THE BOARD MINDSET™

The vital attribute of exceptional boards

A STELLAR BOARD STARTS WITH THE RIGHT PEOPLE WITH THE RIGHT MINDSET

In parts of Indonesia Komodo Dragons make unwelcome and unannounced visits to villages that border their habitat. Even though the giant lizards and humans lived in harmony for generations, contention exists now. Environmentalists have imposed new policies in a region where people perceived a sacred duty in caring for the Komodo Dragons. The relationship between lizard and human has not been the same since.

Executives and boards of directors have experienced a similar loss of symbiosis. Recent changes to governance laws have caused directors to examine the way they do business. Now, more than ever, directors are taking their responsibilities seriously, speaking up, and striving for results; but in many cases, the evolving relationship between the company's executives and the board has not found the right symmetry. Finding it will depend on two things: having the right people and them having the right mindset.

A Board Mindset™ depends on directors having the values, intellect, self-regulation, drive, and resilience to make or influence major decisions about the direction of the company they serve. Improving board effectiveness is an ongoing process that most boards ignore, however. Directors devote most of their time to improving the company while they ignore their own performance. The best mechanism for continuous improvement, therefore, involves annually assessing board performance and *acting on the feedback*.

Yet, research tells us that only about half of directors evaluate their performance on a regular basis, and less than a quarter of *those* have a plan to address the concerns raised by their assessment. Consequently, too many boards lack the information that would help them draw accurate conclusions about the strengths they should leverage and the limitations they should mitigate. Even though the New York Stock Exchange has for many years required public companies to conduct evaluations, organizations still retain flexibility about *what* to assess, *how* to conduct the evaluations, and most importantly, *how to apply the results*. Boards improve most dramatically when they combine the right collective mindset, the right approach to evaluations, reliable data, and the right people to act.

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A board is only as good as its members, but recruiting high-quality board members can prove difficult. Also, many boards lack an effective process for selecting new members. Too often they choose members who resemble them instead of seeking those who have diverse talents, experiences, skills, and education. While individual abilities are essential, *collective* *competencies* of the directors can prove even more important. To evaluate your boards collective capabilities, consider this approach:

Rate directors on a scale 1-10, with 1 indicating low expertise or experience.

	Bill	Susan	Bob	Jane	Jim	**Competency Totals**
Ability to make decisions from financial data						
Communication skills						
Experience with mergers & acquisitions						
Knowledge of compliance						
Ability to assess risk						
Track record for aggressive growth						
Knowledge of operations						
Industry knowledge						
Critical thinking skills *						
Participation in & preparation for meetings						
Individual Totals						

*Gets to the core of issues. Thinks dispassionately. Sees patterns and contradictions. Prioritizes effectively.

Individuals' scores will indicate strengths for the directors' improvement and suggest skills and competencies they will want to address themselves. Collective scores will show what kind of new directors should be added to the board.

A board with the right people will have a substantial majority of independent directors with a wide range of talents, expertise, competencies, and backgrounds; but collectively they need to form a strategic asset for the company they serve. The evaluation's findings will reveal what they need to do to have a clearer understanding of how to do that.

Each year new regulations surface to protect consumers and hold directors accountable to shareholders. Corporate governance is on the move. Meltdowns and regulations cause change, but some things remain the same. We have come to demand more of our directors. A volatile economy has shown us not to rest on our laurels too long or we won't have any glory to rest on; however, with more collective capabilities from directors who have The Board Mindset™, we can expect companies to continue to succeed.