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## Making a Difference: Practical Tips to Becoming a High Performing Board

# Shooting for Director Excellence

Fundamental Ingredients of an Effective Board

The “G.R.E.A.T” Method

- **Governance** is understood
- **Roles** are defined
- **Evaluations** are conducted annually
- **Assertive** communication occurs
- **Train** the Board regularly



# What is Governance?

- Governance is about leadership and ensuring that an organization is effectively and properly run.
- It is distinct from day-to-day management and operations delegated to staff.
- Governance and delegation
  - Governance is not necessarily about **doing**; it is about **ensuring things are done**.



# Fiduciary Duties in Governance

Act in good faith; impartial manner; avoid conflicts of interest

- Duties of Skill and Care
- Law Abiding
- Due Diligence
- Duty of Continuance



# Business Judgment Rule

- This rule is the standard by which a court would judge the actions of a board member.
- The focus will not be on the **result** of the decision the Director made, but on the **process** by which the decision was made.

## Why?

- So as to encourage **entrepreneurial risks** by protecting board members from liability for **good faith, non-conflicted, informed, and rational business decisions**.



# Your Role as a Board Member

- Board Member
  - Establish Goals for the Organization and Management
  - Develop Strategic Plan
    - Implementation of goals and strategic plans is the responsibility of management
- Board Committees
  - Why have them



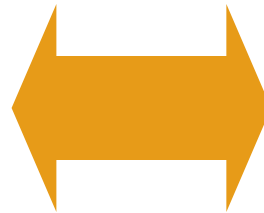
# Board Responsibilities

- Comply with all laws and regulations
- Establish core policies
- Conduct orderly and productive meetings
- Conduct planning sessions
- Hire capable management
- Have formal succession plans
- Not avoiding or deferring on decisions



# Separation of Responsibilities

The Board sets  
direction and  
accountability



The Managers  
carry out Board  
direction and  
conduct the daily  
operation of the  
business





# Board and Management

## BEST PRACTICES

As a **Board**, we can

- Make good use of Resources (including outside experts - auditors and counsel)
- Evaluate our own performance
- Get direct report(s) from managers
- Reaffirm our Policies and Goals (constantly)



# Board and Management

## BEST PRACTICES

As a **Board Member**, we can

- Work through the Board, not around it
- Respect each other and
- Use the diversity of the Board members
- Support the Board's goals outside the meeting
- Ask questions and (probably) not stop with first answer



# Board and Management

## BEST PRACTICES

To Support the Board, management must:

- Keep the directors adequately informed.
- Implement the board-approved strategic plan.
- Develop policies, formal or informal, that define the company's risk tolerance and are compatible with the Board's strategic plan.
- Oversee the development and maintenance of management information systems to ensure that they are timely, accurate, and informative.
- Make sure that the board's strategic plan and risk tolerances are communicated and adhered to throughout the organization.



# Maximizing Board Effectiveness

Five steps to ensure the Board is effectively monitoring the company's performance;

1. The board must provide with management on a strategic plan for one year and a long period (e.g., three – five years). The specifics of what such plans cover will vary among companies but should always include financial and competitive goals.
2. Regular review of how well the annual plan is being executed and of the results achieved.



# Maximizing Board Effectiveness

3. Once each year the board should review company performance against both the annual and the longer-term plans to see how well the plans are being executed.
4. This strategic review should be a central input to the board's annual performance review of their CEO.
5. Based on this annual review, the board should discuss, revise if necessary, and approve management's execution of the strategic plan for subsequent years with special attention to the match between this plan and any changes in the company's environment.



# Evaluating the Effectiveness of the Board

## Why?

- Accountability and improvement
- Board holds the staff responsible for good management, strategy implementation and proper use of organizational resources to serve the mission.
- Board should be accountable for the effectiveness of the company's governance and finding ways to strengthen its service to the organization and its mission.



# Evaluating the Effectiveness of the Board

## How?

- Self-assessment
- Peer to Peer assessment

## When?

- Probably full-scale assessment once every two or three years with interim “check-ups” to monitor progress on objectives set after last assessment. Some specific situations may prompt an assessment also.



# Planned Director Succession Goals

- Incorporate new perspectives and provide opportunities to challenge established methods
- Allow consistency, continuity and structure
- Opportunity to be deliberate and proactive in preparing for, and managing, Board turnover
- Better focus on identifying needs and potentially good Directors and provide a method to take advantage of those opportunities.
- Usually requires establishing a Board committee to manage the process (recruitment, evaluation and training of potential board members)





# Practical Tips

## STRENGTHEN YOUR BOARD GOVERNANCE

- Can You Answer: “Where do you want your organization to be in 5 years”?
- Have a Clear, Up-to-Date Mission Statement
- Know Your Duties . . . And Your Liabilities as Board Members
- Get the Right People Around the Board Table
- Have a Policy on Conflicts of Interest
- Build Teamwork – Integrate and Train New Board Members



# Practical Tips

## STRENGTHEN YOUR BOARD GOVERNANCE

### **Make Sure the Board is Getting the Right Information in the Right Format**

- Utilize Board Committees
- Have Clearly Defined Roles and Responsibilities . . .  
. . . Particularly with the Board and CEO
- Know if You're On Track: Measure Your Board Performance!



# Questions?



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