

AGENDA

Opinion

Picking Impactful Board Members

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As an operating partner overseeing portfolio companies for investors, I have evaluated more than a thousand board candidates. I've found that the average board member lacks impact and does little to create value. Too often, board members lack company-specific knowledge and do not offer useful support to management. In this article, I describe common attributes of ineffective corporate directors and offer criteria for board members who can truly impact the business.



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Whom to Avoid

- **The Cheerleader:** A board member who uncritically applauds management, seeking congeniality over dissonance.
- **The Process Master:** Obsessed with bureaucratic aspects of the role, this board member will dwell on minutes and formalities.
- **The Old School Director:** Shows up for meetings with minimal prep, yet ready to pontificate. First to sign up for golf outing.
- **The Authoritarian:** Often a former CEO who directs management, recounting glories of when they were in charge.
- **The Overboarded Director:** Spread too thin, this board member will watch the clock, make scheduling difficult and lack bandwidth.
- **The Show Horse:** A celebrity board member such as a former athlete or politician appointed to impress others, but not to do useful work.

A Better Way

To be impactful, board members must go beyond attending meetings to play an active role in setting strategy, managing risk and driving and supporting management performance. Great directors will visit facilities, go on sales calls, attend industry conferences and mentor executives. When picking board members, set the bar high by requiring them to:

- Provide insight, advice and support on key decisions
- Accept ultimate responsibility for company results
- Focus on forward-looking metrics and issues

Board members should learn to work together as a high-performing team, and they should expect third-party assessment based on the views of other directors, management and investors on their effectiveness.

Recognize that most candidates will be adept at stating the need to be impactful. The interviewer should seek evidence of how candidates have impacted companies as a board member. Skip hypothetical problem-solving and noting common acquaintances to discuss details of past performance. Get candidates to show how specifically they added value on boards or in similar roles requiring group influencing skills. For example:

- When did the candidate constructively challenge management or other board members and why?
- Where was the candidate a change agent or leader of an initiative?
- How did the candidate help the business away from board meetings?
- Where might the candidate have been more effective or influential as a board member?

In assessing candidates, be vigilant about cognitive biases that cause interviewers to prefer like-minded and demographically familiar board members.

Many candidates grossly underestimate the time required to be an effective board member. Ask candidates how much time they spend on board service. Average U.S. public and private company board members spend 245 and 172 hours per year, respectively, with only 30% of that time spent actually attending meetings, according to the National Association of Corporate Directors. Significant additional time should be expected during the first three to six months for onboarding and during any major corporate transitions or transactions. As a practical matter, this will preclude most full-time executives from such board service. Based on a McKinsey analysis of high-performing boards, directors who had very high impact on their companies spent twice as much time as those who said their impact was moderate or lower.

Of course, be prepared to compensate high-impact, committed board members in a manner consistent with high performance expectations.

Finding exceptional board members requires exceptional effort uncharacteristic of most board searches. Carefully selecting, evaluating and setting explicit expectations for board members will result in a better, harder-working board that is more likely to drive superior performance and investor returns.