Boards Must Lead Themselves

BY GARY BURNISON Chief Executive Officer

For boards of directors, the “What” is rarely in question. For years, the “What” has been to oversee the creation and protection of shareholder value. In addition, in their long-standing obligation to exercise their fiduciary duties, directors have been placed under increasing pressure as boards are called upon to do more and in less time with each passing year.

Often less clear, however, is the “How”—that is, how boards come together to achieve the common goal of creating shareholder value—the “What.” In other words a board is a team and, like any team, to be effective a board must lead itself first.

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In practical terms, a board's responsibilities (the "What") include, among others:

Agreeing on the company's strategic direction.

Selecting the company's CEO and other executive officers.

Overseeing and assessing the effectiveness of a company's risk mitigation framework, including controls for financial, regulatory, legal and environmental matters, as well as disaster recovery and cybersecurity.

Providing advice and counsel to management regarding significant issues facing the company.

Reviewing and approving significant corporate actions.

Developing and reviewing the company's governance principles.

Overseeing the integrity of the company's financial statements.

Approving the compensation of the executive officers, and reviewing the processes for succession, talent development and compensation.

Effective board teams, among other things, create alignment around the reality of today, and set the company vision for tomorrow through strategy, with strategic alternatives and by anticipating disruptive forces.

Greater alignment with these fundamental duties—in service of the "What" and the "How"—goes a long way toward avoiding board dysfunction. On any team, dysfunction is corrosive, quickly eroding effectiveness and undermining morale.

At Korn Ferry, our conversations with CEOs and board members reveal that some degree of board dysfunction exists far more often than most organizations would want to admit. Part of the challenge is that boards are especially susceptible to attracting the world's outliers of achievement: very accomplished, high-achieving men and women with both under-sized and oversized egos, who have led companies and teams, yet may have forgotten the difference between player and coach—after all, that would be quite normal.

Several months ago I received a call from a client, the CEO of a major industrial company who needed advice. He described one of his directors as "toxic": always silent when the board met together (in fact, scanning a travel and leisure magazine during one meeting), never reading materials, never challenging the management team face-to-face, but dissenting vehemently in private. I call this the "professional passive-aggressive director."

Or, here's another story I heard recently: A retired CEO had been instrumental in turning around his former company. Smart and well-connected, he seemed like the kind of director any company would want. But as a board member, he acted like he was running the company, and frequently put management on the spot, going well beyond asking probing questions. Board discussions gave way to pontification sessions. He had "Joe Namath syndrome," not knowing his time on the field had passed.

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As Korn Ferry and Hay Group research has shown, top team effectiveness and company valuation are directly linked. Among the factors that drive team effectiveness is trust—simply stated, successful teams have members who trust each other. Trust is foundational to healthy board dynamics in which a direct, straightforward and truthful environment is established; team members know each other well; things are as they appear; members can depend on other members; and there are no hidden agendas or "undiscussables."

Four other key factors for effective board teams, derived from Korn Ferry research and team effectiveness models, are: thrust, a common purpose about what needs to be accomplished; talent, the team's collective skills and expertise; team skills, operating effectively and efficiently as a team; and task skills, executing successfully.

Another aspect of the effective team emerges out of recent research at Google, as described in a recent *New York Times* article. Beyond how smart or cutting-edge the teams and their members were, the deciding factor on their effectiveness came down to team dynamics or norms. Teams performed better when people spoke in about the same proportion and possessed the intuitive skills to discern how others felt (largely through nonverbal cues). Ensuring that everyone participates and giving people equal time to talk is often difficult to achieve in boards, largely because of the mix of personalities and backgrounds. One simple way is to go around the boardroom table before the meeting to give everyone an opportunity to list the issues they want to discuss; after the session, board members are asked one by one to give input and feedback.

In coming together as a team, however, boards should not try to become "homogenized" for the sake of accord. The number one request Korn Ferry's board practice receives from clients is help in diversifying boards—in terms of gender, ethnicity, background, culture, thought and global experience. Korn Ferry's team research suggests diversity enhances discussions and decision making by including multiple opinions and perspectives, whether about a particular part of the world or a segment of the consumer population. But the counterintuitive truth, as research has shown, is that diverse teams are harder to manage than homogeneous ones.

Effective teams in any context do not happen automatically. For boards of directors, just like any team, they require hard work and development, trust, mutual respect and, unfortunately, the thing we all have very little of: time. ■

TIPS FOR LEADING AN EFFECTIVE BOARD:

- **Set a vision and agenda for the board.**
- **Agree on quarterly and annual milestones.**
- **Agree on a board constitutional framework, including rules of the road.**
- **Measure against milestones.**
- **Create a mechanism for nonpartisan feedback, including team reviews.**
- **Invest time in getting to know fellow board members.**
- **Hold people accountable and deal with nonperformers.**

"For boards, coming together as a team for the sake of shareholders starts by leading themselves first."