

The Successful CEO:

Effective Board Work: It's All About People

Article 10

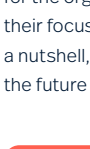
Successful Board members are often said to have certain traits and to behave in a certain way. However, such assertions do not hold up to real-world scrutiny.

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.

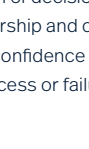
However, research into Board effectiveness guides us that there are good practices – ranging from how to evaluate a Board to CEO succession and from difficult decision making to the evolving role of Board members.

Svein Richard Brandtzaeg, accomplished CEO, Board Member and Board Chair discusses the importance of effective Boards and how to develop them, with **Richard Moore**, CEO of MU and member of MU's Board & CEO Expert Practice.

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



Svein Richard Brandtzaeg



Richard Moore

Richard

Why is Board work important?

Svein Richard

We all know that Boards and their members have a lot of formal tasks and responsibilities – and that these have been increasing over time. The Board represents the interests of the shareholders and is responsible for governance, compliance, and overall company performance.

But beyond these formal tasks, the Board has an even larger role. The Board sets the tone for the organisation. Whilst delegating execution of decisions to the CEO and ExCo it steers their focus – and influences the direction, leadership and culture of the entire company. In a nutshell, the Board is crucial for shareholder confidence and has a significant impact on the future of the firm – the strategy and the success or failure of the executive.

Richard

What matters most when it comes to effective board work?

Svein Richard

This big question can be boiled down into three elements:

1. Effective Boards have **clarity and alignment** about their task, goals and purpose.
2. Effective boards require **competent, experienced, members** led by an effective chair-person.
3. Effective Boards need a **high-quality interaction** between Board members that promotes diverse discussions within the Board. This leads to good decision making and a unified voice from the Board to its stakeholders.

Richard

It is no surprise that the three elements you mention correspond clearly to our MU research into Board effectiveness. Our MU BoardScan™ framework recognises each Board is unique whilst ensuring that Board Effectiveness is properly scoped with a research-based structure. The MU BoardScan™ framework has these elements:

- **Clear Board Tasks** (Goals and Mandate that include strategy setting, oversight, and risk management)
- **Well-Performing and Skilled Board Members** (Required Commitment and Contribution)
- **Sound Board Teamwork** (Good Cooperation and Processes)
- **High Board Impact** (Follow-up of Board and Executive Performance and Development).

A primary task that affects the Boards impact is selecting the most effective CEO – what are your experiences of Board work on CEO succession?

Svein Richard

We all know that selecting the right CEO is one of the most important tasks for the Board and I have seen clear examples where Boards have been too late to change the CEO in the past. This is often when a CEO really wants to execute, but, sadly, is not capable of doing the job. Even if the person is nice and the effort is high, the outcome may not be sufficient. Especially in this case, the Board can be too patient. Changing a CEO can be very traumatic, but it is not aided by excessive delay. The decision-making process takes time in order to select the right one – it is not an easy task. Here you really must consider what is best for the company, shareholders, customers and all stakeholders – then the decision must be made. It should not be taken lightly, but also not slowly. **Performance deteriorates and frustrations grow fast when a CEO appointment fails.**

Richard

With an appropriate CEO appointed, how does an effective Board impact their success?

Svein Richard

The key to effective Board work is to understand it's all about people. Boards exist to serve the company and need to lead by setting the pace and direction. Formal requirements on the Board are clear – for example, audit, compliance, ESG, etc. But besides that, there are 2 main topics for Board to get right – (1) Strategy and (2) Performance. Both of these rest on the effectiveness of the leadership to deliver.

Over many years of serving on many different listed and private Boards around Europe, I have realised the central importance of effective relations and quality interactions between Board members and so between the Board and the CEO with the ExCo (Executive Committee).

A balanced dynamic between the Board and the CEO – and so the ExCo – provides support and challenge to leaders in appropriate measure. I see it like this. There is always a constraint in leadership's capacity to deliver expectations. There is a constant pressure on CEOs and ExCo to deliver results and meet Board expectations. Because of that, there is a need to remember that CEOs and ExCo are human beings. They need a balanced interface with the Board, so they are motivated and energised instead of the opposite.

Richard

As a Board Chair, how do you create a balanced Board-CEO interaction, in practice?

Svein Richard

The key is to secure diverse informed views in the Boardroom combined with an inclusive culture. This is an important basis for constructive relationships and allows for an effective interface between the CEO and ExCo.

I have seen Boards that go too far with criticism and create a negative environment – this may reduce leadership energy and motivation. If you are a CEO, you will always listen carefully to what the Board may and may not say. And to Board members, remember that your CEO and ExCo are very sensitive to everything you say. Boards with political dynamics and a lack of trust among members can be unhealthy. To get over this is to both encourage open discussions to understand different perspectives, and to come to a clear common position in the end that all stand behind.

Board meetings are successful when high ambitions are agreed and the discussions around them motivate leaders to deliver. The worst are those where the CEO feels the need to defend under heavy attacks from the Board, or the opposite when the Board is not able to ask the right questions. Support and challenge must come in balance.

Richard

You describe a form of effective teamwork – how does teamwork and decision making in a Board differ from other business leadership teams in your experience?

Svein Richard

Board members are independent but must work together effectively. Unlike other business teams, independent, non-executive Board members do not have a boss in the traditional way. The Chair is the leader of the Board and the mediator between the Board and the Executive. The Chair can't decide on certain things together with the CEO without a clear mandate from the Board. This means the Chair has a different role as leader in a Board team than say a CEO in an ExCo team.

Richard

When can Board teamwork break down?

Svein Richard

It is often in the dynamic. For example, some Board members have been CEO's, like myself – and they may tend to be very operative. On the other side the Board must have an overview and understanding of the structure of work and processes that are going on in the organisation – very often related to the efforts to improve the business – so Board members should also not be too distant. The right balance is not to be involved in details of how the work should be done, but to understand how the business is to be developed. If the Board over time is too operative and too focused on details, this can lead to a break down of teamwork between the Board and the management and the Board may lose sight of the big picture.

Another challenge with Board teamwork is simply that some complicated topics may require more than one 'kick of the ball'. While there could be expectations that the topic should be decided easily, some items need tabling multiple times, perhaps over several meetings and rather work on scenarios that can allow for success. The Chair should not push too hard for a decision while many important questions remain unanswered.

Richard

You have been on Board in different countries and in large listed and smaller private business. What is the same and what is different about Board work in these different contexts?

Svein Richard

Each Board and their context are unique and yet in some ways the similarities are larger than the differences. Clearly large, listed company Boards and private companies have differences in the degree of external scrutiny. However, they often follow similar rules for effective corporate governance. And even if Board maturity has and continues to evolve at different speeds, increased reporting requirements and the growing legal responsibility of Board members is a universal trend. And good teamwork and defines success, in my direct experience, in all these contexts.

When it comes to geography the same is true – whilst there are differences, I have found the similarities are more defining. I have been a Board member in companies with headquarters in Belgium, Switzerland, France, Nordics, UK and Germany, to give a few examples of what I mean:

- In Switzerland it is typical Board are directly responsible for strategy, in the Nordics it is more typically delegated to the CEO. However, in both cases the Board is a key actor in the strategy work – to review, challenge and support. However, whatever the Boards formal structure of task mandate, Board members, CEO and ExCo need to interact well in order to develop and follow up strategy.
- The German supervisory Board set up is the most distinct as a formal structure. However, in practice, even if the formal set up is different, the practices of an effective Board are still similar. It continues to depend on people and how well they work together. The effectiveness of the Board members, their alignment around direction and their interpersonal dynamics define the Board's impact.

Richard

What have you learned about assessing and developing Boards and their dynamic?

Svein Richard

It is important to assess the Board's effectiveness systematically. Assessing board effectiveness involves evaluating the purpose and goals, the members fit to requirements, the culture of interaction and impact on the performance, of the CEO, Executive and other stakeholders. Developing the board's effectiveness requires focusing on strategy and performance, and most importantly, people.

As a Board Chair, I conduct annual evaluations, sometimes with the help of external experts. The most important part of the evaluation is the time the Board spends together to discuss the results of the Board evaluation and the improvements needed as an outcome. Improving effectiveness requires a concerted effort where Board members come together to discuss how they can contribute and work together more effectively. Remember – while the ExCo may meet weekly, the Board of Directors in some companies typically meets physically only five or six times a year. Directing the Board together to focus on their own contribution and dynamic is crucial for their success, as it helps them to understand each other's backgrounds, capabilities, and perspectives.

Richard

How often does developing Boards lead to changing Board composition?

Svein Richard

It is essential to renew the Boards members when necessary. Boards must have effective and diverse members with various relevant backgrounds, gender, experiences, and skills. Beyond gender balance, it's useful to have the right geographical representation and range of expertise. And the required expertise changes over time. For example, a global company will benefit from board members from different parts of the world.

As a Chair of the Board and the nomination committee, I must seek to develop and strengthen the Board through both renewal and continuation of members. Once the need to recruit new Board members is identified and agreed upon within the Board, the specifications and criteria must be carefully defined. Then it is important to look beyond the standard network and factually find and include diverse candidates that meet the needs of the organisations.

Richard

It sounds like effective Boards are mostly about people – who is on the board, what they bring and how effective their interpersonal relationships are?

Svein Richard

Yes, and not just the Board. Having the right people and culture in any organisation is essential for success – it starts at the top but does not end at the top. Effective Board members and good team dynamics are the essential pre-requisite for the Board to impact success. Beyond that, the Board needs to focus on a simple question – **does the organisation have the people it needs to succeed?**

- Leadership capability
- Resource planning for the future – succession planning
- A company culture that will lead to success

These days the competition for talent and your attractiveness towards them is key. And Boards must effectively monitor and understand company culture and capability – and how it relates to results.

Richard

How do you think Board work may change in the future?

Svein Richard

The responsibilities of the Board of Directors are clear, but we have to expect that the personal liabilities of Board members and the legal framework will be ever sharper. So, in the future it will still be about people – starting with how to attract, adequately select and retain the Board members you need.

Richard

To sum up, what are the most important takeaways when it comes to improving Board effectiveness?

Svein Richard

1. **Effective boards are about people and leadership.** The required Board member capabilities and commitment needs to be continuously secured and utilised. Diversity and the right future skill set are both crucial.
2. **A good Board team dynamic is necessary.** A high-quality team interaction will lead to effective decision making, an inclusive environment and set a positive cultural tone for the organisation.
3. **A balanced interaction between the Board, the CEO and the ExCo** allows energy and focus on delivering results and on people.

For more insights on Board effectiveness, read other MU Knowledge Articles:

<https://www.mercuriurval.com/global/institute/the-successful-ceo/>

'The Successful CEO' series

Nearly half of CEO appointments fail.

For practical advice to succeed as a CEO – **Richard Moore, MU's CEO**, interviews **Svein Richard, former President and CEO of Norsk Hydro**.

Svein Richard served as the President and CEO of Norsk Hydro, a global, fully integrated aluminium company, from 2009 to 2019. Additionally, Svein has held several important board roles. Some of these include DnB, the largest bank in Norway, dormakaba AG and Mondt plc. Additionally, he has served on the board of the International Aluminium Institute (IAI), contributing to the global aluminium industry.

Richard Moore is MU's Chief Executive Officer and a Board Member. Richard has been with MU for over 20 years and in his consulting, career has focused on Board and CEO advisory services – working with individual executives, teams and organisations worldwide. He specialises in Board and ExCo team effectiveness and has developed several research-based tools and methods for the evaluation, selection and development of Board and leadership teams in an organisational setting.

MU Research Institute Insight

The slow speed of Board decision making when replacing a CEO is a common topic, data from the MU Research Institute finds. In an analysis of CEO appointment failures in small and medium sized firms in Sweden 2010–2022, MU Research Institute found that when a Board has recognised that a CEO appointment is wrong that rarely lead to the immediate dismissal of the leader. Even when failure of leader appointments is recognised rather soon after appointment, there is often a substantial lead time between when failure is recognised, a decision is made that the appointed leader must be dismissed, the execution of dismissal, and recruitment and appointment of a successor. Consequently, even if the failure is observed early, there will be a large delay until a change is made and a successor is in place.