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When 9 is the Perfect Number

Posted by Rusty O'Kelley, Rich Fields, and Laura Sanderson, Russell Reynolds Associates, on Tuesday, June 21, 2022

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More from: **Elena Loridas**, **Jemi Crookes**, **Laura Sanderson**, **PJ Neal**, **Richard Fields**, **Rusty O'Kelley**, **Russell Reynolds**

Editor's Note: **Rusty O'Kelley** co-leads the Board and CEO Advisory Partners in the Americas, **Rich Fields** leads the Board Effectiveness practice, and **Laura Sanderson** co-leads the Board and CEO Advisory Partners in Europe at Russell Reynolds Associates. This post is based on a Russell Reynolds memorandum by Mr. O'Kelley, Mr. Fields, Ms. Sanderson, PJ Neal, Jemi Crookes, and Elena Loridas.

No corporate director dreams of sitting on an ineffective board—yet many will find themselves serving on a board that underperforms relative to their expectations.

As part of our 2022 Global Director Behaviors and Board Culture study, over 1,100 directors shared insights about the people they serve with, how they focus their time and attention, and how well their board operates (including both its effectiveness and its overall culture). Not surprisingly, we are particularly interested in directors who rated their board as highly effective; a 9 or 10 on a 1-10 scale.

What is different about those boards that lead to such high performance? We developed a key driver model that assessed which behaviors among a 28-item inventory (related to communication, engagement, relationship building, perspective, and character, as well as specific leadership behaviors demonstrated by their chair) significantly impact board effectiveness. What we discovered was a framework we call the 7+2 Model for Highly Effective Boards:

To develop the most effective board possible, board leaders should look to assemble a group of directors who, as a collective group, always demonstrate seven behaviors:

1. A board leader who focuses the board's attention on relevant matters
2. A board leader who actively seeks different points of view
3. Directors who foster an inclusive culture
4. Directors who ask the right questions
5. Directors who use both a three to five year and over five year time horizon to evaluate opportunities and make decisions
6. Directors who are willing to constructively challenge management, when appropriate
7. Directors who actively cultivate a relationship with the CEO

And sometimes—without going to extremes that can be problematic—demonstrate two additional behaviors:

1. Directors who possess independent perspective and avoid "groupthink"
2. Directors who actively cultivate relationships with fellow directors

Why did these traits rise to the top, and why do we believe that this combination is the most effective?

The Seven

A high performing board should have a leader (chair, lead independent director, or senior independent director) who always focuses them on the most important, value-adding topics, ensuring that everyone is contributing openly and fully. This is a critical element as boards without such leadership can meander or be distracted on the wrong topics. This board orchestration takes a combination of wisdom, business judgment and a deft style for a board leader to accomplish all these attributes, hence why great board leaders are hard to find—and, with practice, tend to improve over many years.

At the same time, directors need to be consistently open and inclusive of their fellow directors' diverse views, ask the right questions of those individuals as well as other meeting attendees, and focus on the long-term without taking their eyes off short term performance. They also need a constructive, but not deferential, relationship with the CEO and other senior executives—creating a productive tension that produces value for both the board and management. These are high aspirations, and some directors do not have the leadership or behavioral traits necessary to act in this manner. We often hear of directors who want to be too involved in the management of the business, or who distract board discussions by going off on tangents. Being a high performing board member takes focus, self-awareness, and an openness to feedback.

The Two

Boards want as much of the seven behaviors as they can get, but the additional two behaviors are different: Boards want them, but in moderation. Too little or too much are both detrimental.

A board needs directors who are independent and who avoid groupthink—but who are not so independent that they are unable to create consensus and agreement. While lacking independent thought is a problem, willful independence that crosses into stubbornness—or even disruption—is also a major issue. Finding the middle ground is key.

Similarly, boards need directors who are able to establish professional relationships with their peers, avoiding becoming overly familiar and potentially creating cliques, or becoming so friendly with fellow directors that they are no longer able to critically evaluate ideas and arguments put forward in discussions. As with independence, finding the middle ground is key.

This 7+2 model takes work and continuous focus to develop and sustain, which is one reason why there are so few truly high performing boards in the corporate world.

The Link Between Culture and Effectiveness

Truly effective boards are built upon the foundation of a strong boardroom culture. To only aim for effective operations—focused directors, thoughtful agendas—without also aiming to build a productive, collaborative culture, is to invite failure as a board leader.

We conducted a second analysis, this time looking at what behaviors of board members drive strong, positive board culture (again, a 9 or 10 on a 1-10 scale). This time, we found three behaviors that drive effectiveness are also critically important to driving board culture:

1. A board leader who focuses the board's attention on relevant matters
2. Directors who foster an inclusive culture
3. Directors who use both a three to five year and over five year time horizon to evaluate opportunities and make decisions

To put it another way, when a board leader focuses on improving effectiveness by prioritizing these three actions of the 7+2 Model, they will simultaneously improve the board culture, building the foundation necessary for long-term success.

By focusing on the 7+2 Model, boards should be able to achieve high performance and strengthen the board's cultural cohesion, as both build on each other simultaneously. We believe this will result in benefits for their directors individually, the overall board and for all the shareholders and stakeholders who benefit from a boardroom operating at peak performance.

From Insight to Action

So how does a board get to high performance? It takes focus and an understanding of where the board collectively—and individual directors, specifically—are in this journey. Boards need to have the courage to ask whether they are honestly adding value and enhancing company performance, or if they are falling short on their potential impact. Many boards do not take the time for genuine self-reflection. Too many board assessments (whether internally or externally supported) tick the box exercises, or surveys that provide no nuance and relatively few insights, rendering them almost worthless. As we noted in our 2020 report, **Board and Director Assessments That Matter**:

> In our experience, even well-run assessment processes (those that include director interviews and some level of benchmarking) often fail to connect board performance issues systematically and across multiple years. In too many countries, the board assessment is viewed simply as an annual event and not part of an integrated and ongoing approach to enhancing board performance. We believe that boards need to shift away from a one-year-at-a-time "event" approach to a more substantive longer-term board assessment and review "system." Developing a multi-year board assessment "system" can generate greater insights and impact and increase the opportunity for the board to support value creation.

These insights still resonate today. Considering them alongside the 7+2 model, and an enhanced board and director review system, boards have the tools necessary to define what it means to be a high performing board, and to begin the journey towards achieving that status.

Methodology

Over 1,100 supervisory board-level directors from more than 41 countries participated in the Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey, with 55 percent of respondents based in Europe, 27 percent in the Americas, 12 percent in Oceana, 3 percent in Asia, 2 percent in Africa, and 1 percent in the Middle East. Industries represented included financial services (26 percent of respondents), industrial and natural resources (22 percent), consumer (11 percent), technology (11 percent), healthcare (10 percent), and professional and business services (6 percent). Forty-four percent of respondents' companies had annual revenue over $1 billion.