



Making sure your Board creates value

Confidential – and face-saving – Board Reviews help unlock the potential

by Dr. Christian Bühring-Uhle

Setting up a Board of Directors is, to the extent it is not already mandated by the law, one of the most common, and sensible, means to exercise the role of a responsible and – as we like to say – legitimate owner (or group of owners). It helps ensuring that the company is adequately managed and in a position to achieve the strategic goals of the owners. Effective Boards supervise, guide and serve as sparring partners to management and balance the interests of the various stakeholders. However, whether you actually achieve real value through this does not only depend on the composition of the board, meaning that you appoint suitable individuals and a constellation of capable and diverse Board members. It is also important that the Board follows good practices and actually works as a high-performance team.

In our practice working with privately held companies, we often encounter boards that are well chosen but that still disappoint in terms of the actual impact they have on the company. The reasons can be manifold. Sometimes it is a lack of relevant Board experience, sometimes it is lack of discipline, sometimes it is a lack of leadership from the Chair. And there can even be a destructive or outright toxic dynamic among Board members. Often it is a combination of these factors.

In our experience, the following are examples of good practices for Boards:

- Members work on the basis of a well-thought-out agenda, with relevant topics, in a sensible order, and well-calculated timeframes.
- Sufficient breaks are planned and respected, and they are long enough for participants to be 100% attentive during the sessions.
- The agenda is distributed in advance, requesting suggestions from the participants, with the unders-



tanding that changes to the agenda are only accepted at the last minute for unforeseeable, important and urgent topics.

- The materials to be discussed are distributed one week in advance, and are read before the meeting. Ideally, extensive documents are required to come with one-page executive summary that highlights the key messages and decision items.
- The meeting is dedicated to discussing what has already been read.
- There is a culture of open discussion where ideas flow and there is a genuine exchange of views.
- Sensible minutes are written, i.e., limited to the results, but detailed enough to be understood even years later.

To ensure that a Board actually creates value to the company it is recommended to periodically review the Board's effectiveness. This can be done via auto-review by the Board members themselves using a structured questionnaire or a digital tool. However, at least every second year, we recommend that the Board review is conducted by competent outside experts.

The overall objective of a Board Effectiveness Review is to help build a board that is highly effective and productive. It should be regarded as a longer-term development process with regular reviews, in order to ensure continuous improvements of the Board over the years. The process is not predominately about compliance – and not only about good governance; it is about developing a high-performance Board that can provide strategic oversight, act as a sounding board to the executive team and help steer the business into a bright future.

Conventional Board reviews tend to focus on the institutional side, i.e., the tasks, the numbers, the strategy, or the structure. In order to build a high-performance Board, however, one needs to look at the group dynamics and the personal dimension as well. A high-performing Board integrates the group and the personal dimension at the service of a better Institutional functioning; it creates more spaces for those dimensions by being more effective, more transparent, more interactive.

What does a competent, structured Board review look like?

At the core of the process are a set of doubly confidential interviews (i.e., confidential not only to the outside world but also between the people interviewed), not just with all Board members but also with other key people who are dealing with or are affected by the Board, e.g., management, shareholders, and potentially a few close advisors.

This round of interviews is followed by a group discussion in the Board, behind closed doors, and facilitated by the consultants, where on the basis of detailed findings and recommendations by the consultants, concrete improvement measures are discussed and decided by the Board. It is not about finger pointing and blaming past behaviour but about improving the Board's effectiveness for the future.



This can be complemented by an element of feedback. This can be both individual, meaning a confidential one-on-one meeting with each Board member. And there can be a separate session with the Chairperson that going forward will help the Chair steer and develop the Board's agenda, priorities, processes – and also, where necessary, its composition.

For the process to be meaningful, we believe that it should be conducted by two senior consultants who have sufficient experience to “know what good looks like”, and who will be trusted by the Board to guarantee the effectiveness and integrity of the process.

If done right, this is a face saving and constructive way to develop and continually improve the effectiveness of the Board, and the impact it can have on the future and the value of the business.

Which is why we regard it as an indispensable element of good governance practices.



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