



VEACO GROUP

Corporate Governance Advisors

Some Factors to Consider When Hiring a Governance Consultant to Conduct a Board Evaluation or Governance Review¹

Corporate governance consultants, accounting firms, executive search firms, business consultants, management consulting firms, law firms, and membership organizations 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.societycorpgov.org/ lists corporate governance consulting firms that provide various types of governance services in its Service Provider Directory and Society members often comment on and recommend firms their boards have used via the Society's members' only "Huddle" networking service. The websites www.thecorporatecounsel.net and www.optimizeronline.com both have lists of service providers, including corporate governance consultants who conduct board evaluations and other types of governance services.

To assist those charged with finding a governance consultant to work with the board on its board evaluation or to conduct a governance review, below are a series of questions and topics to consider.

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?
- How long has the firm or consultant been engaged in governance consulting?
- Is there a particular focus to the firm's or consultant's approach?
 - For example: overall governance effectiveness, fiduciary/legal responsibility, compliance, risk management, organizational development, executive compensation, interpersonal skill development or relationships
- How did the consultant acquire his/her expertise for the particular service?

¹ An earlier version of this document first appeared as a Practice Tool for the legal portfolio by 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 2019).

- What is the firm's or consultant's approach to conducting governance reviews or board evaluations?

Examples include:

- Standardized questionnaires relying on ratings
 - Tailored questionnaires, substantive responses
 - Oral interviews with directors
 - De novo study or 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?
 - Is the personality of the consultant or the individuals providing the services a good fit with the board and/or the CEO? Will the board listen to the particular consultant?
 - What type of governance review does the board want and what is the scope of the project under consideration?
 - Some examples include: 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 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?
 - Public, private, nonprofit organizations, pension funds, government entities, large organizations with substantial staff, small organizations with few staff
 - What has been the actual boardroom experience of the firm or consultant?
 - Experience a 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)?
 - What are the considerations when thinking about using outside counsel to conduct a board evaluation or tally the results?

- Is your outside counsel 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 be available?
 - Are the governance consultants also lawyers?
- Is the consultant or firm known to members of the board?
 - 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?
 - 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?
 - 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?
 - Examples may include: tallied responses to standardized questionnaires, analysis of responses from questions tailored to board and organization, written or oral recommendations 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. Consider the value gained from having an effective board evaluation by using an experienced governance consultant. Using standardized online questionnaires will be less expensive than using an experienced governance consultant, and also yield different results.
- How frequently does the board need to use an outside governance consultant for its board evaluations?
 - Some boards use an outside governance consultant every year, others rely on an in-house process for two or three years before calling in an outside governance consultant to provide a different perspective, take a closer look. It will depend on the particular board, what the goal of bringing in an outside governance consultant is and the outcome of a particular evaluation. For public companies, investors call on using an independent governance consultant from time to time.

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, with board experience, former in-house corporate secretaries and in-house counsel who conduct independent board evaluations, skills assessments, governance reviews and consult with boards and senior management on practical corporate governance. For more information, call 415-731-3111, or email to kveaco@veacogroup.com or visit www.veacogroup.com.