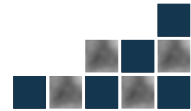




Eye-das: *noun*;
the art and science of successful mentoring



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NEWS & VIEWS



IDDas/PwC dinner at The House of Lords 27th April 2005

This was one of a series of private dinners hosted by Lord Freeman Chairman both of the IDDas Advisory Board and the PwC Corporate Advisory Board. On this occasion Lord Browne of Madingley kindly agreed to lead a discussion on The Effective Board. The following is a summary of some of his key points.

The purpose

The starting point for companies must be to have a clear purpose. Many companies express their primary objective as 'increasing shareholder value'. This has little meaning for most of the key people involved with a business and is putting the cart before the horse.

At BP the purpose is to sell great goods and services in providing/enabling light, heat and mobility for all - and the aim is to do it better every day. This involves and positively affects employees, customers, the community and governments. The result is increased shareholder value.

Corporate Governance

Good governance is really about 'clearing up any confusion' regarding objectives and responsibilities.

Good governance should also aim for transparency and trust. Research shows that the 'public' feel that big business is too powerful and should be controlled. It is important that the corporate world generates more trust and transparency. Failure to do so will lead to more rules and regulation.

On balance Higgs and Sarbannes Oxley are to be welcomed. At the moment there is some scepticism but in time they will be regarded as a good thing as they will encourage/produce better corporate behaviour.

That said, the ability to introduce good corporate governance should not be confused with the ability to create value. Some large US mergers (between companies with good governance) have destroyed more value than Enron!

In summary Corporate Governance can be likened to the plumbing in a house. It is vital and necessary but it should be kept in its place. If guests come to your house for dinner you would want to show them the things of which you are proud...but you would not show them the plumbing.

The Board

It is very important to be clear about the responsibilities of the Board as opposed to the Executive and the division of responsibilities between the Chairman and the CEO. The Board should contribute to and agree the purpose of the company and receive enough information to monitor performance (the numbers should always have an explanation!) and conformance. The CEO and the Executive team should be left to implement the strategy on a day to day basis.

Directors

Although there is much talk about Directors leaving the quoted sector (and its attendant liabilities and corporate governance demands) to work in the private sector, there are still many high quality people who want to be part of a company that has broader responsibilities not only to shareholders but to society at large including governments, regulators, the environment etc. The main issue is to ensure that the responsibilities and activities of the Board are interesting, exciting and motivating – this will attract the best people. A Board should have diverse and relevant experience.