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Interview

Exploring the Role and Skills of the Corporate Secretary: Corporate Governance and Beyond

BY KRISTINA VEACO AND
CHERYL SOROKIN

Editor's Note: Bloomberg BNA recently released Corporate Practice Series Portfolio No. 96, *The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of Corporate Boards*, co-authored by Kristina Veaco, corporate governance consultant and founder of the corporate governance advisory firm Veaco Group, and by Cheryl Sorokin, a consultant on governance issues who is associated with Veaco Group. Veaco and Sorokin recently discussed their vision of the corporate secretary's role and function within the corporation.

Bloomberg BNA: The full title of your portfolio is *The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of the Corporate Board*. Let's talk first about the purpose of the portfolio and then how a corporate secretary facilitates corporate governance and the work of the board.

Veaco: We were happy to write this portfolio, as in our experience the role of the corporate secretary is not well understood. We see this as an opportunity to build greater appreciation of the role, and particularly to highlight the increasing importance of the role in corporate governance. As we say in the portfolio, governance is the heart of what the corporate secretary role is about. By corporate governance, we

mean more than just the legal requirements that directors and boards must comply with. It's the sum total of the legal, operational and cultural practices and processes that boards use to oversee and manage the affairs of a company (whether public, private or nonprofit).

Sorokin: Boards are responsible for the effectiveness of their own governance, but as a practical matter, it's often hard for them to focus on all the factors that are essential to operating effectively, let alone keep track of all the requirements imposed by law, the expectations of shareholders or stakeholders, and emerging trends.

Veaco: And this is where the corporate secretary plays a pivotal role. The secretary is the corporate officer who works most closely with the board and management to ensure that board practices and processes actually help facilitate the work of the board and that the board is getting what it needs to do its work.

BBNA: Can you expand on what you mean by board processes? Do you mean meeting materials, agendas, meeting planning, minutes and record keeping and the like? These are aspects of the job that are perhaps the most familiar to the general public.

Sorokin: Yes, these are all critical to having sound corporate governance. Making sure that directors have appropriate notice of meetings, that meeting agendas are well

structured and that materials are understandable, focused and available to directors in a timely manner, that meeting logistics are taken care of so directors don't have to worry about such matters, that actions of the board are carefully documented, and that records are maintained and accessible for future reference, are all central to the role of the secretary.

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Veaco: Boards rely on the secretary not only to execute these functions well, but also to help improve these and other board processes when needed. A good corporate secretary is a critical observer of how

well the board is functioning and is thus in position to adjust processes or offer suggestions to directors and management as to what directors and boards may need to better perform their role and/or to stay in sync with governance trends and shareholder expectations. Over time, a good corporate secretary becomes a close confidant of senior management and the board and is able not only to synthesize their views on how the board is operating or what directors need, but also to help the organization effect needed changes.

BBNA: What makes someone a really good corporate secretary? Are there particular skills or personality traits needed?

Veaco: The most effective corporate secretaries are those who almost invisibly carry out their responsibilities and make substantive contributions to the board and the corporate organization in support of the board. A corporate secretary needs first to be discreet, as the secretary is privy to the board's and the company's most sensitive information. He or she also needs to be a confident leader, someone who is not egocentric, but who inspires trust and confidence, exercises sound judgment and who excels at helping others be successful. As a corporate secretary you often must deal with high-powered individuals operating in stressful, fast-paced situations. The job is not for the meek or overly sensitive.

Sorokin: Corporate secretaries need to be skilled listeners and communicators and have a knack for "influence management." You often must deliver difficult or complex information, or suggest changes in approach, not only to directors, but also to corporate officers at varying levels in the organization over whom you have no management authority. You have to be a real diplomat and a very good listener.

Because of the significant legal issues involved in working with boards, it is common for corporate secretaries, particularly of public companies, to be lawyers, often senior lawyers, but it isn't a prerequisite.

Veaco: I think patience and the ability to remain calm under pressure

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For further analysis of the role of the corporate secretary and how it supports the board of directors, see Cheryl Sorokin and Kristina Veaco, *The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of Corporate Boards*, Portfolio 96 in the *Corporate Practice Series*, available at Bloomberg BNA. Go to <http://www.bna.com/role-corporate-secretary-p17179877137/> for more information.

are also important personal attributes that are needed to be successful in the role of corporate secretary. Organizations often face challenges or crises, and the pace of even ordinary operations can be frenetic. You have to be able to deal with changes in plans all the time.

Sorokin: Corporate secretaries absolutely must have integrity. Although it may be rare, there are instances in which individuals in management or on the board may attempt to influence the corporate secretary in the exercise of his or her fiduciary duty as an officer of the corporation. You must be able to deal tactfully with such situations, but without compromising the integrity of your position.

Veaco: It's these types of personal characteristics and skills that enable a corporate secretary to become a valued confidant of an organization's CEO and board, which is really essential to be effective in the role of secretary.

BBNA: What about legal training? Do you have to be a lawyer?

Veaco: Because of the significant legal issues involved in working with boards, it is common for corporate secretaries, particularly of public companies, to be lawyers, often senior lawyers, but it isn't a prerequisite. If the secretary is not a lawyer, he or she will work closely with the general counsel or outside counsel to ensure that the legal and regulatory requirements are being met.

However, today all corporate secretaries need substantive expertise in legal and governance issues related to the operation of corporate entities. Without such expertise, their ability to anticipate or spot issues of importance is diminished. Secretaries of all types of entities need to be familiar with federal and state laws and regulations which may affect the organization, its board, and its management. Secretaries of public companies need at least a working knowledge of Securities and Exchange Commission, stock exchange,

and other public company requirements.

Sorokin: Corporate governance has become a highly specialized field in recent years, and this means having not only knowledge of the area, but an appreciation for how governance ideas and trends may need to be tailored to be practicable and workable within the size and culture of the organization.

Veaco: Did we mention that you also have to have strong administrative skills—particularly the ability to juggle multiple tasks at the same time?

Sorokin: And also knowledge of the business of the organization, as many of the corporate secretary's roles require this understanding.

BBNA: What about the secretary's role with investors or shareholders? What is the essence of that role?

Veaco: Corporate secretaries oversee the provision of a wide variety of services to shareholders related to their stock ownership. They are also involved in a range of matters related to the company's issuance of shares, often including the tracking of their use. Additionally, they interact directly with shareholders in many ways and for many reasons. They must also understand the nature of the company's shareholder base. They have extensive responsibilities in connection with the company's annual meeting of shareholders.

BBNA: Talk a bit about annual meetings. As I understand it, planning for annual meetings often takes up a great deal of a corporate secretary's time.

Sorokin: Well, to a large degree this will depend on the size of the corporation, whether it is a public company, and whether shareholders are generally happy or unhappy with the company's performance or its governance processes. For large public companies, the process does generally extend over the better part of a year. And it can't really be separated from other governance processes, since proxy disclosure requirements

cover how the board operates throughout the year and what it does, for example in approving CEO pay.

Veaco: The secretary is also the officer who typically interacts with shareholders on proxy voting issues, which involves building relationships with the proxy voting arm of major shareholders, and to the extent possible with proxy advisory services which review company proxies and advise their client shareholders how to vote. It's important to know who the company's shareholders are and how they are likely to vote well in advance of proposing matters for shareholder approval. It's also important to understand what proposals shareholders are likely to bring forward for a vote and how other shareholders are likely to vote on such matters. Understanding shareholder views is a major job of the corporate secretary.

BBNA: Aside from working with the Board and shareholders, what other roles does a corporate secretary have?

Veaco: Well, in corporations operating through subsidiaries or joint ventures or other legal entities, the corporate secretary is often responsible for corporate governance matters for these organizations. Often the rationale for establishing these entities is related to tax or legal issues and it's important that the entities' separate legal entity status be maintained in order for the intended purpose of the entities to be viable and for the parent company to avoid unexpected liability. The secretary is typically responsible for making sure all the myriad governance processes are taken care of to help assure the entities' separate legal status.

Sorokin: In larger companies, corporate secretaries also often provide services to management, either of the parent company or of major subsidiaries, which are similar to those provided to the board of directors of the

parent company. In some companies, providing these services can be a significant part of the job.

BBNA: Larger companies typically have something called the Office of the Corporate Secretary, don't they? Could you talk a bit about staffing for the office of the corporate secretary and the management aspects of running such an office? And what happens if you aren't in a company big enough to have more than the corporate secretary himself or herself managing the function?

Sorokin: Well, in large companies, it is practically impossible for a single individual to manage everything required. One or more assistant secretaries, paralegals, stock administrators and administrative support staff are often needed. This means the secretary becomes a manager in addition to all the other areas of responsibility associated with the role.

The substantive and interpersonal specific skills of the secretary also often make the secretary a candidate for managing other corporate functions, such as compliance or communications.

Veaco: The Office of the Corporate Secretary usually becomes "information central" for management and directors or others needing assistance on a wide variety of matters, often unrelated to the core responsibilities of the secretary.

The substantive and interpersonal specific skills of the secretary also often make the secretary a candidate for managing other corporate functions, such as compliance or communications. Some corporate secretaries

also hold the position of chief of staff for the CEO and others may report directly to the board.

Sorokin: In smaller companies, the secretary may also be the general counsel or even the CFO, and there may not be the resources to establish a full blown Office of the Secretary. In such cases secretaries often create a "virtual" office by establishing a network of individuals throughout the organization who they can call upon to assist with various functions.

BBNA: It sounds like you have to be really good at balancing a lot of different things to be a good corporate secretary—you need to be able to offer substantive advice on sensitive issues, and yet manage some tasks that are very mundane. You have duties that are seemingly impersonal, organizational and administrative, but actually involve and require considerable interpersonal skill and the ability to inspire the confidence and trust of high-powered and often demanding executive officers and directors. You need to understand legal issues and yet understand how things work best as a practical matter.

Sorokin: You bet! The many-armed Shiva image is one we've used in the past in describing all the various aspects of the job.

Veaco: It's a terrific job though, one that always keeps you on your toes. It's a job that puts you at the center of what's going on in an organization and offers the opportunity to really make a difference in the effectiveness of boards and management charged with overseeing and managing corporate entities. As interest in corporate governance continues to grow, the challenges and opportunities for corporate secretaries will only increase.

BBNA: Thanks to both of you, not only for this interview, but for creating this helpful portfolio on the role of the corporate secretary. It's an excellent addition to our *Corporate Practice Series*.