

Strategic Governance™
By
Mark Sickles

Left to their own devices, too many companies fail to install effective governance practices that can make them more competitive. (Paraphrase of a Jack Welch statement from BusinessWeek, July, 2007)

Is your board of directors ceremonial or enlightened? Detached or effectively engaged? Do they have the capability to function as a strategic asset and competitive advantage? Because of your management team's interactions with your board, are your firm's assets more secure? Strategy better formulated? Organizational ability to implement strategy enhanced?

These questions are consistent with a new notion of *strategic governance™* embedded in a principle-based system of questions - originally designed for boards - that security analysts will soon be asking investor relations officers (IROs) and CFOs, thereby significantly increasing the transparency of information essential to sound investment decision-making. Firms providing the right answers to these questions will be revealed as superior investments compared to alternative investments of comparable risk. Why? Because the answers to these questions reveal whether or not strategic governance – governance that causes long-term shareholder value - is present or missing inside the boardroom when directors and officers interact to fulfill their common purpose on behalf of employees, customers, and shareholders: building a great place to work, buy and invest.

This emerging dynamic between analysts and officers spotlights what analysts and corporate director have always had in common: When *either* of them asks questions of management, management always wants to have a good answer. In this increasingly transparent business environment, enlightened analysts are as committed to functioning as strategic assets and competitive advantages as enlightened directors, understanding that, when equipped with this new system of questions, they can have just as much impact on the creation of long-term shareholder value. This growing movement towards a common language, common ground, and common cause for the inextricably linked fields of corporate governance, long-term shareholder value, and investment decision-making is the essence of strategic governance. When effectively applied and practiced, this strategic approach to governance emerges as a new opportunity for responsive CEOs to create competitive advantage on behalf of their employees, customer and shareholders.

Competitive advantage is the product of strategy: An integrated and coordinated set of commitments and actions designed to first develop strategic assets and then leverage those assets to produce sustainable superior returns. Through the

combined efforts of NYSSA, NIRINY and FEI, security analysts, investor relations officers, and CFOs will begin to use a common communication tool kit to collectively analyze, assess, and report on managerial competence and the resulting soundness of the firm. This is the same tool kit of questions that has been introduced to enlightened corporate directors through NACDNJ. Serving as a common language and common ground, this tool kit is a uniquely powerful opportunity for CEOs to significantly increase the degree of *integration* and *coordination* between analysts, officers, and boards of directors, thereby producing a key characteristic of strategy through means that are rare, valuable, difficult to imitate and, in turn, sources of sustainable competitive advantage. All that's missing is effective action.

Mark Sickles

Mark W. Sickles, LLC

www.markwsickles.com

President & CEO

NACD New Jersey

www.nacdnj.org

Advisory Board Member

Inside The Boardroom, Drexel University

Rutgers Prudential Business Ethics Center

973-424-1100

C: 201-315-3653