

## Corporate Boards Get Busy Online

More companies are communicating with directors over Internet portals, but the push for paperless governance isn't always easy

by Rachael King

Keeping board members abreast of company matters was getting out of hand for credit risk management firm Radian Group ([RDN](#)). Before each quarterly meeting, the company rushed to assemble and ship bulky board books—some containing as many as 300 pages and each replete with confidential information—to all 10 board members scattered across the country. The task became even more complicated when directors were traveling, says Rick Altman, Radian's senior vice-president for corporate planning.

So last summer, Radian began to use BoardLink, an online portal from Thomson ([TOC](#)), to distribute online board books, schedule meetings, and send secure messages. "We wanted to ease communication at board meeting time and in the interim period, and to do that in a more secure fashion," he says.

### SECURE ONLINE PORTALS PROLIFERATE

Radian is one of a growing number of companies that are starting to implement online portals and other tools to help boards of directors communicate more efficiently. Companies such as Chevron ([CVX](#)) and Allstate ([ALL](#)) have created homegrown Web portals, according to a report from the Society of Corporate Secretaries & Governance Professionals. [BoardVantage](#), a company that offers online board portals, counts 20 of the *Fortune* 100 as clients. Other vendors that offer software and services for boards include [80-20 Software](#), [InfoStreet](#), Diligent Board Member Services, [IntraLinks](#), [ENDEXX](#), and [Computershare World Records](#). In a survey published in 2005 by the governance group, about 12% of respondents said they use a Web site for board communications.

Interest in these tools appears to be growing. On June 29, the NASDAQ stock market ([NDAQ](#)) said it would acquire [Directors Desk](#), a small firm in Washington that sells online collaboration workspaces to boards of directors at companies such as Eastman Kodak ([EK](#)). "We really are trying to provide our companies with all the tools they need to be public companies," says Bruce Aust, executive vice-president for the corporate client group at NASDAQ.

For some, private portals provide greater security than other methods of staying in touch. E-mail is the most common means of electronic communication, but about 53% of companies use unencrypted e-mail to communicate with the board, according to the 2005 survey. Those e-mails, which may contain sensitive information, can potentially be intercepted. "If you don't give directors a secure way to communicate internally, it's going through their system and it's all over the place," says Nicole Silsby Sandford, partner in corporate governance services at [Deloitte & Touche](#).

And in recent years, amid a rash of corporate scandals and more stringent oversight requirements, boards are becoming all the more actively involved in companies. That in turn necessitates more frequent communication. About 64% of 1,468 respondents to a February, 2006 [McKinsey](#) survey said boards have become more actively involved in strategy, finance, and other areas of corporate performance than they were five years earlier. [Noridian Mutual Insurance Company](#) now meets six times a year, up from once a quarter, says Michael Hamerlik, Noridian's corporate secretary.

### ADOPTION CAN BE SLOW

The road to online board portals isn't always smooth. Noridian began using a board portal from BoardVantage in 2001 and has since issued laptops to each board member, becoming nearly paperless. But during a years-long transition period, the insurer used both the portal and paper board books. "Some directors have been looking at board books for 40 years of their lives," says Hamerlik, adding that while some directors began using the portal right away, it took others longer. "There were others that carried their board book to the last day," he says, referring to when the company finally stopped sending the books out.

"A lot of board members I know are the smartest people you'll meet, but they are not technologically savvy," says Joshua Greenbaum, principal of Enterprise Applications Consulting, a corporate technology consulting firm.

More than three years after implementing board portal software from 80-20 Software, the [California State Automobile Assn.](#) is still sending out board books to its 15 directors. "The antiquated ways of communicating with the board are inefficient and costly, and I was exploring ways that our directors could access data virtually," says Robert Flax, the assistant secretary for the association's board. So far, only one director who travels frequently has asked to stop receiving the board books, so Flax's costs haven't really been reduced. He spent about \$1,000 for each software license, a one-time outlay of about \$30,000, plus an additional \$20,000 to configure the software.

Flax said he found that setting up software internally was less expensive than using a hosted services provider, which typically charges a yearly fee. BoardVantage, for example, bases its subscriptions on the number of users and the features companies need. The entry level is typically about \$25,000; for larger, multiboard customers it can go up to \$100,000.

Still, Flax says the portal serves as a good repository for past board documents and other reference material that can now be easily searched. The company even posts articles about its company and employees there. Board portals are also one way to give external directors better access to company data.

### ROOM FOR IMPROVEMENT

Internal board members are more satisfied with the board's access to financial, strategic, and operational information than external board members, according to an April, 2007 *McKinsey Quarterly* corporate governance survey. For instance, while 56% of 824 respondents said they were "extremely" or "very" satisfied with their board's access to operational information, only 44% of external board members agreed, which would suggest there's plenty of room for improvement in making information available to external board members.

While Radian Group no longer sends out board books ahead of meetings, the company still prints out piles of paper for the actual meeting. One advantage of using Thomson BoardLink is that directors also get access to Thomson First Call data on the company and its competitors. Altman, who spent time as a consultant, believes in taking a realistic approach to change. "Step one is to automate the process, and then we can go paperless from there," says Altman, adding, "Good things will come in time."

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