

THE CORPORATE BOARD

For 29 years . . .

THE LEADING JOURNAL OF CORPORATE GOVERNANCE

REPRINT

Opening Your Board Portal

The new world of online governance is waiting.

by Joe Ruck
President & CEO
BoardVantage

THE CORPORATE BOARD

THE LEADING JOURNAL OF CORPORATE GOVERNANCE

MAY/JUNE 2008

STAFF

Editor

Ralph D. Ward

Chairman and CEO

Irving A. Leshner III

President and COO

Judith A. Scheidt

Circulation

Ann K. Stocum

Founding Publisher

Stanley R. Greenfield

Editorial Office

The Corporate Board
4440 Hagadorn Rd.
Okemos, MI 48864
Phone: (517) 336-1700
Fax: (517) 336-1705
Web site: www.corporateboard.com

EDITORIAL ADVISORS

Thomas J. Goff—*Founding editor, THE CORPORATE BOARD; executive vice president, corporate reputation and crisis communications, Edelman Public Relations.*

Bayless Manning—*Executive consultant and chairman, Manning Companies; former partner, Paul, Weiss, Rifkind, Wharton & Garrison; former president, Council on Foreign Relations, Inc.; former dean, Stanford Law School; member of various boards.*

Paul W. McCracken—*Former chairman of the President's Council of Economic Advisors, professor emeritus of Business Administration, Economics and Public Policy, University of Michigan.*

Dolores Wharton—*Founder and president, Fund for Corporate Initiatives; member of various boards.*

Vol. XXIX

Recycled  Paper

No. 170

Copyright: THE CORPORATE BOARD (ISSN 0746-8652) is published in January, March, May, July, September, and November by Vanguard Publications, 4440 Hagadorn Rd., Okemos, Michigan 48864. Copyright © 2008 by Vanguard Publications. All rights reserved.

Subscriptions: Available to corporations at an annual cost of \$3,000. This provides delivery of six bimonthly issues to each board member, senior legal and financial officers, and the corporate secretary. Periodicals postage rates have been paid at Okemos, MI and at additional mailing offices.

POSTMASTER: Send changes and all subscription correspondence with THE CORPORATE BOARD mailing label to Customer Service, THE CORPORATE BOARD, Vanguard Publications, 4440 Hagadorn Rd., Okemos, Michigan 48864, (517) 336-1700.

Reproduction: No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing.

Opening Your Board Portal

by Joe Ruck

Technology has helped make corporate governance faster, more efficient, and safer over the past decade, but the downside drives some directors away. E-mails are insecure, faxes sit in a shared “In” basket, and too many eyes scan board information packages. Online board portals, high-tech dreams a few years ago, can now provide a digital world which can be safer and more productive than your boardroom itself.

Technology is fundamentally changing the way modern boards communicate. Traditionally, board communications have been paper, fax and then e-mail-based. Companies sent out board books in advance of meetings, and directors met in person to discuss agenda topics. Until a few years ago, this approach to managing communications was sufficient.

Today, however, things have changed considerably. More regulatory scrutiny, greater globalization, deeper competitive pressures, and more active shareholders have dramatically increased the volume of board work. It is also no secret that a great deal of board work now takes place between meetings, rather than during meetings.

Board books are routinely left in taxicabs. Faxes of merger agreements get lost in hotels or are even sent to the wrong phone number.

Given this changing environment, old school paper processes have run out of steam. They are simply too slow and cumbersome to keep up with the pace of today’s board work. Further, they are not secure. Board books are routinely left in taxicabs, and faxes of merger agreements get lost in hotels or are even sent to the wrong phone number.

To deal with the speed of today’s board communications, many boards are adopting board portals. Board

portals give directors greater visibility into operations, streamline board book creation, and tighten information security. It is highly likely that in a few short years, the overwhelming majority of Fortune 1000 companies will replace traditional means of managing board communications with a board portal. The question is no longer if, but when.

To highlight the differences between traditional and modern communications, consider the example of the CFO of a Fortune 500 pharmaceutical company serving on the boards of two other companies. One board communicates via traditional means, the other via a modern board portal.

At the CFO’s traditional board, he usually gets little time to review materials prior to meetings. The corporate secretary sends out packets only after she has pulled together and compiled all the information for an upcoming session, often less than a week before the meeting.

At times, the corporate secretary also has a hard time getting packets mailed. The CFO spends half of his time on the road, including overseas, and his itinerary changes frequently. Earlier in the year, his board packet arrived at a hotel in New York, but he had departed early for Chicago. The corporate secretary e-mailed the CFO the documents instead, but he knew that was not secure.

Further, this board lacks a secure e-mail system. There are often minor issues that could be handled via e-mail, such as comments on an earnings release, but the CFO does not want to create an e-mail “paper trail” that can later be used against the company in legal proceedings. In addition, there is no efficient way of communicating with other directors regarding urgent, sensitive matters like potential mergers and acquisitions opportunities, or litigation involving the company.

Joe Ruck is chief executive officer of BoardVantage, a provider of secure, hosted board portals, serving over 150 organizations including over 20 of the Fortune 100.
[www.boardvantage.com]

There are other hindrances as well. For example, if directors need to confirm the date for an upcoming meeting, they must e-mail the company's corporate secretary. If the CFO wants to contact another director, he has to dig up their contact information from his personal files.

Given the difficulties above, board members know they cannot contribute as effectively to the company as possible. Communications take too long, are incomplete, or do not happen at all. The board's communication challenges present a potential liability risk for directors personally, in the event they preclude the board from properly handling a situation in the future.

The director's second company has adopted a board portal. This secure, dedicated website allows directors access to board materials, and a myriad of communication tools.

The CFO finds communications with his second board a far better experience. This company has adopted a board portal, giving directors easy access to current and historical documents. This provides far greater visibility into operations.

What is a board portal? A board portal is a secure, dedicated website directors can log in to with their own unique ID and password. Once inside the system, directors have online access to both current and historical board materials. They also have access to a myriad of other tools to facilitate communications.

Here is an example. First, directors receive automatic alerts when new board materials become available. They can choose to be alerted in whatever way is most convenient—e-mail, text message, or voice mail. With an e-mail alert, directors can click on an embedded hyperlink which takes them to the portal log-in screen, and then directly to the referenced document (usually an agenda for an upcoming meeting).

The agenda in turn has links to a number of supporting documents, such as presentations summarizing business operations, major strategic initiatives, and

financial results. Directors easily navigate through the board book to documents most important to them. They can also use the system's search capability, which takes them immediately to specific parts of the packet, so they do not have to try to find them manually.

The corporate secretary will often make portions of the board packet available to directors in advance. For example, she alerts directors to a new agenda and makes a handful of key presentations available, giving directors a chance to read them early. Occasionally, executives update documents with the latest figures prior to a meeting. The corporate secretary simply replaces original documents with new ones and alerts directors to the changes.

This CFO travels frequently, so he has installed a secure vault on his laptop to which he can download board packets for offline access. The documents are stored in an encrypted format, which he can open by using his regular log-in credentials. This allows him to review documents when traveling, such as during flights. Furthermore, it eliminates the need to carry heavy printed board books, since everything is accessible in an electronic format.

The CFO also likes to make notes on various documents to remember items to discuss in more detail in meetings. With the portal, doing so is no problem. The system's annotation feature allows adding fully searchable notes to documents for later review.

The portal's Web conferencing capability is particularly useful for committee meetings, which happen virtually. Directors log-in to the portal, click on Web conferencing, and get immediate access to an online conference where they can view presentations in real time. The CFO can also use this feature to participate in regular board meetings when he is traveling.

The company's portal also supports online consents and surveys. With consents, directors can execute unanimous consents via secure e-mail, streamlining the decision-making process between meetings. With online surveys, the board's chairman (or others) can send out surveys which directors can complete online, and the system will automatically tabulate results.

The board portal also has an online calendar and director address book. The CFO can simply log-in

to confirm meeting details or get contact information for other directors.

In short, the portal provides immediate, online access to current and historical documents at any time from anywhere in the world. Through hyperlinked documents and keyword searches, users can quickly find whatever information they need. Other tools, such as secure e-mail allow communication quickly and openly with directors. With the portal, the CFO feels he is able to clearly add value to the board he serves, and effectively fulfill his fiduciary responsibilities.

Companies of all sizes and across industries have begun adopting board portals to manage their communications with directors.

Vendors began developing board portals to manage board communications in the early 2000s. However, these first-generation board portals fell far short of expectations. They often served as little more than extranets for storing board documents. They were difficult to use, provided limited functionality, and had significant security issues.

Today, far better board portal solutions exist. There are a number of commercially available technologies that are extremely secure, very easy to use, and provide rich functionality. Unlike first-generation portals, these portals enable the full migration of board communication processes online.

As a result, companies of all sizes and across industries have begun adopting board portals to manage their communications. The fact that board portals have now been field proven by leading companies is also accelerating their adoption by boards.

An effective online board portal should offer:

☐ *Easy, online access to materials.* Directors can access board documents securely from anywhere in the world, anytime.

☐ *Greater visibility into operations.* Board portals make information more accessible to directors. Agendas are hyperlinked to supporting documents, so directors can rapidly navigate through materials. Also, directors can quickly find information via key

Portal Lingo **Glossary of Terms**

- ☐ *Board portal:* secure website designed explicitly for the purpose of facilitating communication between directors and the company. The current generation of portals supports information exchange and captures the process that takes place in meetings and in between meetings.
- ☐ *Secure e-mail:* closed-loop messaging system, only accessible by board members, for discussion of sensitive topics such as executive compensation or M&A activity without the risk of an information leak. All e-mail is encrypted and purged upon deletion.
- ☐ *Secure vault:* password-protected folder where encrypted documents can be downloaded and stored securely for offline review.
- ☐ *SAS 70 Type II:* a recognized standard for process control which permits third party verification by an independent auditor.

word searches.

☐ *Robust security.* Documents maintained in board portals are typically encrypted. Printed documents are not left laying around where they can inadvertently fall into the wrong hands.

☐ *Historical repository.* Companies can readily store past board materials in the portal, enabling directors to retrieve documents for later review.

☐ *Secure e-mail.* Board portals can provide secure, closed loop e-mail systems, making it possible for directors to have candid e-mail discussions on sensitive topics without fear of e-mails being retrieved later and used out of context in legal proceedings against the company.

☐ *Reduced litigation risk.* Companies can automatically enforce document and e-mail retention policies with board portals.

☐ *Positive ROI.* Board portals should provide positive returns in terms of reducing the time it takes to assemble, update and distribute board books (from days to hours), as well as decreased printing costs.

☐ *Environmentally friendly.* A portal can reduce the need for printing and overnighting materials, thereby

reducing the toll of meetings on the environment.

If your company is considering adopting a board portal, here are some questions to consider:

☐ Will the solution be easy to access by your directors? What is the log-in and password recovery process?

☐ Does the solution simplify the board book creation process? How?

☐ Does the solution provide native integration with Microsoft desktop applications like Word, Excel, and PowerPoint?

☐ Will it support a “twin track” approach (will it provide both printed and electronic versions of board documents)?

☐ Is the solution secure?

☐ Does the vendor provide 24/7/365 support? How?

☐ Does the vendor have a strong customer base that can provide references?

☐ Is the vendor committed to making continued enhancements to their portal offering?

Directors grow to accept electronic documents, and develop a strong appreciation for the other benefits of a board portal.

There remain some common concerns with board portals. One objection we occasionally hear is “our directors want paper.” Most boards are a mix of “traditional” and “progressive” directors. Traditional directors prefer paper communications; progressives prefer electronic communications. In most cases, traditional directors have received paper packets for years, sometimes for decades.

Most boards in this situation offer directors the option of receiving print and/or electronic materials. In our experience, similar to any other technology, traditional directors eventually adopt the newer technology. They grow to accept electronic documents (they can always print), and develop a strong appreciation for the other benefits of a board portal.

A second objection we used to hear were concerns about security. Boards were reluctant to store their company’s most confidential documents with a third

party. The reality is that technologies exist today that provide exceptional security—almost certainly greater than a company could provide on its own. Leading vendors will provide proof of SAS 70 Type II security certification, as well as access to third party audits.

Another objection is “we can build this in-house.” IT organizations face myriad challenges trying to build a board portal solution themselves. Internal IT developers lack a deep understanding of the specific communication needs of directors (particularly ease of use), and therefore have a hard time creating usable applications. Companies also face difficulties providing directors technical support when needed, such as the middle of the night U.S. time while a director is in Europe. Additionally, most directors are uncomfortable with the idea of internal company employees (the IT department) having access to board materials.

A final objection has to do with cost. This objection goes away when companies compare the time and effort associated with managing paper-based communication processes versus using a board portal. Companies have also found it is far less expensive to subscribe to a third-party service than to try to build, maintain, and support a system in-house.

Any board committed to adopting a board portal can do so successfully. Properly executed, a board portal implementation should be fast and painless (generally less than a week), and should immediately improve your board’s communications.

Usually, your corporate secretary or board administrator will serve as the implementation team. This contact will work closely with the vendor on timeframes and deliverables. Generally, the corporate secretary completes a day of training to fully understand the board portal system. The corporate secretary is a power user of the system, and will administer accounts, assemble and distribute board materials, and manage other communications such as alerts, surveys, the board calendar, and so on.

In conjunction with training, the corporate secretary will also work with the vendor to populate the board portal with existing board materials. Some corporate secretaries will just load the latest board

materials; others will want to offer several years' worth of data.

After completing an initial data load, the corporate secretary will then work with the vendor to populate the address book, set up the calendar, and begin creating the first board book.

Concurrently, the corporate secretary and vendor will schedule training for each director. Usually, the vendor provides one-on-one training over the phone or Internet with each director. Training typically takes 30 minutes, after which point the director should understand the basics of the system. From then on, the director should be able to get unlimited, personalized telephone support from the vendor at any time of day or night.

In terms of rolling out the board portal solution to the broader board, we recommend a "twin track" approach. This accommodates both your traditional directors and your progressive directors. Continue to FedEx printed board packets to your traditional directors as you always have, while giving progressive directors access to all your board materials online.

Over time, we recommend that corporate secretaries gradually introduce new functionality to the board. Begin by sending alerts, letting directors know that new materials are available. Remind directors that all upcoming meeting information is on the online calendar, and director contact information is in the address book. Start communicating with directors via secure e-mail, helping them to become familiar with the system. For those who cannot attend meetings in person, invite them to view materials via a Web conference. Later, begin also using the system's online survey and consent capabilities.

We have seen boards successfully transition overnight from paper-based to paperless communications, though other boards take over a year to accomplish the same with all directors. In general, it is best to accommodate the individual communication preferences of your directors, recognizing that eventually all of the directors are likely to prefer electronic board communications. Just like computers replaced typewriters, board portals are replacing printed board books. ■

Reprinted by THE CORPORATE BOARD
4440 Hagadorn Road
Okemos, MI 48864-2414, (517) 336-1700
www.corporateboard.com
© 2008 by Vanguard Publications, Inc.

BoardVantage

Security with Simplicity

1060 Marsh Road Suite 110
Menlo Park, CA 94025
ph: 650-614-6000
www.boardvantage.com