

## THE SEESAW OF GOVERNANCE: GETTING THE BALANCE RIGHT

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### ABSTRACT

*The increased demand by institutional investors and regulators that corporate directors focus on compliance and internal auditing appears to be driven by a motivation to right the wrongs of the past rather than to create rights in the future. Managing by looking in the rear view mirror is a poor use of corporate strategy and is not supported by our research which shows that shareholders wish their directors to spend time on forward-looking strategy tasks more than on auditing. We believe the focus on compliance management may come at the expense of providing long term vision, sound strategic planning and competent leadership from the boardroom. An over-emphasis on compliance issues introduces the risk that directors spend more time and effort investigating the actions of senior executives and becoming absorbed in operational matters. This means that boards become caught up in micro-management rather than debating and formulating long term strategic plans and providing appropriate stewardship to the organization and support to the CEO and senior executives. Requirements for short term reporting exacerbate the problem by driving board executives to rely more on financial results rather than securing the viability of the organization over the long term. Whilst the increased attention to governance issues is aimed at protecting shareholders, we argue it is likely that shareholders are being exposed to even greater future risks given the limited time being spent on long term planning and strategic change. This paper explores the concept of a balance point where directors effort needs to be appropriately focused on both governance issues and providing leadership from the boardroom. It also discusses some of the leadership attributes and roles of executives in long term high performing organizations in Australasia and explores how these attributes impact positively on organizational excellence and sustainability.*

### I. INTRODUCTION

Historically, the role of board directors has not been clearly well defined and has evolved in accordance with the needs and times. In Anglo countries common law originally saw the board as the agent of the company in ratifying its contractual obligations in general meetings. Although the original legal model had changed by the beginning of the twentieth century, ambiguity around the role of the board remains (Bainbridge 2003). In essence, however, the board's legal responsibility is to protect the assets of the organisation while the primary responsibility of a director is the fiduciary duty which embodies loyalty, good faith and trust. Under most legislation the fiduciary duty of directors is to do what is best for the company (Monks & Minow 2004). The primary loyalty of a board is, therefore, to the company as a legal entity rather than to those (i.e. the shareholders) who appoint the directors. Overall, the boards have been expected to act with "oversight, insight and foresight".

Since the Asian financial crisis, corporate scandals associated with Enron, WorldCom, Tyco, Parmalat and others in the early years of the present decade, board directors have been increasingly involved in compliance-related efforts following corporate governance reforms and in ensuring that more rigorous regulatory systems are in place. This trend of policing companies will increase even further in the wake of current financial and economic crisis. But is this the right approach? Increasingly the role of non-executive, largely independent, directors is seen as that of a custodian or watchdog in the governance process (Higgs 2003). While corporate governance reforms have influenced positively the attitudes of directors towards their responsibilities, growing anecdotal evidence suggests that they have also led to an overemphasis on conformance "policing" roles at the expense of their performance role (Carter & Lorsch 2004, Ezamel & Watson 1997, Hendry & Kiel 2004) and have increased more extensively the workload for individual directors. The risk is that board and director effectiveness is compromised.

Excessive focus on compliance management may come at the expense of providing long term vision, strategic planning and leadership from the boardroom. As a consequence directors may spend more time and effort investigating the actions of senior executives and become absorbed in operational issues rather than on guiding the company on future-oriented, performance decisions and actions.

Such guidance and leadership from the board may include crucial inputs of debating and formulating long term strategic plans, setting the strategic vision and providing appropriate stewardship to the organization, as well as providing support to the CEO and senior executives. Requirements for short term reporting are exacerbating the problem of over-emphasis on the compliance dimension by driving board executives to rely more on financial results rather than on securing the viability of the organization over the long term. Whilst the increased attention to governance issues is aimed at protecting shareholders, we argue that it is likely shareholders are being exposed to even greater future risks to their investments given the limited time being spent by boards on long term planning and strategic change. It could be argued that the end result of this compliance focus is a deeply conservative board – fundamentally risk-averse with a collective inclination to reject rather than reward acceptable commercial risk-taking (Ingley & van der Walt 2005, Jansen 2004). To be acceptable, risk and decisions about risk taking need to be considered in conjunction with an alignment between the entity's risk profile (or appetite for risk) and its strategic objectives. Recent research confirms that a large proportion of boards are preoccupied with micro-management and are not functioning in a strategic manner (Garratt 2003, Kitney, Buffini & Hooper 2005, Taylor 2003) and a better balance is needed between compliance and allowing companies to focus on delivering shareholder value.

This paper explores the concept of a balance point where directors efforts need to be appropriately focused on both compliance issues and providing leadership from the boardroom. The paper also discusses leadership attributes and roles of executives in long term high performing organizations in Australasia and explores how these attributes impact positively on organizational excellence and sustainability. When these leadership attributes are combined at the apex of the organisation with the board working in conjunction with the management team to provide the strategic direction then governance effectiveness and sound organisational performance is more likely to result. We base our findings on survey results from three consecutive years in New Zealand.

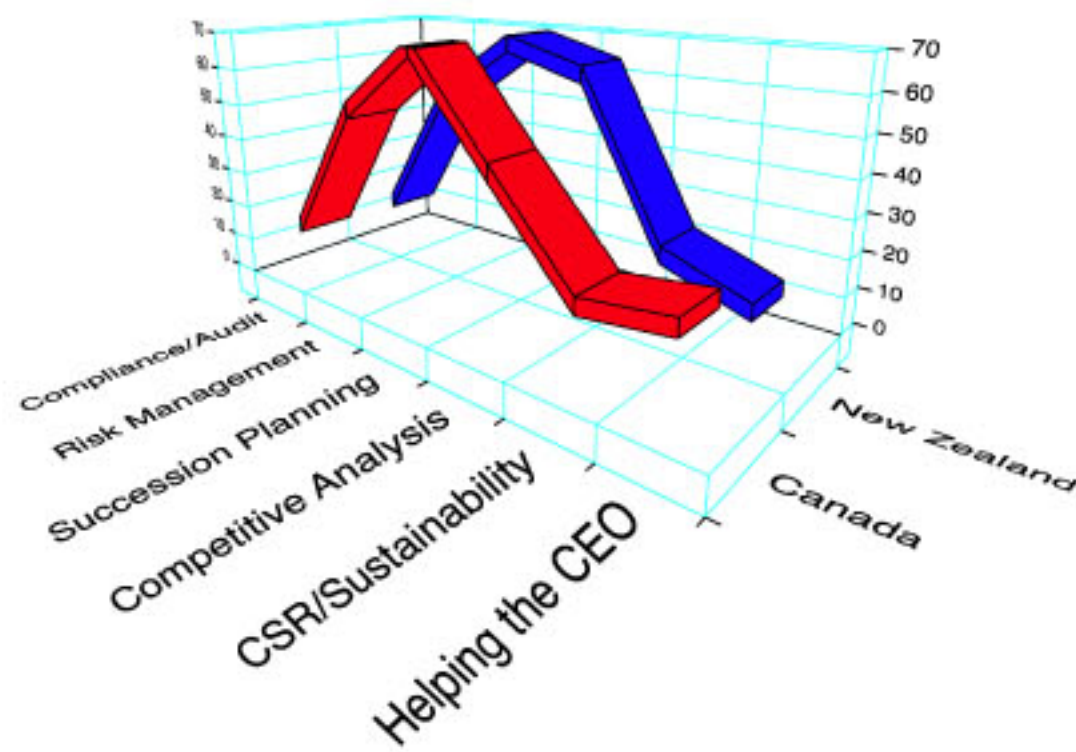
The paper is organised as follows. Section II discusses relevant the theoretical perspectives on the role of board and highlights the dilemma between the role of directors as compliance managers and directors as strategists. It emphasises the idea that to achieve optimum results a balance is required between the two roles. Section III explores how directors can best fulfil their role as strategy makers, as well as what board inputs are required in strategy formulation. In section IV leadership attributes and qualities as applicable in the Australasian context are discussed. As we believe our research is more the starting point of asking questions rather than the final point of determinative answers, we have elected to introduce research results early:

### **Methodology**

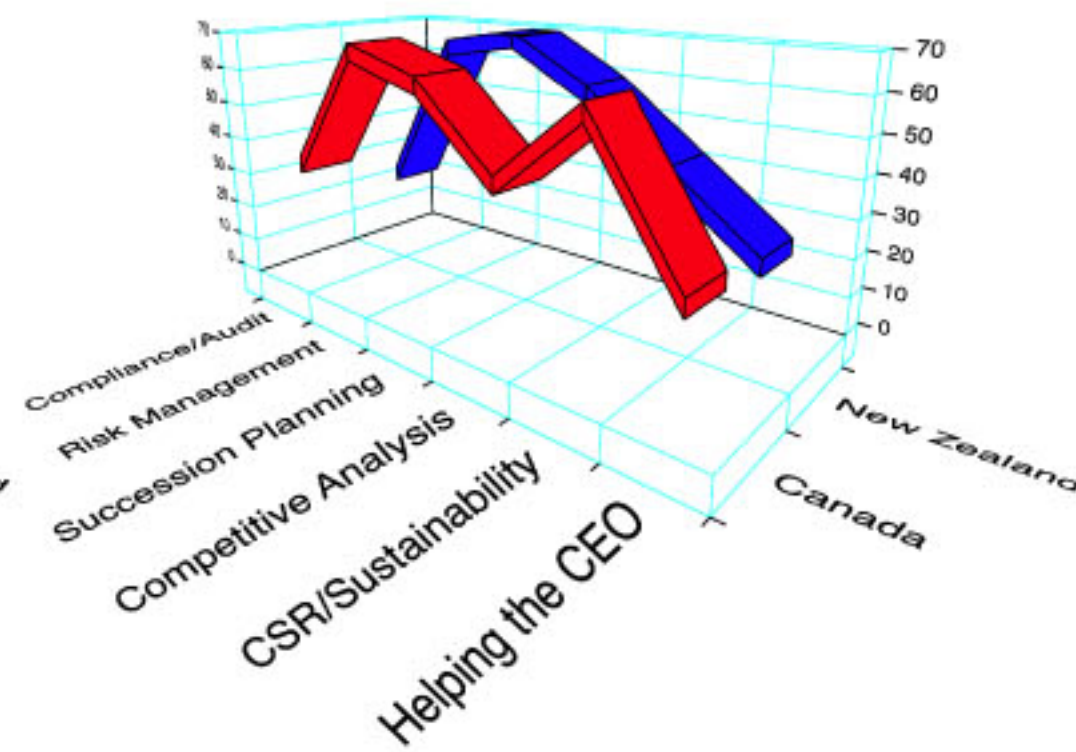
In 2006, 2007 and 2008 we have asked large organisations in New Zealand (national banks, law firms, government agencies, recruitment firms, industry associations, chambers of commerce, etc.) to distribute a web-based survey to their clients. The survey is segmented into 3 distinctly different segments to address specifically shareholder, senior managers and company directors. This is the largest non-government governance survey effort in New Zealand with more than 5,000 replies to date. In 2008, we have distributed the same survey in Canada, to test a sample for congruence with NZ results.

Among other questions, we asked shareholders on which tasks their directors should spend more or less time, and we asked directors where they believed they should spend more or less time. The results support our argument that the current regulatory and media/public focus on auditing and compliance management by directors is NOT what shareholders or directors expects from boards.

As the NZ results are consistent throughout the 3 years, we have consolidated them for the purpose of the comparison with the Canadian responses:



**Graph 1: “Speaking as a Director, where should your board spend more/less time in the future?”**



**Graph 2: “Speaking as a Shareholder where should your directors spend more/less time in the future?”**

We note that in both cases, the choice of “Audit/Regulatory Compliance Management” was rated of lesser importance than any other choices, including our ‘dummy’ choice of ‘helping the CEO’, an option clearly not part of a modern board that does not become involved in operational management. We believe that both shareholders and directors consider audit and regulatory compliance functions to be of lesser value than the planning and future-oriented activities a board can engage in.

## II. THEORETICAL PERSPECTIVES ON THE ROLE OF BOARD

An effective board may be defined as one that understands the key roles required of it and has the capability to execute those roles in a way that facilitates the achievement of organisational objectives (Nicholson & Kiel 2004b). Many theories have been developed in the corporate governance literature to explain and predict the functioning, attributes and roles of boards in relation to their impact on firm performance. These theories have drawn most heavily on the perspectives of agency, stewardship, resource dependence, stakeholder, managerial hegemony, and organisational theory. While other theories such as upper echelon theory, cognitive theory and institutional theory also feature, the agency, stewardship and the resource dependence perspectives have received significant attention in the corporate governance literature. However, agency theory has been the dominant paradigm underlying much of the corporate governance research and regulatory developments.

According to the agency perspective, monitoring is central and is one of the key internal control mechanisms instrumental in addressing agency problems (Fama & Jensen 1983; Walsh & Seward 1990). Empirical testing of agency theory principles has focused predominantly on the relationship between boards and outcomes including firm financial performance (Hermalin & Weisbach 1991), shareholder suits, and the commission of illegal acts (Kesner & Johnson 1990; Kesner, Victor & Lamont 1986), as well as takeover activity (Davis 1991, Mallette & Fowler 1992).

The neoclassical paradigm which espouses the discipline of market forces and the agency view has emphasised the board’s control role and the importance of independent, non-executive directors. Independent directors are thought to provide more effective oversight of the state of the company and a system of checks and balances to constrain managerial opportunism. Corporate governance structures based on the agency model comprise a corporate security system that has not always been effective in preventing corporate and governance failure, as evidenced by waves of corporate collapses throughout the last two decades, and especially those associated with the current global financial crisis. Nevertheless agency theory has delineated a role for the directors which is primarily one of oversight and insight, not that of foresight and strategy.

Although studies began to emerge in the 1980s highlighting the importance of including responsibility for strategy in directors’ governance role, the idea was not instilled in practice and the corporate excesses and failures that occurred during the subsequent two decades, along with the ensuing corporate governance reforms, kept directors increasingly busy with their monitoring and controlling roles. Raina (2008) points out that the major reasons why strategy took a backseat on the boards’ agenda were: lack of any active engagement for boards in strategy formulation - boards typically were

only involved in monitoring the process that produced strategy or in ratifying strategy at the end of the process; lack of conceptual understanding and clarity on the definition of strategy among directors; occasionally boards were deliberately not drawn into strategy development by the senior management so as to protect managerial power; limited strategic capability of board directors; boards also being reluctant to get involved in decisions marked with uncertainties and risks. Globalisation, increased merger and takeover activities, rapid technological developments and innovations increasingly are necessitating that boards acquire competency in the area of 'foresight' and strategy formulation.

Although reforms appear to be particularly effective in instilling in the minds of directors a preoccupation with creating shareholder value, the emphasis given to short term financial performance indicators may inadvertently undermine the conditions for long term wealth creation (Roberts 2001) and corporate sustainability. A qualitative study of the role of non-executive directors on listed and unlisted UK boards by Long, Dulewicz and Gay (2005) indicated that overemphasis on monitoring has prioritised the compliance and control role over the strategic contribution by boards of listed companies. The reverse is true, however, for non-executive directors on boards of unlisted companies. Dulewicz and Gay's study highlights major differences in role involvement when the UK Combined Code guidelines for non-executive directors on boards of listed and unlisted companies are compared. Most notably the study suggests that on *unlisted* boards non-executive directors have a greater degree of involvement in strategic development, financial monitoring, shareholder communication and overall board contribution than directors on boards of listed companies. On the other hand, non-executive directors on *listed* company boards have a greater degree of involvement in the monitoring of management, the setting of executive remuneration, the appointment and removal of executives and succession planning than non-executive directors of unlisted companies (Long et al 2005).

### III. ROLE OF DIRECTORS IN STRATEGY

Lorsch and Clark (2008) argued that a key role of the directors is in formulating long-term strategies. They point out that directors, however, are more often involved in compliance, accounting, legal issues, rather than leadership or strategy issues. Contradictorily, directors have tended to adopt a more 'hands on' approach in the area of compliance and a 'hands off' approach in the area of long range planning. Lorsch and Clark contended that instead of focusing on short term goals, the directors should be focusing on long-term objectives as achieving short-term goals may lead to policies with a short-term focus, as well as leading to complacency, a lack of competitiveness, and a failure to keep pace with key technological developments. They suggested that "From their places around the table, directors must steer themselves and the company's management team toward farsighted strategic and financial thinking and succession planning."

But what is strategy and has it been well understood by corporate management, executives, and directors? According to Mintzberg (1998) strategy can be interpreted in at least ten different ways. Johnson and Scholes (1998) defined strategy as, "Strategy is the *direction* and *scope* of an organisation over the *long term*: which achieves *advantage* for the organisation through its configuration of *resources* within a changing *environment*, to meet the needs of *markets* and to fulfil *stakeholder* expectations". More recently, Porter (2008) pointed out that:

there is a lot of confusion about what strategy really is, and how to define it—a lot of confusion between strategy and operational effectiveness. That is one of the most important distinctions in all of management. You have to distinguish between pursuing practices that are good for every company and pursuing a position that is unique to your particular organization... Strategy is about creating a unique position in terms of overall cost or differentiation... Strategy is about competitive advantage, about how a company serves customers differently from competitors.

Based on the definitions highlighted above, the strategy focused company directorship involves i) clear understanding of the roles played by directors and management and also a clear understanding of their functioning styles; ii) broader macro perspective on compliance issues along with others rather than dwell on micro issues; iii) involvement of senior management and the directors; encourage leadership among directors themselves. The effective long-term company strategy requires appropriate allocation of time on compliance matters as well as future-focused issues as a

requirement for the company's growth and development; a clear understanding of what the long-term means; discussions on financial resourcing and risk; and identifying, promoting and nurturing leadership and talent within the company.

A useful starting guide for the directors for framing long term strategies is the four-point scorecard as developed by Kaplan and Norton (1992). The balanced scorecard as suggested by Kaplan and Norton (1992) is a plan which puts "strategy and vision, not control, at the center... The balanced scorecard keeps companies looking- and moving-forward instead of backward." The directors should not just focus on a single indicator, but consider a balanced perspective which comprises four components, Financial Perspective; Customer Perspective; Internal Business Perspective and Innovation and Learning Perspective (Table 1).

**Table 1: Strategy Building Scorecard for Directors**

Financial Perspective		Customer Perspective		Internal Business Perspective		Innovation and Learning Perspective	
Goals	Measures	Goals	Measures	Goals	Measures	Goals	Measures
Survive	Cash Flow	New Products	Percentage sales from new products and proprietary products	Technology Capability	Manufacturing geometry vs. competition	Technology Leadership	Time to develop next generation
Succeed	Quarterly sales growth and operating income by division	Responsive Supply	On time delivery (defined by customer)	Manufacturing Excellence	Cycle time Unit Cost Yield	Manufacturing Learning	Process time to maturity
Prosper	Increased market share and ROE	Preferred Supplier	Share of key accounts purchases	Design Productivity	Silicon efficiency Engineering efficiency	Product Focus	Percentage of products that equal 80 percent sales
		Customer Partnership	Ranking by key accounts	New Product Introduction	Actual Introduction schedule vs. plan	Time to market	New product introduction vs. competition
		Customer partnership	Number of cooperative engineering efforts				

Source: Kaplan & Norton (1992).

Each of these perspectives contributes to the company's vision of growth and prosperity and addresses the needs of customers as well as shareholders, adds value to the company, and creates excellence in company's products. This scorecard focused on addressing and achieving specific crucial goals is efficient and can reduce information load on the directors; it brings together on a single platform different goals and perspectives which can lead to qualitative and effective decision making by taking all perspectives into account and also allowing different sets of choices regarding each perspective. The balanced scorecard, however, cannot be implemented in isolation by the board directors. It needs involvement of the senior management of the company who are aware of day to day operations and the company's core areas of successes and failures.

By placing various goals in one place, the scorecard can assist directors in forging ahead and consolidating a company's aspirations and initiatives on integrating across functions, building customer supplier partnerships, achieving global aspirations, continuous product improvement, and team accountability, rather than focusing solely on individuals. The scorecard can initiate improvement in product, process, customer, and market development (Kaplan & Norton, 1993). By incorporating these diverse objectives in a single set the scorecard assists directors in achieving strategic vision. Instead of adopting measures aimed at quarterly or six monthly results, the scorecard targets the achievement of long term results and is flexible enough to incorporate aspects such as different products, different strategies and different market requirements. It is an important tool in strategy building to be used by directors and management and company executives. However, while the scorecard is a tool for building a company's internal strategies targeted at growth as a process of change and customer satisfaction, its use as a tool for external reporting to investors is limited (Kaplan & Norton, 1992).

In terms of formulating strategy the board directors should also consider what Hubbard et al (2002) refer to as the 'Journey of Strategic Cycle' which comprises: *domestic regional stage*; *related expansion stage* (expansion of products, services, businesses); *diversification experiment stage*; *international experiment stage*; *consolidation stage*; *portfolio of international businesses* and lastly *global products stage*. Emphasising the importance of identifying the stages in the life of the company for formulating effective strategies Hubbard et al (2002) noted that:

Identification of the stage of the strategic cycle for the organisation is important to enable the issues that arise within each element to be identified too. This is particularly vital considering the increasing internationalisation of business and the very limited international experience which most Australian organisations – even the winning organisations – have.

Other important factors which need to be considered in channelling the role of board in strategy building is its composition and size. Studies have found that in particular, large and unwieldy boards do not add value to the company. In order to channel the focus on strategy rather than compliance, such studies have suggested that strategy-focused groups or committees of the board should be formed and at least 3-4 directors on such committees should be from the industry itself (Carey & Patsalos-Fox, 2006).

Does the board that places more emphasis on strategy than compliance perform better than others? Studies have observed that companies with boards which have performed their strategic role and have influenced management in strategy building have performed financially better than others (Edlin, 2005). Also these boards have added value to the company by charting a future role for the organisation and thus paving the way for the company's success.

#### *Prerequisites for Turning Strategy into Implementation*

Grandiose strategy plans based on the scorecard, as discussed above, are not enough if not accompanied by effective implementation. Effective execution of strategy calls for unique and creative skills including leadership, precision, attention to detail, breaking down complexity and communicating to stakeholders in clear and concise ways. Intricate control and feedback mechanisms are also necessary to hone the operations to align with business strategy. These tasks are just as critical as strategy formulation itself. Vision is one thing, but the total organization also needs its 'feet on the ground'. Strategy formulation needs input from the operational level to bring reliable insights into organizational capabilities and resource constraints.

It is organizations' ability to execute effectively that defines them as 'winners'. Winning organizations are successful in doing what they say they will do and consistently deliver results. These characteristics differentiate them from most other organizations that disappoint their stakeholders by failing to deliver what they say and what promise, or what they promote and market.

While directors can use scorecard as a tool in building the company's future growth strategies, the three key drivers for implementing strategy are effective communication through visible management systems, the use of project management techniques and through focused leadership.

The concept of visible management is used to communicate performance and strategy to all employees, and so avoid communication gaps that lead to ineffective strategy execution. The goal of

visible management is to balance detail with relevance, then to balance resources and accountability, and to measure actual progress and performance. Visible management systems become pervasive by creating ownership and motivation as quantitative and qualitative results become apparent. They tend to remove emotion and allow objectivity and rationality in team debate and learning. Under a visible management system, people's performance is measured against their targets with feedback and rewards based on results. Information is made highly visible in the workplace through the widespread use of charts, scorecards, dashboards and problem-solving tools such as histograms, control charts and cause-and-effect diagrams. Among incentives that such a system delivers are positive competition among individuals, recognition for achievement by colleagues and peers and personal satisfaction gained from taking responsibility and achieving results. Team leaders and process owners are able to clarify goals, bridge communication gaps and break down organizational barriers to make strategy relevant to those responsible for its execution. Such a system provides decision support and enhances accountability for management and the board.

Project management techniques are another important set of tools used to translate goals into action. The directors with their knowledge, expertise, and experience can use this approach which is used by project managers in defining their goals and further breaking them down into achievable tasks. Project managers work back from the goals to plan the implementation of strategies by dividing them into small, discrete project tasks. This creates a work breakdown structure, which is the starting point for project planning. A similar approach can be used for strategy execution that involves breaking the strategic plan into required operational activities and defined tasks, where each task has its own objective, consumes resources, has a time line and can be scheduled. Identifying tasks, assigning resources against them and deciding on their sequencing will ensure that the strategy is possible. Identifying task dependencies can be done using a network diagram and locating the critical path which will determine if the implementation plan can be completed on time. Powerful tools such as these offer great potential to assist with strategy execution, yet they are rarely used. Simple questions such as 'What does the organization need to accomplish?' are key questions for the strategist. The answer to the question, 'And can it be accomplished?' lies within the project management discipline. If the answer is 'no', the organization must either improve its operations or change the strategy.

Project management emphasizes the importance of planning as much as it focuses on implementation. The same should be true for strategy execution. Yet often the emphasis is on action, created by a sense of urgency, rather than formulating a well-conceived, realistic, and robust plan. Effective execution follows effective planning – the project then becomes one of control by tracking progress, feedback, problem-solving, and standardization.

Strategy execution requires focused leaders who hold employees – and themselves – accountable for results. Leadership does not mean just having leaders at the top. It concerns the creation of leaders throughout the organization who are able to develop, receive and interpret strategic plans and cascade them in a clear and consistent way for all employees. Focused leaders also know when and how to manage upwards, to negotiate resources and provide candid feedback to those involved in strategy formulation.

#### **IV. LEADERSHIP FROM THE BOARDROOM IN THE AUSTRALASIAN REGION**

For the board directors of the companies operating in the Australasian region what are the yardsticks or benchmarks they should adopt for the company to grow and prosper? Are they different from those in other countries such as, for instance, the US? What are the leadership attributes and roles of executives in long-term high performing organizations in Australasia? The research reveals the following responses to these questions:

##### *Team Leadership- not individuals alone*

There is no single magic leadership formula and emphasis in the 'winning organisations' is on team leadership rather than on just a single visionary leader. Within each organisation, leadership comes from a different group of individuals and from four levels: the CEO, top management team, business unit leaders and the board of directors. Each leader and leadership team has faced different circumstances from their predecessors and successors so we conclude that leadership must be "right for the time", meaning that it must be consistent with and appropriate for the organisation's strategic circumstances.

### *Captain-Coach Leadership*

Unique to the Australian culture of promoting egalitarianism and “mateship” (or collegiality), people want their leaders in their organisations to be coaches who support them and encourage improvement rather than “generals” describing a vision and telling them what to do. They respond to leaders who are players on the field, participating in the game, showing captaincy skills and sharing the work. They want a collegial relationship with their leaders. Australians are also comfortable with change that gradually evolves and builds on the current situation within a structured framework. It follows that leaders in winning organisations tend to be low key, not particularly charismatic and focus on building a sustainable business rather than egotistically promoting themselves and their own careers. Such leaders tend not to display the status-oriented trappings of office. Being captain-coach leaders, they tend to easily build informal communication networks within the organisation. They also go to great lengths to find different channels through which to communicate formally, frequently and as widely as possible.

### *Home Grown and Stable Leaders*

The research has found that the vast majority of leaders come from within the winning organisation and have been with that organisation for long periods. The CEO remains for a long time - nearly twice the current tenure of CEOs in Australian industry. Staff Turnover in winning organisations is lower than the industry average. Promotion from within means that the strategic direction changes only incrementally. It also implies that the organisation identifies with the new CEO who is already known to the people within it, and vice versa. When managers are brought in from outside it is usually because an organisation is either not performing well or it needs or wants transformational change.

### *Passion for the Cause*

Leaders in winning organisations are passionate and fiercely proud of the reason their organisation exists and they understand why this is important. Their passion is traced to the existence of a cause – a fundamental belief in the value to external parties of what the organisation stands for and is doing, in addition to financial returns to shareholders. Such leaders understand that good strategy must have a cause or purpose. In general, Australians tend not to believe mission or vision statements and organisations struggle to get their people to buy in to the vision or mission. The leadership group needs to identify the strategic cause, generate emotion around the value of the idea embodied in that cause, and coach their people towards achieving the strategic intent. The strategic cause is a key motivator for the organisation and effective leaders use it to attract the right people and galvanise the creative talent of their workforce.

### *Decisive and Long Term Views*

Leaders in winning organisations, through being close to their people, open to external influences and having good supporting information systems, are well placed to make good decisions and to make them rapidly. However, being decisive is not just about speed and being focused on the short term – it is also about commitment to the long-term view. This provides stability and encouragement to pursue the long-term purpose of the organisation, even when things are not going well. People then see their leaders as consistent in their actions and in their communication of key priorities and initiatives.

In summary, our research has identified a distinctive set of leadership characteristics of winning organisations in Australia which is influenced and shaped by the culture of the region. Leadership in this context is a team-based capability made up of captain-coach leaders who build the business and are developed for the role from within. They are passionate about the cause and are decisive while maintaining the long-term view. They communicate widely and are consistent in their actions and behaviours.

These leadership attributes have impacted positively on organisational excellence and sustainability. Hubbard et al. (2002) found that a common set of factors responsible for the success of selected organisations (11 out of 199 Australian organisations selected over the period of 20 years) in Australia were: effective and efficient execution of plans; alignment of systems, procedures, people and leaders and consistent delivery of products and services; adaptability; a clear yet fuzzy strategy; good leadership as a group; internally aligned yet externally focused; committed staff; not risk averse yet cautious and conservative in risk taking; and lastly, achieving balance in all the factors highlighted above to achieve good and effective strategy execution. Collectively these elements provide a



winning framework for long-term success that applies to organisations of all types including listed, private, and not-for-profit entities and those in the government sector.

In the Australasian context, Hubbard et al. (2002) pointed out that although strategy has been found to be an important aspect of success, to succeed and win (defined as 'extremely successful over long periods of time'), it is not necessary to have lofty vision and mission statements; big goals which may be non-achievable; single innovative and breakthrough ideas; or a high public profile. They found that winning is not just about profits alone; organisational structure; high marketing and promotion budgets; and high salaries. Winning, according to the researchers, "is the outcome of a lot of decisions and activities, not one, and not just luck." Winning and success thus concerns not only high profits and financial success but is a function of many factors and elements.

As suggested in the balanced scorecard, the successful organisation should be able to achieve balance in respect of customers, efficiency, development, employees, and key stakeholders, in addition to profits. To be a winning organisation, all elements need to be in place and aligned or linked together – change in one element precipitates change to others because they are interdependent. Leadership is clearly a critical element since it is often the driver of the other elements.

## V. CONCLUSION

The concern by external stakeholders for directors to spend considerable effort on audits and compliance management by their firms runs contrary to the desires of shareholders and directors who appear to attribute greater value to forward-looking leadership. This visionary guidance of corporate entities through the collective wisdom of its directors appears more in line with what we expect from senior leaders, rather than the retroactive reconciliation of corporate activities with regulatory schemes. We advise shareholders and directors with an interest in value contribution by their boards to allow their directors to emphasize strategic planning, market/competitive analysis, risk management and succession planning.

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