



Insight

# Board Evaluations: A Delicate Balance

STEPHEN E. NOWLAN TALKS WITH MICHAEL D. FRICKLAS



SUSAN EGAN

**“Good corporate governance is more than just being able to check items on a list. The key is to create substantive governance process improvements that fit the culture and strategy of the company.”**

—MICHAEL D. FRICKLAS

**V**iacom is a New York-based global media company with \$24.6 billion in revenues and 120,000 employees. The company owns such well-known brands as CBS, MTV, Nickelodeon, VH1, BET, Paramount Pictures, Infinity Broadcasting, UPN, Comedy Central, Showtime, Blockbuster, and Simon & Schuster. Michael D. Fricklas, who joined Viacom in 1993 as vice president and deputy general counsel, was named general counsel in 1998 and became executive vice president in 2000. He manages the company's legal affairs through a law department of 233 lawyers.

**Stephen E. Nowlan:** How is Viacom addressing board evaluations?

**Michael D. Fricklas:** We view self-evaluations as an integral element of governance best practices. Last fall we conducted a thorough review of our governance practices and decided to institute best practices even though the NYSE rules were still in the proposal stage. Our board and each of four committees—audit, governance, nominating, and compensation—will complete self-evaluations annually. As a result of our review, we restructured the board so that now 11 out of 17 members are independent directors.

**Nowlan:** How does your evaluation process work, and how has your board reacted to its recent self-evaluation?

**Fricklas:** Our directors complete a questionnaire that probes their views as to how well they accomplished their responsibilities as set forth in the charter. In addition, there are questions on such issues as whether preparation is adequate, good questions are being addressed, the agenda includes the right issues, and whether they receive the information from management that they need. I summarize the answers and share the results with the board for discussion. Our directors are very engaged and have a desire to see improvements take place. A number of directors have talked with me about the results, and there has been some lively conversation about how to improve. The self-evaluations have really improved the nature

of our governance processes.

There is a delicate process required to balance the requisite level of collegiality and rapport between board members and the company and the board members' need for independence.

**Nowlan:** Some general counsel privately describe many of the new governance requirements as onerous and even silly. What's your view?

**Fricklas:** There is no doubt that some companies do resent the added steps and paperwork. However, the trick is to make some good out of these requirements and use them to good advantage. We've embraced the new requirements because we have a strong interest in being ahead of the curve on corporate governance issues. In some respects, it is surprising how much better boards can get when they focus. You can turn these requirements into something that really helps the board focus on major strategic issues. Our board has ratcheted up the level of independence significantly and is now very much an independent board, with very impressive depth on global business and strategy issues. •