



A Corporate Governance Year in Review

Written by Michelle Ronco

Article Highlights:

- Boards have established the need for partnerships where insight and processes have a direct impact on driving increased shareholder value.
- It's not about doing everything right, it is about making impactful adjustments, and utilizing the resources around you to best contribute.
- Your company may be performing well, however the goal is not simply to sustain current levels of success, but to continue to build and enhance effectiveness.

As we reflect on the corporate governance landscape in 2015, we are filled with optimism for the upcoming year. From companies turning the corner from a disastrous financial crisis to several key improvements in recruiting and board composition, there were constant reminders to our team that personal leadership in the boardroom is not an aberration, rather it is, or should be, a fundamental interest for each board and individual director. Improvements in governance information, sharing and solutions continue to be refined and made available, like those critical products and services provided by our XCEO team. Boards have established the need for partnerships where insight and processes have a direct impact on driving increased shareholder value.

Though the trend is "up and to the right", as our CEO, Dr. Curtis J. Crawford likes to say, there have been some developments, activities by different boards and governance firms that demonstrate, unfortunately, that we still have room for improvement. An article by Guhan Subramanian in the Harvard Business Review blog called, "Corporate Governance 2.0", highlights several "unintended consequences" of governance regulations, requirements and activities from what he describes as "vested interest and staked-out positions". Arguments highlighting the difficulty boards have in building for the long-term while meeting shareholder and Wall Street demands in the short-term, like Mr. Subramanian's, are many and are certainly critical as we reflect on how we can do better.

The article goes on to describe several changes that could be made to board activities, structures and shareholder communication to improve the sometimes antagonistic relationship between boards and shareholders and others. Although this article is not meant to debate specific issues such as board diversity requirements, age limits or ISS's QuickScore methods, I will take a step back to think about what is in my mind, Corporate Governance 1.5.

Corporate Governance 1.5 is not a debate on the success of regulations, or a policy scorecard, rather how we help directors understand and improve performance before we get to adding more rules, laws and directives. Corporate Governance 1.5 is about how directors are increasing their contribution to boards and shareholders by being smarter, that is by not only increasing time dedicated to the board, but also by utilizing resources around them and executing more effectively.

The old, new Corporate Governance:

Getting back to the list of noteworthy, if not curious, actions taking by several prominent boards and governance firms cited by Mr. Subramanian, these are examples of the new frontier of boardroom action where scores, litigation and board deficiencies are called out in the name of governance. Boards sometime react to mounting requirements in ill-advised ways, where well-meaning activities are not always well received. Reacting is not Governance 1.5.

When looking at the boards of successful companies, we believe that enlightened boards seek diversity as a competitive advantage. That enlightened boards believe that succession planning sets the stage for the entire company's focus on people development, and moreover, that enlightened corporate governance is all about the pursuit of what is possible versus what is required. Thus, whatever the current corporate governance trends, enlightened boards are covered.

The difference between a rule and a best practice is in the spirit of why. Why do boards invest in leadership development for its directors? Why do boards engage in thoughtful feedback for directors based on contribution and leadership? Why do boards make it a priority to engage in succession planning even when a new director is not required? At XCEO, we are sincere in our belief that progress occurs when boards have the tools and insight to affect positive change versus when boards execute



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against rules. The question for boards is how it gets done.

Looking forward to 2016, there are opportunities for boards and directors to make significant changes in order to improve their overall performance. Instead of reacting to rules, our concept of Corporate Governance 1.5 centers upon how personal leadership manifested through principled actions will continue to be a significant competitive advantage for boards in an ever-changing corporate governance landscape. Choosing to affect change in thoughtful and methodical way, utilizing proven solutions and incorporating the best processes, means being out ahead of the curve.

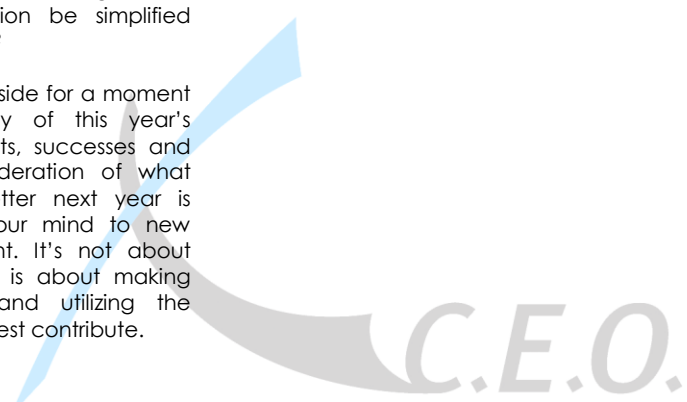
Making a commitment to allocating the proper amount of time, focus and resources to finding critical tools for solving common boardroom challenges such as succession, personal development, or board assessments, boards are sure to increase shareholder value. Boards will undoubtedly spend many hours satisfying requirements, but the spirit of Corporate Governance 1.5 is centered on progress. Boards acting with use of the best resources and the most relevant information possible, so as not to be on next year's list of what went wrong in governance.

Where do we go from here?

Understanding governance expectations and changes is as important to us as our clients. We are a dedicated partner to many boards and we evaluate articles, studies and feedback in order to provide valuable support to those we serve. In that regard Corporate Governance 1.5 is our driving force. We have to understand the why in order to continue to create products and deliver services that make a difference in the boardroom. What can we do to support our clients in making the succession process more effective? How do we deliver even more personalized, unique content to help clients prepare for board meetings? How can board communication be simplified further in a secure fashion?

Perhaps you too will put aside for a moment the weight and scrutiny of this year's governance developments, successes and missteps. Although consideration of what your board can do better next year is critical, so is opening your mind to new methods for improvement. It's not about doing everything right, it is about making impactful adjustments, and utilizing the resources around you to best contribute.

Your company may be performing well, however the goal is not simply to sustain current levels of success, but to continue to build and enhance effectiveness. Improving and getting better at what you do may require new ways of thinking about how your board achieves more. Try something new. As you think about how to augment your contribution to your board next year, it may be wise to embrace the spirit of enlightened governance, letting Corporate Governance 1.5 guide your strategy in order to let the why drive the how.



About the Author



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Ms. Ronco is the Chief Marketing Officer at XCEO, Inc. In this role she oversees all marketing, public relations and advertising in addition to working with the sales team to support its efforts by providing innovative and exciting campaigns, material and program content for all individual director and board clients. Specifically, Ms. Ronco is responsible for the continuing development, oversight and execution of XCEO's board succession, board effectiveness, director support services and BoardPortal PLUS™ offerings. Finally, Ms. Ronco is a principal in serving clients by delivering world-class consultative services, products and training.

Previously, Ms. Ronco was the Program Director of Corporate Governance & Board Leadership Development, leading the development and release of XCEO's online Extreme Personal Leadership Tools. Ms. Ronco also designed and created XCEO's Enlightened Corporate Governance Board & Director Evaluation Program intended for use in corporate boardrooms around the globe. Ms. Ronco is a member of XCEO's executive team in addition to being the principal publisher of the books *Corporate Rise and Compliance & Conviction*.

Michelle earned her MBA with an emphasis on Finance and International Business from Santa Clara University in Santa Clara, California. She also holds a Bachelor of Science in Commerce (BSC) in Economics and Operations and Management Information Systems from Santa Clara University. She previously served on the board of directors of the Mexican American Community Services Agency (MACSA), and was a member of the National Society of Hispanic MBAs and National Association of Women MBAs.

About Our Organization

At XCEO, Inc., we believe individual leadership is the driving force for inspiring creativity and ultimately maximizing intellectual capacity. We provide individual and corporate development in the principles of *Extreme Personal Leadership*®. We call this *X-Leadership* and it is the touchstone of our company.

In today's globally competitive world, intellectual property is a key indicator of long-term success. Corporations and individuals are seeking knowledge intensive solutions to sustain a competitive advantage. At XCEO, we offer *Professional Mentoring and Personal Leadership Development* programs, as well as *Corporate Governance and Board Leadership Development* programs, for high-aspiration individuals and forward-looking corporations.

Through our Professional Mentoring and Personal Leadership programs, we assist individuals in developing personal career and development plans to achieve senior executive-level positions. We also support corporations that recognize the need for a broad array of development options for their high-potential employees being groomed for senior leadership responsibilities.

As part of XCEO's pursuit of enlightened corporate governance, we have created the *Enlightened Corporate Governance Board Performance Evaluation Program* to support boards and directors in their pursuit of excellence. Through our program, we are leading the movement past compliance, toward principled action which maximizes shareholder value. We have designed a set of eight individual and board evaluation exercises which provide an exceptional opportunity for directors to take their boards to a whole new level of effectiveness.

XCEO is a unique research, development and consulting firm. We are committed to excellence and the pursuit of *Extreme Personal Leadership*®. We specialize in inspiration, and endeavor to inspire highly enlightened executives and high-aspiration individuals to pursue maximum personal achievement. We have a leadership team of highly trained and highly motivated colleagues who are eager to serve our clients. Excellence is our goal. We are located in the heart of Silicon Valley and we stand ready to help our clients achieve extraordinary levels of performance and success.

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