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The XCEO Integrated Board Leadership Process

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At XCEO, we continue to espouse the concept of *enlightened corporate governance* as the foundation for building sustainable shareowner value with extreme *personal leadership* as its cornerstone. Together, we believe they form the board's value proposition to its investors for mitigating risk in the boardroom.

The XCEO Integrated Board Leadership Process provides the corporate governance committee, and the full board, an improved methodology to develop and maintain a highly effective board. This process will help mitigate risk and enhance the oversight of the organization's strategic direction by integrating internal and external corporate governance support services in a similar manner as compensation and audit committees.

For example, the audit committee regularly partners with the financial organization and external auditors. The compensation committee frequently partners with the human resources organization and compensation consultants. However, while the corporate governance and nominating committee regularly partners with the board secretary, it partners with non-management resources, such as lawyers and executive recruiters, infrequently for a subset of its responsibilities.

While leveraging good corporate governance is the key to building long-term shareholder value, it also provides the basis for earning broad-based stakeholder appreciation. Furthermore, *enlightened corporate governance* provides a pathway toward improving boardroom effectiveness, because it helps shape director attitudes and behaviors, which are the key performance drivers.

Like most effective organizations, the board's ultimate success is dependent on the performance of all of its parts. Therefore, no single committee is likely to be successful without the full support of the board. Likewise, it is doubtful that a board will be successful if its committees are not successful. In other words, no board, or committee, is an island unto itself. All elements of the board infrastructure must work together effectively in order for the board to achieve a high level of leadership performance.

The pathway to boardroom effectiveness is a function of where *director engagement* and *governance leadership* intersect on the XCEO Board Leadership Effectiveness Grid, which helps to define and illustrate our rationale: the Integrated Board Leadership Process.

Similar to our other products and services, the XCEO Board Leadership Effectiveness Grid is designed to assist boards in assessing their overall leadership effectiveness. It provides measurable outcomes that are based on the board's own assessment of its director alignment and governance leadership. There are six possible outcomes of the analysis, of which only three are deemed to be acceptable. The other three outcomes identify various ranges of needed improvement. However, for those boards seeking to demonstrate *enlightened corporate governance*, there is only one desirable outcome.

The Integrated Board Leadership Process is based on the premise that board leadership is a shared responsibility. We believe that each member of the board has a responsibility to seek knowledge and opportunities to be fully engaged in all boardroom deliberations, including participating in committee work as well as board work.

To be successful in dealing with the wide range of issues and challenges boards are faced with, the directors must always be appropriately aligned. However, being appropriately aligned does not suggest full alignment with each other on all issues. Directors should infrequently be fully aligned on all issues at all times. This level of alignment is likely to evolve into a boardroom of complacent and apathetic directors. In order to mitigate risk of potential unintended consequences, as a direct result of the full alignment phenomenon, directors must demonstrate the courage and understanding, by valuing the enlightened director alignment process as defined in the Integrated Board Leadership Process.

A comprehensive governance leadership program is the other dimension to the XCEO Board Leadership Effectiveness Grid. This is a process-driven responsibility of the board, which is most often assigned to the corporate governance and nominating committee. There are three very specific functions within the scope of governance leadership, including 1) Process deployment: which includes organizing, implementing and coordinating the board infrastructure; 2) Process management: by providing leadership for achieving the board's stated objectives; and 3) Process assessment: evaluating the overall process effectiveness.

The Integrated Board Leadership Process is designed to assist the corporate governance committee, and the full board, in developing or maintaining a highly effective board which is profoundly positioned to mitigate risks. This process should incorporate corporate governance partners, similar to the compensation and audit committees.

The XCEO integrated board leadership process provides a thoughtful way and exciting opportunity for the corporate governance and nominating committee to broaden its base of support for the board.

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