

The Compass Points of Good Governance

David R. Beatty CM, OBE, F.ICD, CFA
Professor Emeritus, Strategy and Governance
University of Toronto

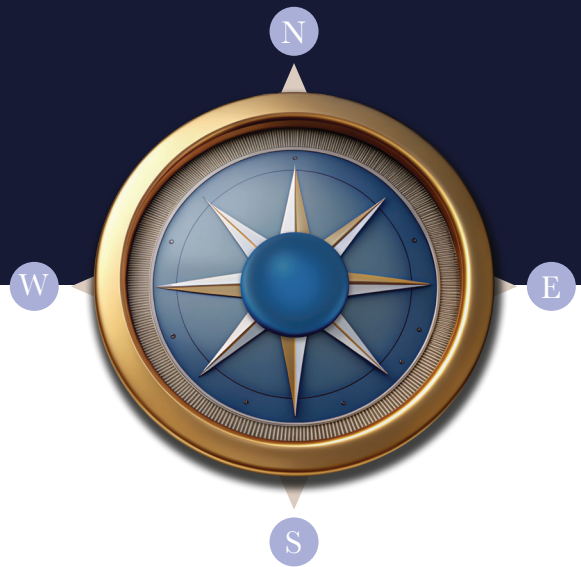


TABLE OF CONTENTS

Help Make This Guide Better.....	3
Boards that Add Value Need a Compass	4
Who Am I?.....	5
From Sailing to the Boardroom	6
The Board: What's Its Purpose?	7
The Three Lines of Sight	8
An Overview of the Board Compass.....	10
The North: People and Skills	13
The East: The Agenda	17
The South: Board Briefings.....	21
The West: The Structure	27
The Chair: The Core of the Compass	32
Final Thoughts: "Be Better than Parsley on Fish"	38

Help Make This Guide Better

Our goal in this book is to collate a set of best practices that will enable a board of directors to become a value-added board.

It is a never-ending work in progress, open to your input.

Send any comments, additions, deletions, or anything that can make *The Compass Points of Good Governance* better to Quinn Lawson of Community & Company: quinn@communityandcompany.com.

Boards that Add Value Need a Compass

Congratulations, you've earned a seat at the boardroom table.

But the question looms: Now what?

Much like planning to cross an ocean by boat, your journey as a board member requires careful preparation and a shared vision with your crew. After all, it's not just about setting sail. It's about being decisive and knowing how to deal with the winds, tides, and storms.

If you've made it this far, it's clear that you possess the skills and experience necessary for helping along the board's core function of steering the organization toward success. However, true governance goes beyond offering guidance in fair weather. It requires vigilance, the ability to recognize when the ship has veered off course, and the decisiveness to realign it when external forces—whether market shifts, regulatory changes, or internal challenges—threaten to take it off its intended path.

Over these pages, the goal is to provide you with the tools, frameworks, and mindset necessary to not only navigate these waters but to do so confidently. Don't be an "average" board director; be a truly great, "value-added" board director.

Board governance is an art, but with the insights shared here, you'll be better equipped to become a great artist.

Who Am I?

My life's journey has taken me from Tanzania and Papua New Guinea—I worked as a civil servant in both nations—to the executive ranks of North America, where I spent a decade running Weston Foods. Later, I chaired Old Canada Investment Corporation, a publicly traded closed-end investment trust listed on the Toronto Stock Exchange.

Somewhere along the way, I found myself drawn to teaching. I joined the Rotman School of Management at the University of Toronto, where I had the privilege of helping shape the next generation of corporate leaders. My passion for governance and leadership led me to help create the Directors Education Program with the Institute of Corporate Governance, which has since trained some 8,000 board members. And I both founded and funded the David and Sharon Johnston Centre for Corporate Governance Innovation at the Rotman School.

Boards have been a central part of my life. I've served on 40 of them, held 12 chairmanships, and, I also like to believe, helped shape corporate governance practices on a global scale. From leading the Canadian Coalition for Good Governance, where I was the founding managing director, to designing and delivering board training programs for Saudi Aramco, I've spent decades thinking about how organizations can be run more effectively. Governance may not be the flashiest topic, but as I've come to realize, it's the foundation of any successful company.

My work has been recognized in ways I never expected: by Queen Elizabeth II, the government of Papua New Guinea, the Order of Canada, and governance bodies worldwide. But at the end of the day, titles and accolades are a byproduct of impact. What drives me is the opportunity to improve how businesses and institutions operate, mentor future leaders, and push corporate governance forward into an era where adding value is at the forefront of any good director's mission.

So, who am I? I'm someone who believes that great board leadership isn't just about making decisions. It's about making the right ones, for the right reasons, at the right time.

And if I can help others do just that, then I'd say I have invested my time wisely.





From Sailing to the Boardroom

Back in the day when no one had GPS, I sailed with my wife and our four kids (aged four, six, eight, and 10) for an entire year. We voyaged some 3,500 miles from Port Moresby in Papua New Guinea, where we had lived for three years, across the Coral Sea, down the coast of Australia, and offshore to New Zealand on the Tasman Sea before coming to rest in the Bay of Islands on the Northern Island of New Zealand. The vessel we did it in was a 42-foot Cheoy Lee ketch, built to my specifications in Hong Kong.

We made the journey from start to finish using a navigation system that consisted of nothing more than a chronometer, a sextant, sight reduction tables, and, most importantly of all, a compass. If you follow the compass I offer across the following pages, I have no doubt that you too can go on an incredible journey as a value-added director.

The Board: What's Its Purpose?

If you were to pick up a textbook on corporate governance, it would likely define a board's purpose in fairly standard terms. It might tell you, for example, that the board of directors serves as the steward of an organization, safeguarding its mission, vision, and long-term sustainability; ensuring that it is on the right path strategically, ethically, and financially; and holding management accountable for all the outcomes.

That definition isn't wrong, but it barely scratches the surface. If we're going to truly understand what a board does, we need to start by grappling with a few legal concepts and then working our way to the practical realities of board work. If you're already familiar with governance basics and want to jump straight into the hands-on guidance contained in the later chapters, feel free to do so. But if you're looking for a deeper foundation, let's map this out.

At its core, the board exists to represent the interests of the corporation. Legally speaking, the corporation itself is a distinct entity, separate from shareholders, stakeholders, or management. This is critical: a director's *fiduciary duty* and *duty of care* are first and foremost to the corporation itself. Everything else flows from that.

1

The Fiduciary Duty requires directors to act honestly and in good faith vis-à-vis the best interests of the corporation. This means the directors must maintain confidentiality on all matters, avoid conflicts of interest, and disclose material information as required.

2

The Duty of Care requires directors to exercise the diligence, care, and skill that a reasonably prudent person would in comparable circumstances. This means they must be able to obtain the appropriate information, review this information critically, and probe analysis and recommendations carefully.

Decisions must always be made with the corporation's long-term welfare in mind. Courts generally allow directors to operate under the business judgment rule, provided they adhere to these duties. In Canada, this was made clear by the Supreme Court ruling in *BCE v. 1976 Debentureholders* in 2008, which clarified that when conflicts arise among stakeholders, it is the directors' responsibility to resolve them fairly while prioritizing the corporation's best interests:

Where there is a conflict between the interests of different corporate stakeholders, it falls to the directors to resolve such conflicts in accordance with their fiduciary duty to act in the best interests of the corporation, having regard to all relevant considerations, including the need to treat the affected stakeholders fairly, commensurate with the corporation's duties as a responsible corporate citizen.

Beyond the legal framework, what does a board actually do? Think of it in terms of *three lines of sight*: **hindsight**, **oversight**, and **foresight**.

Three Lines of Sight

THREE LINES OF SIGHT

Hindsight

- Ensure Accounts are Accurate
- Report to All Stakeholders
- Compliance and Audit

Oversight

- Oversight of Results
- Approvals Outside Boundaries
- Understand Corporate Culture

Foresight

- Involved in Strategy and Risk
- Involved in Talent Pool

Policing

Value-Adding

Hindsight: The Rearview Mirror

One of the board's core functions is ensuring the accuracy and integrity of past performance reporting. This includes:

- Reviewing financial statements and regulatory filings to ensure they accurately reflect the company's condition.
- Ensuring compliance with all legal and regulatory requirements.
- Reporting out to all stakeholders.

This is the "policing" function of the board—that is, making sure everything behind us is in order. Historically, boards have spent an overwhelming amount of time here. A survey by the Canadian Coalition for Good Governance, in partnership with McKinsey & Co.,¹ found that directors spent roughly 60% of their time looking backward. But is that really the best investment of a board's time?

1. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-mindsets-and-practices-of-excellent-ceos>

Oversight: Tracking the Present

Oversight is about keeping the company on track. It's ensuring that management's execution aligns with the company's strategic plan and long-term goals. Key oversight responsibilities include:

- Monitoring business performance and progress.
- Assessing leadership effectiveness.
- Approving major capital expenditures, mergers, and senior appointments.

This is also where boards must pay close attention to corporate culture. The Wells Fargo scandal was a painful reminder of what happens when a board takes management's word completely at face value. In a boardroom, you "eat what you're fed," but that may not be the whole story.

Foresight: Looking Ahead

A value-added board is not just reactive. It's proactive. The future is where real value is created, and forward-thinking boards invest their time wisely. Foresight thus involves strategy, risk, and talent.

It is management's responsibility to create a strategic plan. And it is management's opportunity to share that plan with their directors to get the benefit of the collective expertise and experience represented around the boardroom table.

As the challenges facing businesses increase—from geopolitical flashpoints like tariffs and wars, to a host of clamouring stakeholders, including activists, and now, increasingly, AI and its transformative/disruptive impacts on almost everything—pressures on boards of directors are increasing dramatically. This means more and more board time must be invested in the foresight category.

A common practice is to ensure that the board and management teams have strategic off-sites. These not only help gel the board together but significantly increase the trust between the directors and the managers.

What is always a bit of a challenge is to get outside views inside. Rather than listening only to the C-suite, consider inviting outsiders. Ask:

- Institutions who do not own you to tell you why they don't.
- Activist investors who have been circling you to share their concerns.
- Analysts who have been following your competitors to share their insights.

In other words, seek a wide variety of perspectives on alternate ways to manage your various kinds of assets, from financial to people, products/markets, and reputations.

The Compass

AN OVERVIEW OF THE BOARD COMPASS



PEOPLE & SKILLS:

Hard Skills: The Who

Soft Skills: The How (Induction, Individual Behaviour, Collectively Gel, etc.)

Key Process: Evaluate



STRUCTURE:

Committees: Audit, HR & Compensation, Governance

Consider Adding: M&A, Risk, Technology, Stakeholder, Advisory, Ad Hoc

W



E

AGENDA:

Significant Investment Decision / How Should the Board be Investing Its Time Together



S

BRIEFINGS:

Huge Challenge

Hard: The What

Soft: The How



Every truly effective board must have a guiding framework. The goal of this section is to provide a brief summary of the framework I propose, which takes the form of a metaphor: *The Director's Compass*.

The compass consists of four cardinal points: *people and skills* (North), *the agenda* (East), *board briefings* (South), and *structure* (West). At the centre of it all, holding the board together and ensuring each element functions properly, is the board chair.



N The North: People and Skills

A board is only as strong as the people around the table. The North point of the compass focuses on who sits on the board and what they bring to the table. Do they have the right expertise? Do they offer diverse perspectives? And just as importantly, how do they behave in small group settings?

Boards are not just collections of individuals. They are teams. Even the most accomplished directors won't add value if they can't collaborate, challenge constructively, and work toward a shared purpose. The board must cultivate a dynamic where individuals gel together and perform as a team.



E The East: The Agenda

If the North is about “the who”, then the East is about “the what”: the issues the board focuses on and the conversations it has. A board's agenda isn't simply a list of topics to get through in a meeting. It's a strategic investment decision.

Every effective chair understands that agenda-setting is one of the most powerful tools at their disposal. Every board meeting should be an opportunity to refine and improve the next, ensuring that the discussions remain relevant, forward-looking with foresight in mind, and valuable. Boards that treat agendas as routine administrative exercises miss a critical opportunity to drive real impact.



S The South: Board Briefings

Even the best board members are only as effective as the information they receive. But most boards are poorly briefed, leaving directors ill-equipped to add value.

Research by the National Association of Corporate Directors (NACD) has found that 60% of directors cited poor-quality briefing materials as their biggest challenge in contributing meaningfully.² The South point of the compass underscores the importance of clear, concise, and strategically relevant briefings. Without them, directors are left reacting rather than advising—more spectators than contributors.



W The West: The Structure

The way a board is structured has an enormous impact on its effectiveness. The West point of the compass focuses on committee structures, protocols, and decision-making frameworks—the mechanics that enable a board to function smoothly and efficiently.

At a minimum, public company boards have audit, compensation, and governance committees. But is that enough? Today, many boards are adding risk, technology, and cybersecurity committees, and even AI-focused groups. Should your board follow suit?

Beyond committees, board structure also includes establishing clear working protocols—how decisions are made, how information flows, and how the board prepares for instances like a crisis. The best boards anticipate challenges rather than merely reacting to them. Structure provides the foundation for that readiness.

The Chair: The Core of the Compass

At the centre of the compass, holding everything together, is the chair.

The chair isn't just another board member. The chair is the architect of the board's effectiveness, playing a pivotal role in each compass point:



North: The chair is involved in director selection but uniquely responsible for ensuring productive boardroom behaviour.



East: The chair collaborates with the CEO to craft an agenda that drives strategic discussions.



South: The chair polices and improves the quality of briefing materials, ensuring directors are well-informed.



West: The chair helps shape the board's structure, guiding committee formation and governance protocols.

Perhaps most importantly, the chair and the CEO must have a strong, trusting relationship. They must be able to say to each other, "If you need anything, I'm here." But this isn't about being friends. It's about open, honest, and transparent communication. If the CEO and chair can't talk candidly, if there's no mutual trust, then the boardroom's chasm will widen, and the board's ability to add value will be compromised.

Looking Ahead

With our compass in place, a board has the potential to be more than just a passive governance body. It can be a true strategic asset to the company.

In the next chapters, we'll dive deeper into each compass point, exploring what makes boards thrive and where they often fall short.

Understanding the framework is one thing. Putting it into practice is where a director's real work begins.

THE NORTH: PEOPLE AND SKILLS

If the board is a compass guiding the corporation, then the North represents its people—the directors who oversee management, advise on strategy, and safeguard long-term shareholder value. But a board is only as strong as the individuals around the table. Do they bring the right expertise? Do they listen well? Do they challenge constructively? Are they engaged?

Skill Sets: Who’s in the Room?

A well-functioning board starts with the right mix of skills. Taking inventory of the competencies around the table provides critical insight into whether the board is equipped for the challenges ahead—or whether key perspectives are missing.

The most effective boards use a skills matrix to track the expertise, tenure, and diversity of their directors. Consider the following example skills matrix. It provides a structured view of each director’s competencies, gender, age, tenure, and experience on other boards.

The skills matrix highlights strengths while exposing gaps that may need to be filled through future appointments.

NAME OF DIRECTOR	COMPETENCIES								GENDER	AGE RANGE			TENURE AT COMPANY			
	SALES / MARKETING	FINANCE / ACCOUNTING	LEGAL	STRATEGY	HUMAN RESOURCES	ENGINEERING / ENVIRONMENT	TRANSPORTATION INDUSTRY / SAFETY	PUBLIC POLICY		59 AND UNDER	60-65	66-75	0-5 YEARS	6-10 YEARS	11-15 YEARS	16 + YEARS
Aaliyah Khan	✓	✓		✓	✓	✓	✓	✓	M			✓			✓	
Diego Morales	✓	✓	✓	✓	✓		✓	✓	M		✓			✓		
François Tremblay	✓	✓	✓	✓	✓		✓	✓	F		✓					✓
Faisal Cloutier	✓	✓	✓	✓	✓	✓	✓	✓	F		✓					✓
Noah Johnson	✓	✓		✓	✓		✓	✓	M		✓					
Linh Tran	✓	✓		✓	✓		✓	✓	M		✓		✓			
Malik Okafor	✓	✓		✓	✓	✓	✓	✓	M	✓				✓		
Sofia Rossi	✓	✓		✓	✓	✓	✓	✓	M			✓	✓			
Peter Duncan	✓	✓	✓	✓	✓	✓	✓	✓	M		✓					✓
Amara Patel	✓	✓	✓	✓	✓	✓	✓	✓	M		✓		✓			
Jordan Rivers	✓	✓	✓	✓	✓	✓	✓	✓	F	✓			✓			

But a skills matrix isn't static. The business world evolves, and so too should the board. After each meeting, the chair should ask: Did we have the right expertise in the room to make this decision? Would we have benefited from another perspective? If certain gaps keep surfacing, it's a clear signal that future recruitment should target those missing skill sets.

It's a good idea to institutionalize this concept with a simple but powerful visual aid: an unoccupied seat at the table labelled "Empty Chair." It serves as a constant reminder that no board, no matter how experienced, has all the answers.

The Empty Chair: A Lesson in Perspective

The physical "Empty Chair" in the boardroom stands for all the stakeholders—not only those represented around the table but also those not present.

Legally, the "all stakeholders" mandate followed directly from the Supreme Court of Canada's *BCE v. 1976 Debentureholders* decision:

The fiduciary duty of the directors to the corporation is a broad, contextual concept. It is not confined to short-term profit or share value. . . . In any event, the fiduciary duty owed by directors is mandatory; directors must look to what is in the best interests of the corporation.

A similar notion also comes from our indigenous sisters and brothers. The First Nations business leaders whom I interviewed for the Rotman/ICD Directors' Education Program told me that when they were in decision-making settings, including boards of large Canadian publicly traded companies, they always considered the decisions they were asked to make in three time frames:

The Past: What would my father and grandfather have done?

The Present: What would my community be thinking and advising?

The Future: What should I be considering looking forward a number of generations?

The future notion is rooted in the **Great Law of Peace**, the oral constitution of the Haudenosaunee. It encourages leaders and decision-makers to consider the impact of their actions on the **seventh generation** into the future—a deep expression of **long-term responsibility** and **sustainability**.

"In every deliberation, we must consider the impact on the seventh generation."

VIA Rail, Canada's passenger rail service provider, pioneered the use of the "Empty Chair" idea when its chair was Françoise Bertrand. The idea was so powerful that at her retirement the board presented her with a plaque to put on the "Empty Chair." It read:

An empty chair, but never unoccupied. A voice inaudible, but always present. This seat reminds us that leadership extends beyond the walls of this room, to those we serve today and those who will inherit it tomorrow.

This kind of practice has deep cultural roots, too. In an ICD/Rotman Directors Education Program class that involved working with First Nations Canadian business leaders, the participants learned that in the indigenous world decisions should be made with both ancestors and future generations in mind. They step back and consider how today's choices will impact not only today's stakeholders but also their grandchildren's grandchildren. That level of long-term responsibility is exactly the mindset we should encourage in boardrooms.

Behaviour: How Directors Show Up

Beyond technical skills, the effectiveness of a board hinges on behaviour. The best directors have more than impressive resumes boasting “hard” skills; they show up prepared, listen actively, and contribute thoughtfully.

A few key behavioural markers separate high-performing directors from the rest:

Preparation: Have they read the briefing materials? Do they understand the key issues?

Engagement: Do they listen well, challenge assumptions constructively, and ask insightful questions?

Contribution: Do they add value to discussions, or do they dominate airtime with little substance?

Focus: Are they fully present, or are they checking emails under the table?

The chair plays a critical role in shaping boardroom dynamics. If a director falls short in these areas, the best course of action is a one-on-one conversation. A private breakfast or lunch can serve as enough of a forum for candid feedback between a chair and a director to remedy and improve their contribution.

A useful metaphor for the chair's role in shaping boardroom behaviour comes from Benjamin Zander, the former conductor of the Boston Philharmonic Orchestra. In his TED Talk,³ he notes, “All of a sudden, when I turned 40, I realized that I am the only person on the stage that doesn't make a sound! My job was to pull together the virtuoso skills of some 100 musicians into a coherent whole.”

As we can see, his role was not to play an instrument. Rather, it was to bring out the best in his musicians. The same is true for a chair, who makes sure the collective talents of the board create a symphony rather than a cacophony.

Induction: Setting the Right Expectations

When a new director joins the board, a comprehensive induction program is critical. This includes not only familiarizing them with the company but also ensuring they understand the behavioural expectations outlined in the board's Code of Conduct.

Here are the elements of the Code of Conduct of Husky Injection Molding Systems:

- 1. We treat each other with respect.** We treat each other with basic courtesy and show respect for each other's professional and subject matter competence. We do this regardless of seniority or age.
- 2. We expect active contribution from everyone.** We come prepared, we are “present,” and we expect all members of the team to contribute actively, including taking turns in being first to speak or react to an agenda item or proposal. If something is not “our topic,” we will say so but still show a minimum level of interest.

3. TED Talk, Benjamin Zander, “The transformative power of classical music,” https://www.ted.com/talks/benjamin_zander_the_transformative_power_of_classical_music

3. **We keep the main thing the main thing.** will remain focused on the issues at hand and avoid distractions, especially regarding “charged topics” such as politics.
4. **We act constructively.** We pay attention when others are speaking, we let them finish and we ask great questions to move the discussion forward. We stick to our rules and we follow the meeting leadership of the chairperson/meeting facilitator.
5. **We fight fairly.** We do expect and value healthy conflict. But we “fight fair.” We do not talk over each other, we avoid offensive language and we stay away from behaviour we know will irritate or annoy others. When and if a decision is made, we move forward together as a team.
6. **We keep it real.** We (respectfully) speak our mind, we value feedback, even if uncomfortable, and we keep the meeting as a “safe space” for all. We are not here to advance a personal agenda but to put the team and the family first.
7. **We take responsibility.** Building strong relationships and a positive family business culture is a shared goal. We will not use the shortcomings of others or pressures (business and personal) as excuses for our own dysfunctional behaviour. If an interaction goes badly, we will work to repair the relationship using feedback, learning and, if needed, an apology.

The most effective boards set clear expectations from the outset. The chair and the head of the nominating committee must ensure that any prospective director is ready to commit the necessary time, engage meaningfully in discussions, and abide by the board’s ethical standards.

Beyond formal onboarding, boards must also find ways to gel. Directors may not know each other well, but they are expected to function as a cohesive unit. Robert Cialdini, professor emeritus at Arizona State University and author of *Influence: The Psychology of Persuasion*, argues that shared experiences build stronger bonds. Boards should take this to heart—whether through pre-board dinners, site visits, or other outings. Investing in relationships leads to greater trust, better collaboration, and, ultimately, more effective governance.

Conclusion

The North on the board’s compass represents its people. The right mix of skills, the right behaviours, and a strong sense of dedication are the hallmarks of a high-performing board.

By continuously evaluating who is in the room, ensuring directors show up prepared and engaged, and fostering an environment where perspectives are challenged constructively, the board fulfils its ultimate responsibility: making the best possible decisions for the long-term success of the organization.

The East

THE EAST: THE AGENDA

What to include on the agenda is perhaps the most important decision a chair can make, because it determines the balance of time that the board invests in its activities.

Investing Time Wisely

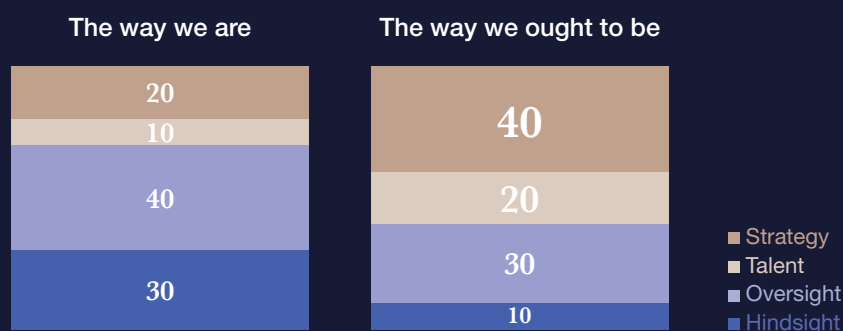
Use the term *investing* when it comes to time, rather than *spending*.

An investment should show a return. Framing the board's time as an investment decision naturally leads us to considering a return on the investment—which is how boards should think. If your time can't be described as an investment for the company, find ways to make it fit that description.

Broadly speaking, the three lines of sight introduced previously help both directors and executives understand where time is being invested and whether it's being invested wisely. Boards should never ask, "How did we **spend** our time at the last meeting?"

No, the right question is, "How did we **invest** our time?"

Time spent in foresight has the highest ROI, yet most boards default to hindsight. A survey of 20 companies comprising 200 directors found that their boards allocated only 30% of their time to future-oriented discussions, with the remaining 70% allocated to oversight and hindsight. However, when asked how they **should** ideally invest their time, the response flipped: the directors believed they should be dedicating 70% of their time to foresight, focusing on the corporation's future trajectory and value creation.



Make your time INVESTMENT an EXPLICIT decision

The best boards use this target allocation to improve their meeting's time investments, ensuring that each session yields a high return.

Review, Decide, and Enforce the Board’s Time Investment

In 2022, global leadership advisory firm Russell Reynolds Associates conducted a study of over 1,100 boards⁴ to determine how high-performing ones invest their time. The study defined “gold medal” boards as ones where the directors rated the board effectiveness as a minimum nine out of 10 and reported the company as having outperformed total shareholder return benchmarks for at least two years running.

What these gold medal boards had in common was their focus on value-creating work: strategic planning, operational performance assessment, M&A, and capital allocation. They structured their agendas to prioritize future-focused, strategic topics. In their own words:

Reviewing financial statements, audit activities, and compliance activities are the responsibility of the board, not the mission of the board. The most successful boards not only know this, but they craft their work and interactions to reflect it.

Start recording how much time your board invests on each of the three lines of sight. Evaluate how well you did in the previous meeting against what you had planned, and apply these insights toward constructing the agenda for the next meeting.

This model of continuous improvement is essential for keeping the board’s focus on forward-looking strategy, where you can create the most value.

An audit committee chair might only get five minutes to report to the board. Only five minutes? Yes, only five minutes. The board should not be revisiting work that the experts—in this case, the audit committee—have completed. Chairs must be able to trust that the work has been done correctly and can therefore be left at the committee level. Once you can do that, you can free up time to allocate to value-added activities.

Should any director want more financial information, invite them to the next audit committee meeting as a guest. And the same principle should be applied to any other committee deliberation. If you want more detail on any matter, get yourself an invitation to the next committee meeting.

Ask Directors for Feedback

Your directors are highly knowledgeable people who have been hand-picked and elected for their specific expertise. They are an incredible resource—provided you can extract the best feedback from them before and after every meeting.

Here is a process worth trying. Well before each meeting, send the draft agenda that the CEO and the chair have created together to the board. Within a week, reach out to each director, one by one, to have a conversation about the agenda. Ask, “In your view, is this the best way to invest our time? What else would you like to see on this agenda? What would you like taken off this agenda? What would you like to delay until the next agenda?” Work and rework and re-rework the agenda until a collective investment decision can be finalized.

4. Russell Reynolds, “Focusing on the Future: How Gold Medal Boards Prioritize Their Time,” <https://www.russellreynolds.com/en/insights/reports-surveys/global-board-culture-and-director-behaviors-study/focusing-on-the-future>

After each meeting, conduct a series of debriefs with the board. Go around the room and ask each director individually for their feedback. How did this meeting go? What was there too much of? What was there too little of? Were the briefing papers adequate? What would they do differently to improve the board's ability to add value?

At the same time, ask the CEO to run a similar debrief with the management team. Which directors provided good feedback? Who seemed less engaged? What issues need to be raised to the chair?

The chair then leaves the board with the notes from each individual director and joins the CEO and the management team. The chair takes the opportunity to offer positive feedback directly: if someone delivered a brilliant presentation, congratulate them, and if anything was less than satisfactory, keep that to yourself. Always remember: praise publicly, criticize privately. Finally, ask each member of the management team for their perspective on how the meeting went.

Finally, the chair sits with the CEO for a one-on-one chat. Did the C-suite find their time with the board helpful? What did they learn? What would they do differently? Together, the chair and the CEO come up with additional ideas, perhaps two or three, for how they might improve the return on investment next time around. This talk might last anywhere from 15 minutes to two hours.

This process is hugely time-consuming for the chair. It is, however, the most efficient way of getting the best value out of your board and honouring the investment of time from both the management team and the board of directors.

Put Strategy at the Top of the Agenda

Too frequently, strategy is relegated to a two-day off-site session once a year, and sufficient deliberate attention is rarely paid to it during regular meetings. But in order to drive consistent long-term organizational value, strategy needs more space in the agenda. In fact, strategy should lead and be an important part of every single board meeting.

As chair, compile an inventory of the strategic concerns of all the directors. Then bring this information to the attention of the management team. Together, work to identify which of the board's concerns warrant additional investigation and action, and which ones are not currently priorities from the perspective of the management team. Then communicate this information back to the board.

Here are some other processes you can implement to ensure that strategy does not fall by the wayside:

- **Give Strategy Its Own Meeting:** Strategy and operations often compete for priority, but they are distinct activities. Each requires its own approach. To prevent operational concerns from taking over the agenda, hold meetings for strategy and operations separately. This allows sufficient time to address strategic considerations in a more substantive way.
- **Equip the Board to Make Decisions:** A board meeting is not the time to present, clarify or go over detailed background information. Instead, empower directors by providing concise, well-organized pre-meeting materials. All materials should have a clearly stated purpose as to why directors are being asked to read them—whether informational, for discussion, or for making decisions. Preparing directors in this way allows them to invest their time into the strategic priorities that will drive organizational value.

- **Focus On the “Vital Few” Items that Hold the Highest Impact:** The Pareto principle states that 80% of consequences stem from 20% of causes—the so-called vital few. Define the stakes of each agenda item—meaning the impact each item will have on the company’s long-term intrinsic value—and narrow it down to the top 10 issues. By creating a focused agenda and concentrating the board’s attention on the highest-impact items, you can facilitate faster, more efficient decision-making to deliver meaningful performance and strategic value.

My 10-Step Process for Building a High-Value Agenda

This process is essentially a distillation of this chapter into an easy-to-use cheat sheet. Use it to build an agenda that fosters meaningful dialogue, informed decision-making, and continuous improvement, not to mention one that maximizes the return on investment produced by your board meetings.

- 1 **Drafting with the CEO:** The initial draft of the agenda is developed by the chair in collaboration with the CEO, ensuring alignment with the corporation’s strategic priorities.
- 2 **Initial Review by Directors:** Once refined, the chair and CEO send the draft agenda to the board for input.
- 3 **One-on-One Calls with Directors:** The chair personally reaches out to each director to gather insights, concerns, and suggested additions to the agenda.
- 4 **Agenda Refinement:** The chair and CEO review director feedback, refining the agenda to ensure appropriate time allocation across the board’s three lines of sight: oversight, insight, and foresight.
- 5 **Executing the Meeting:** The board meeting is conducted following the finalized agenda, ensuring discussions remain focused and productive.
- 6 **Post-Meeting Reflection:** At the formal conclusion of the board meeting, the board meets “in camera” first with the CEO and then without the CEO to assess decisions made and the effectiveness of the agenda.
- 7 **Executive Team Review:** The CEO discusses the meeting with the C-suite executives to collect their observations and concerns.
- 8 **Chair and CEO Debrief with Executives:** The chair joins the CEO and executive team to acknowledge exceptional contributions and gain further insight into operational concerns.
- 9 **Post-Meeting Refinement:** The chair and CEO analyse feedback from both directors and executives to improve the effectiveness of future agendas.
- 10 **Two-Week Follow-Up with Directors:** Two weeks post-meeting, the chair individually calls each director to review the meeting’s effectiveness. This timing ensures that immediate reactions have settled, allowing for clearer insights into what worked and what needs improvement.

Keep in mind that the cycle of preparation, execution, and reflection enhances the board’s effectiveness over time. Iterations, tweaks, and continuous improvements will be your close friends during this process.

The South

THE SOUTH: BOARD BRIEFINGS

Every director knows that their ability to contribute meaningfully to a board meeting is only as strong as the information they receive beforehand. Over the years, many surveys have indicated that a majority of board members find that the quality of briefings is the single greatest impediment to making value-added contributions.

Why? Because bad briefings create an information chasm.

Crossing the Information Chasm: A Major Challenge for Any Board to Become Truly Value-Added

If there is consensus that an effective board is one that provides meaningful oversight and strategic guidance, why do so many boards fail to meet this standard in reality? The answer lies in a fundamental gap between the board and the management team—a disconnect so profound that it can feel insurmountable. This gap is the **information chasm**, and it is one of the greatest obstacles preventing boards from becoming truly value-added.

A survey once conducted by the NACD asked 300 board members from 30 companies to evaluate their own effectiveness. The results are a striking illustration of just how wide the information chasm can be:

- 18% rated themselves as “highly effective.”
- 72% said they were “effective.”
- 10% were “not sure.”

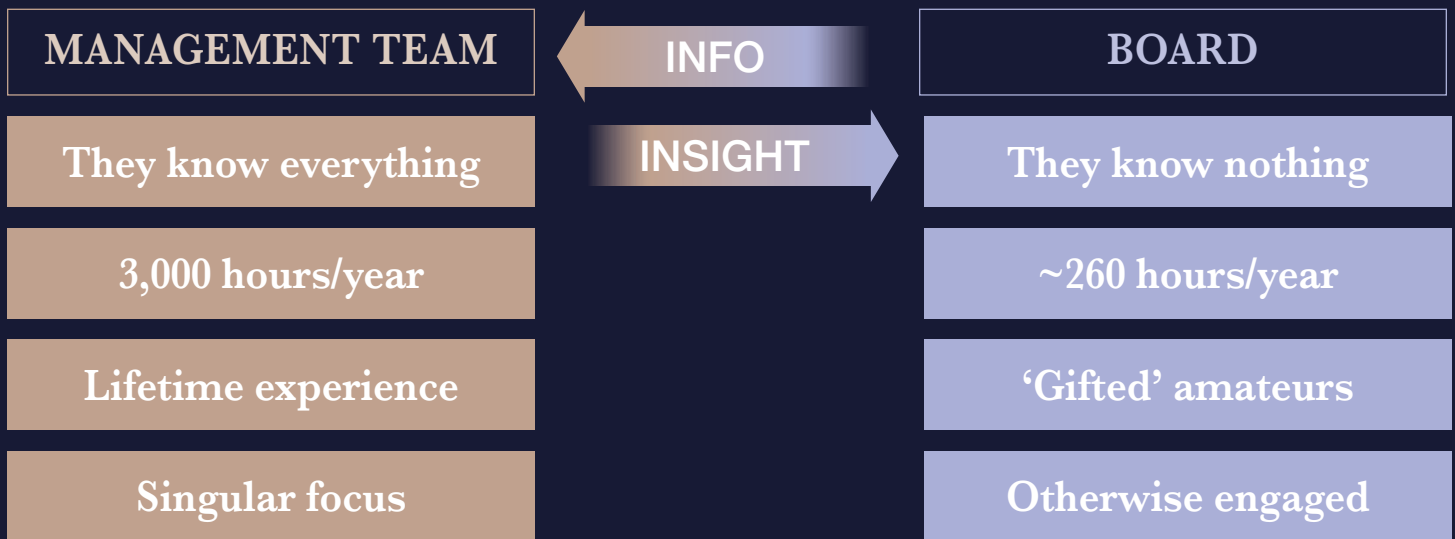
Remarkably, not a single director identified themselves as being “ineffective.”

On its own, this might suggest that corporate boards are functioning well. But the NACD also surveyed the 30 CEOs of those same companies, asking them to rate their own board’s effectiveness. Their responses painted a starkly different picture:

- 85% rated their boards as “ineffective.”
- 10% as “effective.”
- Only 5% as “highly effective.”

This disconnect is alarming. How can a board consider itself effective when the very leadership it oversees—its primary stakeholder in governance—holds such a dramatically different view? The answer lies in the way information flows, or more accurately, how it does not flow, between management and the board.

The Boardroom Information Chasm



The Role of the Three Lines of Sight in the Chasm

ARecall the concept of the three lines of sight: hindsight, oversight, and foresight.

When these three lines are clear, the board can make well-informed decisions that add value to the organization. But when there is an information chasm, these lines of sight become obstructed, distorted, or completely broken. The board is left making decisions with an incomplete or outdated understanding of the business. This leads to frustration on both sides: management feels misunderstood, and the board, despite its best intentions, struggles to provide meaningful contributions.

Why the Chasm Exists

Understanding why an information chasm arises requires us to look at three areas where fundamental differences can develop between directors and executives: time, expertise, and attention.

- 1. Time:** A typical director invests around 260 hours per year in board duties. Meanwhile, the executive team invests upwards of 3,000 hours per year running the company. In other words, the executive team knows the intimate details of the business, since that's their 24/7 focus, 365 days a year. Directors cannot compete when it comes to understanding all of the cogs in the machine: they only engage with the company intermittently.
- 2. Expertise:** By one estimate, roughly 80% of board members in the Fortune 500 are what you would call “gifted amateurs”—highly accomplished professionals who do not necessarily have deep expertise in the industry or company they oversee. By contrast, C-suite executives have spent years, often decades, building deep, specialized knowledge in their field. This difference in expertise makes it difficult for directors to challenge assumptions or provide strategic insight at the same level as management.
- 3. Attention:** The average director is 64 years old and typically juggles multiple board seats, advisory roles, and personal commitments. Meanwhile, executives' singular focus is the company and its operating environment. Directors' divided attention makes it harder for them to stay consistently engaged with the company's evolving challenges and opportunities.

ROOT CAUSE #1

Time

The Typical Director invests:
~260 hours/year

The management team invests:
3000 hours/year

ROOT CAUSE #2

Expertise

80% of board directors are “gifted amateurs”: experienced executives without a background in the industry/country

The C-suite executives possess extensive knowledge in their specific industry.

ROOT CAUSE #3

Attention

Directors (~64 years of age) have a large portfolio of other activities.

The C-Suite is singularly focused on the company.

Closing the Chasm

Bridging the information chasm starts with leadership at the board level and a shared language. The role of an effective board chair is crucial. The chair must foster open communication, encourage direct feedback, and ensure that board meetings facilitate genuine dialogue rather than operating as one-way reporting sessions. This means:

- Asking for direct feedback after every board meeting, both from directors and from management.
- Reevaluating how information is presented, moving beyond scripted presentation decks to more dynamic discussions.
- Developing a shared language that aligns board priorities with executive realities.

Without these measures, the chasm will remain, and so the board will continue to be detached, ineffective, and unable to add real value to the organization it serves. But with intentional effort, boards can restore their lines of sight and move from passive oversight to active, strategic participation. This will, over time, provide added value.

A Chasm Example: My Time in Mining

As we've just explored, the gap between a board and its management team can be vast—so vast, in fact, that they often speak entirely different languages. Let me give you an example from the board of a mining company.

At one meeting, the head of exploration presented a request for an additional 25 million dollars to expand drilling at one of the firm's mines. His presentation was highly technical, diving deep into mineralization styles and ore zone geometries. While undoubtedly impressive, the level of detail was so intricate that not a single director in the room could fully grasp the implications of what he was saying.

This highlights a fundamental challenge in board management dynamics: directors are responsible for overseeing decisions that require specialized knowledge they may not possess. Without a clear and structured way to bridge this information chasm, boards cannot effectively assess proposals, evaluate risks, or add strategic value.

To be effective, boards must work with management to establish communication practices that distil technical complexities into clear, decision-useful insights. Otherwise, they risk becoming little more than a rubber stamp for management's proposals.

The Process Solution: Briefings that Work

While many executives aren't naturally gifted at writing clear, concise briefing papers, there is a process that can help.

Step 1: Briefing Papers Sent in Advance

Board briefing papers must be sent out at least a week in advance. Each document should include a one-page summary structured as follows:

- **At the Top:** The purpose of this memo is to inform OR request a decision on a specific subject.
- **In the Middle:** Background on the topic in two to three paragraphs.
- **At the Bottom:** Management's recommendation (if a decision is required), along with three reasons supporting it.

This structure that makes management embrace brevity was first insisted upon by Winston Churchill during the Second World War. If it worked for the British War Cabinet, it can work for boards too.

Step 2: Five-Minute Executive Presentation

At the board meeting, the presenting executive should assume the directors have read the materials and be given only five minutes to introduce the topic. No endless PowerPoint decks. No verbose explanations. Just a crisp, high-level summary.

Step 3: Shift the Focus to Discussion

The purpose of the board meeting is to elicit discussion, not suffocate it. Executives should view questions not as threats to defend against, but as opportunities to engage directors in meaningful dialogue.

Getting to this stage requires strong leadership from the chair and, ideally, support from the CEO. It demands discipline, encouragement, and a recognition that boards can only add value when they are properly informed.

Beyond Board Briefings: Expanding the Board's Perspective

Even with improved briefing practices, the board must actively seek information beyond the boardroom.

If you eat what you're fed, it's worth upgrading your palette. Here are three ways to do it:

- 1 **Separate the Chair and CEO Roles:** It seems self-evident, but 40% of publicly traded US companies still haven't done this. A lead director in these cases is often a figurehead rather than an effective counterbalance to management.
- 2 **Expand Who Presents to the Board:** Instead of relying solely on the CEO, invite the CFO and other key executives with deep domain knowledge to deliver board briefings. More diverse viewpoints lead to richer discussions and more effective oversight.
- 3 **Leverage External Insights:** Boards should engage independent third parties to conduct social media audits and monitor external perceptions of the company. Understanding what's being said about your business on platforms like Glassdoor or industry forums can reveal critical blind spots in company culture and customer sentiment.

Don't Be Afraid to Bring In Outside Ideas

When you go off-site for a strategy meeting, be sure to invite external parties to join you. Having an external perspective can offer a wealth of grist for the boardroom mill.

The idea of bringing in these virtual strangers can be a bit of a tough sell to management. They might resist, insisting that they prepare board briefing papers themselves. Your response to that is: “Why would I want to drink the same bathwater again?”

If, for example, we are in the healthcare industry, why not invite someone who's invested in a healthcare company, or who has run a healthcare company before? We can give them the chance to comment on our strategy and advise on how we could reallocate our resources. If you are on the board of a publicly traded company, and there is an activist investor out there agitating, why not invite them in and ask, “If you controlled all of these assets, physical, financial and human, how would you do it?”

These types of approaches to off-site meetings are not very common, but they are an essential component of being able to add value to the ongoing trajectory of the business.

So go ahead. Disrupt the routine. Upset the status quo. Shake the bag. Get a different perspective, and come out of your off-site sessions with renewed vigour and novel ideas.

Final Thoughts: The Role of Training and Practice

The ability to communicate clearly, memorably, and persuasively in a professional setting is not innate. It's a learned skill.

McKinsey's insight from studying the cognitive biases of 67 of the world's top CEOs put “helping the board help us” as the bias that must exist if the board is to add value. This is why top consulting firms like McKinsey train their teams extensively in structured communication. Many large companies even hire communications experts like Barbara Minto, the author of *The Pyramid Principle*, to teach their executives these essential skills.

I have a 45-minute video in which I teach these principles to an executive MBA class at the Rotman School of Management. It's available for free on my website and YouTube,⁵ and I strongly recommend that any executive looking to improve their briefing practices start there.

Board briefings are the primary tool for bridging the information chasm, but they are not the only tool. A truly effective board seeks out independent insights, embraces structured communication, and fosters an environment where open dialogue thrives.

It would be a powerful boost if all executives got some formal training on the creation of good briefing disciplines to *help the board help them*.

Without these changes, directors will continue to sit on the wrong side of the chasm—disconnected, uninformed, and unable to truly add value.

5. David R. Beatty, “Making Your Case,” https://www.youtube.com/watch?v=P8R_JDzHx-Q.

The westward point of our compass stands for readiness and resilience. Beyond fulfilling its fiduciary duties, a board must be equipped to act swiftly and decisively. Whether it faces a crisis, a technological disruption, or a seismic shift in market dynamics, structure is what determines its ability to do so. A board with the right set of specialist committee structures is able to add real value and respond to the ever-changing demands of business.

Is your board designed to anticipate, adapt, and act?

Does it have the foresight to mitigate risks and the capability to lead through transformation?

This chapter explores how board structure can be a strategic advantage and what can happen when it falls short.

The Core Committees: A Baseline for Every Board

Publicly traded companies universally adopt three core committees:

- 1 Audit Committee:** Oversees financial reporting, internal controls, and risk management.
- 2 Human Relations and Compensation Committee:** Manages executive compensation, talent strategy, and succession planning.
- 3 Governance Committee:** Ensures board effectiveness, regulatory compliance, and ethical standards.

These committees serve as the board's specialized arms, tackling complex matters with depth and expertise. Typically, committee meetings are held the day before the full board convenes, with chairs delivering concise reports on key discussions.

As chair, always insist on keeping these reports brief. Committees are made of those deemed to be subject-matter experts, and there is no reason for the full board to rework committee work. If a director wants further insight, they can join the committee as an observer until satisfied.

Boards must regularly assess whether their structure is truly equipped to navigate today's business challenges. The essential question remains: Is your board designed to be value-added? Does it have the right composition to address auditing, governance, and compliance? What about emerging challenges like AI disruption, stakeholder activism, or social media crises?

Committee Work as a Strategic Lever

Research from Russell Reynolds has shown that companies with boards that invest more time focusing on the future—and less on compliance—consistently achieve better financial outcomes. Boards should lean into their foresight role, helping to shape long-term strategy rather than merely reacting to past events.

In today's volatile environment, many boards are supplementing their core structure with additional committees tailored to their unique challenges. These might include:

- **Technology Committee:** To assess the impact of emerging technologies and digital transformation. Being the hot topic that it is, AI and its impact on business can be overseen by this committee.
- **Stakeholder Relations Committee:** To navigate ESG and proxy battles.
- **Risk Committee:** To identify, assess, and manage corporate vulnerabilities.
- **M&A or Large Projects Committee:** To evaluate transformative transactions or capital-intensive initiatives.

These committees can be either permanent or temporary, adapting as needed. They often engage external experts to bring fresh perspectives and specialized knowledge beyond what directors themselves may possess.

Take Walmart, for example. Recognizing the technological advances of competitors like Amazon, Walmart and roughly 30 other S&P 500 companies established technology subcommittees. These committees help ensure that their boards remain informed and capable of making strategic technology decisions.

Board Readiness: Preparing for Strategic Opportunities and Risks

A board's ability to act swiftly and effectively in critical moments is a direct reflection of its structural preparedness. Whether it's a public relations crisis, a proxy battle, or the rapid advancement of AI, boards must proactively establish mechanisms that allow them to lead rather than merely react.

AI and Future-Proofing

Artificial intelligence represents one of the greatest opportunities—and risks—of our time in terms of truly existential disruption for established businesses. Given the transformative potential of AI, some boards have begun forming dedicated AI subcommittees to ensure that they stay ahead of the curve. The challenge is that AI is not just another technological shift. It is a digital tsunami. It's a fundamental change in how businesses operate, make decisions, and compete. Boards that fail to encourage management to engage with AI at the highest level may find themselves overseeing companies that are unprepared for its implications.

If you don't take seriously the disruptions of AI and many other technological innovations in your business right away, only one question will remain: Where do you want to be buried?

An AI subcommittee is, then, not a bad idea. It can enable boards to incorporate non-fiduciary expertise and dive deeper into the strategic and ethical challenges posed by AI. By developing these capabilities in the C-suite now, boards can better prepare management in harnessing AI's potential while mitigating its risks.

Fast-Moving Stakeholder Topics and Social Media

The biggest change social media has brought to external communications is the speed at which events enter the public consciousness. In the past, if a company were facing a crisis, the board would pull together, enlist communication consultants, and spend a considerable amount of time hammering out a response. Now, however, the greater the delay between an incident being publicized on social media and the organization's response, the greater the risk of negative public reaction is likely to be. Speed and sincerity trump the exhaustiveness of yesteryear.

In recent years, there have been many, many cautionary tales of firms whose slow, impersonal, and defensive responses have only fuelled public outrage. Nevertheless, other firms have managed to develop rapid, empathetic, and transparent crisis management strategies that have helped them navigate reputational challenges.

When it comes to managing external perceptions and particularly crises, boards no longer have the luxury of time—time to seek advice, time to carefully consider all courses of action, and time to craft a response. They must be ready to respond, and respond instantly. This is a wholly new function for boards, and managing it is a tremendous challenge.

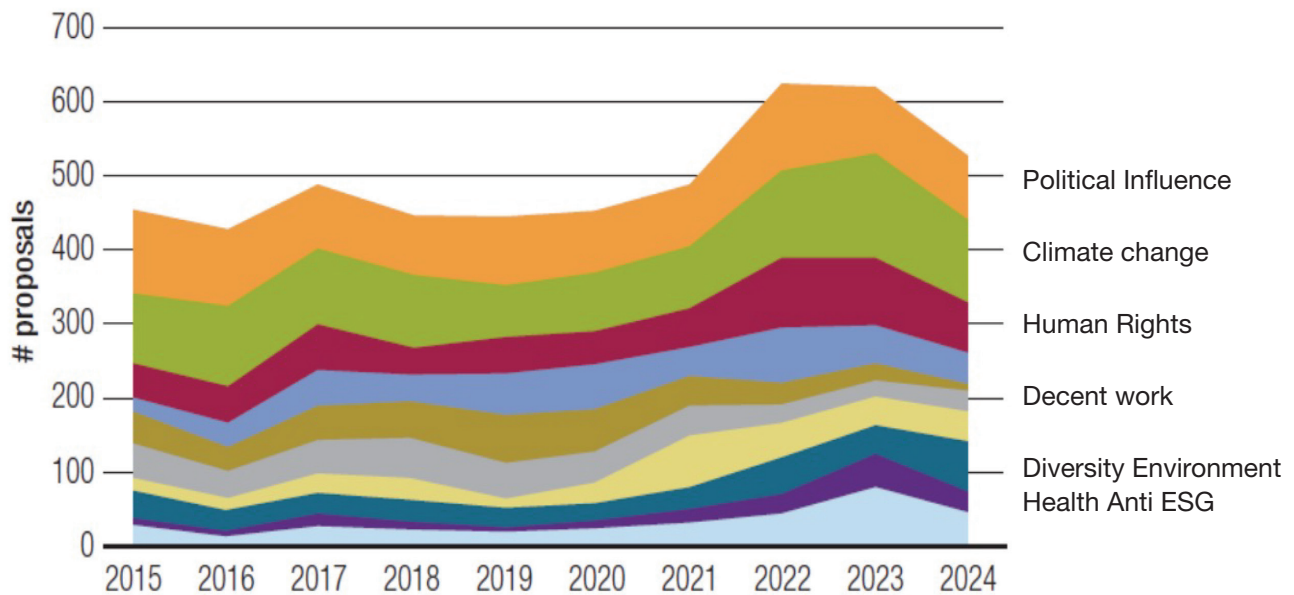
So what can boards do?

- 1 Establish a Crisis Management Protocol:** Responses should be mapped out in advance, including who speaks (CEO vs. board chair), what key elements to include, and how to balance factual accuracy with a human touch.
- 2 Create a Rapid-Response Team:** This could be a PR or risk subcommittee tasked with providing instant guidance.
- 3 Engage with External Experts:** Social media consultants, legal teams, and crisis managers should be on standby.
- 4 Practice Scenario Planning:** Board members should run crisis simulations to stress-test their preparedness.

Proxy Votes

Proxy votes further complicate governance. Once an internal boardroom matter, key corporate decisions are now subject to external influence. Proxy votes bring a wide array of issues—ESG commitments, executive compensation, and governance reforms—directly into the boardroom from outside stakeholders. The growing power of proxy advisory firms means that boards must be acutely aware of how these votes will shape their decisions.

Proxy Resolutions by Topic in 2024



ProxyPreview.org, "2024 Proxy Vote Alerts", www.proxypreview.org/2024-esg-proxy-voting-alerts

Top 10 Votes 2024

This year's top ten votes so far on environmental, social policy and sustainable governance issues are:

Jack in the Box	Adopt GHG reduction targets	56.5%
Wingstop	Report GHG emissions targets	52.1%
DexCom	Review/report on election spending	51.8%
Denny's	Report on GHG emissions targets	49.8%
American Tower	Report on gender/racial pay disparity	49.2%
Crown Holdings	Review/report on election spending	48.9%
Warrior Met Coal	Conduct collective bargaining audit	46.1%
Spirit AeorSystems	Review/report on election spending	45.2%
Netflix	Report on AI ethical guidelines	43.2%
Quest Diagnostics	Issue science-based targets for GHG reduction	42.1%

ProxyPreview.org, "2024 Proxy Vote Alerts", www.proxypreview.org/2024-esg-proxy-voting-alerts

Building a Board that's Fit for the Future

The modern boardroom is no longer a place of static oversight; it must be a dynamic, strategic entity prepared to lead in an era of complexity and rapid change. Whether it's embracing AI, navigating social media crises, or responding to evolving shareholder demands, structure is the foundation upon which preparedness is built.

Boards that fail to properly adapt their committee structures to meet these new challenges may find themselves outpaced and outmanoeuvred. But those that embrace foresight, agility, and proactivity will not only survive—they will lead.

The question is this: Is your board built for the future?

The Chair

THE CHAIR: THE CORE OF THE COMPASS

For a board to add value, it must have an extremely capable chair.

The board chair plays the critical role in establishing an effective, value-adding board.

No director, no matter how skilled or experienced, can function effectively without an exceptional chair at the helm. It's that simple.

When a board succeeds, it's often because a skilled chair has ensured that the right people are in the room, the right conversations are taking place, and the right decisions are being made. When a board fails, you can usually trace the dysfunction back to a weak or ineffective chair.

So, what makes a great chair? It's a matter of how they orchestrate the four compass points and, above all, people, time, and *passion*.

People: Assembling and Then Leading the Right Team

An effective board starts with the right mix of talent. Hard skills—financial expertise, industry knowledge, and strategic insight, for instance—are essential, but they’re only half the equation. The best boards also excel in soft skills: the ability to listen, challenge constructively, and collaborate effectively.

A great chair ensures that the board is composed of individuals who bring not only technical competence but also a willingness to engage in rigorous, thoughtful discussion. The chair plays a direct role in selecting and onboarding directors, shaping their development, and fostering an environment where their strengths and diversity can be fully leveraged.

Time: Managing the Board’s Most Valuable Resource

Time is the scarcest resource in governance. A board meets only a handful of times a year, and every minute must be invested wisely. That’s why the board agenda is the most powerful tool a chair has.

The agenda determines what gets discussed, how much time is devoted to each topic, and ultimately, whether the board is focusing on what truly matters. An effective chair is ruthless in prioritizing so as to ensure that critical strategic issues take precedence over administrative minutiae.

Beyond meetings, the chair must also ensure that directors invest their time outside the boardroom—whether through site visits, ongoing education, or informal conversations with management. The more engaged a board is, the more value it can provide.

Passion: The Director’s Key Attribute

Anyone who becomes a member of any board, private or public, should be passionate about the mission and purpose of the organization they are joining. Never join a board if you don’t really care about the outcomes.

That passion should then manifest itself in an ongoing and continuing curiosity about the company, its business(es), its managers, its competitors, its people, and its culture. Get out, see the plants, visit the executives, meet the employees where they work. Deepen your understanding of the company in its every dimension, and leave no stone unturned in that voyage of discovery.

The Chair

THE CHAIR IS THE CENTRE OF THE BOARD COMPASS

The chair plays a defining role in each of the four key compass points:



N

The North: People and Skills: The chair is instrumental in choosing directors, setting behavioural expectations, and fostering an environment where the board operates as a cohesive unit. Board culture doesn't emerge by accident. It is curated by the chair through structured onboarding, clear expectations, and periodic "gelling" events.



E

The East: The Agenda: The agenda is not just a list of topics; it is the board's blueprint for adding value. A great chair ensures that board meetings are designed to prioritize strategic discussion over operational details, focusing directors' attention on the long-term trajectory of the company.



S

The South: Board Briefings: The quality of board materials and briefings determines whether directors can make informed decisions. But a chair must also go beyond the boardroom, creating mechanisms to independently verify the accuracy of the information provided by management.



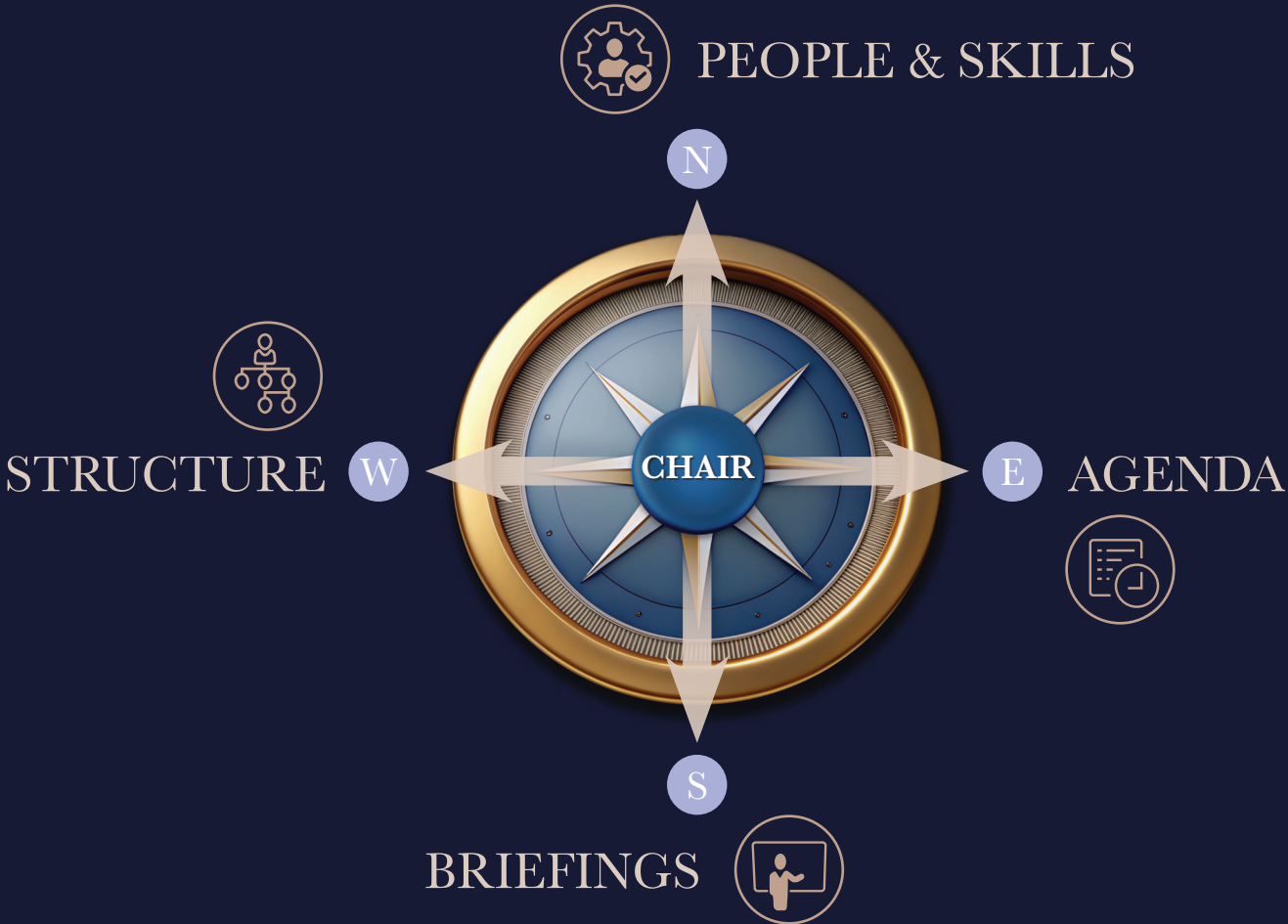
W

The West: The Structure: The chair plays a pivotal role in appointing committee chairs, shaping committee structures, and ensuring that governance mechanisms are in place for crisis situations.

For each of the compass points, the chair's influence is fundamental. If a director feels the chair is falling short, they have a responsibility to speak up.

A weak chair weakens the entire board.

THE CHAIR IS THE CENTRE OF THE BOARD COMPASS



The Chair-CEO Relationship: A Delicate Balance

It cannot be stressed enough: the chair and CEO must have an open, honest, and transparent relationship. Without this, the board cannot function effectively. The relationship must be built on trust and constructive tension.

A board's job is to oversee, not to manage. The chair's role is to ensure that this oversight is rigorous but fair, supportive but independent. If a chair and CEO are too close, governance suffers. If they are constantly at odds, effectiveness suffers. The best chairs navigate this balance with skill and discretion.

It is an art, not a science!

Splitting the Chair and CEO Roles

It should be self-evident that the CEO and chair must be separate individuals. Yet in the United States, nearly 40% of publicly traded companies still combine the roles.⁶ This is a fundamental governance flaw: the CEO is responsible for running the company, while the chair is responsible for overseeing it and leading their colleagues to add value to the company.

When one person holds both positions, it's like letting the fox guard the henhouse.

Worse, a CEO who also serves as chair often handpicks board members—often friends and allies—who won't challenge them. A controlling CEO might even appoint their personal accountant to chair the audit committee. This creates an echo chamber, undermining independent oversight and eroding the board's ability to hold management accountable.

In countries where separating the roles isn't standard practice, companies sometimes rely on a lead director to fulfil a similar duty. But in my experience, this is more symbolic than truly effective. A lead director might step in to provide some oversight, but they lack the authority of an independent chair. If they can't foster a genuine, open, and productive relationship between the board and management, they should walk away. That's exactly what I've done in those circumstances.

6. Matteo Tonello, Harvard Law School Forum on Corporate Governance, "Board Leadership, Meetings, and Committees," <https://corpgov.law.harvard.edu/2022/08/30/board-leadership-meetings-and-committees/>

CEO Succession: The Board's Most Sacred Task

Of all the responsibilities entrusted to a board, none is more critical, or more sacred, than selecting the CEO. This decision rests solely with the board. Unlike most other governance matters, where directors work alongside management, here the board stands alone. Get it wrong, and everything falls apart. Get it right, and the company thrives.

Too many boards treat CEO succession as an afterthought. I've seen directors make hiring decisions based on gut instinct or a single candidate interview. A rigorous CEO search must go beyond first impressions and take a structured approach comprising four facets:

- 1 Understand What Makes the CEO Role Unique:** Every executive I've interviewed who became CEO has told me: "This job is completely different from anything I've done before." The board must recognize that difference and identify the attributes required to succeed in it.
- 2 Align the CEO with the Company's Future:** The right CEO isn't just someone with an impressive resume. They must fit the company's strategic direction. GlaxoSmithKline once hired a leader from the consumer goods industry to shift its focus away from science, while Nestlé did the exact opposite, bringing in a CEO with a scientific background. The board must ask: Where is the company headed? What kind of leader will take us there?
- 3 Invest in Internal Talent:** *Harvard Business Review* analysed 12,000 public companies and found that 85% of the world's top-performing CEOs were promoted from within. Internal candidates aren't just familiar with the company—they're already aligned with its culture, mission, and trajectory. If your board isn't prioritizing internal development long before a CEO transition, you're failing at your most important job.
- 4 Leave No Stone Unturned:** CEO selection isn't just about interviews. References, track records, and real-world performance matter far more than how a candidate presents in a boardroom. Dominic Barton, former managing director of McKinsey, spoke to 400 CEOs over eight years. His biggest takeaway? "You cannot have a strategic plan without a people plan." If your board isn't deeply engaged in talent development, you're not just at risk: you're already behind.

Selecting a CEO is not just another board decision. It is the decision. It demands diligence, strategy, and an unrelenting commitment to getting it right. Because when you're choosing a CEO, you're determining the future of the company.

Final Thoughts

“BE BETTER THAN PARSLEY ON FISH”

Too many boards function as little more than window dressing. Irving Olds, CEO of US Steel in the 1940s, which was one of the most important companies in the world because it was making steel for the war effort, once described his board as “parsley on fish: decorative but not useful” —there for appearance, but adding nothing of substance. Make sure you do better.

Throughout this book, we’ve explored what makes boards truly effective: strong leadership, strategic thinking, and, above all, a commitment to adding real value. A board, when properly structured and purpose-driven, is more than an oversight body—it is a force multiplier for the organization it serves.

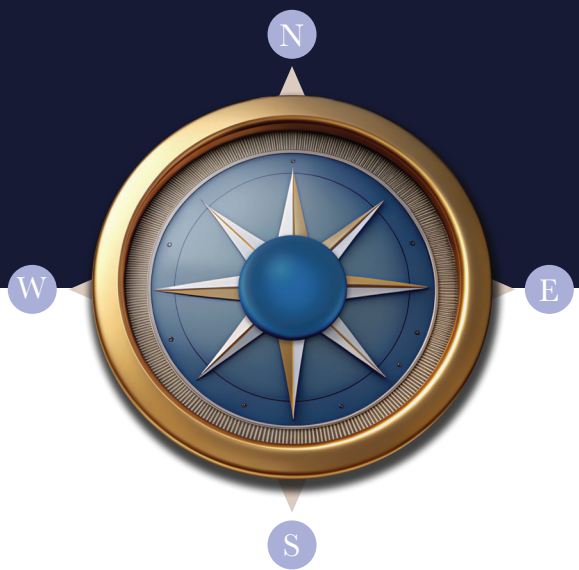
A great board offers two irreplaceable advantages. First, it provides an external perspective that keeps leadership from becoming insular. Second, it forces executives—whether founders, entrepreneurs, or seasoned Fortune 500 CEOs—to reflect on their decisions with greater discipline and rigor. Done right, the return on investment in a board is undeniable.

But creating a valuable board doesn’t happen by accident. It requires careful craftsmanship—that is, choosing the right people and ensuring that every discussion is focused on moving the business forward. Whether you are evolving from an advisory board to a fiduciary board or managing a high-stakes joint venture, take the time to build it properly. Rushing in without intention is a surefire way to end up with nothing more than parsley on your fish.

A great board can transform a company. It can challenge, guide, and elevate leadership in ways no internal team ever could. If you’ve made it this far, you already understand the power of good governance.

Now, go build a board that matters.





Visit Boardchair.com

Contact David | drbobe1942@gmail.com

Printed 2025

Assembled by

