

## Leaders of successful firms understand value of enlightened governance

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**A**N ARTICLE A YEAR AGO IN THIS NEWSLETTER, "Practice Made Simple," presented a concept that illustrated that the heart of a successful practice has two components: the "right" talent and the "right" clients. Almost as important is leadership that attracts and aligns those two critical parts.

The remainder of the model deals with other aspects of a firm that assure its success. Not specifically discussed is the topic of this article, *governance*, which refers to decision making regarding policy and operations. In other words, those in governance roles have the authority to decide on the overarching factors that provide the framework for much of the firm's day-to-day activity.

*Merriam-Webster's 11th Collegiate Dictionary* sees it similarly: To govern is to control and direct the making and administration of policy (from the Latin *gubernare*, to steer, govern; from the Greek *kybernan*). Highly successful governing authorities make decisions that will serve the model shown here:

- The governance decisions form the framework for an environment that attracts, develops and retains the right talent. Such decisions affect good investment in the firm's resources. They assure competitive and motivating compensation. They define standards for quality of service and product that attract and retain the right clients.
- Good governance decisions address present needs and future expectations. They deal with the here and now and also position the firm to have a strong strategy for moving forward.
- Good governance reflects the well-being of the firm as the highest priority, which generally means that those contributing effectively to the firm's success are also well served.
- Good governance reinforces the values on which the firm is built.
- Good governance, which in effect results from having power, uses that power to enable leaders and managers to work within the "system."
- Although it might be controversial, the reality is that good governance learns from "renegade" activity, and makes mainstream those things that, while initially outside the boundaries defined by governance, enhance the firm's ability to move toward its vision.
- Good governance results in good decisions, irrespective of who makes them. Those at the top of the organizational hierarchy don't need to be the governance authority if others govern well. Consider, for example, the many very good firms, with very good project track records, whose founders and leaders delegate governance to others or, more likely,



create an expanded governance group. This allows the delegates to concentrate much of their efforts on what they do best—for example, attract clients, attract talent and create great projects—because they allow others, the delegates, to share the governance burden (or privilege, depending on one's perspective).

It is interesting and quite logical that many firms' leaders who struggle with leadership and ownership transition are the same firms whose leaders resist the notion of broadened participation in governance. That's akin to, and about as sensible as, giving teenagers licenses to drive without providing the means for them to learn *how* to drive. Also warranting recognition is that decisions that are good for the well-being of the firm are not always popular. For example, a firm might appropriately choose to apply part of its bonus pool to new technologies that will enable the firm to serve its clients better, yet such a decision might be unpopular with some who had expected more compensation.

Examples abound of bad governance decisions, and Monday morning quarterbacking aside, many of those decisions reflect an absence of a *firm-orientation* in lieu of self-serving ones. As one example, consider the firm whose founder and sole member of the governance group opted to reduce staff salaries and purchase a new car—and a Jaguar at that—*on the same day!* Another category of bad decision-making is those made in the absence of good information (when such information is indeed available). For example, it was clearly a less than stellar governance decision for a firm's governance group to make

a major decision about changing its technology platform *with no input from those who actually use the technology.*

What is interesting is that very effective leaders strongly influence governance even if they are not directly involved or even if they are minority members within a governance group. Recognizing this, they are less likely to resist inclusion of others in governance roles. In contrast, less effective leaders are more likely to use governance as a *control* tool—a hammer—rather than as a leadership means.

Governance happens even when no one specifically governs. The New England town meeting is a form of direct democracy, with decisions made by vote. That, in effect, becomes governance. The people in a firm whose leaders decline to make certain governance decisions will make them themselves, which doesn't say anything about the quality of such decisions. Significantly (and judgmentally), too large a governance group is likely to bring into governance some who simply aren't able to make good governance decisions, which can lessen the quality of and commitment to such decisions. To a degree it is true that as a decision group gets larger it makes better decisions. But that is true only to the extent that each participant contributes well and that the size of the group doesn't impede its ability to make timely decisions.

The bottom line is that the leaders of successful firms understand the value of governance in contributing to the firm's success, understand the relationship between governance with influence, and consider governance to be another means of preparing future leaders and managers. ■

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