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Margaret M. Foran is an established leader in US corporate governance. She is currently Chief Governance Officer, Senior Vice-President and Corporate Secretary of Prudential Financial Inc. In addition, Ms. Foran is Chair of the Compensation Committee at Occidental Petroleum. She has been recognized by Directorship Magazine as one of the Most Influential People in corporate governance.

Ms. Foran held senior positions in Sara Lee Corporation, J.P. Morgan & Co and at Pfizer, where in 2007 she pioneered dialogue between the board and leading institutional shareholders. In the interview below, she talks to Peter Montagnon about what makes a good board. Themes include absolute commitment to the company, objectivity, diversity, willingness to listen and to challenge, a readiness on the part of directors to “leave their ego at the door” and keep themselves up to date through education and training.

**What are boards there for?**

One of the board’s basic duties is to monitor and vet strategic business priorities on behalf of the company’s shareholders. Other important duties include hiring the Chief Executive, succession planning, oversight of risk, strategy and the long-
term financial interest of the company.

**How does this apply to privately-owned and family companies?**

A privately-owned company is a little different. Directors should be viewed as strategic advisors. There’s a major benefit to this role. Good boards understand the business, are preemptive and ask the right questions before critical issues arise. Management must also understand which issues are critical.

An advisor’s role to a family business is to ask the right questions and build consensus. As an independent director in a family business, your role is to tell it as it is through the lens of your knowledge and experience.

**So what makes a good board?**

Good boards have similar characteristics. The same is true for bad boards – but for different reasons. Good boards display diversity in their thought processes, directors listen to each other, are not afraid to ask questions or give advice, and they are able to reach consensus. All good boards listen; they don’t have an ego. The corporate benefit is paramount.

**Is that in practice what we mean by fiduciary duty which is often described in purely legal terms?**

Fiduciary duty is really common sense. What does duty of care mean? It’s about paying attention, doing homework, being aware of conflicts of interest. You have to have the benefit of the company in mind. This is not about you. It’s about the corporation. You need respect, a certain curiosity, and diplomacy.

**What about the role of the Chair?**

The chairman’s role is critical. I wouldn’t have said this 20-years ago, but leadership makes a real difference. The Chair must make sure that all voices are heard, that there is enough time for discussion, and that the board is properly trained. The Chair has a role to play in addressing challenges and opportunities the company may face. This means bringing in the appropriate subject matter experts, when necessary and listening to the discussion.

**You mentioned succession planning. How important is that?**

Succession planning needs to be constant. Talent development is critical to the company’s success. Creating an environment that provides opportunities for professional growth creates a path for the company’s future leadership.

For the CEO, it is not uncommon for a Board to commence succession planning as soon as a new CEO is named. In fact, a CEO once told me on the day he was appointed that it was now time to plan for his successor.

Talent development was once a topic that made it on the Board agenda once per year. Today, the best boards address talent at almost every meeting. It’s not just about succession planning. It’s now about talent development. Boards in the U.S. are recognizing that talent development is imperative to the company’s long-term success. Some are doing a great job.

**But surely one of the basic tasks for a board remains capital allocation.**

Yes. This means you need directors with the skills and experience who understand the company and its capital allocation needs.
How far should boards also be looking at what drives behaviour in the business?

Culture is critically important and the topic is a focus for US boards. Directors have observed what transpired at Wells Fargo and Uber and are asking how they can better understand the company’s culture. Directors can use various mechanisms: such as reading employee surveys and exit interviews or by visiting company offices and talking to business managers.

There was a time when we looked at things from a purely legal perspective. Issues like #MeToo never really got to the board if they were not considered material. Now boards want to know if the company experienced a security breach, or any allegations that might affect the company’s reputation. Boards demand that any security or reputational risks are investigated and ask for a briefing with the findings.

Directors need to be hands on, but also understand that they are not company management. They need to know their role and the issues within their purview. Boards are responsible for the company’s strategic oversight, not day to day operations.

So how far should they be directly involved in dialogue with stakeholders?

If you’re monitoring culture, there must be some kicking the tires with stakeholders. It’s important that directors have visibility.

I’ve always worked for companies that leverage the expertise and knowledge of their boards. As a director, informal engagement is important and adds value to the organization. The experience adds another dimension to the director’s insight into the company. The objective is interaction without dominance. The director’s role is not to micromanage.
What about monitoring social media sites like Glassdoor, which can tell you about the mood of the workforce?

You should look at social media sites but also take them with a grain of salt. The information in these sites is not necessarily the answer, but it’s part of the process to understand culture. These sites may evoke questions that directors can ask management to get a better sense of the company culture.

You pioneered dialogue with shareholders. What are your reflections on that?

In 2007 when I was at Pfizer, we had the first meeting between the board and our top 35 shareholders. A prominent U.S. lawyer released a memo calling the meeting “governance run amok”. Now engagement is a best practice.

Technology has become an important issue for companies. Do boards need special expertise for dealing with that?

In short, the answer is yes. Boards need to be assured that management is on top of cybersecurity risk. A board should effectively monitor and oversee the process. You aren’t generally looking for people with just one expertise. You may also need a Chief Information Officer and outside consultants who can provide their expertise.

Regarding resources, you could direct a great deal of funding to cyber security and this will not guarantee that the company will not experience a security breach. Boards need to ask the right questions, have the appropriate management resources, evaluate data and ask themselves how much of the company’s budget is adequate to manage the technology risk and where should those funds be allocated to optimize the company’s security. It could take a large investment of time and money. Directors need to conduct a cost-benefit analysis.

And Automated Intelligence?

This depends on the company. The number of human resources required is contingent upon the nature of the business.

What about board evaluation?

Board evaluations should be conducted at least annually. Constructive feedback is important to directors to understand where improvement is needed.

What can you do if you’re a good director on a bad board?

If you’re a good director on a bad board, you must seek out new leadership, recruit qualified director nominees, and figure out how to address the issues through education and refreshment of the directors. This is really about relationships. You must have the ability and trust of the CEO. Good boards are transparent.

The best boards are the most diverse boards where not everybody is thinking alike. Good directors challenge their peers’ thoughts and ideas to ensure that group decisions are made in the company and shareholders’ best interest.

Boards need directors with an array of skills. Board education programmes are important. It is also helpful to gather your own background information. Informed directors also read their company and its competitors’ analysts’ reports to understand industry trends.