



## VEACO GROUP

Corporate Governance Advisors

A few years ago, my colleague Cherie Sorokin and I decided to put together a checklist of things to look for and to consider when looking for a third party to conduct board evaluations or other governance services, given the number and types of firms now offering corporate governance services. Now that investors are calling for independent third party board evaluations from time to time, more companies are in the market for the right governance consultant to do this important work for their boards. This checklist should help as they navigate the growing market of providers.

The first issue will be the nature of the project, and then the type of firm or individual that will best suit the needs of the organization for the particular project. It is relevant to consider what the firms mean when they say they provide corporate governance services or consulting. The full checklist also appears as a Practice Tool in our BloombergBNA portfolio, *The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of Corporate Boards*.<sup>1</sup>

### Some Factors to Consider When Hiring a Consultant to Perform a Governance Audit, Board Evaluation, or Other Governance Study

The process of identifying, screening and recommending firms to provide corporate governance services is often handled by the corporate secretary.

Corporate governance consultants, accounting firms, executive search firms, business consultants, management consulting firms, law firms, and other organizations such as NACD and BoardSource (mainly for nonprofits) offer board evaluation and other governance services. More recently, board portal providers and providers of online board evaluation services have joined the list, some offering an array of standardized online questionnaires and reporting formats.

The website of The Society for Corporate Governance [www.governanceprofessionals.org](http://www.governanceprofessionals.org) lists corporate governance consulting firms that provide various types of governance services on its Service Provider Directory, and Society members often comment on and recommend firms their

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<sup>1</sup> Kristina Veaco and Cheryl Sorokin, *The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of Corporate Boards*, 96 Corporate Practice Series (BNA) (updated November 2016). Practice Tool 18.

boards have used via the Society's members' only "Huddle" networking service. Broc Romanek's [www.thecorporatecounsel.net](http://www.thecorporatecounsel.net) and Carl Hagberg's <http://www.optimizeronline.com> both have lists of service providers, including corporate governance consultants who conduct board evaluations and other types of governance services.

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**Questions to consider:**

- What array of services does the firm or consultant provide in the governance area?
- Is corporate governance a primary area of expertise and focus, or one area among many others?
- Is there a particular focus to the firm's or consultant's approach?
  - E.g., overall governance effectiveness, fiduciary/legal responsibility, compliance, risk management, organizational development, executive compensation, interpersonal skill development or relationships
- How long has the firm or consultant been engaged in governance consulting?
- How did the consultant acquire his/her expertise for the particular service?
- What is the firm's or consultant's approach to conducting governance reviews or board evaluations?
  - E.g., standardized or tailored questionnaires, online responses, oral interviews, comparisons with peers or trends, de novo study, building on the company's past efforts, written report of findings or tally of responses, written recommendations, oral presentation of findings and recommendations
- Is the firm willing or able to tailor the approach to meet the company's needs or expectations?
- What is the background and experience of the person or persons who will be doing the work or tallying online responses?
  - E.g., legal training, management or human resources consulting, risk management or audit expertise
- What type of governance review does the board want and what is the scope of the project under consideration?
  - E.g., audit of current practices, analysis of current board effectiveness, review of committee practices and effectiveness; director self-evaluation; director peer review; evaluation of chair, lead director, committee chairs; evaluation of the board's relationship with the CEO; implementation of recommendations; focus on particular substantive areas; help with a known problem such as disaffected directors or confusion over the board's role; education of the board on governance trends

- Is the scope of the work desired a good fit with the experience and expertise of the consultant or firm?
- What is the experience of firm or consultant with different types of boards?
  - E.g., public, private, nonprofit, pension fund, government entity, large organization with substantial staff, small organization with few staff
- What has been the actual boardroom experience of the firm or consultant?
  - E.g., involved as corporate secretary, CEO or other business executive, director, consultant to the board or a committee, general counsel or attorney
- What experience has the firm or consultant had in actually implementing governance processes and practices?
- What is the firm's or consultant's reputation in the corporate governance arena (including in the case of a firm, the individuals it uses to provide governance consulting services)?
- Is the personality of the consultant or the individuals providing the services a good fit with the board and/or the CEO?
- What are the considerations when thinking about using outside counsel to conduct a board evaluation or tally the results?
  - E.g., is your outside counsel is qualified to conduct the evaluation - are they experienced enough in board process, board culture and what the issues are for particular boards; will board members be candid with your outside counsel given their existing relationship with the company, and if so, is it appropriate for outside counsel for the company to have potentially sensitive information about individual director performance?
- What steps are taken to protect the confidentiality of individual director responses and will the attorney-client privilege apply?
  - E.g., are the governance consultants also lawyers?
- Is the consultant or firm known to members of the board?
  - E.g., by general reputation, by work done for other boards on which directors serve, as a result of other consulting services the firm or consultant is providing or has provided to the company
- What other companies have been clients of the firm or consultant and what was the nature and scope of the services provided to those companies?
- What is the quality of references provided by the consultant or firm?

- How long is the project expected to take?
- What will management's role be?
  - E.g., will the CEO and other top executives working with the board be interviewed; will results of the work be reported to the management team separately; what role will management have in implementation of recommendations; who in management will assist in scheduling and in responding to both director and consultant questions/needs during the course of the project
- What will be expected of directors and how much of their time will be needed?
  - E.g., are all directors willing to participate, will in-person or telephonic interviews be part of the process, how much time will it take for directors to complete questionnaires and/or be interviewed
- What is the desired process for reporting results?
  - E.g., tallied responses to standardized questionnaires, written and/or oral analysis and presentation of responses to tailored questions and oral interviews to the board, to the Nominating and Governance Committee, the board chair, chair of Nominating and Governance Committee, to the CEO, to each committee evaluated, to the management team, and for director peer reviews, to directors individually
- Are the proposed fees reasonable given the scope of the project?
  - Fees for governance services, including board evaluations have risen based on the scope and complexity of the project. Using standardized online questionnaires will be less expensive than using an experienced governance consultant

Given the number of providers of corporate governance services, and the importance of having the right people work with your board, having some sort of process to screen firms and individuals will facilitate finding the right firm for the particular governance project.

Kristina Veaco and Cherie Sorokin are corporate governance consultants, former in-house corporate secretaries and in-house counsel who conduct independent board evaluations, skills assessments and consult with boards and senior management on practical corporate governance. For more information, call 415-731-3111, or email to [kveaco@veacogroup.com](mailto:kveaco@veacogroup.com) or visit [www.veacogroup.com](http://www.veacogroup.com).