

# boardinsight:

## The Proactive Company Secretary

**Ken Rushton, Board Insight's Senior Consultant, considers how the proactive company secretary can add value to the board's work**

In 1971 the Court of Appeal described the company secretary as “the Chief Administrative Officer of the company”. No doubt at the time many company secretaries felt that was giving due recognition to their importance. But the modern company secretary has moved onwards and upwards. First, there were compliance issues-steering the organisation through its responsibilities under company law, listing rules and financial services regulations, where applicable. Then, in the 1990s, there was the advent of governance and the company secretary became the adviser to the board on best practice on board effectiveness. It is this development that has enabled many company secretaries to aspire to becoming the “trusted adviser” or confidante of the chairman on matters relating to board leadership. Good chairmen and CEOs recognise the role of company secretary is a strategic one, so their expectations of company secretaries are much higher than in the past. One chairman's view on the role of the company secretary emphasises the need for greater assertiveness:

*“Somebody who has high integrity, is happy with detail, trustworthy and has the courage to speak up. I don't think you want somebody who is comfortable to be in the background - he or she should be happy to step up if they see something going wrong. I think to make the role more valued it needs to be more visible”.*

While I was lecturing to company secretaries in South Africa recently I was impressed by a chairman there who told us that chairmen need to nurture the relationship with their company secretary and the foundation for a good relationship was mutual trust. Chairmen need to be open and honest with their company secretaries, she said. While company secretaries must be impartial, confident and able to stand their ground, they must also be good listeners and able to read the body language of board members.

So, looking first at some of the traditional responsibilities here are some suggestions for adding value:

### **Managing Board meetings**

The company secretary might help to improve the effectiveness and time management of board meetings by drawing up guidelines for authors of board papers and advising those making presentations on what is expected from them. Agendas should be prioritised so matters requiring decisions are normally taken early on to avoid being squeezed out by discussion of more routine items. Perhaps compliance items could be taken towards the end of the agenda, especially if external lawyers are attending for those items. Ideally, after each board meeting, the chairman, CEO and

company secretary should review how the meeting went, looking at the appropriateness of the agenda, the quality of the information presented and of the discussions, how the time was managed, whether decisions were reached clearly and whether there was agreement on how communications to management from the meeting should be handled.

### **Board processes**

Under their responsibility for drawing up terms of reference (ToRs) for the board and its committees, company secretaries should consider with their chairmen what committees might be required over and above remuneration, audit and nomination. For example should there be a risk committee or an ethics and CSR committee? What about safety, health and environment? Once it has been decided which committees are needed and who should sit on them the ToRs need to be agreed. Most importantly, these ToRs should not be left on a shelf but need to be regularly reviewed as best practice evolves.

### **Induction and development of directors**

In a number of companies the induction of newly appointed directors is left to the chairman or the CEO with the company secretary in a supporting role. Too often those involved find they have limited time to make the process effective or to complete the programme. If the company secretary has a more prominent role there should be a greater chance of induction becoming a more valued part of the on-boarding process. Many directors react negatively to the idea of further training or development. Company secretaries can encourage their chairmen and CEOs to identify any development needs as part of the regular appraisal process. The company secretaries can also be a source of information on suitable courses or other ways of briefing directors and the board as a whole.

### **Annual Report**

The contribution of the company secretary to creating the Annual Report varies between companies but he or she would be expected to be a key part of the team, if not the project leader. The objective should be to view this work as an opportunity to enhance the company's reputation rather than as a routine chore. The company secretary should look to differentiate the company by telling its story in an interesting, honest and attractive way avoiding where possible legalistic or boilerplate language. It is an important communications exercise so plenty of time should be allowed.

### **Board evaluation**

Board evaluation is perhaps now sufficiently established to be called a "traditional" responsibility. Here the company secretary and chairman need to work closely together. Not all chairmen are yet convinced about the benefits of evaluation so company secretaries need to urge them to approach the exercise impartially where necessary. However the process can, and should, be customised to the company, both in its formulation and delivery. The company secretary should be a key member of the team designing an internal evaluation and might well lead on the delivery. With regard to an externally facilitated evaluation, the company secretary will help the chairman select the facilitator and will be

the main contact for the facilitator. The company secretary's contribution to the board will be evaluated as part of the exercise. The company secretary needs to arrange for the evaluation report to be considered by the board and to think about how the results will be communicated, especially to investors and how they will be monitored and followed up until the next review takes place.

***Now I would like to comment on a couple of related concepts which are growing in importance and where I suggest the proactive company secretary can be making a major contribution:***

### **Business ethics and behavioural governance**

Companies generally recognise that they need to articulate their values and develop a culture and governance arrangements that are consistent with those values. If these are not in place the behaviour of staff could seriously damage the company's reputation and even expose it to criminal actions. This is not just a question of internal controls or codes of conduct - while these are important - it is the imperative of establishing an ethical culture in the company and promoting behaviours consistent with the agreed values and culture. Many Chairmen and CEOs struggle with the concept of culture change and look to consultants for advice. If the company secretary has the appetite for this topic I would advocate that he or she looks to seize this space as it is closely aligned to governance. At the very least, the company secretary should be promoting the need for a code of conduct, ethics training for staff and developing anti bribery and anti-slavery and human trafficking procedures.

### **Corporate responsibility**

Reputational risk management is a recognised competence for successful companies and an area where company secretaries can play a part. Companies are accountable to their shareholders but are also responsible for their impact on society. While I was in South Africa recently I saw how governance there embraces the concept of "corporate citizenship" as a social objective. At the very least company secretaries can ensure that companies report truthfully and honestly on how they discharge their social responsibilities.

In conclusion, some pointers as to the qualities required of a company secretary:

### **Qualities**

Here is a challenging list:

Tact and diplomacy

Trustworthiness

Discretion

Interpersonal skills (emotional intelligence)

Good communicator

Resilience

Proactivity

Sense of humour (part of resilience!)

My South African chairman added:

Assertiveness

Focus

Maturity

Professionalism.

Although it may be unlikely to find many people with all these qualities, they are all highly desirable.

I would encourage anyone working their way towards becoming a company secretary to grab any opportunity of gaining commercial business experience, perhaps through a secondment. This will help to establish credibility and respect from the executive and to obtain an understanding of how to develop a strategic role. It is important to understand the business and the benefits of studying for an MBA should be considered.

Finally, to carry out all these responsibilities and develop all the qualities expected of a proactive company secretary means working long hours. So an additional competence you require is developing a work-life balance to avoid burn-out!

**For more information or to discuss how these issues might affect you as a company secretary or your board please contact Ken Rushton**

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