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research newsletter
Effective Boards

Introduction

This, the third edition of the ECGI Research Newsletter, focuses on the important topic of boards. Sitting at the centre of everything a company does, the board is also central to corporate governance. By their nature, however, boards are diverse in structure and conduct.

Research on this broad topic is important but difficult mainly because empirically, it is not easy to look inside the boardroom. What research can do is observe the differences in board structure and behaviour. Theorising and drawing inferences from observable differences had led to considerable debate.

Some of the themes of the research covered in this newsletter are board structure and the differences between the unitary and two tier models, the dual role of boards as advisors and monitors, and company and board performance in relation to board compensation, gender diversity and the time commitment of independent directors.

The research is given context by the views of a leading academic, a partner in a leading executive search firm and a director with both full-time and independent board experience. The featured book on corporate governance and chairmanship is by one of the founding fathers of corporate governance, Sir Adrian Cadbury.

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The ECGI is extremely grateful to the Fédération des Experts Comptables Européens (FEE), the representative organisation for the accountancy profession in Europe, for kindly agreeing to sponsor this new initiative over the next three years in recognition of the valuable work they believe the ECGI is undertaking.

In this edition

Research digest

Six working papers on this topic have been published by the ECGI. The papers set out the authors' propositions in detail and supply the accompanying evidence. This Digest pulls out some of the key strands from the papers which can be downloaded from the SSRN website via the ECGI website www.ecgi.org.

Board Models in Europe. Recent Developments of Internal Corporate Governance Structures in Germany, the United Kingdom, France, and Italy

Klaus Hopt, Max Planck Institute for Foreign Private and Private International Law, Hamburg & ECGI and Patrick C. Leyens, Max Planck Institute for Foreign Private and Private International Law, Hamburg (Law # 018/2005)

The core problem of corporate governance is the separation of ownership and control. In this paper the authors start by setting the scene with an historical model, the Verenigde Oostindische Compagnie (VOC) which helps to explain the later concentration of both management and control in the hands of a single board, as has been predominant in Europe since the nineteenth century.

They then move on to look at the typical two tier board which exists in Germany and then the unitary board model of the United Kingdom, comparing the two separate models and highlighting the German concept of co-determination. Companies with 2,000 workers or more must have half their supervisory board composed of labour representatives. The casting vote of the chairman gives slightly more power to shareholders but there is no doubt that this heavy level of worker participation has caused problems, not least the problem of raising finance on the international capital markets. The effect of co-determination can be to put the company into a strait-jacket, the employee representatives are very unlikely to agree to any suggested strategy which is likely to result in job losses, therefore foreign investors are understandably reluctant to invest in a German co-determined company if global markets offer alternative investments which are not subject to co-determination.

The third part of the report sets out some reforms in France and Italy which indicate a strong movement towards organisational flexibility at board level and a clearer distinction between management and control. In France, it is already possible to have either a unitary or a two tier board structure. The majority of French companies have opted for the unitary structure but there is now a third model, introduced in 2001 in the Loi Nouvelle Régulations Economique (NRE), which still relies on the unitary structure but separates out the role of Chair and CEO, previously held by the Président Directeur Général.

In Italy, the Testo Unico of 1998 introduced specific rules for listed companies. Following the traditional structure, the company will be run by the consiglio di amministrazione. A mandatory second board, the collegio sindacale, will serve as an internal auditing device. The tasks of the collegio sindacale have been extended to include the supervision of compliance, of the organisational structure, and the accounting system. Further, the Testo Unico led to a clear distinction between internal and external auditing in that the direct auditing mandate is shifted to the external auditors.

The Report notes a striking convergence in the awareness of the distinction between management and control, a number of parallel efforts on improving internal control and a growing tendency across Europe towards the use of the audit committee regardless of the board structure typical within the individual countries.

On-Going Board Reforms: One-Size-Fits-All and Regulatory Capture

Gérard Hertig, Swiss Federal Institute of Technology (ETH Zurich) and ECGI (Law # 025/2006)

The paper is set in the context of the increase in takeover activity during the 1980s, the exponential growth in management compensation throughout the 1990s and the economic downturn and corporate scandals experienced at the turn of the century. These factors brought directors and boards under closer scrutiny than ever before, leading to a proliferation of proposals for board reforms from a variety of sources, proposals which were both legislative and self-regulatory.

The author's argument is that these reforms are often inefficient. They reflect the particular interests of the groups proposing them and they do not adequately take into account the multiple functions of the board, from strategy setting to crisis management to monitoring. "Indeed, reformers generally battle past scandals rather than future market failures, their main purpose being the short term rebuilding of investor confidence or the soothing of voter anger prior to the next election," he says.

He presents an overview of on-going board reforms, separating them out into three broad categories. The first comprises proposals aiming at reducing board discretion by reinforcing the powers of shareholders and auditors. A second category of reforms aims at improving board independence by dealing with board structure, composition and procedure. Finally, director incentives are targeted through director compensation and liability provisions.

The author then looks at the scope of these reforms. Generally reforms are targeted at listed companies and concentrate on the Anglo Saxon model, but they are having, or can be expected to have, an impact on companies around the world regardless of their size and ownership structure. The resulting one size fits all effect is inefficient. Even with the growing trend towards globalisation, there are still significant differences in financial systems, ownership structures, legal systems and culture across jurisdictions.

He also considers that the 'best practice' promoted in many of the reforms in effect translates into 'minimum standards' and posits three possible explanations for this. "One is that board reformers are aware of the described 'one-size fits all' issues and prefer to be considered somewhat ineffective than embark into inefficient innovation. Another is that minimum standards are not as "minimum" as they appear. Still another explanation is that the reform process has been plagued by regulatory capture. ... there is truth in all of the above and the combination results in board reforms being both inefficient and insufficient."

He concludes that board reforms have been drafted in an excessively detailed way, and that board reformers need to take a hard look at the 'minimum standards' they have enacted or are currently considering with the objective of further simplifying them. General principles should be the norm, supported by market orientated implementation mechanisms.

A Theory of Friendly Boards

by Renee Adams, Professor of Finance, UQ Business School, The University of Queensland and ECGI, and Daniel Ferreira, Lecturer in Management, London School of Economics and Political Science (LSE) and ECGI (Finance # 100/2005)

In this paper, the authors look at a fundamental dichotomy of the board which exists in its dual role as a monitor of executive performance whilst at the same time advising on strategic direction. As a result of this dual role, the CEO is faced with a dilemma with regards to the information he reveals to the independent directors. If he wants to get the best out of them, he needs to provide them with the highest level of information, but if he does that the board may then use that information in more rigorous and thorough monitoring. The authors suggest that this is exacerbated where there is a very strong independent board.

In looking at this question, the authors have studied the unitary, or sole, board structure of the United Kingdom, the United States and elsewhere and also the two tier, or dual, board structure which is common in certain European countries. They point out that although the two-tier board structure does provide the simplest and cleanest way of separating out the two separate roles of the board, monitoring is more effective where a unitary board also advises. It can also be argued that the use of a strong and independent audit committee in the unitary board system can fulfil some of the functions of a supervisory board.

Although a lot of the recent work on corporate governance has emphasised the need for strong independent directors, the authors of this report argue that perhaps emphasising director independence may have adverse consequences in the unitary board system. The reason is that managers are less inclined to share information with an independent board as its monitoring intensity increases. With less information, even an independent board cannot monitor effectively. This implies that recent regulation aimed at increasing board independence may decrease shareholder value where there is a unitary board, even though shareholders may benefit if increases in independence are accompanied by improved disclosure practices. On the other hand, enhancing the independence of supervisory boards in a two tier board system will not affect the incentives of managers to share information and therefore increasing the independence of supervisory boards unambiguously increases shareholder value. Having said that though, the authors do question the effectiveness of the two-tier structure where workers' interests are directly represented on the board, as happens for example in Germany with the principle of co-determination.

The authors' model also considers what happens when the preferences of the board are more closely aligned with the preferences of the managers. In this instance, they argue that the quality of advice is higher. Taken in conjunction with the fact that a board which has access to the highest level of information during the advisory processes is better placed for effective monitoring, this suggests that the optimal situation for shareholders is a sole board which is friendly to the management, provided that other governance mechanisms, such as an audit committee, are in place to ensure the effectiveness of the monitoring function.

Board Compensation and Firm Performance: The Role of 'Independent' Board Members

Nuno Fernandes, School of Economics and Management, Universidade Católica Portuguesa and ECGI (Finance # 104/2005)

Looking at a panel of firms from the Portuguese Stock Market, where the standard structure is a unitary board with both executive and independent directors, the author examines the link between company performance, board structure and executive pay. The findings are somewhat surprising. The results suggest that there is no relationship between board remuneration and company performance and that companies with a higher number of independent board members actually pay higher wages to their executives. Moreover, the author finds that companies with no independent directors at all in fact have less agency problems and have a better alignment of shareholders' and managers' interests. As the author suggests, "These results cast some doubts on the effectiveness of independent board members incentive systems, and on their stated monitoring role".

The author finds that the size of the company is the most important factor in determining executive compensation. He found that there was no correlation between executive compensation and shareholder's wealth or accounting measures of performance, even when looking specifically at the variable component of the remuneration package. He also found that risk did not appear to be a significant determinant of compensation.

It is interesting to note that most of the companies in the sample are considered to have a good governance system, with a significant number of independent directors and a substantial share of executive compensation in variable terms. In practice, it appears that neither factor affects firm performance nor helps to align management and shareholders' interests.

The author does not question the role of independent directors per se, he argues that in these companies the independent directors are perhaps not as strong in their monitoring role and not as independent as they might be. "These results suggest that to foster the board of directors' effective monitoring role, special attention needs to be paid to the role, quality and integrity of their non-executive directors. In particular, their real independence should be guaranteed," he says.

Gender Diversity in the Boardroom

by Renée Adams, Professor of Finance, UQ Business School, The University of Queensland and ECGI, and Daniel Ferreira, Lecturer in Management, London School of Economics and Political Science (LSE) and ECGI (Finance # 57/2004)

Recent corporate governance Reports, such as the Higgs Report and the Tyson Report, have argued strongly that gender diversity in the Boardroom is always a positive thing. The authors of this report argue that whilst it certainly can have a positive effect, in certain situations does not necessarily enhance board effectiveness.

Kanter argued in 1977 that homogenous top management teams co-operate more because social similarity breeds trust and that diverse teams need additional mechanisms to induce co-operation. In this research the authors have looked at whether changes in the gender composition of a board affects director's incentives to work co-operatively, and suggest that incentive pay schemes and board homogeneity are substitutes for each other.

However, the inner workings of any board are not subject to public scrutiny so the authors have not been able to provide direct evidence on the interaction between directors. What they have done instead is to look at the incentive schemes used by different companies and examine the relationship between those and the gender diversity on the boards. They present results here which show that firms with a larger fraction of female directors use restricted shares as a greater part of their compensation to directors; they reduce the relative importance of the fixed salary and keep the fraction of options more or less the same, implying that boards with a greater fraction of female directors will provide more pay-for-performance incentives.

This in its turn has an impact on risk. If a company is operating in an uncertain environment, so that the potential pay out of performance related rewards is difficult to predict accurately, this can make such incentive schemes unattractive as they could potentially end up being very expensive. So companies operating with a high level of risk are more likely to want to build a board with that homogeneity which leads to trust and co-operation without the need for other devices to encourage co-operation. In their research, the authors found a "very strong and robust negative relationship between diversity and risk" as well as a positive relationship between incentive pay and diversity, findings which taken together are consistent with the conjecture that homogeneity and incentive pay are in fact substitutes. The authors therefore conclude that changing the gender composition of the board may entail costs. Diverse boards may require additional incentives to work co-operatively and may require additional time to digest different viewpoints and resolve disagreements.

However, there are also many arguments why changing the gender composition of the board can be beneficial. Women can add value by bringing different perspectives, experiences, and opinions to the table. Others argue that women have higher expectations regarding their responsibilities as directors, which can lead the board to become more effective. The authors present no formal evidence for the former statement but use their data to support the latter by looking at attendance records at board meetings. Overall, their results suggest quite strongly that in boards with relatively more women, more directors participate in decision-making which may enhance the effectiveness of those boards.

Regardless of the type of company, all firms, which change the gender diversity of the board, are likely to experience a transition phase in which directors need to develop mechanisms to work co-operatively.

Are busy boards effective monitors?

Eliezer M. Fich, Bennett S. LeBow College of Business, Drexel University and Anil Shivdasani, University of North Carolina (Finance # 055/2004)

Serving on more than one board can be a source of valuable experience and reputational benefits for independent directors. However, this report shows that when a majority of independent directors serve on three or more boards, in other words are 'busy' directors, firms exhibit lower market-to-book ratios as well as weaker operating profitability.

Additional evidence is produced to show that boards, which are dominated by busy independent directors, have weaker corporate governance. To prove this point the authors looked at the forced departure of the CEO and found that, although independent boards are more likely to remove a CEO for poor performance than non-independent boards, boards where the majority of independent directors hold three or more directorships are less likely to remove a CEO in the same circumstances.

The authors also argue that investors do not approve of boards with too many busy independent directors. An analysis of announcements of the departure of a busy independent director suggest that such departures are regarded favourably by investors, particularly when the remaining independent directors are not regarded as busy. In addition, the acquisition by an incumbent director of an additional board seat which renders them busy results in a drop in the price of stock, and that drop tends to be larger for companies where the appointment causes the majority of the board's independent directors to be reclassified as busy.

However, the authors do not argue for limiting the number of directorships, which an independent director is allowed to hold for two reasons. First, they say that there is substantial evidence that outside directorships tend to be correlated with a director's reputational capital and that the market for outside directorships provides an important source of incentives for outside directors to serve as monitors. Therefore, attempts to limit the number of outside directorships may reduce the strength of the incentives for some outside directors to engage in effective corporate governance. Secondly, their results relate primarily to the costs faced by firms that appoint busy independent directors, without taking into account the undoubted benefits that appointing companies might obtain when their executives join other boards as outside directors. Having said that, the authors overall conclusion is still that the effective board will not have a majority of independent directors holding three or more directorships.

An academic viewpoint

Professor Klaus J. Hopt is Director at the Max Planck Institute for Çomparative and International Private Law in Hamburg, Germany where he has been since 1995. Previously he was professor of law at Tuebingen and he has held various visiting professorships in Belgium, France, Italy, Japan, The Netherlands, Switzerland and the USA.

Professor Klaus J. Hopt

His professional career has also included time spent as a judge in the State Court of Appeals of Stuttgart/senate for commercial law and trade regulation; as a member of the German Takeover Commission; as a member of the High Level Group of Company Law Experts set up by the European Commission; and as a member of the supervisory board of the Deutsche Börse AG.

In 1998 the Max Planck Institute hosted a conference on comparative corporate governance and what Professor Hopt found most striking was that without exception, all the German academics, economists and practitioners supported the two-tier board system, whereas their English counterparts were adamant that the unitary board structure was the best. Both systems had advantages and disadvantages and both appeared to work well in their individual markets. Professor Hopt felt this was a really clear indication that one size does not fit all and that rather than expecting the legislatures of individual Member States to set hard regulation on corporate structures, it should be up to individual companies to select the board structure that works best for their own circumstances.

One thing he is clear on though, is that a smaller board is more effective. The norm for large companies in Germany is to have boards of 20 people which is very unwieldy. One of the reasons for this large number is the German principle of labor co-determination which Professor Hopt discusses in his ECGI research paper summarised in this newsletter *(Board Models in Europe, see page 1)*. He says that he is not actually against board room co-determination, but it certainly can cause problems, especially with regards to encouraging foreign investment. "And, of course, in my view one must make a big distinction between plant co-determination and board co-determination. Plant co-determination is a good thing, because the board, or whoever controls the board, and labour talk to each other. That is absolutely vital and necessary." But when certain board members are on the workforce, they can block strategies which may be very necessary to the survival of the company, but which also mean a reduction in the workforce. They have a different perspective to other board members, in particular those who are not elected from the midst of the workforce of the company, but are deputised by the trade unions.

The issue is a very politically sensitive one in Germany, no-one is prepared champion it and to push any changes through. Various commissions have been set up to discuss it but they just go round in circles. There has been talk of reducing the number of employee board members to one third instead of one half, but this hasn't really progressed. Once again though, Professor Hopt prefers a softer approach to a harder legislative one. He argues that companies should be enabled to choose for themselves the board structure which suits them, and this includes the question of co-determination.

Another problem area is the concept of independent directors. The UK model concentrates very much on the importance of having independent directors acting as checks and balances on the executive, but the situation in Germany and other countries where there is a principle of co-determination is more complex. Professor Hopt is very clear that any employee board members cannot be regarded as independent, and he feels that there is a danger that if a decision is split between the independent directors and the executive, the employee directors could force through a decision by sheer weight of numbers, and that decision may not be in the best interests of the long term health of the company or shareholder value.

Finally Professor Hopt mentioned director liability towards investors as for example prospectus liability. He is strongly in favour of expanding this concept and of directors being held responsible for financial statements and similar actions that they have put their names to. The German Minister of Finance has asked him to make a comparative study for an envisaged legal reform on this issue. Obviously there are many details which would need to be worked out. For example, in relation to financial statements made in the general assembly, in press conferences or on road shows, should directors owe a duty of care that those statements are correct solely to shareholders, or is there a wider constituency who might rely on that information and should the liability be extended to include them? This in turn raises issues of proof and quantum. How do you determine the level of damage that has been caused? However, despite these complexities, Professor Hopt is in favour of trying to find a way to hold directors liable for their actions, and although he recognises that such liability would have to be limited in some way, and that Directors and Officers Insurance would cover most of it, he feels that it should be quite clear that a percentage or a fixed amount should be met by the director themselves.

A practitioner viewpoint

David Kidd is a partner with Egon Zehnder International, the leading executive search firm. He previously led the firm's executive assessment practice before taking over responsibility for the Global Board Practice in early 2006.

David Kidd

David is ideally placed to comment on what is happening with regards to board appointments, specifically in relation to issues of diversity. Are boards really embracing diversity or are they just paying lip service to it?

"The first thing to say is that one finds the issue of diversity is all too often confined to gender. In our opinion diversity is a much broader issue. It includes culture, nationality, geographic experience, personality, sector as well as professional experience, which could be in business, academia, professional services or in NGOs for example. However, increasingly we are encouraged and expected to put forward women candidates for most of the assignments that we're working on. It's become the norm to request a diverse candidate list, it's almost expected these days," he comments.

Clearly, there are certain industries for which there is more obvious need to have a balance of gender than others. Where the customer base is predominantly or significantly made up of women, EZI is finding that companies are increasingly looking to reflect that in its broad composition. "The consistent message we hear from Boards is how much they appreciate their women Directors. This can be for a variety of reasons but includes recognition that they often listen better, have great natural intuition and a well developed instinct of when and how to contribute."

In practice it can be difficult to find suitable women, particularly for the very largest companies, which generally require experience of comparable complexity. The fact that until relatively recently there were not many women sitting on boards or in senior executive roles in major listed companies, means that the pool of candidates who have directly relevant experience is limited.

"However, increasingly there is a much greater willingness when appointing directors to look at candidates on the merits of who they are as individuals, how they think and what they bring, rather than specifically what their CV says they've done. So if you take, for example, candidates coming from a strategy consulting background or from one of the investment banks, about ten years ago it was extremely rare for these people to be seen as viable candidates. There's a whole cadre of extremely intelligent, very gifted people with this type of career who are now reaching a stage of their lives when they can join boards and companies that are more open to considering them as candidates. So, this opens up more opportunities; you don't have to necessarily have a conventional substantial public company corporate career in order to be considered a viable board member, and that in turn is broadening the diversity of boards as well."

David has also had experience recruiting in Norway, where by 2008 companies will be legally be required to have women making up 40% of their Boards. This has had an impact on board recruitment policies, given that there is only a limited pool of suitable women candidates, so there is a real feeling of urgency to secure the commitment of the most able women directors as soon as possible. David recently found three female directors for a Norwegian client who was only initially looking for two, but the candidates were all of such high quality that they appointed three. "However you also find," comments David, "that when you approach female candidates outside Norway and you explain this positive discrimination legislation to them, they don't like it. The reaction is, 'if I'm going to be chosen I want to be chosen on my own merits and I don't want to be chosen just because I'm a woman'. "

"And as it happens, the three people in the particular example, are three outstanding individuals who have tremendous value to add to the Board. In this case there was no compromise whatsoever over selecting a Director who was weaker in the interests of diversity. They were all selected on merit."

Another aspect to diversity is the question of having foreign directors which David thinks is frequently linked to the size and nature of the business. "So, for example, one client I've worked with here many times, is a £1billion turnover public company, which operates all over the world, but we have been able to secure all the skills they need for their board by recruiting UK-based people who have the right kind of international experience in their background. On the other hand, if you take a very big complex international business with operations all over the world, it is most likely you will need the additional skills of people who are based in other parts of the world to bring their own different perspectives to ensure that the board has the best chance of making the right decisions. Then again, you can have smaller companies where it makes sense to have international directors, perhaps where there is a very high volume of sales in a particular country. So, it's not only driven by size and complexity; it's driven by the nature of the business."

A director's viewpoint

Elisabeth Lulin is a French entrepreneur and policy expert. She is managing director of her own company, Paradigmes, a public policy consultancy based in Paris. A graduate of the Ecole Nationale d'Administration, she is also an affiliate professor in public management at ESCP-EAP, European School of Management. Prior to founding Paradigmes, Elisabeth was a junior advisor to Prime Minister Edouard Balladur. In 2003 she was appointed to the board of Société Générale Group as an independent director, the only female director on the board.

When Elisabeth started there were 17 directors on the board and there has been a positive decision to reduce this number. It is now down to 15 and the board is discussing the possibility of a further reduction as 15 is still felt by some to be too unwieldy. When looking for new directors they are very keen to achieve a good overall balance, not merely in terms of gender, but also in age, professional experience and in nationality.

Elisabeth Lulin

Elisabeth is not convinced that the fact she is a woman is particularly relevant. "From my experience does it make a difference that I am a woman, as compared to my colleagues in board discussions? No I have not felt that. I mean I bring my own perspective to the discussions, but certainly what makes the difference is rather the kind of knowledge or experience that I can bring, and not so much the fact that I'm a woman. However, one thing I must say, is that when I was first elected to the board, I received a lot of feedback from women in the management team saying: 'This is a signal that is appreciated, and shows that there is no glass ceiling for women in this company'."

This is perhaps one unexpected result of having a woman board member, the morale boost it gives to other senior female employees. But Elisabeth is still convinced that it is the individual and their experiences and personality that are much more important to the effectiveness of the board than gender, age or nationality.

"I think a board should be a team. You should have collective intelligence. This is not just the addition of individual perspectives - there is a real dynamic that is so important. If strategy or any other issue were something that it was possible for one person to decide, you would not need a board.

"So, this notion of how you establish collective intelligence and dynamics within the board, for me, is really critical. And when I read all the literature about independence and the way boards should function, I think this aspect is really underestimated, the psychological effect of how you bring people onto the board, encouraging them to retain a personal perspective and to retain originality in their interpretation of a situation, but nevertheless to be able to combine constructively their opinions with the other members of the team.

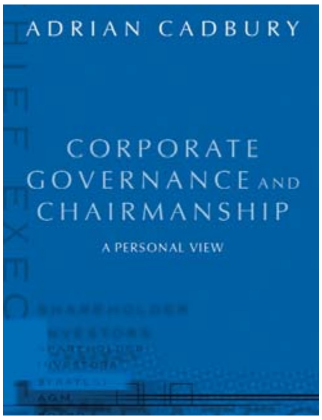
"It's really the openness of dialogue and the collective dynamics among board members, and also between the board and the management which is so important. It all depends on personalities; it all depends also on the involvement that board members have in relation with the company, because everyone has other responsibilities, and many board members are, themselves CEOs of other companies. So, certainly they have many other issues on their minds, but really the involvement in discussion and the willingness, not only to give your opinion and leave it at that, but to have a collective intelligence, for me, is very important."

Book review

Corporate Governance and Chairmanship – A Personal View

by Sir Adrian Cadbury

Published by Oxford University Press,
ISBN 0-19-925200-9
Normal price: £26.00 Discounted price for ECGI members (see details opposite): £20.80



Sir Adrian Cadbury could be said to be the founding father of the current corporate governance regime in the UK so when he provides a personal view, it is one which should be carefully considered and respected. Here he sets down his thoughts on the role of the chairman and the crucial importance of that role in promoting good corporate governance, based on his extensive personal experience. What transpires is a practical and interesting book which is easy to read whilst at the same time thought provoking and challenging.

The two themes of the book, corporate governance and chairmanship are inextricably linked. Corporate governance is concerned with the system by which companies are directed and controlled, which is clearly the territory of the board of directors. In turn, the effective workings of the board are the responsibility of the chairman so ultimately it is the chairman who has overall responsibility for corporate governance.

The book was originally published in 2002, ten years after the publication of the Cadbury Committee Report on the Financial Aspects of Corporate Governance and the world of corporate governance has changed a great deal since then. It used to be a topic of interest to a minority of lawyers and accountants but is now a mainstream influence on the systems and processes by which businesses are run around the world.

One of the book's themes is the shift in the balance of power over a relatively short period, from weak boards, strong management and passive investors to boards strengthening their position in relation to management and to investors holding boards accountable to a greater degree than ever before.

As the climate of governance has changed, boards have had to adapt and this is where chairmen play a key role. Sir Adrian argues that the value of a good chairman continues to be underestimated. The difference which a competent chairman can make to any kind of meeting is profound and it is the responsibility of the chairman to ensure that their boards match up to the standards expected of well run businesses, standards which are being increasingly enforced by institutional investors and by capital markets.

The book is not long but is encyclopaedic in its coverage, looking at the genesis of governance, the consequences of the Combined Code on UK boards, the composition and responsibilities of the board, the role of the chairman in relation to the chief executive, the senior management team and the board and the practicalities of running a meeting. It goes on to look at some of the governance issues which a good chairman should be on top of including the burgeoning area of corporate social responsibility.

Book Offer

OXFORD UNIVERSITY PRESS

By arrangement with the Oxford University Press, ***Corporate Governance and Chairmanship: A Personal View*** by Adrian Cadbury and other Law and Economics titles published by the OUP are made available to ECGI members at a 20% discount.

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