

SRISIIM 16th Foundation Day Celebration

International Webinar on Corporate Governance – The Road Ahead

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Performance, Productivity and Purpose

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Corporate governance and strategic direction are what directors and boards do and should provide. My book *Creating Excellence in the Boardroom* begins with the sentence “If a company had a heart or a soul it would be found in the boardroom”. Whether or not a company lives and grows or withers and dies can depend upon the purpose, values, will and drive that emanate from the board.

When I wrote “*Creating Excellence in the Boardroom*” and “*Developing Directors*” I was concerned that the work of the Cadbury Committee on the financial aspects of corporate governance might lead to a focus upon the structure of governance arrangements rather than what directors and boards do.

Quality led many people to adhere to standards and process, almost regardless of requirements and circumstances. I feared corporate governance might end up as box-ticking and the imposition of a standard model on diverse companies in a variety of contexts.

Understanding the distinction between direction and management is critical to appreciating what directors should be doing and increasing their contribution.

While managers focus on their particular role, business unit or functional department, the perspective of directors should be longer-term and embrace the whole organisation, the context within which it operates and relationships with its stakeholders.

Boards have to simultaneously cope with multiple inter-related challenges, evolving stakeholder aspirations, and new business models, organisational forms and patterns of work. Some boards are risk averse and overly cautious and protective of past investments. They stifle new ideas and move at a glacial pace when encountering enabling technologies or better business models.

The rituals of monthly board meetings and many governance arrangements struggle to deal with fast moving situations and disruptive shocks. Covid-19 has exposed the inadequacy and lack of resilience and flexibility of many business models, board practices and corporate operations.

To recover and cope with environmental, bio-diversity and global warming challenges, we need transformational rather than incremental change. Some boards seem focused on returning to pre-pandemic priorities, operations and practices, rather than inspiring and adopting more sustainable and less environmentally damaging approaches and business models.

Many boards need to re-assess corporate purpose, priorities and direction. Their emphasis may need to switch from monitoring and compliance to inspiring creativity, encouraging initiative, enabling innovation and supporting entrepreneurship.

Corporate governance should not be a straitjacket and constraint on progress. We need a greater diversity of approaches that better reflect the varied aspirations, contexts, situations and stages of development of companies.

Governance needs to be capable, flexible, representative, relevant and resilient. More attention should be given to what directors do - their behaviour, their conduct and their decisions - as opposed to board structures.

Rather than hunker down, boards could seek new income streams. They could encourage collaboration in the face of shared problems. More boards could embrace environmental and social as well as financial and economic objectives, and accept accountability to a wider range of stakeholders. Greater engagement with stakeholders is required as their aspirations, preferences and priorities evolve and a 'new normal' begin to take shape.

Lockdown has been good for wildlife. Activities that reduce biodiversity, waste natural capital, increase pollution, or produce greenhouse gases have reduced. Rapidly restoring pre-pandemic economic growth with a previous development model is neither desirable nor sustainable.

Responsible directors should put the case for simpler, healthier and more fulfilling lifestyles. Directors should explore alternatives, emerging needs and new options. Increased productivity could deliver more sustainable value from less natural capital.

Smart boards recognise the impacts of Covid-19. They look for opportunities to help people adapt. Supporting them through hard times can build loyalty and trust. Covid-19 affects the expectations, requirements and priorities of Governments, regulators and the public. Directors should work with them to pursue Sustainable Development Goals.

Boards have an opportunity to re-boot enterprise, re-purpose companies and re-engage with stakeholders and the communities and societies in which businesses operate.

Unthinking adherence to standard governance arrangements should not get in the way of what needs to be done. Boards must catch the moment to earn the trust and respect of the excluded, exposed, worried and vulnerable.

Good governance should be about fostering a more caring, collaborative, resilient and responsible form of capitalism that inspires people with the right personal qualities to become entrepreneurs and/or pursue directorial careers.

Publications mentioned:

Coulson-Thomas, Colin (1993), *Creating Excellence in the Boardroom, A guide to shaping directorial competence and board effectiveness*, London, McGraw-Hill

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Colin was educated at the London School of Economics, London Business School, UNISA and the Universities of Aston, Chicago, Southern California and Westminster. He is a fellow of seven chartered institutes, an honorary fellow of professional bodies in both the UK and India and a fellow of the Institute for Responsible Business. Colin obtained first place prizes in the final exams of three professions and obtained the CSR Lifetime Achievement Award at the 2018 CSR Leadership Summit and the 2019 Global Excellence Award in Renewable Energy of the Energy and Environment Foundation. His most recent books and reports can be obtained from:

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