

Boards at Work : How Corporate Boards Create Competitive Advantage By Ram Charan

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Dr. Ram Charan, Harvard alumni, is one of the most influential management gurus on Corporate Governance, Global Strategy Design, CEO Selection and Succession Planning in the world. His client list includes a number of fortune 500 companies including GE, NYNEX, Citicorp, Du Pont, CSX, Royal Bank of Canada, Conrail etc. In the book, he shares his insight gained during advising the companies for various purposes. The book takes a number of live examples from reputed companies working on various stages of evolution in different sectors of the economy.

The *Boards at Work* opens the black box called Board of Directors of a company and delves into the inner dynamics of the board. The theme of the book is that the collective wisdom of the Board of Directors can be leveraged to create competitive advantage for companies. While elaborating the case he demolishes a number of myths such as apparent conflict of interest in sharing the information with the Board, leadership of the CEO and his performance evaluation by the board, shareholders activism and long term objectives of the company etc. He suggests that the visionary CEO should take the board as co-creator of long run value rather than as a monitor/ scrutinizer.

The authors discusses a range of issues covering what the Boards do and can do, how Boards dynamics can be steered to achieve the desired objectives and change management in three parts and 11 chapters. He points out that the board of directors consists of person of repute and accomplishment but in the absence of synergistic relationship the board fails to reap the benefits of collective wisdom. Therefore as strategy he suggests that committee system should be avoided to the extent possible and in no case some of the members of the board be made to feel more important or ignored. The author also touches upon the sensitive aspect of information sharing with board and apprehension of inviting unnecessary intervention into the domain of CEO by the board on the basis of supplied information. The author on the basis of his experience indicates that the CEO can be in best position if he provides all necessary information used in preparing the strategy and plans but should stand firm if anything unrelated is demanded. He suggests that there should be no seating arrangement on the basis of seniority that create class in the system. The board meetings should be less frequent but of longer duration in order to enable the board members to deliberate more vigorously.

Regarding the composition of board, it is advocated that

members should be of complementary skills and each member should get an opportunity to be part of the important committee by rotation. The author also probes the relationship between the Board and shareholders and reaches the conclusion that communication should be credible and consistent. But any section of more active shareholders should not be allowed to dictate the strategy on the company.

The board has an onerous task to assess the performance of the CEO. The author also digs into the issue and recommends that evaluators should be objective and critical rather than acting as adversary. Better approach identified in this case is that standard operating procedure should be put in place for objective analysis and only for expected future direction soft aspect can be examined. The board must assert its right and tell the CEO where it thinks management need to take necessary steps. Similarly, the

board should keep an eye on potential future leaders and create conducive environment to groom them. In fact if the board finds in some cases that CEO is not nurturing these future leaders then board must confront the CEO so that pipe of talented doers remains full and flourishing. This works as insurance for future performance of the company. The book also suggests methods to evaluate its own performance by the board and prepare it for future changes in a proactive manner.

Overall the book is an excellent piece of work and highly useful for the modern corporation facing rapid changes in the business environment and confronting apparent conflicting goals such as need to monitor but not control the management in the process of creating value to the shareholders. The book is already making its impact on the boardrooms of corporate and optimistically healthier governance structure would come into sight during the process.