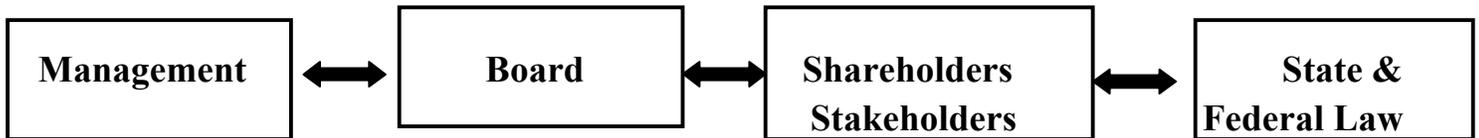


Governance on the Head of a Virtual Pin
by D. Boxer, [UMeLaw School Governance](#). Course

1. It is crucial to know the respective roles, rights, interactions, responsibilities and authority of:



2. Accept that there will be conflicting interests as well as conflict and tension all around. The Board should balance many stakeholder interests to assure a prosperous future for the organization.

3. Management is spending other people's money as well as taking care of itself. This demands oversight and is why a Board is necessary. Here is a basic list of Board duties. Some involve oversight; some involve providing advice or guidance.

1. STRATEGY; 2. RISK UNDERSTANDING; 3. FINANCIAL OVERSIGHT; 4. COMPLIANCE, ETHICS and SOCIAL RESPONSIBILITY; 5. EXECUTIVE COMPENSATION AND PERFORMANCE; 6. HIRING THE CEO, SUCCESSION PLANNING, HUMAN CAPITAL; 7. BOARD OPERATIONS - INCLUDING EDUCATION EVALUATION and ADVICE; and 8. MANAGEMENT GUIDANCE AND MENTORING

4. Knowing the duties and checking the right boxes provides insufficient value unless Board questions are deep and demanding and the Board drills down into each duty. There is no such thing as a dumb question unless asked to show off or monopolize the discussion. Boards are human, so beware of: cognitive biases, impact of social and business connections, bad/greedy people, big egos, lack of diversity, entrenchment, groupthink, dysfunctional deference to the CEO.... and too much time spent listening vs. discussing real issues. Understand that true “independence” goes far beyond tight legal definitions.

5. The Board is the only part of the organization that nominates, perpetuates, evaluates, entrenches and sets its own pay and rules. Those are heavy responsibilities, often abused.

6. The courts have a very low standard of accountability for boards. The Business Judgment Rule protects all but intentional disregard of duty. The federal government and activist shareholders are making headway into what has always pretty much been mainly state law and private governance turf.

7. The secret formula: (a) know what the Board is supposed to do; (b) have the right unbiased information to do it; (c) don't just accept what is presented -- probe the how and the why; (d) always debate the alternatives, costs and trade-offs; and remember (e) The Board is the boss.