

CORPORATE GOVERNANCE

Board Effectiveness

Cadbury · Charan · Sonnenfeld · Lorsch

PAPER 02 / 03

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

IN THIS PAPER

Agency theory says accountability should live in the board; this paper asks whether it actually does. It covers board effectiveness – the codes, the real work, the human dynamics, and the power realities. The question it answers: what makes a board genuinely effective, rather than merely compliant?

Cadbury wrote the code that made governance structural; Charan describes the work that distinguishes value-adding boards; Sonnenfeld shows effectiveness is a matter of social dynamics; Lorsch anatomises the power imbalance that keeps boards weak.

Adrian Cadbury *The Cadbury Report, 1992*

Governance codes · structure and accountability

CORE THESIS

Governance is “the system by which companies are directed and controlled.” Cadbury’s code set the structural template: separate the chair and chief executive, appoint independent non-executive directors, establish audit committees, and operate on a **comply-or-explain** basis.

FRAMEWORK

Provision	Purpose
Split chair and CEO	Divide leadership of the board from the business
Independent non-executives	Bring objective challenge to management
Audit committee	Independent oversight of reporting and controls
Comply or explain	Follow the code or justify departures publicly

METHODOLOGY

A committee-authored code of best practice, since emulated worldwide.

SIGNIFICANCE AND CRITIQUE

The template for governance codes globally. The critique: structural compliance can harden into box-ticking that leaves real behaviour untouched – the gap the next two theorists address.

Ram Charan *Boards That Deliver, 2005*

Board effectiveness in practice

CORE THESIS

Many boards are **ceremonial** – compliant but not useful. Effective boards do the **real work** that adds value: chief-executive succession, strategy, and talent, engaging substantively rather than ritually.

FRAMEWORK

Stage of board	Character
Ceremonial	Rubber-stamps; ritual compliance
Liberated	Engaged and independent, finding its role
Progressive	Adds real value on strategy, talent and succession
The real work	CEO succession, strategy, talent, information flow

METHODOLOGY

Practitioner observation of how boards actually operate and add value.

SIGNIFICANCE AND CRITIQUE

The practitioner authority on moving boards from ceremony to contribution. The critique: it is experiential rather than empirical.

Jeffrey Sonnenfeld *What Makes Great Boards Great, 2002*

Board social dynamics

CORE THESIS

Good governance is **not a checklist** of structure and independence. After Enron, well-structured boards still failed. Great boards are high-functioning **social systems** – built on trust, candour and constructive dissent.

FRAMEWORK

Ingredient	Why it matters
Trust and candour	Directors challenge honestly, without fear
Constructive conflict	Dissent is welcomed, not suppressed
A culture of challenge	Management is held genuinely to account
Beyond structure	Independence on paper does not ensure it in the room

METHODOLOGY

Analysis of board behaviour and governance failures, focused on group dynamics.

SIGNIFICANCE AND CRITIQUE

Shifted the conversation from structure to behaviour and culture. The critique: social dynamics are far harder to codify or regulate than structural rules.

Jay Lorsch *Pawns or Potentates, 1989*

Board power and reality · Harvard

CORE THESIS

In reality, boards have often been **weak relative to management** – “pawns” rather than “potentates.” The obstacles are structural: directors face information asymmetry, limited time, and expertise gaps against a full-time executive team.

FRAMEWORK

Obstacle to effectiveness	Effect
Information asymmetry	Management controls what the board sees
Limited time	Part-time directors cannot match full-time executives
Expertise gaps	Directors may lack deep knowledge of the business
Norms and size	Cultural and structural barriers to real challenge

METHODOLOGY

Empirical study of directors and the real balance of board and managerial power.

SIGNIFICANCE AND CRITIQUE

The scholarly anatomy of why boards underperform their mandate. The critique: some specific findings have shifted as governance reform has strengthened boards.

Synthesis

Contribution	Lens	Key idea	Register
Cadbury	Structure	Codes; comply or explain	Governance code
Charan	The board's work	Ceremonial to progressive	Practitioner
Sonnenfeld	Dynamics	Boards as social systems	Behavioural
Lorsch	Power	Pawns vs potentates	Empirical

FOR THE OPERATOR

Board effectiveness needs more than structure – the codes that set the template (Cadbury), the real work of strategy, talent and succession (Charan), the trust and candour of a healthy social system (Sonnenfeld), and an honest reckoning with the board's power deficit against management (Lorsch). For the operator: independence and committees are necessary but not sufficient; effectiveness lives in what the board actually does and how candidly it challenges. The final paper widens the frame – to stakeholders and purpose.