The Evolving Role of Governance and the Corporate Secretary

By [Edo de Vette]

It's commonly known that every company is subject to change. The environment of the company is changing rapidly and is becoming increasingly complex. The board has the responsibility to map the changes and adapt the strategy to the changing circumstances. In this way, the company can maintain or even improve its competitive position. The board must have the right governance content at the right time to do so. In order to meet this wish, it is important that the corporate secretary not only has a grip on all relevant governance processes but is also able to guide the board in all change processes. To mitigate the risk of getting lost in a governance transformation, boards can use a transformation route.

Governance Development Framework

Based on Nolan's growth phase model (2009), we developed a governance development framework. As with Nolan's growth phases model, growth processes in governance go through a phased development, where the board, due to the organic learning process, has to go through each growth phase in the model. The board's return is greatest when the growth processes are developed in a balanced way and with the right support from the corporate secretary.

Just like Nolan's growth model, the governance development framework also has the same 'law': each growth phase has an end, which is the beginning of the next growth phase. In the transition phase from one growth curve to the next, the board is in a phase of discontinuity. At this point, there are too many new governance issues for which the existing governance tools are no solution. In order to continue to create value for the board, the corporate secretary must seek and implement new solutions. Therefore, his role in the governance process will change due to the phase in the growth model.

Board Assistant

In our previous magazine *Preparing for Meetings*, we gave you insight into the core processes that every corporate secretary has to deal with. In our presented board meeting model, the processes were indicated in his role before, during, and after a board meeting. Most of the traditional tasks that the corporate secretary will perform belong to the first growth phase. Based on a Dutch survey in 2014 and 2019, corporate secretaries played the biggest role in the administrative side of governance and in supporting the board during meetings. The corporate secretary played the least role in shaping the governance structure and decision-making within the board (Governance University, 2019).

In the same study, the signals of the end of the first growth phase were subconsciously examined by asking corporate secretaries about their main problems. They saw time pressure and information management as the most important problems, which they believe could be solved with operational measures and management skills (delegation, time management, planning).

The classical focus on improving management skills will at most result in short-term effects, but when the board is increasingly demanding new kinds of support to fulfill their main governance duties, the corporate secretary has to answer the question of how he can create value for the board on a different level. In our vision, the answering of this question needs to be done with an open mind, creativity, and a sense of critical thinking. If a corporate secretary doesn't have all these skills, he shouldn't despair. He can trust that all wisdom is somewhere; he just has to know where to find it.

The Peak-End Rule and Governance Innovation

In the upcoming chapters, you will read that we found the answer in a psychological phenomenon called the *peak-end rule*. It is proven that board members judge the value for the board largely on how they feel during the governance processes, rather than the outcome of the governance process itself. The basis of this psychological phenomenon is enshrined by Daniel Kahneman in his peak-end rule (1993). All we had to do was codify his theory and apply it to a governance context. It led us through the discontinuity phase to the start of the second growth phase.

Central to this new growth phase is the process of continuous innovation, in which successful applications of new techniques and ways of thinking destroy the old. These innovations offer the possibility to create sustainable value for the board. The role of the corporate secretary has thus been transformed from board assistant to board innovator.

Board Innovator

In this second growth phase, the focus of the corporate secretary will be on board innovations alongside his role as a board assistant. The term *board innovations* refers to the unconventional use of ICT and other tools (people, setting, and process) that help boards solve everyday problems and realize value for the board.

Cross-Industry Innovation

As mentioned in the previous chapter, innovation is seen as one of the main driving forces for creating value for the board. The challenge for the corporate secretary is that – in many cases – innovation is an extrapolation of their current mindset from being a board assistant. Incremental improvement in governance processes is necessary and beneficial, yet it is not enough to find game-changing solutions for the new challenges the board faces.

As most boards are quite mature, it is hard for the corporate secretary to generate major innovations as most governance processes have largely been shaped by the mindset of their directors, governance professionals, and the corporate secretary himself. Best practice thinking has optimized governance operations, so radical innovation will most likely come from other sectors or different contexts.

A good way to realize these innovations is called *cross-industry innovation* (Vullings, 2015). This method is seen as a clever way to jump-start your innovation efforts by drawing analogies and transferring approaches between contexts, beyond the borders of your own company, sector, area, or boardroom.

These analogies can be drawn at various levels, from products and services for the board to governance processes, decision-making models, culture, and leadership. The key is to make more effective connections – i.e., your matching sensitivity – and see the opportunities available.