

Contents

Foreword **xiii**

Preface **xix**

Acknowledgments **xxiii**

Chapter 1: What Is GRC, and Why Does It Matter? **1**

What Is GRC? 2

Why GRC Matters 3

Chapter 2: Culture, the Critical Driver **5**

What Is Culture? 5

More Cultural Failures 6

Companies That Got It Right 8

Being Legal, Honest, Candid, and . . . 10

Integrity versus Spin 13

Speaking the Same Language 16

Chapter 3: Cost-Effective Compliance Programs **21**

The Back-Breaking Costs 22

Beyond the Direct Costs 24

Major Mistakes at Platinum-Branded Companies 24

How Companies Got Where They Are 30

Keys to Getting It Right 31

The Compliance Office 36

Making It Happen 38

The Rewards 39

Chapter 4: Ethics Programs: Another Foundational Block	41
Tone at the Top	42
Problems at Daimler	42
Elements of an Ethics Program	43
Setting the Tone at the Top: Hewlett-Packard	51
 Chapter 5: Risk Management and the Financial System's Near Meltdown	 59
What Went So Terribly Wrong	59
The Regulatory System	63
Merrill Lynch	65
Where Were the Boards?	68
Did CEOs See It Coming?	70
 Chapter 6: What Is Risk Management About?	 75
Risk	76
Risk Management	79
Enterprise Risk Management	80
Is It Really Worth the Effort?	85
ERM Application Techniques	88
Key Risk Indicators	91
BP	92
 Chapter 7: Implementing ERM	 99
Drivers for ERM	99
Pitfalls	102
Effective Implementation	106
Roles and Responsibilities	114
 Chapter 8: Does Internal Control Really Matter?	 119
Impact of SOX 404 on Financial Reporting	122
Responsibility for SOX 404	124
Other Relevant SOX Provisions	126
Do Effective Financial Reporting Controls Really Prevent Fraudulent Financial Reporting?	127
Real Life in the C-Suite	130

Chapter 9: Control over Operational Performance	133
IT Controls	134
Société Générale	135
Washington Mutual	139
Countrywide Financial Corporation	143
The Foreclosure Fiasco	144
 Chapter 10: Boards of Directors' Focus	 153
A Focus on the Rules	155
Truly Effective Boards	156
A Public Watchdog?	158
Societal Responsibility	160
Potential Pitfalls	163
 Chapter 11: Overseeing Strategy and Risk Management	 169
Strategy	169
Risk Management	173
 Chapter 12: CEO Compensation, Succession Planning, and Crisis Management	 185
CEO Compensation	185
Succession Planning	192
Crisis Management	196
 Chapter 13: Performance Measurement and Reporting	 201
Performance Measures	201
Financial Reporting	205
 Chapter 14: Building an Effective Board	 219
Looking Objectively	220
A Shift in Direction	221
Building a Better Board	223
Board Assessments	226
Bottom Line	230

Chapter 15: Avoiding Board Pitfalls	231
Following the Herd	231
Obtaining Critical Information	238
A Leaky HP Board	245
Another Leak—What Was He Thinking?	249
 Chapter 16: Where the Power Lies	 251
A Tug of War	252
Shareholder Activism	252
Recent Achievements	253
Dodd-Frank's Proxy Access	256
Where to Draw the Line	261
Finding the Right Balance	262
Where We Need to Evolve	264
 Chapter 17: Structural Issues at the Board	 265
Combined versus Separate Chairman and CEO	265
Empowering CEOs in a Shifting Landscape	271
Director Compensation	274
 Chapter 18: Looking to the Future	 281
New Models for Board Governance	281
A Healthy Governance Environment	285
Boards' Perspectives on Risk	289
Grasping the Holy Grail of Governance	290
What the Future Holds	293
 About the Author	 299
Index	301