BOARD QUESTIONS TO ASK TODAY

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Subject:
Board Effectiveness Part 2

How do you know, before a crisis, if you have an effective board?

The May BQs offered a foundation for defining board effectiveness. This issue goes a step further because, rest assured, every time you read about a board's action or more likely, its inaction, there has been some sort of corporate governance breakdown. *Wait* – you say you have a smart board; individual directors are knowledgeable about the company and the industry, they bring key skills to board discussions … and

your board has checked all the right governance boxes, meetings include strategy discussions and executive sessions, the compensation committee reviews succession planning, the nominating committee encourages diversity, the audit committee hears risk & ERM reports – so you must have an effective board. Right? The answer seems self evident. But, absent a crisis, when it's easy to look in the rear view mirror and see what could have been done better, determining whether or not your board is effective is complicated.

While good governance practices drive board effectiveness, and this momentum enables management to ensure successful companies that enhance stakeholder value, too often boards stall, or move in neutral, after stopping to check the box. Board effectiveness is a live process that focuses on principles, substance and accountability; not compliance and process for process sake. It requires board activism. Effective boards can answer "yes" to the following questions.

1. The board has a responsibility to review information from a number of sources, not just the CEO. Is your board satisfied with the information it receives? Including the amount, the sources, the type, and the format? (If not, do directors have the courage to speak up, ask why, make suggestions and follow-up?)

2. Does the board's agenda-setting process allow directors to play a significant role in establishing meeting agendas?

3. Board "mix" is important. In examining the composition of the board, consideration is given to expertise, geography, gender and ethnic diversity. Does the board also reflect on customer perspectives and director economic representation?

4. Board culture is important. Has every director taken the time to understand the company and does s/he contribute to board discussions; and, has the board discussed what quality participation and contribution means in your boardroom?

5. Your board is committed. Following the annual board assessment, did it redefine its priorities to better align with company strategy and with any "hot governance topics that are also relevant to your board" matters?

6. Do directors understand what the CEO and management team expects from the board; does the CEO and management team understand what the board expects of them? Has it been discussed, or do you just know they know?

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