TIME COMMITMENTS AND DIRECTORSHIP

Time dedication to the business of boards has come under the spotlight in recent times.

Often when engaging with directors, I ask them how much time they usually dedicate to their board duties. Usually, I get some saying the business of boards takes a lot of time on their schedule compared to what they assumed when considering the appointment. ***"The stark truth is that a lot of time adjustment is needed to be able to meet the demands of the role."***

Among the many responsibilities of directors are policy-making, strategy formulation, executive supervision, and accountability. Due to these many responsibilities, directors must be well-versed in the institution's operations, its major risks, and the time commitment required. This will not be achievable unless they devote sufficient time to their board responsibilities.

Time commitment indicates the number of hours spent on the business of the board. Directors demonstrate their complete dedication to the company by spending the time and effort required to properly accomplish their duties and obligations. Whilst this may be so, the size of the business and the complexities involved will determine how much time the director needs to spend on the business. There is no defined amount of time that board members must devote each week or month.

Again, how much time a director must devote can be determined by whether he or she holds any executive or non-executive position. Executive directors who are involved in the day-to-day business of the entity are required to spend most of their time managing the business of the entity. Non-executive directors who pursue other interests are equally expected to dedicate enough time to direct the affairs of the entity. Due to their pursuit of other interests, they are expected to balance their time with the demands of their business.

Institutional rules have taken some steps to hold directors accountable for their time whilst ensuring that appropriate time is committed to the business they supervise. Some institutions attempt to address the issue of time commitment in their appointment letters to directors by asking them to explicitly declare all incumbent and new engagements, which are subject to continuous disclosure and assessment when necessary.

Other regulatory restrictions to address this may come in the form of policies or directives. An example is the Bank of Ghana's Corporate Governance Directive 2018, which limits other engagements of directors to five (5). This means that a director cannot serve on more than five boards, and it is also prohibited for directors to serve on more than one (1) financial institution supervised by the Bank of Ghana.

Similarly, the Insurance Act, 2021 (Act 1061) prohibits the Board of Directors from holding key management positions or having interests in any other insurance-regulated entity. The spirit behind all these limitations on the director's engagement is to ensure that the director has a balanced portfolio that allows him or her to serve and dedicate time to all businesses accordingly.

The usual demand on directors' time may include meeting preparation, board and committee meetings, retreats, training, travels, and the annual general meeting, not to mention emergency meetings. For a good director of a rapidly developing institution, this may become the equivalent of three (3) to four (4) days each month, or thirty-six (36) to fifty (50) days per year.

Directors usually plan ahead of time for board meetings to guarantee active and informed participation. Two (2) to three (3) of preparation time is generally required for every hour of actual board meeting time for large-sized institutions. Examples of tasks involved here may include; evaluating financial documents and annual reports; performing industry and competitor research; speaking with colleagues and other committee members; and reading relevant newspapers and industry publications.

As a result of this, directors are advocating for a compensation rise that commensurates with the time and risks involved. One recurring concern I have heard in my work with boards is the need for remuneration that is reasonable for their time. This serves as a motivator for directors to perform to the best of their ability.

Whilst governance professionals argue for adequate time to be spent, we also acknowledge that arguably the most demanding task is when ''***boards spend too much time looking in the rear-view mirror and not enough time scanning the road ahead***.'' Today's reality indicates that directors still spend much of their time on mundane quarterly reports, audit reviews, budgets, and compliance instead of matters crucial to the future prosperity and direction of the business.

The alternative is to develop a dynamic agenda that explicitly highlights these forward-looking activities and ensures that they get sufficient time over the next 12 months. This can only be achieved when the board is well composed of directors from diverse and complementary backgrounds led by a smart, dynamic, innovative, and energetic chair. The quality of the board presents a positive challenge to the overall board dynamics, commitment, and performance.

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