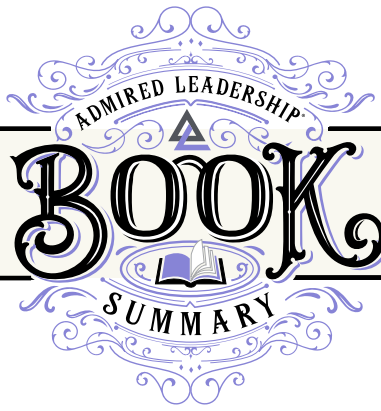




Eight Minutes, Not Eight Hours



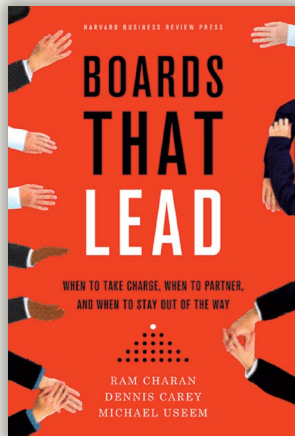
June 2023

Boards That Lead

When to Change, When to Partner, and When to Stay Out of the Way

BOOK AUTHORS: RAM CHARAN, DENNIS CAREY, MICHAEL USEEM

Published 2014



In **Boards That Lead**, authors Ram Charan, Dennis Carey, and Michael Useem, who are experienced corporate directors and governance experts, suggest a new approach to corporate governance where board directors take on leadership roles, actively collaborating with executives while understanding their boundaries. The authors present a variety of case studies, including companies like Apple, Tyco, and Procter & Gamble, to illustrate the potential pitfalls and successes of this shared leadership model.

For example, Steve Jobs called Edgar Woolard the best director he had ever worked with. Woolard summed up what he had learned from board service: “A board leader has to have regular access to the chief financial officer, deeply understand the company strategy and execution—and pick and partner with the right CEO.”

Key Quote

“A board can be a destroyer or a creator of value.”

KEY POINTS AND CONCEPTS

Understanding the Central Idea of a Company


A major concept in the book is the “central idea” of a corporation, which is the seed from which a company’s full-blown strategy and the implications for executing it blossom.

DEFINING THE ROLE OF A DIRECTOR


The authors emphasize the critical role of informed directors who bring valuable skills to the table, prepare for meetings, understand the company's central idea and strategy, ask useful questions, and facilitate relationships within the board and with executives.

Here are questions to ask when recruiting for director roles:

1. Does a prospective director have the capacity to think strategically and clearly about the firm as a whole, the customer value proposition, and thus contribute to the ongoing evolution of the central idea?
2. Will the candidate be able to contribute tangibly to the boardroom discussion without veering into operational detail?
3. Is the board candidate familiar with and experienced in the specific strategic and execution issues stemming from the central idea—and capable of helping to formulate a new direction when market disruptions dictate?
4. Does the would-be director have a proven track record of working collaboratively with executives at other companies in developing business practices stemming from the central idea?
5. Will the prospect add intellectual and experiential diversity to the board, plugging weak spots and adding bench strength for guiding the central idea, strategy, and execution?
6. Will the candidate be ready to stand tall and engage constructively when vital issues are on the line, the stakes and stress are high, and leadership of the company becomes even more essential?
7. Will the candidate help the board become more effective? Will the candidate, for instance, be asking the right questions with courtesy and respect and not draining energy by calling up experiences that do not relate to the items under discussion? Does the candidate come with conversational intelligence?
8. Finally, does the prospective director add real value not only to the boardroom but also the executive suite?



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There are six qualities that are critical to being an effective board member:

1. Executive Experience
2. Respect and Confidence
3. Collaboration and Restraint
4. Personal Bonding
5. Personal Comfort
6. Resilience

ADDRESSING BOARD DYSFUNCTION

The authors underscore the prevalence of dysfunctional directors in many companies, emphasizing the importance of conversation intelligence—a skill essential in making contributions that advance the board's agenda.

The Role of Board Leader and CEO

The book provides insights on the relationship between a non-executive board leader and the CEO. The board leader plays a pivotal role as the liaison between the CEO and the board, requiring excellent interpersonal skills and the ability to facilitate open and effective communication.

CEO Selection


- One of the board's significant responsibilities is to select the CEO. The authors stress that there's seldom a perfect fit between leadership requirements and candidate capabilities, but better outcomes can be achieved when directors focus explicitly on these factors.
- In succession planning, the board should think in both terms of "those with the raw aptitude to be CEO, and ready-now candidates." Once the high-potentials with the right 'DNA' have been earmarked, a carefully tailored development plan for them should kick into action." (p. 113).
- In choosing a new CEO, there are three capacities in which the candidate must fit in with the company: business acumen, leadership qualities, and personal characteristics.
- The authors explore a case study on the failure of a board to do due diligence: In 2012, activist investor Dan Loeb discovered a CEO had lied about having a second college degree. The scandal was an embarrassment for the company and led to a disruptive scramble to find a new CEO.

Risk Management


The book discusses the increasingly important role of boards in instituting enterprise risk management (ERM) systems. Using the example of General Electric, the authors highlight the necessity of understanding the risks a company is taking, managing them effectively, and considering the potential gains given the uncertainties.

Board's Role in Strategic Decisions

While the board is generally expected to focus on the company's strategic direction, the authors argue that directors should play a role in key strategic decisions that could change the course of a corporation.



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DIRECTOR'S CHECKLIST FOR LEADERSHIP DECISIONS

When to take charge:

- Central idea
- Selection of CEO
- Board competence, architecture, or modus operandi
- Ethics and integrity
- Compensation architecture

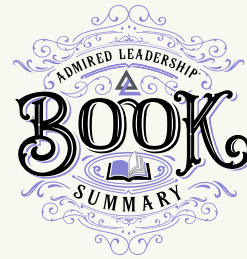
When to partner:

- Strategy, capital allocation
- Financial goals, shareholder value, stakeholder balance
- Risk appetite
- Resource allocation
- Talent development
- Culture of decisiveness

When to Stay Out of the Way:

- Execution
- Operations
- Areas of delegated authority
- Nonstrategic Decisions
- Excluded by board charter

Charan, R., Carey, D., & Useem, M. (2014). **Boards that Lead: When to Change, When to Partner, and When to Stay Out of the Way.** Boston: Harvard Business Review Press.



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The Latest and Greatest Books for Leaders

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