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SHARING LEADERSHIP ON CORPORATE BOARDS: A CRITICAL REQUIREMENT FOR TEAMWORK AT THE TOP

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Sharing Leadership on Corporate Boards: A Critical Requirement for Teamwork at the Top

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Executive Summary

Critical to the success of a high performance board is the ability of its directors to share leadership and to work as a dynamic team. Yet historically boardrooms have proven to be one of the most difficult places to build an effective team. Numerous factors work against boards operating as teams such as the small amount of time directors have together, limited access to critical information, and highly centralized approaches to board leadership. To overcome these challenges, this article highlights the approaches that boards can and should undertake to improve their effectiveness as an operating team. For example, boards can more carefully select directors based on their orientation towards teamwork and with an eye towards how their expertise complements fellow directors. Shifting from a CEO as chairman approach to a non-executive chairman model can foster the sharing of leadership and the promotion of a team orientation among directors. A leadership style on the part of the chair that promotes teamwork is particularly critical. Finally, evaluating boards as teams as well as careful attention to the overall size of the board and committees can encourage greater teamwork.

A critical attribute of a high performance corporate board is its ability to act as a team. The complex issues Boards deal with – corporate oversight, acquisitions and mergers, and CEO succession -- are best handled by combining the expertise of multiple board members and having decision processes that move power and leadership to where expertise exists. Yet few boardrooms today can be called exemplars of teamwork. There are leadership, power, information, and membership characteristics that work against genuine teamwork. For example, the leader of the board is usually the CEO. He, or in rare cases she, typically is responsible for determining who is on the board and for setting the agenda of board meetings. This unitary leadership structure can discourage teamwork in boardrooms. It all too often leads to a 'hub and spoke' leadership dynamic with the CEO as the controlling hub and individual directors relating directly to him or her rather than sharing leadership and working with each other.

As a result of corporate scandals and underperforming firms, boardrooms have come under pressure to act independently of the CEO and to have multiple leadership roles. For example, alternative leadership roles such as non-executive chairmen and lead directors have gained in popularity.

In addition, committees of the board have become more powerful and usually do not have the CEO as their chair. These “new” leadership roles have the potential to foster greater teamwork in boardrooms. In addition, more sophisticated approaches to director selection and meeting processes hold the promise of enhancing teamwork among board members. In this article, we will explore the opportunities for building teams in the corporate boardroom. But before we consider what can be done, we need to look at the obstacles to teamwork that exist.

The Boardroom: A Challenging Environment for Teamwork

One might expect corporate boards to be an ideal place for high performance teams that openly share information and use effective decision processes. They have a relatively small number of members (typically nine to twelve directors in large publicly traded companies) and a singular focus on corporate governance; nevertheless few boards act as high performance teams. There are critical features of corporate boardrooms that make it difficult for boards to operate as effective teams. The most obvious barrier is a lack of time.

Compared to most work groups, board members spend relatively little time together as a total board. They typically meet in person for a day or two, six to ten times a year with gaps of weeks between meetings. There are often phone calls and email communication among board members, but the board as a whole simply doesn’t spend much time operating as a team. This lack of time together makes it hard for directors to develop a genuine sense of team identity and to learn how to operate as a team.

In addition, there are competing identities that play out in the case of the majority of board members. While board membership is an important activity in most directors’ careers, in most cases it is a secondary activity. Directors typically have demanding ‘day jobs’, they are CEOs or high ranking professionals in law, finance, or the not-for-profit sector. In other words, board commitments play a small role in the overall career of most directors. Again, this is in sharp contrast to most employees and the CEO whose primary identity is the organization and the team with which they are working.

Boards in the United States used to have a significant number of executives (four or more) from their company on the board, and they often constituted the majority of the board. Boards now have far fewer company insiders on them, but they still typically have a minority of members, including the CEO, who are full time employees and who may have very different concerns and information than the rest of the board.

Another factor that can hinder teamwork in boardrooms is the nature of goals. On the one hand, the board's mandate seems straightforward – representing the interests of investors and shareholders. Yet the diversity of shareholder groups and shareholder objectives makes this overarching mandate complex. For example, the 2008 sale of Bear Sterns to J P Morgan for less than a tenth of its 2007 market value demonstrated the conflicts among long term stockholders, short term stockholders, traders, employees (who had incentives both to sell and not to sell), the buyer and the government as to what constitutes an acceptable share price. One can imagine the conflicting reactions of board members to the pricing of the firm's market value.

When Hewlett-Packard announced plans to acquire rival Compaq Computer, the company's management did not anticipate that one of the loudest opponents would be a member of its own board of directors. Walter Hewlett proved to be a passionate opponent to the plan and one who was willing to spend millions of dollars to give voice to his objections.

After several months of infighting on the board, HP CEO Carly Fiorina officially announced plans to acquire Compaq at a shareholders meeting. Walter Hewlett then sued the company his father helped to create. Only after a bitter proxy fight and a multimillion-dollar advertising campaign did Fiorina finally succeed. Ultimately, this 'victory' proved short-lived. As HP's performance slowed following the acquisition, the Board of Directors became increasingly concerned with her leadership. In early January of 2005, the HP Board of Directors presented Fiorina with a four-page list of concerns that the board had with her performance. The board proposed a plan to shift her authority to HP division heads, which Fiorina resisted. In February of 2005, the board dismissed Carly Fiorina as Chairman of the Board and Chief Executive Officer.

Even the overarching goal of shareholder value is being challenged by some regulators, lawyers, unions, and even investors. Many corporations are moving beyond the singular ideal of optimizing shareholder value and now publish governance principles that indicate a broader group of stakeholders – employees, customers, and even society at large. One powerful contributor to teamwork – having a definitive singular goal or even definitive goals – is therefore challenging to achieve in boardrooms due to the multiplicity of goals and desired outcomes that members support.

The type and quality of information that a board receives adds another potential obstacle to teamwork while at the same time making it desirable for a board to operate as an effective team. It is complex, often conflicting, and specialized. For example, there are multiple ways to assess the simple concepts of revenue and return. When one business solution may seem to be the best, new information comes to light which may raise doubts. Often the information that boards receive and need is so specialized that only a board member with an in-depth technical understanding can interpret and act on it. In these cases, boards need to operate as a sounding board for those with the right expertise and integrate data from other areas. This is difficult for a team to do under the best of circumstances.

On most boards, the CEO has far greater access to current and comprehensive information about the state of the company than do directors since the majority of directors are ‘outsiders’ (‘outsiders’ in the sense that they are not employees of the board’s organization). This ‘information advantage’ can greatly hinder teamwork. Given a director’s part-time role and ‘outsider’ status, the typical board member’s knowledge about company affairs is extremely limited. This constraint puts boundaries on the extent to which they can contribute to decision-making in boardroom discussions. Most directors are all too aware of the gap in their understanding and therefore concede authority to the CEO and are hesitant to provide leadership to the board. As a result, leadership ends up centralized rather than being shared among the board members.

Most directors see their primary role as serving the CEO and their secondary role as providing oversight. Many directors are CEOs themselves, and they share in an etiquette that suggests restraint from aggressively challenging a fellow CEO or from probing too deeply into the details of “someone else’s business”. These factors encourage directors under most circumstances to defer to the CEO’s leadership in the boardroom rather than actively sharing leadership among the directors.

Teamwork in the Boardroom Starts with Shared Leadership

We believe that the first place to start in terms of building teamwork on the board is with a shared leadership approach. While it is conceivable that a CEO-led boardroom can operate as an effective team, we believe that unitary leadership often proves to be an impediment. The two most common alternatives to the CEO as board chair’s are non-executive chair and lead directors. Both of these approaches, in effect, encourage shared leadership and ultimately greater teamwork on a board.

In terms of their actual leadership roles, non-executive chair's set the agenda of board meetings. In consultation with the CEO, they influence the topics to be discussed and the time allocated to each. They also determine what materials directors receive for each meeting. They chair the executive sessions of the board as well as chair shareholder meetings. They communicate with directors on issues that arise outside of board meetings. They review the performance of individual directors and keep them informed of their performance. They also ensure that the board annually reviews its own performance.

In contrast, lead directors are the directors' representative to the CEO. They are both an ombudsman and a facilitator of the governance process. Their role can range from preparing the agenda for board meetings and chairing meetings of the independent directors to raising controversial issues one-on-one with the CEO. In the case of a management crisis, the lead director is likely to take over as the board's chair.

With a lead director, the reality is that the CEO remains the boardroom leader. The situation is fundamentally different when a non-executive chair is appointed. From our perspective, the non-executive chair approach to board leadership is more likely to encourage shared leadership and greater teamwork.

Surveys of boardroom trends know there is a move to these alternative forms of leadership especially lead directors. For example, the Center for Effective Organizations 2006 survey of the boards of the largest U.S. companies found that 75% of boards now have an independent lead or presiding director. To put this number in perspective, this is a dramatic increase from 48% of boards in 2003 and 32% in 2001. The same survey found 30% of boards now have a non-executive chair, a significant jump from 16% in 2003.

Recent data from the Corporate Library show the same trend, over 30 percent of boards in U.S. companies have an outside chair although about one third of these are not considered to be independent chairmen (the chair is a former executive of the company). In some European countries (Germany, Netherlands, United Kingdom), all or almost all companies have separated the role of chair and CEO although frequently the chair is not an independent outsider. In the UK, approximately 95% of the largest 100 firms have a separate CEO and chairperson.

Though the idea of a separate or non-executive chair has been discussed for decades, only in recent years has it gained acceptance as a practice in U.S. corporations. Prominent companies like Aon, Avaya, Avery Dennison, CBS, Intercontinental Hotels, Tenet Healthcare, Unisys, and Walt Disney Company today have non-executive chairs. The major stock exchanges, reports sponsored by some 16 national governments, the National Association of Corporate Directors, and numerous academics have all recommended separating the board chair from the CEO role.

The main arguments in favor of a non-executive chair have to do with enhancing the ability of the board to monitor the CEO's performance and if needed, operate independently of the CEO. With a separate chair, the board has a clear leader whose major mandate is the effective functioning of the board itself. The role also acknowledges the status of directors as formal leaders of the board rather than simply the CEO. We believe this role can create some real advantages in terms of board performance. For example, it increases the chance that directors will feel more at ease about raising challenges to the CEO. It also puts someone in charge of board meetings whose primary role is getting the board to make good decisions. This can result in better information availability, better decision processes and more committed boards.

For the non-executive chair to be effective, it is very important that the chair be a genuine 'outsider' - an individual who is independent of the

CEO. The chair also must be an individual who is highly respected by the directors and who has the self-confidence, skills and industry knowledge to take a leadership role during times of trouble. The chair must be able to share leadership with fellow directors and effectively build a team identity. This individual must be someone who has the time to follow both the company and the industry closely. Thus, it is important that the non-executive chair not hold a full time job or a board directorship at any other company.

The time demands of the chair's role are so high that major responsibilities outside the board may seriously hamper a chair's commitment to the role. For example, researchers estimate that in large, diversified companies operating under normal conditions, a non-executive chair may need to spend up to 100 days a year on board business. In a crisis situation, however, this can easily be the minimum number of days required, indeed being the chair may turn into a full time job. As a result, CEOs of other companies are not appropriate candidates given the existing demands on their time. On the other hand, a recently retired CEO can make an ideal chair.

A critical factor determining the success of this leadership approach is clear and negotiated expectations about the boardroom roles of the chair and the CEO from the very start. A process that produces an understanding of each other's viewpoints on board governance and leadership is critical and should lead to roles and responsibilities which are outlined in writing and approved by the board.

The Chairman's Style of Leading: A Major Contributor to Boardroom Teamwork

Recent research by Katharina Pick examining the leadership styles of board chair's found that certain approaches are more effective than others at promoting greater teamwork among the directorate. As one might imagine, the impact of the chair's style has its greatest influence in boardroom meetings. The board meeting is the primary setting in which the entire board interacts as a group, and therefore the arena in which directors develop norms about their team identity and process.

As Pick discovered, one of the great hurdles to teamwork and to leadership on a corporate board is the high status and expertise identity of directors. Directors bring very visible external identities (e.g. professions, positions) for which they were presumably selected to join the board. As a result, they arrive with a clear notion of where they will make their contributions. For example, the banker expects to contribute on financial issues. The global marketing executive expects to contribute in the area of global marketing. These narrow role definitions promote an individual identity rather than a team identity. The board chair must simultaneously harness each director's special expertise and encourage them to contribute to a broader set of issues facing the board. So the chair's leadership task is to make certain that directors' contributions do not become too narrow reducing the board to a set of experts who speak only on their individual topics and who do not operate as a team.

A second hurdle to teamwork is that some directors are more reserved while others are more dominant in meetings. For example as just discussed, some feel unsure about speaking on topics outside of their own professional background. Others contribute more aggressively, searching for affirmation, trying to establish an identity in the group, and proving that they belong alongside the high status people on the board.

In Pick's research, directors were keenly aware of each other's status, experience, and reputations outside of the board. They expressed deference to others based on tenure and professional differences. So a critical teambuilding role for the chair is to keep directors engaged and feeling valued but not jockeying for position or simply airtime. In other words, they must highlight the complementary aspects of director backgrounds, and foster a team identity. On boards where the chair does *not* actively manage director contributions, the perception of posturing and the accompanying frustration if board members appeared to be a common occurrence in Pick's research.

Pick discovered that the more effective chair's used several techniques to address the twin challenges of status/expertise identities and variations in participation. Their techniques included calling on directors, polling the board, having pre-meeting conversations with directors, and fostering conversations between directors. For example, chairs can frequently "call on" directors in meetings to bring out a particular expertise or to express a concern that they know is on a director's mind. This technique has two important consequences. First, it reminds directors of their unique contribution to the board. Being called on, directors learn where their expertise is needed and simultaneously have greater freedom to express their ideas. Directors gain confidence in the board process knowing that their ideas will come to the table even if they do not assert themselves forcefully. Getting called on removes some of the risk of speaking up and creates a less threatening way to share information.

A second important benefit from calling on directors is that it enables directors to understand each other better. Getting “called on” automatically frames the topic raised by a director within a context of both expertise and teamwork. When chair’s periodically call on directors based on their particular experience, it frames their contributions in a way that gives the whole board a clearer sense of what everyone has to offer. As a result, other directors are less likely to personalize or dismiss what is expressed, instead they seek to understand it within that director’s experience and search for the potential value in it.

Another effective leadership tactic used by chair’s is to go around the room sequentially to get input from *all* directors on a particular issue. The best board chairs recognize that some of their directors are quieter than others and that the discussion on certain topics will be dominated by those who either are very vocal or are experts. Polling is one way in which the chair can ensure that, on occasion, all directors will hear from one another, and each director will bring his perspective to bear on a certain issue. The act of polling implies a concern for the perspective of the collective or team.

Calling on directors and polling are facilitated by the tactic of having pre-meeting conversations to understand the perspectives and concerns that directors bring to a meeting. Even brief exchanges before a board meeting can give the chair enough information to call on a director during discussions and to help him or her articulate their idea to the rest of the board.

A final tactic chairs can use to keep their boards cohesive is to encourage directors to speak directly to one another. Chair's who do not make an effort to keep this happening easily become the hub through which all board communications are conducted. The consequences are that the chair becomes the node for all interactions and in turn a team('s?) identity is jeopardized.

Selecting Board Members to Ensure Teamwork

While leadership plays a pivotal role in promoting teamwork on a board, there are other important contributors. One of these is the selection process for director candidates. The selection of new board members should not just be about picking a talented group of individuals, but rather about picking an appropriate mix of *team members*. The selection process for boards must look carefully at the characteristics of individuals with respect to subject matter knowledge and skills. It needs to assess their ability to work together in a group, their ability to play and share leadership roles, and their effectiveness at influencing peers.

One critical selection area for enhancing teamwork is director knowledge. Because of the complexity of most businesses, it is impossible for any board member or even a small number of individuals to understand and to offer useful information about all of the issues that are likely to come before a board. Thus, it is important that boards carefully select individuals who have different areas of expertise. Ideally, the board's pool of expertise should cover the knowledge and information areas that are necessary for the board to provide guidance on the key issues that the firm faces and to establish its credibility in the eyes of corporate stakeholders. A majority of members need to have boardroom leadership skills so that the board can promote a shared leadership model. All members should have the ability to work as a team member.

In the selection for expertise and shared leadership, it is particularly critical to take into account the importance of board committees. Increasingly, more and more of the work of boards occurs in their committees. Committees face far fewer teamwork hurdles than the full board does. For example, committees tend to be much smaller in size – often four or five members. They tend to have a more singular focus such as director nominations, accounting oversight or CEO succession. Thanks to regulatory requirements, their members often share similar expertise. Given their greater potential for teamwork, committees are the ideal place to focus a board's efforts. Selection is a critical step in the process. Staffing them adequately requires individuals with the right technical skills and individuals who can work effectively in small groups and provide leadership. Candid assessments of group dynamics and shared leadership are extremely helpful.

Given the diversity of expertise that is needed to understand and govern today's complex businesses, the mix of director backgrounds needs to be diverse. The best boards are composed of individuals with different skills, knowledge, and information. Thus, in staffing most boards, it is best to think of individuals contributing different pieces to the total mosaic that it takes to create an effective board. Boards need to identify the knowledge areas that are priorities. Several boards we have studied have developed matrices that identified key knowledge areas to be represented on their board and then mapped these against the existing directors' competencies to determine the strengths and weaknesses of the current board. The matrix is also used to identify the gaps to be filled through selection of new directors.

For example, Petro-Canada’s Governance Committee annually reviews the size, composition, and membership of its overall board and each board committee using a skills matrix. Nexen, another global energy company, asks each of its directors to assess their expertise along a 4 level scale ranging from ‘no or limited application’ to ‘expert application’ in the following categories: 1) managing and leading growth, 2) international experience, 3) CEO or senior officer experience, 4) exploration, 5) compensation, 6) oil and gas industry experience, 7) board governance, 8) financial acumen, 9) health, safety, environment and social responsibility, 10) diversity, and 11) marketing expertise. This information is disclosed to shareholders and is used to select new directors and to assess current directors.

It is important to recognize that the competencies a board requires may change over time. For example, a decade ago, few large companies would have identified the Internet as a critical strategic concern for the board. Today, it is rare to find a firm that is not seeking to enhance its board and top management competency in this area. As such, a directors' matrix needs to be updated frequently. The biggest challenge in creating board-staffing charts is in developing the right list of knowledge and skills. For example, all too often boards end up under-valuing knowledge in strategy formulation, human resource management, and organizational change.

One useful approach to developing a meaningful matrix is to ask existing board members what issues they feel the board should spend its time on during the year. Once this list is developed, it can be compared to the actual knowledge and skills that are present on the board and the areas where the board is spending its time. Companies that use a charting process often find that they do not have a strong knowledge base in all of the key areas needed to influence strategy on their boards. Thus their boardrooms are not as effective as they might have been. A second major issue in staffing boards involves the realistic assessment of the strengths and weaknesses of existing board members. It is reasonable to expect most board members to have expertise in several areas, but there can be a tendency to assume that some individuals have broader expertise than they in fact do. We have found in our research that CEOs who are serving as directors of other companies are frequently seen as having the most comprehensive knowledge. As far as general knowledge of business, this is often true. But it is important to distinguish between the kind of knowledge that one gets from having general management responsibility and the knowledge that comes from being a subject matter expert.

In many cases, boards need more than simply general management knowledge. With respect to topics like technology, finance, law, executive development, strategy formulation, and organizational change, they often need in-depth subject matter expertise. Therefore it is important for boards to compare the level of knowledge that individual board members have in specific subject areas with the depth of knowledge that the board needs.

Even though much of the recruiting process for new board members may be assigned to a search firm, it is critical that the members of a board carefully screen prospective board members themselves. They should interview the potential board members with particular attention towards the degree to which their behavior and interaction style fit the group process of the board. One helpful interview technique is to ask prospective board members about their experiences in committees and groups. Here it is useful to focus on what roles they have played, how comfortable they felt in these roles and any examples where they saw themselves as particularly constructive or positive in a group setting. It is also useful to seek out examples where they have had to ask hard questions of a close colleague, this can shed light on their ability to challenge top executives. Asking for examples of when they have taken on a leadership role on a board or in a team can also be a good diagnostic.

Another litmus test in the interview process is the candidate's depth of interest in the company and its industry. Do they already appear to know a great deal about the firm? Are they visibly excited about learning about it? If they are on the board of another firm, have they maintained their "passion" for it or become complacent after sitting on the board?

To some extent, teamwork can be improved with training and development. But there simply isn't much time to train board members in team work, and this is a difficult skill set for individuals who have not worked in teams to learn, thus it is best to look for individuals who have team skills and a deep appreciation for shared leadership and teamwork.

Making Time to Build a Team

Most board members hold full-time jobs that they combine with their board memberships. As a result, time is a significant hurdle to building teamwork on a board and in board committees. Thus, a key issue to consider in the selection of board members is their time availability. There is no more certain way to encourage poor teamwork and to create an ineffective board than to staff it with individuals who do not have time to attend critical board meetings and to spend team-building time.

This problem can be tackled in part by choosing directors who themselves hold a very limited number of additional directorships. During most of his time as CEO of General Electric, Jack Welch refused to be on any outside board. He argued that being a CEO was more than a full-time job so he had no time left to be on boards. He only began to join boards as he neared retirement. It is hard to argue with the Welch stance, though it may seem somewhat extreme given what CEOs can learn from being on outside boards. Ideally, CEOs should be on no more than one or at most two outside boards. Directors who are retired executives or professionals could sit on a few more boards.

Diversity for Teamwork

Particularly in the United States, boards are under pressure to diversify their membership with respect to gender and race. Historically boards have been made up almost exclusively of white males. The reasons for this include the ease of communication that exists with a homogenous group, the sometimes true observation that they are representative of the major stakeholders in the corporation and historical patterns of race and gender discrimination.

For most corporations a compelling case can be made for having a board that has gender and racial diversity. However, those boards that seek to diversify their membership may find it difficult because of the high levels of competition for qualified female and minority candidates. There is some evidence of change. Gender diversity is increasing in Fortune 500 firms, but few firms still have more than one female board member. The situation is even worse with respect to minority representation. Only about one in four boards has minority members, and typically it has only one.

In the best case scenario, diversity would occur naturally as part of the selection process. In order to fill the knowledge areas and stakeholder groups that the board needs to cover, it would naturally appoint a diverse board. Thus, a diverse board would be a logical consequence of creating a board that can truly understand the environment and the marketplace where a corporation operates. Support for the view that diversity contributes to board effectiveness is provided by a recent study which found that greater diversity of board membership is associated with higher returns to investors. Thus at least based on this study, creating a diverse board is a good business practice.

But what if boards do not end up with diversity as a result of going through an appointment process that is based on looking for individuals that represent the critical skills, knowledge, information, and power that is needed to make a board effective? There clearly is no simple answer to this question, but our belief is that they should then search further in order to ensure that they have a diverse board that fulfills the other key knowledge needs. One means to encourage this extra effort is to set guidelines with respect to the minimum diversity goals of the board. In the absence of guidelines, it is too easy to simply fill the board without serious consideration being given to diversity.

Evaluating the Board for Teamwork.

Board performance evaluations have become commonplace and are an additional tool that can be used to assess and promote teamwork. We have two caveats with respect to this recommendation. First, many board evaluations are a superficial process lacking in rigor and candor. So our concern is that an evaluation might conclude that there is adequate teamwork when in reality there is little. It is important that boards do evaluations and that they be thorough and valid. In many situations it is best if they are done by an outsider who has expertise in group process.

Our second concern is that a legal issue complicates the process. For example, board reviews and written assessments done in the normal course of business are discoverable evidence that can be shared in trials involving shareholder litigation. Despite this we believe they can be a useful tool for promoting teamwork on a board.

In order for board evaluations to be effective, at the start of the year, the board should set objectives for teamwork and shared leadership. For example, there may be objectives set for different directors to assume a leadership role on certain topics or an objective for breadth of participation at meetings. Both qualitative and quantitative surveys can be employed at the end of the year or for that matter during the year to gauge the quality and extent of teamwork. A quantitative survey might not only assess the degree of teamwork but the degree to which leadership rotates across the directorate, the quality of a collaborative decision-making process, and the degree to which directors listen to one another.

Regular attitude surveys of board members are a good way to assess how effectively a board is operating as a team. They give every board member an equal voice in assessing the capabilities of the board to function well as a decision making group. At the end of the year and/or at mid-year, the chair or board secretary can collect information about the board's progress on teamwork. The governance committee would review the findings and present them to the entire board along with overall assessment of the board's performance. With that information in hand, board members could judge how close they came to meeting their teamwork and shared leadership objectives.

The Right Board Size for Teamwork

We have left the discussion of board size to the last for a simple reason. The right size for a board should be driven by all the staffing decisions considered so far, its impact on how effectively the board can operate as a team and effectively share leadership. There is no magical or ideal size for a board. The key issue that must be faced is how many board members it takes to produce a board that has the right mix of knowledge, available time, leadership skills and relationships. The answer to this question varies considerably depending upon the organization's complexity, age, and its demands on board members.

Although it is not possible to specify an ideal size for boards, there are some size limitations that need to be taken into account. Clearly boards can be too large. Large boards end up as legislative bodies rather than as working teams. With boards that are too large, it is difficult for individuals to get sufficient airtime, true discussions are hard to hold, and a consensus is not easily built. Some researchers even suggest that larger boards are less likely to be involved in strategic decision making. In addition, power may end up diffused, and as a result, effective decision-making is difficult.

How large is too large when it comes to boards? The psychology literature on group size suggests that groups are often most effective when they have seven members, plus or minus two. Most CEO's report that their ideal board size is 8 to 12 directors. A size of 9 to13 members is probably right for most corporate boards, though perhaps too small for large corporations. We do suggest that board size should be more than thirteen in cases where the need for diverse knowledge are high and where there are a number of critical stakeholder groups that need to be represented. This suggestion is supported by a recent study which found a positive relationship between board size and corporate performance. The most likely explanation for this rests in the point that boards are expected to fill many quite demanding board committee roles, and that it is easier to fill them when there is a large number of members.

Clearly if boards are going to have thirteen or fewer members, some individuals need to possess several sets of expertise and to be able to fill several roles on the board and to be on several committees. This puts a real premium on finding directors who are not only knowledgeable but who are seriously committed to the role of being an effective board member. If boards are larger than thirteen it is particularly important that board members be selected based on the ability to work in large teams and boards need to make a commitment to team building and sharing leadership. It also is important to be sure the board's committees are able to perform effectively. With large boards, committees need to be able to do a great deal of the work of the board and as a result need to be effective teams.

Conclusion

The place where most organizations have the greatest need for an effective team is in the board room. This is also one of the most difficult places to build an effective team. Numerous factors work against boards operating as effective teams, but there are things that boards can and should be doing to improve their effectiveness as an operating team. For example, a board can shift from its CEO holding the chair role to a non-executive chair model. Chairs themselves through their approach to leading fellow directors can have a positive impact on the type and amount of teamwork on boards. By focusing on the selection of board members and by evaluating boards as teams their team performance can be significantly improved. We believe that if they are designed and staffed correctly, board can operate as effective teams despite the fact that today most do not.

Selected Bibliography

For an in-depth examination of the role of leadership and its implications for teamwork on corporate boards, see Jay A. Conger (editor) *Boardroom Realities* (San Francisco: Jossey-Bass 2009); Jay A. Conger, Edward E. Lawler, and David L. Finegold's *Corporate Boards: New Strategies for Adding Value at the Top* (San Francisco: Jossey-Bass 2001); and Jay W. Lorsch and Robert C. Clark *'Leading from the Boardroom'* (Harvard Business Review, 2008). For further reading on how best to foster effective group dynamics within boardrooms, please read Ram Charan's *Boards That Deliver* (San Francisco: Jossey-Bass, 2005) and *Boards That Work* (San Francisco: Jossey-Bass, 1998). In addition, *Building Better Boards: A Blueprint for Effective Governance* by David A. Nadler, Beverly A. Behan, and Mark B. Nadler is another excellent resource (San Francisco: Jossey-Bass, 2005).

For readers wishing more insights into general best practices for corporate boardrooms, we recommend *Back to the Drawing Board: Designing Corporate Boards for a Complex World* by Colin B. Carter and Jay W. Lorsch (Boston: Harvard Business School Press, 2003) and *The Harvard Business Review on Corporate Governance* (Boston: Harvard Business School Press, 2000). Both explore a broad range of corporate governance practices and their effective application. From the standpoint of making effective group decisions, Michael

Useem's article *'How Well Run Boards Make Decisions'* (Harvard Business Review 2006) provides excellent guidelines.

Author Biographies

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