

THE ROLE OF THE BOARD OF DIRECTORS  
IN ENSURING THE INVOLVEMENT OF KEY  
INFLUENCE FIGURES IN STRATEGIC MANAGEMENT

REX PADDY  
OCTOBER 1981

STRATEGIC MANAGEMENT - 72-400

"I WANT TO CHANGE THINGS, I  
WANT TO MAKE THINGS HAPPEN. I  
DON'T WANT TO JUST TALK ABOUT THEM."

J. K. GALBRAITH

## CONTENTS

|                                     | <u>PAGE</u> |
|-------------------------------------|-------------|
| THE MOTIVATION FOR THE STUDY        | 1           |
| THE PROBLEM STATED                  | 4           |
| THE NEW ZEALAND SOUTH BRITISH GROUP | 6           |
| MY OBJECTIVE                        | 6           |
| METHOD CHOSEN                       | 6           |
| THEORY OF ORGANISATION CHANGE       | 7           |
| THE PROPOSED PROCESS                | 11          |
| QUESTIONNAIRE DEVELOPMENT           | 12          |
| RESULTS OF RESEARCH                 | 16          |
| RELATED RESEARCH                    | 23          |
| ACTION PLAN                         | 27          |
| APPENDICES                          | 29          |

## APPENDICES

1. Sample Selection
2. Questionnaire Construction, Mailing and Tabulation
3. Directors Comments
4. Tabulations
5. Bibliography
6. N.Z.S.B. - Chairmans Report - October 1981
7. Initial Letter
8. Questionnaire
9. Follow-up Letter
- 10: Reading Assignment

## ILLUSTRATIONS

|                                      | <u>PAGE</u> |
|--------------------------------------|-------------|
| Figure 1 - Model of Influence on CEO | 5           |
| Figure 2 - Beckhard & Harris Model   | 7           |
| Figure 3 - My Intervention Model     | 7           |

## THE MOTIVATION FOR THE STUDY

Since the early 1960's the basic concepts of corporate planning, strategic planning or strategic management have been well documented in both the academic and popular literature. The theory has not changed a great deal although the language used to express the theory has changed, the timespan has shortened (oil crisis) and the amount of quantification has decreased.

In New Zealand a few of the largest companies have had planning departments for many years, a larger number of companies have an officer whose title implies a planning function. Most large companies have extended the annual budget to include a statement of 'mission' (what business are we in etc.) some financial objectives (return on shareholders funds etc.) and a series of usually unquantified objectives relating to the marketplace. An increasing number of companies are producing marketing plans - no doubt a reflection of the numerous papers which have been offered by Universities during the last 5 - 10 years. But very few companies undertake a regular (say annual) review of their environment or attempt a full strategic appraisal. But even in those companies that do have a planning department with the time and resources for a full strategic appraisal, where is the link between that analysis and the decision making process?

I recall an article in Fortune about two years ago where the C.E.O. of Du Pont explained the process of acquiring a new major subsidiary (basically two old friends reaching agreement in a social environment). The C.E.O. was asked how the acquisition fitted into the corporate plan - his answer was to the effect that such opportunities had to be grasped when offered and could not be planned for - he also suggested that such acquisitions were beyond the ken of the planning people. Recently the C.E.O. of Forest Products said that most 'mergers' and takeovers resulted from an approach from the weaker partner to the stronger.

Also at a recent seminar (Duties and Responsibilities of Company Directors Today - University of Auckland, October 14, 1981) the Examiner of Commercial Practices, Mr A.E. Monaghan made the following statements:

"Most takeovers of smaller companies are initiated by the smaller companies and fall into two categories - 1. The rescue operation, 2. The 'end of a dynasty' releasing founders equity".

"Most larger takeovers/mergers are by companies who are seeking growth and perceive that it is cheaper to buy than to build".

"The strongest driving force in most takeovers/mergers is the ambition for power by Directors, particularly executive Directors".

"On several occasions when I have asked executives of major companies how their Directors feel about a proposed takeover/merger they have replied that the matter has not been discussed with the Board yet!"

Obviously if the C.E.O. is a party to the company's strategic appraisal process and familiar with the corporate plan then acquisitions can be in accordance with that plan but I would suspect that in most cases that the strategic rationale for such acquisitions is developed after the purchase, more likely in collaboration with the P.R. people rather than the planning department.

The above analysis of the problem is not the result of academic research but must be accepted as the point of view of a person with substantial business experience who has contact with senior executives in many major companies and who has had a major interest in the unrealised potentials of "management science" for over ten years.

After writing out my personal view of the current situation I came across the following statement in Insight Magazine (Volume One Issue Six) "Very few New Zealand companies have developed any serious form of corporate planning or corporate strategy. An annual budget, with or without a cash flow statement, tends to be the basis for management decisions, but my exposure to a reasonably broad cross-section of medium to large companies has made me realise how rarely a full corporate plan or strategy exists". The comment is the introduction to an article 'Strategy for Survival' by David Ross, Chartered Accountant.

Hence:- The problem stated

'How to involve the most senior decision makers in a regular strategic appraisal which results in a written strategy capable of guiding all major decisions of the company'.

I have always believed that the C.E.O. is the key influencer as to the degree to which 'management sciences' are utilised but while working on my reading assignment (Appendix 10) on the role of the Board of Directors in Strategic Management I came across the following statement which helped me understand a process whereby the C.E.O. could be electrified into applying the known procedures for strategic appraisal, analysis and management. The quote is by Wommack (1).

"If a Board sets up a strategy committee, management quickly feels the need to organise itself to relate to it".

In effect the Board that sets up a strategic committee is saying to the C.E.O. "If you don't make the major strategic decisions we will".

This led me to develop the following model where the arrows illustrate the degree of influence on the C.E.O. and his decision process.

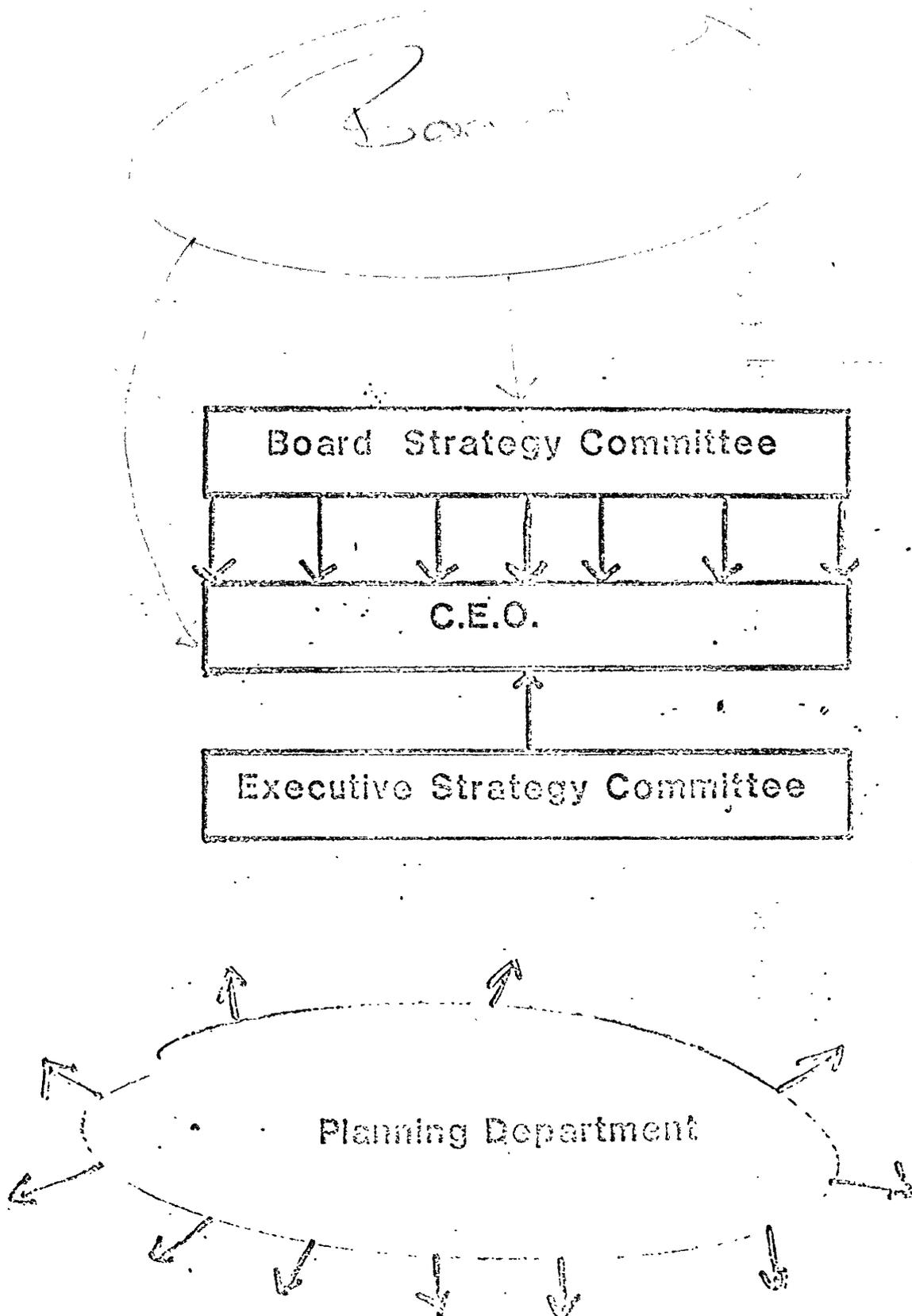


FIGURE 1

THE NEW ZEALAND SOUTH BRITISH GROUP (N.Z.S.B.)

As an employee of a subsidiary of the above Company I have a vested interest in its success and a desire to influence the strategic decision making process. The Group was formed by the recent merger of N.Z.I. and South British and I saw this merger as an opportunity to instigate a new style of strategic management. To date the evidence would suggest that both the Board and most senior management are clinging to the status quo of the last 120 years rather than seeing the merger as an opportunity for a fresh start. One of the four Group General Managers recently lamented to me that the Board was acting as it had for the last 100 years rather than like the Board of a company six months old.

MY OBJECTIVE

To create an intervention at N.Z.S.B. which would cause the 'involvement of the most senior decision makers in a regular strategic appraisal which results in a written strategy capable of guiding all major decisions of the company'.

METHOD CHOSEN

To regard this assignment with its attendant research as a device to draw the Directors of N.Z.S.B. attention to the process of strategic management. While I would be the activator in this process it was necessary to identify a 'power down' initiator within the present 'power system' and this was also incorporated into the research.

Company

THEORY OF ORGANISATION CHANGE

The model on which I have based this attempted change is that of Beckhard and Harris. (2 & 3)



Figure 2

Beckhard and Harris use this mainly to describe major changes of a structural nature - e.g. a change from hierachial to matrix management style or a change in production technology. The change I wished to achieve is in the strategic appraisal and decision process. I therefore see the transition state not as an intermediate stage in the change but as the change itself involving an intervention device, an activator, an initiator and a process and a lot of fancy footwork of a political nature.

I incorporated the concepts of present state and desired state into the research.

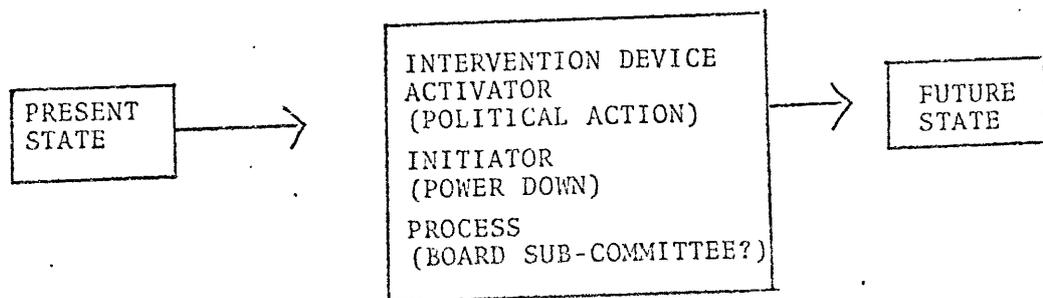


Figure 3

David Gleicher (3) has developed the following formula which I believe is very appropriate to my current objective.

$$C = (ABD) > X$$

where

C = Change

A = Level of dissatisfaction with status quo

B = Clear desired state

D = Practical first steps toward the desired state

X = Cost of change

I believe that the key to my objective is to increase (A) the level of dissatisfaction. (X) the cost of change does not have a significant \$ value but must be measured in terms of the costs to senior management in changing attitudes, practices, policies, culture and most expensive of all the risk of a shift in the power structure.

In accordance with my model in FIG. 1 I accept that the increase in the level of dissatisfaction must begin at the Board level.

The research itself seeks to increase the dissatisfaction level (A) by listing desired states which may not currently exist, and is designed to enunciate a clear desired state (B).

Beckhard and Harris (2) raise the question of the need for a temporary organisation structure to facilitate the change. "It is most difficult for a stable organisation to change itself, that is, for the regular structures of the organisation to be the structures to manage the change".

I would like to solve this problem by the formation of a Board strategic sub-committee but I appreciate that in New Zealand board sub-committees are rare by international standards (Richard Chandler) and it may be necessary for the Board as a whole to be the temporary structure or for an executive task force to be formed.

Richard Chandler in his thesis ( 4 ) has shown that while 50% of companies have sub-committees and the average number of sub-committees per Board is 0.94 no Boards in his sample of 200 had a planning sub-committee. The following table, taken from Chandlers thesis, illustrates the low usage of Board committees in New Zealand.

| <u>Committee</u>      | <u>N.Z.</u><br><u>%</u> | <u>U.K.</u><br><u>%</u> | <u>U.S.A.</u><br><u>%</u> |
|-----------------------|-------------------------|-------------------------|---------------------------|
| Finance               | 17.3                    | 11.8                    | 31.0                      |
| Audit                 | 15.0                    | 17.6                    | 93.0                      |
| Remuneration          | 11.3                    | 26.5                    | 89.0                      |
| Executive             | 9.8                     | 44.1                    | 87.0                      |
| Share Transfer        | 8.3                     | N/A                     | N/A                       |
| Capital Expenditure   | 6.0                     | N/A                     | N/A                       |
| Nominating            | -                       | 1.5                     | 23.0                      |
| Personnel             | -                       | 14.7                    | N/A                       |
| Planning              | -                       | 17.7                    | N/A                       |
| Social Responsibility | -                       | N/A                     | 11.0                      |

However, Chandler has also shown that the number of sub-committees increases as the size of companies and their Boards increase. Since my work deals with the ten largest companies the chances of setting up strategic planning committees in these companies appear to be enhanced.

Similarly Beckhard & Harris refer to the need for a critical mass of people to ensure the success of organisational change. I would postulate that the closer to the apex of the hierachial organisation chart one gets the less people one requires to achieve critical mass. Since the questionnaire results reinforce my intention to enlist the Chairman as initiator in this intervention I must assume that a sufficient critical mass of fellow directors and (perhaps somewhat startled) senior managers will be forthcoming.

Finally Beckhard & Harris list the following six actions to assist in obtaining the commitment of target individuals or groups:

1. Problem finding activities
2. Educational activities
3. Treating 'hurting systems'
4. Changing the rewards
5. Functioning as a role model
6. Forced collaboration mechanisms

I believe that three of these would dominate in this proposed change:

2. Education - the research and its results would be a significant contribution
3. Treating hurting systems - the whole group is hurting in fact is black and blue all over as the result of being thrown together and shaken about
6. Forced collaboration mechanism - my whole strategy is of a 'power down' mode.

While the emphasis is on the 'power down' mode I would not suggest overlooking the following advice by Beckhard & Harris "Establish those individuals or groups whose commitment to the idea and commitment of resources are necessary to success". I see this as a vital part of the political action stage.

THE PROPOSED PROCESS

- (a) Establish the attitudes of the Directors of New Zealand's ten largest companies to 7 roles that Directors might play in Strategic Management.
- (b) Establish the same Directors current role in 6 Strategic Management activities.
- (c) Establish their desired role in the 6 activities.
- (d) Identify gap between desired involvement and actual involvement.
- (e) Is the gap sufficient to ensure a level of dissatisfaction high enough for change to occur without intervention?
- (f) If not use research:-
  - (i) To identify most appropriate initiator
  - (ii) As device to enable intervention at N.Z.S.B.
  - (iii) To increase level of dissatisfaction.

## THE DEVELOPMENT OF THE QUESTIONNAIRE

### Question 1:

The first section of the questionnaire evolved from the reading assignment on the Role of the Board of Directors in Strategic Management. The objective was to test the extent to which the Directors of the ten largest listed public companies agreed with statements made by a variety of commentators.

An attempt was made to list the statement as a continuum ranging from no involvement in strategic management to total participation in the establishment of strategies. This was not entirely successful as many of the statements were not mutually exclusive. However it was felt that it would be more valuable to measure the response of the Directors to statements made by the leading published academics in the field rather than construct an artificial continuum of mutually exclusive statements.

1. The following statements have been made by other Directors - please indicate your level of agreement with a circle around the appropriate number - thus (2)

|     |  | Disagree<br>Strongly | Neutral            | Agree<br>Strongly |
|-----|--|----------------------|--------------------|-------------------|
| (a) | The Boards main function is to hire and fire the Chief Executive Officer.  |                      | Robert Townsend    | (5)               |
| (b) | A Board does not formulate strategy, its function is <u>review</u> .   |                      | Kenneth R. Andrews | (6)               |
| (c) | Meeting the necessity for change is no longer a matter to be considered along with Annual or Half-yearly Accounts it is an <u>ongoing challenge</u> .  |                      | Hon. J. K. McLay   | (7)               |
| (d) | A Board requires evidence that management has a <u>process</u> for developing, considering and choosing among strategic alternatives.  |                      | Kenneth R. Andrews | (6)               |
| (e) | The Boards main role is to <u>evaluate results rather than get involved in process</u> . But since it may take years for the results of a given strategy to emerge, the Board must have a way to determine in advance whether the strategy is sound.                                     |                      | William W. Wommack | (1)               |
| (f) | A responsible and effective Board should require of its management a unique and durable corporate strategy, review it periodically for its validity, <u>use it as a reference point</u> for all other Board decisions, and share with management the risks associated with its adoption. |                      | Kenneth R. Andrews | (6)               |
| (g) | A Board should once a year have a <u>full scale strategy review</u> requiring 2 - 3 days with Senior Executives at a location apart from the company.  |                      | Kenneth R. Andrews | (6)               |

Question 2:

This question was designed to establish the level of dissatisfaction by identifying current involvement and desired involvement in 6 aspects of strategic management. The six activities were taken from research done by Hessler and Gaither in the United States of America in order to allow some comparison between the situation in both countries. (8)

2. The following are some of the business activities that could be included under the general heading of strategic management. Could you please circle the most appropriate number to indicate (A) the extent to which you are currently involved as a Director in those activities (B) the level of involvement you would like to have.

Place a circle round the appropriate number - thus 4

|  | A.<br>Current level of Involvement |             |               |          |                          | B.<br>Desired level of Involvement |             |               |          |                          |
|--|------------------------------------|-------------|---------------|----------|--------------------------|------------------------------------|-------------|---------------|----------|--------------------------|
|  | No<br>involv-<br>ment              | A<br>little | Mode-<br>rate | A<br>lot | Total<br>involv-<br>ment | No<br>involv-<br>ment              | A<br>little | Mode-<br>rate | A<br>lot | Total<br>involv-<br>ment |
| <u>Definition of Business</u><br>(mission)<br>Establishing what busi-<br>ness the company should<br>be in.     | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |
| <u>Objectives - Targets,</u><br>return on investment,<br>earnings per share.                                   | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |
| <u>Strategies and Plans</u><br>Guides as to how the<br>company will attain<br>its objectives.                  | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |
| <u>Allocation and Commit-</u><br><u>ment of Financial</u><br><u>Resources</u>                                  | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |
| <u>Decisions relating</u><br><u>to Diversification,</u><br><u>Merger, Acquisition</u><br><u>and Divestment</u> | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |
| <u>Social Responsibilities</u>   | 1                                  | 2           | 3             | 4        | 5                        | 1                                  | 2           | 3             | 4        | 5                        |

Question 3:

This was designed to establish who Directors felt should initiate any desired change in the level of their involvement in strategic management activities. It was hoped that the answer to this would be sufficiently clear cut to ensure that the person nominated by the Directors would feel compelled to co-operate in the change process.

3. If you indicated that you would like more involvement who do you think should initiate the change in level of activities - tick more than one if you wish.

|                                |                          |
|--------------------------------|--------------------------|
| The Chairman                   | <input type="checkbox"/> |
| The Whole Board                | <input type="checkbox"/> |
| A Board sub-committee          | <input type="checkbox"/> |
| The Chief Executive Officer    | <input type="checkbox"/> |
| An independent consultant      | <input type="checkbox"/> |
| The Corporate Planning Manager | <input type="checkbox"/> |
| Others - please specify        | <input type="checkbox"/> |
| .....                          |                          |

Question 4:

This was an open ended question designed to allow Directors to comment on any thoughts which the questionnaire had generated.

4. Do you have any other comments you would like to make regarding the Directors role in Corporate policy, planning or strategic management?

DOUBTS ABOUT THE QUESTIONNAIRE

The major doubt was that the Directors would not understand the questions - accordingly a definition of strategic management was included in the letter (Appendix 7) which accompanied the questionnaire and emphasis was placed on the key words in the statements and activities being evaluated to increase the chances of a common interpretation.

It was felt that a lack of understanding would result in a poor response - the response was very high (67.8%) and nothing in the answers indicated a lack of understanding - on the contrary the comments made on the questionnaire (Appendix 3 ) indicated a high level of understanding.

The only doubt that remains is whether the wording in the various statements in Question 1 meant the same thing to the Directors as they did to their original authors. The pattern of response would indicate that the statements were read carefully and that the Directors had positive responses to their interpretation of the statements. In other words very few Directors adopted a neutral reaction to the statements.

RESULTS OF RESEARCH - SEE APPENDIX 4 - FOR TABULATIONS

RESPONSE:

90 Questionnaires were sent out to all Directors of the ten companies with largest asset size. Responses were received from 70 (77.8%). Of these 9 responses fell into the following categories:

|                                 |   |
|---------------------------------|---|
| Arrived too late for tabulation | 2 |
| Ill/overseas                    | 5 |
| Associate Directors - invalid   | 2 |
|                                 | — |
|                                 | 9 |
|                                 | = |

This left 61 (67.8%) valid and useable responses. The average age of these respondents was 58.48 and they held an average of 5.86 Directorships.

INFORMATION CONCERNING RESPONDENTS

| <u>Current Role</u> : (please tick one)                    | No. | %  | Chandler % |
|--|-----|--|------------|
| - Chairman and Chief Executive of a company                | 7   | <span style="border: 1px solid black; padding: 2px;">11.5</span> | 10.6       |
| - Non-Executive Chairman of a company                      | 19  | <span style="border: 1px solid black; padding: 2px;">31.1</span> | 26.5       |
| - Chief Executive  | 10  | <span style="border: 1px solid black; padding: 2px;">16.4</span> | 19.7       |
| - Executive or former Business Executive                   | 16  | <span style="border: 1px solid black; padding: 2px;">26.2</span> | 22.7       |
| - Professional (e.g. Lawyer, Accountant, Sharebroker, etc) | 4   | <span style="border: 1px solid black; padding: 2px;">6.6</span>  | 12.9       |
| - Other  | 5   | <span style="border: 1px solid black; padding: 2px;">8.2</span>  | 7.6        |

Number of Directorships held : 5.86

(Exclude directorships of Subsidiary Companies where you are also a Director of the Holding Company)

Age : 58.48                      Age not given 6 = 9.8%

## QUESTION 1

The following statements have been made by other Directors - please indicate your level of agreement with a circle around the appropriate number - thus (2)

|   | <u>1</u>             | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u>          |
|---|----------------------|----------|----------|----------|-------------------|
|   | Disagree<br>Strongly | Disagree | Neutral  | Agree    | Agree<br>Strongly |
| .The Boards main function is to hire and fire the Chief Executive Officer.  | 36.1                 | 9.8      | 16.4     | 23.0     | 14.8              |
| .A Board does not formulate strategy, its function is <u>review</u> .   | 24.6                 | 19.7     | 11.5     | 21.3     | 23.0              |
| .Meeting the necessity for change is no longer a matter to be considered along with Annual or Half-yearly Accounts it is an <u>ongoing challenge</u> .  |                      |          |          | 14.3     | 85.7              |
| .A Board requires evidence that management has a <u>process</u> for developing, considering and choosing among strategic alternatives.  |                      |          |          | 18.0     | 82.0              |
| .The Boards main role is to <u>evaluate results rather than get immersed in process</u> . But since it may take years for the results of a given strategy to emerge, the Board must have a way to determine in advance whether the strategy is sound.                                     |                      | 3.3      | 3.3      | 29.5     | 63.9              |
| .A responsible and effective Board should require of its management a unique and durable corporate strategy, review it periodically for its validity, <u>use it as a reference point</u> for all other Board decisions, and share with management the risks associated with its adoption. |                      |          | 3.3      | 23.0     | 73.8              |
| .gA Board should once a year have a <u>full scale strategy review</u> requiring 2 - 3 days with Senior Executives at a location apart from the company.   | 6.6                  | 11.5     | 27.9     | 18.0     | 36.1              |

The respondents are in overwhelming agreement with the statements of Andrews & Wommack as to the role of Directors in strategic management. They are divided on the extent to which Directors should be involved in formulating strategy (Statement b) and while only 18.1% are opposed to the Board being involved in a full scale strategy review each year this statement (g) does not get the overwhelming support achieved by statements c, d, e and f.

The research clearly demonstrates that the majority of Directors of New Zealand's ten largest companies totally

accept and embrace the philosophy of strategic management. Along with the C.E.O. these people are surely the key influence figures in these companies. Why is it then that people like myself believe that strategic management, as an academic discipline, is practised in very few large companies and has negligible impact on the decision making process in all but a very small number of companies?

Does this not point to an enormous gap between the perception held by Directors of the strategic management functions performed by their management and the reality of that performance?

I am tempted to conclude that the gap is between my perception of the strategic management function and that of the respondents but those who added their comments to the questionnaire (Appendix 3 ) illustrated a good grasp of the strategic management process and there is an internal consistency about the responses which suggests a good understanding of the statements.

I feel there is now a need to send a further questionnaire to the respondents to establish whether they also believe a gap exists between their expectations as a Board and the performance of their respective managements. (See Action Plan P. 27).

QUESTION 2

The following are some of the business activities that could be included under the general heading of strategic management. Could you please circle the most appropriate number to indicate (A) the extent to which you are currently involved as a Director in those activities (B) the level of involvement you would like to have.

Place a circle round the appropriate number - thus 4

|  | A.                           |             |               |          |                          | B.                           |             |               |          |                          |
|--|------------------------------|-------------|---------------|----------|--------------------------|------------------------------|-------------|---------------|----------|--------------------------|
|  | Current level of Involvement |             |               |          |                          | Desired level of Involvement |             |               |          |                          |
|  | No involv-<br>ment           | A<br>little | Mode-<br>rate | A<br>lot | Total<br>involv-<br>ment | No involv-<br>ment           | A<br>little | Mode-<br>rate | A<br>lot | Total<br>involv-<br>ment |
| 1  | 2                            | 3           | 4             | 5        | 1                        | 2                            | 3           | 4             | 5        |                          |
| <u>Definition of Business</u><br>(mission)<br>Establishing what busi-<br>ness the company should<br>be in.     | 1.6                          | 5.0         | 13.3          | 51.7     | 28.3                     | 1.7                          | 3.3         | 5.0           | 56.7     | 33.3                     |
| <u>Objectives - Targets,</u><br>Return on investment,<br>earnings per share.                                   | 1.6                          | 5.0         | 15.0          | 48.3     | 30.0                     | 1.7                          | 1.7         | 8.3           | 56.7     | 31.7                     |
| <u>Strategies and Plans</u><br>Guides as to how the<br>company will attain<br>its objectives.                  | 3.3                          | 10.0        | 35.0          | 30.0     | 21.7                     | 1.7                          | 6.7         | 26.7          | 36.7     | 28.3                     |
| <u>Allocation and Commit-</u><br><u>ment of Financial</u><br><u>Resources</u>                                  | 3.3                          | 6.7         | 18.3          | 41.7     | 31.7                     | 0.0                          | 3.3         | 13.3          | 51.7     | 31.7                     |
| <u>Decisions relating</u><br><u>to Diversification,</u><br><u>Merger, Acquisition</u><br><u>and Divestment</u> | 0.0                          | 5.0         | 11.7          | 40.0     | 43.3                     | 0.0                          | 1.7         | 3.3           | 38.3     | 56.7                     |
| <u>Social Responsibilities</u>   | 1.7                          | 21.7        | 41.7          | 23.3     | 11.7                     | 1.7                          | 8.3         | 48.3          | 28.3     | 13.3                     |

41.7% of Directors indicated that they would like more involvement in at least one of the planning activities listed. The activity most commonly mentioned (23.3%) was in the development of strategies and plans - the heart of the strategic management process - See tables (B) and (C) and (D) - Appendix 4.

However if we add those desiring a lot of involvement to those desiring total involvement the following patterns

emerges:

|   | <u>Current Level</u> | <u>Desired Level</u> | <u>Difference</u> |
|---|----------------------|----------------------|-------------------|
| Definition of Business                          | 80.0                 | 90.0                 | 10.0              |
| Objectives                                      | 78.3                 | 88.4                 | 10.1              |
| Strategies & Plans                              | 51.7                 | 65.0                 | 13.3              |
| Allocation of financial resources               | 73.4                 | 83.4                 | 10.0              |
| Diversification, merger acquisition divestments | 83.3                 | 95.4                 | 12.1              |
| Social Responsibilities                         | 35.0                 | 41.6                 | 6.6               |

This illustrates that while the desired increase is greatest for strategy and planning that this activity only ranks 5th out of the 6 in terms of level of desired involvement. It is not surprising that Directors want heavy involvement in mergers, acquisitions and divestments, as those left out of such activities face the risk of no longer being a Director. This could establish an interesting test. If 95.4% of Directors want a lot or total involvement in decisions related to diversification, merger, acquisition and divestment are they going to base those decisions on 'a written strategy capable of guiding all major decisions of the company?' Since 96.8% of the respondents agree with statement (f) in Question 1 the answer should be - Yes - but what happens in reality? Is this where the gap exists between the respondents normative answers and my perception of reality?

As diversification, merger, acquisition and divestments should be outcomes of Strategic Management I intend making a link between this activity and (f) in Question 1 the major test in the next piece of research proposed in the action plan (P 27 ).

QUESTION 3

If you indicated that you would like more involvement who do you think should initiate the change in level of activities - tick more than one if you wish.

|                                |    |                          | %    |
|--------------------------------|----|--------------------------|------|
| No Comment                     | 19 | <input type="checkbox"/> | 31.7 |
| The Chairman                   | 20 | <input type="checkbox"/> | 48.8 |
| The Whole Board                | 11 | <input type="checkbox"/> | 26.8 |
| A Board sub-committee          | 6  | <input type="checkbox"/> | 14.6 |
| The Chief Executive Officer    | 14 | <input type="checkbox"/> | 34.1 |
| An independent consultant      | 1  | <input type="checkbox"/> | 2.4  |
| The Corporate Planning Manager | 2  | <input type="checkbox"/> | 4.9  |
| Others - please specify        |    | <input type="checkbox"/> |      |
| .....                          |    |                          |      |
| Any self motivated director    | 3  | <input type="checkbox"/> | 7.3  |
| Varies with circumstances      | 1  | <input type="checkbox"/> | 2.4  |
| Corporate Planning Team        | 1  | <input type="checkbox"/> | 2.4  |

Some indicated more than one initiator and therefore % does not add to 100.

31.7% did not respond to this question. The % stated are expressed as a % of the 41 that did respond.

Nearly half (48.8%) of those that answered this question nominated the Chairman. When this fact is considered in conjunction with the fact that 48.0% of Chairmen desire greater involvement in some aspect of strategic management then the probability that the Chairman is the correct person to act as initiator (Figure 3 ) is greatly increased.

The response to this question clearly illustrated the respondents attitude to 'The Corporate Planning Manager' as only 2 respondents (4.9%) indicated that such a person had any role to play in initiating change in the level of involvement of the Directors. The Board sub-committee did not fare much better - 14.6%.

CHAIRMEN

Of the 61 respondents 26 identified themselves as Chairmen. Obviously they cannot all be Chairmen of the ten companies from which the sample is drawn but it is reasonable to accept that 42.6% of Directors of the ten largest companies are also Chairmen of those ten, or other, substantial companies.

A very encouraging aspect of the research results is that Chairmen required a greater increase in involvement than did the whole Board. For example:- 48.0% of Chairman desired more involvement for one or more activities compared with 41.7% for the whole Board and 28.0% desired more involvement in strategies and plans compared with 23.3% for the whole Board.

QUESTION 4

Do you have any other comments you would like to make regarding the Directors role in Corporate policy, planning or strategic management?

30% made some comments and these are given in full in Appendix 3.

Most of the comments show a good grasp of strategic management concepts. The majority of the comments show a sensitivity for the need to let the managers manage and the directors direct. This is also reflected in the 93.4% agreement with Statement (c) in Question 1.

RELATED RESEARCHRICHARD CHANDLER ( 4 )

My sample was drawn from a group which would form the upper level of that described as Stage Five in Richard Chandlers thesis and as would be expected my sample shows trends consistent with the extreme top of that evolutionary stage.

|                      | <u>Paddy</u> | <u>Chandler</u> |
|----------------------|--------------|-----------------|
| Shareholders Funds   | > \$166m *   | > \$40 m        |
| Directors Age        | 58.5         | 57.8            |
| % Executives         | 38.6         | 42.4            |
| % Executive Chairmen | 11.5         | 20.3            |
| No. of Directorships | 5.9          | 4.0             |

\* This is an average

Preferred Role

Chandler found that 60% stated as their first choice a directing role (the Board establishes the corporate philosophy and objectives and evaluates strategic plans and decisions in light of the objectives set. Sub-committees are formed to enable the Board to direct management action) while only 7% gave a participating role as first choice (the Board not only sets corporate objectives but also takes part in formulating strategies and tactical plans. This involves a substantial time commitment and the Board is aided by its own support staff.

The response I received to Questions 1 (d), (e) and (f) would indicate that my respondents would like a predominantly directing role and this is confirmed by their comments in response to Question 4. However, the fact that 54.1% agree with Question 1 (g) may indicate that some support exists for a limited participation role in formulating strategic plans or perhaps the 2 - 3 days is seen as an evaluation process rather than formulation.

A remarkable similarity exists between Chandlers results and my own in response to the question of desire for greater involvement in strategic planning.

|      | <u>Paddy</u> | <u>Chandler</u> |
|------|--------------|-----------------|
| More | 23.3         | 22.7            |
| Same | 73.3         | 75.8            |
| Less | 3.3          | 1.5             |

Obviously in this regard the Directors of the ten largest companies are similar to Chandlers sample of Directors of all public companies.

This also indicated that at least 23.3% would like a more 'participative' role with regard to strategic planning.

In response to Chandlers question on those factors which inhibit effective Board operation 'lack of strategic thinking' ranked only 6th and was nominated by 13.1% as opposed to 56.2% who ranked 'inadequate information flow to the Board' first.

HESSLER & GAITHER (8)

The most remarkable difference between H. & G.'s results and mine was that they only got a 10% response while mine was 67.8% (similar to Richard Chandlers 63.9%). I believe that this makes a comparison with H. & G. somewhat suspect as it could be argued that those that responded were skewed towards a desire for greater involvement and hence their participation in the research.

However, since I purposely used the same variables as Hessler & Gaither a comparison should be made:

|   | <u>Paddy</u> | <u>Hessler<br/>&amp; Gaither</u> |
|---|--------------|----------------------------------|
| Wanted more involvement in<br>one or more variables     | 41.7%        | 75.0%                            |
| Desired more involvement in:-                           |              |                                  |
| Definition of Business                                  | 16.7         | 47.0                             |
| Objectives  | 10.0         | 44.0                             |
| Strategies & Plans                                      | 23.3         | 43.0                             |
| Resource Allocation                                     | 16.7         | 39.0                             |
| Diversifications, mergers<br>acquisitions & divestments | 13.3         | 37.0                             |
| Social Responsibilities                                 | 18.3         | 39.0                             |

It could be argued that this much greater level of dissatisfaction could indicate that in the U.S.A. Directors are much more aware of the value of strategic planning and that these results are an indicator of a trend which will have an impact in New Zealand in the future.

However, this point of view must be tempered by the small % of respondents obtained.

When asked who was responsible for getting the Board more involved in strategic planning the Hessler & Gaither respondents

indicated that this was up to the Chairman and the outside directors.

Many respondents also expressed a desire for more 'concise, relevant information on a timely basis'.

When asked whether their company would consider using a Planning Committee of outside directors 15% of the respondents said they already had such a committee but 67% said that it was unlikely that such a committee would be formed.

ACTION PLAN

My major need now is to establish whether a gap exists between the overwhelming agreement on the role of directors in strategic management as outlined in responses to Question 1 (d), (e) and (f) and the role actually played by the Directors of the ten largest companies. This also requires an assessment as to the possibility that a gap exists between the Directors perception of the amount of strategic appraisal and strategic management practiced by their companies and the reality of those practices.

The key question is whether a written strategy exists and is used as a reference point for all other board decisions. This would lead to the Board funding strategies not projects.

Because it ranks highest in both current involvement and desired involvement decisions relating to diversification, merger, acquisition and divestment will be used as the test to establish reality.

Also, because we are dealing with perceptions, and normative answers are inevitable, a triangulation will be attempted whereby the same information will be sought from (a) The Board (b) The Secretary (c) The Chief Planning Officer.

It is assumed that personal interviews with the Chairmen and Chief Planning Officer will be obtained to clarify the responses.

The process will have a component similar to the Delphi technique as the respondents at each stage will receive the results of the previous research and will be asked to comment on those results.

It would seem reasonable to include in the next questionnaire a question on the acceptability of a strategic management sub-committee of non-executive directors.

In the meantime I will obtain information on the current planning process at the New Zealand South British Group. In a recent publication "Merger Report" the Chairman, Sir Alan Hellaby, referred to "Strategic opportunities" and "Strategically planned growth" (Appendix 6 ). I believe that these strategies are the figment of the P.R. man's imagination but I will have to check this out.\* My understanding is that the only planning occurring is at a limited operational level but I will need to confirm this.\*

So the next stages are:

1. Further questionnaire to same sample of Directors.
2. Similar questionnaire to Company Secretaries and Chief Planning Officer.
3. Personal interviews with Chairmen and Chief Planning Officers
4. Intervention at N.Z.S.B. via the Chairman.

This work will form part or all of paper 72-407 - 'Empirical Study in New Zealand Management'.

\* I have confirmed both these beliefs. However a potentially effective Group Planning Manager (Colin Stringer) is making good progress at a planning department level.

29.

APPENDICES

1. Sample Selection
2. Questionnaire Construction, Mailing and Tabulation
3. Directors Comments
4. Tabulations
5. Bibliography
6. N.Z.S.B. - Chairmans Report - October 1981
7. Initial Letter
8. Questionnaire
9. Follow-up Letter
10. Reading Assignment

SAMPLE SELECTION

Because the research is designed to result in an intervention at The New Zealand South British Group (N.Z.S.B.) the sample was composed of all directors of the ten largest companies. As N.Z.S.B. is the third largest company it was felt that such a sample would have undeniable relevance to the N.Z.S.B. Board of Directors.

Total Assets was used as an indicator of size as this brought in some financial organisations which would not have been in the top ten if Shareholders Funds had been used. The database used was the 1980 New Zealand Herald Financial Review of Listed Public Companies (N.Z. Herald, 26 August). The 1981 N.Z. Herald Review appeared after the questionnaire had been mailed (N.Z. Herald, 27 August).

The list of ten companies from both reviews are shown below:

| <u>1980</u>                  | <u>1981</u>           |
|------------------------------|-----------------------|
| 1. A.N.Z. Bank               | 1. A.N.Z. Bank        |
| 2. Fletcher Challenge        | 2. Fletcher Challenge |
| 3. N.Z. Forest Products      | 3. N.Z.S.B.           |
| 4. New Zealand South British | 4. N.Z.F.P.           |
| 5. Lion Breweries            | 5. Marac              |
| 6. Marac Holdings            | 6. Lion               |
| 7. Alex Harvey Industries    | 7. Brierley           |
| 8. Brierley Investments      | 8. Wattie             |
| 9. Dalgety N.Z.              | 9. Feltex             |
| 10. Waitaki N.Z.R.           | 10. Alex Harvey       |

The names of the Directors were taken from "The New Zealand Business Who's Who" 22nd Edition, published by F.E.P. Productions Ltd, Wellington.

Only 7 Directors were on more than one of the ten top Boards which would indicate that at this level the incestuous relationships normally assumed to exist do not apply. Those on more than one of these Boards were: B. H. Picot, G. E. Pearce, Sir James Fletcher, J. B. Horrocks, D. G. Sadler, L. M. Papps, Sir Ralph Thompson.

After deleting duplications 90 Directors were left to form the sample base. (The Fletcher Challenge Board alone has 22 Directors although 8 of these are Executive Directors).

Home addresses were obtained where possible from "Notable New Zealanders" - First Edition, Paul Hamlyn Ltd - Auckland - 1979, and from the Auckland phone book.

QUESTIONNAIRE CONSTRUCTION & MAILING

I was concerned that Directors would be put off by a long questionnaire. Xerox reduction was used to reduce the number of pages to 4 and only four questions were asked. However 29 responses were required.

Respondants were asked to answer the questions in relation to the largest company of which they were a Director. This simplified their task and made their answers more relevant to the N.Z.S.B. Group. Several said their answers would have been different if they had applied to other companies of which they were Directors. To increase the response all respondents were promised a copy of the research results.

The questions themselves were arranged in such an order that Question 1, with the assistance of the definition in the covering letter, helped to explain the meaning of the term strategic management.

The list of Directors and their addresses were put onto a word processing machine. This meant that the pre-printed letters could be personalised and 2 sets of adhesive labels produced. The letters were on University letterheads and were personally signed by Professor B. Henshall.

Each Director was mailed a questionnaire and two envelopes. Both envelopes were addressed to Professor Henshall. One was to enclose the questionnaire and the other contained an adhesive label with the Directors name typed on it to be used for mailing the results to respondents.

This duplication of envelopes was to reassure the Directors that their responses were completely confidential.

One week after the deadline in the first letter a reminder letter with another questionnaire and the two envelopes was sent out and this increased the response by about 10%. All of the reply envelopes had stamps attached to them - an expensive extra which probably helped increase the response rate.

## Tabulation

As only 61 questionnaires needed to be tabulated these were done by hand. It was a labourous process but patterns emerged that might not have been identified by computer and substantial cross tabulation was possible with relative ease.

### APPENDIX 3

The following comments were made in response to question 4. Each comment is preceded by the role nominated by the respondent and his age where this was given.

NON-EXECUTIVE CHAIRMAN, 70

- (a) While Directors may initiate strategic proposals - the main thrust should come from the Chief Executive, but the Board should always consider and probe Executive strategy, and finally approve (or disapprove) Management plans.
- (b) The Board should be totally involved in consideration of results and reports - at least once a month. It should question and probe thoroughly into any areas of apparent concern - or performance below budget.
- (c) Directors should take a greater interest now, (than in the past) in industrial relations - an area of management which is becoming increasingly important.
- (d) The Board should have total involvement in financial planning.
- (e) For the Chairman of a major company, a once-a-month contact is insufficient. Depending on the circumstances, weekly or even daily involvement is necessary.
- (f) The Board is responsible for policy, finance etc., but it should not become involved in the detail of management.

#### CHIEF EXECUTIVE, 58

It is imperative that the Chief Executive has a close working relationship with the Chairman. They must be compatible and able to argue basic strategies before presenting them to the full Board.

Some Directors tend to spend too much time on the day to day matters which have particular interest for them. It is the responsibility of the C.E.O. to see that sufficient time is given to Policy, Planning and strategic matters.

#### CHAIRMAN AND CHIEF EXECUTIVE, 59

The greatly increasing personal accountability of Directors will, I believe, force a widening of the Directors role in policy, planning and strategic management.

#### CHAIRMAN AND CHIEF EXECUTIVE

The questionnaire has been completed in respect of the company of which I am both Chairman and Chief Executive.

It it were to have been completed in respect of a company of which I am either a non-executive director, or non-executive Chairman, the answers would have been greatly different. The difference would have been largely related to the perceived degree of competence of the Chief Executive of the company concerned.

## NON-EXECUTIVE CHAIRMAN, 51

A well selected Board brings a cross-section of views from other business sectors. This input is valuable in seeing wider opportunities and also as a check on managements view of the "outside" world.

But I find that some directors, by nature or by intent, are passive in bringing their outside experience to the Board table. Others, and I include myself in this group, want to share that experience with management, recognising, however, it is for management to translate that experience into a cohesive plan which can be adopted by the Board as a whole.

The Board should never be the draftsman for the policy - it can merely input into its development.

Given the fairly limited top management resources in N.Z., a condition which if anything is getting more difficult, I think that a contribution from some Board members to policy and planning is imperative.

Finally, I think that the role of the non-executive chairman in N.Z. has perhaps not received sufficient study. It is quite different from that in, say, the U.K. or U.S.A. from which many of our management studies emerge. In my experience non-executive chairmen in N.Z., comprising in many cases men of exceptional ability and powerful personality, have involved themselves in strategic management in a most direct way. In many cases it has been for the worse; lacking formal management training they have made major decisions (or persuaded the Board to do so) without adequate research and without a commitment from top management to support them. But these conditions are changing. The respective roles of the Board and executive are being discussed and defined more intelligently. It then becomes a matter for the Board to moderate the propensity of a non-executive chairman to involve himself too much in detailed planning or management. An interesting study would be to ask some chief executives to appraise the performance of:

- (a) their Board
- (b) their non-executive chairmen.

NON EXECUTIVE CHAIRMAN

The answers given depend upon the strength of the Board itself and of course the ability of the Chief Executive and his senior staff. The answers given have been based as requested on the experience of one company. I would in fact give in some instances a significantly different answer based on my experience of other Boards.

EXECUTIVE DIRECTOR, 50

Consider they must constantly probe validity of strategies in a world that is now no longer stable for the long term, insist on retracing options available, principles observed and judgements made in selecting recommended option.

My reason for disagreeing strongly with comment of "Boards main function is to hire or fire the Chief Executive" is that if this attitude is prevalent there cannot be development of two way support and understanding - they must act as colleagues not adversaries.

EXECUTIVE DIRECTOR, 56

Acting as a shareholder's watchdog to control the conflicts of interest apparent in senior executives between what is good for the company (shareholders) and their own personal rewards e.g. salaries, types of vehicle, other fringe benefits while employed and degree of pension inflation proofing on retirement.

NON-EXECUTIVE DIRECTOR, 69

Must not usurp role of full time executive but retain sufficient detachment to advise, consent, criticise, contribute and monitor but be prepared to debate your own view when contrary to management or majority of board

CHIEF EXECUTIVE

I believe that continuing dialogue between the C.E.O. and the Chairman is an essential factor as this leads to stimulation of Board interest and thought. Initiative can be expected mostly from the two mentioned rather than from less involved Directors.

EXECUTIVE DIRECTOR, 41

Social responsibility should change to greater involvement however excessive involvement with Governmental requirement detracts from greater effort with social responsibilities.

EXECUTIVE DIRECTOR

At least take the time to understand the background and facts relating to issues upon which they will record a decision.

EXECUTIVE DIRECTOR, 57

The quality of the executive has a bearing on the degree of involvement of a Board. The higher the calibre of the executive the less is the need for participative involvement of the Board and their assistance can be valuable in a reviewing role.

NON-EXECUTIVE CHAIRMAN, 61

Usually it is the multi-nationals that have established procedures for "strategic" planning and variable "scenarios" and usually they are very beneficial.

However it should be noted that the multi-nationals also have a greater number of executive directors in the Board or in attendance so that a greater industry professionalism is brought to bear in analysis and review.

#### NON-EXECUTIVE CHAIRMAN, 61

It is the Directors' role to ensure that management are reminded that the business of the company is managed for the benefit of all the stakeholders and, accepting an entrepreneurial risk element, there must still be a balanced exercise of judgement to ensure a fair return on the funds invested. The Board must be prepared to both encourage and motivate management at top level and at the same time curb management or even veto managements proposals if the whole or a substantial portion of the business enterprise is likely to be placed at unjustifiable risk. Excessive planning and over-management are also to be avoided. There is nothing new in the foregoing but every now and again these beliefs need to be re-stated for new or changing management and boards, especially with the increasing statutory responsibility being imposed on directors and publicised accordingly.

#### FORMER EXECUTIVE - 68

1. Directors should bring a sufficient variety of experience or knowledge so that a genuine overall view is available.
2. There should be a majority of non-executive directors so that there is a wider view than that of the executives and management - a check if you like.

#### PROFESSIONAL, 70

It is most important that the non-executive directors watch carefully the Company's image in the public relations area and take all necessary steps to protect the Company. This applies to accident protection of the staff, its political image, forward thinking and making sure the executives do everything to help improve the interests of the shareholders, staff and lenders.

### PROFESSIONAL, 53

The Board should require of the executives a comprehensive plan, involving policy, planning and strategy including in detail all financial implications, for a forward period of 5 years minimum.

This should be reviewed regularly and appropriate deletions and additions made and approved by the Board.

There is greater need to communicate the strategy in general terms and modifications thereof to the shareholders, the market and the politicians and such communication requirement should be part of the strategy itself.

### NON-EXECUTIVE CHAIRMAN

A board should set objectives for management to achieve, evaluate options proposed by management to achieve those objectives and then approve strategic plan proposed by management.

The strategy must be constantly reviewed.

It is worth noting that non-executive directors are either:

- (a) Professional men
- (b) Ex managing directors

These two types can contribute in different ways in assisting management (including executive directors).

The professional men can help to simplify and "vulgarise" - in the French sense - complicated technical matters so that management can grasp the essence of the problem and relate it to the management strategy to be implemented. Equally the ex managing or executive director can offer help and advice in the definition and solution of management problems, provided always that management is happy to accept such help and advice.

INFORMATION CONCERNING RESPONDENTS

| <u>Current Role</u> : (please tick one)                    | No. | %    | Chandler<br>% |
|--|-----|------|---------------|
| - Chairman and Chief Executive of a company                | 7   | 11.5 | 10.6          |
| - Non-Executive Chairman of a company                      | 19  | 31.1 | 26.5          |
| - Chief Executive  | 10  | 16.4 | 19.7          |
| - Executive or former Business Executive                   | 16  | 26.2 | 22.7          |
| - Professional (e.g. Lawyer, Accountant, Sharebroker, etc) | 4   | 6.6  | 12.9          |
| - Other  | 5   | 8.2  | 7.6           |

Number of Directorships held : 5.86

(Exclude directorships of Subsidiary Companies where you are also a Director of the Holding Company)

Age : 58.48

Age not given 6 = 9.8%

QUESTIONNAIRE

We appreciate that you are a very busy person and that you may be a Director of several companies. Therefore we would suggest that it would be faster for you to answer this questionnaire if you simply consider one of the companies of which you are a Director. May we ask that you think in terms of the largest company of which you are a Director.

The following statements have been made by other Directors - please indicate your level of agreement with a circle around the appropriate number - thus 2

|   | <u>1</u>             | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u>          |   |
|---|----------------------|----------|----------|----------|-------------------|---|
|   | Disagree<br>Strongly | Disagree | Neutral  | Agree    | Agree<br>Strongly |   |
| a. The Boards main function is to hire and fire the Chief Executive Officer.  | 36.1                 | 9.8      | 16.4     | 23.0     | 14.8              |   |
| b. A Board does not formulate strategy, its function is <u>review</u> .   | 24.6                 | 19.7     | 11.5     | 21.3     | 23.0              |   |
| c. Meeting the necessity for change is no longer a matter to be considered along with Annual or Half-yearly Accounts it is an <u>ongoing challenge</u> .  |                      |          |          | 14.3     | 85.7              |   |
| d. A Board requires evidence that management has a <u>process</u> for developing, considering and choosing among strategic alternatives.  |                      |          |          | 18.0     | 82.0              | ✓ |
| e. The Boards main role is to <u>evaluate results rather than get immersed in process</u> . But since it may take years for the results of a given strategy to emerge, the Board must have a way to determine in advance whether the strategy is sound.                                     |                      | 3.3      | 3.3      | 29.5     | 63.9              | × |
| f. A responsible and effective Board should require of its management a unique and durable corporate strategy, review it periodically for its validity, <u>use it as a reference point</u> for all other Board decisions, and share with management the risks associated with its adoption. |                      |          | 3.3      | 23.0     | 73.8              | × |
| g. A Board should once a year have a <u>full scale strategy review</u> requiring 2 - 3 days with Senior Executives at a location apart from the company.  | 6.6                  | 11.5     | 27.9     | 18.0     | 36.1              |   |

The following are some of the business activities that could be included under the general heading of strategic management. Could you please circle the most appropriate number to indicate (A) the extent to which you are currently involved as a Director in those activities (B) the level of involvement you would like to have.

Place a circle round the appropriate number - thus 4

|  | A.<br>Current level of Involvement |          |               |       |                       | B.<br>Desired level of Involvement |          |               |       |                     |
|--|------------------------------------|----------|---------------|-------|-----------------------|------------------------------------|----------|---------------|-------|---------------------|
|  | No involv-<br>ment                 | A little | Mode-<br>rate | A lot | Total involv-<br>ment | No involv-<br>ment                 | A little | Mode-<br>rate | A lot | Total invo-<br>ment |
|  | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                   |
| <u>Definition of Business (mission)</u>  |                                    |          |               |       |                       |                                    |          |               |       |                     |
| Establishing what business the company should be in.                             | 1.6                                | 5.0      | 13.3          | 51.7  | 28.3                  | 1.7                                | 3.3      | 5.0           | 56.7  | 33                  |
| <u>Objectives - Targets, return on investment, earnings per share.</u>           | 1.6                                | 5.0      | 15.0          | 48.3  | 30.0                  | 1.7                                | 1.7      | 8.3           | 56.7  | 31                  |
| <u>Strategies and Plans</u>  |                                    |          |               |       |                       |                                    |          |               |       |                     |
| Guides as to how the company will attain its objectives.                         | 3.3                                | 10.0     | 35.0          | 30.0  | 21.7                  | 1.7                                | 6.7      | 26.7          | 36.7  | 28.                 |
| <u>Allocation and Commitment of Financial Resources</u>                          | 3.3                                | 6.7      | 18.3          | 41.7  | 31.7                  | 0.0                                | 3.3      | 13.3          | 51.7  | 31.                 |
| <u>Decisions relating to Diversification, Merger, Acquisition and Divestment</u> | 0.0                                | 5.0      | 11.7          | 40.0  | 43.3                  | 0.0                                | 1.7      | 3.3           | 38.3  | 56.                 |
| <u>Social Responsibilities</u>   | 1.7                                | 21.7     | 41.7          | 23.3  | 11.7                  | 1.7                                | 8.3      | 48.3          | 28.3  | 13.                 |

If you indicated that you would like more involvement who do you think should initiate the change in level of activities - tick more than one if you wish.

|                                | No Comment | <input type="checkbox"/> | %    |
|--------------------------------|------------|--------------------------|------|
|                                | 19         | <input type="checkbox"/> | 31.7 |
| The Chairman                   | 20         | <input type="checkbox"/> | 48.8 |
| The Whole Board                | 11         | <input type="checkbox"/> | 26.8 |
| A Board sub-committee          | 6          | <input type="checkbox"/> | 14.6 |
| The Chief Executive Officer    | 14         | <input type="checkbox"/> | 34.1 |
| An independent consultant      | 1          | <input type="checkbox"/> | 2.4  |
| The Corporate Planning Manager | 2          | <input type="checkbox"/> | 4.9  |
| Others - please specify        |            | <input type="checkbox"/> |      |
| .....                          |            |                          |      |
| Any self motivated director    | 3          | <input type="checkbox"/> | 7.3  |
| Varies with circumstances      | 1          | <input type="checkbox"/> | 2.4  |
| Corporate Planning Team        | 1          | <input type="checkbox"/> | 2.4  |

Some indicated more than one initiator and therefore % does not add to 100.

31.7% did not respond to this question. The % stated are expressed as a % of the 41 that did respond.

4. Do you have any other comments you would like to make regarding the Directors role in Corporate policy, planning or strategic management?

A. 30.0% made some comment.

70.0% made no comment.

| B. <u>Desired Level of Involvement</u> | <u>%</u> | <u>Hessler &amp; Gaither</u> |
|--|----------|------------------------------|
| Wanted identical to present            | 43.3     |                              |
| Wanted more for one or more activities | 41.7     | 75.0                         |
| Wanted less for one or more activities | 8.3      |                              |
| Wanted more on some and less on some   | 6.6      |                              |

| C. <u>Desired involvement per activity %</u>        | <u>Less</u> | <u>Same</u> | <u>More</u> | <u>Hessler &amp; Gaither<br/>More</u> |
|---|-------------|-------------|-------------|---------------------------------------|
| Definition of business                              | 3.3         | 80.0        | 16.7        | 47.0                                  |
| Objectives  | 0.0         | 90.0        | 10.0        | 44.0                                  |
| Strategies & Plans                                  | 3.3         | 73.3        | 23.3        | 43.0                                  |
| Resource Allocation                                 | 6.7         | 76.7        | 16.7        | 39.0                                  |
| Diversification, merger<br>acquisition & divestment | 1.6         | 83.3        | 13.3        | 37.0                                  |
| Social responsibilities                             | 1.6         | 80.0        | 18.3        | 39.0                                  |

48.0% of Chairmen desired more involvement for one or more activities compared with 41.7% for whole Board and 28.0% desired more involvement in strategies and plans compared with 23.3% for whole Board.

| D. <u>Involvement in strategic planning</u> | <u>Paddy</u> | <u>Chandler</u> | <u>Hessler &amp; Gaither</u> |
|---|--------------|-----------------|------------------------------|
| More  | 23.3         | 22.7            | 43.0                         |
| Same  | 73.3         | 75.8            |                              |
| Less  | 3.3          | 1.5             |                              |

BIBLIOGRAPHY

1. William W. Wommack 'The Boards Most Important Function' H.B.R. Sept/Oct 1979.
2. Beckhard & Harris 'Organisational Transitions - Managing Complex Change' Addison-Wesley 1977.
3. Richard Beckhard 'Strategies for Large System Change' Strategies for the 80's - Reprints from Sloan Management Review - 1979.
4. Richard Chandler 'Corporate Directorship Practices in New Zealand Listed Public Companies' Masters Thesis - Auckland University - 1981.
5. Robert Townsend 'Up the Organisation' Michael Joseph Ltd - 1970.
6. Kenneth R. Andrews 'Directors Responsibility for Corporate Strategy' H.B.R. Nov/Dec - 1980.
7. Hon. J. K. McLay 'Directors Duties in a World of Fast Change' N.Z. Company Director - October 1980.
8. H. R. Hessler & G. Gaither 'Corporate Planning at the Board Level' Managerial Planning September/October 1978.

## Chairman's Comment to Shareholders



Sir Alan Hellaby

I am pleased to introduce this initial publication of The New Zealand South British Group Limited and welcome Shareholders to the new Company.

The merger of the New Zealand and South British Insurance Companies has created a strong, competitive, international Group of Companies underwriting Life and General Insurance in many markets throughout the world and also providing Finance, Merchant Banking, Property Development, Trust, Agency and Investment services. Currently, 77 per cent of the Group's income is earned outside New Zealand.

Over the years, merger discussions have taken place on a number of occasions; the two companies have finally joined together at a time when both were planning to take full advantage of expected high economic growth rates, particularly in the South-east Asian and Pacific countries. There is a strong correlation between the growth of national economies and their insurance industries, and there will be significant opportunities ahead for the new Group. The pooling of financial resources and management skills has created a new, larger organisation, better equipped to benefit from these opportunities.

Some of the steps already taken on the road to complete integration are:-

- \* Development of a new Corporate organisation structure and the establishment of fully integrated Group and Divisional Head Offices within a few weeks of the merger becoming effective.
- \* Branches are progressively being brought together in Australia and New Zealand, and rationalisation is proceeding as quickly as possible in the Overseas Branches (where additional Government and legal requirements apply.)
- \* Our two life companies in New Zealand are already fully integrated and operating from their new Auckland offices.

- \* Studies are underway to plan the future development of the Group's Life business in Australia.
- \* In the United Kingdom, steps have been taken to strengthen the management of our Life Department.

Physical integration of such a large Group will take some time to complete, but it is anticipated that significant economies in operation can be achieved as activities are merged.

First quarter results show the Group is continuing to increase its market share of major life products and buoyancy in investment markets remains. In Australia in particular, industry-wide underwriting losses are still severe. We are actively implementing measures to improve this situation.

The strategic opportunities available ensure an exciting and demanding future. The merger has brought together a team of talented people and given them access to the resources required to ensure the future success of the Group. I am confident that the initiatives being taken and the commitment of the Board and senior management to strategically planned growth, will ensure improved performance resulting in benefits for shareholders, clients and employees.

A handwritten signature in cursive script that reads "Alan Hellaby".

Chairman



DEPARTMENT OF MANAGEMENT STUDIES

---

 THE UNIVERSITY OF AUCKLAND
 

---

 PRIVATE BAG      AUCKLAND      NEW ZEALAND      TELEPHONE 792-300
 

---

Mr R.W. Brack,  
 Director,  
 Alex Harvey Industries Limited,  
 Private Bag,  
 AUCKLAND

Dear Mr Brack,

The Department of Management Studies is conducting a series of ongoing research projects which we believe will be of considerable interest to you as a Director of one of New Zealand's ten largest public companies.

The most recent of these is entitled "Involvement of Boards of Directors in Strategic Management". This project will merge together in a constructive way Directors' perceptions of the Boards' role in Strategic Management and a consensus of the current and desired level of involvement by Directors.

What is Strategic Management?

A leading academic constructed the following definition and we believe you will agree that the process outlined is a very practical description of those activities required to ensure the survival and success of a company.

"Strategic Management is a systematic process planned and executed by general management, which assures future continuity, survival and profitability of the firm.

This includes positioning the firm in the market areas which offer best promise, developing the types of products which are most likely to capture the markets, offering products in a way which optimises the competitive advantage of the firm. This also includes developing internal capabilities which the firm needs to compete effectively, to develop new opportunities, to anticipate future developments and to avoid surprises".

To assist us with this research we would be extremely grateful if you would complete the attached questionnaire and return it to us by 1st September 1981. We recognise that your time is precious and have limited the questionnaire to 4 questions. In order to ensure complete confidentiality and anonymity we enclose two envelopes. The small envelope has a slip of paper in it with your name.

This is so we can send all participants a copy of the results. The larger envelope is for the anonymous completed questionnaire. (However if you would like to sign your name, please do). Please post the two envelopes separately.

The Department of Management Studies sincerely appreciates your collaboration in this research into the views of New Zealand's corporate leadership.

Yours sincerely

Brian D Henshall  
 Professor and Head of Department  
 Management Studies

---

INFORMATION CONCERNING RESPONDENTS

Current Role : (please tick one)

- Chairman and Chief Executive of a company
- Non-Executive Chairman of a company
- Chief Executive
- Executive or former Business Executive
- Professional (e.g. Lawyer, Accountant, Sharebroker, etc)
- Other

Number of Directorships held : \_\_\_\_\_

(Exclude directorships of Subsidiary Companies where you are also a Director of the Holding Company)

Age : \_\_\_\_\_

QUESTIONNAIRE

appreciate that you are a very busy person and that you may be a Director of several companies. Therefore we would suggest that it would be faster for you to answer this questionnaire if you simply consider one of the companies of which you are a Director. We ask that you think in terms of the largest company of which you are a Director.

The following statements have been made by other Directors - please indicate your level of agreement with a circle around the appropriate number - thus (2)

|  | Disagree<br>Strongly | 2 | Neutral | 3 | 4 | Agree<br>Strongly |
|--|----------------------|---|---------|---|---|-------------------|
| Boards main function is to hire<br>and fire the Chief Executive Officer.   | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards does not formulate strategy,<br>its main function is <u>review</u> .  | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards determine the necessity for change is<br>not a matter to be considered<br>only once a year with Annual or Half-yearly<br>reports but it is an <u>ongoing challenge</u> .  | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards requires evidence that<br>management has a <u>process</u> for<br>identifying, considering and choosing<br>the best strategic alternatives.  | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards main role is to <u>evaluate</u><br><u>alternatives rather than get immersed in process</u> .<br>since it may take years for the<br>benefits of a given strategy to emerge,<br>Boards must have a way to determine<br>in advance whether the strategy is sound.                                      | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards responsible and effective Board<br>decisions require of its management a<br>clear and durable corporate<br>strategy, review it periodically for<br>validity, <u>use it as a reference</u><br>for all other Board decisions,<br>and share with management the risks<br>associated with its adoption. | 1                    | 2 | 3       | 4 | 5 |                   |
| Boards should once a year have a<br><u>strategic strategy review</u> requiring<br>meetings with Senior Executives at<br>least once a year apart from the company.  | 1                    | 2 | 3       | 4 | 5 |                   |

Following are some of the business activities that could be included under the general heading of strategic management. Could you please circle the most appropriate number to indicate (A) the extent to which you are currently involved as a Director in those activities (B) the level of involvement you would like to have.

Place a circle round the appropriate number - thus 4

|   | A.<br>Current level of Involvement |          |               |       |                       | B.<br>Desired level of Involvement |          |               |       |                       |
|---|------------------------------------|----------|---------------|-------|-----------------------|------------------------------------|----------|---------------|-------|-----------------------|
|   | No involv-<br>ment                 | A little | Mode-<br>rate | A lot | Total involv-<br>ment | No involv-<br>ment                 | A little | Mode-<br>rate | A lot | Total involv-<br>ment |
| <u>Initiation of Business</u><br>Decisions<br>Establishing what busi-<br>ness the company should<br>pursue. | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |
| <u>Objectives - Targets,</u><br>Return on investment,<br>Dividends per share.                               | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |
| <u>Strategies and Plans</u><br>Decisions as to how the<br>company will attain<br>its objectives.            | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |
| <u>Allocation and Commit-</u><br>ment of Financial<br>Resources   | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |
| <u>Decisions relating</u><br>to Diversification,<br>Mergers, Acquisition<br>Divestment                      | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |
| <u>Legal Responsibilities</u>   | 1                                  | 2        | 3             | 4     | 5                     | 1                                  | 2        | 3             | 4     | 5                     |

If you indicated that you would like more involvement who do you think should initiate the change in level of activities - tick more than one if you wish.

- Chairman
- Whole Board
- Board sub-committee
- Chief Executive Officer
- Independent consultant
- Corporate Planning Manager
- Others - please specify

you have any other comments you would like to make regarding the Directors role  
Corporate policy, planning or strategic management?



DEPARTMENT OF MANAGEMENT STUDIES

---

## THE UNIVERSITY OF AUCKLAND

---

PRIVATE BAG      AUCKLAND      NEW ZEALAND      TELEPHONE 792-300

9 September 1981

Mr I.G. Lythgoe,  
Director,  
Fletcher Challenge Limited,  
P.O. Box 1696,  
WELLINGTON

Dear Mr Lythgoe,

I recently sent you a questionnaire regarding research being carried out by the Department of Management Studies on "Involvement of Boards of Directors in Strategic Management". I believe this research is of fundamental significance, and this has been underscored by the very encouraging (approximately 60% to date) response to the questionnaire.

At the time of writing we have not received a reply from you; hence we have enclosed another questionnaire in case the original was misplaced. In order to ensure complete confidentiality and anonymity we enclose two envelopes. The small envelope has a label in it with your name, so that we can send you a copy of the results. The larger envelope is for the anonymous completed questionnaire. Please post the two envelopes separately. I would be extremely grateful if you would complete the questionnaire and return it to me at your earliest convenience before 16 September 1981. If you have already returned the completed questionnaire to us, please post the small envelope again as according to our records we have not received this from you.

The Department of Management Studies sincerely appreciates your collaboration in this fundamental research into the views of New Zealand's corporate leadership.

Yours sincerely,

Brian D. Henshall  
Professor and Head of Department  
Management Studies

---

REX PADDY - STRATEGIC MANAGEMENT - 72-400ASSIGNMENT 1 - ROLE OF THE BOARD OF DIRECTORS

It has been assumed that this assignment primarily refers to the Boards role in relation to strategic management but to get that role into perspective it is necessary to consider the other roles the Board is obliged to assume.

From the papers I have read it is possible to condense the various roles of Directors into three groups -

1. Legal Responsibilities;
2. Responsibilities to shareholders;
3. Responsibilities for company management;

The repetitive use of the term responsibilities is intentional as the following quote from 'Duties and Responsibilities of N.Z. Company Directors' (23) indicates.

"It is not an honour to be elected to a Board of Directors, it is an assumption of serious duties and responsibilities.

Most prudent businessmen will not hesitate in refusing to guarantee a friend's loan but will readily fall for the dubious prestige of being invited onto the Board of a company - sometimes with results infinitely more damaging".

1. Legal Responsibilities

In my 1975 Dip. B.I.A. Dissertation 'Directors Statutory Liabilities under the Companies Act' (22) I identified 166 offences that Directors could be charged with under that Act. The penalties ranged from 5 years in prison to a \$2 fine. Under the Crimes Act, The Securities Act and The Companies Amendment Act 1980 more severe penalties resulting in long prison sentences and personal bankruptcy are possible.

Compared with these outcomes the consequences of failure in the other two areas of responsibility are minor. Probably at worst being voted off the Board by the shareholders.

2. Responsibilities to Shareholders

The following quote from The Minister of Justice (11) sums up a view with which many shareholders would still agree -

"Not too many years ago a Directors' duty could have been described as to run the company so as to maximise its profits for distribution to shareholders while preserving the capital invested".

But Mr McLay goes on to say -

"Those companies which endure are those which do take account of all their responsibilities - companies whose Directors do not work in blinkers.

Meeting the necessity for change is no longer a matter to be considered along with annual and half-yearly accounts - it is an ongoing challenge.

Certain jobs may be delegated, but it is still the responsibility of all Directors to do, or cause to be done, all the things which must be done by the company".

It is of significance that in a paper titled 'Prime Purpose of Directors is to Care for Shareholders' (17) Mace can make the following statement which makes it clear that Directors are responsible for the establishment of policy and objectives -

"It is the job of the Directors to direct and Managers to manage. Therefore, it is the job of the Board to lay down the policy and objectives of the company, approve profit and capital budgets, cash flows, loans, mortgages, the selection of Auditors and Solicitors and determine dividends, and it is the job of management to look after the running of the company within those guidelines".

#### Responsibilities for Company Management

I found a large number of papers which touched on the role of the Board in Strategic Management. The best was Kenneth R. Andrews 'Directors' Responsibility for Corporate Strategy' (1). The following abbreviated quotes from this paper provide a useful summary of this and earlier H.B.R. papers (2) (3) (19). I believe this is the most significant of the papers because it draws on the others and more clearly tabulates the rationale of Board involvement in Strategic Management -

"Pressures which have produced Audit committees, compensation committees, social responsibility committees and nominating committees have not produced strategy committees - why?

- a) Many C.E.O's preside over unstated, incremental or intuitive strategies that have never been articulated or analysed - and therefore could not be deliberated by Board.

3.

- b) Others do not think that their outside Directors know enough or have time enough to do more than assent to strategic recommendations.
- c) Others keep discussions of strategy within management to prevent Board transgression onto management turf".

"A responsible and effective Board should require of its management a unique and durable corporate strategy; review it periodically for its validity, use it as a reference point for all other Board decisions, and share with management the risks associated with its adoption".

"Why should the Board concern itself with the strategy's content.

- a) Evidence is needed that management has a process for developing, considering and choosing among strategic alternatives.
- b) Knowledge of strategy makes an intelligent overview feasible particularly for Directors with no personal experience in the industry.
- c) To give the Board a reference point to assess the impact of proposals on the company's strategy - and to ensure that new proposals are consistent with strategy.
- d) It allows continuous evaluation of management by measuring management's success over time in executing a demanding and approved strategy."

"A Board does not formulate strategy, its function is review.

Review involves -

- a) Board approval of corporate actions.
- b) Sharing with the C.E.O. the risks of decisions approved.
- c) Management recommendation wins rather than coerces Board approval.
- d) Principally discussion sparked by questions and answers.
- e) Discussion concludes in consensus.
- f) Possibly full scale strategy reviews outside of Board meetings taking 2 or 3 days".

"A full-scale strategy review produces the following -

- a) Opportunity to educate Board.
- b) Wider acquaintance between Directors, Managers staff and spouses.
- c) Greater knowledge of the company and its people.
- d) Greater trust in individuals competence and goodwill.
- e) Understanding of the unevenness of management strength and the opportunity for management development.
- f) Relaxation of tension between outside Directors and C.E.O.
- g) Keener interest in future opportunities".

Andrews also supports Wommack's (2) desire for the identification of a Chief Strategic Officer and the formation of a Strategy Committee.

Wommack obviously assumes that all Directors have met their legal and shareholder responsibilities when he says (2) -

"The Board of Directors most important function is to approve or send back for amendment managements recommendations about the future directions of the corporation".

Wommack favours a strategy committee made up of outside independent Directors and makes a point which other writers have also noted -

"If a Board sets up a strategy committee, management quickly feels the need to organise itself to relate to it".

Wommack postulates that the Board must put itself in a position where it can fund strategies - not projects.

The debate as to the degree to which Boards should become involved in the strategic planning process as opposed to strategic review is summed up by Felton (3) -

"The Board's main role is to evaluate results rather than get immersed in process. But since it may take years for the results of a given strategy to emerge, the Board must have a way to determine in advance whether the strategy is sound".

Wommack (2) makes the point that The Securities and Exchange Commission have been prolific in pronouncements designed to be negative in restricting powers of management but have said nothing about the positive role the Board could play in setting strategy.

Yet Andrews in his paper on The Roundtable Statement or Board of Directors (19) points out that the topics generating the most spirited interchange were -

- a) The proper contribution of outside Directors in determining corporate policy.
- b) The creation and function of a Board 'strategy committee'.
- c) The appropriateness of the C.E.O. serving as Chairman of the Board.

Hessler & Gaither (4) report on a research project to establish the planning responsibilities of outside Directors. Six variables were used to define the extent to which an outside Director was involved with a Company -

- a) Definition of Business (mission).
- b) Objectives.
- c) Strategies and Plans.
- d) Resource allocation.
- e) Diversification.
- f) Social Planning.

The response varied from a need for total involvement in planning to no involvement except for review and approval or disapproval. However 75% wanted a greater involvement than they currently had - particularly in (a) (b) and (c).

It is clear that the company collapses of recent years and the current rapid changes in the business environment are forcing Directors to re-evaluate their roles and to take a much closer interest in the affairs of their company.

In the future we are much less likely to hear of the quote which is always attributed to some anonymous business leader (7) "The sole function of the Board of Directors is to hire and fire the Chief Executive".

Both the Gluck and Ansoff papers appear to assume that the strategic management process is an executive function but these papers neither recommend or reject Board involvement.

PAPERS WHICH ARE SPECIFIC TO THE BOARDS ROLE IN  
STRATEGIC MANAGEMENT

---

1. Kenneth R. Andrews 'Directors' responsibility for corporate strategy'. H.B.R. Nov/Dec 1980 P.30.
2. William W. Wommack 'The Boards most Important Function'. H.B.R. Sept/Oct 1979 P.48.
3. Samuel M. Felton Jr 'Case of the Board and Strategic Process' H.B.R. July/Aug 1979 P. 20.
4. H.R. Hessler & G. Gaither 'Corporate Planning at the Board Level' Managerial Planning Sept/Oct 1978 P. 13.
5. W. Dewey Presley 'The Role of the Outside Director in Planning' Managerial Planning Sept/Oct 1978 P.25.

GENERAL PAPERS ON THE BOARD'S ROLE, RESPONSIBILITIES,  
COMPOSITION AND IMPUT TO STRATEGIC MANAGEMENT

---

6. Leslie Levy - 'Reforming Board Reform' H.B.R. Jan/Feb 1981 P. 166.
7. Bevan Bradbury 'The Buck Stops at Board Level' <sup>Rydges</sup> Jan 1981 P. 4.
8. Alan & John Campbell 'How Directors Keep Tight Control' Rydges December 1980 P.100.
9. 'Directors' <sup>Course</sup> 'Course at University' Rydges January 1981 P.15.
10. C.H. Roush & B.C. Ball 'Controlling the Implementation of Strategy' Managerial Planning Nov/Dec 1980 P.3.
11. Hon. J.K. McLay 'Directors Duties in World of Fast Change' N.Z. Company Director - Oct 1980 P.30.
12. Sir Peter Derham 'The Critical Link for Company Boards' Rydges, September 1980 P.3.

13. B.C. Sherony, P.A. Stoeberl & T. Haimann  
'The Future Role of the Board of Directors'  
Financial Executive October 1979.
14. Hurd Baruch 'The Audit Committee: A Guide for  
Directors' H.B.R. May/June 1980 P.174.
15. Victor H. Palmieri 'Corporate Responsibility  
and the Competent Board' H.B.R. May/June 1979  
P.46.
16. Robert K. Mueller 'Criteria for the Appraisal  
of Directors' H.B.R. May/June 1979 P.48..
17. C.W. Mace 'Prime Purpose of Directors is to  
Care for Shareholders' N.Z. Company Director  
April/May 1979 P.14.
18. Donald S. Perkins 'What the C.E.O. and Board  
Expect of Each Other' H.B.R. March/April 1979  
P.24.
19. Kenneth R. Andrews 'The Roundtable Statement  
on Boards of Directors' H.B.R. Sept/Oct 1978  
P.24.
20. Lee Smith 'Different Scene' Fortune May 8 1978  
P. 151.
21. Graeme Fogelberg 'Effective Direction Tomorrow  
Depends on Decisions Today' N.Z. Company Director -  
Sept 1977 P.25.
22. Rex Paddy 'Directors Statutory Liabilities under  
the Companies Act' September 1975 - DIP B.I.A.  
Dissertation - (Restricted Reading).
23. Duties & Responsibilities of New Zealand Company  
Directors' - Commerce clearing House - 1973.