

## Enhancing board performance

Operational disruptions, scrutiny of environmental and social practices, and economic uncertainty have made the already challenging task of board leadership even harder. On November 15, Lead Director Network members discussed tactical ways to enhance board performance. Most agreed that, going forward, boards will utilize a mix of virtual and in-person engagement to achieve their goals.

This *Summary of Themes* provides a brief overview of the meeting. *For a full list of meeting participants, please see page 5.*

### Virtual board meetings are here to stay in some form

Virtual meetings, adopted out of necessity during the pandemic, will remain a permanent part of board practices even as directors return to in-person meetings. Some boards are planning to hold a portion of their full board meetings virtually while others are exploring options like holding committee meetings virtually or having periodic, ad-hoc virtual sessions.

Directors identified several benefits of virtual meetings, many of which stem from less time spent traveling. A member said, *“In terms of travel issues and availability, the Zoom approach has actually improved our meetings. It’s streamlined, encourages participation from everybody, and leads to more thoughtful engagement.”* Some lead directors said that as they envision a future with fewer in-person board meetings (and less demanding travel), it is becoming easier to recruit new directors, especially those who live in other countries.

Virtual tools allow the board to schedule certain off-cycle activities that free up their face-to-face time for the most value-added activities. One member said, *“I expect there are some tasks we will be doing on Zoom going into the future, particularly around routine committee work. This would leave the in-person work time and people’s attention spans to focus on things that count the most.”*

In a virtual environment, it is also easier for board members to gain direct exposure to a broader swath of company employees. For example, instead of having a senior leader present to the board on behalf of the leaders of each of a company’s geographic regions, each of those leaders could join a board meeting without the hassle of travel. A member described how the board’s comfort with virtual engagement led to a new approach to engage with managers between board meetings: *“We divided the board up into three different groups, with each group meeting with different members of management, discussing topics, and then reporting out to the rest of the board.”*

## A hybrid world tests board culture and communication

LDN members addressed the challenge of fostering trust, chemistry, and collegiality among board members as more activities go virtual. A director noted, *“Having coffee before dinner or drinks after dinner and getting to know other board members is what builds collegiality and trust and just deeper, better knowledge of the leaders of the company.”* Another added, *“Now we’re spending more time with the CEO virtually and intentionally building board chemistry outside of the normal agenda.”*

One key to success in a hybrid world is a good cadence of off-cycle communications among board members and management. One member said, *“I feel like I’m talking to other directors more than I might have before simply because I’m not sure I’m reading all the cues I might have been able to read during an in-person meeting.”* Members said they are also adjusting their communications with their CEOs. A lead director said, *“I tried to make sure I increased the frequency and touchpoints with the CEO, just to see how they’re doing personally in this environment.”*

Fewer opportunities for in-person engagement make it harder to onboard new directors. One lead director said, *“New board members do not have the frequent opportunities to touch base, ask questions, listen, and see if there are things that they don’t understand. It requires a much more deliberate and consistent effort in the virtual environment. Hopefully, osmotic learning can come back.”*

Lead directors generally agreed that meetings at which some board members join in person and other participate virtually are less effective. Most said that their boards take an all-in-person or all-virtual approach to each meeting. One member said, *“It takes very skillful leadership on the part of the chair or the lead director to manage the discussion in such a way that the people in both places have an opportunity to comment. It takes some effort to make sure that it is balanced.”*

Nonetheless, some members said that having all the board members together in person, with management participating virtually, can work well. One lead director said, *“We came together as directors in person, but we kept the management team on Microsoft Teams.”* Another noted the need to accommodate geographically distant directors, especially as the lingering pandemic increases uncertainty around travel. *“I think hybrid meetings with the use of technology to allow participants to be virtual is going to have to be here for a while, particularly for those companies who have international board members.”*

## Management development is a top priority for boards

Several directors emphasized that the most important topic they face this coming year is talent development and succession planning. One member said, *“I think it’s always true that people make a difference, and we are in a space that is very competitive to attract, retain, and motivate top talent.”*

Recent events have highlighted the importance of leadership while also creating new challenges for attracting and retaining talent. One member said, *“The past 18 months have demonstrated that while many issues are of strategic importance, having the right people at the helm of organizations makes a huge difference in terms of how you navigate those issues.”* At the same time, another said, *“The great resignation is not just happening at the lower levels of our companies; it’s also happening in the C-suite. Add to that what Zoom enables, which is that we can almost live anywhere and take a job, and I think that we’re going to see executives deciding that they want to be somewhere else. There’s a lot of money floating around right now looking for the best talent.”*

The imperative to increase workforce diversity adds to the talent challenge. One member said, *“I don’t think boards or management have done enough on diversity and inclusion. There needs to be a commitment from the top down to assure that meaningful actions are going to take place.”* The pandemic exacerbated existing challenges: *“With the extra stresses that have been put upon women, we need to figure out how we make sure we don’t lose the diversity. This is going to be exceptionally important for workforces and executive teams going forward.”*

The pandemic brought new leadership skills and capacities to the fore, including the need to be flexible, adaptable, and resilient. One director pointed out additional traits: *“It’s equally important for the management team and the CEO to be lifelong learners. And I think that they have to reinvent themselves very effectively while being authentic to who they are and remaining authentic in terms of their values.”*

## About this document

*Summary of Themes* 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 and during meetings are not attributed to individuals or corporations. Guests, however, have given permission for their remarks to be attributed. Comments by guests and network members are shown in italics.

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## Appendix: Meeting participants

The following Lead Director Network members participated in the meeting:

- Alan Bennett, Lead Director, Flour Corporation and TJX
- Marcela Donadio, Lead Director, Marathon Oil
- Paulett Eberhart, Former Lead Director, Anadarko
- Curt Espeland, Lead Director, Lincoln Electric
- Don Felsing, Lead Director, ADM & Northrop Grumman
- Lawton Fitt, Non-Executive Chair, The Progressive Corporation; Lead Director, The Carlyle Group
- Ann Hackett, Lead Director, Capital One Financial Corp
- Glenn Hubbard, Non-Executive Chair, MetLife
- Mel Lagomasino, Lead Director, The Coca-Cola Company
- Lou Lavigne, Lead Director, Zynga
- Bob Murley, Non-Executive Chair, Stericycle
- Henry Nasella, Lead Director, PVH
- Suzanne Nimocks, Lead Director, Owens Corning
- Karen Francis, Non-Executive Chair, Vontier
- Stu Randle, Lead Director, Beacon Roofing Supply
- Ted Samuels, Lead Director, Bristol-Myers Squibb
- Doug **Steenland**, Lead Director, AIG