New Strategies for Governance: The Benefits for Smaller Companies (752 words)

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Whether you’re assembling your kids’ holiday toys or learning to use the latest technology, understanding complex documents usually requires some struggle—unless, of course, someone provides a Cliff’s Notes summary geared to your situation.

That’s why I attended the NACD (National Association of Corporate Directors) 2016 Global Board Leaders’ Summit with the goal of finding value for smaller organizations that, unlike their larger counterparts, don’t have the luxury and duty to invest substantial amounts in governance and compliance. This article describes how smaller public organizations, family businesses and private businesses can leverage the recently released NACD 2016 Blue Ribbon Commission Report “Building the Strategic-Asset Board.”

Here’s how you can use this newest Blue Ribbon Commission report to benefit your organization:

1. Look for the focus on how directors can be better selected, updated and evaluated to meet your organization’s unique situation and needs.
2. Compare your present process for board-of-director onboarding to the suggested checklist.
3. Review the series of appendixes, which can be used like off-the-shelf templates you can customize for your business.

New Evaluation for Boards of Directors

Applying the suggestions in this report can help increase the strategic level of accountability and human-capital development for your organization. Boards of directors have consistently raised their game to hold the CEO and key management groups accountable. But there has been less of a framework available for best practices to evaluate individual directors and hold them accountable for upgrading and increasing their value to the organization.

A faster-changing world is relentlessly forcing strategy revisions in ever-shorter intervals. The resources in this report make it easier to apply a greenfield, or clean-sheet, assessment of your board of directors every two to three years.

Key to this re-evaluation process is a scorecard recapping the key skills and expertise needed for the near term, middle term and longer term. Appendix D provides a Multiyear Board Succession Planning Matrix to compare to your current process of selecting and evaluating directors.

A common complaint in Summit discussions was the limited support provided to onboard directors after what is usually an expensive selection process. The concept of sink or swim until you find a kindred spirit does not work at the entry level, nor should it exist at the highest strategic levels. Appendix F is titled New-Director Onboarding Checklist. (As an aside, you might also want to compare your current merger-and-acquisition checklist to this list.)

Probably the main cost-saving gem for many readers of this report is the 14-page Appendix H: Board and Committee Evaluation Templates. Getting that first draft of any board or companywide evaluation policy normally involves far too much time and expense. Many middle-market companies will be pleasantly surprised at how little effort and time are needed to create an evaluation process when you use this as your first draft.

Into the Future: Foreseeable Consequences or Changes

An overview of speaker presentations and attendee follow-up discussions at the NACD Summit points to three likely changes:

1. An increased justification for more specialized training for existing directors, which will complement their invaluable knowledge of organizational history. This should improve the company’s critical ability to spotlight potential million-dollar blind-spot opportunities and risks.
2. A more visible need for outsourcing extremely specialized support. For example, small- and medium-sized organizations need access to skilled expertise in areas like cyber, digital and independent ERM (enterprise risk management). With more pressure to re-evaluate which directors should be retained, more of these specialized areas will fall under the “make-or-buy” microscope.
3. Greater turnover at the director level. With more cost-effective methods and principles in place for evaluating the areas of board expertise needed, shortfalls will become increasingly more obvious.

 Using the Information

This article is written from the perspective of middle-market businesses and others at an early or middle stage of their risk-and-compliance journey. Consider how you can adapt the suggestions for your own unique situation. By doing so, you will increase your organization’s ability to survive and thrive in an ever-changing and more challenging environment.

For further information, you can access the National Association of Corporate Directors’ executive summary and blog overview at http://blog.nacdonline.org/2016/09/three-ways-to-build-a-strategic-asset-board/.

Gary Patterson, the FiscalDoctor® (www.FiscalDoctor.com), helps leaders find Million Dollar Blind Spot opportunities and risks, in time. He is an experienced consultant and speaker who also authored the highly pragmatic book “Million Dollar Blind Spots: 20/20 Vision for Financial Growth.”