



# A candid conversation on increasing expectations for directors

## Board perspectives



In preparing for our Spring Director Roundtable Series—Focusing on What Counts, the Board Leadership Center sat down with William E. McCracken, former chairman and CEO of CA Technologies, and current board director for MDU Resources Group and the National Association of Corporate Directors. Bill shared his views on the increasing expectations for directors and how they can more effectively carry out their duties. Below are edited highlights.

**Board Leadership Center (BLC):** *What has been one of the most significant changes over the years as a director?*

**Bill McCracken:** Boards and directors need to pay very close attention to how they spend their time. How much is the board considering what is happening in the industry; what's changing; how is technology affecting our strengths and weaknesses; who are the new entrants into the marketplace?

Thinking about these questions, studying the answers, and having dialogues with the management team helps them look forward. A director that goes to a board meeting in today's environment having studied all the material that the management has sent to him, and being fully informed around that, goes unprepared. Any director that doesn't take advantage of resources besides those offered by the company or management team is not going to contribute in the boardroom.

**BLC:** *How does the current business environment impact board composition?*

**McCracken:** As the marketplace changes and

companies transition, boards need to ask themselves if they have the right directors for the future. If the answer to that is "no," then the board has to have a process for managing to where it needs to be. How does the board evaluate itself? What about individual board member contributions? Who administers the evaluations—the board itself or a third party? These questions are being raised because investors, mostly activist investors, are looking for directors who challenge the status quo.

**BLC:** *What about the board's relationship with investors in general?*

**McCracken:** I think it's absolutely necessary for selected members of the board to be prepared and to be qualified to have shareholder dialogue. Of course, investment organizations are not looking for nonpublic information, but they want very much to tell you about what they're interested in, what their concerns are, what they care about, what they're not sure you care about, and to have a dialogue with you about that. It's primarily listening. Nobody would deny that we would want to know what our customers want to tell us. Why would we not want to know what our owners want to tell us?

From the board's perspective there are a lot of pressures for companies to think about the current performance. There's obviously quarterly earnings and the accompanying press release and conference call; competition is making moves that your might want to react to; technological advances are being made; and the business media adds to the hype by tackling

earnings season as though what happens in the next 60 days sets the course for all corporations. But boards need to step back from that and talk with management about how to clearly articulate where the company wants to go, and how to associate that with what it's doing in the current year. This defines the target and the steps, and the process, for the shareholders.

**BLC:** *How else do boards need to evolve their thinking?*

**McCracken:** As we move forward, we need to move to what I term an 'activist board', more engaged in considering or even doing what the activists are asking about. They would get on offense, not on

defense. There's a board decorum that must change. I think most directors know that, some resist it, but asking deeper, more probing questions is not actually contrary to what management is trying to do. And it may well support what management wants to do.

I think it's enormously necessary to have a strong lead director, one that exercises influence on the board, one that has face-to-face dialogues with the chairman/CEO after executive sessions. The board needs that leadership; it needs that direction; and it needs that interface to be able to communicate clearly back to the chairman/CEO or CEO.

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