

MARKS & SPENCER: CORPORATE GOVERNANCE BEST PRACTICE

High street retailer Marks & Spencer is renowned for its “own brand” policy, which extends even to the development of management tools. So the company was keen to set itself up as an example of best practice and implement Higgs’s recommendations on boardroom etiquette in full – despite not being obliged to do so. The company looked to its existing staff survey processes, and decided to create a new, but matching, questionnaire to put to the board.

“We were very clear that the overriding objective was to measure board performance,” says Alison Houston, head of board performance and senior succession. “We were keen to build on our own internal processes, it was a natural extension of the work we had done before, and the executive directors were already used to the format.”

From the start, the process had high-level support from (the now departing) chairman Luc Vandavelde.

“Luc felt it was important to do something not just in the spirit of complying with requirements but to mirror what we had done at employee level,” explains Marjorie Knight of Kaisen Consulting, which had worked with M&S on developing the original staff survey.

Vandavelde was insightful in recognising that what Higgs is really about is performance and

that the performance of the business really starts with the board, Knight says.

M&S had already set up a corporate governance committee – including HR – after splitting the role of chairman and chief executive in 2002, another Higgs requirement.

Houston, together with Lesley Brownnett, the company’s deputy secretary, decided the questionnaire should initially measure the board’s collective performance, but will consider individual assessment at a later stage.

“We wanted a tool to get the best out of the non-executive directors (Neds),” says Brownnett. So they ensured the questionnaire was not too long and sought their opinion on it, she says.

The questionnaire had three parts. The first tallied with similar questions asked of the rest of M&S staff, and could be mapped onto results for the whole company. Its focus was on understanding company direction, clarity, recognition, customer focus, development, innovation, empowerment, teamworking and support – all with a board slant.

The second and third sections, on the “process” and “purpose” of the board, focused on issues arising from Higgs, such as strategic contribution, reputation, financial control, risk management, succession and remuneration.

The first survey took place in August 2003, with the second due to report in June.

The HR team analysed last year’s results and Vandavelde then presented them to the board, selecting key issues to develop into action plans, and creating teams to see them through.

These plans covered issues around succession, the relationship between the board and the rest of the senior team, and adding value to the way that meetings operate.

“It wasn’t new news,” says Houston. “But it did give a greater focus and an opportunity to reinforce what we should be smarter at.”

Knight adds: “They were rock solid on the corporate governance issues such as financial control and risk management.”

She says M&S stands out for involving HR right from the start, while other companies have relied on their legal structures to address corporate governance.

And when the new best practice system has bedded in, M&S is looking to benchmark its board-assessment process with other FTSE companies.

“It is about thinking systematically across all aspects in terms of board performance,” says Knight. “HR needs to be right in there, looking at the effectiveness of the board. You can’t expect the legal structure to do it.”