

To the FRC

I am responding to the Wates Corporate Governance Principles for Large Private Companies – principally to questions 1 & 2.

My background is with NG Bailey, and before that with Zurich Group plc. I am a chartered accountant and member of the ICAEW. I have been a director of both these businesses.

I believe the primary risk addressed by these principles, which the document barely discusses, is focussed around a dominant leader who doesn't seek challenge – indeed who may avoid it.

In my view this is a “not uncommon” situation in family businesses – as many are founded by strong individuals whose success is partly through domination of a business.

Further, I do not see that the principles really address this risk – partly because they are voluntary, and partly because Principle 2 doesn't recommend the separation of the roles of chair and chief executive. Thus there is a fundamental difficulty for non-execs in such businesses, that they can't say what they need to in order to do their job, unless they wish constantly to invoke the wrath of their appointer, which renders a responsible, effective and cohesive board impossible.

In a situation where there is a dominant person, then s/he must see the wisdom of this for themselves – and such a person is significantly unlikely to do this.

With best wishes for your considerations,

Cal Bailey MA FCA