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NACD 2010 Corporate Governance Conference Chapter Chair Mary Madden

NACD NEWS

How to Globalize Your Board

By Joel M. Koblentz

Many large multinationals see the wisdom of electing directors who represent their global interests and aspirations. Pepsi, IBM, GE and other corporations are among the early adopters and other companies have followed their lead.

One theme heard most often is that these individuals bring on-the-ground insight that is far more valuable than any other analytics. They provide important advice on risk and opportunity, both economic and political, as the board considers and governs its company's strategy and evaluates global positioning moves, including investments in new or emerging markets, the structuring of partnerships and acquisitions.

Yet, a recent tally suggests that we still

have a long way to go in bringing this type of diversity of thought and experience to our corporate boardrooms.

To succeed in globalizing a board requires a change in mindset.

In our experience, boards seek change when faced with critical decisions with which they aren't truly comfortable or when they are already in a quagmire. Generally, these situations arise when boards are uneasy about making, or have made, major strategic decisions without a full appreciation of risks and impact. Oftentimes today, these decisions tend to involve growth opportunities in non-U.S. or truly emerging theatres.

While it's true that many leading companies have evolved into efficient

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How to Globalize Your Board

global management structures consisting of country-centric accountabilities for their own geographic markets or segments of influence, shareholders benefit when their board performs a deep dive, shaping the perimeters on overarching strategic decisions at critical decision points (i.e., where next steps are not always in focus but yet opportunity clearly exists). Better decisions are made, we suggest, with checks and balances with management, thus preserving the independence and due care for which directors are elected.

Most often, given global aspirations, nominating committees should ask the following two important questions: How best can we efficiently and effectively identify and recruit qualified individuals and have full comfort about this process? And, once elected, how can we assure that our global board will operate as seamlessly and efficiently, given the inconveniences of time and distance considerations, and given the increasing demands of governance requirements and guidelines?

Having successfully conducted numerous similar engagements, we suggest boards begin by agreeing on an introspective “road map” of perimeters identifying important challenges or situations with which they, as directors, are not fully experienced. Oftentimes, these conversations are uncomfortable because they require self-reflection and honesty in admitting a board’s collective shortcomings. Once this experience gap is clearly identified and the board has reached consensus, a concise approach to identify leaders who meet the desired competencies and geographic criteria can begin.

It is important, though, that two matters be addressed upfront. A full dossier of all

qualified candidates should be considered without prior prejudices (yes, preferences are encouraged) and secondly, given the additional inconveniences of interviewing such candidates, that the board and its nominating committee agree on an efficient process for recommending and vetting such candidates.

Operating a global board comes with few greater challenges today. Progressive boards meet periodically outside the US. Even, when they meet domestically, effective use of technology usually suffices for those who govern from a distance. As always, being respectful of time commitments is essential.

Two final points: Insular and parochially thinking boards are becoming the dinosaurs of governance especially given non-domestic opportunities for growth. Lastly, global boards are not just for the “big boys.” Increasingly, mid-cap companies

are beginning to inure the benefits of a global view around the board table.

Think of it this way: In today’s world, capital, ideas and opportunities have high velocity and few man-made boundaries. Investors are rewarding those companies that capitalize on global markets and technologies.

Ask yourself: Shouldn’t my board be in a position to encourage and enhance decisions that drive value on an increasingly global playing field? The prescription is simple. Take action now. ▲

Joel M. Koblentz is senior partner at The Koblentz Group, which advises corporate boards and management on the recruit-



ment of executive leadership and board directors. He serves on the board of the NACD Atlanta Chapter.

CHAPTER PRESIDENT’S LETTER

Welcome to the Atlanta chapter of the NACD. We were organized in 2000 and currently list more than 260 NACD members, in the Chapter region. The chapter provides an opportunity for public, private and not-for-profit board members in the Atlanta area to interact with their peers.

Our director-centric mission is to provide a forum for advocacy and education that enables directors to be more effective in the boardroom. We accomplish this through nine open lunch meetings and 12 director-only breakfasts.

We rely on our seven program sponsors as Advisory Board members. We allow our program sponsors to present a current topic. Those sponsors who chose to make a presentation provide the subject-matter experts and introduce their director clients and prospects to the Chapter by hosting them at the luncheon.

The sponsors on the Advisory Board

meet semi-annually to achieve consensus on the content and quality of our annual luncheon program. Each program sponsor typically chooses to make a presentation, and we reserve the remaining two meetings for nationally recognized speakers.

We also host a monthly breakfast, by invitation, for directors only. These meetings have no topic or agenda and provide directors an opportunity to discuss current boardroom topics on a peer-to-peer basis. They represent additional value we provide to our member directors.

The Atlanta Chapter invites you to visit our website for more information. We also look forward to seeing you at our luncheon meetings or director-only breakfasts whenever you are in the Atlanta area.

Dan Giannini
President
NACD Atlanta Chapter