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BUSINESS VIEWPOINT

Boards take strides, even in small enterprises

Hal Shear, a senior advisor to the National Association of Corporate Directors, drew a large audience in Boise last December when he put a new twist on the corporate-governance topic.

Now he's coming back to deliver more evidence that governance will remain vital long after we forget exactly when Enron Corp. and World-Com Inc. collapsed under the weight of accounting scandals.

Shear, president of Boston-based Board Assets Inc., keynoteed last year's Intermountain Business Forum with a presentation titled, "Board and Company Strategy: Grow or Die." The Hawley Troxell law firm hosted the event.

He argued that while following government-guided reforms boosts accountability and even efficiency, it doesn't guarantee ongoing competitive success. To stay successful, a business and its leaders must keep a sharp eye on industry trends as well as the "tone at the top" of their own business.

Shear plans to deliver the newest installment of the corporate-governance saga Nov. 8. He's slated to keynote this year's Intermountain Business Forum, themed: "Growth and Governance, Aligning Company Directors and Management to Enhance Superior Growth." The event is set from 7:30 a.m. to noon at Boise Centre on the Grove.

Topics that Shear and panelists plan to cover include how to identify board candidates and build a strong board, how boards interact with founders and key managers, and whether the boards in entrepreneurial companies "control" anything.

"This has been a year of progress,"



MARKETPLACE

BRAD CARLSON

Shear said in a recent interview. "Boards are beginning to understand the benefits of the new reforms."

Board members have more widely accepted tools and techniques available, he said. For example, independent directors' executive sessions - sans CEO - are a longstanding "best practice" only recently codified in federal regulations and stock-exchange rules.

"In the beginning, people were uncomfortable. They wanted the CEO in the room because they needed the input," Shear said.

"As the years progress, you understand there is real advantage to having a time when you can talk without the CEO or other insiders in the room. We see the independent directors using executive sessions as a way to exchange information and understand the company in a more effective way," he said.

Ultimately the executive sessions enable boards to act more decisively and inclusively, and with "greater appreciation of who brings what to the table," he said.

In private and "pre-public" companies, "we are seeing a trend toward more independent directors, and more

attention to corporate governance," Shear said.

More of these ventures are forming independent audit and compensation committees, "again, a recent development,"

"If you're going to be acquired or go public, you need to be at the same standard as public companies," he said.

Early-stage companies should enlist independent directors as soon as possible, Shear said.

These directors can offer advice before and after venture capital funding comes in, and assist with sales and marketing strategy as well as investor relations.

As for identifying independent-director candidates for emerging companies, "take as broad a view as possible," he said. "Aim high. People are interested in growth companies. Surprisingly senior people are willing to serve when asked."

"Governance matters even to smaller private companies, particularly growth companies," Shear said.

More nonprofits now focus on governance, financial transparency and adding independent board members, he said.

How are boards doing at focusing on strategy and growth?

"In general, boards are becoming more strategic," Shear said. "The emphasis on control is not minimized, but a focus on developing a winning strategy is clearly in place. I'm pleased with what's transpired over the past year or so."

Information / registration: 344-6000 or intermountainbusinessforum.com.

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