The worlds of business and law have never been more closely integrated. The place where this reality is brought most sharply into focus is in the corporate boardroom.

As our public company boards sit and contemplate the current concerns of process and governance, we must constantly keep in mind that the primary goal of the corporation is the creation of wealth for its owners.

To accomplish this, a structure has been built and tested by time: management to operate the business, and boards to provide oversight, guidance, and advice. Both groups must be grounded in the reality of their responsibilities and share the common goal of optimizing risk-adjusted return for shareholders.

It must be a mutually supportive team — with this shared objective.

Governance must be adapted to support the real purpose of enterprise. It is critical that process not become the goal. This is the great risk that Sarbanes-Oxley poses.

Of course, CEOs must be answerable to their boards. But they must have confidence in them as partners, as well. The partners must share some basic, unquestioned values. The commitment to integrity and transparency is basic, but that is not a new idea for a boardroom.

Our jobs as directors have become more complex in the current world in which investors have time frames of, at best, months — and, often, days or weeks.

How do managers and boards work together for long-run wealth creation, which requires decisions with longer time horizons than those of their shareholders? Such differing perspectives make board oversight ever more complex.

Communicating the corporation’s strategic vision is an essential element in aligning various stakeholders’ interests.

Managing a large-scale enterprise requires a long lead time for decision making. This also puts new pressure on management’s risk taking.

Even though much has changed, the primary missions of the board have not. They remain: selecting the leader of the enterprise, measuring the performance of the business, and holding the CEO accountable for the performance.

As you contemplate your responsibilities as corporate directors, keep in mind that process is merely the affirmation of your actions, not an alternative to good performance. A good board selects outstanding management — who deliver more than satisfactory risk-adjusted returns in a transparent and understandable way while operating the business in an ethical and legal manner.

Fundamentally, we face the same rules and goals as always. Now, however, we are paying more attention to process than in the past. As long as that does not become an end in itself, our system can continue to flourish.

Of partnership and process

Board and management must be a mutually supportive team — one that does not get bogged down in matters of process.

By William R. Berkley

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