CNOs on BOARDS

A PRACTICAL GUIDE
For CNOs & Senior Nurse Professionals

Dr. Colleen Conway-Welch &
Dr. Richard Oliver.
In cooperation with
Nurses on Boards Coalition

CNOs on Boards

Table of Contents

Boards, Commissions, Committees

This document provides a brief overview of important legal and operational issues associated with public company boards that are regulated by governments and listing agencies such as the New York Stock Exchange. There are many other types of boards, however, that need your service. They include for profit corporate, community and public service boards, government and NGO (Non-Government Organizations) boards, panels and commissions, academic boards of trust, advisory committees and panels, coalitions, health institutes and many more.

Boards come in all shapes and sizes. If you have never served on a board, you might find it beneficial to begin with a non-profit social service or community board. Serving on these types of boards would give you excellent experience in board work and allow you to demonstrate your board competencies. Boards are also a great place to meet executives from other organizations who might be interested in your service on their boards. Incidentally, that's how the authors of this document got started in board work.

ABOUT THE AUTHORS

Dr. Colleen Conway-Welch

Colleen Conway-Welch served as Professor and Dean of Vanderbilt University School of Nursing for 29 years, 1984-2013. She has been active in nursing practice and nursing education for over four decades. She served on President Reagan's Commission on the HIV Epidemic in 1988, the National Bipartisan Commission on the Future of Medicare in 1998, and the Governor's Tennessee Commission on the Future of TennCare in 2000-01. In 2001-02, she served on the Institute of Medicine Committee on Evaluation of Federal Quality Oversight, Improvement and Research Activities. In 2002, she was appointed by DHHS Secretary Tommy Thompson to the Secretary's Council on Public Health Preparedness, Office of the Assistant Secretary for Public Health Emergency Preparedness. In 2003 she was named to the Medicare Coverage Advisory Committee (MCAC) of DHHS and in 2004 as a member of the George Washington University Homeland Security Policy Institute. She was named by President Bush and confirmed by the U.S. Senate in 2006 as a Member of the Board of Regents of the Uniformed Services University of the Health Sciences, the premier graduate education program for military health care providers.

In 2016 she was honored as a Living Legend by the American Academy of Nursing, for her extraordinary contributions to the nursing profession, as well as being inducted in the Tennessee Health Care Hall of Fame. She received the New York University School of Nursing Distinguished Alumni Award in 1999 and was awarded the National Association of Childbearing Centers Public Advocate Award in 2001. In 2004 she was chosen as the Nashvillian of the Year by the Nashville Scene newspaper and received the Nashville Business Journal's Health Care 100 Award. In 2009, she received the honor of being named as one of Modern Healthcare's "Top 25 Women in Healthcare" and the 2009 Nashville Business Journal "Women of Influence" award.

In 2007, she was appointed by Secretary Leavitt of DHHS to the Advisory Committee to the Director of the National Institutes of Health. She is a former president, and one of the founders, of the Friends of the National Institute for Nursing Research at the National Institutes of Health.

In 2008 she was awarded the national Outstanding Leadership in Nursing Education award of the National League for Nursing. She served as a member of the Public Panel of Experts to the Board of Commissioners of the Tennessee Safety Seismic Commission Panel of Advisors and served on the Institute of Medicine Committee – Assessing Medical Preparedness for a Nuclear Event - 2008-09. In 2008, she was invited by Representative Waxman to present testimony to his Committee on Oversight and Government Reform on the impact of federal budget cuts on hospitals' emergency surge capacity preparedness programs. She is also the founding Director of the Nursing Emergency Preparedness Education Coalition (formerly the International Nursing Coalition for Mass Casualty Education) and received the Beacon Award by the National Nursing Centers Consortium in 2003 for the primary care clinic she established in 1991, owned and managed by Vanderbilt School of Nursing. This indigent care clinic served over 14,000 patient care visits in 2010.

She is a Fellow in the American Academy of Nursing, a charter Fellow of the American College of Nurse-Midwives, an elected member of the Institute of Medicine of the National Academy of Science and served as a Director on the Boards of Pinnacle Bank (2000-2017), Ardent Health Services (2001-2015) and National Cyber Partnership (2014). She is a former director of Quorum Health Services (1997-2001) prior to its sale to Triad, Caremark Rx, Inc. (2000-2008) prior to its merger with CVS and Minute Clinics, RehabCare Group (2000-2011, prior to its purchase by Kindred).

Active in both civic and cultural matters, Dean Conway-Welch chaired the 1999 United Way Annual Giving Campaign for Middle Tennessee, and was appointed by President Bush (1990-93) to the Advisory Committee on the Arts – John F. Kennedy Center for the Performing Arts; she is a member of the Rotary Club of Nashville. In 2008, she co-chaired the "Power of the Purse" of the Women's Fund of the Community Foundation of Middle Tennessee which supports women and children in need. She chaired the "Report Card" Committee on Nashville Schools for the Nashville Area Chamber of Commerce in 1994-98. In 1996-97, she chaired the Board of Directors of the Nashville Symphony and is a long-standing member of the Advisory Board of Alive Hospice. She serves on the boards of Renewal House, Nurses' for Newborns, All About Women, Not Alone, Safe America and the American Red Cross, Nashville Chapter. In 2016 she became a member of the Advisory Committee for the National League for Nursing Foundation for Nursing Education (NFNE).

Dr. Rick Oliver

Dr. Richard W. Oliver is founder and CEO of American Sentinel University. American Sentinel has over 6000 graduates and some 2600 students primarily in BSN, MSN and DNP programs. Dr. Oliver was previously a professor of management at the Owen Graduate School of Management at Vanderbilt University, and a visiting professor of management at Cornell University's Johnson Graduate School of Business. The MBA business strategy program he developed and co-taught at Vanderbilt was ranked 3rd in the world by Business Week. He also taught courses in corporate governance.

Dr. Oliver holds a BSc from Cornell University and a PhD from the State University of New York. He served 23 years in management with Nortel Networks and the Dupont Company. He is the author of eight books and more than 50 management articles and book chapters. He has served on the boards of seven public company and numerous private and non-profit boards. He was Chair of a NASDAQ high-tech company in Silicon Valley and has served as Chair of public company Audit, Compensation and Governance Committees.

FOREWORD

In the past several years, there has been a concerted effort to enlist senior nurses for service on a variety of government, commercial and non-profit boards. Out of the numerous reasons why nurses might want to serve on boards and why boards might want nurses to serve, we believe the following are most important:

1 VALUE TO BOARDS

Nurses represent a critically needed, but often unheard, voice in the rapidly evolving healthcare system. As the largest single professional group in healthcare, their individual and combined voices can help craft a more effective and efficient healthcare delivery system, as healthcare represents a major portion of virtually every organization's costs. Nursing education develops a perspective and approach to problem-solving and issues management that can offer unique and insightful ideas and approach to corporate operations.

2 VALUE TO NURSE DIRECTORS

As important contributors to the healthcare organizations in which nurses work, board experience can further the success of those organizations. Board service enhances leadership skills and increases knowledge about business, economic and policy issues impacting healthcare that are often beyond the normal responsibilities of their profession.

Not all nurses will want to serve on boards. But most boards – because the pervasive nature of the health delivery system affects every individual and almost all organizations – will find value in having nurses involved.

The Nurses on Board Coalition provides exceptional resources and information on the value of board service (for example, Capella University's white paper, *The Time for Change is Now*). This guide is intended to provide nurses with essential information on directorship and board practice.

In this guide to board service, we use the term "boards" to encompass all manner of official, formal governing, policy and information/guidance bodies that are duly constituted by public, private or government entities.

There are a large number of resources available for those wanting to serve on boards. This guide is intended as a brief overview of what a director, new to board service, will find of value. Secondly, board service today means constantly learning, so the guide offers direction on further learning opportunities.

The objectives of this guide are to help you…

- understand the historic events and precedents that shaped corporate governance in the U.S.;
- understand the current forces shaping best practice;
- identify and understand the concerns and demands of various stakeholders (shareholders, governments, listing agencies, activities etc.) impacting corporate governance;
- understand the growing demands for transparency; explore the role of directors;
- identify the major institutions shaping and controlling governance.

RESPONSIBILITIES OF BOARD & DIRECTORS

The most important aspect of a director's responsibilities is their fiduciary duties; that is, that they use business judgment in the supervision of an organization's financial and operational activities. This is expressed in three ways:

1 Duty of Care

Duty of Care means that prior to making a decision, directors inform themselves of all material information reasonably available and act with requisite care in the discharge of their duties. Often this is thought to include information provided by management, use of consultants, and investment bankers. Major decisions require sufficient time for reflection and discussion, often over several meetings.

2 Duty of Loyalty

Duty of Loyalty means that directors avoid any "self-dealing" and operate in the best interests of the organization and its shareholders, not allowing any other competing interests take precedent. To avoid such concerns, directors are often sought for their independence and must declare any conflicts.

3 Duty of Good Faith

Duty of Good Faith means that directors devote sufficient time and effort on the conduct of their activities for the board. Such situations include the attention to compliance of laws and regulations by the organization.

Senior nurses make great board members because they are …

Big Picture Thinkers, trained to seek alternative solutions to tough problems;

Empathetic, understanding while communicating with diverse populations;

Strategic, able to size-up situations and develop immediate and longer term plans;

Efficient, working effectively on tight deadlines;

Seasoned Team Players, from clinical to service delivery operations teams and committees;

Resourceful, creating unique solutions to seemingly intractable problems;

Fiscally Responsible, sensitive to service delivery costs;

Articulate, skilled at precise communication, often with lives in the balance!

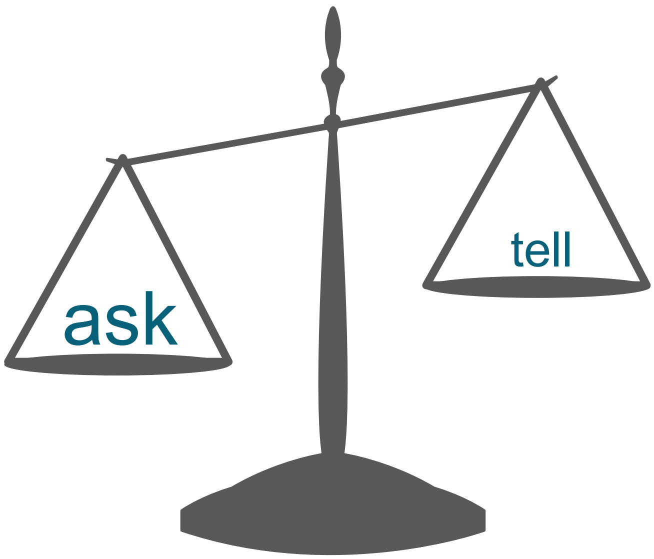
From an operational perspective, the role of the directors can be thought of in three areas:

1. Enhancing shareholder value
2. Selection, evaluation and compensation of CEO
3. Directing, approving and monitoring strategy

RESPONSIBILITIES OF BOARD & DIRECTORS CONT.

In trying to draw the line between governance and interference with management, a good rule of thumb for directors is:

"Noses In. Fingers Out."



One important area where this can be problematic is corporate strategy.
The following diagram illustrates best practice for strategic planning activities.

STRATEGIC ACTIVITY	BOARD	MANAGEMENT
FORMULATE	◖	◗
APPROVE	◕	◔
IMPLEMENT	○	●
MONITOR	◕	◔

To protect directors, large commercial organizations typically pay for “Directors and Officers” or D&O insurance in the event of law suits that challenge the board’s activities, except in the case where directors do not act in good faith.

KEY BOARDROOM PLAYERS & AGENDAS

As noted in the timeline above, the composition, membership, schedules, board agendas and principal roles of the board and directors have evolved considerably over the years. Boards will often establish an annual agenda to ensure regular attention to issues such as succession planning, cybersecurity and the like. Today there are a number of players who serve important roles in the boardroom. The chart below illustrates the most common ones.

All directors are important but some have special responsibilities.
Not all are found on every board.

MEETINGS

Boards differ in how often they meet, but quarterly (after the previous quarter financials are available) is the average. Some meet monthly and some six times per year. For public companies an annual meeting for shareholders is required. Committees often meet quarterly before the regular board meetings and present reports.

CHAIR
Sets agenda and directs meeting. Can also be CEO but increasing best practice is an independent, non-executive.

COMMITTEE CHAIRS
Many larger boards also have an Executive Committee with select senior directors, and some special purpose committees.

BOARD ADVISORS
Often legal, accounting, compensation specialists or other professionals will attend all or part of board or committee meetings to provide advice and guidance.

LEAD DIRECTOR
If CEO is also Chair, often an independent senior director will fill role of influencing agenda and activities of the board.

SECRETARY
Frequently an attorney or senior (non-board executive) that keeps records of board activities and votes.

Except for audit committee chairs in public companies, CNOs could serve any director position.

SENIOR MANAGEMENT
Non-board attendees such as members of the so-called C-Suite (finance, HR, marketing Information technology, research, etc.) are often present to provide reports and answer questions.

AGENDAS

The Chair (or Lead Director, typically in conjunction with the CEO) is responsible to set the agenda for each meeting. Director input on the agenda is best practice to ensure all important issues are included for discussion and debate. Routine agenda items include CEO report, financials, marketing and sales, operations, HR, etc. Special reports focus on deeper analysis of key activities or events. Directors should expect to have all information available at least several weeks in advance. Best practice for directors is to ASK QUESTIONS.

BOARD COMMITTEES

To ensure proper attention to the responsibilities of the board, committees with some sub-set of directors are established to spend more in-depth time and attention to financial and operational matters and report and recommend approval of reports and actions to the entire board. Some committees are legally required, such as the Audit Committee and the Compensation Committee, while others are routine, such as the Nominating or Governance Committee. Such committees typically meet once per quarter prior to the full board meeting.

Larger boards, or those with pressing issues, will often have an Executive Committee that meets more frequently and is sometimes empowered by the entire board to take certain actions on its behalf. Some boards, with sensitive or significant issues such as research or environmental concerns, will establish committees to more closely oversee those issues. In recent times, many boards have established a risk management committee. The general role of the three key committees are described below.

Three Key Committees

AUDIT COMMITTEE

An audit committee is typically 4-6 **qualified independent** members of a company's board whose responsibilities include hiring (and firing) **auditors, detailed review of financials and financial policies, financial reporting, compliance** and, absent a special committee, **risk management**. If the company has an internal auditor, that individual would report to the committee. The members are selected because of their financial expertise and the **Audit Committee Chair must have documented financial skills and experience.**

COMPENSATION COMMITTEE

The compensation committee is comprised of independent directors responsible to the board to ensure that the appropriate policies and practices are in place for the selection, motivation, evaluation, development and compensation of key company personnel (C-Suite). Recently, the Securities and Exchange Commission (SEC) reporting standards changed to require compensation policies and procedures to be documented in the company's Proxy Statement. Today, compensation issues are so complex (and contentious) that committees often retain outside experts to assist their deliberations.

NOMINATING OR GOVERNANCE COMMITTEE

This committee is responsible for the appropriate selection of directors, and in some cases for the evaluation and hiring/firing of the CEO, and company-wide policies on senior management evaluation, development and section planning. Recently Governance Committees have also undertaken more board governance improvement programs, including formal director evaluations and education. In searching for an increasingly diverse set of directors (and the need to avoid cronyism), these committees often seek the help of firms that specialize in director and management searches.

RISK

A critical board responsibility is understanding and ensuring the organization is effectively dealing with risk. Risk comes in two kinds: Prudent and diligent business risks that lead to value creation, and unnecessary or unplanned for risks that destroy value.

One of the most important forms of both risks today is digital initiatives: they can create huge value but equally imperil value. Directors should be aware of, and proactive in supporting the organization in managing all types of digital activities.

CYBER RISK: Not a question of "IF" but "WHEN!"

Here are two questions that every board should address:

"Who is responsible for the governance, infrastructure support and ownership of digital assets of all kinds; how are they developed, stored, managed, manipulated, distributed and retrieved?"

"What is our program to avoid, mitigate, and in the case of a breach, respond to cyber-attacks?"

For More Information:
A number of organizations (including government agencies such as the FBI), are active in assisting organizations in this regard. Excellent sources of information on risks of all kinds, including cyber risk, are E&Y and Deloitte Consulting.

Deloitte.

https://www2.deloitte.com/

EY Building a better working world

www.ey.com/

IMPORTANT BOARD DOCUMENTS

Charters or Articles of Incorporation

The most important document of a company is its corporate charter, often referred to as its articles of incorporation. It is a written document filed with a U.S. state. If approved, the company becomes a legal corporation. It typically includes the name, purpose, for-profit or non-profit status, location, number of shares to be issued, and the parties involved.

By-Laws

This document defines the organization's purpose, operating details, the duties and responsibilities of key owners and managers, shareholder ownership rights, selection of officers and directors, board committees, regular board and annual meetings, and removal of officers or directors.

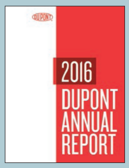
Other documents, including required government filings, are shown below.

The Securities and Exchange Commission* (SEC) requires the routine and special filing of many documents.
Here is a brief, non-technical overview of four you should know.

PROXY STATEMENT (Form DEF 14A)
Discloses material** information for shareholder votes and approval of directors prior to an annual meeting of a public company including all remuneration, perks, shareholding and conflicts of interest, among other important financial information including audit committee membership and auditing firm.

8-K
Information about events of material importance (financial and business operations, including changing of an audit firm, the resignation of a director due to disagreements with the company, etc.) that must be filed within 4 days of occurrence.

ANNUAL REPORT (& 10-K)
IInformation reported annually to shareholders including general organization information, operating and financial results, and management discussion about the activities of the previous year. A more detailed report called a 10-K is filed with the SEC. Frequently both documents are combined and provided to shareholders.



QUARTERLY REPORT (& 10-Q)
A quarterly report to shareholders with material information and the 3 key financial statements: Income Statement, Balance Sheet and Cash Flow Statement. The 10-Q is a more detailed report filed with the SEC.

*Securities and Exchange Commission (SEC)

U.S. government agency that oversees securities transactions, activities of financial professionals and mutual fund trading to prevent fraud and intentional deception. Requires filing of numerous documents of publicly traded firms.

Electronic Data Gathering Analysis and Retrieval (EDGAR)

The public online database of required information filed with the SEC.

***Materiality - Information about issues that could influence the economic decisions of an organization.*

BATTLE FOR THE BOARDROOM

As board meetings are typically held "in camera," or in private, there has been constant (often contentious) pressure to demystify board activities. As shown below, there are a least six groups playing an active role in these debates. Since the passage of Sarbanes-Oxley, many of the "rules of engagement" for control of the boardroom have settled into continuing (self-governing) evolution of improvements in the transparency of board deliberations, diversity of directors, and the ethical conduct of boards and their directors. Rather than being of concern, the "battle for the boardroom" has largely clarified and normalized the roles and responsibilities of boards and directors.

Major Players

SHAREHOLDERS

- Increasingly difficult to define as share holding times are very short
- Shareholders activists groups
- CalPERS
- TIAA-CREF

STAKEHOLDERS

- Management
- Employees
- Unions
- Retirees
- Whistleblowers
- Environmental and other activist groups

GOVERNMENT

- Federal, state and local
- Federal oversight includes the SEC, Congress, the Administration, Courts and often the Departments of Justice, Commerce, Labor, Health and Human Services, and agencies such as the EPA, FDA, FTC.
- Governments of other countries exerting increased influence such as the United Nations, the World Trade Organization, etc.

COMMENTATORS

- Media
- Investment analysts
- Listing agencies (NYSE, NASDAQ, etc.)
- Council of Institutional Investors
- America Institute for Chartered Accountants
- Financial Accounting Standards Board
- Rating agencies: S&P, Moody's, etc.
- Global Reporting Initiative
- Social Funds
- Corporate Watch
- Fair Labor Association
- Transparency International
- National Whistle Blowers Association
- Business in the Community
- Better Business Bureau
- Consumer Watch
- Consumer Voice
- AARP
- World Business Council for Sustainable Development

CONCLUSION

The authors trust that this ebook has helped demystify some of the essential aspects of board service and encouraged you to seek opportunities to serve. The Nurses on Boards Coalition has many resources to help you get started. In addition, the Appendix that follows suggests just some of the further education resources available.

Now, get on board!

Your Board Resume

Board resumes differ from traditional job resumes in several important ways. Here are some suggestions from seasoned directors. Zero in on what boards must do!

Respond to these Questions

As a director, how would your presence add to more effective deliberations of the board? What special skills, knowledge and abilities do you bring to shape and effectively direct the governance of an organization? What experience have you had in increasing value for shareholders or stakeholders?

Be Fact-Based but Succinct

When looking for full-time employment, there is a need to expand at greater length on your experience and facility with specific problems or issues. Employers are typically looking for a range of functional activities, but boards work at a high level, so the resume should be a tightly worded document that communicates a range of skills and abilities with a minimum of words.

Emphasize Results not Activities

Employment resumes, for good reason, tend to list activities that are needed for certain jobs. Board resumes need to focus directly on results, and hopefully, results that are relevant to the organizations mission: “Led multi-function team that reduced re-admissions by 50 percent resulting in a 12 percent improvement in hospital earnings.”

Demonstrate Facility with the Numbers

Nobody is expecting a new board member to be an unofficial CFO, but demonstrating understanding and importance of the numbers is vital: “As CNO, created new budgeting system for telemedicine centers.”

Focus on Value Creation for the Organization

Many resumes start by listing a personal career goal, such as an “opportunity to fully use my knowledge and skills in …” The director’s job, however, is not about what they can do for you, but about what you can for the organization. So, focus on your aspiration for value creation: “My objective in seeking a director position is to provide governance advice and direction that improves organization performance, and creates lasting value for shareholders and stakeholders.”

Orient Yourself to the Future not the Past

Employers are typically looking for what you have done to determine what you can repeat for them right now. Directors need to be more future-oriented: “Instituted a program to implement an Artificial Intelligence (AI) program for improved patient assessment.”

Create Competitive Advantage

Directors, like the organizations they govern, must be aware that there is no long term without success in the short term. Directors monitor short-term results, but ultimately, they are responsible for approving and evaluating the goals and plans for the organizations future competitive advantage: “Created a new source of performance improvement by investing in nurse degree attainment in informatics.”

Demonstrate Sensitivity to Public Issues & Ethics

The nursing profession today is impacted by a wide variety of demanding and rapidly changing social, cultural and political challenges: “I take particular pride in a career marked by sensitivity to social/cultural issues and adherence to the highest ethical standards.”

In a board interview, don’t forget to mention that nurses have the world’s toughest job!

Everybody knows nurses work hard and smart. But it doesn’t hurt to subtly remind those interviewing you that nursing today means balancing multiple demands: “Successfully managing demands for constantly increasing healthcare outcomes with ever present pressure to reduce costs.”

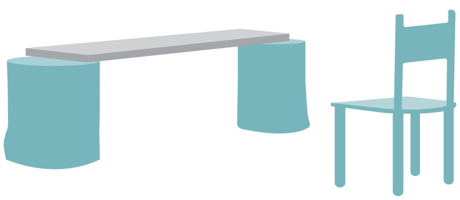
APPENDIX A: A BRIEF HISTORY OF BOARDS

Understanding how the roles and responsibilities of boards and directors have changed over time is extremely valuable in effectively executing the duties of a director today.

Today's boards and their importance, composition, processes and functions are a product of some 300 years of change, with the most rapid changes occurring since the Second World War. The most popular economics and business texts of the 1950s had no mention of the role of boards, while today, similar texts are full of material pertaining to this vital role.

Colonial Times

In colonial times, companies were formed as small local enterprises and the owners, management, employees and directors were basically the same people. When meetings were held, a wooden "board" was laid across barrels or tree stumps for the members to sit. Facing them would be a "chair" for the person chosen to be the leader. Those sitting on the board were called directors.



The first formation of large commercial entities was through the granting of monopoly "Charters" by the government in the UK. Brought to the New World, the colonists distrusted them and in response, formed their own companies. The first U.S. corporate charter was granted in 1791 to Alexander Hamilton for the Bank of the United States and the first true corporation in the U.S. called the Society for Establishing Useful Manufactures (or SUM). Both the bank and the company failed in 1796.

Civil War Era

The states took over the granting of corporate charters, and over the years, because of its favorable laws, Delaware became the principal location to form companies. By the mid-1800s, the Civil War, the growth of technologies such as telegraph and railroads, and the growing complexities of business increased the divide between professional managers and those who financed growth. By 1900, there were nearly 48,000 corporations in the U.S., accounting for 60 percent of Gross National Product.

During this time, the role of the director and corporate boards was not well understood. Boards were composed largely of "insiders," and often operated to rubber stamp what companies were already doing. Individuals (representing their own or family money, or other large investors) basically had more power than the board in its entirety.

As business organizations grew from small local entities into larger regional and national organizations needing increasing amounts of capital, the roles of directors, managers and shareholders began to diverge from the individuals occupying those positions. Professional management personnel were trained to lead enterprises, the owners sold shares to others to finance growth, and individuals and some financial institutions became professional investors.

COLONIAL ERA	CIVIL WAR	1900	WWI	WWII
British Govt. grants monopoly charters Local community businesses meet– owners, managers and employees are the same people Alexander Hamilton forms first U.S. Bank & company 200 companies established	Technologies such as telegraph and telephone add growing complexity Separate owners and professional managers States begin granting corporate charters	48,000 companies in U.S. Board director role is not well defined Directors are typically insiders (family or investors)	Companies go from local to national Increased separation between shareholders, directors and managers	Technology, turbulence, globalization, logistics and increased transparency expose inside activity of boards and managers

APPENDIX A: A BRIEF HISTORY OF BOARDS CONT.

World War I & II

Two world wars changed business from local and national, to international, and the resulting complexity led to the rise of business schools and the development of a “managerial” class, as well as the further separation of owners (shareholders) and managers. World War II, in particular, with its development of technology and the growth of “logistics” on a global basis, led to the beginning of re-defining corporate governance.

1945 - 1970

Between 1945 and 1970, the U.S. GDP tripled from $285 billion to $977 billion, U.S. enterprise and entrepreneurship led the world and consequently, boards were generally left alone. By the early 1970s however, social and economic issues such as inflation, slower growth, information technology, the energy crisis, global competition, and the civil rights, consumer and environmental movements, combined to put increased focus on companies, their boards and directors. Activists, courts, and states’ Attorneys General took the lead in forcing reform on corporate boards.

1980s

The 1980s were a tumultuous time for boards. The concept of conglomerates gave way to more focused entities and companies with similar customers and markets merged into bigger entities. Aggressive acquirers were called “corporate raiders,” often using “High Yield or Junk Bonds,” or “leveraged buy-outs” (basically using the acquired company’s capital to pay for mergers and acquisitions or M&A).

Such combinations were not always friendly, and many boards were faced with anti-takeover defenses. One of the strategies effecting boards was that the election and service of directors were staggered or classified to ensure that boards could not be entirely taken over at one election time. It was also the era of “celebrity” CEOs, who were often paid larger and larger amounts, generating concern about CEO pay.

1990s

The growth of global competition in the 1990s forced a re-thinking in the composition of boards with a push to add individuals with international experience, outside independent directors, women and minorities. All told, this marked the rise of serious concerns about the composition, compensation, role and structure of boards, and touched off a number of shareholder lawsuits against companies and their boards. Boards were challenged to better align their interests with shareholders (rather than management) and to focus on the role of the board in creating value. The 1990s also saw the start of special programs to improve director competence, knowledge and skills and board processes and operations.

1945 - 1970	1970 - 1980	1980s	1990s
U.S. GDP tripled from $258B to $977B 1950: 60% of boards are insiders: male and little diversity 1973: 10% women 1975: no Black directors 1966: 19% have audit committees Exxon adds first outside director Broader ownership of stocks/mutual funds and pension funds	Slow economic growth with inflation and growth of interest rates Energy crisis Consumer, civil rights and anti-war movements Trade deficit with Japan Low productivity growth Big bankruptcies: Penn Central, Lockheed, Rolls Royce, Chrysler, etc. Attacks on corporate malfeasance SEC sets rules on independence	Increased focus on composition, compensation, role of boards Conglomerates give way to large, global, focused entities Aggressive acquirers called “corporate raiders” use “junk bonds” and “leveraged buyouts” Boards adopt defensive strategies (poison pills, Green Mail, White Knights, etc.) Celebrity CEOs create focus on executive compensation Directors: 23% minorities, 27% women	Increased focus on director expertise, transparency, executives, improving shareholder rights and communications Harvard, Stanford, University of Chicago, Wharton Business School form Directors’ Institutes Corporate malfeasance starts push for major reform

2000 - Current

The exposure of corporate malfeasance by a number of companies, such as Enron and WorldComm, led to the Sarbanes-Oxley Act of 2002, the most sweeping legislation to change boards to that point or since. That bill has set the standard for board content that still exists today.

Problem: Substantial misstatements were found in financials of companies such as Enron and WorldCom and, there was an apparent failure of boards and public accountants to detect and correct problems. There was also an apparent failure of stock analysts to detect weaknesses in financial information.

Solutions: In order to increase reliability of financial information, pressure was put on CEOs and CFOs to issue accurate and more thorough financial statements (need to sign; report on internal controls; prison or disgorge profits from stock options; blackout periods for stock trading; criminal penalties for alteration or distraction of statements; prohibited personal loans). Audit committees were also created (hires auditing firm; committee members must be independent; auditors report directly to audit committee; auditors restricted on other business; limit lead audit partners to 5 years; can't have worked for company).

Most of the improvement in the past dozen years however, has come from boards making self-directed improvements in their structure, composition and transparency. 2010 and beyond led to a focus on transparency, accountability and risk. Investors began demanding director diversity in skills, qualifications, perspectives and backgrounds.

2000s

SARBOX Public Company Accounting and Investor Protection ACT 2002

- Creates new regulatory entity to oversee activities of public accounting firms
- Prohibits activities and relationships that may compromise independence of auditors
- Shelters stock analysts from pressure that inhibit objectivity (Chinese wall)
- Tough new criminal penalties: e.g. 20 years for destruction of documents
- Protects whistleblowers

2010+

Focus on transparency, accountability and risk

Investors demand director diversity in skills, qualifications, perspectives and backgrounds

2017 Public Company Boards:*

- 51% separate CEO & Chair; 28% independent
- 84% have lead director
- Average number of meetings: 8+
- Average director age: 63
- Average director tenure: 8+ years
- 45% have retirement age of 75 or higher
- 397 new directors elected
- 65% actively employed
- 36% C-Suite
- 45% first time on boards
- 36% women
- 20% minorities
- 29% with financial skills
- 13% with investment skills
- 20% with tech or telecom experience

** 2017 Spenser Stuart Board Index*

www.spencerstuart.com

SpencerStuart

Best Practices include…

- Executive sessions
- Limited director tenure
- Annual board evaluations
- Informal board time
- Oversight of risk
- CEO succession planning

Non-Executive Chair

Role: Chair of Board (not of the organization)

Responsibilities:
- Board focus on governance, not management
- Set annual board calendar and meeting agendas
- Establish and monitor effectiveness of committees
- Ensure appropriate flow of information
- Lead board discussion to ensure participation
- Develop and maintain culture
- Establish board composition, size, and structure
- Evaluate board and director performance
- Board representative on strategy discussions
- Represent board externally
- Coach and mentor CEO (with Chair Compensation Committee)

Chief Executive Officer

Role: Ensure organization maximizes shareholder value

Responsibilities:
- Effective, ethical and profitable growth of operations
- Ensures timely and accurate financial reporting
- Develops and executes a strategic plan
- Ensures appropriate allocation of resources
- Ensures effective, motivated senior management and workforce is in place
- Personal leadership of positive work environment
- Fosters excellence in operational aspects of the organization
- Develops and ensures compliance with policies and practices
- Ensures compliance with all applicable laws and regulation
- Directs and ensures appropriate communication with stakeholders
- Coach and mentor direct repost

Lead Director

Role: Ensure smooth operation of the board

Responsibilities:
- Set board agenda
- Liaison between board and management
- Best practices
- Lead evaluation of CEO and board
- Mentor new board members

APPENDIX C: QUESTIONS TO CONSIDER

Strategic Approach

- What industry are we in? (Defined by what customers value)
- Why does it exist? Is the reason changing?
- What new values is the industry addressing?
- Is the business structurally different than 5 years ago? Now? 5 years from now?
- What are the various competitive positions?
- What is the structure closely related industries?
- Who are the competitors? Same?

Industry Structure

- What is the dominant industry structure?
- Why is it so concentrated/fragmented, new/mature?
- Is the structure inevitable? Will it continue? How long?
- What does the structure do to average profitability?
- Can the structure be overcome?
- Is it worthwhile (profitable) to try to overcome the structure?
- Does any competitor have the market muscle to overcome the structure?
- Will they try?
- Can they survive if they try? Financially? Organizationally?
- Can they survive if they fail?
- What are the consequences of trying? Not trying?

What makes an industry fragmented?

- Low entry barriers
- Absence of economies of scale / absence of experience curve
- No advantages of size
- Scale discontinuities in critical areas
- High brand differentiation
- High exit barriers (keeps marginal players in)
- Newness
- Local image / local contracts / contacts

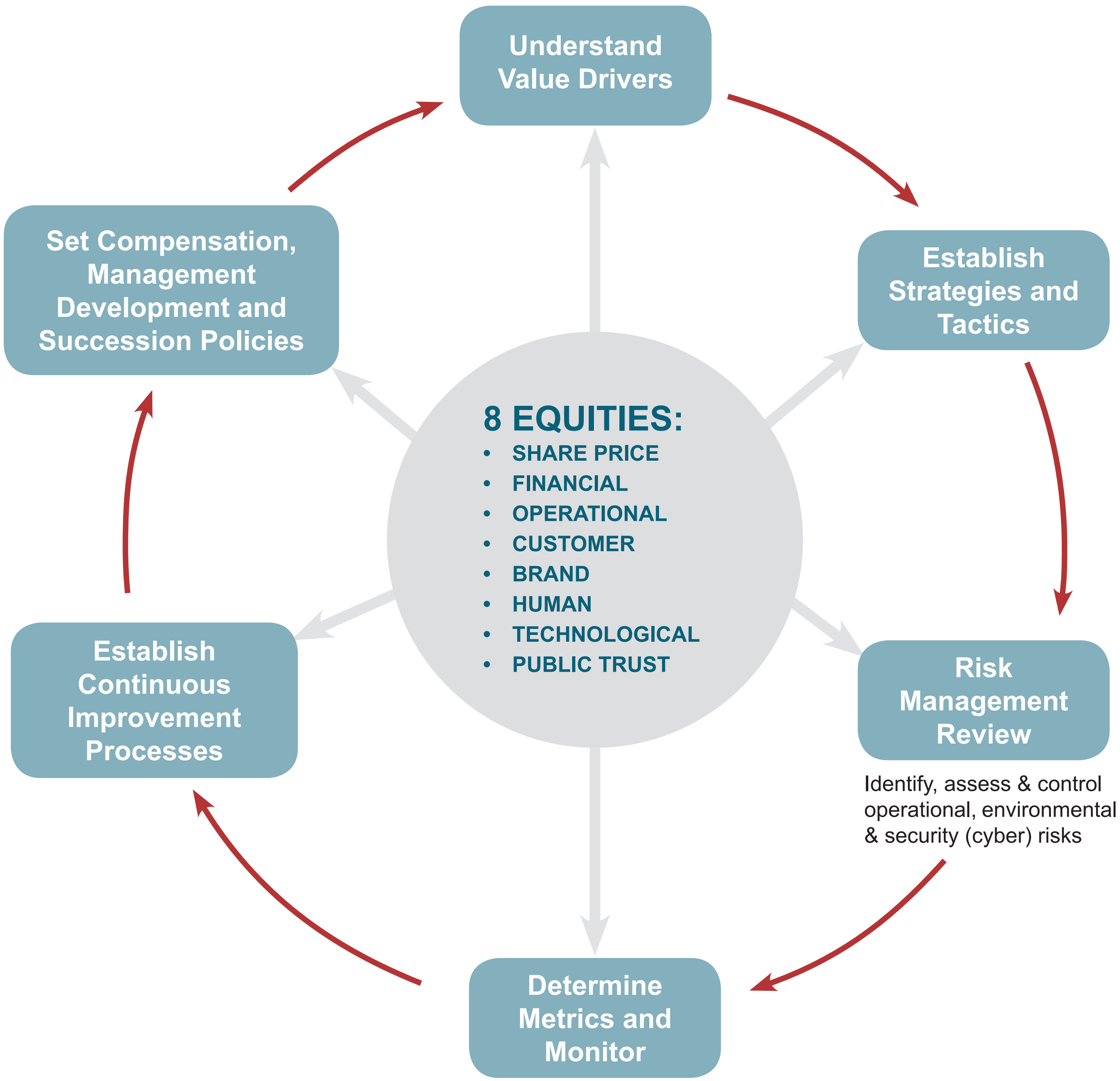
What are Strategy Traps?

- Seeking dominance UNLESS structure can change
- Lack of discipline/Lack of focus
- Over reaction to fads (e.g. Misreading market signals)
- Incorrect assumptions about competitors (Cost; R&D spending)

How do we Overcome Fragmentation?

- Consolidation
- Increase value added
- Specialization

The Virtuous Circle



APPENDIX E: DIRECTOR EDUCATION RESOURCES

Professional Organizations

http://directorpoint.com

http://boardleadership.nacdonline.org/
http://broadrooms.com/

http://business.nasdaq.com/intel/Boardvantage/index.html

https://www.nursesonboardscoalition.org/

https://www.professionaldirector.com/

http://www.members-of-the-board-association.com/Certified_Training_for_Directors.htm

University Director Programs

https://www.chicagobooth.edu/executiveeducation/programs/leadership/directors-consortium

www.exed.hbs.edu

https://www.imd.org/hpb/corporate-reflections/board-of-directors-training-insights/

https://www.extension.iastate.edu

http://www.kellogg.northwestern.edu/executive-education.aspx

https://www.gsb.stanford.edu/faculty-research/centers-initiatives/cgri/executive-education

http://www.anderson.ucla.edu/executive-education/individual-executives/corporate-governance

http://www.memphis.edu/idt/programs/idt_cert.php

https://executiveeducation.wharton.upenn.edu/

Board Consulting Organizations

https://www.pwc.com/us/en/services/governance-insights-center/director-investor-education.html

https://boardleadership.kpmg.us/audit-committee.html

The Nurses on Boards Coalition (NOBC) represents national nursing and other organizations working to build healthier communities in America by increasing nurses' presence on corporate, health-related, and other boards, panels, and commissions. The coalition's goal is to help ensure that at least 10,000 nurses are on boards by 2020, as well as raise awareness that all boards would benefit from the unique perspective of nurses to achieve the goals of improved health, and efficient and effective health care systems at the local, state, and national levels.

The Nurses on Boards Coalition first convened in 2014, and later that year publicly announced its partnership and goal to help ensure that at least 10,000 nurses are on boards by 2020. Nurses represent the largest segment of the health care workforce, are considered the most trustworthy of all professions1 and play a huge role on the frontlines of care in our schools, hospitals, community health centers, long-term care facilities and other places. Their perspective and influence must be felt more at decision-making tables.

The Coalition's guiding principle is that building healthier communities in America requires the involvement of more nurses on corporate, health-related, and other boards, panels, and commissions.

American Sentinel University delivers accredited online degree programs in nursing (BSN, MSN, and DNP) and healthcare management (MBA Healthcare, M.S. Information Systems Management, and M.S. Business Intelligence and Analytics).

Its affordable, flexible bachelor's and master's nursing degree programs are accredited by the Commission on Collegiate Nursing Education (CCNE), of One Dupont Circle, NW Suite 530, Washington, D.C. 20036.

The DNP program is accredited by the Accreditation Commission for Education in Nursing (ACEN) of 3343 Peachtree Road NE, Suite 850, Atlanta, GA 30326.

The University is accredited by the Distance Education Accrediting Commission, DEAC, 1101 17th Street NW, Suite 808, Washington, D.C. 20036, (202) 234-5100, www.deac.org and is a candidate for Institutional Accreditation by the Higher Learning Commission (HLC): 230 South LaSalle Street, Suite 7-500, Chicago, IL, 60604 (800) 621-7440. (MBA Healthcare Project-Based program is pending review for inclusion in the university's programs covered by the Higher Learning Commission designation of candidate for accreditation.)

American Sentinel University, 2260 S. Xanadu Way, Suite 310 Aurora, CO 80014
800.729.2427, www.americansentinel.edu