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THE DCRO
RISK GOVERNANCE
INSTITUTE

BUILDING A BETTER BOARD: THE KEYS TO HIGH PERFORMANCE

Positively embrace risk to improve company performance

Strategies to improve risk-taking
and risk-governance

HAPPY WITH YOUR BOARD'S PERFORMANCE?

5 THINGS THAT REALLY MATTER

Every company stakeholder, from employee to customer, supplier to investor, is interested in seeing a board of directors operate as a high-performing team. A fully functioning board is critical to value creation, innovation, and sustainability—and remaining relevant in a time where stakeholder interests, news, regulation, competition, and public perception evolve at lightning speed. More than ever, the pressure now is on boards to drive value.

Board effectiveness depends heavily on interpersonal dynamics, the diversity of its members, and how much energy and effort each director invests into their oversight responsibilities. It requires hard work to stay relevant. But in addition to time and energy, a successful board director must invest curiosity into the role. This means looking inward and evaluating opportunities for growth and education with an open mind.

So, what contributes to any board's success, and does yours exhibit these qualities? Here are the five key elements of any high-performing board:

1 - Strong onboarding practices

Too often, the onboarding process for a new board director is elusive, often unguided, and left to unspoken and informal rules. In its report titled "[Advice for New Board Directors](#)," the Better Boards Initiative highlights the complexity of the onboarding process through interviews with more than 100 board directors. Their research revealed that 42 percent of new directors lack an understanding of a board's culture before





onboarding—new directors are unprepared for the importance of building relationships, understanding communication patterns, and grasping unseen hierarchies.

A methodical and structured onboarding process is critical for board effectiveness and to ensure new directors can quickly contribute. Not only should onboarding include deep dives into areas of the business, but it's also an important time in the lifecycle of a board to build productive relationships across all members, drive corporate alignment, and ensure the systems and tools are in place for every board director to fulfill their responsibilities.

2- Healthy team dynamics

"Boardroom dynamics can make or break the effectiveness of a board." (Nasdaq)

Serving as a member of a board is a collaborative endeavor. Directors must work together and work with senior corporate leaders to fully understand the business, ask thoughtful questions, and drive business relevancy and innovation. Understanding one another—such as how each prefers to communicate and each director's attitude towards risk—can be an enlightening and game-changing exercise for boards that want to improve their interpersonal relationships and accelerate their time-to-value.

3- A diverse board with key skills and expertise

If boards are to embrace diverse perspectives, the directors sitting around the table should reflect that mantra and come from various backgrounds and functional expertise, as well as a spectrum of diversity, from gender and age to ethnicity and education.

In Europe, 60% of university graduates are now women, but only 8% of CEOs in the European Union are female. Currently, 31.5% of board members are women (10 years ago, it was 15%). The Euro Directive in October 2022 now expects 40% of non-executive board members must be women by 2026 and 33% of all directors on a board.

The increasing pressure on boards from investors, regulators, and other stakeholders to ensure adequate diversity and representation from stakeholders is vital in ensuring the breadth of voice. Just as talent is core to driving value, people's backgrounds and life experiences are just as critical. If all directors fit the same or similar profiles, like age, functional expertise, and ethnicity, boards risk being blinkered in outlook and will lose out on opportunities for innovation and creative leadership. Boards that lack diversity of thought are more likely to lack critical competencies now expected on boards, such as digital transformation, cyber security expertise, and ESG or climate expertise.

Driving diversity at the board level falls squarely on the chair and all members. They must evaluate the background and experience of each potential new director, their skills and expertise, and how their possible contribution will fit alongside existing board members.

Of equal importance is the necessity for the chair to evaluate each board member regularly to ensure every member is making a positive contribution to the decision-making responsibilities with which they are entrusted.

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CONVERSATIONS
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(HBR)

The board must understand and be able to defend how each director is serving the organization and what value they are delivering to the board—and consider replacing them if they are not pulling their weight. In essence, diversity will only benefit the board if it values, embraces, and integrates it within the culture and values of the board.

4- A plan for continuous learning

To make effective decisions, each board member must truly grasp the business – what metrics are most relevant, what its strategic stance is on a variety of issues, the business model, the products, the key areas and opportunities – and how all these variables correlate to loss and value creation. Research by EY underscores the critical need for broader, more frequent education for board directors. It notes that:

- 67% of directors say that staying on top of emerging issues is a significant challenge, but it is critical to demonstrating value as a board member;
- 49% of directors believe their board does not allocate enough time for director education;
- 33 – the average amount of hours per year spent by individual directors on education-related activities (up by more than a third year-over-year);
- 77% of new directors are serving on their first public-company board



Board education may focus on governance best practices; it also may include instruction in the form of special briefings, private events from experts, factory tours, networking and mentoring sessions with senior management teams, and bringing in outside consultants – activities of this nature are increasingly becoming more common. How much time does your board spend on ongoing education?

5- A structured and positive approach to decision-making and risk-taking

Decision-making lies at the heart of business and is key to effective risk governance. However, without the right frameworks, a board may find itself spinning its wheels or making poor decisions.

An [EY survey](#) just last year of more than 500 global board directors notes that risk management today typically lacks focus on emerging and atypical risks, is not always aligned with business strategy, and is too entrenched in the here and now. Whether about reporting, skillsets or the sheer time spent discussing risk, board members acknowledge that their organizations—and boards themselves—need to evolve to keep pace with disruption and maintain their strategic advantage.

The right risk mindset is just as important. Too often, boards approach risk from a place of fear. Yet, risk is just as much about opportunity, innovation, and value creation. If boards can learn to embrace risk, especially in this fast-paced era of business and emerging technology – they are better suited to set themselves apart from competitors and safeguard the business.

TAKE THE STEPS TODAY TO IMPROVE YOUR BOARD'S PERFORMANCE

As a collaborative peer-led educational initiative, the DCRO Institute brings essential risk governance expertise to the boardroom and c-suite to help individuals and boards accelerate their performance in the positive governance of risk-taking. We offer a range of learning and development opportunities that focus on the practical aspects of board work in the positive pursuit of corporate goals and purpose.

Graduates from our programs are leaders in boardrooms and c-suites on five continents. Our faculty members are among the world's best c-level executives, board members, and authors who focus on risk-taking and risk governance.

Our emphasis is on the positive use of risk and risk knowledge in the strategic planning and execution of plans at organizations of all sizes worldwide and in developing the people to do that work as Qualified Risk Directors.[®]

You can learn more about our programs to support high-performing boards, including custom coaching and training, by [scheduling an introductory call](#).



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TAKE A STEP FORWARD

Learn to embrace risk

To learn more about taking a positive approach to risk at the individual or board level, visit the [WomenExecs on Boards](#) page at the DCRO Risk Governance Institute. For individuals, the DCRO can help you become a more strategic board director and contributor to corporate value with the globally recognized[®] Certificate in Risk Governance.

- Schedule a consultation
- Transform how your board engages risk
- Find a Qualified Risk Director[®]
- Enroll in our programs



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