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# Directors' Training Program -Classy Board is a Necessity, Not an Option

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## Abstract

This article talks about need of Directors Training as well as it summarizes what the law requires in different jurisdictions, and at the end it distinguishes for each country whether these requirements are mandatory or voluntary. In a world of instant communication and ever changing business models, the traditional task of the Professionals in business is evolving. The mounting drift focus on: ? Increased governance requirements ? More regulations ? More emphasis on documentation ? More intervention from governments

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***Index terms—***

# 1 Introduction

ogether with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation. Now more than ever, directors need to understand their fiduciary, legal, and ethical oversight responsibilities hence the bar has been hoisted. Board of directors must focus more on economic performance, not conformance. Public confidence in corporations has reached an all-time low and the role of directors has become even more challenging and demanding.

Besides, Governance-related policy changes introduced in recent years have increased the focus on the experience and qualifications of corporate directors. Accompanying these changes is an increased expectation that companies and boards take affirmative steps to ensure directors are prepared to address emerging opportunities and challenges. The board of directors has had often the business shrewdness, but lack a deep grasp of corporate governance or the leadership skills required to reform policies, practices, and behaviours that can undermine a company's performance.

Today's boards of directors are facing an unprecedented level of scrutiny and pressure from regulators, investors, media, institutional investors, and other stakeholders. Besides, Directors' training and development is fundamental element in enhancing board effectiveness and can help board members be better prepared to tackle misgiving. An effective board education program offers ongoing educational opportunities that help board members continuously cultivate skills that heighten the overall effectiveness and performance of the board.

Boards today can be a competitive advantage for companies. They can provide an outside view, overcome blind spots in strategy, raise awareness of external risks, connect with governments, society and other stakeholders, give credibility and build trust in ways that executive teams cannot. But most board education programs today add little value and instead either focus on the regulatory environment or copy existing managerial education for senior executives. But boards need more than this to become effective. For example, the board's strategic role is different from the strategic role of executives. It ranges from supervision to co-creation of supporting the executives.

The Board of directors not only monitor the company's innovation performance, they actively contribute to it. Board diversity is key in this regard as board members from other industries are faster to foresee sudden industry shifts or disruptive moves. Employee representatives can also be an excellent source of innovative thinking. Board education is failing to address many other important questions, such as which structures enable boards to add real value, as opposed to mere regulatory compliance. And, most importantly, what makes an individual a good board member.

Besides, Board development and training is important because today's chief executive officers (CEOs) are overstretched and confronted with an incredible rise in complexity of society, governments, alternative business models, global changes, new risks and opportunities and shifts in economic conditions. Even the best executives cannot be expected to respond consistently to all these challenges.

As organizations strive to compete in the global economy, differentiation on the basis of the skills, knowledge, and motivation of their workforce takes on increasing importance. According to a recent industry report by the American Society for Training and Development alone spend more than $126 billion annually on training and development. Undoubtedly, Education is important, but people learn from their practical experiences much better as compared to bookish knowledge. Now a days training and development has been the most important factor in the business world because it increases the efficiency and the effectiveness of both directors and the organization.

OCED in 2004 avowed that in order to improve board practices and the performance of its members, an increasing number of jurisdictions are now encouraging companies to engage in board training and voluntary self-evaluation that meets the needs of the individual company. (Principle VI.E.3) a) Orientation of Director on Board

The move from being a manager to a directorship or from director to chairman is more than a change in responsibilities; it is a major change in behaviour and identity. Most of directors will have been becoming more experts in a narrower field, or focusing only on the interests of a single department. Suddenly, a need to have equal responsibility for all departments scanning the external environment for opportunities and developments and joining a new, elite, group at the top. Their need and requirement is different from the seasoned and full time director working with other board of similar or different product line.

Numerous companies are faced with the need to make a step change in the way they operate, perhaps when the business has grown from small, informal beginnings to a point where a more structured organization is appropriate.

Effective company directors understand that directing the organization is much more than managing it. They aim to maximize their contribution to the work of the board and ensure that they achieve high performance in all aspects of their role as company director. The difficulty is for the newly-appointed company directors manage their transition to the board effectively, by explaining both the theory and the practice of corporate governance and by building on their existing competencies. b) Why is it Important to Welcome and Train new Board Members?

A proper welcome and training will help new members:

? Take on their roles in the organization both quickly and comfortably; ? Feel more connected to one another; ? Feel more connected to the organization;

? Better understand their role on the Board; ? Operate from the same "script" that is, to understand the vision, mission, and their roles in the organization; ? Feel more motivated to do a better job.

# 2 i. Ideal Training Objectives

The training objectives of the new director(s) must be:

? A knowledge of the law relating to company directors' liabilities; ? A better appreciation of how to apply the principles of corporate governance to building an effective organization;

? An insight into how to balance the different aspects of the company director role -governance, entrepreneurship and management; ? A clear understanding of the leadership and organizational issues involved in stakeholder management and performance delivery; ? A sharper focus on their own competencies and how they can be further enhanced in order to maximize the effectiveness of their dealings with the rest of the board as well as with the organization as a whole.

ii. Discussion Questions during Director's Training

The unique and ideal discussion questions must be:

# 3 Education

? Education is systematic instruction and it is seen as relating to a more formal academic background. ? It is defined as a more general, less specialized or hands-on approach to enhancing knowledge. The acquisition of skills, concepts or attitudes that result in improved performance in an on-job situation.

This term is often interpreted as the activity when an expert and learner work together to effectively transfer information from the expert to the learner so the learner can better perform a current task or job.

# 4 IV. development

Development is as a long-term process designed to enhance potential and effectiveness. It is also defined as the growth or realization of a person's ability, through learning, often from planned study and experience. It is for perfecting existing skills. Development describes the growth of humans throughout the lifespan, from conception to death. The scientific study of human development seeks to understand and explain how and why people change throughout life. This includes all aspects of human growth, including physical, emotional, intellectual, social, perceptual, and personality development.

According to the HRD Guru Ambrose (1961), 'Development' is a concept which is contested both theoretically and politically, and is inherently both complex and ambiguous? it has taken on the limited meaning of the practice of development agencies and achieve the goals.

V.

# 5 Training and Development for

Accounting Experts

Code of corporate governance prominence the necessity to accounting and finance expert in audit committee so the modernized expertise of their specialization is unavoidable. International Accounting Education Standards Board of IFAC emphasis this requirement for the professional accountants by issuing an International Education Standard (IES) 7, "Continuing Professional Development".

IES-7 fosters a lifelong commitment to learning and prescribes the continuing professional development required for professional accountants to develop and maintain the professional competence, necessary to provide high quality services to public trust in the profession. Continuing Professional Development provides a career passport because of the portable skills developed and is extremely worthwhile for recession proofing individuals. (xiv) All listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with their duties and responsibilities and enable them to effectively manage the affairs of the listed companies backed shareholders.

It will be compulsory for all the directors of the listed companies to have certification under any director training/education program offered by any organization, which meets the criteria or benchmark specified by the Securities and Exchange Commission of Pakistan.

Provided that at least one director on the board shall be required to have such certification up to June 30, 2011 and thereafter, every following year minimum one director on the board shall acquire the said certification under this program.

ii. Code of Corporate Governance -May, 2012

# 6 Directors' Training Program

The revised code 2012 also emphasis the requirements of the DTP by the following para.

(xi) All listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with this code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the listed companies for and on behalf of shareholders.

It shall be mandatory for all the directors of the listed companies to have certification under any directors' training program offered by institutions-local or foreign-that meet the criteria specified by the SECP.

Provided that from June 30, 2012 to June 30, 2016 every year, a minimum of one director on the board shall acquire the said certification under this program each year and thereafter all directors shall obtain it.

Provided further that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company-local and/or foreignshall be exempted from the directors **??** Listing regulation, appendix 14, Hong Kong Stock Exchange Listing Rules, January 2012, All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Directors should provide a record of the training they received to the issuer. ii. Supporting Principles: The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors' and abilities.

To function effectively all directors need appropriate knowledge of the company and access to its operations and staff. While, Office of the Superintendent of Financial Institutions (OSFI) expects all directors to play an effective role, it is recognized that the contribution of individual directors will vary based on their particular qualifications and experience. However, the Board should, collectively, bring a balance of expertise, skills, experience and perspectives, taking into consideration the Federally-Regulated Financial Institutions (FRFI) strategy, risk profile and overall operations.

In order to assess the skills and competencies required to oversee the FRFI's strategy, products, and risks, Boards should have a skills and competency evaluation process, which should be reviewed annually and updated by the appropriate Board committee. The skills and competency evaluation process should be integrated with the overall Board succession or Board renewal plans, with particular attention to the positions of the Chair of the Board and Chairs of the Board committees.

Directors should seek internal or external educational opportunities in order to fully understand the risks undertaken by the FRFI, as well as developments in corporate and risk governance practices. The board should ensure that:

2.20. i. The companies should ensure that directors are inducted through a suitable familiarization process covering, inter-alia, their roles, responsibilities and liabilities. Efforts should be made to ensure that every director has the ability to understand basic financial statements and information and related documents/papers. There should be a statement to this effect by the Board in the Annual Report. ii. Besides this, the Board should also adopt suitable methods to enrich the skills of directors from time to time.

Companies Act 2013 (Sec. 149) deal with the training & development of independent director as, "Though the Act provides one year period for companies to implement the provision, it would still be a difficult task until sufficient persons with requisite skill sets are developed in India. Accordingly, it will become necessary to conduct and organize appropriate training sessions by recognizing organizations/associations for suitable persons to develop the required skill sets for performing their entrusted responsibilities". Commentary: The board or the nomination committee of a listed entity should regularly review whether the directors as a group have the skills,

Figure 1: ?

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There is much confusion surrounding the terms 'training', 'education', 'development' and 'learning,

1. Who has oversight and direct supervision of all the staff?
2. Why Board and board committee meetings are important?
3. What does "adequate resources" mean?
4. What are the 3 most challenging things for you in understanding a financial report?
5. What is the performance of the firm and how to measure it?
6. Are you passionate about the Vision and Mission of the church? Do you know what they are?
7. In what ways have you had to address difficult or challenging issues in an organization? How were they resolved and what role did you play?
8. Who is responsible for setting the agenda for Board meetings?
9. Who is responsible for setting overall strategic policy?
10. Are you able to discuss openly with the CEO issues that are difficult as well as positive?
11. Why is strategic planning the most important role of the Board?
12. Is your CEO paid a salary/and benefits that are in line with other CEOs of similar sized firms in your business area? If not, what might the Board do to move towards a fair rate?
13. Do you have respect for the leadership of your CEO? Why is it important?

Training and development refers to the practice of providing training, workshops, coaching, mentoring, or other learning opportunities to inspire, challenge, and motivate directors to perform the functions of their position to the best of their ability and within standards set by local, state, Tribal, Federal government or society.
iii. According to the Cambridge Dictionary

*[Note: "The activity of teaching employees new skills and knowledge through training, mentoring, (support and advice given by those with more experience), etc." II.]*

Figure 2:

Where necessary, the entity should provide resources to help develop and maintain its directors' skills and knowledge. This includes, in the case of a director who does not have specialist accounting skills or knowledge, ensuring that he or she has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the entity's financial statements. It also includes, for all directors, ensuring that they receive ongoing briefings on developments in accounting standards.


[Directors' Training Program -ClassyBoard is a Necessity] *Directors' Training Program -ClassyBoard is a Necessity*, (Not an Option)

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