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## From Baseball to Boards: How Innovation Inspires Enlightenment

Written by Michelle Ronco



### Article Highlights

- Effectively utilizing technology and data will help increase the value the board creates for shareholders.
- Board succession and personal leadership development are two areas where data and innovation can be implemented.
- It is important to use data to set goals in order to help assess the level of effectiveness of the board over time and identify places of improvement.

Earlier this summer, I was having dinner with the CEO of a Fortune 500 company. An innovative, international, very successful company, we talked about his board and the various challenges that it is currently facing. Because I was traveling, I had the book *Moneyball* in my bag which he happened to notice. He had read the book as well, and a few minutes of friendly ice breaking sparked an interesting discussion about this true story and the implications that it has had on baseball.

This CEO and I previously spent time talking about board succession, board performance and individual contribution to shareholder value on various phone calls we had in the months prior to our dinner. As we talked more about these issues that night, fresh on my mind from reading on the airplane, *Moneyball* all of the sudden started to draw parallels to board work. What we determined, is that directors, thinking strategically, have the ability to throw out old norms for more effective practices which ultimately create more value for shareholders than traditionally minded organizations. Something that has long been clear to our team at XCEO, it was great to see another person get excited about it.

*Moneyball*, written by Michael Lewis, is the story of the Oakland Athletic (A's) baseball team in 2002. It recounts how A's General Manager, Billy Beane, wisely utilized the combination of economics, statistics and innovation allowing his team to win the highest number of games that season and ultimately make it to the playoffs. This, of course, with a payroll less than 20% of its competitors. Mr. Beane did this by removing emotion, moving away from relying on opinion to find talent and by staying the course. In this regard, the team was

was exceptionally successful when conventionally, they wouldn't have been expected to be.

Boards are quite different than baseball teams and I am not attempting to compare them exactly. However, both can be large multi-million dollar organizations, both are global, have stakeholders and both have a leadership team that is responsible for guiding the strategy and development of the products and services. To that end, besides the obvious differences, success is dependent on leadership in executing the vision and mission of the organization. Finally, both are teams, and both rely on the right individual talent supporting specific positions in order to win.

As we spoke more about the critical, and seemingly consistent challenges that most boards face, including board succession and board performance. We ultimately boiled it down to the idea that boards are generally trying to progress. However, we also determined that there is much room for improvement. Our hypothesis, determined over the course of our meal, is that most boards do not seek the opportunity to be more effective because they don't know how, exactly, and perhaps have never had the right tools, processes and support to carry out this objective.

Two common themes stood out to me when thinking about *Moneyball*. Repeated over and over in the book are the fundamental issues of innovation and efficiency. Both of these practices were employed by the A's organization not only during the 2002 season, but in previous years encompassing the drafting of players, creating and shaping the right roster, training and developing talent. Perhaps most notably, the focus was on



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clearly understanding performance in order to make critical acquisitions. Paying less and getting more by utilizing technology and data.

As I reflected on our discussion, not only on the field but within the boardroom, two areas where data and innovation can be utilized are board succession and personal leadership development.

#### *Innovation in the boardroom*

Enlightened boards, those willing to take action to implement processes and procedures that radically increase the value the board creates for shareholders, are ultimately the ones that know great corporate governance goes beyond compliance. For example, utilizing technology, data and statistics to measure board effectiveness and individual contribution is a fresh approach to traditional matrix or Excel-type analysis. Boards, concerned with a false sense of security, do not always seek the opportunity to utilize advanced technology in order to more effectively solicit feedback, and therefore, will continue to inadequately assess the needs of the team.

Data, in some cases, makes directors uncomfortable because the concept of applying numbers to dictate personal contribution can be unsettling. However, unless you know relatively what your contribution is to the board, how do you know you are doing a great job? Do you continue to attract talent and review the performance of directors based on what has worked in the past, the traditional image of a good director? It seems wise to me to rely on fact, remove history and focus on what boards need. Boards need a more effective way of increasing performance. It worked for the A's.

#### *The power of numbers*

Utilizing data to attract the right players is one of the significant competitive advantages that the Oakland A's had. Similarly, a board engaged in a rich process of mining data from its directors is in a position of power. For example, I am often asked how boards determine whether the

level of engagement and contribution of the directors is creating value. It is difficult to find an answer to this without data. Our clients, utilizing our unique assessments, benchmarking, reporting and data analysis, absolutely are able to make adjustments and, therefore, properly measure effectiveness.

Results, performance and contribution are measured throughout one's entire career and we all know that statistics are a major part of baseball. Batting average, on-base percentage, Runs Batted In (RBI), slugging percentage, there is practically no end to the data collected. Although I do not believe directors should be judged solely on numbers, I do believe there should exist an overall measure of effectiveness. For example, in baseball, success is determined for a pitcher by his Earned Run Average (ERA). Similarly, to determine the effectiveness of a board, we calculate the XCEO Performance Index (XPI). A set of processes which allows boards to assess their own level of effectiveness over time in order to make the adjustments that will increase shareholder value.

In my opinion, it makes players better to know what expectations are for their performance. Boards should be no different. You form goals, you execute and you are held accountable. When done properly, feedback can be powerful.

#### *Recruiting for a new age*

A forward-thinking approach is the key to finding the right talent for a board. Unfortunately the norm, searching for a director via a database of names is commonplace. Having a subset of the board determine which candidate they are looking for, calling a recruiter and having them provide you a list of 50 candidates is generally how boards start the succession process. This, to me, is like the old scouting process that the A's rejected. Giving few individuals the ability to determine the potential of players based on old methods and personal judgment, can be very dangerous.

At XCEO, we partner with the board in order to find a candidate with the right skills and

experiences via a rigorous assessment. To create the board profile we consider gaps in skills and experiences on the board, align the profile to the strategic plan and utilize fresh methods for finding those individuals. Not relying on recognizable names or titles, and not relying solely on what boards usually want, we reach out individually to each candidate directly. We do not assume that the right education and background will determine fit. We ascertain how he or she can contribute to the board and what it needs. Moreover, we seriously consider age, tenure, personal development, diversity, geography, etc.

In the book, a focal point concerned using the right statistics and metrics to truly evaluate a player and forecast his ability to contribute to the team. Boards should act similarly. We understand why boards have historically had to rely on a committee or a few individuals to lead this effort. However, at XCEO we have made it easy for the entire board to be fully engaged in this critical process. Our very thorough review of over 90 variables does not solely include the common skills and experiences you would expect to see. Our approach is a custom, tailored and effective. We know boards need a fresh approach. We understand how to help boards assess gaps. We continue to develop value-added solutions.

#### *Working toward a championship*

Although the Oakland A's did not win the World Series in 2002, they inspired a new way of thinking that spread across baseball and improved the overall product. Similarly, boards need to be bold and aggressive in raising the level of contribution. It is not enough to improve, success needs to be the priority. Looking at the companies which have survived, and potentially thrived, in this recent depressed economy, boards, like baseball teams, must find a competitive advantage. This is what we do.

At XCEO, we continue to deliver unique and distinctive products and services to support boards in improving overall performance. If you predict baseball success on the power of the pitching staff, measured by statistics like the ERA, why not predict board success on an internally devised, comprehensive

measure such as the XPI? This is different, I know. However, we at XCEO understand that you cannot rely on traditional means in order to inspire enlightenment. We believe that we have turned the corner in board succession, risk and leadership development and we are unwavering in our attempt to continue to innovate, much like the A's did in baseball.

I understand why baseball is different than boards and baseball players different than directors – business is not a game. However, there are a lot of similarities and lessons that we can learn from each. As the CEO mentioned several times, boards may want to be better, but sometimes they just don't know where to start. At XCEO we know where to start. We go from draft day to the last game of the World Series and we understand that results are what count.



C.E.O.

## About the Author



### Michelle Ronco, MBA

Program Director, Corporate Governance & Board Leadership Development

As the Program Director of Corporate Governance & Board Leadership Development, Ms. Ronco led the development and release of XCEO's Online Extreme Personal Leadership Tools. Ms. Ronco also designed and created XCEO's Enlightened Corporate Governance Board & Director Evaluation Program intended for use in corporate boardrooms around the globe. A completely Web-based program with fifteen different on-line evaluation exercises, the program provides a reflective and creative evaluation process.

Ms. Ronco is a member of XCEO's research team in addition to being the principal publisher of the books *Corporate Rise* and *Compliance & Conviction*. For over six years, she has participated in many facets of the XCEO organization including idea creation, researching and editing.

Currently, Ms. Ronco is responsible for the development of, and oversight of XCEO's LinXsus Elite® and Premiere® Programs. These programs, intended for newly appointed directors or high-aspiration individuals seeking board service opportunities and support, serve as a lifeline for directors. This program includes XCEO's professional mentoring services, inclusion in XCEO's Search for Development program, an Individual Director Risk Module, as well as other personal brand concepts to provide a comprehensive experience to directors seeking improved boardroom effectiveness.

Prior to joining the XCEO team, Ms. Ronco worked for Morgan Stanley as a Financial Advisor and was Assistant Web Master for Santa Clara University's Leavey School of Business website.

Michelle earned her MBA with an emphasis on Finance and International Business from Santa Clara University in Santa Clara, California. She also holds a Bachelor of Science in Commerce (BSC) in Economics and Operations and Management Information Systems from Santa Clara University. She is on the board of directors of the Mexican American Community Services Agency (MACSA), and is a member of the National Society of Hispanic MBAs and National Association of Women MBAs.

## 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

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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 fifteen 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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