

# **Becoming a Boardroom Star**

## **Appendices**

## Appendix A: Prerequisites to Collaborative/Oversight

Many boards today are seeking to evolve their operating mode from the traditional Reporting Out approach to the Collaborative/Oversight model. But even Boards that are inspired to make this shift, often can't accomplish it quickly. That's because there are a number of requirements necessary. One or more of these will be gaps in the way the board is operating right now – even if the board itself is already high-functioning. These are the four essential prerequisites necessary to successfully adopt a Collaborative/Oversight model:

- **Board materials and presentations:** The Collaborative/Oversight model requires a shift in the way management works with the board – fostering board engagement rather than management simply “telling their story” in board meetings and then “fending off” directors’ questions. The cadence of the Collaborative/Oversight relationship is synergistic, rather than “Here’s what we want to do” followed by “Okay, any questions?” This necessitates a different tone in the way board presentations are framed and in the design of the board materials provided prior to the meetings. Board materials are an area where many management teams could improve. Some executives throw “everything but the kitchen sink” into their board books and repurpose materials from executive presentations in order to save time. But a board audience is quite different than a team of industry executives who spend every day focused on the company’s business. And far too often, detailed materials and re-purposed presentations unwittingly lead the board in the opposite direction: towards Micro-Management. If your ultimate goal is to transition your board to the Collaborative/Oversight model, even well-comprised board books and terrific presentations will nonetheless require some refinement to achieve this.
- **Board Chair facilitation skills:** An effective Collaborative/Oversight discussion requires an excellent meeting facilitator to draw people into the dialogue, shut down off-topic segues, actively listen, keep the board focused and the conversation energized, strive for a balance in terms of guidance and challenges from the board, drive to a consensus decision and summarize that decision to provide clarity to management. Now, one might argue that this is what an effective Chair needs to do in running *any* board meeting. But the truth is, not all Chairs have these skills. And it’s a lot easier to chair a Reporting Out style of meeting where the role can be fulfilled by acting as little more than a traffic director – “First Mark, then Sheryl.”
- **Board composition:** The Collaborative/Oversight model works best when board members have a good understanding of the company’s business and relevant experience that enables them to serve as a collaborative thought partner to the CEO and management team. The model presumes there is high intellect at your board table, which is nearly always the case. But it also necessitates relevant expertise that would be genuinely worthwhile to bring into play more vibrantly on critical corporate issues. If that’s not the case, discussions generated from the

Collaborative/Oversight approach will inevitably disappoint. Only if you have the right people at the board table is it worth the effort to make the shift to the Collaborative/Oversight model. Many boards that find that they need to recruit at least two new directors with expertise not currently resident at the board table to bolster their existing board talent if they're serious about creating the board composition necessary to make the Collaborative/Oversight shift really worthwhile; some need even more.

- **CEO sets appropriate parameters:** Some CEOs are concerned about the Collaborative/Oversight model because they fear it threatens their control and decision-making by allowing the board to become far more engaged. It's true that board engagement will increase, and the dynamics of the board/management relationship will also change with this shift. But savvy CEOs realize that there's a Goldilocks formula that can facilitate the shift, without creating headaches. It all comes down to their ability – as CEO – to set appropriate parameters in working with the board.

Let's use this simple example as an illustration: The company's Chief Financial Officer is retiring at the end of the year. Some CEOs will simply tell the board, "I've just hired Jane Smith as my new CFO." Executive staffing decisions, after all, are entirely within the CEO's purview and the CEO exercised complete control over that decision – and that's what many would do with a board operating in Reporting Out mode. At the other extreme, a CEO trying to have a "more open board relationship" might say: "Here are three CVs from our headhunter for a new CFO. I want your input – which one of these strikes you as the best candidate?" But this goes too far in the other direction; the CEO just ceded the CFO decision to the board – and if they don't like the board's opinion, they're into a testy argument.

A savvy CEO striving for a Collaborative/Oversight relationship might take an approach along these lines: "We are about to conduct a search for a new CFO. I'm inclined to restrict that search to people with experience in our industry. Does anyone disagree – and if you'd broaden the search, why would you do so? I've asked the Chair of the Audit Committee to interview the final CFO candidate before I offer the job to him or her. What I'd love to get from every other director – and you can email me – is one question you'd encourage me to ask CFO candidates once we get to the interview stage." The CEO remains entirely in control of the CFO decision but collaborates with the board on important aspects of the process. Not every CEO knows how to set these kinds of parameters.

# Appendix B

## Sample New Director 360: Individual Director Feedback Report

**Prepared for: Deborah Richards**

### Overview

This individual director feedback report has been compiled to reflect themes and sample comments (*in italics*) from the New Director 360 for Deborah Richards. This process involved a series of interviews with all members of the ABC Board of Directors, four members of the ABC executive team and a representative of Ernst & Young, ABC's external auditor. The interviews were conducted by Skype between January 26 and February 8, 2019.

Interviewees were asked to provide their views on Deborah's strengths and contributions as a new director of ABC based on their experience working with her over the past 12 months since she joined the board. They were also asked to offer advice or identify any areas for improvement that could further enhance Deborah's effectiveness and contributions to the ABC Board going forward. Over 100 individual comments were generated from the interviews. These have been summarized, analyzed, and grouped into key themes presented in this report.

### Major Strengths/Contributions

**Deborah's major strength, as the sitting Chief Financial Officer of a large global company, is clearly her wealth of expertise on a broad range of financial issues. She has already added tremendous value to Audit Committee discussions and in her meetings with Internal Audit, where she served as a sounding board for the IA team on a broad range of issues. Most of Deborah's board colleagues cited her contributions to the board's discussions about changing ABC's dividend policy as one of her most significant contributions to date; Deborah drew on her experience to challenge ABC's longstanding views around this issue – and changed the board's thinking.**

- *“We are extremely fortunate to have someone with Deborah's vast array of financial expertise at our board table. And the fact that she is a sitting CFO is really the ‘icing on the cake’ because she is so current on the issues and brings such relevant and insightful perspectives. I particularly commend her for making the time to sit down with Internal Audit not only at her orientation session – which lasted two hours longer than it was supposed to – but also at another meeting a few months later. She spent time getting to know the people in IA and created a nice, informal environment where everyone was comfortable just kicking around some of the issues and getting the benefit of her wisdom and experience. It was invaluable.”*
- *“Deborah has rejuvenated our Audit Committee. Everyone in those meetings – particularly our own IA team and even E&Y – are benefiting from her contributions. She backs them up, at times, and you can tell they appreciate that because she comes at these issues from a very solid knowledge base. She is also respectful of our Audit Chair – and I feel that's important to mention as well. Deborah is clearly very conscious not to overstep and essentially ‘take over the committee’, which she could easily do. That shows a lot of maturity and professionalism; it's something I've really admired about her.”*
- *“The reason we recruited Deborah to the board was for her financial expertise – and she has already gone above and beyond in this domain. Her comments and questions, particularly in the Audit Committee, reflect her depth of knowledge and currency; she brings and draws on a wealth of experience and challenges the way we've viewed things in the past. Perhaps the most evident example of this relates to the board debate around the dividend, where she encouraged the board to consider some different*

*perspectives – and, as a result, we changed our policy. I also think it was Deborah’s approach that made all the difference – clearly, she had wrestled with this issue personally, as a CFO, and could bring all of that to bear. But she offered her views in a generous way, by which I mean she didn’t feel the need to make the people who held a different view ‘wrong’ so that she could be ‘right’.”*

- *“When Deborah speaks – particularly on financial issues – people listen. In her first or second board meeting, an issue about our dividend came up and Deborah made some great points about the changing dynamics of our shareholder base. This was the kind of issue where a new director could actually get out on a limb and lose credibility, as she was challenging some longstanding views. But she triumphed! That was the moment that Deborah kind of ‘earned her wings’ with this board, and she hasn’t looked back.”*
- *“The dividend has been a sacred cow at this company for as long as I can remember. And Deborah literally took that bull by the horns – and changed the board’s thinking. That, in my view, is her most significant contribution to date, but it’s the most significant of many. Deborah is well on her way to becoming one of ABC’s best directors, in my opinion.”*

**Deborah’s contributions to discussions on M&A integration have also been particularly insightful – and notable because the most important of these related to corporate culture, rather than finance. This demonstrated Deborah’s breadth as a director and prompted the board to engage in a critical debate that added significant value for the management team, leveraging, among other things, her own learnings from another M&A integration experience.**

- *“One of the things our management team has really struggled with is M&A integration. Everybody wants to do the deal – but the integration piece hasn’t always gone smoothly. This is an area where Deborah can and already has made major contributions – and interestingly, this was not related to finance. She spoke up about the cultural integration issues of the XYZ deal and explained, in very practical terms, how this became a huge obstacle in a deal she had worked on a few years back, which also involved the acquisition of a founder-controlled company. Everybody on the board was absolutely riveted when she described this, and she brought up points that I don’t think anyone else on the board – or in management – had even considered.”*
- *“Deborah has had a long track record of doing M&A deals as a CFO and even before that. She understands deal structure, and she is particularly well-attuned to the issues involved in successful M&A integration – which is something we’ve struggled with in the past. Having the benefit of her insights in these discussions is incredibly valuable not only to the board, but also to the management team.”*
- *“One thing that perhaps surprised me – because I tend to think of Deborah as a finance expert – is that she really gets ‘people issues’ too. This came to the fore in our discussions around the XYZ acquisition. She made some great points on financial issues involved in the deal – and I kind of expected that. But then she weighed in on the ‘people issues’ involved in integrating a founder-led company into a large public company, recounting her experience when 1-2-3 acquired 4-5-6. She described what she learned from this – and what 1-2-3 should have done differently. This opened up a terrific board discussion, and I think management walked out of that meeting saying, “Wow! That’s what a good board does for a management team!” And we wouldn’t have had that discussion had Deborah not raised the points that she did.”*
- *“Probably most people will say that Deborah’s most significant contribution to the board to date involved the dividend issue. But I actually think it was the conversation she initiated around the integration of the XYZ deal. We tend to look at the deal financing and the projected synergies – but Deborah really got us to*

*look ‘under the covers’ at some of the practical issues of trying to merge a proud, successful founder-led company into a F500 and that was one of the best board discussions I think we’ve had this year.”*

**Deborah clearly does her homework for board meetings and is extremely well-prepared. It’s evident that she has not just read the materials but has given considerable thought to the issues at hand. She ‘picks her spots’ and tends to weigh in only where she has a different perspective or new angle on the topic, rather than simply reinforcing and building upon the comments of others.**

- *“It’s very apparent from the questions Deborah raises and the comments she makes in board meetings that she’s not only read the board briefing materials, she’s actually reflected on the issues and has taken some pains to try to think of an angle that we may not have considered. She also picks her spots; she doesn’t weigh in on everything – when she dives into the board discussion, you know she’s going to raise a new perspective that nobody else has mentioned – or probably even thought of. Every so often, the point she makes is a bit ‘off the wall’ – but that’s fine; that’s refreshing sometimes, and it doesn’t happen much. Eight times out of ten, she’s spot on and is making a big difference in terms of our discussion.”*
- *“One of my biggest concerns when we were recruiting Deborah was whether she’d really have the time to be on our board; after all, she’s a sitting CFO at a large, global company. But any fears I may have had on that front have been long dispelled. Not only does she come well prepared, it’s evident that she’s really thought about the issues and has made some decisions about where she’s going to weigh in, so as to try to add real value. That, in my view, is what a really top-notch director does, and she’s already got it down cold.”*
- *“There are two things that really drive me nuts in board meetings – and maybe they drive Deborah nuts too, as a CFO at her own company, because she is studiously avoiding both: The first is people who have clearly not read the board package – they waste everybody’s time asking questions that were already covered in the briefings. Deborah would never dream of doing that; it’s evident that she’s read it all, and she’s made notes. The second is people who take up a lot of board time agreeing with what someone else has said – rather than offering a different view. Sometimes I think these people just want to say something to get their name in the minutes. Well, that is certainly not Deborah’s style and that is very much to her credit. When Deborah speaks up, she is nearly always injecting a fresh perspective or raising a point that no one else has mentioned. I think that’s one of her most important strengths as a board member.”*

**Deborah’s colleagues describe her as “warm, friendly, and approachable”; they genuinely enjoy working with her. She’s viewed as professional, respectful of others, a good team player, and a terrific role model for female executives.**

- *“Deborah is a very warm person who’s enjoyable to be with – and to work with. You get the sense that Deborah genuinely wants to contribute to the board as a team player, she’s not someone who has to be a star. Now, in fairness, she’s becoming a star and I think that’s great – but she doesn’t seem have a lot of ego in the room. She’s respectful of everyone.”*
- *“I think one of Deborah’s strengths is that she’s a good team player. She doesn’t try to dominate the board discussion and you don’t get the sense she’s going to walk out the door in a huff if the board doesn’t agree with her point of view; she’s mature and professional.”*
- *“The more I get to know Deborah, the better I like her. She’s funny, warm, and inclusive – she brings people into conversations and makes a real effort to be part of the team. We could not have made a*

*better choice than recruiting Deborah to become a member of our board, and we're extremely fortunate to have her."*

- *"I expected to be kind of intimidated by Deborah because hey – she's Deborah Richards, the CFO of 1-2-3 Corp. Well, I could not have been more pleasantly surprised! She's approachable and friendly – a really warm person who is very enjoyable to be with. She demonstrates respect for everyone – even the catering lady that comes into the board meetings. There is no better role model for our female executives than Deborah."*

## **Advice/Potential Areas for Improvement**

**The more that Deborah continues to learn about ABC's business and the unique facets of its industry, the more she can contribute. This is the area where her colleagues would encourage her to focus and made a number of constructive suggestions for her consideration, including site visits, discussions with operating executives below the C-suite, learning more about ABC's regulatory environment, attending an industry conference and/or reading trade journals. As a sitting CFO, Deborah is extremely time-constrained – something her board colleagues recognize. They nonetheless believe that, if she can manage it, some further investment in her learning will yield tremendous benefits to Deborah personally, and to the ABC board.**

- *"Deborah is very time-constrained because she is a sitting CFO – and I recognize that. But she has the potential to become one of our best directors. Making that step to what I'll call 'the next level' in her board development will require Deborah to invest more time in learning about the operational side of ABC's business. She's a quick study, and I don't think it will take that long. But she has no background in this industry and frankly, it shows in some of her comments. The more she understands the business context and the industry fundamentals, the greater her contributions will be. I'd encourage her – in the very strongest terms – to try to make some time for this. I believe it will yield significant benefits to her personally, as well as to the board, in terms of her contributions."*
- *"I hate to even say this because Deborah has so much on her plate – but if I were going to give her any advice, it would be to invest the time it takes to learn more about the operational side of ABC's business. I don't think she's been to any of the plants, yet. And I know personally that just one or two site visits can give you a very different perspective – one site visit is worth a hundred PowerPoint slides! So, if I were her, I'd make that a priority. We run our operations 24/7 and if it's easier for her to go on a weekend, that's fine. We have a corporate jet – we'll pick her up and fly her there. We realize she's busy, and we need to make this easy for her. But it's something that we should try to arrange in the next few months."*
- *"I think the obvious advice to Deborah at this stage is to continue to learn about ABC's business. She's got the finance part down cold. And, as a director, she could just stay in that mode as one of the board's "finance experts" and still add a lot of value. But from what I've seen – especially some of her comments on M&A integration – Deborah has the potential to engage more broadly on strategic issues and really become someone who can guide this company's future. If she wants to make that leap – which I'd personally encourage her to do – then she needs to get a*

*solid feel for this business and the critical factors in this industry: Who are the players and what are the global trends? What are the implications of our regulatory environment in practical terms? One 'quick and dirty' way to get up to speed is to go to the annual conference in Las Vegas – even for one day; that's a 'master class.' But if she can't find the time for that, then make an effort to read the trade journals, get out to the sites and try to spend time (even on a video conference) with some of the operating folks at the regional level."*

- *"Orientation is a 'drinking from a firehose' experience for most directors – and I'm sure it was for Deborah. Her orientation was focused on finance – meetings with E&Y, the finance team, etc. The operational part of the business was kind of a 'flyover' – and that's where I'd encourage her to focus now. She has no background in this industry, and there's a lot to learn. She's extremely smart and has picked up a lot already – but I'd encourage her to work with the GC to plan out an Orientation Part Two now that she's been on the board for a year. It shouldn't be a one-day thing – it should extend over the course of the year and respect her limited time. It could involve a couple of site visits, one now and another six months from now – an old plant and one of the new ones. I'd have her meet with some of the operations people and some of the regulatory people; she has never worked in an industry with this level of regulation. I know this will require a concerted effort on her part, but I'd look at it as an investment that will pay back huge dividends over the coming years."*
- *"When we recruited Deborah, she told us that she wanted the experience of serving on an outside board so that she could be a better CFO at her own company – and as professional development if she ever became a CEO. Having seen her in the boardroom, there is no doubt in my mind that a CEO role lies somewhere in her future. I think she can help herself achieve her development goals if she invests the time to learn more about ABC's business – so that she can become a true strategic partner of our CEO and our board rather than just 'a finance specialist'."*
- *"Deborah has earned a lot of fans on the board in the short time she's been with us. But what's getting in her way is the fact that she doesn't understand certain facets of the business – and every so often she'll make a comment that underscores this and detracts from her credibility. She needs to make an effort to continue to learn about the operational side of the business. You're not going to become an expert overnight – no one expects that! But if she organizes a few meetings with our top operational people as a sort of second phase of orientation, I think that would cover a lot of ground. She should also get out to the plants."*
- *"I think the obvious advice to Deborah is to continue her learning journey about ABC's business. But one piece of advice I'd mention in conjunction with that is: part of what's been really terrific about Deborah's contributions to date is that she's challenged our thinking about how ABC does things. I believe that the reason Deborah can offer fresh perspectives has something to do with the fact that she comes from a different industry. I don't want her to lose that! But learning about ABC's business shouldn't mean that she can't continue to challenge its norms."*

**At times, Deborah has allowed herself to become distracted by her electronic devices in meetings. While this temptation can be difficult to avoid – particularly for a sitting CFO – she would do well to become more cognizant of this issue and try to curtail it somewhat.**

- *“Deborah is a terrific director and I have no advice to give her other than to be a bit more mindful about what I’ll call electronic distractions. She’s constantly reading and returning emails during the Audit Committee meeting – maybe less at the board meeting, but I’ve seen it there too. I don’t really think it’s a case of not paying attention – all her questions are right on point. It’s more the optics of this to the people presenting to the Committee.”*
- *“Deborah is awesome! She is a fantastic addition to our board. She is so good that the one thing that drives me nuts is the fact that we never seem to have her full attention. She’s fully present in the meeting one minute – and then she’s focused on her iPhone. And really focused – like you can see in her face that something is going on that is not good and seems urgent. And that distracts you too. You start to wonder, ‘Hmm . . . I wonder what’s happening over at Deborah’s company; must be some problem.’ Then you realize that you need to revert your own attention back to the Audit Committee. Is it a huge problem? No. Is it something she should try to curtail a bit? Probably, yes.”*
- *“I serve on another board where we all have to place our phones into a box before we go into the board meeting. I don’t want to implement this sort of policy at ABC; people need their phones, they’re a fact of modern life. I think it’s far better to put people on notice that they’re doing a bit too much phone-checking during the meetings – and they will stop. So, I guess I’m putting Deborah on notice: She needs to watch the amount of time she’s spending on her iPhone during the meetings.”*
- *“My only advice to Deborah can be summed up in four words: Turn off your iPhone. I realize she is a sitting CFO, and she can’t “go dark” on her own team for hours on end. But it’s evident that she gets distracted by emails and texts during our board meetings – and she’s such a good director that we want her full attention.”*
- *“When the board meets, there is a row of chairs behind one side of the board table where members of management sit during the meetings. The people sitting there can all see the iPads of the board members sitting in front of them. And when they look at Deborah’s iPad, they see that she is frequently checking the stock price of her own company and reading articles in the Wall Street Journal. In fairness, some peoples’ presentations in our board meetings drone on and on – so, I really can’t blame her. But she should try to limit that a bit.”*
- *“Repeat after me: My name is Deborah and I have an iPhone problem.”*