



[GPG chairman Rob Campbell says new laws bear personally on directors](#)

The popular governance mantra “directors govern, managers manage” sounds plausible enough to be incorporated without noticeable dissent into court judgments and director training.

It was recited in both contexts at the Institute of Directors conference in Auckland last week, including when Justice Paul Heath [quoted](#) his own judgment on Nathans Finance.

Like most such slogans, it has a superficial attraction but carries within it the seeds of nonsense.

The mantra has at its heart a separation of function which appeals to the neat theories, or perhaps one should say descriptive orthodoxies, of management speak.

Of course, one might say, managers must manage, so directors clearly must be doing something else.

Governing seems to fit the pay and age seniority of most directors and probably also appeals to the ego and the desired level of exertion of the group. Ah yes, governance, that sounds like me at my stage of life.

Fortunately for me, my union days are decades behind me. So I have not felt the need to join the Directors Union (sorry, Institute). Maybe they would not have me anyway. It does free me to question this central theme.

### **First problem with the mantra**

The first problem I see with the mantra is that there is now a raft of legislative provisions which bear directly and personally on the director.

These provisions carry heavy fines and even potential imprisonment which are not easily or automatically delegated to managers.

You can govern away to your heart’s content, and tick off check lists with the diligence of a parking inspector, but many of the things which can hurt a director are in practice done by managers. All absolutely fine if the managers are doing what they are supposed to be doing, but unfortunate if they are not.

So the wise director will not only, as former US president Ronald Reagan said of Soviet disarmament policy “trust but verify”, they will be quite happy to hop across the line when managers default and take action. Rightly so.

## **Second problem with the mantra**

The second issue is similar.

Directors are fully responsible for the content and accuracy and compliance status of financial statements. Quite right, too.

We can review, get audits and question but the truth is that much of the basic material is in management's hands and only the most egregious errors of information are likely to be identified at board level.

If I may be sexist for a moment, the ball is not only in the management's court, but it and its companion are in management's hands. So the wise director with any doubts, or simply to test the temperature, will want to dive into areas where managers manage to gain reassurance that said balls are safe.

The third issue is that in many businesses, large and small, there are directors who are also managers.

There are different views about this in large business structures but it remains common. In small businesses there is no choice.

Many of us have experience in such structures and it tends to be not so much that we think with different hats in and outside of the boardroom but that we carry our director's hat into the management room rather than vice versa.

Naturally, because that is where the big risks fall even if the big salaries are on the management side of the door.

Don't get me wrong, some of my best friends are managers, but the mantra should really be something like "managers manage and directors manage the managers, change the managers, or take the consequences if the managers don't manage well".