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Personal Reflections on the NACD Corporate Governance Conference 2010

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A few weeks ago, in a gala ceremony in Washington DC, the National Association of Corporate Directors (NACD) honored me with the 2010 B. Kenneth West Lifetime Achievement Award. It was a wonderful evening of friendship and celebration.

I had the pleasure of sharing the podium with two directors who were recognized for their exemplary governance leadership. Richard (Dick) L. Keyser accepted the 2010 Public Company Director of the Year Award for his work at Principal Financial Group and Zebra Technologies, and Josh Beckenstein was recognized with the 2010 Nonprofit Director of the Year Award for his long-standing, strong commitment to giving back to the community. I was thrilled to be in the spotlight with them.

It was a wonderful evening to be in Washington DC. In addition to the political excitement, or anxiety, in the air, it was a great time for celebration. The evening was filled with festive entertainment from Prince George's County Public Schools, Center for the Visual and Performing Arts, Suitland High School, Forestville, MD. They marvelously showcased a sampling of the young talent enrolled in their programs.

Also, I must acknowledge, I enjoyed the many accolades that highlighted the evening. Listening to my fellow board members, such as Chad Holliday, Steve Loranger and Father Dennis Holtschneider, as well as our XCEO consultant Neil Jackson singing my praises did make me feel quite good about my governance work. And it was a special touch for the current Chairman and CEO of DuPont, Ellen Kullman, to attend the celebration. She was there, along with two members of her executive team, to introduce me to the audience of more than 800 guests.

After a big heartfelt thanks to Ken Daly and the Honorable Barbara Hackman Franklin, NACD CEO and Chairman respectively, as well as the NACD board of directors, I graciously thanked the audience for honoring me.

I also recognized the XCEO team members for their passionate focus on governance leadership, because they truly embody the essence of my passion for extreme personal leadership and enlightened corporate governance. Finally, I paid a special tribute to my spouse, Gina, who attended the recognition event, for her unwavering support during my career.

As I told the audience, I am flattered, honored and thrilled to be the 2010 recipient of the B. Kenneth West Lifetime Achievement Award. While I recognize there are many directors who may be equally deserving of this recognition, I am pleased that this time the NACD selected me.

During my short time at the podium, I briefly outlined a couple thoughts that continually influence my attitude and behavior as a director. They are centered on: mitigating risks in the boardroom and improving boardroom effectiveness.

I focus on these two areas because still today, nearly 55% of directors believe that their board performance evaluation process is only "somewhat effective" or worse. Further, nearly 70% of directors believe their risk as a director has increased over the past two years.¹

I believe personal leadership is critical to improving our effectiveness in the boardroom. I have outlined the way

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we can achieve it:

- First: *Acknowledge good corporate governance* as the key to building long-term shareholder value and earning broad-based stakeholder appreciation.
- Second: *Leverage Enlightened Corporate Governance* as the pathway toward improving boardroom effectiveness.
- Third: *Recognize Attitude and Behavior* as our key performance drivers.

As I describe in my book, *Compliance and Conviction: The Evolution of Enlightened Corporate Governance*, at XCEO, we categorize boards into three distinct groups. They are as follows:

- Traditional Boards: Those that reluctantly do what is acceptable. They believe external intervention into boardroom matters is unneeded and undesirable.
- Standard Boards: Those *committed* to doing what the shareholders, stakeholders and regulators expect. They have a heightened awareness of director's legal obligations and the board's responsibility to comply with laws and regulations.
- Enlightened Boards: Those inspired to do what is possible. These boards possess a strong sense of alignment with the shareholders' ownership of the company and other stakeholders' connectedness with the company. Because directors are reflections of their boards, their attitudes and behaviors can be classified into the same set of categories.

I believe the concept of *enlightened corporate governance is the foundation for building sustainable value and extreme personal leadership is its cornerstone. Together, they form the board's value proposition to its investors for mitigating risk in the boardroom.*

As has been demonstrated by recent pronouncements from the SEC, and others, the focus by all corporate stakeholders *outside the boardroom*, clearly demonstrates a continued intensified focus on activities *inside the boardroom*.

If we, as directors, fail to step-up our leadership and turn this perceived burden into an apparent opportunity, boards will continue to be barraged with unwanted and unnecessary mandates.

As a consequence, we have a tremendous opportunity, and immediate need to significantly raise our board leadership effectiveness. We should not wait to react to those who are least informed though they may have good intentions. We should take the offense and do what needs to be done, obviating much need for excessive external intervention.

Fortunately, we have a choice. We can *choose* to be traditional, we can *elect* to be standard or we can be *inspired* to be enlightened.

While each board has to decide which path to choose, I recognize that principled leadership requires action beyond obligation to earn shareholder value, therefore, personally, I choose the latter.

References:

1. What Directors Think Annual Board of Directors Survey 2009, Corporate Board Member & PricewaterhouseCoopers

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