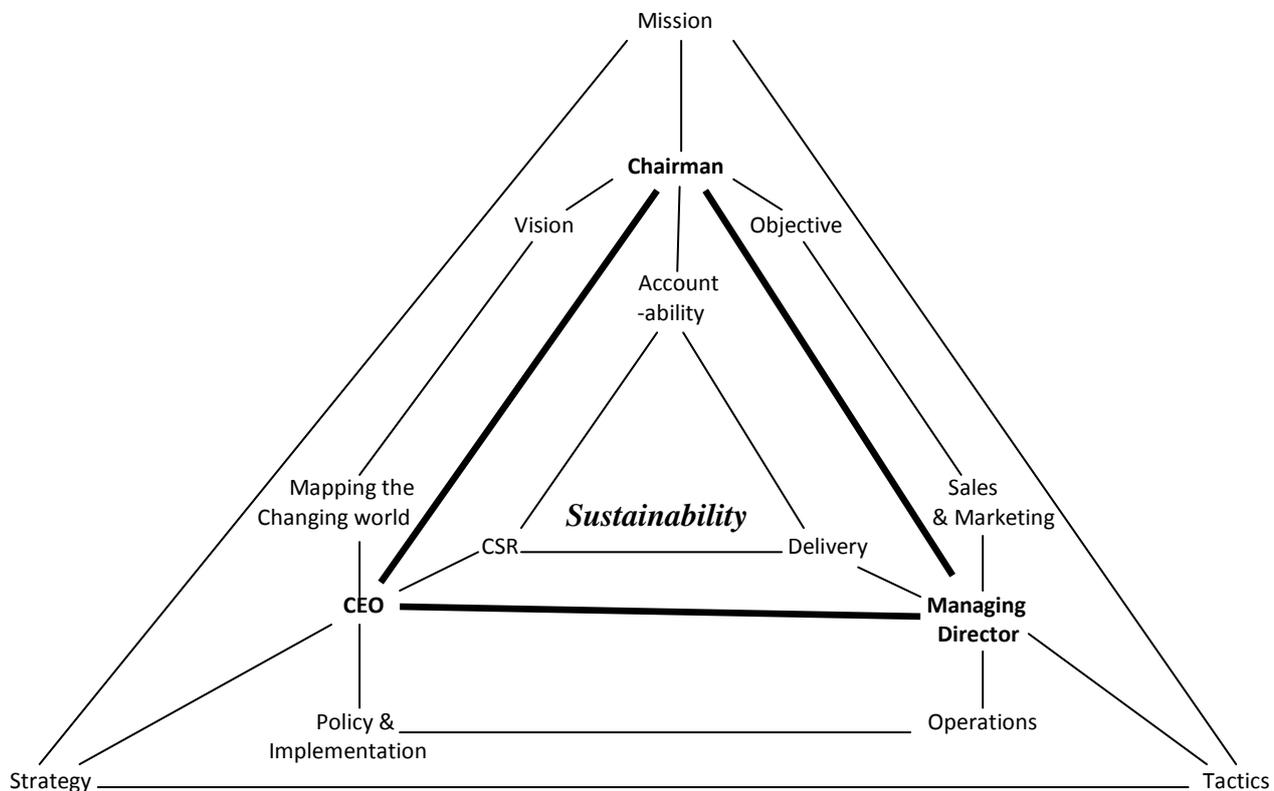
All these functions interact in a mutually supportive manner as illustrated below.

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<sup>3</sup> One organisation with a very clear and precise objective argues that administration [for any organisation] should be between 16% and 25% of turnover [or income] – anything more than 25% and resources are being squandered measuring unnecessary things, below 16% and there is the risk of people taking advantage

Working as a team – how the three senior functions interact

**Figure 2. A composite picture of the balanced and integrated Senior Executives**



The three senior positions work in concert as a team, linked by the various areas of responsibility as discussed below:

Objective links with Sales & Marketing

Market research and trend analysis looks a long way ahead at step-changes in products or markets, the skill is to move the product range appropriately or find ways to enter markets most appropriate to the overall objective of the organisation

The products or services must be selected promoted and sold as a means to achieve the corporate objective; for example a drive to grow the luxury market will be served by products such as perfumes and designer clothes, not by cut-price groceries.

Operations links with Policy

The Operations function is about getting things right from a practical perspective, and in a way that is consistent with the desires of the organisation.

Organisational norms and requirements are embodied in the policies that will be adopted to ensure compliance and sound management, so by bringing the two together risk is reduced, reputation upheld and there is a commonality of purpose.

### Mapping the changing world links with Vision

The world changes whilst the corporate vision remains firm; in order to stay on course, the organisation needs to be sufficiently agile to identify and respond to changes in ways that maintain momentum and do not compromise that goal.

This is an area where the non-executive Directors can make a very positive contribution in bringing new perspectives to the business and directing attention to things that might be missed in the pressure of day-to-day business.

### CSR, Delivery and Accountability all link

The style and implementation of business needs to be accountable – not only to shareholders but also to society, the legislature and other stakeholders including the environment – the CSR imperative.

The ways in which products and services are delivered need to be consistent with the organisation's own internal rules and still appropriate to the legal, cultural and social norms of the communities in which it operates

Accountability needs to recognise the strengths and limitations of governance and its implementation to avoid over-audit, wasted resource and a stifling of creativity, yet also ensure the company operates within both internal and external parameters and constraints.

In ensuring these three elements are properly managed and supported, the organisation can be more confident of a sustainable market presence and increased attractiveness to shareholders and investors.

### Working together

In the structure detailed above, there is a common goal; every core function has a champion, and every champion has appropriate support; there is no overlap and no duplication, leading to an efficient and effective management structure

## Part 2. The Deliverers – Marketing, Finance, Operations, Personnel, Company Secretary

### 2.1 The Marketing & Sales Director

The Marketing & Sales Director takes four roles: **Strategic** – managing the company into the future, **Competitive** – managing the medium-term response to competitive threat, **Tactics** – getting the sales today and a **developmental** role, building and selling products appropriate to the changing market.

Additionally, the marketing and sales activity fits into a supply chain and can not stand alone, so there is a constant need to manage the customers of the customers as well as the direct customers themselves; for example a mother (the customer) may buy a bar of chocolate – not for herself, but to as a treat for her child (the customer's customer).

#### The strategic role

The strategic role demands **planning** through market research and marketing research to identify trends to realise the emerging opportunities whilst moving away from potential threats. Having identified future opportunity (whether new product or new market) the needs and wants of prospective customers must be assessed to create an appropriate solution that will deliver maximum benefit – the core **purpose** of the product or service.

#### The Competitive role

The competitive role supports **intelligent management** where analytic inputs and weak signals indicate competitive activity or short-term market change (fad or fashion) is happening. The response can take place by changes to the **product** itself or through revised short-term **pricing** to hold market share until the competition finds their approach untenable.

#### The tactical role

The tactical role is about getting sales today and supporting those people in the field. The two key elements are in **persuading** people that the product meets their needs through advertising, PR and the positioning of the product. These aspects can be readily adjusted if a competitive response is needed. Secondly, the product needs to be in a **place** where it can readily be accessed to make the sale as enjoyable and positive as possible for the purchaser.

#### The developmental role

The developmental role is one which manages extension selling, key account management, growth in the customer base and new market development. It is based on sharing **proof** that the product meets the customers' needs extremely well and then **promoting** the product in a continual and unwavering way. This approach is readily evidenced in the big brands and household names.

## 2.2 The **Finance** Director

The Finance Director has a complex role: to ensure the **strategic intent** of the organisation can be realised, to ensure **current income and expenditure is sustainable** and to **optimise shareholder value** which includes current finances and the historic data used to calculate taxation etc.

### The strategic role

Much of the company's numeric ability sits within finance which provides a number of services, for example a dispassionate **analysis of trend** for comparison with performance. The Finance Director needs the ability to **envision the future**, because the progressive company will take investment decisions where there is, as yet, no precedent or rules to provide guidance

In the energetic and progressive company the IT function will answer to the Finance Director who provides **strategic support** to the CEO, and in this role the IT function is used as an integral part of intelligence-gathering, well supported by the Non Executive Directors' qualitative observations.

### Current income and expenditure

*'You can do what you like with P&L, but get cash flow wrong once and you're finished'*. All the various strands of income and expenditure come together with the Finance Director; as does making provision for the future. The various strands include **prices, costs** and **margins** for all aspects of the organisation; provision for the future includes **financing the capital** needed to expand and **budgetary support** to the various divisions in the organisation.

### Optimise shareholder value

Technically, value is added at the point of sale i.e. the goods or services have to have left the organisation before their impact can be properly realised. Shareholder value comes from the element of the profit generated as **added value** to the goods and services, and also through **debt management, minimised taxation, treasury** and **managing investments**.

Additionally, some of the profits should be quietly 'salted away' to provide a buffer in case of poor economic conditions when these reserves can be called upon if needed to keep the organisation properly viable and competitive in readiness for the upturn.

## 2.3 The **Operations** Director

The Operations Director ensures the assets in the business are used optimally to create and deliver the company's specialist goods and services to the right quality, at the right place, on time and within budget.

The more complex operations roles are usually in the value-added arena; for example in manufacturing responsibilities include: **Operating profit margin, asset management, production control, delivery and technical quality**

### Operating profit margin

The overriding purpose of a business is to provide value to its owners, and one of the contributors to that value is the efficient use of internal resources which might include stock, equipment, job sequencing, quality systems and staff capability. This all needs balancing to optimise the return through efficient resource management.

### Asset management

There is a fine balance between investment in efficient new assets and increased capacity with overtime. This balance may be swayed by increasing volumes or changing customer expectation. Any significant changes, additions or removals will normally be made with the support of fellow Directors – as decisions in this area can impact on all the other functions within the company.

### Production

Production is the activity that adds value – a piece of paper becomes a contract, a piece of steel becomes a car door and the greater the value that can be added (often through complexity: different alloys, fancier chemicals, new financial instruments etc.) the more effective is the production facility. With this complexity comes the need for additional investment in people and equipment.

### Delivery

Logistics and the efficient control of distribution ensure this 'added value' gets to the customer in the right way. IT can play a part in opening new markets with their own delivery requirements and in some industry sectors (often finance or knowledge-based) IT has become the delivery mechanism itself.

### Specified Quality

There are two sides to quality which are intimately linked: perceived quality (which includes brand strength) and delivered quality which is how close to specification is the product provided. The Operations Director has responsibility for the delivered quality of goods and services (to support the perceived quality being generated by Marketing & Sales).

## 2.4 The **Personnel** Director

The Personnel Director's role is to ensure the company has the right resources at the right level to meet today's requirements and also to be prepared for what should be needed tomorrow.

The role of personnel in today's fast moving environment is becoming increasingly strategic, which demands looking ahead as well as managing for the present. The main elements that make up the Personnel Director's role include: **Recruitment and Redundancy, Performance Measurement, Appraisal, Training** and increasingly, **Policies and Legislation**

### Recruitment and Redundancy

Whatever the economic climate there will be some movement of staff into and out of the organisation; taking staff into the organisation demands a knowledge of the company strategy and future job requirements in order to recruit the person with the most suitable personality and values to ensure they fit well and work productively, not just now but into the future.

For staff leaving the organisation there are a host of policies and legislation that must be considered, however it is important that the person leaving should feel good about the company and about their original decision to join.

### Performance Measurement

Effective performance measurement demands an intimate knowledge of where the organisation is headed in order to clearly identify and properly prepare the one objective for the area the individual will work in – too often this is overlooked, yet without an unambiguous objective it is impossible to properly measure performance and reward appropriately. This objective is used to establish the minimum number of relevant metrics needed to assess progress towards that goal.

Performance is measured against those metrics to reach a decision about the appropriate level of reward or any additional development needed to take the organisation forward.

### Appraisal

Appraisal follows naturally from performance measurement, in evaluating how well people have performed against defined metrics and also in assessing how well people will probably perform against the up and coming new metrics. It is quite possible that someone who has not done too well in the past could excel in the future with different needs to be met. The strength of good appraisal is to develop those strengths to go forward, not to dwell on the weaknesses that might have held the individual, or the organisation, back.

## Training

The good Personnel Director will ensure staff training takes place ahead of the need, not after the event – keeping the sails filled and the boat on an even keel; not bailing for all you're worth because the crew have to make things up as they go along.

## Policies and Legislation

As noted above, policies and legislation are an ever-increasing aspect of business and the effectiveness of the personnel director benefits from a close link with the Company Secretary who has the mechanisms and contacts in place to properly stay abreast of new requirements.

### 2.5 The **Company Secretary**

The Company Secretary's overall role is to maintain the formal **link with Companies House** which represents government. Additional responsibilities are to ensure **insurances** are up to date; the company **complies with legal requirements**, that current **government policies are adopted** and that fellow **Directors are properly developed**

#### Links with Companies House

In maintaining the link with Companies House, there are five main areas of responsibility: to keep the register up to date (for example appointing new Directors), that all statutory filing is up to date (such as year end accounts), that all resolutions and notices relating to the shareholders and interested parties are properly issued with regard to due dates and times elapsed, that stakeholders and those entitled to view the company's affairs receive appropriate documentation in a timely manner and that all statutory documents are maintained safely and can be accessed if needed. In days gone by the Company Secretary was also responsible for the company seal.

#### Insurances

This involves not just renewing premiums but also ensuring the right insurances are in place for the activities and markets the company operates in. The right insurance includes not only what is insured and against what, but also the level of cover to accommodate the time taken to pay for example (e.g. the bay of Mexico is unlikely to be resolved within decades)

#### Compliance with legal requirements

There is continuing evolution of legislation designed to help organisations regulate and manage themselves in an ethical and legal manner. As this is continually changing, those changes need to be cascaded down through the organisation, and in a way that is consistent with the values within the organisation and in a format that can be readily understood and assimilated at all levels.

### Adoption of current government policies

International events can change the way government operates and sets its priorities, so that whilst there may be no formal legal framework there are, in effect, standards of operation that reflect current government policies and where attention is being focused. The Company secretary needs the sensitivity to pick up these shifts and translate them into actionable behaviours and activities to avoid potential problems in the future.

### Development of fellow Directors

This is a recommendation from the Cadbury report and is quite contentious in that many Company Secretaries are unaware of this role. More than half the Board of Directors is concerned with development and progress; yet the Company secretary's skill areas are in compliance and reporting. Consequently there is resistance to development programmes that focus on regulation and compliance, with the result that less than 20% of UK Directors have any formal training in their job (other than in compliance!)

## **Part 3. The Non-Executive Directors (NEDs) – Chairman, Audit, Remuneration, Nominations**

### ***A brief note about the Non-executive team***

For many organisations NEDs are hired for their specialist knowledge, background, contacts or even title; all too often the particular roles are badly defined, if they are defined at all. The Higgs Report gives roles and responsibilities, but no structure and Turnbull sees the NEDs essentially as a means of mitigating risk. Given structure and clear roles the NEDs play an important and constructive part in the future sustainability of the organisation.

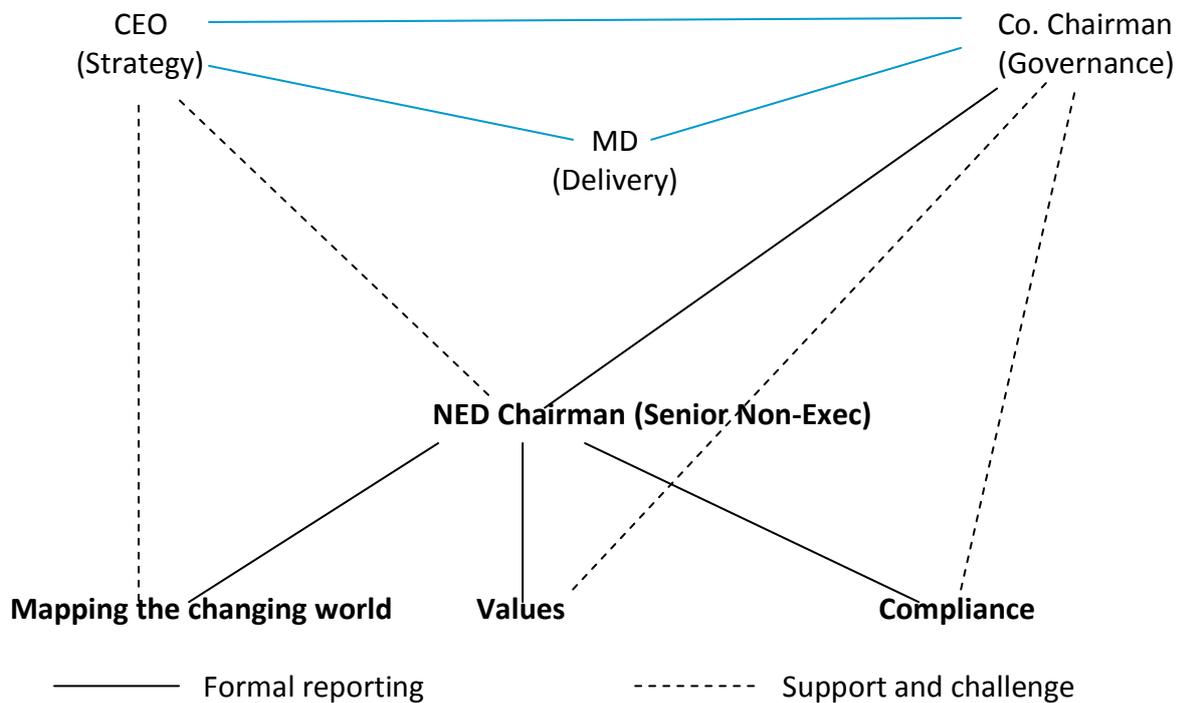
### ***A reminder about intelligent management***

Most studies of business identify strategy and tactics as the management foci; strategic management is well into the future and can be changed (many consultancies profit quite handsomely from continual strategic reviews and revisions) whilst tactical management is immediate – 'made a mistake, who can I phone?'

In reality, company management happens two weeks to six months ahead – ***intelligent management*** – something rarely, if ever, mentioned in the text books or at post graduate level; and it is at this level of management that the NEDs can really come into their own.

## The relationships

Figure 3. Summary of the main linkages in the Non-Executive Board



### Note:

To avoid confusion between the company Chairman and the NED Chairman, the NED Chairman is referred to as the Senior Non-Exec (even though this may not be the case in practice)

### 3.1 The Senior Non-Exec (Chairman of the Non-executive Directors)

As with all Board roles there is an element of tension divided between supporting a sound future for the organisation (looking forward) and, at the same time ensuring compliance (what has been). The key elements that make up the Senior Non Exec's responsibilities are to: **co-ordinate the activities of the NED team, support and challenge the agreed strategy**, and to advise and manage the **standards of conduct** of the Board and as a whole. The strategic intent directs this person to support and challenge the CEO

One possible candidate for such a role could be the Managing Director of a similar, non-competitive organisation which is normally very much focused on delivery; in this Non-Executive role the individual would serve to strengthen strategic awareness from a very practical perspective and act as a reminder for sound governance – aspects that may then be taken back to strengthen the NED's own company.

### 3.2 The NED responsible for **mapping the changing world**

This post is charged with **scanning competitive activity, market activity** and now **on-line activity** to pick out the **weak signals** and **trends** that point to the subtle changes (such as an improved competitive product) that demand a rapid and proactive response (intelligent management), rather than a late knee-jerk reaction which is an unsatisfactory way to manage any business. This post, along with the Senior Non-Exec, should support and challenge the strategic thinking of the CEO

The key strengths needed in this post are a significant number of contacts, the ability to assimilate a great deal of data, pick out the appropriate threads to interpret their significance and then seek the evidence to build patterns and linkages. A possible candidate for this role could be the CEO, strategist or scenario planner from another organisation where the NED can take back a closer understanding of someone else's *intelligent management* to keep their own strategic initiative firmly grounded in reality.

### 3.3 The NED responsible for **values**

This role is concerned with **consistency of delivery**, as perceived by the market. Perceived values are more influential than delivered values and if the products or services are technically excellent, but service and back-up do not meet expectation the sale, and more likely repeat sales, will be lost. The responsibility is to draw together the strands that encompass: **internal values, perceived quality** and **external communications** (PR etc) to ensure a **common message** with **consistency of delivery and shared values**; in short, reputation management

A suitable candidate could be the Marketing and Sales Director of a similar organisation who, like those noted above, could take a more focused approach to their role in their own company.

### 3.4 The NED responsible for **compliance**

The key elements that make up the role of the compliance NED are: **Ensuring internal policies are sound, supervising contracts and sub-contractors, critically evaluating cost management, auditing internal systems** and **intelligence** (which links to the NED mapping the changing world) and ensuring the **monitoring and control mechanisms are fit for purpose**; in short, ensuring that resources are properly used in the pursuance of the corporate mission and are being diverted to non-productive activities.

The post supports and challenges the Company Chairman although managed through the Senior Non-Exec, (who supports the CEO). A possible candidate for this role could be the Company Secretary of a similar company who has strength and experience in compliance, and also the knowledge of how to properly support, and work alongside a Company Chairman.

### 3.5. Drawing together the **Non-executive Team**

Whilst Turnbull gives the NEDs an overall brief to mitigate risk, Higgs and Cadbury offer some very definite posts. In particular:

***The NED Chairman (Senior Non-Exec)***, oversees strategy and codes of conduct (Cadbury) – co-ordinates, advises, supports and challenges

***The NED responsible for mapping the changing world*** has a very close eye on what is happening strategically around and outside the company, and a clear picture of the competition and the market. This individual can readily compare the actual performance with claimed performance and is ideally placed to chair the ***remuneration committee*** (Higgs) and to report on ***performance*** (Cadbury) – gathering information, analysing trend and ensuring moderation with remuneration, bonuses and conditions of service

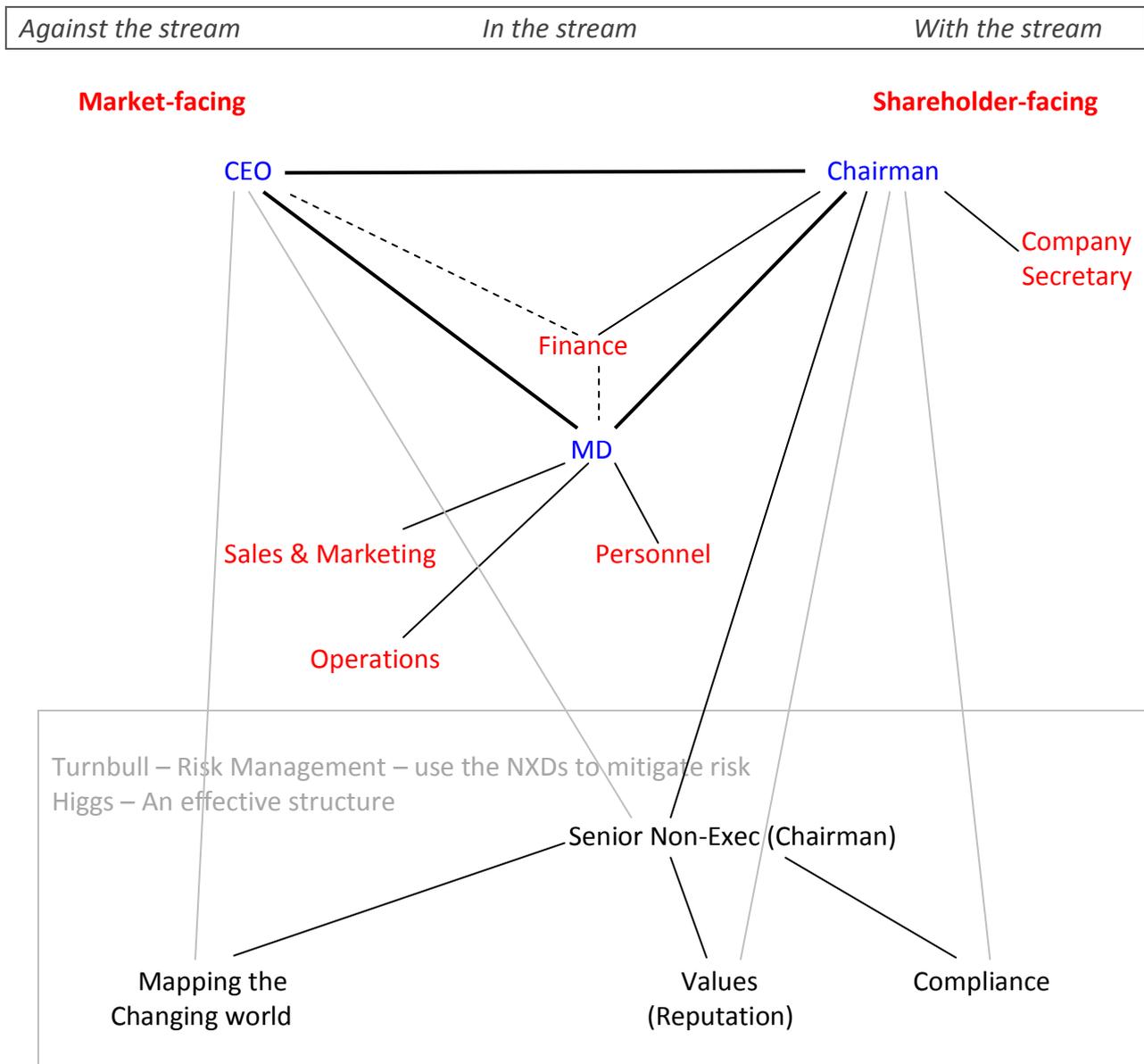
***The NED responsible for values*** has a very clear steer on expectations of people in the company and the ethics, cultures and beliefs that guide the organisation. This post is well placed to chair the ***nominations committee*** (Higgs) and to oversee ***key appointments*** (Cadbury) – to monitor external impacts and relationships, with the capability to identify appropriate people as potential new Board members

***The NED responsible for compliance*** can clearly see how well the company observes external regulation, best practice and internal policies. This person is best placed to chair the ***audit committee*** (Higgs) and to ensure best use of ***resources*** (Cadbury) – monitoring internal activities and compliance to maximise corporate credibility and reduce risk.

## Part 4. Full circle

All the different roles and responsibilities have been described and assigned positions in a matrix that ensures mutual support for each other and for the growth and sustainability of the organisation – all important responsibilities are covered at least once and all positions have an identified back-up with a minimum of duplication or overlap.

**Figure 4 – The complete Board of Directors**, or this journey' destination



## **Part 5 Some reflections and conclusion**

### **5.1 Reflections**

The NEDs support and challenge the CEO (Senior NED, Remuneration) and the Company Chairman (Audit, Nominations); they do not involve the MD whose job is to deliver results today, not get too concerned with the future or seek to justify the past.

The reporting line of the Finance Director can be very informative as to the philosophy of the organisation. If this role reports to the Company Chairman it is highly likely that the organisation is backward-looking and blame-centred; if reporting to the CEO then more than likely the organisation is forward looking and planning for the future.

Few companies manage with the one person as both Chairman and Chief Executive; occasionally, there is a very gifted individual but generally the personality will be to prefer the future (xNTx) or to prefer sound governance with things having been done right (xNFx), two opposed responsibilities

### **5.2 Conclusion**

Sustainability and operational effectiveness may be directed through a properly structured Board of Directors which is based on peoples' aptitudes and strengths – brought together in a mutually supportive framework that is in line with Cadbury, Higgs and Turnbull.

Here is one such structure

Steve Mullins

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