



## TenStep Supplemental Paper

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### The Elusive Competitive Advantage

Corporate boards have come of age. The tightening of compliance measures and governance principles has instigated boards to shoulder greater responsibility for corporate performance. Traditionally, boards have been known to play the role of “sleeping partners” without engaging in debates and discussions. Board members have long enjoyed the privileges without really contributing to business performance. Companies too have paid little attention to them, and have largely used the credentials of the board members to add some corporate glitter.

The deluge of scandals that have hit the corporate world shook up the sleepy boards and compelled them to rethink about their roles and responsibilities. The awareness level, however, is still not as high as would be expected. A large number of corporate boards are still too comfortable with their “sleeping partner” role.

Experts classify the awakening of corporate boards into three stages.

***Picnicking:*** At this stage, the only contribution that board members make is lending their credentials.

***Plateau:*** This stage denotes the awakening of the corporate soul. Board members are conscious and serious about their compliance responsibilities. They realize the implications of governance negligence. The “corporate cop” role is obvious here. Boards have stopped at this stage despite the jitters of corporate scandals. Most organizations identify with the plateau stage. However, the challenge lies in moving to the next stage.

***High performance:*** What should organizations do to push their boards beyond the role of corporate policing to value-addition?

#### **The corporate trek**

Companies are increasingly seeking ways and means to push their boards beyond the corporate plateau. Trekking over the performance curve to reach the top is indeed a challenge for companies. However, the need is crucial, and so the journey is imperative. Corporate strategists have put together eight principles to enhance board performance. These principles are essential as they provide an insight to the probable pitfalls and potential opportunities that affect corporate performance.

#### *Mapping board competencies*

If one has to count on the board for enhancing business performance, the board composition ought to be good. So how should organizations decide on the best people to be placed on the board? Organizations should be very diligent in their efforts to incorporate the right board members.

Getting the right board composition is one of the toughest and most challenging jobs of a CEO. The most commonly used source of filling board position is through informal



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networks of CEOs. However, this is not the most effective method. An executive recruiter comes into play here.

Apart from finding the right source of potential board members, an organization needs to accurately define the competencies that it seeks in its board. Competencies include the skills, attitudes and behaviors of the board. Companies should also have in place a definite succession plan for the board.

### *Defining roles and responsibilities*

Clarity in company policy regarding the roles and responsibilities of the board is critical. The management should clearly spell out its expectations of the board members. An efficient board is expected to spend more time strategizing and planning for the future than mulling over the past. Reviewing past performance is critical only if one uses the information to build on the future growth prospects. Thus, boards should be more futuristic and strategic in temperament.

### *Define metrics*

Instituting meaningful assessment parameters is critical to boosting board performance. The board needs to assess its own performance through an effective system of metrics that reflect the hits and misses. Most often boards adhere to the traditional questionnaire method of assessment where the board almost always declares itself efficient. However, boards need to shed their desire to look good even if there are glaring ugly patches. Hence, an effective system of metrics that rewards and admonishes the board for its achievements and lapses in the same breath is advisable. Effective metrics also enhance the commitment and drive of the board members.

### *Define accountability*

Board members believe that they are out of the competitive rut and hence not answerable for their actions. It is this complacency that is largely responsible for the scandals that the corporate fraternity has witnessed in the recent past. Board members should thus be made accountable for all their actions and questioned frequently by the management.

### *Conduct effective meetings*

Board meetings should go beyond a mere formality. Traditionally, these meetings just inform members of corporate achievements. The leader is expected to announce new ventures and strategies for growth or give an explanation for underperformance. The management should alter its approach to the conduct of board meetings. A major chunk of meeting time should be spent on deliberating issues concerning growth prospects and minimal time spent on reviews.

### *Presenting information*

The documents provided to the board about the company performance and developments are often uninteresting. There are too many unnecessary details and little useful matter. Companies should rework their material to interest and intrigue readers.

### *Change the rules*



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Companies should keep adding newer and fresher ideas and norms to its working with the board. The traditional narrative approach, where management speaks and the board members passively listen, is futile. Therefore, companies should continuously reinvent norms and add new rules to make the entire exercise worthwhile.

### *Take the blame*

If you have dirty laundry, wash it! Management should refrain from keeping dark secrets under wraps, especially with the board members. The relationship between the management and the board should be transparent. Transparency breeds trust and loyalty.

The guidelines to augment board performance are unending. This article provides tips, which can be universally applied to organizations seeking to enhance their board performance levels.