

## **Performance Driven – Values Led**

**Sir Roger Carr, Chairman, BAE Systems plc**

I first became a company director in the 1980s when the corporate world was a very different place.

There was no combined code, no comply or explain, and no senior independent directors. Accounting standards were lax, 5 year contracts for directors were routine, a woman in the boardroom was rare, and non-executive credentials relied more on friendship than skillset.

Shareholders were often focussed on how much money you made, not how you made money. Few questioned corporate values and, for many, corporate performance was all that mattered.

As the 80s closed, a series of corporate catastrophes triggered a wind of change throughout British boardrooms that blew into a governance gale over the next decade.

In 1992 Sir Adrian Cadbury wrote the first rule book on corporate governance to be followed by Greenbury on remuneration, and Turnbull on risk. Ten years later, Derek Higgs chaired a committee, on which I served, to produce the Combined Code. Comply or explain became the bedrock of boardroom behaviour.

Each step forward produced initial rebuttals from non-believers, but with the passage of time acceptance followed and adherence grew. Today acknowledgement that boardrooms need to be a mix of great performance and good governance is conventional wisdom.

There is recognition, however, that whilst codes, rules and regulations are a sound framework for good governance, it is people that make that the difference. In boardrooms it is now increasingly understood that it is culture that counts. As the code evolves the requirement is for the balance in boardrooms to be performance driven but values led.

The chairman is seen as the custodian of boardroom values and the architect of culture. Evidence of a positive corporate culture is visible in the transparency of its reporting, the openness of its communications, the quality of the boardroom membership, the diversity of the population, the willingness to complete board reviews, the treatment of people, and the relationship with all stakeholders.

The signals that leave the boardroom, both formally and informally, set the pattern of corporate behaviour from top to bottom. It is only when words become deeds, however, that the culture of the company is firmly baked into the DNA of the business.

Undoubtedly, it is this change in skillset, mindset and mix of boardrooms over the years that has had a profound and positive effect on the values system of corporate Britain. In that context, possibly the most significant change has been the gender shift to 25% of women on boards.

Like all good developments, the change was rooted in common sense, but turbocharged by Dame Helena Morrissey with the 30% Club and the government report of Lord Davies.

Inside the boardroom of today a healthy gender mix has helped in changing the dynamics, atmospherics, behaviour and decision making for the better.

But, for all non-executives, male or female, their responsibilities are larger, their risks greater, their visibility wider and their vulnerability more significant than financial reward can recompense.

It is their commitment to the task that is essential to encouraging good corporate behaviour, the suppression of inappropriate corporate greed and the promotion of business as a force for good in society. At a time when relationships between business and the community have been fractured by the poor behaviour of the few it is essential that the vital contribution by the many is acknowledged and recognised.

Looking forward, boards will be judged not only on their governance endeavours of today, but their contribution to managing the emerging challenges of the world of tomorrow. Environmental issues and the impact of artificial intelligence on employment will all become material agenda items where society will demand corporate engagement and business solutions. The role of directors therefore is unlikely to become less demanding or the regulations less complex, but the foundations on which the future will be built are strong.

A rigorous Combined Code with a unitary board, populated by committed individuals has established British Corporate Governance as the global gold standard. Performance driven, but values led is the hallmark of a great business. Long may it be so.