

Stigter, Marc & Cooper, Sir Cary – Boards That Dare

Bloomsbury Business, 2018, [Business] Grade ★★

The premise of this book is that most if not all corporate boards are stodgy and complacent and due to this either don't see - or outright reject - the requests from sustainability focused institutional owners and the purchasing demand from likeminded customers. Business leaders are said to only focus on short-term profitability and CSR has degenerated to a green washing, box-ticking exercise. Hence, the directors risk leading their companies to their demise. This creates a need for a new breed of directors that fills the governance void and also a new model go guide them.

The authors are business consultants in Australia and the UK and Sir Cary Cooper is one of the UK's leading academics in management studies. I very much question if the above really is the status of the boards they consult to or the views held by the 61 directors interviewed for the book. To me the thesis is an overly spectacular and speculative one that misrepresents the situation. Yes, there are bad boards and some are overly stodgy. Yes, some directors are bad. Still, most boards are in my view fairly decent and there is rarely a lack of focus on sustainability issues.

This book offers one set of chapters, number 2, 3 and 4, that are well balanced and grounded in reality, flanked by chapters 1 and 5 that are sweeping, cynically un-balanced, bordering on flawed as they, in my view, label the exceptions - the bad eggs - as the majority. The middle chapters argue for more active boards and a mix change in the time spent, from compliance towards business strategy, by doubling the hours spent on the directorship. Diversity is a key requirement in composing the board and IT-competence and CSR-competence should according to the authors be added to the boards.

While much of this is good, it is also very much in vogue right now and doesn't need much promotion as I see it. Also, of the same reason I don't generally want to see lawyers and management consultants on boards, I don't agree

that CSR or IT-specialists should be there either. Narrow competences can be added on a consultancy basis. Although they might have specialties, directors in my view must be broad enough to have well grounded opinions on most issues. The authors' objection to the above might be that sustainability encompasses everything in today's world. However, if everything counts as sustainability issues then in reality nothing counts as sustainability issues.

The foundation of the authors' view on sustainability is Michael Porter and Mark Kramer's concept of *Shared Value*. Stigter and Coopter from this launch their own concept called *Total Value and Care Governance*. Boards that "can, know, want, are and dare" first cater to the employees, then to consumers and other stakeholders and finally to the society and the environment. By doing this they will be financially successful and consequently will also reward the shareholders. This "broadened fiduciary duty" is obviously a hugely popular notion today, implying that there are no tradeoffs in business. Optimize for all at the same time and paradise is waiting. There is no notion of how to manage compromises between conflicting goals.

Ironically, the model Stigter and Coopter present share many similarities with the shareholder value and balance scorecard models of the late 1990's as it sees a sequential process from personnel and customers to financial results. The difference is that in the original models there was a method to allocate limited resources. Since the owners receive the present value of the future residuals after all other stakeholders have been satisfied, the owners have the incentive to balance and satisfy the interests of all stakeholders. By their pursuit to generate the highest return on capital over time societies' resources are put to their most efficient use and this makes all of us better off.

Some passable corporate governance advice is mixed up with a light version of Porter and Kramer's shared value concept. Adds very little.

Mats Larsson, May 27, 2018