

Constructive Analytical Introspection...helping the board assess its performance through self-reflection

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2012 was a very exciting year for XCEO Inc. All of our work was unwaveringly focused on improving performance in the boardroom. We made tremendous progress by introducing an array of new products and services regarding risk oversight. We significantly enhanced several of our existing offerings, such as, our exciting board portal, BoardPortal PLUS®. As this year races to an end, and next year rushes in, I want to share a few thoughts regarding our efforts to inspire directors by helping their boards assess their performances through self-reflection.

At XCEO, we continue to believe that leveraging good governance is the key to building long-term shareholder value and earning broad-based stakeholder appreciation. Our work confirms that Enlightened Governance is the pathway toward improving boardroom effectiveness, and attitude and behavior are the key performance drivers.

Many of you are aware of the passion that XCEO has for delivering long-term shareholder/stakeholder value. All of our work is aimed at helping boards, and individual directors, to raise their performances to the highest levels they are capable of achieving. Enlightened Governance is the XCEO characterization of the principled leadership of high-performance, or highly-effective, boards of directors. We believe principled leadership is rational and requires action beyond obligation to maximize long-term shareholder/stakeholder value.

We suggest the best way for boards and directors to achieve high levels of effectiveness is through "Constructive Analytical Introspection", the process of helping the board, and its directors, assess their performances through self-reflection. When done appropriately, Constructive Analytical Introspection will provide the board valuable insight into its perception of its current effectiveness, relative to...its current expectations, prior assessments of its performance and industry norms. Better than any other constituent, the board is in the best position to objectively assess how it feels about its own effectiveness.

To maintain its effectiveness, the board must develop a process to guide its directors toward excellence. This process will help mitigate enterprise risk by enhancing the oversight of the board's responsibilities.

Individual director personal leadership is the catalyst for accountability and performance, and it is paramount to building a highly effective board. As a consequence, enlightened directors acknowledge the need, and consistently seek opportunities to improve their overall personal leadership performance. The best directors understand that maintaining their effectiveness in the boardroom requires a high degree of confidence and a willingness to learn and grow as individuals.

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It is critically important that directors understand and agree on, *what* matters in the boardroom. Further, they must establish *how* to most effectively measure what matters in the boardroom. Finally, directors have to *lead and manage* accordingly for results.

The board is responsible for taking appropriate action to ensure its performance meets the expectations of its shareowners. It is insufficient to simply meet the board's expectations, unless they exceed the reasonable expectations of its shareowners/stakeholders. As part of its risk oversight responsibilities, each board needs to implement a comprehensive evaluation process to assess its effectiveness.

It should be unacceptable to the board, and its investors/funders, if the board does not have a clearly defined and effectively administered methodology to measure its effectiveness through a quantifiable and qualitative process. The process must inspire each director to actively engage in a continuous effort to improve his or her individual contributions, as well as the overall success of the board.

Again, at XCEO, we are encouraging boards and directors to strive to achieve high levels of effectiveness through Constructive Analytical Introspection. They have the best vantage point to assess their performances through self-reflection. When done appropriately, directors are sure to gain valuable insight regarding their effectiveness, resulting in better returns for their organizations.

About XCEO, Inc.

XCEO, Inc., is a leadership and governance consulting firm focused on providing corporate and public sector boards and directors full service offerings including individual director education and development, board recruiting and on-boarding services, automated performance assessments and a secure board portal for increased efficiency, communication and collaboration. Through its professional mentoring services, XCEO also works with senior executives on personal leadership and entrepreneurial initiatives as well as professional advancement strategy and positioning. XCEO serves clients ranging from Silicon Valley start-ups to Fortune 500 companies. Learn more at <http://www.xceo.net>.

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