The Boardroom Practice Limited

♦ Building Governance Best Practice ♦

Governance in times of Stress

Being a director at a time when the company is being challenged by large-scale negative economic issues.

Much of the governance development industry - be it in the UK or the American model, or even the European model - covers the issues of being a director and a board from the point of view of the business being a going concern, striving to add value to the business but still operating in a steady, positive and dynamic economic and business environment. Risk management doctrines within these programmes are coloured by the same environment.

Suddenly, businesses all around the world are in a state of tension and stress.

Our governance development institutions are still to wake up to the fact that corporate governance has changed.

With this in mind, TBPL has added a new dimension to our advice and to our development programmes: **Governance in times of stress.**

This approach still focuses on the normal governance protocols but takes into account the features which many board members may have been sanguine about but which, if they get them wrong, may lead to serious losses of value and, possibly, the whole business. Governance in stress also focuses on issues pertaining to board/management relationships, information, analyses and trust.

Once under stress or near distress directors have duties to more than just shareholders. In particular they have to think about third parties (say creditors) in a different light
This is in addition to the duties the board and the company owe the lending agencies. Most banking covenants have clauses requiring notification, advising the bank on positions, market to market style, rules, etc when there is material change. Today's director must know his or her responsibilities in regard to the lending institutions. Where once directors have tended to leave treasury operations to management, they must reclaim this important function.

These two issues alone imply different forms of monitoring, different time-frames; parameters such as cash liquidity become important and the roles in the company – e.g. what the board wants from a CFO – may alter. Is the board aware of all this? Do they have plans? Are they up to it?

There are legal dangers too. What, for example is and is not reckless trading? Just how much attention is being paid to solvency certification?

Governance programmes now need to look beyond "Cadbury" and focus upon helping directors direct! No more, the routine perusal and questioning of management reports but the demands of taking a greater interest in strategy, strengths and weaknesses

The Boardroom Practice has developed a revised approach to governance to help prepare directors for the new economic environment.

Dr Brent Wheeler is the lead Principal in this important programme.

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