Boardroom battles are breaking out all over

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On management

Do we really want boardrooms to turn into killing fields for under-pressure executives? Fritz Henderson lasted all of eight months as chief executive of General Motors before being shown the door last week. Not enough change, not fast enough, was the verdict of his unforgiving fellow directors. Would the next CEO please step forward?

It is no surprise that some boards are adopting a more muscular approach. Companies want to be ready to exploit improved trading conditions next year. But will a more abrasive boardroom encourage better decision-making? I have my doubts. Few people will worry if the cosy, country club board of the past is no more. But things may be moving too far in the opposite direction.

"One thing no one ever says to us is: 'Oh great, we've got a board meeting tomorrow!'," says Steve Wigzell, a partner at Praesta, an executive coaching firm. Some of the top teams he works with report an increased edginess, even unpleasantness, in relationships between directors.

This is not simply because of the grim economy. The boardroom is just "a much tougher place these days", according to one distinguished corporate veteran.

Quite right too, many will say. It should not be a pushover, being a company director. There is a reason why the corporate governance industry has been so productive over the past two decades. Governments, regulators and the general public have all reacted to a series of mishaps, crimes and misdemeanours and demanded greater discipline and transparency from company boards.

In the wake of the US's Sarbanes-Oxley Act, the UK's Combined Code and a host of other regulatory interventions around the world, today's conventional wisdom calls for a few key things: well-informed, well-managed debate round the top table, conducted by directors who bring an independent attitude – free from the undue influence of any particular shareholder – to the work at hand.

The pressure on public companies to achieve this is not letting up. In the UK, two major reviews (one led by Sir David Walker, the other from the Financial Reporting Council) have been published in the past two weeks, while the US Congress is debating further reforms. This emerging new world may require the annual re-election by shareholders of company chairmen and even the entire board, external reviews of board performance every three years, and much greater focus on the board's attitude to and handling of risk. Succession planning will come under closer scrutiny as well.

All these proposed reforms are well intended. All are plausible enough. And yet we know that excessive intervention could distract company boards from the important task of steering the business in the right direction and actually trying to make some money. When regulation goes up, trust goes down, as Omar Khan, a senior partner at Sensei, the consultancy, told me recently. "You end up having to create an ISO standard for how you should make a phone call," he explained.

> **"Top teams report increased edginess between directors"**

New rules may be only part of the problem. As JRBH, the advisory firm, has suggested, difficulties sometimes stem "from attitude rather than regulation". In their view: "Too many non-executive directors take up their roles at precisely the time in their careers when they think they have nothing left to learn . . . We need humility and curiosity in the boardroom as much as we need experience."

Is there a way out of the governance impasse? Tomorrow's Company, the corporate think-tank, has been exploring the concept of stewardship, which they define as "the active and responsible management of entrusted resources now and in the longer term, so as to hand them on in better condition".

The term stewardship, while it may have a quaint ring about it, in fact offers a useful guide to both directors and shareholders. Genuine stewards of a business insist on knowing, for example, how the board and shareholders plan to monitor the performance, behaviour and culture of the company.

Stewardship is a pleasing and persuasive label, and one that many will find attractive. But would stewards move fast enough or aggressively enough to succeed in the competitive markets of 2010? How long would a steward chief executive survive in the boardroom of GM? The answer to that last question would appear to be eight months.

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