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Executive Search & Board Advisory

## WHAT MAKES A SUCCESSFUL BOARD? AN ADVISORY PERSPECTIVE

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### Introduction

There are countless numbers of Board surveys drafted and ongoing commentary on what it takes to create an effective Board. It is not as easy as examining businesses that have improved shareholder value and reviewing the respective Boards and the lessons learned. It isn't as simple as that, as successful organisations function under a variety of Boardroom structures, Independent and Executive Directors, Chair and Executive Chair roles, and listed or privately owned, with strong or little corporate governance emphasis. Many companies have the appropriate ticks in the right 'governance' boxes and perform disastrously, while others have minimal ticks and excel year on year.

Over the last five years, the game has changed quite significantly. A seat on the Board has gone from being a smooth transition into the echelons of the great and good, to being a visible and pressured position, exposed to the commentary of everybody and now with greater fear of litigation. Historically, the trials and tribulations, the politics and theatre were acted out behind closed doors, but today the activities are more visible and in some cases, are blending in with the outside world with a focus on politically correct outcomes.

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Some observations for a successful Board:

- **The behaviour of the Board is critical**

Information, processes and governance principles are important however, what makes the difference between the Boards is behaviour. The Board members must have the courage and judgement to call out and address the issues in a timely and direct manner if they are to fulfil their duty and add value.

- **It begins and ends with the Chairman**

A major factor of a Board's success is its Chairman. He or she has an essential role in determining its focus, setting the tone for discussions and leading its structure and composition. The role is challenging and difficult, and requires a set of skills from those that underpin a successful executive career, with high levels of emotional intelligence being necessary.

- **The CEO must engage with the Board**

With an able Chairman, it is essential the business is led by a CEO who views the Board as a valuable resource to be leveraged and who ensures effective engagement between the Directors and Executive team. If the CEO's attitude is poor, either it needs to be changed or the CEO needs to be moved on.

- **Balance on the Board is fundamental**

The most critical relationship is between the Chairman and CEO. A good balance between the CEO and his or her team, and also amongst the Non-Executive Directors is needed. This means understanding of roles, respect for each other and effective communication. It is important that the Board is seen as a team and there is clarity and engagement between the Executive and Directors.

- **The NED's character is as important as their competence**

The better Directors have not just the experience and capability required by the Board, but most importantly, the appropriate character. Boards look for commitment, a challenging and independent mindset, collaborative and constructive style, and the right motivation in their Non-Executive Director. Directors also must have the necessary courage to remain focussed on what is right for the business and not concentrate on or worry about personal reputation.

- **The Board's composition and management should be a high performing team**

The Board is a team and the Chairman needs to create the conditions for a high performing team. This includes building common purpose, maximising the Board size, ensuring mutual respect and commitment, focusing on team building, addressing weak links and building diversity – especially of thought.

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- **Good Boards recognise the need for review, maintenance and value:**

The Board like all high performing teams, need to review themselves and require necessary support. We find the more successful Boards have:

- a) Formal Board Reviews; and,
- b) The support of the Company Secretary.

- **Identifying and managing red flag issues is the key test**

The best Chair and Directors are always alert to potential dangers that can derail even the most successful Boards, e.g. the corrosive influence of power and success, complacency and the potential problems of succession events. They have the courage and skills to identify and intervene effectively before these issues become critical.

## Summary

Behavioural dynamics make the difference between a good and great Board.

We believe these suggestions should help provide the base for ensuring a Board develops the right behaviours and improves its effectiveness. We trust this is helpful to Chairmen, Chief Executive Officers and Non-Executive Directors.

## Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

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Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

Blenheim Partners is continually investing in knowledge and understanding as exemplified by our Thought Leadership "The Challenges of Attaining Growth", Industry Papers and monthly Market Intelligence reports.

Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

Our culture is built on pride, professionalism, esprit de corps and client service.

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