

This article takes a look at the ways in which boards can contribute to the effectiveness of corporate governance within the businesses they represent, highlighting 8 key areas.

8 ways boards can drive effective corporate governance

The more effective the governance of a company is, the greater the likelihood of its long-term success.

Ensuring good corporate governance is primarily the responsibility of the board of directors, but not all boards address it equally well.

In this article we've looked at 8 areas boards can focus on to maximize the effectiveness of corporate governance within the organizations they represent.

1. Remember - governance is more than just compliance

Compliance is a key part of the board's role - ensuring that the business is operating in line with legislative, financial, and regulatory requirements.

But to ensure effective governance, boards need to go beyond simply monitoring compliance and take an active role in defining the organizational strategy and implementing the policies which are crucial to realizing that strategy.

2. Take a proactive approach to risk management

Risk management is an important aspect of governance, and the board's involvement should not be limited to reviewing audit reports. In order to make informed and balanced decisions, board members need to have a clear understanding of all risks affecting the business—financial, technological, legal and regulatory, economic, competitor activity, and more.

While it falls to the management team to manage risk, it's ultimately the board that is accountable for evaluating the risk profile and incorporating it into strategy.

3. Monitor company performance against defined KPIs

Good governance relies on accurate information. Monitoring and evaluating the performance of a company is a central part of the board's role. Boards should set out the criteria for success (or failure) by identifying the most important metrics, which will allow the board to track performance over time. These should not be exclusively financial targets—as an indicator of long-term success, other factors such as staff turnover, environmental goals, social engagement or stakeholder relations are just as important.

Directors must be proactive in setting reporting expectations, including frequency and format, and ensuring these are adhered to by management.

4. Diversify the skill set in the boardroom

To meet the diverse challenges of today's business landscape, companies require a similar level of diversity in the boardroom. Businesses in the Middle East are increasingly recognizing the value of age- and gender-diverse boards, but the diversity of skills and experience is just as important.

Effective governance is not just a matter of following policies and regulations to the letter, it requires creative thinking in response to novel problems. Having a contrasting mix of opinions, viewpoints, and expertise in the boardroom can give companies a competitive edge, anticipating issues even before they occur.

5. Ensure every board member is engaged

To take advantage of the diversity of experience on the board, it's vital that each board member participates and contributes equally to any discussion. A common issue in the boardroom is that more senior directors, those who are longest-serving, or simply the most dominant personalities take up a disproportionate amount of "airtime".

Other directors may rarely have the chance to put their views forward. Chairs should be conscious of this possibility and intervene where needed to ensure all parties are engaged and heard.

6. Focus on the infrastructure that improves governance

For the board to contribute optimally to the governance of the business, the right support structures need to be in place. Policies that clearly demarcate the division of responsibilities between the board and the management are a good start.

Beyond this, ensuring the effectiveness of reporting, pre-meeting briefings or communications, the publication of detailed agendas, and accurate record-keeping of discussions and decisions can elevate a board's performance from good to exceptional. The role of the corporate secretary is central to this aspect of board efficiency.

7. Promote collaboration and ownership

Time in the boardroom is limited by the practicalities of balancing the schedule and responsibilities of the board members, so it's crucial that it is as productive as possible. Effective boards avoid spending unnecessary meeting time on long briefings filling in background information or returning to the same issues over and over again.

Instead, they defer discussion and collaboration on specific issues to committee meetings, with regular updates shared to those members not on the committee, usually coordinated by the corporate secretary. This ensures that members arrive at board meetings ready to engage with the issues, give meaningful contributions and make informed decisions.

8. Evaluate board performance and composition

To govern effectively, boards must be self-reflective. One of the most overlooked duties of the board of directors is to ensure that the structures are in place to monitor and evaluate their own performance as directors of the company. Each director should be aware of their own contribution, and how their performance impacts the board as a whole. As well as formal evaluations, boards can implement peer assessments and feedback. The ultimate aim is to ensure that the board's performance is aligned with the strategic goals of the business.

Increasing the effectiveness of the board

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We also provide a range of Corporate Secretarial Services, helping businesses to develop and implement the necessary policies, practices, and processes to promote and sustain good corporate governance, creating an environment in which the board can operate most effectively. For more information on these or our other services, please [contact us](#).

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