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The issue of education and training of company directors is of growing importance and interest. It is an explicit requirement of the Stock Exchange's *Principles of Good Governance Code of Best Practice*. Although currently not an explicit requirement of State guidelines, this is likely to change. According to a report in the *Sunday Tribune* (7/4/2002) a proposal to require future appointees to state bodies to take a course on responsibilities of company directors will be included in Fianna Fáil's election manifesto. Fianna Fáil argues that this will ensure that high ethical standards are maintained by appointees to state bodies. The new code will reflect the new climate of transparency and openness that exists in politics. Under the proposals, directors of state bodies will have to complete a short course, mainly concerning company law issues.

Education and training of company directors can assist in developing directors' skills and knowledge, contributing to improved company and board performance. Advantages include:

- Identifying the duties of directors under statute and common law;
- Identifying issues which may bring personal or company risk;
- Examining ways of improving personal contribution to the board;
- Providing an opportunity to discuss director issues with peers;
- Increasing professionalism of company directors.

Education of directors on legal and stock exchange regulations, on relevant pronouncements of professional accounting bodies, and on the current best practices in governance can help reduce shareholder complaints, disputes and resulting litigation against directors and their firms when disagreements do occur.

Stock Exchange requirements

The Stock Exchange's *Principles of Good Governance Code of Best Practice* applies to public companies only. Plcs must state in their annual reports whether they have complied with the provisions of the Code. One of the provisions (Recommendation A1.6) is:

"Every director should receive appropriate training on the first occasion that he or she is appointed to the board of a listed company, and subsequently as necessary".

This begs the question: to what extent do Irish plcs take steps to ensure observance of Recommendation A1.6 of the Code of Best Practice? Some plcs refer to this requirement in varied ways in their annual reports. AIB's 2000 annual report (p.34/35) states:

“There is an induction process for new Directors. Its content varies as between Executive and Non-Executive Directors; in respect of the latter, the induction is designed to familiarise Non-Executive Directors with the Group and its operations, and comprises principally a programme of meetings with the Heads of Divisions and the senior management of the businesses and support functions, and briefings on the Company’s strategic and operational plans.”

Bank of Ireland states “*On an ongoing basis special training/briefing sessions appropriate to the business of the Group are provided to non-executive directors;*” and “*all newly appointed Directors are provided with documentation detailing their responsibilities as directors*” (2000 annual report, p.33).

Kerry Group states (2000 annual report, p.42) “*Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently as required.*” The Smurfit annual report (p.42) makes reference to director training as follows:

“On appointment, all non executive directors....participate in an induction programme designed to familiarise them with the Group’s operations, management and governance structures. Further ongoing training is provided as required.”

In contrast, CRH, Elan and Independent News and Media make no specific reference in their annual reports to education and training of directors.

State bodies

The requirements of the Code of Practice for the Governance of State Bodies (available at www.irlgov.ie/finance/Publications/otherpubs/code.htm) are somewhat different, as far as education and training of non-executive directors is concerned. Appendix A, Section 2 *Briefing for new directors*, states (*inter alia*):

“On appointment of new Directors, the Secretary of the body should provide them with the following information:...procedures for obtaining information on relevant new laws and regulations...”

While the Combined Code does not apply to private companies, it is indicative of best practice and, as such, should be adopted on a voluntary basis (to the extent appropriate) by private companies adopting best practice.

Recognition of the importance of appropriate education and training of company directors is increasing. For example, the US organisation *Institutional Shareholder Services (ISS)*, a leading provider of corporate governance services, has developed a method of evaluating company corporate governance structures and systems – the *Corporate Governance Quotient*. This index specifically considers director education in evaluating firms.

IoD Centre for Corporate Governance at UCD

Recent establishment of a joint venture between the IoD and UCD, *the Institute of Directors Centre for Corporate Governance at University College Dublin*, anticipates the growing recognition of the importance of education for company directors.

Whereas large plcs (such as AIB, Bank of Ireland, Smurfit and Kerry Group quoted above) have the resources to provide such education and training, provision of such services to directors of smaller companies may not be practical. The IoD's *Centre for Corporate Governance* at UCD aims to educate company directors of all types of company (public, private and semi-state) to be aware of their responsibilities and liabilities, and by helping them to appreciate the need to constantly update their knowledge of corporate governance.

Six courses are planned for in 2002 (the first year of operation), expanding to ten courses thereafter. Courses cover basic legal and regulatory requirements e.g.:

Course ① *Regulatory update – Current developments in corporate governance*

Courses ② & ③ *Directors' responsibilities*

Course ④ *Role of non-executive directors and role of company boards*

Company directors from a non-financial background are catered for in:

Course ⑥ *Finance for non-finance directors.*

The programme also recognises the importance of directors contributing to the success of their companies by assisting management with improving business performance. Such a focus is evident from:

Course ⑧ *Business strategy and company boards*

Course ⑨ *Role of non-executive directors in improving business performance*

More specialised aspects of the operation of company boards are catered for in:

Course ⑩ *Risk management and the role of non-executive directors.*

Course ⑨ *Role, function and responsibilities of audit committees*

Course ⑦ *Non-executive directors and executive remuneration and incentives*

The Centre is also providing customised, in-house courses to organisations, businesses and to company boards.

Through its courses, the Centre provides directors with knowledge to encourage innovation and competitiveness, to discharge their fiduciary obligations and to ensure ethical behaviour. These courses are valuable for current directors, for persons contemplating becoming directors, and for advisors on corporate governance matters.

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