Board Committees: The Pocketknife in Your Governance Tool Bag

BY LISA BOREN SIVY

Effectively delegating work to committees can streamline board meetings, provide opportunities for up-and-coming members, and establish a succession plan.

On any given weekend, the number of times I pull out my pocketknife ranges from zero to many. Can't rip open the adult-proof shrink-wrap on my sons' team snacks? Time for the knife. When I could not neatly break off one errant branch to get our Christmas tree into the stand, out came the small saw. And I probably would have become a tree person by now, but for all the splinters I have received — all extracted with my pocketknife's handy tweezers.

The point is, I have one clever tool that meets a variety of needs. Similarly, for a board of directors, and especially the board chair, board committees can be the pocketknife in your governance tool bag.

WHAT ARE THEY?

Board committees are an additional aspect of the governance structure, and they are formed to focus more in-depth on particular subjects. Each committee should exist under a specific charter that outlines what the group is charged with accomplishing, who will comprise the committee, and any governing rules, such as how it will interact with the board of directors.

As an example, the Goldman Sachs charter for its public responsibilities committee includes sections outlining the committee's purpose; its membership; its structure and operations; its duties and responsibilities; how it's evaluated and a review of its charter; how it may delegate to subcommittees; and its resources and authority.

Board committees are ideally comprised of a mix of board members and other people, and each director should serve on at least one board committee to ensure involvement by all.

The organization's bylaws should make provisions for the existence of committees and task forces. As Anthony Mancuso outlined in "How to Form Your Own Nonprofit Corporation," an article in the bylaws will specifically provide for an executive committee to be formed to make important decisions on behalf of the board.

WHY DO THEY EXIST?

These committees exist to help you get stuff done! Whether you're operating a for-profit organization or not, many of today's board meetings are a long, tedious mix of reports, financial reviews, (hopefully) readouts and discussions of your scorecard and where you stand against your operating plan and/or strategic plan, and updates on pending lawsuits. While the board meeting does provide a communication mechanism to get you this critical information, there is insufficient working time left for the board as a group to focus on critical strategic initiatives, such as audit preparation, detailed review of financials, board succession planning, rewards and recognition to ensure leadership engagement, etc.

Enter the board committee. Committee meetings should enable you to address those key areas in more depth than the typical board meeting allows and to more readily engage subject matter experts who are not directors. As an example, the management development and compensation committee of Waste Management, Inc. is appointed by the board of directors to discharge the board's responsibilities relating to executive compensation, benefits, management succession, and development. With corporate committees, because management is likely not present, those meetings

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allow for frank, open discussion among the directors as well.

A bonus of the board committee structure can be succession planning. By giving a promising director a committee chairmanship, you can effectively identify future board officers. By engaging subject matter experts, you may identify candidates to fill open board seats.

RULES OF ENGAGEMENT

An operating framework is critical to ensure the committees are functional and effective. This includes a shared understanding of roles and responsibilities within the committee. When recruiting members, it is important to establish standard expectations as to their participation, as well as the expertise you expect them to provide. Consider meeting cadence for the committee, and give thought to the timing of committee meetings compared to the overall board schedule.

Meeting frequency will likely vary depending on the charter of the committee. As an example, a nonprofit's finance committee, tasked with verifying the organization's financials, may meet monthly, while a corporate compensation committee may meet fewer times a year. Alternatively, they have as many meetings, but the meetings are condensed into a shorter period in accordance with the fiscal year and annual meeting to approve compensation.

Often, corporations will couple in-person committee meetings with the board meetings, especially when meetings require travel. Because boards typically meet quarterly, committees will likely supplement their schedule with phone or online meetings to ensure enough working time and communication for them to meet their objectives.

As mentioned, today's board meeting has become a day of committee reports, management reports, and the like. To streamline the board's agenda, consider moving committee reports to the consent agenda, with written summaries of the committees' work and outcomes submitted in advance for the board packet. Ideally, the committee would only have its own agenda item if it has a recommendation that requires a board vote.

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If you take the consent agenda approach, be sure to find a suitable way to recognize committee members for their hard work in the absence of an opportunity to showcase their efforts during an oral report. Alternately, some boards rotate the committee report between meetings so only one committee makes a board presentation, while others submit written reports.

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The board chair should communicate regularly with committee chairs to ensure progress is made and that all committee members are contributing. Additionally, consider assigning an appropriate staff member to each committee to ensure they have access to the organizational information required to perform their duties.

BE PREPARED TO SAY GOODBYE: STANDING VS. AD HOC COMMITTEES

To maximize overall board effectiveness, it is critical to revisit its structure, including committees, every year or two. In general, the typical organization needs several committees on an ongoing basis, such as the executive committee, audit committee, governance committee, and finance committee.

On the other hand, you have the opportunity to establish ad hoc committees, sometimes labeled as "task forces," to reinforce their temporary nature and to focus on strategic programs led by the board. As an example, the New York Junior League formed the restructuring task force to research and propose a new governance structure for the organization, which ultimately led to a leadership transformation from a board of managers (an operating board) to a board of directors.

In summary, the formation of thoughtful board committees and task forces can provide you with the tools you need to address the important issues and initiatives your organization is facing, both temporary and ongoing. By redirecting these topics from the board meeting to the committee meeting, you can provide opportunity for your leadership team to set strategy, accomplish your mission, and maximize shareholder value.

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