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Governance in focus: The board is a team, and that's how it must work

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One of the main points about corporate governance concerns the way boards are formed and members selected and invited to join a board. This is fundamental for a corporate board, a not-for-profit one, or whether the government is the owner. The reason for this is simple and applies to all teams, as the board is a collegial body. Once the team has been assembled, the dies, in terms of performance, have been largely cast. Many cases of poor board governance are the consequence of a poorly assembled group. A single board member can derail a board, even more so when that person chairs it. Hence, board appointments require the utmost attention.

The benefits of regular reviews by a board nominations committee

Coaches of major sports teams devote endless days to assembling their team. Owners ought to be equally aware of the importance of the task. A good board nominations committee, where owners can discuss potential candidates with trusted advisers, experienced board members and specialists, is invaluable. That is also the place then where board member performance is reviewed, and members possibly terminated, or at least provided with feedback, positive and negative, that will allow them to contribute in even superior ways. There are no perfect boards, improvement is always possible and in any case, the world keeps changing and with it, boards ought to change regularly, too.

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The challenge of anticipating the future

The single most important decision a board will make is appointing the chief executive. This decision must anticipate the challenges that will be faced by the business over the coming years, say decade, as average chief executive terms are about eight years, though shortening. That suggests that any board must have the competences and skills to be forward looking, to envisage some of the major changes that will affect the business over the next few years. Short of this, how can the right chief executive be appointed, supported, and challenged?

Why corporations might be better at this than single businesses

Therein lies a big difference between corporate owners and business owners. “Corporate" refers to an organisation, such as GE, that is the home of a number of businesses. GE has so many businesses that they typically fall into one of GE’s industrial segments. GE Corporate, as the representative owner of these business, must spend a fair amount of time determining which corporate executives will sit on the business boards, and which non-executives will join them. When one does this year in year out, one develops a competence in assembling board teams and improving them that is hard to match by owners of a single business, where board membership decisions are often ad hoc, or the consequence of a single board member’s retirement.

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A dangerous type: owners or their representatives