

Survey Finds Company Boards Focus on Strategy in Tough Times

By Michele Lerner

Survey results from FPL Advisory Group's 2008 Corporate Governance Outlook reveal what might be expected in these volatile economic times: strategy and succession are at the top of the chart in terms of what is important to corporate boards. How boards deal with these two prime issues can lead to the success or failure of a company.

"There's some disconnect between what companies see as important and what they are actually doing about it," says Bill Ferguson, co-chairman and co-CEO of FPL Advisory Group, a family of companies focused on providing advisory services to real estate and related operating and financial services industries.

FPL Advisory Group surveyed 500 CEOs, corporate directors and chairmen of corporate governance committees from publicly traded REITs, hospitality companies, engineering/construction firms and homebuilders about their experiences with corporate governance earlier in 2008.

The survey shows that, given the troubled economy and challenging real estate terrain in 2008 and beyond, boards are looking to focus most on corporate strategy and corporate performance. The consensus from the survey is that boards are trying to accomplish as much process in committee meetings as possible in order to reserve time during board meetings to focus on the challenges of strategy or talent management.

"One of the biggest challenges facing corporations is the issue of succession planning," Ferguson says. "Many entrepreneurs who have founded their companies have a hard time acknowledging their mortality. Rather than stepping back to look for someone who is best suited to handle the strategic concerns of the company, many have a son or daughter already primed to take over the business."

The survey showed that 57 percent of respondents would like to spend more time addressing the issue of CEO succession and 76 percent would like to spend more time at board meetings discussing strategy.

"Board leadership is critical today. Chairs need to be able to wield the velvet hammer, to be supportive of the current management and yet be able to address tough issues," Ferguson says. "A strong board chair should be able to interface with the CEO in a constructive way."

He adds that the qualities needed by a good chair include both the right temperament and the right skill set. "A strong board chair needs to be a collaborator and a team player who also understands the value of moving the team in the right direction and will make tough decisions," he

says. "A good chair inspires the respect of the CEO and the board and takes the time to form relationships with members and the management team."

Ferguson says the worst kind of board chairs are either the type who bulldozes everyone with his or her agenda or the alternative, someone who is unwilling to take on the responsibilities of leadership.

The consensus from the survey is that in real estate or related businesses, half of independent board members should have industry experience and half should come from other industries where external best practices can be applied.

"Today, there is an acknowledgement that board members with real estate experience can add more immediate value from a strategic perspective," Ferguson says.

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