

Network for Innovative Corporate Governance **Board Dynamics – Information Management**

On 1 July 2019, personalities from the Swiss business community and academics from the University of St. Gallen (HSG) met at the Swiss Re Centre for Global Dialogue. The occasion was the founding of the *Network for Innovative Corporate Governance (NICG)*, an initiative for promoting interdisciplinary and cross-generational dialogue on the future of the Corporate Governance and its integral development. The opening conference was dedicated to *Board Dynamics – Information Management*.

“Today, experience meets the intellectual mind set of young academics” – Felix Horber, Group Company Secretary of Swiss Re and co-founder of the *Network for Innovative Corporate Governance (NICG)* opened the conference with this concise choice of words and thus launched an intensive dialogue between young academics from the Corporate Governance department of the University of St. Gallen and an illustrious circle of board members, members of the executive management, board secretaries and corporate governance experts from leading Swiss corporations. The strategic research cooperation between the University of St. Gallen and Swiss Re is aimed at promoting integrative thinking, responsible action and entrepreneurial spirit of innovation in business and society. The 2019 opening conference focused on information management at board level.

Felix Horber began with a comprehensive overview of information management in boards of directors. He outlined practical situations before, during and after a board meeting by using case examples and focused on the handling of information within the three processes. The constant and proactive endeavour for information equivalence is of vital importance in all three process steps. This is a prerequisite that must be established in each decision phase before moving on to the next one. Meticulous documentation of all processes is also crucial – especially against the backdrop of the *Business Judgement Rule*. Only this allows companies to demonstrate a consistent information management in case of an audit.

Michèle Sutter-Rüdissler, Titular Professor of Organizational Control and Governance at the University of St. Gallen and Academic Director of the NICG, then gave a lecture on the role of innovation as the key to success for information management in the board of directors. In particular, she showed that complex innovation alone is not enough; in fact, there should be a renewed focus on allegedly simple concepts. This includes the prioritisation of information quality over information quantity as well as the focus on essential entrepreneurial core competences. One of the key challenges for an effective information management lies in the allocation of time. Michèle Sutter-Rüdissler cited the *Three Lines of Control Model* as an illustrative example, which gives the board of directors a pivotal role as the so-called *Last Line of Control* – with proactive and future-oriented control and supervision competences.

Walter B. Kielholz, Chairman of the Swiss Re Board of Directors, introduced the participants to anecdotes from the past and depicted how Corporate Governance had developed since the 1970s. Johan Wolfgang von Goethe’s quote, “Unfortunately, I didn’t have time to cut a long story

short”, illustrated the extensive *Corporate Governance* requirements at a time when the focus on what’s relevant was not yet at the centre of events. Corporate Governance must not be understood as a formal role with focus on the continuous handling of *tick-the-box processes*. In the spirit of the patron concept, the objective is to ensure that capable board members strategically concern themselves with the future of the company. The chairman of the board plays an important role in the diverse and strategic organisation of the board of directors. It must be composed in such a way that the necessary qualifications and competences are ensured in order to fulfil the foregoing non-transferable and irrevocable duties. The board of directors should also be diverse and consist of members of different regions, sexes, age groups and nationalities. In this sense, it is crucial to be able to make relevant decisions based on relevant information.

In the course of the afternoon, young academics from the University of St. Gallen (HSG) presented approaches for the intensely debated corporate governance topics in the fields of technology, communication, flow of information and reporting:

- **Technology:** Mr. Heiko Petry, KPMG and University of St. Gallen (HSG), gave a vivid introduction to Blockchain technology (distributed ledger), thereby highlighting its potential for use in corporate governance processes. The rapidly developing and spreading technology could make it possible to deal with processes or votes relevant to the board of directors, including at general meetings, via Blockchain in the future. At the same time, this form of decentralized data transmission and management still poses too great a challenge for embedding into existing corporate processes. In addition, the question of legal regulation, the integration into comprehensive, company-internal technologies and processes and their connection to existing interfaces is largely unclear.
- **Communication:** Ms. Katharina Schramm, University of St. Gallen (HSG), presented findings from her dissertation, which focused on the role of internal auditing and its communication with the board of directors and executive management. Trust, transparency, clarity and speed are by far the most important factors for successful communication between the board of directors, the audit committee, the executive management, the internal audit and the external auditors. It makes sense to strategically link the internal audit to further development processes within the organization. To this end, traditional personal exchanges should be preferred to the use of electronic tools; a broad-based survey of more than one hundred internal auditors from Swiss corporations substantiated these statements.
- **Flow of information:** Mr. Simon Friedle, Porsche Automobil Holding SE, explained in his presentation about financial market communication in legal disputes why "silence is gold" is not a predestined approach at group level. Within the framework of litigation investor relations (IR), a transparent and proactive form of communication to the stakeholders is to be preferred. With the necessary care but with a clear intention, an attempt should be made to minimise the loss of confidence of the interest groups and to reconcile market expectations with the facts of the legal case by means of transparent information. While investor relations and litigation public relations concentrate on specific target groups, litigation IR pursues a holistic communication model.

- *Reporting*: Ms. Karla Linden, University of St. Gallen (HSG), highlighted the tension between information content and lack of transparency in the use of alternative performance indicators (APM) in non-GAAP reporting. Based on a study conducted on 30 SLI companies, non-GAAP reporting is intended to help increase transparency through a more extensive and flexible information content in reporting. Two-thirds of the companies comply with an average of three APMs per report. APMs are a tool for boards of directors to provide stakeholders with more targeted information about the company's business performance.

Felix Horber and Michèle Sutter-Rüdisser were pleased about the success of the first NICG conference that solely focused on *Board Dynamics – Information Management*. NICG has set itself the goal to continue promoting the exchange between academia and practice in the dynamically evolving field of corporate governance. The NICG will be further expanded and plans to regularly publish publications and organise conferences in the coming years. The guiding principle is: An innovative contribution to the further development of corporate governance requires a lively exchange and constant discussion!

Interested persons and companies are welcome to get involved and to participate.

Further information can be found at www.nicg.net. If you have any questions or personal concerns, we are at your disposal under the telephone number +41 (0)71 224 76 36 or under the email info@nicg.net.