

The Successful CEO:

How can you increase Board Effectiveness – and how can science help?

Article 9

Successful Board members are often said to have certain traits and to behave in a certain way. However, such assertions do not hold up to real-world scrutiny.

In the real world, each Board and each Board member succeeds, or not, in a unique context. So, there can be no set of general traits or way of working that will lead to Board effectiveness.

However, research into Board effectiveness guides us that there are good practices—a framework to understand and develop Board effectiveness emerges.

Ann Roughead, accomplished and experienced Board Chair and **Richard Moore**, CEO and Board member at MU, guide us through the practice and science of Board effectiveness. What are the most important things to get right, for your Board to do valuable work?

To read other articles in the series please visit [The Successful CEO](#).

Ann

Increased focus and in some cases, regulation, means the work of Boards is—rightly—under the spotlight. As a result, some Boards have evolved over the last decade from a predominantly ‘male retirement environment’ to more value-adding setups. However, for others, there is still work to do. In the worst cases, Boards remain a ‘tick box’ exercise.

Board members are still appointed based on who they know and not what they know. They still focus on those members who won’t ‘rock the boat’. But Boards need to be fit for the future not stuck in the past. Organisations need a Board that will help them stay on the decided track. They need a clear purpose and to move past the legacy of the ‘old boys club’. At the same time Boards are well served to avoid tokenism, the superficial chasing of Board members because they met some company quota goals.

In optimal scenarios, Boards prioritise clear results, enhancing their organisations’ strategic development and effectiveness. With a clear task and mandate, the Board Chair can secure real diversity in the Boardroom—so skilled Board members are appointed and able to bring relevant and yet different experiences—to both support and challenge the executive.

Richard

Ann paints a mixed picture of Board effectiveness. Our Board and CEO Practice experts see the same picture. But whether your Board has a smaller or larger gap to become effective, there are important focus areas to work on.

Ann

To be an effective Board you need to start with understanding the role and value the Board must bring. **The purpose, task and mandate of the Board should be clear and mutually agreed upon.** The Board isn’t the CEO’s ‘friend’ but should mentor and challenge without being an inconvenience. It sets strategy, oversees CEO performance, and maintains proactive governance and cultural standards. Adept Boards anticipate regulatory changes, prioritise customer needs, and stay connected with stakeholders, acting in the interests of customers, employees, and shareholders. Let me give an example. If I look at one of the Boards I joined 10 years ago, they did not have the regulatory requirement for Non-Executive Directors. They set their purpose to have a culture of good governance and made it a clear Board effectiveness goal. One implication of this was to include a Non-Exec Director. They did not do that because the regulator imposed it—but rather because they wanted good governance and to bring in expertise that would help them secure a systemic culture of good governance. In selecting and including a Non-Exec Director with the relevant expertise in developing a culture of good governance, they aligned their Board with their task and goals.

Next, let’s address the Board members. As a Board, your responsibility is immense. Board work matters more than ever, and **Board effectiveness requires Board members who are both committed and capable.** They must navigate new risks and opportunities, from AI to geopolitics, in addition to their traditional duties. When considering joining a Board, members should ask themselves not IF they can do it, but WHY they want to. Unlike executive roles, serving as a Non-Exec Director is primarily about responsibility, not salary or status. The days of 4 meetings a year are behind us. Only with the required closeness and commitment in place can Board members bring the necessary and diverse skills to bear on Board work and help organisations change for the better.

Richard

Ann highlights the topic of Board member skills, commitment, and diversity. Our research highlights another crucial aspect of Board effectiveness—**teamwork and inclusion.**

The Board Chair has a vital role in ensuring the way the Board works gets maximum value from their differences and openly addresses potential challenges around shareholder representation and closeness to the executive/owners. Effective Boards exhibit strong chemistry and foster teamwork where all views are heard and involved in decision-making, both within the boardroom and among members and executives.

They also have effective processes—good basic disciplines like agenda management, preparation of Board materials, decision logs and meeting chairing—to create the headroom to handle more complex business challenges when they emerge. And these days they emerge and evolve faster than ever.

This brings us to the final crucial aspect of effective Board work: **Board Impact—meaning the performance and development of the Board.** Effective Boards achieve results aligned with their goals, continuously learning, improving, and adapting. Boards cannot stand still but must audit their effectiveness professionally so they can plan and follow up on their development and results.

Ann

Board Effectiveness assessments must involve Board members and stakeholders, be well-structured, and be professionally communicated. All involved in the Board review need to know the purpose, the terms of reference and the output that will be delivered.

Richard

Summing up on the scope of effective Boards—they succeed in their unique situation and they should evaluate their effectiveness periodically. This requires:

1. **Clear Board Tasks (Goals and Mandate that include strategy setting, oversight, and risk management)**
2. **Well-performing and skilled Board Members (Required Commitment and Contribution)**
3. **Sound Board Teamwork (Good Cooperation and Processes)**
4. **High Board Impact (follow up and of Performance and Development).**

Taken together, these elements provide a useful, research-based framework for evaluation and development of Board effectiveness.

Ann

Applying this in practice, the important question is ‘How do we get the best result from our Board?’ The result means to deliver on what customers and shareholders expect. Here are my top 5 ‘right things’ for your Board to excel at:

1. **Ensuring Effective Leadership:** Good boards play a critical role in supervising and challenging the CEO and executive team. Effective management oversight hinges on being well-informed and connected, enabling board members to ask necessary questions and prompt re-evaluation when needed. This often requires a balance of support and accountability—a form of ‘tough love’. Key Performance Indicators (KPIs) are fundamental in this process. Establishing a logical structure for KPIs and their measurement is essential. Set clear, ambitious objectives and prioritise CEO KPIs, which should cascade down through the organisation. Accountability should be maintained consistently, not just during annual reviews. Regular check-ins are vital, as sometimes CEOs may lack self-awareness regarding their performance. It’s crucial to provide constructive criticism without demoralising the CEO. Feedback should be seen as an opportunity for growth rather than a personal attack. Holding the CEO accountable, particularly concerning remuneration, is essential. This ensures retention based on factors beyond salary alone while maintaining fair pay practices.
2. **Setting Strategic Direction:** Optimal proficiency and intimate engagement are essential for crafting strategy and overseeing execution, facilitated by effective governance and leadership review. The task is to see the whole business risk and opportunity. Businesses takes on a lot of risk all the time – hiring people, losing people, outsourcing things. Helping the Executive Committee (ExCo) focus on the shape of the business in five years, beyond the current operational result. And of course, representing the shareholders’ longer-term agenda and basis for decision-making—beyond the current share price. What makes the company solid in 5 years—not just what accentuates its result this year. It is all about balance. This is not about dogma—the fastest route from A to B is not always the best for the firm. At times you may need to help the ExCo steer in a different direction—to bring people with them, so in the end your executive gets their team to be with the right people still on the boat. There is no use in being a new Board member where the culture alignment is not present and where the purpose is not there, starting with the culture in the Boardroom.
3. **Monitoring and Reviewing Strategy Execution and Results:** From overseeing cost management, such as closely examining investment expenses and risks, to advising the Executive Committee on the appropriate utilisation of resources like consultants and legal counsel, and advocating for improved contract terms and negotiation strategies, effective Boards play a crucial role. ‘Kick the tyres’ on sign-offs and oversee decision-making, decision execution and risk. Good Boards don’t just let things go through, they monitor, review and feedback.
4. **Advising the Executive:** Support management as required, and act as a steward in shocks like economic crisis. Provide customer insight, particularly regarding broader market trends and experiences, Boards should serve as a valuable sounding board and sounding partner for executives, especially in areas such as new technology and sustainability where understanding how others adapt and navigate regulations is invaluable. Advising the ExCo effectively means working closely with the CEO. After all the CEO holds the ultimate responsibility for the entire company, including personnel, profits, and strategy. Effective CEOs manage to balance these competing functional priorities.
5. **Stakeholder and Shareholder Communication:** Effective communication are highly important and more demanding than ever as regulations change faster than they used to (i.e., Annual Reporting; regulatory compliance; sustainability and ESG reporting). Being able to manage stakeholders requires that Non-Exec Directors are close enough to the business—in the office before and after Board meetings, meeting the colleagues, ‘walking the floor’. Being understood as approachable creates the opportunity to know stakeholders, and so communicate effectively with them. CEOs and ExCos are mistaken in finding it bothersome when Board members engage with their staff and operations. Instead, they should recognise it as a valuable practice that enables Non-Executive Directors (NEDs) to provide more informed advice and manage stakeholders more effectively. The traditional model of NEDs merely participating in quarterly meetings is outdated. Nowadays, the Board must have a closer connection with the Executive team, bridging the gap between them.

These 5 areas above require an effective Board Chair and a good relationship between the Chair and CEO. If you thought being a CEO is lonely, being a Chair is even lonelier. As a CEO you are close to the business at least. As a Board Chair, you are both disconnected from the day-to-day operation, but also on the hook. Make sure to select Non-Executive Directors who are experts in their respective fields and who possess the qualities and skills you require. Additionally, ensure that all members of the Board are encouraged to voice their opinions and expertise. As the Chair, it’s your responsibility to cultivate a positive board culture, so only commit to a board if you believe you can align with its values or enact the needed changes.

The Chair plays a crucial role as a mentor and counterbalance to the CEO, ensuring a well-balanced relationship. Effective management of this dynamic is vital, especially also with a new CEO. Recognising the unique nature of the CEO role, successful Chairs provide essential mentoring. Close collaboration between the Chair and CEO shortens the CEO’s learning curve and improves outcomes. Effective onboarding of CEOs and Board members is critical, as it helps CEOs navigate competing priorities. An ineffective CEO risks being overwhelmed by these dynamics. As the CEO you are no longer part of the team, you are the leader of the team. And the Chair is there to help you—and your team—to succeed.

Richard

And adding from a CEO perspective, the task of the executive is also to get the best value from its Chair and its Board. Making information accessible and understandable, investing time in preparing informal meetings with Board members, and carefully describing the help they need from Board members—are all vital elements in Board effectiveness that the successful CEO must pay attention to. Whatever their business context.

Ann

The CEO and the ExCo either think they can use Board members to help them develop a more successful company. Or they get there and think ‘I know what I want and what I am doing, I will just have a Board that is easy to work with’. Choose the former!

Takeaways: The Board of the Future

Board Task

- **Increasing importance and demands:** The need for Boards to adapt to the increasing demands of modern corporate governance by becoming more engaged, flexible, and proactive in their roles.
- **Leader Development ever more essential:** Boards are increasingly involved in mentoring and developing not just top executives but also emerging leaders within the organisation. This approach helps build a deeper leadership bench and ensures the alignment of cultural and strategic objectives.

Board Members

- **More frequent Board interactions:** Interaction between Board directors and management has increased, transitioning from periodic meetings to more frequent and in-depth sessions, including special committee meetings focused on specific issues such as diversity and inclusion.
- **Increased Time Commitment:** The time commitment required from directors has risen, with the average director now spending more days per year on board duties. This reflects the board’s deeper involvement in detailed strategic, operational, and oversight functions.

Board Teamwork

- **More Inclusive Boards:** Board members with diverse skills and abilities are brought together in an effective team environment—that ensures each Board member’s contribution is high and that stakeholders’ perspectives are well represented
- **Onboarding and Continuous Learning effectiveness:** Effective onboarding and continuous learning for directors are crucial. Innovative practices like creating detailed introductory videos and engaging new directors in one-on-one sessions with key management have been implemented to speed up the learning curve and enhance directors’ effectiveness.

High Board Impact

- **Boards Driving Change:** The board’s role as a catalyst for change has become more pronounced, especially in industries undergoing significant transitions, such as energy. Boards are expected to facilitate faster strategic changes and help management navigate complex transformations—beyond monitoring today’s strategy.
- **Advisory and Coaching Skills to the forefront:** Board directors are taking on more hands-on roles, advising and coaching management teams. This includes direct interactions outside traditional board settings, where directors contribute their expertise directly to executive decisions and strategy.