



Building Boards that REALLY Work

29th November 2021

Our latest webinar – number thirteen – took place on 29 November 2021. Attendees from all around the world listened to a presentation on creating a board of directors that really works, and discussed how boards can do too much, or not enough.

This is a brief summary of the key points discussed.

The founder of a company does their utmost to put together the best people for their senior management team, but there will always be gaps. An effective board of directors will provide the extra skills, expertise and experience necessary to meet the company's needs.

The role of the board

The role of the board is to provide vision for the company (setting out an overarching strategy), as well as supervision and governance of the management team (doing the right things in the right way). The board sets the vision, but it needs to have management buy-in, and this can be a difficult balance to achieve. And, of course, the board is responsible for hiring, evaluating, mentoring -- and sometimes, firing – the CEO.

“The main purpose of the board is to take the company from where it is now to where it needs to be. A successful board needs to focus on the vision.”

What companies are looking for in board members

Company boards used to be made up of people who already knew each other, but the aim is now to create a diverse group of people who come from different roles and levels. The skill sets and competencies of boards will need to become broader and more complex as new areas, such as cybersecurity, become more critical. It's also important to have directors who have been through transformations and transitions, so that they can support the company through change.

What companies looked for previously:

- *Almost exclusively from the C-Suite*
- *People from the same networks*

What companies look for now:

More diverse levels, functions, demographics

- *Social media*
- *Global expertise*
- *Marketing strategy*
- *IT/Cybersecurity*
- *HR – especially compensation and pension*
- *Legal*
- *Compliance*
- *Business development*

Character*

- *Judging Others*
- *Collaborating*
- *Raising Questions*
- *Earning Trust*
- *EQ*

* F. Hassan and K. Banta: *So You Want to Join a Board?* HBR Blog 2014

“The responsibility of a board member is the duty of loyalty and the duty of care. They should have good business judgement and independence. And they should be prepared to make a difference.”

Board members now need to represent all stakeholders, including employees and customers as well as the investors. It's critical for all who have seats on the board to remember NIFO or 'nose in, fingers out'; we are there to ask questions, not to run the business. CEOs who have led companies might want to continue to lead while they are on the board; this is not their role, and they need to keep a focus above execution level. VCs need to make their decisions with their director hat on, rather than their investor hat.



Answer from the expert

“Many VCs who have not worked for a manufacturing company don't always understand what it takes to develop, manufacture and commercialize an actual product. They often don't understand the importance of keeping employees engaged, or see how that links to engaged customers, and ultimately, better business results. This is where soft skills are important. To VCs, being on a board can be a financial, short-term appointment, rather than a long-term investment.”

Charlotte Sibley, Board Member at Advicenne S.A.

What board members need to bring

Balanced Team

- Experience and skills that fit the company strategic plan
- Diverse roles and backgrounds

Varied Perspectives

- Range of perspectives and experiences
- Independent

Effective Leadership

- Build relationships
- Accountability for performance and results

Top Talent

- Industry leaders with proven leadership capabilities
- Able to attract top diversity performers

Culture & Behaviors

- Able to engage in constructive debate
- Expertise in communicating with stakeholders

Regular meetings are a vital part of the role of the board, including strategy and financial reviews, and these help both the board and the management to monitor key performance indicators and see how the company is evolving. However, it's important to remember to keep a vision for the future, for example where the company could be or needs to be in five to ten years.

Board members need to be sure that they can commit the time that board service requires, and understand that if there is a crisis, they may need to be available around the clock.

A board needs a good chair. The chair needs soft skills to ensure that all views are heard and to facilitate “fierce” discussions as a foundation for sound, informed decision making. The chair and CEO may be the same person, in which case, an Independent Lead Director is essential for good governance. Alternatively, these roles may be split at different stages of the company's lifecycle.

Similarly, the board needs to understand whereabouts in the lifecycle the company is, and acknowledges the necessity for different skills at different times. This can mean that the makeup of the board will change over time.

“Be the right person on the right board at the right time.”



Answer from the expert

“People who wish to join a board need to treat it as if it is a job interview. They should do their due diligence, read the background material and prepare questions. They should also meet the CEO, CFO and at least one other independent director to understand the company's culture and see whether they will fit.”

Charlotte Sibley, Board Member at Advicenne S.A.