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Boardroom Leadership: Highly Effective Directors Building Long-Term Shareowner Value

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Article Highlights:

- Many directors feel that their board's performance processes are ineffective, and that a member of their board should be replaced.
- Most directors lack the information necessary to determine whether they, and their board, are effective.
- Principled leadership requires action beyond obligation, and results in greater long-term shareowner value.

"A highly effective director is knowledgeable and engaged in the overall governance of the organization. He or she values governance leadership and understands the importance of the alignment phenomenon. As a result of exceptional preparation and boardroom presence, he or she earns the opportunity to influence outcomes in the boardroom."

Boards are full of capable directors who possess excellent skills and experiences and have been successful leaders throughout their careers. Furthermore, most directors are committed to serving their boards at their highest level of ability and strive to increase shareowner value. They meet all required standards, and are qualified to serve as members of the board.

However, it is clear that many of these well qualified, committed directors are falling short of their potential impact.

A 2010 study conducted by Heidrick & Struggles, WCD, and Dr. Boris Groysberg and Deborah Bell of Harvard Business School surveyed corporate directors from public and private companies across North America. The survey elicited responses from a total of 398 corporate directors representing nearly 800 individual boards. The study reports that more than 41% of women and 33% of men participating in the survey believe their boards' performance processes are ineffective. Further, 39% and 32% of women and men, respectively, believe their boards are missing key skill sets.

This concern is further supported by McKinsey's 2013 Global Survey on improving board governance. Directors reported high levels of understanding of important company knowledge. 90% believed that their boards were becoming even more effective. Yet, according to PwC's 2013 Annual Corporate Directors Survey, 35% of directors believe that a member of their board should be replaced.

Despite holding strong opinions about their boards' performance, most directors cannot clearly articulate how they measure their boards' overall effectiveness. Nor can they define how they measure their own personal contributions to the organization's success in building long-term shareholder value.

All directors should be able to answer the

following two questions:

1. **Are you a highly effective board member?**
2. **Do your board colleagues believe you are a highly effective board member?**

Directors must be able to answer these questions based on data – not intuition. This data must be derived from a confidential and secure process which includes informed and constructive sources.

It is not possible for directors to assess their leadership effectiveness and answer these two questions if they are not afforded a process to receive constructive feedback from their peers. Similarly, a board is sure to be less effective if it fails to receive helpful feedback from its members.

To help directors reach higher levels of effectiveness, the board should develop a set of expectations and guidelines by which each director may evaluate his or her performance. Allowing directors to do their jobs well means, in part, providing them with all the information they need to do their best. The key to establishing a culture of trust is specificity, not ambiguity.

The director's power source, the ability to successfully influence outcomes, comes from within. Some are interested in doing more than others. Some have greater capabilities to contribute than others. As a consequence, while all directors should be treated fairly and inspired to deliver beyond their regulatory obligations, all directors should not be treated equally.

Once they are able to answer these two questions, those directors whose internal power sources drive them to increase shareowner value can improve their effectiveness in three ways:

"Directors who lack reliable feedback and data on their performance are handicapped. They have no clear way of determining areas where they could improve, or what their colleagues consider their strengths to be. This does them a disservice."

First, they must go beyond the minimum requirements of board service by demonstrating extreme personal leadership in the boardroom. Principled leadership requires action beyond obligation, and results in greater long-term shareowner value. By demonstrating such leadership, directors earn the power to influence outcomes which improve organizational performance.

Second, the most effective way to earn the power necessary to influence boardroom outcomes is to demonstrate meaningful knowledge and skills. The third way a director may earn power and influence is through his or her passion for the cause. Caring very deeply about something, and effectively demonstrating that caring, can earn a director the credibility to make positive changes within an organization.

Highly effective directors understand how to demonstrate leadership within the

boardroom by constructively engaging with others to produce a desired set of extraordinary outcomes. They consistently deliver maximum value to the board, and often, contributions from these stand-out directors inspire their colleagues to also reach for higher levels of performance, both individually and collectively.

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The more knowledge a director has, the more confident he or she will feel about his or her contributions to the organization, and the better he or she will be aligned with the organization's objectives. Such a highly effective director will strengthen the board, delivering increased long long-term shareowner value.

About the Author



Dr. Curtis J. Crawford

Dr. Crawford is President and CEO of XCEO, Inc. He is the author of *Corporate Rise: The X Principles of Extreme Personal Leadership, Compliance & Conviction: The Evolution of Enlightened Corporate Governance* and *Manager's Guide to Mentoring*.

Dr. Crawford currently serves on the Board of Directors of Xylem Corp, and ON Semiconductor. He previously served on the Board of Directors of E. I. du Pont de Nemours, ITT Corp, Agilysys, Lyondell Petrochemical, The Sisters of Mercy Health Corporation and DePaul University.

He has served as Chairman of the Board of ON Semiconductor; Chairman, President and CEO of Zilog; President, CEO and Director of Onix Microsystems; and Chairman of the Board of ISTAT. Dr. Crawford also serves as a special advisor to several start-up companies.

He began his career as a systems engineer at IBM. Over 15 years, he held executive positions including Vice President of Marketing. During a ten-year tenure, Dr. Crawford was Group President of the Microelectronics Group and President of the Intellectual Property division of AT&T and Lucent Technologies.

Dr. Crawford earned his BA in Business Administration and Computer Sciences and a MA in business from Governors State University. He earned his MBA from the Charles H. Kellstadt Graduate School of Business at DePaul University, and a Doctor of Philosophy degree in Organization and Management from Capella University. In addition, Dr. Crawford has been awarded two honorary doctorate degrees, one from Governors State University and the other from DePaul University.

In 2011, Dr. Crawford was awarded the *B. Kenneth West Lifetime Achievement Award* from the National Association of Corporate Directors (NACD) for his contribution to corporate governance and for having made a meaningful impact in the boardroom.



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About Our Organization

At XCEO, Inc., we believe individual leadership is the driving force for inspiring creativity and ultimately maximizing intellectual capacity. We provide individual and corporate development in the principles of *Extreme Personal Leadership*®. We call this *X-Leadership* and it is the touchstone of our company.

In today's globally competitive world, intellectual property is a key indicator of long-term success. Corporations and individuals are seeking knowledge intensive solutions to sustain a competitive advantage. At XCEO, we offer *Professional Mentoring and Personal Leadership Development* programs, as well as *Corporate Governance and Board Leadership Development* programs, for high-aspiration individuals and forward-looking corporations.

Through our Professional Mentoring and Personal Leadership programs, we assist individuals in developing personal career and development plans to achieve senior executive-level positions. We also support corporations that recognize the need for a broad array of development options for their high-potential employees being groomed for senior leadership responsibilities.

As part of XCEO's pursuit of enlightened corporate governance, we have created the *Enlightened Corporate Governance Board Performance Evaluation Program* to support boards and directors in their pursuit of excellence. Through our program, we are leading the movement past compliance, toward principled action which maximizes shareholder value. We have designed a set of eight individual and board evaluation exercises which provide an exceptional opportunity for directors to take their boards to a whole new level of effectiveness.

XCEO is a unique research, development and consulting firm. We are committed to excellence and the pursuit of *Extreme Personal Leadership*®. We specialize in inspiration, and endeavor to inspire highly enlightened executives and high-aspiration individuals to pursue maximum personal achievement. We have a leadership team of highly trained and highly motivated colleagues who are eager to serve our clients. Excellence is our goal. We are located in the heart of Silicon Valley and we stand ready to help our clients achieve extraordinary levels of performance and success.

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