

**Charan, Ram – Boards That Deliver**

*John Wiley & Sons, 2005, [Business] Grade* ★★★★★

The old ceremonial type of passive board that rubber-stamped CEO's decisions are gone in most parts of the world. Boards nowadays have a real say in how a company will conduct its business. At the same time institutional investors, NGOs and other parties have increased their focus on corporate governance. However, these – in the author's words – board watchers look too much to the inputs, i.e. the processes and structures used by the board. The result is that the new freedom and energy of boards is used to focus on compliance and ticking boxes. Ram Charan, a renowned corporate advisor, means that we should look more to the output; that is to the value a board adds to a corporation. The book aims to provide a road map for a board to become a true competitive advantage and also a guidebook for CEOs on how to get the most out of their boards.

Although the book is divided into four sections it might be more conducive to view the text as a matrix. The author puts forward three functional areas important for boards to better governance: a) improved group dynamics, b) a useful and practical information architecture and c) the ability and process to focus on substantial issues. Then there are five areas on which the author thinks the board should target its newfound efficiency: 1) having the right CEO and handling succession issues, 2) getting the CEO compensation right, 3) helping the company get the best possible strategy, 4) monitoring the talent pool of the company and 5) monitoring the "health, performance and risk" of the company, i.e. the compliance part.

The chapters of the book are basically all devoted to one of the above topics. The language is very legible. The solutions described almost seem obvious which is a sign of an author with deep domain knowledge. With an extensive history as a CEO and board advisor Charan has a vast library of concrete real life examples to use to clarify his points. In reality much of the advice is quite elementary group psychology and common sense

in information handling and in setting the agenda for the board's work. But as they say, the problem with common sense is that it is not so common. It is all too easy to let the board's work to be governed by old habits, outside pressures and reluctance to deal with - perhaps uncomfortable - group dynamics. To take a step back and review the processes with the help of the practical advice in this book can make a real impact. Being a consultant the author brings plenty of tools to do the work, "*The Ten Questions Every Investor Should Ask*" and such. The book fulfills its purpose.

As a good consultant Charan has also adopted the prevailing view of most of his employers – that is the view of the shareholders as one among several stakeholders to an otherwise self-sufficient company. In my view this makes his employers and himself to some extent miss the point that the board consists of the trustees of the owners of the company. As trustees of the shareholders a board should decide on a strategy, see to that there is a good CEO to execute the strategy, monitor that the work is done well and together with the auditors report back to the owners through the annual reporting. The viewpoint now becomes a bit internal looking. For example, when Charan goes in opposition against the board watchers insistence on separating the role of the CEO and the chairman of the board he focuses on the lack of proof that this will bring better efficiency and misses the more principled aspects of keeping the role of the owners trustees separate from executive management. The boundaries of authority and evaluation for the separate roles should be kept clear. That said, I fully agree that the board watchers and the corporate governance officials at institutions not always have the competitive advantage of the company first in mind.

I very much appreciate the book's viewpoint that the focus of boards should be on competitiveness instead of compliance. How nice it would be with a board that truly is a competitive advantage!

Mats Larsson, July 28, 2014