

boardroom conversations

Greater than the Sum of its Parts: Professionalizing the Supervisory Board

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In the current business environment, supervisory boards are responding to significantly higher expectations by professionalizing their operations. What are some of the steps boards can take in the quest for higher performance?

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Against a backdrop of growing market uncertainty, complexity and volatility, supervisory boards are more important than ever to an organization's success. They are expected to provide oversight for multiple categories of risk, and to act as strategic advisors to the CEO and as sparring partners for the executive board. The drive for digital transformation, which is affecting every industry (although in different ways) is only further raising the bar of board performance. These heightened expectations have led to a much greater emphasis on board composition. But creating and maintaining a board designed for today's challenges requires more than recruiting business visionaries. A supervisory board that takes a truly professional approach to its responsibilities needs an ongoing succession plan for its directors, an objective evaluation to shape the board into a cohesive team, a holistic view of diversity and a comprehensive onboarding program.

A strategically driven director succession plan

While board members may hold their seats for a dozen years, the size of many boards means that nominating committees must regard succession planning as an ongoing responsibility rather than a periodic exercise. That planning must be driven by a vision of the board being more than the sum of its individual members. Arriving at this vision requires the nominating committee to carefully reflect on four elements:

- 1. An analysis of the existing board:** What are the board's current strengths and potential areas for development? What rotations off the board are due to take place in the years ahead?
- 2. The future of the business:** Given the tremendous changes that are unfolding, how must the business reinvent itself to continue to add value? What will be the key challenges along the way?
- 3. The relationship with the executive board:** How do the strengths and weaknesses of the executive board affect qualities needed by the supervisory board in order for the latter to best oversee and mentor the former?
- 4. Identification of key attributes needed in the boardroom:** Given the strategic direction of the business and the current board roster, what experiences, competencies and perspectives should new directors add in order to fill collective gaps?

Investing time and effort to answer these questions will yield significant benefits by clarifying the board's goals as well as refining the specifications for new members. This insight makes it more likely that the recruited directors will truly be a good fit with the board.

While the qualities sought in new directors will vary depending on the company's specifics, there are common traits found in successful supervisory board members across industries: strategy and results orientation, independence and integrity, as well as communication and influencing, and a track record of successful teamwork. There is also a growing focus on personal qualities such as curiosity, engagement, determination and insight, which have been identified as key indicators of the ability to successfully handle new challenges.

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A wide-angle view of diversity

Today's highly dynamic global economy has moved diversity in the boardroom from a moral statement to a strategic imperative. Given the amount of change with which boards must contend, it is essential that a wide range of perspectives and experiences are represented around the boardroom table. The understanding of diversity in the boardroom today thus extends beyond the critical issue of greater gender equality. Boards need members with experience working in various countries and professions. In the current age of digitization, this could well include younger leaders armed with foresight and strong powers of persuasion, who despite their age bring substantial relevant entrepreneurial experience to the table. As a rule they will demonstrate different ways of thinking and behaviors that enrich the existing repertoire of more conventional leadership and management styles and can boost the quality of the supervisory board's strategic response to new challenges.

An objective examination of board effectiveness

Experience tells us that a group of intelligent and experienced individuals need not make a good team. This also holds true for supervisory boards, which in many cases are still stocked with like-minded figures accustomed to traveling well-trodden paths—a drawback often highlighted at present by the advance of digitization. What is called for here are directors who can not only think outside the box but also motivate the executive board and senior management to foster a company-wide culture of transformation. If these bellwether directors are to make the desired impact, the entire board must be empowered to actively embrace their ideas and drive them forward.

The critical success factor here is a professional third-party evaluation of the supervisory board as a team. Going far beyond a simple assessment that checks basic boxes regarding compliance issues, an appraisal of this kind can provide essential insight into the board's composition, structure and culture. A full board effectiveness review is based on in-depth individual interviews with each board member and examines the supervisory board's structure and organization, as well as the board's culture, decision-making processes and resiliency under stress.

Such evaluations result in specific recommendations for improvement, but just as importantly, they prompt board members to reflect on their roles as well as promote a culture of discussion and best-practice orientation. In the best-case scenario, this will lead the supervisory board to embrace a constructive and efficient working culture, enabling the board to do justice to the importance of its duties.

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Starting off on the right foot

As with management roles, the speed with which new supervisory board members can make a solid contribution is greatly dependent on the care taken in the onboarding process.

Experience has shown that new board members benefit from being deeply immersed in the supervisory board's business from the outset—provided that involvement is guided by a clear plan. The onboarding plan should include background briefings on key boardroom agenda topics, visits to company facilities and discussions with top management. The board chair and committee chairs can accelerate onboarding by framing discussions and introducing topics that give new members an opportunity to make concrete contributions early. Finally, there should also be generous opportunity for new members to get to know current members in both business and social settings to reinforce the group's cohesion and collegiality.

Concluding recommendations

Only when the board is viewed as a team and developed accordingly can it become greater than the sum of its parts. Boards looking to professionalize their practices can begin with four important initiatives:

1. Recruit new board members in the context of the experiences, competencies and perspectives the board will need to meet current and future challenges and opportunities.
2. Take a holistic view of diversity, drawing upon director candidates from both genders, of different age brackets and representing a range of professional knowledge to broaden the board's outlook and behaviors. Ensure that the board's structure and culture encourage what they have to contribute.
3. Approach the task of onboarding a member of the supervisory board with the same forethought brought to onboarding a member of the executive board.
4. Evaluate the work of the supervisory board as a team and the interaction between its members. This will provide a roadmap for both an improvement in processes and a strengthening of boardroom culture.

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