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INTERVIEW: MICHAEL JACKSON ON THE BOARDROOM

Non-executives must ‘delve into all areas’

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By Dina Medland

The skill of a board member lies in spotting the tip of a problem and giving it a tug to see what comes tumbling out, says Michael Jackson. “The most important thing from a board’s perspective is to delve into those areas where you feel the management team is not focusing but perhaps ought to be.”

As a former chairman of two FTSE 100 companies and currently chairing three Aim-listed computer software companies as well as Elderstreet Investment, a venture capital trust, he has a sharp perspective on how boardrooms function – and the need for them always to be on edge, with an eye towards improvement.

Key considerations are making sure the acquisition strategy is right, and ensuring the chief executive or managing director is the right person for the job, he says.

His experience of company boardrooms appears to have honed his skills for plain speaking. In 2010, after relinquishing the role of chairman of Sage, the business software company, he wrote a blog for GrowthBusiness UK called “Sage Advice”. He wrote: “In my experience very few successful businesses were started by a particularly clever individual. They were set up by people who saw an opportunity, trusted their gut instinct and went for it.”

After telling me part of the Sage story, he ended with: “There is no formula to making a success of your business, except to show a constant willingness to adapt and embrace change.”

A Cambridge-educated law graduate who qualified as an accountant with Coopers & Lybrand, Mr Jackson spent five years in marketing with various US multinational technology companies.

He helped to build Sage from a turnover of £5m to a £3bn FTSE 100 company, through acquisitions and restructuring. A member of its board for 22 years, he was chairman for 10 before leaving in 2006.

After Sage, Mr Jackson took the chair at PartyGaming, which had a short but eventful life as a FTSE 100 company.

Are the lessons for boards very different, depending on the size and maturity of the company?

“In some ways, in bigger companies you have a very stereotyped agenda. One does have to try and get things like minutes and detailed financials out of the way. But while the board needs to know the day-to-day and comment on it, its members don’t really need to focus on that entirely at the meeting. It is also important that some things are put on the agenda that management have not placed there,” he says.

Product innovation is one area he believes is insufficiently discussed: “I don’t know how much time companies’ boards really spend in thinking about how innovative the organisation is – or could be.” He says that, to some extent, what gets considered on the boardroom agenda is dictated by culture.

As an example, he cites the world of computer software: in the US they call software technicians “engineers” whereas in the UK they are called “developers”. “Research and development comes up here but it is often after the finance has gone through,” he says. He questions how often companies in the UK’s technology sector use research by Gartner or Forrester to “look hard at their sector and see where it could be better”.

Does the size of a company affect the functioning of its board?

“On the boards of big companies there’s always a preponderance of the great and the good,” he says. “A board has to be cohesive but one has to decide how important it is to have a disruptive element in it. You don’t want someone throwing things around and being rude but you really need someone to be able to say to the chief executive ‘I don’t think you’re doing a very good job’.”

He argues that boards can also be far too big: “If they are too large, there is a reticence to get rid of people.” A more important question, he suggests, is “how many members of the management team should you have on the board?”

“It can be quite a political hot potato, and I wonder if it doesn’t start there – if you have too many executives, then you match them with non-executives as well,” he says.

Smaller companies often want people to be on their board because of good contacts, but Mr Jackson does not believe that is necessarily the primary attribute they should be seeking. He would like to see a removal of the UK’s taboo on offering share options to board members as part of their compensation.

As for the biggest companies, he says: “Being on any FTSE 100 company is a privilege, a calling card and a well-paid job.”

Then we discuss the question of age – and he implies that simply getting older does not automatically equate to enhanced business judgment: “I was at a dinner party the other day with someone who was on the board of a book store who announced he had never

read a book. I had to ask him if he was proud of that.”

He points to the sharp differences between the way boards need to operate, depending on the type of company.

For example, a business funded by venture capital faces fluid and dynamic situations every day and the constant risk of going bust: “It calls for sharp reflexes.”

But the most difficult thing for any board member is dealing with the chief executive – because they manage the information that is provided for non-executives to consider: “If the company is doing well and the share price is high there may be things you do not pick up on.

“I would always encourage board members to meet second tier management and to get a sense of the business. Some of the biggest problems for companies have been around acquisitions. But I wonder if non-executive directors are in a strong enough position to do anything about it,” he says.

“I try to go out with the chief executive to meetings with institutional investors, and this is something that might be useful for non-executives to do – though it might be seen as going beyond management’s back.

“Shareholders expect you as a non-executive to represent the company and them – so why not have an institutional meeting with non-executives on a board every six months, with different institutions?” Mr Jackson asks.

Michael Jackson currently chairs Aim-listed Advanced Computer Systems, Access Intelligence, and NetCall, and also chairs Elderstreet Investment.