



Sabine Dembkowski

The Hallmarks of Effective Boards

Boards are highly complex and full of ambiguous power relationships. An appointment to an executive or governing board is often perceived as the epitome of a distinguished executive career. It is the ultimate challenge to be effective in these complex environments - be it as a chairman who orchestrates the board, the CEO who has to ensure that the numbers are in line with expectations, or the member of a board or NED aiming to make their mark in the business world. If you report to a member of the board you will already feel this challenge; and you will feel it still, one stage back when you report into someone who reports to a member of the board.

Behaviours and actions on the board have a ripple effect throughout an organisation and its culture. So it is imperative that boards are effective and function well. Which begs the question: what are the hallmarks of effective boards? Through our research and the application of our evidence-based approach to conducting board audits, we have identified the following seven hallmarks:

Hallmark 1: The right composition of know-how and behaviours

It is crucial to understand how different areas of expertise, preferred group roles and personality styles fit together and complement each other. The most common error is when existing board members select people who are like themselves, thus ending up with a homogeneous group on the board. The diversity of people breeds diversity of thought; this is essential for long-term board success.

Hallmark 2: Utilising the strengths of its members

It is vital that individual members of a board understand their personal strengths and areas of expertise. Moreover, boards will perform better if each member has a keen understanding of how their strengths are perceived by their colleagues as well as the collective strengths of the group. Effective boards help individual members and the collective to understand their unique strengths and how they can be leveraged to implement and execute strategy and ensure lasting value.

Hallmark 3: Clarity about roles and responsibilities

Ill-defined roles and grey areas of responsibility are the norm rather than the exception on today's boards. However, the hallmark of a really effective board is to have absolute clarity and transparency of roles and responsibilities. Regular updates are necessary to account for new roles or new areas of responsibility that need to be covered to deliver value and ensure strategy implementation.

Hallmark 4: Share a vision

Effective boards have a clear and common vision that provides orientation and guidance.

Hallmark 5: Ability to resolve conflict between board and management

Effective executive boards and their members understand how to resolve conflicts between the board and the next management level. Clarity about who on the board has good conflict management skills, and agreement of the issues that he/she should take ownership of, can help to resolve issues.

Hallmark 6: Solid structure and organisation

The organisation of the executive board's work depends fundamentally on the board secretary and the interplay between chairman and CEO. Effective boards understand how to organise and structure their work.

Hallmark 7: Regular reviews and reflections

Regular time-out where board members can connect, leaving daily work behind them and reflecting on how they have worked together, are critical for success.

So how does a board get from decent to good and then great? There is no silver bullet. The best way is to have regular reviews that provide insights into each member's perception and the perception of others across each of these hallmarks. We, as well as our clients, are often surprised how the perception of ourselves and others can differ. Furthermore, boards increasingly realise that they have to learn to keep up with the enormous challenges they are presented with. Chairmen can use the insights we provide to orchestrate their boards far better; CEOs gain insights into how to provide better leadership, and board members understand what exactly they need to do to develop their career and make a mark in the world of business.

Better Boards is an independent consultancy focused on developing executive and governing boards. The solid, evidence-based approach of Better Boards towards Board Audits has been through the most stringent peer review processes in the US, UK and Germany. Sabine has worked for and with leading Professional Services and Private Equity firms as well as DAX30, MDAX and FTSE organisations. She views board development as the next lever for value creation. Do not hesitate to contact her with any questions you may have sabine.dembkowski@better-boards.com