

## Are Boards Now Only Ceremonial?

The management guru Peter Drucker in 1976 – over 40 years ago - wrote:

*“Whenever an institution malfunctions as consistently as boards of directors have in nearly every major fiasco of the last forty or fifty years, it is futile to blame men(sic). It is the institution that malfunctions.”*

Would anyone disagree with this as an assessment of boards today?

And if no one disagrees, then why are boards continuing in existence?

There must be a reason.

One reason could be that organisations need a form of ‘head of state’; and this is satisfied by a board, which also provides what’s perceived to be a crucial ceremonial role.

The word ceremonial suggests a conferring of only nominal authority or power or a post or role.

As a noun, it refers to a system of rules and procedures to be observed at a formal occasion.

Many CEOs and even directors when reading this could be forgiven for thinking that both the adjective and the noun could have been solely defined with their board in mind.



Importantly Drucker excludes the directors, commenting on the futility to blame any one person. In my career working with many directors, and in consulting and conducting of 100’s of board workshops and governance sessions involving 1000’s of directors, the number of “rogue directors” is very small.

What is clearly the more concerning and pressing issue is that boards presently operate with a distinctive bias to malfunction.

Often much is made of an individual director’s CV, their achievements, awards, and accomplishments. It is rare to find the write-ups of directors anything but impressive. In many of the governance sessions I have conducted, you meet with and get to know some very impressive, highly credentialed and accomplished individuals.

Yet once that same highly credentialed individual is placed in a board context, it still seems their “savvy”, i.e. that shrewdness or knowledge, along with their good dose of common sense and good judgement, has been left elsewhere.

Somehow the board’s aura has the power to disconnect a person’s savvy from their director role.

It is tempting to call it ‘**directorlessness**’ – the state of not being a director.

Being fair, more people who become a director show their commitment to taking their role and responsibilities seriously. A greater commitment to attending courses, going to conferences, increasing what is read and discussed, and getting out and about in visiting stakeholders and sites, and meeting staff is occurring more frequently.

Some may say, yes but boards have changed over the last 10 or so years.

While that may be true, the underlying cause of board malfunctions hasn’t. It remains present and unaccounted for as part of the necessary board overhaul. Many articles still refer to the challenge for boards to improve their corporate governance.

Elizabeth Proust AO FAICD and Chairman of the Australian Institute of Company Directors recently commented in the Foreword of the 2017 NFP Governance and Performance Study:

*“The results revealed that while many directors believed their organisation was performing well, there were often not the appropriate formal controls or monitoring of processes being undertaken at board level.”*

Governance 101 suggests that the role of the board is to ensure the organisation has in place appropriate controls and that there is proper monitoring of the processes. Clearly it sounds easy; but despite this role and responsibility being a part of many organisations for a long time, there continues to be multiple examples of malfunctioning boards.

If the ceremonial component required a few meetings each year, then it may be reasonable to continue having boards. This is of course far from the truth. CEOs and their staff can be involved in considerable board word work just to feed the hungry needs of the world of the board. It is this activity and frantic toing and froing that consumes an organisation’s resources and often its vital energy.

Some of the activities and busyness aspects involve boards that require:

1. regularly educating about what the organisation is doing/has done/will do; and that frequently requires a refresher lesson multiple times a year.
2. directors to be reminded that there is a strategy plan in place (presuming that this is the case). Digressing a little, undertaking governance training work with one board, I had the interesting/unfortunate situation where 4 directors were adamant that the organisation had in place a strategy plan, and 4 directors equally adamant that a strategy plan did not exist! Correctly understood, both groups of 4 directors could not be right; and of course, were not!
3. informing directors that "There are known knowns". This is a phrase from a response United States Secretary of Defense Donald Rumsfeld made which included the words – “there are

things that we don't know we don't know". Working with another board, I had a déjà vu moment when the board were very comfortable knowing that there highly professional, skilled and competent CEO, was in place to continue leading the organisation to further success and triumphs in the marketplace. Little did they think that within 72 hours their world would be shattered and "life as we know it" was no more.

4. greater engagement of more than maybe one or two directors in challenging the paper's / presentation's assumptions or recommendations; demonstrating they may have read the board papers and importantly understood them too; and finally asking useful questions and offering valuable input into the decision-making process. Too often the papers or presentations "hang heavily" in the rarefied board room air, broken only by relief when the chairman declares next item.
5. assistance in using their time to meet with the staff and visit the operations as part of their ongoing education and engagement.

Despite many acknowledging that board evaluations are valuable; this activity continues to be embraced reluctantly. On those occasions it is undertaken, it is not a surprise to find many directors who appear more interested in trying to shoot the messenger rather than spending their time understanding whatever key messages have been discovered.

In summary, too many boards continue to malfunction; and not enough demonstrate high performance. In contrast, communities do demand high performance of both individual directors and collectively the organisation's board.

So, it is time for each board to decide are they ceremonial or adding true value to their organisation. If the board does not want to be operating in a ceremonial capacity, then they need to pursue change; otherwise Einstein will prove Drucker has been right for nearly 50 years!

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**Damien J. Smith** LLB B Com FAICD FCIS FCSA FIML CAHRI

*Managing Director*

**Enterprise Care Pty Ltd**

and Australian Legal Practitioner – **Damien J Smith Lawyers & Consultants**