

By Carolyn Iglesias

Finding effectiveness in the boardroom

As public companies become more complex and board books bulge at the seams, directors in many industries are seeking ways to improve their processes and make the most of limited time and resources.

‘Corporate secretaries are in an ideal position to recognize improvement opportunities,’ says Nicole Sandford, who leads Deloitte’s Board Advisory Services. ‘Often, that means providing the board with the value-added information that it really needs, in addition to what an individual director asks for.’

A simple board request could be a symptom of an underlying concern, so Sandford encourages her clients to ask questions and probe for more information before responding. She cites an example of two companies in a similar industry whose audit committee chairs called for a review of the audit committee charter. While Company A confined its research to responding to the stated request and compared the charter to several published examples – possibly missing an opportunity to add value – Company B took a different approach and delved deeper.

‘At Company B, the corporate secretary really seized the moment,’ says Sandford. ‘After gathering more information from his audit committee chairman, he recognized that concerns about the company’s regulated subsidiaries had triggered the request for the charter review.’ With help from Deloitte, the corporate secretary decided to examine the issue more closely. An assessment followed, including interviews and surveys of the audit committee and senior management covering a wide range of board and committee governance processes. The interviews focused on areas such as the quality of information provided, opportunities for improved business or governance knowledge and

access to the company’s business units and subsidiaries. Board members responded very openly.

Next came a benchmarking of policies and practices. Had the company conducted the assessment only with in-house resources, its access to information probably would have been limited to the information published by governance thought-leaders (or available on websites) and to its own directors’ experience on other corporate boards. Using an

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outside adviser enabled the company to supplement publicly available information with a broad array of data not always available in the public domain. In this case, Deloitte also leveraged its relationships with other companies in the industry to obtain information on the methods used to address pressing issues such as the oversight of regulated subsidiaries.

Efficiency over flair

When it comes to implementing improvements, Sandford cautions against placing too much focus on ‘wordsmithing’ documents. ‘It’s not about having perfectly crafted policies and polished charters,’ she explains. ‘A company can have the most beautifully worded documents and still have a dysfunctional board. Change should be about improving effectiveness and efficiency.’

In the example cited above, Company B implemented changes that significantly improved the

board's efficiency and effectiveness. 'They streamlined the board book so the information on the subsidiaries didn't get lost in the detail. They reduced duplication by identifying topics covered both in the advanced materials and in the meetings. As a result, the committee freed up agenda time for additional discussions about critical issues, including the performance and oversight of regulated subsidiaries,' Sandford says.

Later, the board improved its effectiveness through a comprehensive director education program and by including broader business and governance issues in the recurring agenda. 'In our research, we discovered that the audit committee members did not share a consistent view of their roles and responsibilities,' adds Sandford. 'We helped the company customize an education program, putting to rest several concerns that the directors had raised in the interview process.'

Although a board development program ideally follows a governance assessment, not every company takes that critical next step. 'In too many cases, continuing education is the great idea that never gets implemented,' comments Sandford. Board members make more informed decisions when they have a clearer understanding of their roles and responsibilities. As boards improve their focus and prioritization of issues, greater efficiencies follow.

At the end of a well-planned and executed board education program, everyone has the same baseline understanding of 'What are the critical issues?', 'What is my role as a director?' and 'What are the important things we need to hone in on as a board?' According to Sandford, there's nothing worse than having a director who is on a different page than everyone else take the conversation off the rails by focusing on the wrong things. 'If you can get everybody to the same place in terms of understanding the issues and the role of the board, the meetings will bring real value to the company,' she remarks.

To assist those boards that do want to take their governance to the next level, Deloitte provides continuing education services across a wide range of industries. Many of these programs have earned the accreditation of RiskMetrics Group's Institutional Shareholder Services (ISS). To supplement the knowledge and subject matter expertise

already resident within Deloitte, Sandford has access to a world-class faculty through strategic alliances with the Ross School of Business at the University of Michigan and the Directors' Network.

Assessing board governance and implementing board development programs can be daunting and time-consuming for any company attempting to undertake the task in-house. The absence of a universal model for effective board governance creates a significant challenge, and companies often find it difficult to know where to start. Companies turn to advisers to benefit from their experience and their exposure to a vast array of business and industry practices and viewpoints. Deloitte's Center for Corporate Governance, a unique research and knowledge-sharing team, for example, supports Sandford's practice through its extensive contacts and library of information.

Concludes Sandford, 'It takes real vision for a corporate secretary to take a critical look at the board's current governance processes and challenge the status quo. We are fortunate to have many outstanding examples of corporate secretaries who understand that facilitating change is a big part of their jobs and what today's board expects.'

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