



## EMISSIONS, OMISSIONS... ADMISSIONS

Serious misdemeanours at a global firm like Volkswagen not only damages public trust in the auto industry but all industries, since it suggests a culture of manipulation and deception even at the biggest/most popular brands. The scandal further illustrates that independence, integrity and ethics need to come fitted as standard (not as optional extras) at board level.

Article by Gerry Brown, author of *The Independent Director: The Non-Executive Director's Guide to Effective Board Presence*

**T**he current epidemic of executive supervisory malaise is seen by the general public as the factory setting of a business world increasingly premised upon 'no-questions asked' corporate cultures, in hot pursuit of short-term results, stock market approval

and competitive advantage. But what can quickly be done to try to effectively staunch scandal and nefarious behaviours at the executive level? We all know robustly independent, non-executive directors should provide a safeguard for shareholders and public alike. As an independent director (the correct term for the role and responsibilities of a non-executive director) when things are happening that you think are wrong, then you have to speak up. As an independent director, it is important to remember why you are there. Your role, in the case of Volkswagen, is to represent both the company and the auto industry, the global brand of motor vehicles if you will.

Part of your task is to remind the executive of those interests. In the end, what you can do is state clearly what you think, and why. Integrity and ethics should be fitted as standard, rather than come as optional extras. Sadly, the ongoing scandals in the news shows that many companies prefer their non-executives to bury their collective heads in the sand, rather than be truly and honestly independent when supporting and holding management to account. Chief Executives need to be supported right up until the point they need to be replaced. They deserve the full support of execs and non-executives alike, until such time as it becomes clear that they have outlived their usefulness or are damaging.

Though the executive temptation to go after short cuts can't be completely eradicated, there are some simple, cost-effective best practice do's and don't's, designed to eliminate board level nefarious behaviours and attitudes. By consciously choosing to deliberately appoint robustly-independent, supervisory non-executive directors (NEDs), that can be

implemented now. Involve the whole board, ideally through a nomination committee, with a majority of non-executive directors, chaired by the Chairman or an NED. Don't leave the selection method and appointment to chairman/executive directors alone. Aim high, the quality of NEDs measures the stature of the chairman and company. Use a professional search firm, and don't settle for easiest or second best, or limit the search to those already known to the Chairman or board.

Be creative and imaginative, seek agents of change and don't regard an appointment as a normal gap to be filled with a faithful retainer to maintain the status quo. Start with the task, skills, experiences and 'chemistry' most needed to complement and strengthen the existing board. Don't start with names and then design the role to suit each candidate. Consider wider than the traditional sources - for example, try to recruit: Divisional Directors, not yet on the main board of major companies; from Public/voluntary sector or academia. International business people, younger candidates, and don't appoint from existing professional advisers or former executives, since this will duplicate or miss opportunity to broaden. Finally, seek individuals with genuine independence thereby, ensuring that they are beholden to shareholders, employees, and local community. ●

*The Independent Director: The Non-Executive Director's Guide to Effective Board Presence* by Gerry Brown published by Palgrave Macmillan.



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WWW.PALGRAVE.COM

## NEXT MONTH ISSUE 134

### INTERVIEW

Annette Andrews, Director of Human Resources - Lloyd's of London.

### REWARD & RECOGNITION

There is a big myth that employers are blithely extolling, that Gen Y is not driven by money. Wrong, Y is stir crazy, desperate for cash and independence.

### CONFLICT MANAGEMENT

The tail is wagging the dog and employers, fearful of the damage that airing dirty laundry invariably brings, are retreating to a place of weakness and pay offs.

### ORGANISATIONAL DEVELOPMENT

The economy has all the surety of an unexploded bomb "is it the blue or the red wire?" Do you staff up, or wait and see?

### SOCIAL MEDIA STRATEGY

The last few laggards and Luddites have now conceded, many reluctantly, that social media in the workplace is as vital as oxygen.

