

TEXAS

ceo magazine

JAN / FEB 2011

THE BOOTSTRAP BRIGADE:

STARTING FROM SCRATCH
SWEET LEAF TEA FOUNDER CLAYTON CHRISTOPHER
+ FOUR MORE TEXAS BOOTSTRAPPERS

DIAGNOSING FRAUD—
HOW TO SAFEGUARD
YOUR BUSINESS
COACHING
THE LOST LEADERSHIP SKILL



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MEMO

Dt: January 1, 2011
To: Public, Private & Not-For-Profit Directors
Fr: Thomas S. Glanville, President, Texas Tri-Cities Chapter,
National Association of Corporate Directors
Managing Partner of Eschelon Energy Partners
Re: Corporate Governance-Good to Great



After the debacles of Enron and WorldCom in 2001-2, boards of directors have become acutely aware of their responsibilities in the new order of corporate governance. This order calls for, as codified by the subsequent Sarbanes-Oxley legislation, transparency and accountability in the execution of their duties. Failure in this area by boards or any set of their members can lead to personnel embarrassment, damaged reputations, and potential monetary liability beyond any value diminution in their stakes in the company or elimination of cash compensation. All in all, a strong motivation to do the job right.

However, as a long time public company, private company, and not-for-profit director, I would suggest that this new order is just the first step in creating boards that are a strategic and competitive advantage for their organizations. The pace of change is so rapid in all markets and industries that those organizations without active and strong boards risk a downward spiral to bankruptcy or irrelevance. Being great should be the goal, not good.

How can boards be great? This means a professional and collegial approach to question and weigh the company's budgets, personnel, compensation, finances, and overall performance. But more importantly, this also means an understanding of trends and the potential futures of markets and industries that allow an organization to see around corners more quickly than the competition. Prominent examples of this are upstream oil and gas companies that moved months or years before competitors into the domestic shale plays, and technology companies that have led the usage of social media and related applications in their offerings.

Without great boards, the risk to the private enterprise system is also significant. By 2040, Federal spending is projected to be at 40% of the U.S. economy, up 16% from 2010 (source Congressional Budget Office). If public and private companies and not for profit organizations do not allocate capital properly, this job will be taken from them and given to Washington with the predictable waste and lack of results. Any such move would hurt all the wonderful things that our system supports-jobs in the local communities, resources for local charities, and worldwide leadership in the economic, social justice, and military arenas. One case in point is the boards of many financial institutions were at least partially responsible for the 2007-8 financial crisis due to the lack of attention to their responsibilities, which included understanding the risks of the business model, how to incent management, and making the right moves to forestall the bankruptcy of their firms. Dodd-Frank is an obvious result of this failure.

NACD, as the go to organization for best practices, education, and peer to peer exchange for our director community, can help boards and directors perform at a great level. See you at the next NACD event.

Tom Glanville is Managing Partner of Eschelon Energy Partners, a private equity firm focused on the energy industry. He has served since 2001 on the board of Itron, Inc. (NASDAQ ITRI) and is a financial expert on its Audit Committee. He is also a board member of three oil and gas exploration and production companies in the Eschelon portfolio and serves on the Board of Visitors of the M D Anderson Cancer Center and as a Trustee of the Museum of Fine Arts, Houston.



NACD Texas TriCities Chapter 2011 Upcoming Programs

HOUSTON

Jan 13
The Board's Role in IT Oversight
BREAKFAST
The Houstonian Hotel
7:30-9:30 a.m.
Visit <http://www.nacdtexas.com>
to register

Feb 9
Top Ten Topics for Directors in 2011
(By Invitation Only Dinner)
The Houstonian Hotel

Feb 10
Top Ten Topics for Directors in 2011
BREAKFAST
The Houstonian Hotel
7:30-10:00 a.m.
Visit <http://www.nacdtexas.com>
to register

Mar 1-2
4th Annual Energy Industry Directors Conference
Rice University, Jesse H. Jones Graduate School of Business.
Visit business.rice.edu/energyboardconference
to register
Registration fees apply

Mar 10
RISK
BREAKFAST
The Houstonian Hotel
7:30 am – 9:30 a.m.
Visit <http://www.nacdtexas.com>
to register

AUSTIN

Feb 17
Top 10 Topics for Directors in 2011
BREAKFAST
The Four Seasons Hotel
7:30 – 9:30 a.m.