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How the Best Board Directors Stay Involved

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"Ask me for anything," Napoleon Bonaparte once remarked, "but time." Board members today don't have that luxury either. Directors remain under pressure from activist investors and other constituents, regulation is becoming more demanding, and businesses are growing more complex. McKinsey research suggests that the most effective directors are meeting these challenges by spending twice as many days a year on board activities as other directors do.

As directors and management teams adapt, they're bumping into limits—both on the amount of time directors can be asked to spend before the role is no longer attractive and on the scope of the activities they can undertake before creating organizational noise or concerns among top executives about micromanagement. We recently discussed some of these tensions with board members and executives at Prium, a New York-based forum for CEOs (in which McKinsey participates). The ideas that emerged, while far from definitive, provide constructive lessons for boardrooms. If there's one overriding theme, it's that boosting effectiveness isn't just about spending more time; it's also about changing the nature of the engagement between directors and the executive teams they work with.

Engaging between meetings. Maggie Wilderotter, chairman and CEO of Frontier Communications (and a member of the boards of P&G and Xerox) stresses that "it's not just about the meetings. It's about being able to touch base in between meetings and staying current." Such impromptu discussions strengthen a board's hand on the company's pulse. Keeping board members informed also minimizes the time spent on background that slows up regular board meetings. And the communication works both ways. "I also want board members to elevate issues that they're seeing on the horizon that we should be thinking about," explains Wilderotter. "To me, it's really more of a two-way street." Directors and executive teams will need to work out what rhythm and frequency are right for them. Denise Ramos, president and CEO of ITT, notes that "conversations with board members every week or every two weeks may be too much." For boards seeking to boost their level of engagement between meetings, experimentation and course correction when things get out of balance are likely to be necessary.

Engaging with strategy as it's forming. Strategy, especially on the corporate-wide (as opposed to BU) level, is an area where the diverse experiences and pattern-recognition skills of experienced directors enable them to add significant value. But that's only possible if they're participating early in the formation of strategy and stress-testing it along the way, as opposed to reviewing a strategy that's been fully thought through by executives. In the description of Wilderotter, strategy needs to become "a collaborative process where different opinions can be put on the table" and "different options can be reviewed and discarded." This shifts the board's attitude from reactive to proactive and can infuse a degree of radicalism into the boardroom. Effective directors don't shy away from bold strategic questions, such as "What businesses should this company own?" and "What businesses should this company not own?" We were impressed by one board that even dared ask, "Should this company continue to exist?" In fact, that board concluded that the company should *not* continue to exist, and effected a highly successful reorganization separating the firm into several freestanding enterprises.

Engaging on talent. Directors have long assumed responsibility for selecting and replacing CEOs, both in the normal course of business and in "hit by a bus" scenarios. Many also find it useful to track succession and promotion—for example, by holding annual reviews of a company's top 30 to 50 key executives. But to raise the bar, some boards are moving from simply observing talent to actively cultivating it. Case in point: directors who tap their networks to source new hires. Donald Gogel, the chairman and CEO of Clayton, Dubilier & Rice, explains that "our board members can operate like a highly effective search firm. There's nothing like recruiting an executive who worked for you for a long time, particularly in some functional areas where you know that he or she is both capable and a great fit." Other boards actively mentor high-performing executives, which allows those executives to draw upon the directors' experience and enables the board to evaluate in-house successors more fully.

Engaging the field. Another way to enhance board engagement is to assign directors specific operational areas to engage on. Board members can assume roles in specific company initiatives, such as cybersecurity, clean technologies, or risk– becoming not only "the board's eyes and ears," notes Eduardo Mestre, Senior Advisor for Evercore Partners and a board director of Comcast and Avis Budget, "but really being a very active participant in the process." Jack Krol, chairman of Delphi Automotive and former chairman and CEO of DuPont, requires board members to visit at least one business site every 12 months. At the same time, directors should be mindful not to interfere with operational teams or to supplant managers. The goal is to target specific projects that are particularly appropriate for individual directors and to encourage participating board members to be, as one director says, "collaborative, not intrusive."

Engaging on the tough questions. We noted above the value of probing difficult strategic issues, but the importance of asking uncomfortable questions extends beyond strategy sessions to a wide range of issues. "You should have some directors—perhaps 20% of the board—who know the industry and can challenge any operating executive in that company on industry content," says Dennis Carey, a Korn Ferry vice chairman who has served on several boards. "But the problem is not too few people on boards who know their industries. The problem is too *many* people who know the industries, who are looking in the rearview mirror and assuming that what made money over the past 20 years will make money again." Michael Campbell, a former chairman, CEO, and president of Arch Chemicals, builds on this theme by adding that "every board member does not necessarily need to have industry experience. But they must have the courage in the boardroom to ask difficult questions."

Our McKinsey colleagues have noted in past articles that understanding how a company creates (and destroys) value makes it much easier to identify critical issues promptly. In fact, it is worth asking whether everyone in the boardroom does indeed understand how the company and each of its divisions make money. Gogel even suggested that "boards should have at least one person who has the responsibility to think like an activist investor. Many boards are caught unaware because no director is playing that role."

As boards raise and grapple with uncomfortable questions, it's important to connect the dots between issues—perhaps by tasking one director with serving in an "integrator" role. "We get into a boardroom," Wilderotter remarked, "and everybody's a peer. But having a specific capacity to bring disparate points together is critical to keeping a board functional versus having it be dysfunctional."

Ultimately, there are no shortcuts to building and maintaining well-tuned board and executive mechanics. Each of the measures requires hard work from the board members, and sometimes a CEO with thick skin. But a good director will provide the extra effort, and an effective CEO will make the most of an engaged board's limited time.

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