ACCU Forum
Colombo, Sri Lanka

Establishing Collaborative Partnerships:
Board & Management

September 22, 2006 2:00 – 3:00pm

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Frameworks For Change

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Changing Board Roles -

- Move from traditional board role due to scandals / public demand
- Compliance has been main response
- The Choice for Boards –
  - Moving beyond compliance to become active & engaged boards which partner with senior management to add value / make better decisions

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The Board as a Team -

- Board as a high-performance team – collective value > sum of its parts
- Unique Challenges:
  - partial affiliation
  - episodic interaction
  - limited time and information
  - complex authority relationships
  - changing expectations
  - aura of formality
  - focus on meetings

High-Performing Boards -

- Diversity of perspectives & necessary skills
- Focus on strategic issues
- Well-informed re: internal/external factors that impact organization
- Provide candid & constructive feedback to management

High-Performing Boards -

- Committees have well-defined responsibilities
- Plan exists for Board succession and Management succession
- Management held accountable for performance

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Implications for Governance -

- Need to design Board's work according to its role
  - To ensure the company is managed effectively rather than to manage the company
- Need to create appropriate Board culture:
  - Engaged, informed, inquisitive, challenging
  - Board processes have to reflect and be consistent with the type of culture the Board is trying to cultivate
- Need effective relationship between Bd & CEO:
  - Empower Bd without hampering CEO's ability to lead
  - Managing balance between contention & collaboration
  - Practical limits on Bd's ability to monitor & guide Mgmt
  - Ongoing process

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Clarifying Governance Roles -

- **Board & Management**:
  - Jointly sets long-term strategic direction & vision
- **Board**:
  - Sets Board policies related to stewardship of resources, risk management, human resources, CEO succession planning, communications, social responsibility
  - Approves performance measures, evaluates performance and holds CEO accountable
  - Reports to shareholders & beyond
- **Management**:
  - Operational management & policies, strategy implementation, achievement of corporate objectives and targeted financial performance, implementing systems to monitor strategy and risk, human resource management & training, communications

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An Engaged Board -

- Exhibits following cultural values/norms:
  - Independence and integrity
  - Openness
  - Accountability
  - Action orientation
  - Mutual trust and respect
- Takes time to develop culture

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"Problem" Directors -

- CEO Wannabe
- Pit Bull
- Superdirector
- Management Lapdog
- Checked-out Director
- Overwhelmed Director

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Role of Chairman -

- First among equals – facilitator
- Qualities:
  - communication skills
  - peer respect
  - listening skills
  - company knowledge
  - industry knowledge

Role of Chairman -

- Presides over Board, Executive Committee & Board In Camera Meetings
- Primary responsibility for shaping agendas with CEO & ensuring appropriate information provided to Board
- Facilitates / controls discussion at meetings
- Communicates with Directors & CEO between Meetings
- Represents organization to stakeholders along with CEO

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Role of Chairman -

- Sets tone for governance
  - Board Culture / Board climate / Board dynamics
- Maintains equilibrium in relationship with Board and with CEO
- Mentors the CEO – key relationship
  - Goes beyond "good chemistry" - alignment
  - Open communication / contact
  - Understanding of roles
- Deals with Director performance issues

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Chairman's Expectations of Board -

- Effective engagement
- Equal participation
- Mutual respect
- No surprises
- External relations

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System of Leadership -

- **Board Committee Chairs**
  - Need to thoroughly understand the mandate and subject matter
  - Higher level of expertise on that issue
    - Eg. Audit Cttee not place for on-the-job training
  - Set agendas, oversee information packages & chair meetings
  - Manage external advisor relationships
  - Build trust that work is done

Board Work Processes -

- 3 core processes critical to any Board's successful performance:

  - Information Management

  - Agenda Management

  - Annual Board Performance Assessment

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Information Management -

- ● Quality, timeliness & credibility
- ● Barriers to guard against:
  - – Excessive quantity / inferior quality
  - – Nature of info – lagging indicators / without industry context / narrower views
  - – Info source – internal only
- ● Raw data vs. useful info that helps Board make smart decisions
- ● At high enough level to give useful info but not a level of detail to start micromanaging

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Agenda Management -

- Key to determining how productively the Board spends its time together
- How best to use limited time

- Annual agenda
- Individual meeting agendas
- In Camera meeting agendas

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Agenda Management -

- Consult Board members/Cttee chairs for topics
- Issues to be raised, how much time is appropriate, order of items
  - Presentations(highlights)/discussion/decisions
  - Key issues first – administrative issues at end when attention wanes or run out of time
- Annual/semi-annual retreats for substantial complex issues - change in venue useful for focus

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Board Self-Evaluation -

- **In general, purpose is to:**

  - **ensure that the Board executes its roles and responsibilities effectively;**

  - **identify and optimize strengths in the Board's organization and functioning;**

  - **identify and address impediments to Board effectiveness and efficiency; and**

  - **ensure shareholder accountability.**

Areas For Evaluation of Board -

- Board Structure
- Business Knowledge & Understanding
- Leadership
- Board Process
- Board/Management Relationship
- External Relationships
- Board Renewal & Development

- Input as to ways in which Board performance can be improved in each of the key subject areas above

In Closing-

- **The only "constant" is change**
- **The "hard" issues will come up again**
- **Strengthen organizational fortitude for change through building of trust-based relationships**
- **Going forward . . .**
  - **Guide decisions according to your values**
  - **Have the courage to change as necessary**
  - **Celebrate your successes!**

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