

Lead Director Network ViewPoints

Issue 9 December 1, 2010



Enhancing board performance

Introduction

The eighth meeting of the Lead Director Network (LDN) took place on November 3, 2010, in Washington, DC. Members discussed how to define and enhance board performance.

Members were joined by Dr. Ram Charan, a business adviser to many of the world's leading companies and a *New York Times* best-selling author. Dr. Charan's comments were made off the record and are not included in this document.

ViewPoints reflects the network's use of a modified version of the Chatham House Rule, whereby names of members and their company affiliations are a matter of public record, but comments made before, during, and after meetings are not attributed to individuals or their companies. Members' comments are shown in italics. For further information about *ViewPoints*, see "About this document," on page 13.

The following lead directors participated in the meeting:

- Frank Blount – presiding director, Caterpillar; lead director, KBR
- Roy Bostock – non-executive chairman, Yahoo! Inc.
- Dan Carp – non-executive chairman, Delta Air Lines
- Bonnie Hill – lead director, Home Depot
- Karen Horn – lead director, Eli Lilly
- Phil Humann – presiding director, Coca-Cola Enterprises and Equifax; non-executive chairman, Haverty Furniture Companies
- Linda Fayne Levinson – lead director, NCR
- Jack O'Brien – lead director, TJX; non-executive chairman, Cabot
- Ken Powell – lead director, Medtronic
- Stephanie Shern – presiding director, GameStop

The following members, who were not able to attend the meeting, participated in both pre-meeting and post-meeting discussions; their perspectives are also reflected in this document:

- Peter Browning – lead director, Nucor
- Ray Gilmartin – lead director, Microsoft; presiding director, General Mills
- Dick Goldstein – presiding director, Interpublic
- Bob Kidder – non-executive chairman, Chrysler; lead director, Morgan Stanley
- Wes von Schack – lead director, Bank of New York Mellon

Lead Director Network

ViewPoints



Participating King & Spalding partners included:

- J. Kelley, partner, Corporate Practice Group
- Michael Smith, partner, Business Litigation Practice Group
- Chris Wray, partner and chair, Special Matters and Government Investigations Practice Group

Executive summary

Members are keenly interested in how boards can ensure that their companies deliver growth and shareholder value. LDN members considered what it means to be a “*high-performing board*,” the critical components for enhancing board performance, and how boards may evaluate their own performance.

- **Identifying a high-performing board** (*Page 3*)

Members pointed out that boards are often judged according to how the company or stock price is performing. However, it is difficult to draw a direct causal relationship between the board’s actions and the company’s performance. Therefore, boards tend to measure themselves on specific outcomes such as the hiring and timely firing of the CEO, the development of a robust strategy, having a comprehensive succession plan for management, and the appropriate board composition to achieve these outcomes.

- **Key elements of a high-performing board** (*Page 4*)

As one member said, “*there’s something intangible*” about a high-performing board. Although there is no simple definition of board performance, members identified four core elements of a high-performing board:

- The right group of directors in the boardroom
- Robust, constructive interactions between the board, CEO, and senior management team
- A fundamental understanding of the company and the external environment
- Ongoing, substantive involvement in corporate strategy

In particular, members remarked on the evolution of the relationship between the board and senior management. While it may have been the case that CEOs once “*suffered their boards*,” now “[*the senior management-board*] *relationship is much more productive ... It’s a different set of dynamics today than it was in the past years.*”

- **Board, committee, and individual director evaluations** (*Page 9*)

LDN members agreed on the value and importance of conducting annual board and committee evaluations. In addition, many LDN members have implemented some form of individual director assessment, typically through informal conversations about each director’s performance as part of the annual evaluation process. Members found this informal approach to be highly effective; as one said, “*I can learn more about how a director is performing from individual conversations with directors than*

Lead Director Network

ViewPoints



from any formalized process.” Moreover, some members predicted that increasing external pressures on boards, paired with boards’ desire to continue to advance their performance and effectiveness, might mean an increase in individual director assessments.

Identifying a high-performing board

LDN members agreed that it is sometimes difficult to definitively measure a board’s outputs. One member said, *“Boards want to create shareholder value. That is our goal ... but the connection of how the board actually drives shareholder value is sometimes amorphous.”* Another member stated, *“Measuring the outputs of the board [is difficult]. We need to consider how the board’s decisions make a tangible difference.”* Nonetheless, LDN members set high expectations for their own performance and continuously strive to perform and achieve in line with these expectations. Moreover, directors are aware of and strive to strike a balance between day-to-day tactical decisions and long-term results: *“We evaluate ourselves according to process or governance, but that’s not necessarily always the right focus. It’s also important to focus on the big picture.”*

These big-picture outcomes include developing a business strategy with management, discussing and supporting key strategic decisions such as a transaction, a new product launch, or movement into a new sector. Another outcome is picking the right CEO to execute the company’s strategy and knowing when to change CEOs. This requires oversight of succession plans for multiple levels of management. Finally, the board ensures that it has the appropriate composition to achieve these outcomes successfully.

Outside observers tend to equate a company’s performance with board performance. As one member said prior to the meeting, *“If the company doesn’t do well, nobody is going to think the board is good.”* However, the board’s focus may be on long-term value creation that may not be apparent in any given quarter. Members agreed that using company performance over a relatively short period of time as a proxy for board performance can be misleading: *“It’s tough because the board’s outputs aren’t traditionally measured because there is a time lag [between the board’s actions and a specific outcome].”* Members also underscored that each company’s performance is driven by a unique set of internal circumstances. The management team, with the board’s oversight, can be taking all the right steps to create shareholder value, yet because of economic or industry conditions, the company may not be performing well.

Overall, LDN members agreed with one member who said, *“[The board’s] primary responsibility is protecting the shareholders and driving value for them. This is how we measure our performance.”* Members said they are always mindful of this mandate and evaluate their performance accordingly. Moreover, according to Russell Reynolds, *“Both short-term and long-term investors are expecting boards to play a greater role in ensuring that shareholder value is maximized.”*¹ LDN members articulated a set of critical internal dynamics and elements that must be in place for a board to succeed in driving shareholder value.

¹ Russell Reynolds Associates, [“What Makes for a High-Performing Board?”](#) *In Touch with the Board*, 2010.

Lead Director Network

ViewPoints



Key elements of a high-performing board

Members concluded that a high-performing board includes the following:

- The right group of directors in the boardroom
- Robust, constructive interactions between the board, CEO, and senior management team
- A fundamental understanding of the company and the external environment
- Ongoing, substantive involvement in corporate strategy

Each of these elements is discussed in more detail below.

The right group of directors in the boardroom

LDN members agreed that it is essential to recruit talented, committed individuals to the board. As one member said, *“The number-one component of a high-performing board is the quality of the people on the board.”* Although boards may recruit excellent individual members, this does not necessarily guarantee a high-performing board. As one member observed, *“I’ve seen boards composed of terrific directors, but the board as a unit still doesn’t perform well.”* Overall board composition is crucial: *“There’s something intangible about a well-composed board – it’s the ability to work together and anticipate changes in the environment.”*

Recruiting new directors

Traditionally, the nominating and governance committee is responsible for director succession, including determining the slate of directors to be nominated for election and recommending candidates to fill vacancies.² However, members emphasized that the full board has a key oversight role in the director recruitment process. As one member said prior to the meeting, *“Director selection and the issue of departing directors – these are nominating and governance committee issues that ... ought to get the full board’s attention.”*

Most governance committees manage board succession by drafting and updating a *“director skills matrix,”* that displays each director’s skills, background, and, if applicable, years remaining until the board’s mandatory retirement age. The governance committee also considers individual committee needs during the director recruitment process. One member said before the meeting, *“Very well-selected committees are crucial. You have to properly assess someone’s skills and make sure you have the right people for the right committee.”*

Recently adopted SEC rules that require companies to disclose the skills and experience that support the nomination of each director increase the importance of this exercise. One member stated, *“Director*

² Lead Director Network, [“The lead director’s role in board succession planning.”](#) *ViewPoints*, March 29, 2010.

Lead Director Network

ViewPoints



qualifications are something we have to look at. We have to be able to explain how their qualifications might help us perform better.”³

The board that “gels”

In order to create a high-performing board, LDN members are mindful not only of the expertise and skills of a particular board candidate, but also of how the candidate may contribute to the board’s dialogue. Members observed that the board functions more effectively when board members “gel.” One member noted, *“You’re aware not only of needing the right buckets of experience when you’re recruiting new members, but also the right overall board composition. This builds collegiality and trust on the board.”* Another member said, *“Composition is a conscious decision you need to make; you can’t just back into it.”*

With the right set of skills and interpersonal dynamics, boards can better respond to changes in the external environment and within the company. As one member said, *“Board composition in my industry is incredibly important. You have to have the people on the cutting edge of the industry. You have to have people who see, feel, and know these developments and can consider them together ... Otherwise you’re going to wake up one day and say, ‘I had no idea that was coming down the pike.’”*

Board turnover

Most LDN members’ companies have mandatory retirement ages. One member observed, *“The mandatory retirement age allows you to bring in fresh thinking and new directors without anyone being upset because one has been asked to stay and another has not.”* As of 2009, 75% of US public company boards had a mandatory retirement age, whereas in 1999, only 57% of boards had one.⁴ One member said, *“Changing the people refreshes the board.”* Another member noted, *“It is important to bring new blood in. Term limits are a part of that.”* A 2009 survey by the National Association of Corporate Directors found that age limits are the second leading cause of board turnover, behind evaluations of individual directors.⁵ Members’ views on how individual director evaluations contribute to board turnover are discussed in greater detail on pages 10–11.

Robust, constructive interactions between the board, CEO, and senior management team

Members have witnessed an evolution in the nature of these interactions. As one said, *“When I was a CEO, I sometimes reacted negatively to the board’s questioning me. I felt there was a chain of command and that they should recognize that. But things have changed and that relationship has evolved into a much more productive one.”* Another member said, *“I’ve seen a shift in the interactions between the board and management team even in the last two to three years. It’s more productive and there’s better exchange.”* Lead directors and non-executive chairmen played a role in this evolution. One member said,

³ For more information on director succession planning, please see Lead Director Network, [“The lead director’s role in board succession planning.” ViewPoints](#), March 29, 2010.

⁴ Spencer Stuart, [Spencer Stuart Board Index](#) 2009 (Spencer Stuart, 2009), 8.

⁵ National Association of Corporate Directors, [2009 NACD Public Company Governance Survey](#) (Washington, DC: National Association of Corporate Directors, 2009), 24.

Lead Director Network

ViewPoints



“There’s a growing understanding among our [LDN] group and others that it is our responsibility to facilitate positive board developments like this and help make the board and management relationship more productive.”

A positive relationship between the CEO and the board

Members affirmed that to be effective, the CEO and the board have to work well together. One member elaborated, *“Trust and respect [between the board and the CEO] are critical ... When I say respect and trust, it’s not friendship, but you have to prioritize trust and respect in your discussions.”* The CEO and the board share responsibility in setting the tone for these interactions; however, members agreed that the personal style of the CEO is especially important. One member said, *“If you have a CEO who is open to talking about the board’s concerns and supporting the board’s questions, that’s immeasurably important.”* Another member added, *“Some CEOs think, ‘Well, I know these issues inside out and my team has been working on them for months, and I resent you [the board] questioning me.’ That’s a toxic situation.”* The lead director can work with the CEO to shape the CEO’s interactions with the board.

The board is responsible for not only engaging with but also challenging the CEO when necessary. One member said, *“Some CEOs have a bias toward operations, some have a bias toward strategy. The board [has the responsibility of] moving the CEOs in both directions, depending on what’s required.”* When navigating a working relationship with the CEO, one member encouraged boards to be aware of *“the distinction between not liking a CEO and not trusting the CEO. If the CEO is an effective, good leader, not liking him personally is not a problem. Not trusting him is an entirely different issue.”*

Frequent, open exchanges between the board and the senior management team

LDN members agreed that making sure directors have access to management outside the boardroom is critical. Members said they believe that directors should meet regularly with senior management, both to advance director understanding of key business issues and to develop a perspective on the individuals leading the company. One member stated, *“Between meetings, I’m calling management and talking to them about some of our committee issues and getting an understanding of their perspectives on these issues. This just didn’t happen ten years ago.”* Another member said, *“Ongoing dialogue to communicate about the business – not just between the directors and the CEO, but surfacing and including other senior management’s opinions – is critical.”* Prior to the meeting, one member stated, *“The most active board members have a willingness to build relationships with operating executives within the company ... to understand what the executives are up against and what they’re trying to do.”*

However, one member cautioned that when interacting with management, directors should be *“mindful that they can’t give orders. That’s where chain of command must work because otherwise you could be undercutting the CEO.”* Prior to the meeting, one member said, *“[As lead director] my job is to organize the board ... The CEO would be angry, rightfully, if I was directing his team.”*

The CEO’s attitude and approach to board-management interactions directly impacts how the board and management team collaborate. For instance, one member said, *“As a CEO, you should say, ‘I welcome [the board] to talk to anybody in this organization, and in fact, I encourage it ... Of course, do that*

Lead Director Network

ViewPoints



thoughtfully and avoid distractions, but do it ... As CEO, you also say to management, 'Be responsive when a director calls.' That's the only way you're going to build consensus and respect. As a CEO, I would also say to the board, 'Your body language speaks, so you have to be mindful of that. I'm looking to you as the board to be sensitive to how management perceives you.'"

The lead director also contributes to the board's interactions with the senior management team. One member said, *"I established rules of engagement. We have always interfaced with the management team, but we outlined rules of engagement for these meetings and I made sure the full board concurred. Then I met with management individually and asked, 'What can we as a board do to support you?'"* Another member said, *"If the board starts pounding the management team in a board presentation, I say, 'We will discuss this in executive session,' and it is then dealt with by the board."*

A fundamental understanding of the company and the external environment

Board performance is predicated on company and contextual knowledge. As one member said, *"We [directors] have to understand what is changing in the environment and how that impacts [the company]."*

The lead director helps ensure that board members have the information they need included in the board book and that board members fully comprehend the information contained in these preparatory materials. One member explained, *"The role of the lead director is helping make sure the board members are prepared and that the meetings are productive, with the right amount of material from management. I've seen bad behavior, i.e., unprepared board members, and as lead director, we take some responsibility for handling that situation ... I tell the directors, 'If you didn't understand [what you got in your board books], tell me in advance and then I can facilitate your understanding of the material.'"*

Management presentations are another critical tool for informing directors on company issues. One member suggested that the CEO plays a key *"coaching role,"* to prepare the senior management team for these presentations: *"I heard someone say, 'We don't want show and tell, followed by Q&A,' and I agree 100%. The CEO has to train management when they come in and talk to the board."* Another member said, *"Sometimes tough conversation with the senior staff and directors can frighten the management team when they come in to present [to the board]. Management requires a lot of coaching by the CEO."*

Lead Director Network

ViewPoints



Effective presentations to the board

Members outlined some approaches for improving board presentations by management:

- **Send preparatory materials well in advance of board meetings.** *“Presentations are concise, and back-up materials are sent in advance. We use BoardVantage and get all the materials two to three weeks in advance.”*
- **Find the balance between too much information and too little.** *“My problem is our management team tends to deliver fifty-page decks. The frustration is if I say ten pages or five pages, I hear from board members that this wasn’t enough detail, so we’re caught somewhere in the middle. Management has to find a balance.”*
- **Prioritize the information communicated to the board.** *“You need the key points and questions in the first slide and a summary of the alternative scenarios.”* Another member said, *“If there’s an issue, I want [that presented] up front and I want to see the problem and solution.”*

In addition to board books and management presentations, LDN members encourage directors to meet with the employees and make on-site visits to gain an even deeper understanding of the quality of the workforce and firsthand knowledge of the operational challenges facing the company. In a pre-meeting conversation, one member stated, *“You have to spend enough time with the company to know the business. This is not to be mistaken with becoming a subject matter expert, but even the simplest businesses have a fair degree of complexity below the surface ... One company [I’m familiar with] has directors spend time in the company’s stores to get familiar with the business.”*

In addition, highly effective boards seek out external information and perspectives from advisers, experts, and customers. One member said, *“The CEO talks about the external changing environment with the board. The board is being informed of the positives and negatives ... The board should invite experts into board meetings to understand this changing landscape.”* Another member said, *“Having customers come in and talk to the board about their perceptions and experiences is incredibly useful.”* Boards can use these conversations to build upon the agenda items on the board’s annual calendar, adding salient topics or recent developments that might materially impact the company.

Ongoing, substantive involvement in corporate strategy

High-performing boards are active participants in formulating corporate strategy and monitoring the company’s progress against strategic goals.⁶ One member commented, *“Strategy, by definition, drives shareholder value. We want our [the board’s] contributions to be consistent with the long-term strategy as well as the short-term strategy of the company.”*

⁶ For more information about the evolution of the board’s role in corporate strategy, please see Lead Director Network, [“The board’s role in corporate strategy,”](#) ViewPoints, November 24, 2008.

Lead Director Network

ViewPoints



LDN members devote a significant amount of time throughout the year to reviewing corporate strategy. As one member said, *“We review strategy at every board meeting. We have an in-depth discussion about whether or not our strategy is still solid or needs to be changed.”* Members said they encouraged boards and management to view a strategic plan as a *“living, breathing document”* that can be *“changed throughout the year based on changes in the external environment.”* The lead director plays a key role in keeping strategy top-of-mind for the board, as one member explained: *“As lead director, I try to keep the CEO talking about strategy and keep that subject in front of the board. [We’re constantly thinking about] whether our strategy is the right one or not.”*

LDN members agreed that overseeing management’s execution of strategy is especially critical. Ensuring successful execution, one member said, *“is the value of a great board.”* Another member said, *“Some companies dip into strategy once a year and don’t do execution monitoring between those intervals, but that is not a high-performing board. You have to have systems at the board level to monitor management’s follow-through on an ongoing basis.”*

Moreover, the compensation committee, with the support of the full board, is responsible for ensuring that management’s incentives and performance goals align with the overall corporate strategy: *“The mantra driving our company is our strategy for the next ten years. We have a glide path of how we get there ... Our one-year goals and three-year goals for management’s performance all tie into that strategy. We evaluate if there is a mid-course correction, but we as a board always force the thought process of looking far out in advance and making sure the compensation initiatives and performance are tied to these strategic goals.”*

Board, committee, and individual director evaluations

In 2003, NYSE listing requirements mandated that companies perform annual self-evaluations of the full board as well as evaluations of each of the three required board committees.⁷ Traditionally, the governance and nominating committee is responsible for overseeing the board evaluation process, and each committee is responsible for its own evaluation process.

Members expressed broad agreement on the value and importance of conducting annual board and committee evaluations. Many LDN members agreed that reviewing the performance of individual directors during the annual evaluation process is also valuable. Moreover, some members said they anticipate an increase in individual director evaluations in the future because of rising external pressures and the continued desire to advance board performance.

Board and committee evaluations

Key elements of an annual board and committee evaluation process may include questionnaires, interviews with directors, a summary of the results, and, in some cases, lead director evaluations. In most cases, the board and committee evaluation processes begin with a questionnaire, typically written by the governance committee, which is distributed to each director. Some questionnaires ask for written responses, while

⁷ NYSE Euronext, *“303A.09 Corporate Governance Guidelines,” Listed Company Manual*, 2010.

Lead Director Network

ViewPoints



others are merely intended to provoke a thoughtful discussion. One member asked whether “a questionnaire can ever really get to the heart of an issue. Can [board and committee evaluations] be done on paper, or do they have to be done in interviews?”

Overall, LDN members agreed that questionnaires should be supplemented by a follow-up conversation with each director. The lead director, chairman, chair of the governance committee, or a third party may conduct these follow-up discussions, either by telephone or in person. Describing the annual board evaluation process, one member said, “I personally went around and interviewed about two things: first, issues we weren’t getting at as a board, and secondly, how can we make the board more efficient?” The complete results of these conversations are aggregated and summarized by the corporate secretary, lead director, governance chair, or a third party and then reviewed by a combination of the full board, the governance committee, and/or the CEO.

Lead director evaluations

Many companies embed lead director evaluations into the overall board and committee evaluation process, just as they seek feedback on the chair of each board committee. At some LDN members’ companies, the directors provide feedback to the CEO on the lead director’s performance. At other members’ companies, where the governance committee chair is not the lead director, the governance committee chair integrates questions about lead director performance into the annual board evaluation process. Members agreed that lead directors benefit from feedback on their performance: “It’s important to hear how the other directors think we’re doing.”

Individual director evaluations

Most LDN members perform some form of evaluation to gauge the performance and contributions of individual directors. At some companies, questions about the performance of individual directors are incorporated in the board evaluation questionnaire. At most companies, however, individual director performance is discussed in one-on-one conversations between the party conducting the annual board evaluation and each director, either as a follow-up to the questionnaire or as a stand-alone process.

Members agreed that these one-on-one conversations allow interviewers to collect candid, honest feedback on individual director performance. As one member said, “There is a question of whether or not in one-on-one conversations you get a sense of whether all the directors are contributing ... You can get [to these issues] through conversations.” Another member said, “The format we’ve implemented is that the general counsel will sit down with each director during the end-of-year evaluation and get an assessment of the other directors. It’s not formal or written down, it’s just a verbal conversation.”

LDN members urged boards to carefully consider how to position discussions about individual director performance. One member said, “[I ask questions like] ‘What does each board member do to make the board more effective? Name two things,’ [and] ‘What one thing could they do that would make the board more effective?’ Frame it not as an evaluation [of an individual director, but rather] how they can make the board more effective.”

Lead Director Network

ViewPoints



Dealing with poor individual performance

Annual director evaluations help bring forth the board's perspectives on a director who is not contributing at the expected level. In addition, there may be ad hoc, explicit conversations about an individual director's performance, which do not necessarily coincide with the annual evaluation process. One member said, *"If one of our directors changes his job or professional portfolio, he has to tender his resignation. And in years past, this has been a perfunctory process where we reject the resignations. However, this year, when [a couple of] members tendered their resignation, and it came to the governance committee, other directors said, 'I'm not sure those directors are adding value,' [which then] triggered a process of individually evaluating those two directors."*

Regardless of whether these issues surface as part of the annual evaluation process or during the year, members agreed that it is the lead director or chairman of the governance committee's responsibility to address any negative feedback personally with the underperforming director. One member said, *"I polled each of the board members about a particular director. They said you have to have complete trust on the board and if that doesn't exist, then you need to let the [director in question] go. You have to say [to the underperforming director], 'Here's the unanimous perspective of the board.' These are difficult, hard conversations to have, but ... it's up to the lead director to do the heavy lifting and unpleasant things that have to be done."* Another member said, *"I [as lead director] was asked to go and call every director and basically talk them through whether these directors [who had been required to tender their resignations] were performing, and they thought they weren't. I then called the directors and said their resignations had been accepted. That was a tough conversation, but it needed to happen."*

Members underscored that removing a director from the board, either by asking him not to stand for reelection or by accepting a resignation before the annual meeting, is usually the last resort after multiple attempts to resolve matters in other ways. One member pointed out that the move to annual elections has given directors more opportunity to discretely remove underperforming colleagues without singling them out for public opprobrium.

The future of individual director evaluations

A recent article in *Compliance Week* noted, "Boards remain under tremendous pressure to prove their competence, in the wake of governance lapses that were seen as a large contributor to the financial crisis. Now boards are warming to the idea of annual evaluations, making them more meaningful and including individual director assessments in the review process."⁸ Moreover, the emergence of proxy access, majority voting, and enhanced disclosure of director qualifications may mean that demonstrating a board's commitment to a rigorous evaluation process becomes an important part of board-shareholder communication. In the UK, the recently revised corporate governance code describes "rigorous" as including individual director evaluation.⁹

Some members predicted an increase in individual director assessments across corporate boards, as part of an ongoing effort to advance board performance. As one member noted, *"The best way to know if you're*

⁸ Tammy Whitehouse, "Boards Turn to Self Evaluations to Regain Trust," *Compliance Week*, September 21, 2010.

⁹ Financial Reporting Council, "The UK Corporate Governance Code," (London: Financial Reporting Council, 2010), 16–17.

Lead Director Network

ViewPoints



getting what you want out of a well-composed board is getting into individual assessments of directors. You can have the world's greatest x, y, z on the resume, but what matters is how they're contributing to the board. I think we're going to be going down this path."

Third-party evaluations

Some LDN members' boards choose a third party, such as outside counsel or a governance expert, to support the board in the annual evaluation process. The governance committee and/or lead director will typically identify the consultant on the board's behalf. The board should have complete trust and confidence in the person conducting the interviews, regardless of who it chooses for that task.¹⁰ This third party will then aggregate and synthesize the results of the evaluation in a brief report, which is typically presented in person to the governance committee and/or the full board. Members observed that a third party offers a degree of objectivity when analyzing the performance of individual directors and the board.

Conclusion

This past year marked a significant transformation in the corporate governance landscape, as reforms such as the SEC's enhanced proxy disclosure rules and the Dodd-Frank Act became effective. In this context, the demands and responsibilities of boards are increasing, yet "the time available to [the board] to address these challenges remains relatively constant. Success, therefore, depends upon increasing the effectiveness and efficiency of the board."¹¹

LDN members remain focused on building and maintaining impactful, effective boards. As one member said, "*High-performing boards have an obligation to be as prepared and productive as possible. My boards take that responsibility very seriously.*" Moreover, high-impact, effective boards create a "*competitive advantage*" for the company: "*[If a board] has some very good people who know the industry inside and out, and it's a board that has a CEO who is super transparent and really elicits comments from the board, then that is a source of a competitive advantage.*"

About this document

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the issues confronting lead directors. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *ViewPoints* is encouraged to share it with those in their own companies and with their colleagues at other companies. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

The Lead Director Network (LDN) is sponsored by King & Spalding and convened by Tapestry Networks. The LDN is a group of lead independent directors, presiding directors, and non-executive chairmen drawn from America's leading corporations who are committed to improving the performance of their companies and to earning the trust of their shareholders through more effective board leadership. The views expressed in this document do not constitute the advice of network members, their companies, King & Spalding, or Tapestry Networks.

© 2010 Tapestry Networks, Inc. All rights reserved. This material may be reproduced and redistributed, but only in its entirety, including all copyright and trademark legends.

¹⁰ Ram Charan, *Owning Up: The 14 Questions Every Board Member Needs to Ask* (San Francisco, CA: Jossey-Bass, 2009), 151.

¹¹ Deloitte, *Survival or Success? Director's Alert: 10 Issues for 2010* (Deloitte Touche Tohmatsu, 2009), 13.