

## Four Types of Boards

Corporate boards can be divided into four categories – negative, neutral, oversight, and strategic asset. While every board has some of the four characteristics, most exhibit more traits of a particular board type. Negative or neutral boards are least effective because they generally do not seek further education or evaluation.

**Negative** – Negative boards micromanage. It's probably 90 percent of what they do, but they fail to "understand their fiduciary responsibility to provide oversight. They tend to go in and say, 'I know this area; therefore, I'm going to tell the CEO what to do.' You almost prefer not to have a board than to have a negative one.

**Neutral** – They're passive, very accommodating. Every vote is unanimous. There's no challenge. Many boards still fall into this category, an expert observed. Members fear that if they were evaluated, they would be asked to leave the board.

**Oversight** – An expert believes 60 percent of boards fall into this category. These directors take their fiduciary duties seriously, and they welcome education and evaluation.

**Strategic Asset** – These boards are approaching the ideal. Directors see their role as one of checks and balances with executive management.

They expect to engage in oversight and monitoring of executive performance, and they demand accountability. Each has certain expertise that will raise the board level. They will challenge each other, and their collective wisdom will result in their company's better performance.

Source: [www.boardmember.com/index](http://www.boardmember.com/index)

## What Causes Corruption?

Etymologically, the word "corruption" comes from the Latin verb "corruptus" (to break); it literally means broken object. Conceptually, corruption is a form of behavior, which departs from ethics, morality, tradition, law and civic virtue.

Why corruption develops varies from one country to the next. Among the contributing factors are faulty government and development policies; programmes that are poorly conceived and managed; failing institutions; inadequate checks and balances; an undeveloped civil

society; a weak (corrupt) criminal justice system; inadequate civil servants' remuneration; and a lack of accountability and transparency.

A serious impediment to the success of any anti-corruption strategy is a corrupt judiciary. A corrupt judiciary means that the legal and institutional mechanism designed to curb corruption, however well-targeted, efficient or honest, remains crippled. Unfortunately, mounting evidence is steadily surfacing of widespread judicial corruption in many parts of the world. Insufficient attention has been given to the integrity of the judiciary and the broader criminal justice system.

Source: Focus (Guidance for the Directors of Banks)

*"Each Director individually and board collectively should consider themselves responsible for the effective and efficient management of the bank."*

### Bank Board Responsibilities

Board of directors have vital responsibilities towards the overall enterprise of a bank. These responsibilities include:

- To support management in its task of driving the bank forward and, to that end to encourage innovation.
- To consider with great care the bank's human, physical, and financial resources and its strength and weaknesses. Therefore to agree, against this background, its aims, long-term strategy, and its medium and short-term business plans, bearing in mind at the same time the external economic environment in which the bank will be operating.
- To make sure that plans are communicated throughout the organization to those who will be affected by them.
- To institute and support a clear framework of policies and objectives in all spheres within which management must operate. These would cover personal policies, the basic financial regime including budgeting, and financial operations including asset and liability management, capital planning, and investment.
- To deal with mergers and acquisitions.

*"Governance" is a quarterly publication of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). It highlights ideas, best practices and trends in good corporate governance. Copyright, 2004, ADFIAP. Article contributions can be sent to [robertj@adfiap.org](mailto:robertj@adfiap.org)*

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## BOARD MEETINGS

# Effective Board Meeting: Four Leadership Tips

What's the most basic definition of the board chair's job? To run the board meetings. But this essential of the chair's role can bring many pitfalls for board leadership -- as well as opportunities to assert and use that leadership most effectively. What are some ways the effective board chair can manage the board meeting?

➡ **Consider this a reason for separating the roles of CEO and board chair.** Notice how an executive attains the job of chief executive after a long, strenuous process of proving himself or herself the very best. The role of chairman, however, is a title usually given this CEO as a final coronation. The result — distinct talent as a board chair — need not be one of the CEO's strong points. "I was never in favor of combining the positions unless the CEO is not only good, but can run a meeting," says Ron Zall, head of the Corporate Directors' Institute in Denver.

➡ **Allow freedom of ideas, but keep discipline on meeting flow.** "It's bad leadership to put up with unpreparedness or someone repeating an idea over and over," notes Zall. "A strong chairman knows how to run the meeting to keep everyone focused on the issues, without discussions wandering off in every different direction."

➡ **The meeting agenda is more than just a list on a sheet of paper.** "At the beginning of the meeting, announce the ground rules on what's to be discussed. Get the issues out at the beginning too." While the agenda lets you check off what must be covered, this up-front discussion allows the chair to lay out a major unifying theme for the meeting.

➡ **The chair should lead the meeting by keeping it focused and productive.** "Keep the distractions out," says Zall. "Make sure they pay attention to what's going on, not getting to the airport or getting their messages" (consider asking directors to shut off their cell phones). Also, "get the important things on the agenda early. For most of us, attention span fades over a board meeting, and the earlier you bring up a major issue, the more attentive they'll be." As part of this, plan wisely for items after the lunch break. A long slide presentation will likely elicit a few snores from around the table.

Source: [www.boardmember.com](http://www.boardmember.com)

## BRIBERY

# Economic Cost of Bribery

The body of theoretical and empirical research that objectively addresses the economic impact of bribery has grown significantly in recent years. It leads, in general, to the following conclusions:

- Bribery is widespread, but there are significant variations across and within regions. For example, survey responses suggest that Botswana and Chile have less bribery than many fully industrialized countries.
- Bribery raises transaction costs and uncertainty in an economy.
- Bribery usually leads to inefficient economic outcomes. It impedes long-term foreign and domestic investment, misallocates talent to rent-seeking activities, and distorts sectoral priorities and technology choices (by, for example, creating incentives to contract for large defense projects rather than rural health clinics specializing in preventive care). It pushes firm underground (outside the formal sector), undercuts the state's ability to raise revenues, and leads to ever-higher tax rates being levied on fewer and fewer taxpayers. This, in turn, reduces the state's ability to provide essential public goods, including the rule of law. A vicious circle of increasing corruption and underground economic activity can result.
- Bribery is unfair. It imposes a regressive tax that falls particularly heavily on trade and service activities undertaken by small enterprises.

Source: World Bank Institute

*"Bribes can influence the choice of private parties to supply public goods and services and the exact terms of those supply contracts. It can also affect the terms of recontracting during project implementation."*