

# How to Boost Your Board's Performance

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On an ideal board, directors with different levels of experience, backgrounds, and interests form a cohesive team that pulls in the same direction, and that achieves more together than "the sum of their individual parts."

Today's business environment is marked by constant instability, whether due to technological innovations (just think about the disruptive power of *ChatGPT*) or the changing demands of customers and, increasingly, employees. In such a dynamic landscape, having a well-defined strategy is crucial for providing orientation and guidance not only to leadership but the entire workforce.

The board of directors, as the highest supervisory and decision-making body of a company, plays a central role in developing and overseeing the execution of such a strategy, and can therefore significantly impact a company's success. With more than 25 million private companies in the United States, many of which have boards of directors with independent outsiders, it is plain to see the enormous potential to create added value – if those boards are indeed composed of the right capabilities, and function effectively.

Board functioning by and large depends on developing a group of individuals – directors with different levels of experience, different background, and varying interests – into a cohesive team that pulls in the same direction, and that achieves more as a collective body than "the sum of their individual parts." But how can you accomplish this?

## Yesterday's Board: Relying on Past Experiences

For a long time, boards were primarily viewed as

oversight bodies whose main task, in addition to strategy development, was holding management accountable to ensure they would do what they said they would do, with the results promised, within the agreed-upon timeframe. Most often, boards focused on financial aspects and compliance with legal regulations. In private companies in particular, boards were typically composed of experienced executives within the owners' own network, who brought their past experiences and knowledge into the discussions. Key decisions were made based on the members' wealth of experience.

And for decades, the belief that the key to successful forward-looking decisions could be found in past experiences held (somewhat) true – because in a stable environment, past experiences in a largely constant context serve us well as a reliable guide for future success. For many companies, this approach worked well for a long time.

## Tomorrow's Boards: Collective Intelligence – and Agility

However, given how rapidly the environment in which companies operate is changing – political and economic conditions, demographics, communication styles, and interpersonal interactions – past experiences alone no longer suffice to set the right course for the future. The challenges companies face today simply did not exist when directors gained their past experiences. What a board needs today to set a successful course for the future is a window to the outside world – and collective intelligence. Decisions and actions on the board are no longer based solely on the abilities and knowledge of individual members but also on the ability to process new (and rapidly incoming) information and the collaboration and exchange within the entire body. Through the diversity of perspectives, experiences, and competencies – collective intelligence – a more

comprehensive problem-solving capacity and faster decision-making emerge.

This, on the one hand, requires individual directors to proactively and continuously seek external input to regularly verify whether their previous assumptions still hold true. On the other hand, these challenges require the board to evolve from a group of individual performers to a body that leverages each other's capabilities and experiences, and where the whole is greater than the sum of its parts. A high-performance team goes far beyond a loosely coupled group: It is characterized by close collaboration, shared purpose, high trust, and mutual accountability. In a high-performance team, members' abilities complement each other, and they actively strive for outstanding results, not just the fulfillment of individual tasks. Given that high-performing teams beat the performance groups without those characteristics by factor five, we have a strong business case to develop a board into a team (Keller & Meaney, 2017).

## Five Steps to Becoming a High-Performance Team

Boards can significantly improve their performance in a reasonable timeframe by following the five steps outlined below:

- 1. Clarify the Board's Purpose and Goals:** In a first step, make sure the board understands what contribution it seeks to make to the company's success. High-performance teams always know exactly what their common goals are and act accordingly (Burkus, 2023). Does the board know what its purpose is – namely, are we primarily fulfilling formal tasks, or are we expected to support and advance the management? Based on our purpose, have we clearly outlined our core responsibilities? Based on these responsibilities, have we operationalized our goals, and do we regularly measure our progress as a board?
- 2. High Level of Expertise:** In a second step, understand what capabilities you need on the board to achieve your objectives – today, but also five years from now. High-performance teams are characterized by a combination of deep expertise and the ability to apply this knowledge to strategic decisions. Do we possess the necessary expertise to

comprehensively assess the company's current situation and make strategically sound decisions? As we look to the future, do we have the right people with the relevant experience on the board? What are we currently lacking, and what capabilities will we need more of in the future?

- 3. Effective Communication:** In a third step, assess your ability to communicate effectively. This includes your willingness to address uncomfortable topics. For a board, a shared language and clarity in communication are crucial for working efficiently and avoiding misunderstandings. Clear communication helps all involved better understand the goals and strategies, speeding up decision-making and increasing efficiency (Adler, 2023). The question for your board is: Could our communication be clearer or more effective? Do we avoid discussing controversial topics? Do we consider different perspectives in decision-making? Based on these conversations, can you identify ways to improve your communication?
- 4. Trust and Commitment:** Strong trust and high commitment to agreements are key factors for board effectiveness, according to Petriglieri (2023). Trust between members allows for open discussions and honest exchanges of ideas, improving the quality of decisions. A high level of commitment to agreements ensures that all members take their responsibilities seriously and consistently implement actions. Ask yourselves: Is our word bond? Do we show consistency in our words and our actions? Do we know each other well enough to understand each other's motivations, backgrounds, and even biases?
- 5. Drive for Continuous Improvement:** Where can we improve? According to Katzenbach & Smith (2023), the "DNA" of high-performance teams lies in the constant desire to improve. Members of high-performing teams strive to continuously optimize their skills, processes, and outcomes. For a board, this means that the body must not rest on past successes but actively seek ways to work more effectively and efficiently. Such an attitude fosters innovation and adaptability, which are critical in a constantly changing business environment. Therefore, the question is: Are your board members always striving to stay 'up to date' with

market developments? Do you actively seek feedback and adjust and set new goals?

## Conclusion

Boards always cost a lot of time and money – but oftentimes, they are not as effective as they could be. Many boards consist of a number of lone warriors who simply do not see value in getting to know each other personally.

However, we also know from decades of research and practical evidence that high-performing teams intentionally nurture their personal relationships. This is not a feel-good exercise: Strong relationships characterized by trust, communication, shared goals, respect, collaboration, diversity, accountability, and empathy have been shown to create the conditions for teams to excel beyond individual contributions.

High-performing boards dedicate time to developing a set of individual directors into a synergistic group of collaborators; simple measures such as board dinners the night before a board meeting, annual board retreats, or simply normalizing sharing personal information between directors can be healthy ways to nurture more closeness and slowly cultivate trust. In addition, making sure that everyone walks in the same direction by setting clear goals, and nurturing a culture of continuous improvement, for example by conducting regular board evaluations (McKinsey, 2022), will help improve board functioning and effectiveness to leverage its contribution to firm success.