BOOK REVIEWS

The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members

Richard LeBlanc, ed.
(Hoboken, New Jersey: Wiley, 2016)
859 pp.
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David Gibbs*

The Handbook of Board Governance is an eclectic mix of expert authors and chapters that transcend the usual boundaries of literature on corporate governance. This transcendence occurs because the *Handbook* offers holistic coverage of corporate governance through the perspective of those leading the field. Each of the 38 chapters offers detailed and analytical guidance into contemporary issues, practical application, and future development of corporate governance. LeBlanc, therefore, self-acclaims the book as a first of its kind "because of its scope . . . and its depth." Rather than consider each individual chapter, this review will consider the book as a whole to determine whether it offers a comprehensive and useful guide to its intended audience.

That audience for the book is end users of corporate governance. It was not the intention of the author to address a newcomer to the topic but rather address faculty members at institutions teaching corporate governance and those practising in corporate governance such as directors or governance professionals.

The *Handbook* itself is divided into eight distinct parts with several chapters in each that proceed in the following order: Part I covers board responsibilities; Part II considers what makes a good board; Part III looks at the governance of risk and the duties of a director; Part IV follows with an examination of the role of the shareholder; Part V assesses the thorny issue of remuneration and its link to performance; Parts VI and VII respectively deal with emerging issues relating to information technology and cyber security, and sustainability and climate change; and finally governance matters relating to different corporate forms, such as non-profit, start-ups, private small cap, family, and developing forms, are analyzed in Part VIII.

These Parts are set out in a logical, easy to navigate manner where individual chapters dissect the broader theme of each Part. For example, Part I looks at the broad theme of "board responsibilities". The individual chapters then cover the

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common and contemporary matters relating to the Part's theme to offer the comprehensive and holistic coverage that the book sets out to deliver. This Part's chapters offer insight into effective board leadership for both executive and non-executive directors, and also how to manage CEO succession. Likewise, the chapters in Part V on remuneration cover the roles responsible in determining remuneration, the structure and monitoring of that remuneration, and proposals for reform. Particularly, offering detailed analytical insight into proposed new methods on defining executive remuneration means committees can consider innovative methods in designing effective policies to alleviate concerns amongst stakeholders of excessive remuneration. Therefore, the individual chapters guide the reader through those usual governance matters under these themes but also offer that detailed analytical insight that can foster innovative thinking amongst governance specialists.

Parts VI and VII cover a unique theme that can set this guide apart from other corporate governance literature: "emerging issues". Coverage of issues such as cyber security and sustainability are vital to understanding governance of the modern corporation. As companies continually store more data, and the threats of global warming and resource allocation become more severe, these acute problems require effective board governance and foresight. The book then ensures boards have access to detailed analysis of those emerging problems and how they can be managed.

In particular, Chapter 29, "The Board's Role in the Governance of Enterprise Information and Technology", is a standout chapter. It stands out as it corresponds perfectly with the *Handbook*'s purpose by offering a clear and comprehensive guide to governing IT matters at board level. Unlike the other governance issues covered in this *Handbook*, where practitioners and academics may already hold a wealth of knowledge, it was important that the authors outlined this matter clearly as readers might not have significant knowledge of this area. Indeed, the chapter identifies that less than 20% of boards felt they had IT competent directors. So readers can clearly grasp and consider how to manage IT, the *Handbook* guides the reader through the fundamental considerations in becoming more effective in governing this emerging issue. For example, this chapter covers aspects on what needs to be done to govern this emerging issue by focusing on potential skill shortage and developing new competencies at board level, to how it can be managed, such as by devising effective oversight.

In terms of style and substance, after reading the introductory chapter and ascertaining the format and objectives of the book, two core reservations formed. One is that by trying to achieve a comprehensive guide, a commendable goal, the reality is that corporate governance is not a one-size fits all matter and trying to provide a guide for all audiences runs the risk of not appreciating the subtle nuances and details of corporate governance strategy in different sectors and businesses. Second, a handbook in the form of an edited collection from single or co-authored chapters can result in narrow perspectives on each topic, where one chapter does not engage with the next and/or considers the matter more broadly as a guide should do. Therefore authors from different backgrounds in academia and in practice might give their perspective on a matter but, instead of synthesizing perspectives to guide the reader through the topic, the result is that the authors talk past one another through juxtaposition, leaving the reader with considerable work to do on how one might formulate a corporate governance strategy. For example, the academic might be more appreciative of the academic points whereas the director can be more attuned to the practical realities. This potential problem may be broken down even further where those with different backgrounds, such as law, business, or accounting, may not appreciate different perspectives. As such the *Handbook* risked compromising its depth of analysis and focus on the broader perspective through synthesized insight to guide the reader with narrow detailed perspectives.

It is unfortunate that parts of this book run into these problems. Consider Chapter 12. This chapter offers an analysis of the rise and fall of the fiduciary standard that a director is meant to comply with. It argues that there is a need to return to the "robust fiduciary standard" to ensure better governance standards. While the author offers interesting anecdotes and observations about lax enforcement and regulation, unfortunately she has not correctly identified what it is to be a fiduciary, and this failure compromises the analysis as it conflates two distinct duties of a director. Instead of focusing on the duty of loyalty, which is what makes someone a fiduciary, the justification for the fall in the fiduciary standard is the application of the business judgement rule. However, this rule applies to a director's duty of care and not their fiduciary duty. The latter standard has always been robust and is not subject to such a rule. As such there has been no fall in the standard. This leads to some considerable misunderstandings in the author's application of the law that are likely to mislead the reader because the chapter's author is effectively arguing that a director's duty of care should "return" to a robust strict standard, despite this proposal being built on the faulty premise that it once was strict. Yet, Chapter 13 offers a far more detailed and precise analysis of the law on directors' duties. Had these chapters not simply been juxtaposed but rather synthesized, through the detailed accuracy of legal application in Chapter 13 and the more practical focus of Chapter 12, a far better guide would have been offered on the application of a director's duties to guide readers on maintaining good governance through compliance. However, in isolation, a director reading this *Handbook* is far more likely to observe contradictions between the two differing perspectives and not be clearly informed.

This differing of perspectives continues in Part IV, as Chapter 19 and Chapter 20 focus on shareholder accountability. Chapter 19 offers an interesting argument to reassert greater levels of control in shareholders to make directors accountable. Chapter 20, however, does not support this view, acknowledging shareholders may not be well placed to enforce the rights of the company, but does advocate better engagement with shareholders. With this in mind, if the purpose of the book is to guide the director through corporate governance, two questions arise from these two chapters: (1) which chapter should I follow?; and (2) why should I accept that shareholder engagement will improve corporate governance?

For the latter, there is evidence of how the *Handbook*'s approach can result in a narrow perspective taken rather than a guide. The author of Chapter 19 takes just one individual perspective on corporate governance. The view taken in that chapter is that reasserting ownership in shareholders will make directors more accountable. Yet this is premised on shareholders being well placed to make directors accountable. The author asserts that other methods such as increased regulation have continually failed, but ignores the fact this is also true of shareholder engagement. There is plenty of research that demonstrates the increase of shareholder rights does not relate to the practical utility of such power. Indeed there is considerable evidence of what is called "legal irritants" by increasing shareholder power, whereby shareholders pursue their own frivolous or vexatious agenda rather than promoting better governance standards. This is so much so that some jurisdictions, such as Australia, have observed some decrease in shareholder power by proposing to remove the 100-member rule. This narrow perspective means that a reader is unlikely to be guided as the broader considerations are not taken in to account by the author in a detailed analytical manner.

For the former question, despite this assertion in Chapter 19, Chapter 20 does not follow this perspective entirely. One is then left to wonder which approach to follow. While Chapter 20 advocates greater shareholder engagement, it is not simply assertive if shareholder engagement will result in greater accountability. Rather, it identifies the catalysts behind greater shareholder engagement and is far more attuned to the costs and benefits of this. For example, the chapter identifies that increased shareholder engagement can lead to problems such as a lack of trust and compliance concerns. Thereby it offers a more rounded guide to shareholder engagement that one would expect rather than asserting one view as correct. Since the chapters appear to have been written in isolation of one another, the reader is left with a lot of work to do, to try and marry the different perspectives together to form a substantive view, rather than being guided through corporate governance, which is what the book proposed it would do.

One must conclude that covering "all aspects" of corporate governance, including emerging issues, justifies LeBlanc's title assertions that this is a "handbook" on corporate governance offering a "comprehensive guide". Overall, while one would recommend this book for its coverage, particularly in relation to the chapters on emerging issues, any reader needs to be mindful of the style and substance. The book does not deliver a consistent message. The *Handbook* wanted to cover corporate governance holistically, but also to go in depth with criticism and analysis. This approach lead to some chapters looking to guide the reader through a particular governance matter, while others took a narrow analytical perspective. Without synthesis, it does not deliver a clear message to the reader on how the chapter would broach the matter. This leads to the contradictions and juxtaposition discussed above. As such the reader will still have a lot to do to appreciate certain points of corporate governance. This book will ultimately be of benefit to the advanced reader of corporate governance. Pre-existing corporate governance knowledge will be critical in grasping the analytical insight the book offers, but will also benefit such readers by introducing them to, and guiding them carefully through, the emerging issues and innovative methods mentioned.

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