

# Getting Marketing and Marketers into the Boardroom

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May 2005

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# Agenda

- Roles and Responsibilities of Directors/Board
- Board composition
- Current/Emerging needs of Boards
- What/How can Marketing people contribute
- Process in becoming a Director

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# Role of the Board

The primary responsibility of the Board is to create shareholder value. Owners are key.

This should be done while taking stakeholder needs in to account.

Any person or group who has an interest in or is affected by the outcomes of the organisation e.g.

- Owners/shareholders, employees, unions
- Customers and suppliers
- Regulatory authorities
- Community interest groups (political, environmental, social)

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## Role of the Board – The Economics

- The board is the *Agent* of the owners who are the *Principals*
- The Board must *Preserve* capital (first job)
- The Board should *Grow* capital (second job)
- The time frame is *the life of the firm*
  
- *Any proposition which breaches or is detrimental to these propositions breaches the Board's mandate.*

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# Role of the Board – The Governance

- Governance is the process by which a governing body –the Board-ensures that an organisation is effectively and properly run
- Governance is not necessarily about **doing**, it is **about ensuring things are done**
- As Directors there are distinct legal duties
- Management is about planning, organising, leading and controlling

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# Management – The Economics

- The Management exploits market opportunities which offer value add for the shareholders
- It uses:
  - The strategy determined by the Board to tell it how to do this
  - The resources mandated for its use to do this by the Board
- It does it:
  - To the standard set by the Board
  - In the most efficient way possible
- Such that it is competitive or is replaced

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# Role of the Board – The Reason

- “When a person or Institution buys shares in a firm, what they really want is for their returns on that investment to be better than those generated by other shares which entail similar degrees of risk
- The Board should thus have a prime responsibility to do its best to make this happen”
- The Board’s key role is to ensure that corporate management is continuously and effectively striving for above average performance, taking account of risk

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*Hilmer Committee*

# Role of the Board – The Specifics

- Company Direction
- Human Resources
- Delegation and Monitoring
- Budgeting and Planning
- Policies and Compliance
- Reporting to Shareholders

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# Company Direction

- Setting the Vision, and Mission
- Setting the Goals and Values
- Ensuring the strategy can achieve these goals
- Ensuring there are measurable outcomes in place
- Ensuring that all this is consistent with the needs of the stakeholders

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# Human Resources

- Appointing and rewarding (or removing) CEO on the basis of performance
- Approving key appointments to the CEO
- Approving compensation and compensation policy
- Ensuring that there are succession plans in place

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# Delegation and Monitoring

- Delegating responsibilities as appropriate to the CEO and Management team
- Examining proposals and approving plans as submitted by the Management team
- Monitoring performance against agreed output targets

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# Budgeting and Planning

- Ensures that the budget can deliver the strategy
- Approve budgets and other performance goals
- Regularly review performance against plan
- Holds management to account for the budget
- Applies discipline to the Management – sanctions and remedies

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# Policies and Compliance

- Establish that policies (on key issues including exposure to various risks) are in place and reviewed as appropriate
- Require and monitor regulatory compliance
- Through an independent audit committee, appoint auditors, oversee audit process and review reports

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# Reporting to Shareholders

- Takes all necessary steps to ensure owners understand how the Board is protecting their capital and adding value to their capital
- Require and monitor systems for keeping market informed
- Approve announcements, prospectuses and reports to shareholders
- Ensure company complies with the law and with the requirements of its governing document

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# Overall

- Board through governing is involved in policy making
- Board has role of adding value, conformance, issues management and monitoring
- Management is to work within policies and towards goals developed in governance
- Directors' have distinct legal duties and responsibilities that are not shared by managers
- Sometimes causes a gray area between both
- Directors need to feel confidence but not do the job

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# Board Composition

- Most effective is a balanced Board with
  - Balance in skills
  - and/or reflects wider population
- Mix of skills appropriate to the Organisation
- Trend towards non executive Directors
- Board rotation important
- Shareholders vote/approve Board
- Chair appointment through Shareholders or by Directors

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# Board Composition

- NZ has high number of SME's
- Boards composed of Management as Directors
- Trend towards non Executive Directors
- Adds skills, experience and objectivity
- Conflict of Interest issues
- Board composition and rotation is a trade off game

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# Board Management

- Code of Corporate Governance or Code of Conduct
- Undertakes annual assessments through Board Evaluations
- Establishes Boardroom protocols
- Ensures that Board papers have correct balance
- Relationship with CEO – trust and respect

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# Board and Marketing

The Board needs to :

- Recognise the contribution of Marketing
- Understand the importance of market trends and proactively pursuing
- Recognise the importance of capturing value from this

FMCG companies were the leaders in the recognition of Marketing

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# Marketers Role

- In your current role
  - Understanding how your Board works
  - Gain exposure to the Board
  - Identify input required by Board

And/or for non (traditional) Marketers

- Recognise the importance of Marketers/Marketing and the economics of the company

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# Marketers – The Economics

The ability to:

- Specialise in understanding markets identified in the Boards strategy for protecting and growing capital
- Identify market opportunities, nuances, niches, trends, changes to build competitive advantage
- Defend existing markets by applying specialised skill, experience and resource
- Communicate to Board and Management the nature of the markets they operate in and how best to exploit them for shareholders

Must be intellectually robust tough analysis

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# Emerging Needs and Trends with Boards

- Broadening of the skill profile – not just accountants and lawyers
- Separation of Chair and CEO roles
- Greater focus on role in strategy
- Increased awareness of conflict of interest
- Emerging infrastructure
- Greater competition

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# Emerging Needs and Trends with Boards

- Risk – regulatory and environmental impact
- Human rights
- IT related –security
- Intellectual Property
- Focus on compliance – Sarbannes-Oxley

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# Competence and Quality

- The gin circuit selection process has gone
- Intellect is required
- Strong thinking and independence of thought is required
- Ability to see the wider picture – helicopter view
- Ability to ask the hard questions
- Clear understanding of roles is vital
- High integrity

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# For Marketers on Boards

Can contribute through:

- Strategic input
- Focus on external environment
- Understanding of key drivers of the business
- Increasing need for awareness by the Board

However they require:

- A broad focus on the total business
- Financial astuteness

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# The Process

- Educational
  - Understand role of Shareholders, Boards, Directors and Governance
  - Learn about Governance issues
  - Read widely and watch the international stage
  - Potentially attend courses
  - Register with your company interest / career development

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# The Process

- Experience
  - Community committees
  - School Boards/Trustees
  - Sports Bodies
  - Cultural Boards
  - Not for Profit

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# The Process

- Mechanics
  - Advertising
  - Recruitment Companies
  - Legal and Financial advisers
  - Government Agencies
  - Word of Mouth

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# Summary

- More opportunities available for Directorships
- Marketing input a greater requirement with increased competition
- However, a broad view of business and industry is required
- And financial literacy is important
- It's not about doing but getting things done
- It's rewarding and stimulating
- As with any business, it's a great opportunity to be a part of different journeys

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