

Directors & Boards™

Thought Leadership in Governance

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**“Boards of directors
and managers have
really fallen short
in this country.”**

Also! The Ethics of Technology

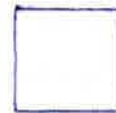
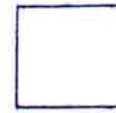
- Time to Care About Machines Displacing Workers
- The Board's Role in Setting Up AI's Ethical "Guardrails"

Delaware Supreme Court
Chief Justice Leo Strine
discusses the role directors,
investors and executives
can play in curtailing
income inequality and
bolstering societal good.

Assessing Board Performance

The secret sauce is in focusing on director strengths and skills.

BY DR. SABINE DEMBKOWSKI AND LAUREN E. SMITH



The need for high-performing and accountable board leadership is ever-increasing as the complexities of the business environment continue to dramatically change. How can boards keep up and optimally operate in these dynamic and often volatile markets?

Board assessments continue to be a great tool and resource to the board, but they have to go beyond the same old, same old and should be focused on the skills and strengths directors bring to the boardroom.

There are numerous reasons to do a board assessment:

- Some countries require them by law.
- Some boards use them to decide whether a member should be re-elected.
- Some boards use them to identify what characteristics new members need to bring to the table to best complement the existing team.
- In other cases, chairs use them to gain insights into how they can develop and optimize the board.

We believe the best reason for doing a board assessment is to help a board im-

prove its individual and collective performance. To help a board get from good to great.

But there's one thing many directors loathe — how board assessments are conducted. Almost uniformly, they believe that the standard box-ticking exercises about board structures and working processes are not very helpful. And directors are even more critical when widely used psychometric tests such as the Hogan or Myers Briggs evaluations become part of the assessment process. Based on this criticism, we conducted extensive research that led to the identification of the seven hallmarks of effective boards.

The most effective boards do the following when assessing performance, including action items for directors:

Ensure the right composition of the board.

Board composition is probably the area that receives the most attention around the globe, especially with discussions in the media about diversity and the push for women on boards. Many boards focus exclusively on a

distinguished background, expertise and a track record of achievements that often produces a board full of “achievers” and “alpha animals.” What’s often missing is an in-depth analysis of the complementary skills, experiences and behaviors needed to determine a candidate’s potential for service to each board.

Action: Develop an interview and selection process that explicitly identifies — and tests — the right criteria of candidates for the board.

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Use the strengths of board members.

The awareness of board members’ individual strengths, and how they can best use them, varies enormously from board to board. While some members are highly aware, others are far less so. In our practice, we see that many use their strengths more by accident than by conscious decision and the strengths they perceived to have as an executive might not be relevant to the same extent on the board. This lack of understanding becomes even more acute when a director is questioned about the strengths of other board members; he or she is seldom able to describe them in more than general terms. Sadly, this means that one of the most powerful ways to increase the effectiveness of boards remains underused. The good news is that the new generation of directors is highly interested in learning about themselves, and how they can become more effective.

Action: Encourage the identification of personal strengths. Leverage validated instruments and tests; for example, the VIA Survey of Character Strengths or Gallup’s StrengthsFinder.

Develop clarity about roles and responsibilities.

The role of the board is, as they say, “nose in and fingers out.” Some directors do a better job than others of putting this into practice. Directors who are new often need coaching to transition into the oversight function. Other tenured directors who are detail-oriented by nature need to be reminded and prodded about their role to maximize their effectiveness. Every director brings specific expertise into the board room. As companies grow and change, that expertise can prove to be a difference-maker.

Action: Discuss the roles and responsibilities of individual directors, and how expectations are met. These discussions will depend on a foundation of data — trust existing within the organization — and will require tact and a high level of diplomacy.

Establish a joint vision.

This sounds so simple and obvious, but in practice, it proves to be a real and, at times, impossible challenge. Boards need to ensure that everyone is on the same the page. Ensuring that the CEO’s vision has the approval and commitment of all stakeholders is a process. The communication of a shared vision is essential. Nothing is more damaging to a company than the revelation that there are disagreements on the board about vision, strategy and action.

Action: Encourage and design a process for establishing a shared vision. The most successful companies design a development process for defining and communicating the vision throughout the whole organization.

Resolve conflicts skillfully between the board and management.

More than ever, companies must lead “highly educated people with great potential” who are sensitive, observant, and who understand what the board is saying and not saying, doing and not doing. Executives at one or two levels below the board have, for

the most part, attended first-class universities or business schools and have their own ideas about the company and its direction. This can lead to covert or even open conflict. The size of this challenge should not be underestimated. Cohesion between the board and management is crucial for success. The board must serve as a role model for the development of a culture where conflicts are resolved constructively. The robust behavior of board members in a conflict will be decisive for the culture of the organization. One must also be willing to be uncomfortable at times: Remember that harmony is rare when an organization wants to leverage and realize its full potential.

Action: Encourage investments in personal development and conflict resolution skills.

Establish a clear structure and organization of the board's work.

Many directors have told us that they were “completely lost” upon joining the board and had to learn how to operate at the board level the hard way, over time. The work of many boards is poorly structured, and new members “settle” into a system that works for those in the know but is not necessarily well-structured or even logical to those just joining. Much can be done to improve the organization of the board’s work. It often costs little, and can carry a profoundly positive effect on the organization.

Action: Collect information and documentation about what has worked well in the past and create a plan that can be shared with current and new board members to ensure everyone is on the same page.

Make time for regular reviews and reflection about the board's work.

Spending time together both inside and outside the boardroom is essential for boards to develop the relationships that will allow members to work well together, especially



in times of conflict. Having an opportunity to connect and reflect about how the board is working is a crucial component of any best-practice process. It's the one point on which there is overwhelming consensus. With this level of agreement, why do so few boards plan time out on a regular basis?

Action: Encourage time out for the board and sponsor guided reflections about the board's work.

These seven hallmarks of effective boards are based on sound academic research. They resonate, and have a strong validity, with chairs, board members and investors around the globe. Used as an integral part of the board development process, they produce tangible performance improvements, allowing individual board members to understand how to become more effective — and get from good to great. ■

Lauren E. Smith is Managing Director in the Board Practice of Diversified Search, and has placed directors on numerous boards, including International Paper, Jacobs Engineering, Urban Outfitters, and Wynn Resorts. **Dr. Sabine Dembkowski** is Founder and Managing Partner of Better Boards in London, and her clients include some of the most admired companies in Europe. Both are members of AltoPartners, the global alliance of international search firms, with 59 offices in 37 countries.