

How Boards Can Lead the Charge for Good Governance

Diligent

When we consider corporate governance, we tend to focus on overarching concerns such as ESG considerations, risk management, fraud prevention and compliance – and rightly so. However, while focusing on these subjects, organisations in both Singapore and ASEAN inadvertently overlook an area that, if rectified, could significantly influence the effectiveness and sustainability of organisational governance.

Board meetings.

Directors are called to lead by example, and board preparation and meeting management are good areas to put principles of sustainability and efficiency into practice. Preparing for board meetings in Singapore takes up a substantial amount of resources. Reams of paper are used to create board books and meeting packets, which not only consume scarce resources but also present challenges in terms of searching for specific topics, annotating, making amendments and managing version control. Physical copies, if lost or misplaced, could also pose security risks.

Attempting to digitise and encrypt these materials using generic in-house tools such as SharePoint and other cloud-storage services is an admirable effort, but busy directors typically face issues of inconvenience, lack of accessibility, confusion in version control and inadequate security measures. Last-minute amendments, whether to hard or soft copies, also leave board members with little time to review information and be adequately prepared for the board meeting.

When board preparations, meetings and ongoing collaborations are managed efficiently, it trickles down throughout the organisation and creates a culture of shared responsibility and good corporate governance.

Security

In the second quarter of 2022 alone, there were nearly two million cyber-attacks in Singapore. According to the International Trade Administration (a US government agency) citing Check Point Research, the most common incidents were ransomware attacks and data theft. The cost to companies is estimated at S\$1.7 million per breach. It is hardly surprising that cyber security ranks as a foremost concern for the Singapore government and organisations alike.

But when boards make cyber security a priority, they need to walk the talk. How are busy company secretaries preparing and sharing board material? How are directors, likely juggling multiple board seats, consuming, reviewing and collaborating on the board material? Which channels do they use? Emails aren't protected and carry a greater risk. Think of where a director might receive a copy of the board book to their personal email account. This gives the organisation less control over security and introduces a potential path to a data breach.

Existing cloud-storage sites used by organisations aren't much better and can also be easily hacked. Considering the type of sensitive information that board directors typically view – mergers and acquisitions information, earnings reports, IPOs, stock buybacks and the like – the consequences of a data breach are massive.

To model the importance of cyber security for their organisations, boards should look closely at how they communicate, share and consume these materials. Highly sensitive data demands highly secure data storage.

Security and accessibility extend to how meetings are conducted. The Covid pandemic necessitated boards to run digital meetings, which continue to this day.

Productive meetings start with a precise board meeting agenda. Board programmes can serve as a framework to establish a board meeting agenda while improving alignment and collaboration across the board cycle. The stages of a board programme include:

- Information gathering: Looking at notable agenda items, recurring discussions and challenges.
- Building a table of agenda items around pillars, ongoing areas of interest and emerging issues.
- Feedback and input: Aid in transparency and accountability through soliciting input from chairs, board committees, C-suite and executives.
- Adjusting and refining the agenda, reviewing it as urgent items are added.
- Involving the business by discussing agenda items with key management stakeholders and decision-makers.

These five stages can be optimised with a secure and centralised governance platform that has automation, collaboration and agenda-building capabilities. Ideally, the board programme should allow company secretaries to immediately access relevant information to structure their agendas, invite input and collaborate with various stakeholders, allow for seamless evolution and review, and securely share the items with board members. Obviously, these are not features immediately available with commonly-used digital meeting tools.

The bottom line is that boards should lead the way in prioritising security, whether preparing for or holding meetings, because they are responsible for securing their organisations' most sensitive information.

Sustainability

Then there is the cost of paper and ink in creating meeting materials which are just part of the overall cost of preparing for and running meetings. Costs for the meetings of large listed companies can be exorbitant, considering the preparation and time consumed for directors and management, internal resources used to generate board information and various other expenses. Even in small companies and not-for-profit organisations, board meetings can impose a substantial opportunity cost by consuming limited company resources, including valuable management time.

The irony is that cost efficiency is typically top of the agenda of these board meetings. Participants can spend hours poring over operational costs when the opportunity to cut costs and improve efficiencies is quite literally staring them in the face.

By using the right technology, organisations can realise a myriad of benefits. Forrester found that organisations using Diligent's Board and Leadership Collaboration solution can cut up to 60 per cent of time previously spent on board and committee material creation – a whopping 1,600 man hours. In three years, this time saved adds up to US\$62,000 (S\$84,500) in savings. IT support time is also reduced by 623 hours, freeing one of the most typically resource-strapped teams to focus on other priorities. Finally, reducing the risks of a breach through lost materials or compromised accounts can total up to US\$21,000 in savings over three years.

Efficiency and productivity

Unproductive meetings are not only a drain on the time and resources of busy directors and management, they are also a waste of shareholders money. And worse, they can impact organisations through poor decision-making and reduced board effectiveness.

While these may seem par for the course for meetings, past research suggests a link between unproductive meeting behaviours – such as wandering off topic, complaining and criticising – with negative company performance, such as lower levels of market share, employment stability and innovation.

When boards are ineffective, organisations are exposed to risks and directorial confidence within management diminishes. Far from being an aid to good governance, the boards become a hindrance to management. In summary, good corporate governance starts at the top. Just as boards recommend investments to organisational infrastructure and resources, so there should be investment in ensuring transparent, efficient and secure board meetings.