



CORPORATE BOARDS **USA**

Boardroom Fundamentals 101

Module 6: Habits of Highly Effective Directors: Tying it all Together

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INTRODUCTION

Now that you have made it this far, you are probably ready for board service. This module will cover:

- Desirable traits boards seek in director candidates
- Due diligence to conduct in deciding whether to accept a board appointment
- Performance characteristics of effective directors
- Sample questions board members should ask management



DUE DILIGENCE

Ask questions:

- What is the company's long-term strategy?
- What is the company's competitive advantage? How do you differentiate yourself?
- Is future growth expected to be organic or through acquisitions?
- What are you looking for in a board member?
- Describe the current board and board dynamics
- What is the relationship between the board and management?
- What are the biggest challenges and opportunities currently facing the company?
- What is the relationship with major shareholders and regulatory agencies?

DUE DILIGENCE (CONT.)

Request documents to review:

- Strategic or business plan
- Financial statements and projections
- Code of conduct and ethics
- High level organizational chart
- Risk management plan
- Significant litigation
- Directors and Officers Liability Insurance Policy
- Internal audit reports of high-risk areas
- Regulatory agreements

PERFORMANCE CHARACTERISTICS OF EFFECTIVE DIRECTORS

Preparation:

- review critically board materials prior to meetings
- develop list of probing questions to be asked at meetings
- stay abreast of industry developments
- maintain open communication with chair and other directors

PERFORMANCE CHARACTERISTICS OF EFFECTIVE DIRECTORS (CONT.)

Attendance at meetings:

- be on time
- make every effort to attend all board meetings, in person and virtual
- remain engaged and attentive
- ask probing, open ended questions
- listen carefully to what is said and not said
- share insights, speak up
- encourage other directors to express their opinions (avoid dominating discussions)
- respect disagreement

PERFORMANCE CHARACTERISTICS OF EFFECTIVE DIRECTORS (CONT.)

Outside the boardroom:

- attend continuing education programs
- leverage your network to assist management and the board
- serve as an advocate or ambassador for the company
- develop strong relationships with other directors and the CEO

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT

Strategy

- Is plan feasible?
- What are overall benefits of plan?
- What are impediments to achieving the goals?
- What alternatives were considered and rejected?
- What is the competitive environment?
- Is company adequately staffed to successfully implement plan?

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT (CONT.)

Financial Performance

- How does company performance compare to peers?
- What are the key elements of financial results?
- Are positive results driven by sustained growth or one-time gains?
- What is the timeframe and plan for turning around negative results?
- How are shareholders and the investment community reacting to financial performance?
- What are the impacts of current and anticipated economic conditions?
- How is the relationship with external financial statement auditors?

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT (CONT.)

Ethics and Compliance

- What keeps you up at night?
- What is the corporate culture?
- How is employee morale?
- How are high risk compliance issues being remediated?
- Is staffing adequate to ensure a robust ethics and compliance program?
- Does the company have a “safe to speak up” environment?
- How are employees held accountable for ethical behavior?
- What is the relationship with regulators?

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT (CONT.)

Human Capital and Compensation Programs

- How does the company's talent strategy align with the business strategy?
- What are the results of employee engagement surveys?
- Are employee development, training and evaluation programs effective?
- Are effective succession plans in place throughout the organization?
- Do the compensation programs align with company's mission, vision and goals?
- Do incentive compensation programs encourage the right type of behavior?
- How do compensation programs compare to peers?
- Do compensation programs help to attract and retain high-performing employees?

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT (CONT.)

Risk

- How are the top risks being managed and mitigated?
- How is risk appetite established and measured?
- Do employees understand the company's attitude toward risk?
- Are risk trends increasing, decreasing or remaining stable?
- Are employees held accountable for excessive risk taking?

SAMPLE QUESTIONS BOARD MEMBERS SHOULD ASK MANAGEMENT (CONT.)

ESG

- What is our ESG strategy and who is leading the effort?
- What ESG frameworks and ratings matter the most?
- How are our peers and sector leaders reporting ESG?
- Is the company adequately staffed to deal with the demands of tracking and monitoring ESG progress?
- What do our shareholders consider the top ESG issues to address?

WRAP UP

Board service is very rewarding, challenging and engaging. It can also be time consuming, difficult and stressful. So make sure:

- You understand your role
- You do your homework
- You feel you are a good fit
- You have the time and, most importantly,
- You believe board service is an undertaking you would enjoy!



QUESTIONS?

Contact Linda via email → lindaiannone35@gmail.com

END OF MODULE 6



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