

# Improve Board Performance With Web-Based Technologies

By Alex Sodi

At financial institutions, senior management, general counsels and directors face increasing workloads and responsibilities. Web-based corporate board portals are proving to be useful tools in managing board communications and information distribution.

The responsibilities of corporate boards and their individual directors have been given more than their share of the headlines in the last few years. It's been a rough ride for senior management, legal departments, directors and officers as shareholders, investors, eager watchdogs and the Securities and Exchange Commission alike have bounded from one issue to another in search of missteps and corporate governance malfeasance.

And the financial services industry – specifically the banking industry – has not been immune to this pressure. Unlike corporations in other industries, banking officials also need to navigate the ever-changing landscape of regulations by the Federal Reserve Board, Congress and state banking commissions, among others.

As a result, boards and those working closely with them are under unprecedented pressure to get it right – and the way in which they are meeting the demands of the new reforms is being watched closely.

Responding to the need for a deeper understanding of company activities, directors – 95 percent of whom come from outside the banking industry – now must receive, absorb and consider significantly more information than was previously the case.

## Web Portals

Changes in policy to realign corporate governance practices are more dynamic and far-reaching than changes in procedure, but it is these new procedures that are most tangible. One procedural change – the use of corporate board portals – has achieved a high profile based on its potential to enable better management and distribution of information within organizations. This Web-based technology was non-existent in 2000, and now is used by as many as 20 percent of corporate boards, according to the National Association of Corporate Secretaries – and has proven particularly popular among

banks, which often feature large boards and greater communications burdens.

Usage of these portals and digital board books is expected to grow, but that's not to say there aren't issues to be considered, and challenges to be managed and weighed against the benefits of easier access to board documents and archived material on demand; more efficient flow of briefing materials to boards; time savings in compilation of board books and a decrease in logistical errors in the production and distribution of board materials.

Preparing board materials for major meetings at most banks is highly paper-intensive. Each director receives hundreds, maybe thousands, of pages representing hundreds of man-hours of assembling, collating, printing and finally delivery, ideally in time for them to study before the meeting starts.

From a security standpoint, collecting and compiling so much sensitive material in one volume and dispatching it to all points of the compass is fraught with potential for disaster. Before the advent of corporate board portals, e-mail had been a small step in the evolution of board communications. While now ubiquitous, e-mail has its hazards. Applied to board briefing materials, these dangers range from accidental misdirection by assistants and corporate secretaries to the forwarding errors of directors themselves.

Web-based portals provide for a single, centralized database of documents that directors view using their standard Web browser. All the documents are encrypted so only the right eyes can read them and access is restricted to a select user group. Unlike e-mails, they are never “forwarded” or “sent” anywhere.

For every expert that dogmatically states directors couldn't even find their e-mails without their assistants, there's a growing number who bear witness to “director BlackBerry sightings,” in which directors whip out their BlackBerries to write and respond to e-mails during breaks in their meetings. At Diligent Boardbooks, we've seen both. Corporate secretaries and general counsels need to review and analyze their boards and assess their tech-readiness.

Corporate secretaries, general counsels and banks' boards, which all play a role in the decision-making process, also need to assess the range of Web-based board portal solutions available with an eye toward design, intuitiveness and customer support. Many providers fully understand their target audience – senior business people who may pronounce neither love nor aptitude for technology – and have designed their products with them in mind.

Many of the 20 percent of boards now using Web-based portals do so in tandem with “old school” methods (i.e. they have the board books mailed). So, while the general counsel and corporate secretary are utilizing the technology to more efficiently compile board books, they are making them available both on a secure Web site and creating printed books for distribution.

## Corporate Board Portals

A corporate board portal is a Web site designed to facilitate data exchange, often with the capacity to work on multiple platforms, such as personal computers and personal digital assistants.

The portal, and the software that operates it, resides in the software provider's system and is accessed by a bank's senior management and its directors through a normal Web browser in most cases. This “outsourced” approach replaces the costs of buying, integrating and maintaining specialized software with a single, predictable monthly fee. In return, the vendor provides a “ready-to-go” service complete with 24/7 expert technical support and a high level of physical and electronic security.

General counsels, corporate secretaries and directors receive training on the system. Typically, both digital and hard-copy books are created simultaneously for one or two meetings, while all the key players become familiar with the process.

Once fully integrated, general counsels and corporate secretaries create material, post the material internally and use the board portal technology to assist in the

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approval process. Once documents are approved, they are posted to the board portal site and made available for directors. Bank directors will typically be e-mailed or otherwise electronically notified when new documents are uploaded to the site. Directors seeking updates and information log into the secure Web site, enter in their passwords and can view newly posted material, archived material and more. Bank directors can review their documents as they are posted or wait until the entire book has been posted.

As board books are put together, materials are often changed, updated and amended because of changing market conditions, etc. The Web portal is updated in real time to reflect these changes, replacing the cumbersome task of mailing out updated materials and asking directors to insert new material manually.

## Web-Communications

Web-based portals – when properly implemented and used – can enable a board to streamline its agenda and introduce new, more efficient procedures because information can be handled faster. This can leave directors more time to invest in the major issues, with less stress surrounding the process.

As these digital technologies gain acceptance, we believe these solutions will undergo further change in terms of customization and functionality to meet the changing needs of directors.

Just as Google and other search engines permit a user's home page to be customized, board portals can be adapted to accommodate customized news feeds from various sources. These sources can include regulatory agencies, trusted news sites and industry associations. The goal of such an enhancement would be to provide directors with the information necessary – whether generated from within a company or outside – to allow them the best opportunity to add value to an organization. ▲



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## New Approaches

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and demonstrating expertise in the area of need for the hiring organization. This process uncovers candidates missed by other search firms because it identifies top performers who may not be looking, are happy and successful in their current positions and who ordinarily escape scrutiny. The best search firms do not stop working when they present four or five candidates. They stop only when they have examined every candidate in a target market.

3. *Do they look beyond a candidate's pedigree?* A degree from an elite university and a history of being hired by leading providers does not always guarantee success. A track record of high achievement on the job is a far better indicator of future performance than a school's name on a diploma. Search firms must be savvy enough to look beyond appearances to determine true ability and accomplishment.

4. *Do the candidates they uncover create success where they are now?* In sports, there's the curse of "potential" – the athlete who never lives up to his or her billing. In business, there's a similar phenomenon to which many search firms are blind. In short, do they look for people who can potentially learn on the job or do they deliver people who are already demonstrating that they can do the job well?

5. *Do they find the person who's qualified or the person who's available?* Too often, search firms will present candidates who are available or simply eager to take on new challenges, rather than candidates who have demonstrated an ability to excel when faced with new challenges.

Recruiting and retaining top employees is an important objective of any company. For a bank or wealth management provider, with its requirements for specialized skill in the face of a limited talent pool, recruitment is an even bigger and more important challenge. At a time when the competition for top performers is intensifying, banks need to consider different search approaches than they have employed in the past. ▲



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