



- **“BOARDROOM ROUTINE” LETS BRILLIANCE FLOURISH**
- **NEW IDEAS FOR FINTECH GOVERNANCE**
- **FIRST PERSON: HOW WOMEN MAKE A BOARDROOM IMPACT**
- **SCOTT LENET ON WHAT VC BOARDS GET WRONG**
- **5 TRENDS FOR COMP COMMITTEE ONBOARDING**
- **BI ONLINE FINDS - 7/19**
- **Q&A: Whistleblower Systems and Our Board**
- **Upcoming in B.I.....**

“BOARDROOM ROUTINE” LETS BRILLIANCE FLOURISH

We often view great achievements as the result of genius, intuition or happenstance, and doubtless some are. But think about your own personal experience, or the major successes you’ve witnessed over the years, and another model emerges. Planning, routine, practice and even bureaucracy were much more vital than some brilliant bolt from the blue. They allowed you to have the groundwork, rhythms and possibilities all bagged and tagged, ready to fulfill a plan, seize an opportunity, or avoid disaster.

A June article in the [*Wall Street Journal*](#) by author Sam Walker examines how the U.S. Navy uses such a “battle rhythm” concept to maintain readiness. “It has very little to do with firing weapons and everything to do with setting a routine,” Walker writes. The tempo of briefings, schedules, exercises, and procedures are repeated, honed and practiced until they become procedural muscle memory. Human nature doesn’t handle uncertainty well. Given the chance, we slack off. But then, when the unexpected strikes, we panic.

But, if we instead build a routine of busywork (including subroutines for when plans fail), there isn’t room in our minds for panic. We let the machinery of habit -- good habit -- carry us through.

Here at *Boardroom INSIDER*, we’ve pushed this approach to boardsmanship for years. You’ve been in board meetings where someone asked the right question at the tight moment, said “what if..” or “I know someone who..” and made a huge difference for the company. But these flashes of inspiration were backstopped by all the routine and taskwork that make a board effective.

Good board information packages, controls, and data dashboards -- and solid, enforced schedules and formats for delivering them to directors. Board and committee meetings with well-planned agendas, effectively chaired, light on PowerPoints, but strong on discussion. All board members are kept well informed, are accessible, know their roles, and don’t have time for any members who aren’t pulling their weight.

“Sometimes, the most powerful, awe-inspiring weapons in a leader’s arsenal don’t make any loud noises,” the *WSJ* article concludes. “They’re just humdrum things like consistency, order and discipline.” In a boardroom, routines like these give everyone the freedom to occasionally be brilliant.

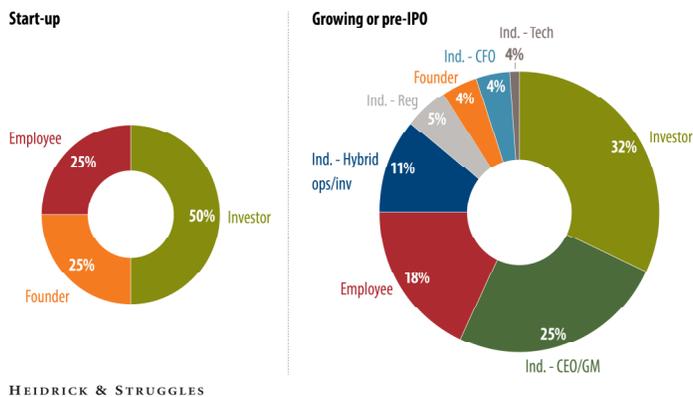
-- **RDW**

NEW IDEAS FOR FINTECH GOVERNANCE

The financial technology (fintech) sector is another of those instances where technology is both reinventing and creating a wholly new industry. By shaking up payments, banking, and other financial services, these hot new capabilities challenge the boards of mainline financials, and particularly new startups in the sector. Here are a few dawning fintech board issues (and answers):

■ Startup fintechs tend to have a shallow gene pool in the boardroom. A study by [Heidrick & Struggles](#) finds something like 75% of fintech startup board makeup is either founders or investors (*right*). Operational leaders, such as current or former CEOs or CFOs who've moved into the investing sector are rare. This leaves many fintech startups with boards made up of either funders or founders, with weak daily operational or management backgrounds. The Heidrick research finds that later-stage growth or pre-IPO fintechs work fast to boost their board diversity, particularly adding outside, independent membership.

Figure 1: Board makeup of early-stage start-ups versus later-stage growth companies



■ Finance experience is needed -- but not that common. Heidrick notes that young fintech boards too often lack seasoned, outside finance leaders, who are valuable in dealing with capital markets and tight regulation. Adding a skilled CFO to the board builds credibility, helps avoid internal control failures, and expands the startup's financial networking.

■ But don't think that the bigger, established financials expanding into fintech ace their governance tests either. "Banks are at the extreme when it comes to eliminating risk, but that can mean not doing anything new or innovative" -- like fintech, observes Jason Henrichs, founder of FinTech Forge and chairman of FinTEch. "Banks, in particular, have overdeveloped PMOs [project management offices], and don't deal well with fintech innovation." This extends to bank boards, which typically include talents the opposite of the innovative, fast-moving approach needed to exploit fintech change.

■ Fintech governance is tricky in part because it combines new tools with old financial operations. Thus, in the boardroom "everyone fancies himself an expert," Henrichs notes. All of us use financial services, so, no matter a director's background, he or she is sure of What We Need To Do Next. Board members can also fall in love with "vanity metrics -- how many signups we had, or the cost of acquisition for a client." Better to ask about payoff measure like activation rates, or "OK, we had one million acquisitions last month -- but at what cost?"

FIRST PERSON: HOW WOMEN MAKE A BOARDROOM IMPACT

You're new to the board of directors -- how do you make your voice heard, and how do you make a difference? Lately, a flood of female executives find themselves in this boardroom position, and asking these questions.

Fortunately, Clare DeNicola has been there, done that, and developed a few answers. After a career as CEO and a board member with tech company IVANS, DeNicola launched [the10company](#), a strategy and communications consultancy. As a side gig, she also targets career and image advice for women executives through a subsidiary called [Women Voices](#). As part of aiding women in shaping their careers, DeNicola advises both on breaking into the boardroom, and handling themselves once they get there. Here are some thoughts.

On the female boardroom migration: "We're seeing more women, but also a variety of expertise and age diversity too. Some younger and younger women are positioned for board service now. They bring skills in cybersecurity, digital transformation, or specific industry knowledge. But it's important for women to keep on promoting those capabilities and promoting their brand."

On the challenges the new women directors face: "If you are the first and only [woman board member], it can be intimidating, even if you've already climbed the career ladder. No one in the room looks like you or feels like you, and you can feel like an imposter and act too deferential.

On how new women directors should respond: "Know your style, and don't feel you need to conform. Even if you're quiet, you can amplify the board's ability to ask great, pointed questions. If you're facing a power play in the boardroom, the best defense is a good offense -- challenges to a female leader can zap her effectiveness, and board dynamics make it even more complicated. Women tend to avoid confrontation and use qualifiers when speaking -- "This idea may be off base," or "You may have already thought of this, but..." Get those out of your vocabulary. Also, when you first walk into the boardroom, read the room to see who the power players are.

Don't choose your seat based on sitting away from the base of power."

How to grow on a particular board: "Build your board ecosystem. It's so important to attend board dinners, and interact offline with the other directors. Join in informal conversations or education opportunities with the other members too. Be strategic about building your connections."

Finally: "Advocate for the *next* woman in the boardroom. Women make the most impact when they're not the only woman in the room, but when there are two, or three. Then it really matters -- you're not just women, but women directors. Try to get on the board's nominating committee, and prod diversity through an annual look at the company's governance. Hold folks accountable for making it happen."

SCOTT LENET ON WHAT VC BOARDS GET WRONG

Last year, U.S. venture capital investment hit \$100 billion, says [TechCrunch](#). With these sort of numbers, and this many VC partners sitting in startup boardrooms, there is plenty of opportunity for governance miscues.

Scott Lenet has seen the VC world in California from all sides, and has some good thoughts on where things go wrong in the boardroom, and how to get them right. Launching his venture career with Geocapital partners in 1992, he went on to co-found DJF Frontier, and currently runs Touchdown Ventures. (Plus, he teaches at UCLA and USC). Lenet took a few minutes out to share his views on getting VC governance right:

- "I've seen how quickly these startups can grow and become important, but there's a risk of hurting people if they're not run properly. There's very much a quasi-libertarian view that there are no rules, that entrepreneurs should be empowered, but monitoring them is the job for people on the board."
- "The number one [governance] mistake I see is directors not paying attention. But you can't really monitor and manage a board if there's nothing to monitor, so you have to have regular meetings, with the financial statements, to see how healthy the company really is. The financials are like a crime scene, and our job as a board is to investigate."
- "A problem of the industry is that most [VC partners] don't know how to be a director. There's no training, other than, if you join a firm, some senior partner may say come to a board meeting with me and watch. There's no testing, no qualification, and it's very uneven. There should be a chair to run the meeting and assure the agenda is covered, but, in many of these [venture] companies, the concept of the chair is whoever's the most powerful person in the room. The founder wants to be the chair, but without knowing how. People are thinking about power dynamics rather than running a proper meeting."
- "The single best thing that helps [VC board] maturity is when you add a true outside director. I went through this in negotiating with a founder. He was willing to have an outside director, but wanted the director to be there at his discretion. Companies grow fastest when we agree on adding a truly independent director. They elevate the discourse, and everyone tends to grow up and do a good job."
- "The power balance has shifted [on VC boards]. This has been the longest up cycle in my career, and when markets are up, power shifts to the entrepreneurs. It's extremely important [for VCs] to be seen as entrepreneur friendly now, and there's a trend toward founders keeping more control -- examples are Tesla, Facebook and Uber, where founders have unusual control of the board. A lot of VCs now give founders more power, thinking this could lead to a billion-dollar company, even if we don't like it."
- Still, "it's important to do a real CEO review, and it's just not the same without a real board. The purpose is not to fire the CEO, but discuss how to invest in growth. An separate executive session at the end of the meeting, where the chair or full board then give feedback to the CEO, is important too. Do it every time -- frequent, clear [board] communication with the CEO is crucial."

5 TRENDS FOR COMP COMMITTEE ONBOARDING

Once upon a time (or so we're told) serving on a board of directors was a simple, no-stress role. If so, those days are far behind us now, with the workload, technical knowledge, and legal dangers of directorship making the job just this side of do-able.

One area of your governance that has seen a stealthy but substantial increase in board demands -- the compensation committee. Far more complex pay packages, tough disclosure rules, and far more investor focus on exec pay mean that comp committee members must know more, do more, and be prepared to defend more. Yet too often new committee members (even the chair) are pitched into the job with little training.

The Center on Executive Compensation has just released a [study](#) on comp committee onboarding practices, and

we followed up with Ani Huang of the Center for some insights from their research:

- New comp committee members gain far more knowledge from personal contacts than through studying reports. “Chairs and directors are hungry for exposure to more experienced chairs and directors. They seek out buddies and mentors, as well as execs below the C-suite level who are more experienced.” To make your committee onboarding more effective, matchmake on this, and encourage new members to seek experienced committee teachers from their networks outside the company.
- Orientation ringmasters, not surprisingly, are most often “the chief human relations officer and head of total rewards. They tend to put together the details.” Before this, though incumbent comp committee members (especially the chair) should advise the CHRO on material *they* consider most useful for a novice member on paysetting, rather than just making a document dump.
- “We found that companies are willing to pay for training,” says Huang, perhaps as boards realize the complexities and legal dangers comp decisions now entail. Business school seminars and NACD trainings are popular, says Huang. Major comp/business consultants (EY, PwC, Russell Reynolds, KornFerry) provide thought leadership on paysetting, but still haven’t stepped up with much board education.
- The Center report also found boards working on continuity between departing and arriving comp committee directors. “There’s a transition period, especially for the new chair, and you should expect at least one full annual cycle,” for members to come up to speed. New comp directors shadowing outgoing members, and at least one committee meeting with both the departing and incoming chair presiding, are best practices. By the way, Huang says the study found the old practice of rotating members among committees (including chairs) less common as special skills and experience become more needed.
- The center research spotted a trend in the needs for more solid HR/compensation skill on the board dovetailing with board diversity demands. “There have been relatively few [committee] chairs with CHRO experience until now, but I think it’s going to change,” Huang observes. “Companies need to dramatically improve [board] diversity. You can’t require everyone to be a previous CEO, but there are more women in top HR roles.”

BI ONLINE FINDS - 7/19

- Risk monitoring and management exploded as a boardroom issue 10 years ago and, like the echoes of the Big Bang, we’re still detecting them. But how are global boards keeping tabs on company risk? UK law firm Eversheds-Sutherland has published a highly valuable [review](#) of best practices boards worldwide are using to monitor company risk.
- Here in the U.S., the Nasdaq exchange is proving a leader in corporate governance thinking and research. Their new [Nasdaq Corporate Governance Center](#) brings these resources together, and is well worth a look.
- What’s too much when it comes to board info packs (and what’s not enough)? How do make each scrap of paper more useful? The UK’s [NED on Board](#) group has given some good thought and research to the topic, and offers valuable reading.

Q&A: Whistleblower Systems and Our Board

Q: I serve as the general counsel and corporate secretary for a U.S.-based financial services firm. I can’t go into detail, but our company faced some compliance issues several years ago, and one element of our settlement is improvement in our internal whistleblower and hotline structure. Can you offer some best practices on when and how whistleblower matters rise to the board level, and how they should monitor the system?

A: Start with an effective triage system for whistleblower complaints, suggests Keith Darcy, president of Darcy Partners compliance consultants. “The board should have a policy that any investigation or referral about a person above a certain level should come to the immediate attention of the board.” The legal “corporate directors and officers” status, or someone who’s a VP or above, makes a handy first-cut on this. Company audit or legal staff typically handle the first intake of hotline complaints, and will then interface with the board as deemed appropriate. Typically the audit committee (through the committee chair) is the board contact for whistleblower matters (though financials such as yours may have a dedicated risk committee designated for intake).

Beyond personnel tripwires, the allegation itself will determine when a matter comes to the board. “Financial fraud related to Sarbanes-Oxley, or potential illegal activity that could harm the organization,” are common reasons for flagging an issue to the board, says Darcy. He adds that board escalation on alarms has grown more common lately, both for tactical reasons (it sidesteps potential interference by managers) and legal ones (board

involvement strengthens litigation privilege protections).

If your whistleblower structure requires an overhaul, however, the board needs to step back and examine its own monitoring and controls of the system. There are various [sample](#) whistleblower [policies](#) available online, but also assure that the board receives effective dashboard reports on complaints, resolutions, and the overall status of the compliance system.

The latter has grown more important, with boards expected to actively vet whistleblower systems as part of their growing compliance assurance role. “It’s important to see reports on *non-hotline* issues, such as auditor comments, complaints to HR or company counsel,” notes Darcy. Employees may still feel uneasy using the hotline system, and raise alerts through informal channels. If so, the board needs to know, both to see the full scope of concerns, and to judge why the formal hotline doesn’t inspire confidence.

Given your situation, the board needs to go the extra mile to not only assure whistleblower system compliance, but prove they take it seriously. “At board meetings, highlights of whistleblower reports should be drawn out, to see what’s important and follow any pattern of problems.” Find out what happens when someone calls, and how the resolution process works. “The board has to be informed on this,” Darcy concludes. “On compliance, we’re in a transparent world now.”

[“BOARD SEEKER” PAPERBACK AND AUDIOBOOK](#)

My new book, *Board Seeker: Your Guidebook and Career Map into the Corporate Boardroom*, was published last year by [Business Expert Press](#), and is proving a strong seller. Over the past few years, we’ve developed a lot of great information to help the executive “board wannabe” turn hopes for a board seat into reality. Now, I’ve collected and expanded on these insights to develop a road map for your board search. The link above has more detail, check out my [video](#) introduction, or follow up at [Amazon](#).

The [audiobook](#) edition of *Board Seeker* is also available through Amazon Audible. Stop in at the [Audible order page](#) for 5 hours of board-wannabe wisdom, read by Yours Truly.

COMING IN BOARDROOM INSIDER --

- ***HOW WE SHAPED A NEW BOARD FROM SCRATCH***
 - ***TAKING A “FURLOUGH” FROM A BOARD***
-

Ralph Ward’s upcoming Boardroom Masterclass and speaking engagements:



The **Boardroom Masterclass** is headed back to Africa in August for [PWC Ghana](#). In July, it’s the [Quest Institute](#) in South Africa. Check out both sites to register now.

Visit the [speaker](#) page on the *Boardroom INSIDER* site for links to keynote speech videos, and also my listing on the [eSpeakers](#) site. **Pending webinars through [GRCEducators](#) and [AudioSolutionz](#) - check their websites for details and to register.**

RALPH WARD’S BOARDROOM INSIDER is published monthly for directors, CEOs, those who work with corporate and nonprofit boards (corporate secretaries, corporate counsel, support staff, and consultants), and those who are board prospects.

Ralph Ward is author of the books *BOARD SEEKER*, *BOARDROOM Q&A*, *THE NEW BOARDROOM LEADERS*, *SAVING THE CORPORATE BOARD*, *IMPROVING THE CORPORATE BOARD* and *21st CENTURY CORPORATE BOARD*, and a speaker on corporate board issues. Keep up with us on Twitter at [@boardroominside](#).

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