The ROLE *of the* BOARD

Strategy and Effectiveness

FEMTON
STIFTELSE

The Board

The board is the *governing body* of the firm, the key element between the shareholders and the firm, that makes decisions on behalf of the shareholders / principals.

The traditional governance missions of the board are: *strategy* review, development and implementation; corporate *performance* review and evaluation; *auditing*; *risk management*; and, for sure, *Chief Executive Officer nomination*.

Strategy

Boards are generally makes decisions on firm's significant investments, mergers and acquisitions, critical regulatory or political changes, and usually bring pressure on management by setting performance goals with the focus mostly on financial figures. The recent trend is to add other goals and objectives with the focus on *sustainable performance and long-term value creation.* The board is responsible also for policy development and implementation - policy governs the way in which firm carries out its goals.

While a board can play different roles - the strong supervisory role on the one hand, or just to act as support for management on the other hand - the board is substantially responsible for the long-term success of the firm. First of all, the board must ensure that the *firm has a proper strategy*, both for today and the future. In the next place, the board have to implement a *proper mechanism for the review and development of a long-term strategy*. Hence the strategy must be one of the major elements of the board’s activities.

Beyond all doubts, one of the board’s most visible and powerful contributions to the firm is the *nomination of a new CEO.*

The CEO is ultimately responsible for all day-to-day business decisions in order to reach the firm's short-term and long-term goals, the CEO is a key link between the board and the management of the firm.
In case the *power and talent of the CEO are in line with the firm's strategy*, the new CEO can mark the beginning of a new positive period for the firm.

Selecting board members is a challenging process, which becoming more difficult.
The board chairman's role is key in developing a successful board culture, and an effective culture can be somehow formalized in writing as a part of the firm policy for better understanding by all firm's stakeholders.

Effectiveness

An effective board develops and promotes its collaborative vision of the firm's purpose, culture and values. Boards should consist of highly trained professionals, who are exceptional in their relevant fields of activities. Effective boards establish performance and knowledge pre-requisites for individual directors, they educate and evaluate their board members.

Effective boards are created by effective chairman. The chairman creates the environment for overall board and individual director effectiveness. The chairman should demonstrate the highest standards of integrity and faithfulness, and set clear expectations concerning the firm's culture, values and behaviours, the style and ambience of board discussions.

High-quality decision making is a crucial requirement for a board to be effective.
Boards should minimize the risk of poor decisions by devote attention to design decision-making policies and processes - facilitate high quality board documentation, planning time for debate on critical business issues, providing clarity on the required actions, timeframes and responsibilities.

The board *nomination committee* should be responsible for board recruitment.
Appointing directors who are able to make a positive contribution, make good decisions and maximize the opportunities for the firm’s success over time - is one of the key elements of board effectiveness.

Diversity in board composition in terms of industry background, professional skills, gender and personality, is an important driver of a board’s *effectiveness* and could improve the *quality* of the board. The independence of board members is also crucial.

The chairman’s outlook for well balanced board composition will help board nomination committee identify required skills, develop intelligible *appointment criteria* and *succession planning* procedure.

Well-organized *leadership succession* can improve firm's performance and efficiency - choosing new leaders and senior managers during the succession process, the selection criteria should be clear and merit-based.

Board Leadership

In an effort to keep focus on the *strategy and effectiveness* in compliance with the firm's mission, vision and values, the board should consider the following governance guidelines:

- *Look into the **mission, vision and values** in relation to nowadays challenges and opportunities*
- *Ensure that mission, vision and values are **crucial elements of decision making** at all board meetings*
- *Regularly review the **strategic objectives***
- *Ensure that a flow of **new information, updates and assumptions** are presented at board meetings, and that board members use the information to **modify strategy** if necessary*
- *Constitute board **committees** and produce task force **reports** with focus on strategic issues*
- *Conduct an annual board **self-assessment** to identify gaps and governance improvement opportunities*
- *Develop and implement a process for creating an annual **governance improvement** plan*
- *Annually assess **organizational changes** to determine new governance skills required to improve firm's **effectiveness** throughout the change process and develop skills through board members **education and renewal***

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