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What makes an ideal Board of Directors?

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The board of directors can make or break a company. A great business with a strong chief executive can still fail if its board governs badly.

This is because most significant and strategic decisions are made at board level, rather than by the company's management team.

So what makes a strong board? Who would be on a board of directors dream team?

We have monitored dozens of company boards over the years, and concluded that successful boards are less about individual directors and more about how individual directors interact with each other and with company management.

It is hard to discern patterns of success by comparing, for example, boards with five directors versus those with seven, or boards with international directors versus those whose directors all live in the same city.

An individual director may be more successful on one board than another, simply because of the different dynamics of each board.

As shareholders we can have opinions about directors, but we can never really know whether a director is successful or not. Only the boards and management can know that because they are the people who see the directors in action, during board meetings and outside board meetings. But when we have asked the chief executives of successful companies about what they think of their board of directors, some common themes have emerged.

Firstly, effective boards have effective chairpeople who provide leadership and ensure that they get the best out of the individual directors. A good chair interacts regularly with the chief executive, providing guidance and governance without meddling in management.

The directors of successful companies often talk passionately and with a sense of ownership about their companies. You can spot the difference between a director who really cares about where his or her company is heading and those for whom their directorship is just another role.

A board of directors dream team will be a diverse group – not in the sense of having the right number of women, ethnicities and backgrounds (though that sort of diversity is not a bad thing), but more in the sense of having different perspectives and approaches so that left-field ideas are introduced and debated and the board does not suffer from group-think.

One of our chief executives jokingly refers to 'the knitting club' of directors – a group of seemingly like-minded directors who regularly appear on a number of boards. Good knitters will tell you that they can knit without even looking at the needles, they just operate on autopilot while watching TV or having a conversation. Successful boards will not tolerate directors who operate on autopilot.



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We could not come up with a list of directors in New Zealand who would comprise a dream team because the reality is that each company has its own requirements and individual directors bring different things to different boards.

But we can tell when one of our companies has a successful board – generally the company is successful as well.

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