

Article Highlights

- Board Succession and Board Effectiveness
- Presence, Engagement, Alignment and Knowledge
- Presence Based Engagement
- Engagement Based Alignment
- Alignment Based Knowledge
- Knowledge bridges engagement and alignment



this issue:

Boardroom Effectiveness

XCEO, Inc. Introduces the PEAK Performance Indicator (PPI): The Basis for Boardroom Effectiveness

During these difficult times we are frequently reminded of the need for leaders to *clearly* distinguish between facts and opinions. At times, because it may be more comfortable to favor one over the other, it can be emotionally difficult to intellectually differentiate between the two. However, while both can be important, we should respectfully recognize that one is fundamentally more valuable than the other.

My attention to this matter has been piqued by the constant barrage of competing information from bi-partisan public debates, regarding complex issues, such as federal versus states' rights, orders versus laws, old versus young, and yes, even black/brown versus white. While it is a challenge to rationally filter out some of the fantasies, fiction, and fake news, I have nonetheless tried to decipher the facts and opinions.

These recent discussions have further piqued my on-going interest, regarding the value and acceptance of facts and opinions in Boardroom discourse. In particular, I am thinking of two critical areas of concern. They are strategic planning, and Boardroom diversity.

A peek inside of boardrooms, based on my personal observations and recent surveys, suggests that Directors are challenged to act decisively on these two issues. Frequently the facts are evident, and the opinions are plentiful. Both are valuable, but again, it is important to know the difference.

It is a fact that most corporate boards are not diverse when women and ethnic minorities are considered. Another fact is that Directors have various opinions regarding the value of adding more women or ethnic minorities to their Boards. In my opinion, a diverse board is more likely to be a more highly effective Board.

Another fact is Directors want more meeting time looking forward to discussing organization strategy. In my opinion, Boards should allocate more time to strategy and less time looking backwards at last quarter operation issues.

The XCEO, Inc. Peak Performance Indicator will assist the Board in addressing both challenges.

Enlightened Corporate Governance® is the foundation for building long-term shareholder value and the PEAK Performance Indicator (PPI) can be a valuable tool to govern the process. At XCEO, Inc., we developed PPI to help Boards easily and effectively integrate facts and opinions through Constructive Analytical Introspection™.

To perform effectively, in general, Board's must include a majority of effective performing board members. While this may seem rather basic, it should not be assumed that all board members are effective at all times.

All Board members are not the same. Some have more relevant skills and experiences than others. Further, some have more time, interest, and flexibility. While all Directors most likely bring some value to their Boards, understandably, some are likely more valuable than others.

While Directors are selected from the purportedly “best” of those interested in serving, they too have a normal distribution curve like other groups.

Directors should be sourced from the top performers, within relative industries, with a desired set of specific qualifications (skills, experiences, etc.). Further, they should pass through a refined selection process in order to be successful with each board. This is critical because some directors are good for some boards but not others. Likewise, some boards are right for some directors but not for others. Highly effective Boards require highly effective Directors.

PEAK Performance Indicator (PPI)

(Presence/engagement)/(alignment/knowledge)

A Board can achieve a high level of effectiveness by accentuating the *presence, engagement, alignment, and knowledge* of its Directors. The XCEO PEAK Performance Indicator can help the Board improve its overall success by governing the Directors individual and aggregate levels of performance.

The Board should expect each Director to consistently meet a minimum level of performance in all four areas at all times. All the more, each Director should be encouraged to excel in some areas at some time and *inspired* to excel in each area at all times.

PRESENCE: Directors can be present in meetings and conferences (telephonic, video, or in person) without being engaged...but Directors cannot be engaged without attending meetings and conferences.

In the context of PEAK performance, Director Presence is much more than merely being present at a meeting or conference. While all Directors need to attend meetings and conferences, the effective ones do much more.

Shareholders and stakeholders want Directors to represent their best interest at all times by participating in all meetings. Directors are expected to attend a minimum of 75% of them. In this regard, showing up on time, staying for the entire duration, and participating attentively in meetings, forms the basis for presence. This is foundational to be an effective director.

Based on required information included in annual proxy statements, most directors consistently met minimum shareowner participation requirements. However, anything less than full participation could result in loss of long-term shareowner value.

There are various reasons why some Directors do not meet full shareowner expectations. For example, some directors leave early in order to make their return flights. In some situations, a Director may arrive late or miss entire meetings because of personal plans or obligations.

Others may be present, but because of their uninterested demeanor, lack of

constructive action or uninformed input may just as well be absent. Director presence, which is influenced by meeting agendas, length, frequency, environment, location, and open dialog establishes the foundation for a Director’s commitment to duty of care. Although emergencies or unavoidable conflicts may arise occasionally, effective directors are committed to attending 100% of their board and committee meetings. They also remain at the meetings and participate constructively throughout the duration. They do so out of respect for their colleagues and believe if a topic is important enough to warrant inclusion on the agenda, it is important enough to warrant their full attention.

Presence is the basis for engagement.

ENGAGEMENT: Being “busy” or “active” during Board meetings is not synonymous with being engaged. Any issue that is worth including in the meeting agenda is important enough to discuss thoroughly.

In the context of PEAK performance, Director Engagement is much more than merely asking tough questions during meetings. While Directors should ask tough questions, they should be constructive and appropriately challenging. Again, effective Directors do much more.

Boards that build a culture that thrives on full participation and constructive discourse are likely to have a more engaged group of Directors. The Directors are less likely to shortchange meaningful dialogue simply because the board meeting is running behind schedule. They may be encouraged to be constructively disruptive when deemed necessary to ensure issues are thoroughly discussed.



A Board's engagement leadership level should be open to postponing important decisions and avoid rushing into decisions before they have been fully explored. Similarly, even if a majority of the board agrees on an issue, they should resist the need to move on to the next item before all perspectives have been fully vetted. Going against the board's momentum may be uncomfortable, but effective directors will insist on an opportunity to fully understand and discuss all important board issues, as well as express their views. This is not disrespectful, nor will it damage camaraderie if done positively.

Engaged Directors are inspired by the encouragement and respect earned from the CEO, management, and other members of the Board. They have a desire to make meaningful

contributions to the success of the organization by supporting management's efforts to build long-term shareholder and stakeholder value.

Engagement is the basis for alignment.

ALIGNMENT: Directors can be knowledgeable without being aligned...but Directors should not be aligned without being knowledgeable.

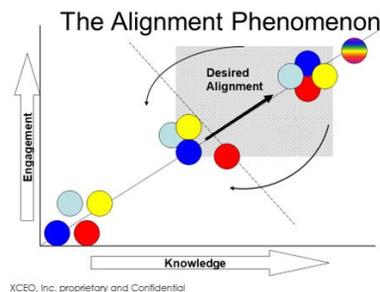
In the context of PEAK performance, Director Alignment is much more than simply agreeing with management and other members of the Board. While Directors need to be aligned, it must be achieved via a constructive process.

When new issues are first introduced to the Board, Directors may often hold different points of view from their colleagues. This can be influenced by the diversity of professional backgrounds, experiences and sometimes tenure. Nonetheless, through a healthy iterative process, Directors must strive to reach alignment through the **Alignment Phenomenon**.

Effective directors share a common alignment on fundamental things such as values of respect for each other, suppliers, customers, and employees.

This establishes a baseline to achieve alignment on issues at hand through dialogue and thorough understanding of the facts and informed opinions.

The Alignment Phenomenon



Effective directors also carefully avoid too much immediate alignment with their colleagues. Constant alignment often indicates that members of the Board all share very similar opinions, which can lead to complacency, a lack of discussion, and insufficient understanding of the issues. Ideally, effective directors will be aligned on some topics and not on others at any one time, and ultimately gravitate towards alignment as they learn more and gain insight from their colleagues' perspectives. **Alignment based on knowledge.**

KNOWLEDGE: Knowledge is the basis for effective Boardroom contribution. Enlightened Directors recognize that thorough preparation is the key to success. They know that without preparation there will be no knowledge and without

knowledge they will not be able to contribute.

Some Directors will have more relevant insight and understanding, or familiarity gained from their particular experiences or associations than other members of the Board. This could be related to a specific discipline or industry. One Director could simply have obtained or has access to information not known or available to other Directors.

Even the most knowledgeable Directors should earn the support of their peers and management to share it with others. In many Boardrooms, management may not care how much a Director knows, until they know how much a Director cares.

In the context of PEAK performance, Director Knowledge is much more than knowing more than everyone else participating in meetings or conferences. Knowing three times as much as others does not necessarily suggest that one speaks twice as much as everyone else. While Directors need to be knowledgeable, they are expected to contribute much more.

Enlightened Directors recognize knowledge as a basis for gaining a thorough understanding of the meeting materials provided by management. They also understand that asymmetric information provided by management is insufficient for complete preparation for meaningful Boardroom discussions and subsequent decisions.

In addition to information provided by management via the classical "Board Book", or other materials, highly effective directors regularly search for supplemental supportive and relevant facts. Whether knowledge is garnered from information found in the management provided board books or not, Enlightened Directors seek opportunities which allow them to bring broader perspectives to the boardroom.

Every seat at the boardroom table should be filled with highly qualified directors, who regularly contribute something of value to the board. However, not all directors contribute to the board at the same level, or in the same way.

The value of an individual Director's contributions to Boardroom deliberations will depend on his or her knowledge level and expertise, as well as the competencies represented by other Board members. For greater effectiveness, directors should strive to add incremental or differentiating value beyond the aggregate expertise of the Board. **Knowledge bridges engagement and alignment.**

In summary, when Boards understand and value their PEAK Performance Indicator, they are likely to improve their overall Boardroom Effectiveness and accelerate their progress toward building long-term shareholder value through "Enlightened Corporate Governance® and Extreme Personal Leadership®. The **Peak Performance Indicator (PPI)** is readily available and included in the XCEO, Inc. Board Evaluation and Board Succession services.

About the Author



Dr. Crawford is Founder, President and Chief Executive Officer of XCEO, Inc., a consulting firm specializing in Corporate Governance and personal leadership development. He is a long-serving director on public company boards. He is a known governance and leadership expert and brings unparalleled expertise to any Board search.

Dr. Crawford currently serves on the Board of Directors of The Chemours Company. In 2020, he retired from the Xylem Inc. and ON Semiconductor Boards. Previously, he served on the Board of Directors of E.I. DuPont de Nemours and Company, ITT Corporation, iSTAT Corp., Agilysys Inc., Lyondell Petrochemical Company, Zilog, Inc., and The Sisters of Mercy Health Corporation. He also served as a trustee of DePaul University.

Dr. Crawford is the author of three books; *Corporate Rise: The X Principles of Extreme Personal Leadership*, *Compliance & Conviction: The Evolution of Enlightened Corporate Governance* and his latest title, *Manager's Guide to Mentoring*.

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 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 stand ready to help our clients achieve extraordinary levels of performance and success.

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