

Building a High-Performing Board

How corporate directors can create a culture of collaboration in the boardroom that drives results company-wide

As part of the Directors Development Program, Egon Zehnder hosted a session on the topic of “Building a High-Performing Board”, a wide-ranging panel discussion on what board members and leaders alike can do to build a productive and cooperative culture in the boardroom that ultimately benefits the entire company. Participants were joined by Ashley Summerfield, Egon Zehnder’s global CEO and Board Consulting Practice leader, and Rajeev Vasudeva, Chairman of Centum Learning Ltd and former CEO of Egon Zehnder, who shared what qualities they see in the most high-performing boards, and what individual members — regardless of prior board experience — can do to fulfill oversight responsibilities while also driving positive impact.

What makes a high-performing board?

Of the hundreds of corporate boards that oversee companies today, the ones that stand out are those that embrace the responsibility of a board to be more than a financial oversight mechanism.

| “Boards can be a source of competitive advantage”

“I think the traditional view of our boards has been that you need a group that needs to supervise and control management who are really the agents of the shareholders,” said Vasudeva. “But I think that’s a traditional view and things have moved on. I think boards clearly are the source of competitive advantage, so they are no longer just looking at compliance and making sure that it’s legal formality that you need to discharge.”

Ultimately, it comes down to determining whether a board is effective or needs improvement. But what’s the criteria? “To my mind, the answer to the question is [whether] the board [is] consistently making good decisions that add value to the company,” Vasudeva reflected.

Agreeing handily with Vasudeva’s points, Summerfield outlined the concepts that he sees as key to board success. His take on making the board a source of competitive advantage was taken from a past client, who said that they, “tried to make the board a safe place, but not a soft place.”

“A safe place is the place where management feel they can share all their agonies, frustrations, worries and lack of confidence. So it’s very important management don’t feel the need to hide things or present everything as looking pretty because as we know, business is often very messy and it’s important that management are able to share that,” he said.

But making sure that hard decisions can be made is equally as important, he said. “If there is a problem, management should feel comfortable to approach the board. The board has to be a place that’s not soft and says in a direct manner what needs to be done to address the problems.”

The pair outlined five distinct characteristics of boards that are adept at answering the call of being more than just an oversight board, and being safe, not soft environments:

- **Have the right group of people:** Having players at the table who each bring different experience and expertise creates an ecosystem open to hearing a wide variety of views and able to take on problems with various lenses, leading to better outcomes.
- **Engage on the right concepts:** Boards, says Vasudeva, are only influential on 5-7 major issues that affect a company. Those issues can be different for every organization, but regardless of what they are, board directors must work to educate themselves, understand what the issues really are, and engage on them in the long term. Doing so leads to better decision making and greater impact.
- **Build chemistry:** Boards are collective bodies, and the most effective boards act like one. Members cannot think or act simply as individuals sharing their expertise with a group for a few hours each month. It must be a group with chemistry, conducive to discussion and where independent views can be welcomed.
- **Get good information before the Board meeting:** Boards can only make good decisions with equally good information. Best practice is for management to share relevant figures and information prior to a board meeting and give members the chance to review them. Boards that simply hear information from a charismatic CEO, without prior documentation, lack the opportunity to process it and ask informed questions.
- **Have a good leader:** The Chair's role on a board is critical and often underappreciated. When leaders facilitate a discussion, encourage people to speak their minds, and help groups come to a consensus, it is a very significant role, and one that is not common amongst all leaders.

What topics an effective board needs to address

The session moved to what topics boards should spend their time addressing. Discussions are valuable, but they take time. Given that the board is limited in its time together, picking the right topics to spend that time on is something that both speakers emphasized.

“Important for boards to provide foresight as well as oversight”

Noting that topic selection is fundamental, Summerfield explained it doesn't simply mean sticking to “hard” topics. “It's important that boards provide foresight as well as oversight,” he said. “I think there can be a tendency to [ask] how was the last quarters trading or how was the last half year, which is important, but frankly can be buried in the board papers. The real reason for a board discussion is this idea of foresight, to [ask] what's coming around the corner.”

Expanding on the point, Vasudeva split his board experiences into two categories: boards that spend time almost exclusively on finance and regulations, and boards that spend time almost exclusively on addressing strategy and the future of the business. He made it clear which was more valuable.

On those in which he spent most of the time reviewing finances, typically, he says, “There [is] a CEO presentation and a CFO presentation, and if things were all hunky-dory, the board asked a few questions and that was the end of the meeting. Was the board really driving value in in any of these conversations? Not to my mind.”

He contrasted that with other boards that proactively allocated time to address strategy and resources, talent, or management and succession planning. Typically, good boards, I would imagine, set out five or six priorities, which they calendarize and want to make sure that those topics are being discussed pretty regularly,” he said.

Of all the topics, corporate leadership is in a league of its own, says Vasudeva.

I think probably the most important role of the board is to make sure that the right CEO and team is in place,” he said. “What conversations [are] the board having around the performance of the CEO so that they're not blindsided? In most cases, you find that where boards have actually failed is [when] boards have not spent enough time on evaluating and providing feedback to CEOs.”

Inside the boardroom: time and attendance

Time spent in actual meetings with the full board is valuable and needs to be allocated as such. “This is a gathering for a few hours every month or two,” said Summerfield. “It’s pretty precious airtime to have assembled the 12 to 15 people who are on the board.”

Effective board chairs will make the most of the time by making sure the board only deals with premier issues while all others are delegated to committees or private discussions in advance. Doing so leverages the power of delegation to make sure that the board can spend that time on key issues. Much of this responsibility is left to committee chairs and board leaders to draw the boundary between committee and board.

The conversation then shifted away from leadership, and towards what regular members can do to contribute to an effective board. Key to this, said Vasudeva, is not bringing an aggressive or patrolling mindset to the meeting.

“Management often feels that the atmosphere in the boardroom is a bit of a ‘gotcha’ atmosphere where non-execs are taking their supervisory duties a bit too aggressively,” he said. “We are all especially senior, high-performing people, we’re all more sensitive than most of us acknowledge to each other, and the way in which a question is asked makes a big difference.” It makes the room come across hostile and creates an environment where management is often reluctant to share. High-performing boards don’t do this.

“The common articulation for a good board member is [to] keep your noses in, but your hands out,” said Summerfield. Members should focus on asking more strategic and high-level questions if they want to add value to the board, as opposed to hundreds of detailed questions.

It’s also important to “bring the outside in,” says Summerfield. “A lot of the board members come with different experiences [and] diversity of thought. It’s critical that you know there is a group-think happening on the board. Are you bringing your experiences to the table?” he asked.

“Very often the best board members are who speak little but add real value”

Speaking from his own experiences in boardrooms, he said, “Sometimes you’re wondering, you know, what am I saying? How are the people going to think about this? Is this really a sensible question? Sounds like a pretty stupid question if I knew this business well. But I can promise you, if you’re bringing an external view, no question is stupid. And it’s really worth asking because it can spark off a debate, which can take discussions to a different conclusion.”

As he wrapped up commentary before the question-and-answer session, Summerfield added one final note about board members on effective boards: they are usually the quiet ones.

“Looking good in a board meeting is not directly proportional to how much you speak or how much you dominate the meeting,” he said. “Very often the best board members are who speak little but add real value. The worst board meetings are where there are one or two board members who dominate the conversation.”

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