

Harvard Law School Forum on Corporate Governance

The High Impact Behaviors of the Most Effective Directors

Posted by [Rusty O'Kelley](#), [Rich Fields](#), and [Laura Sanderson](#), Russell Reynolds Associates, on [Tuesday, June 28, 2022](#)

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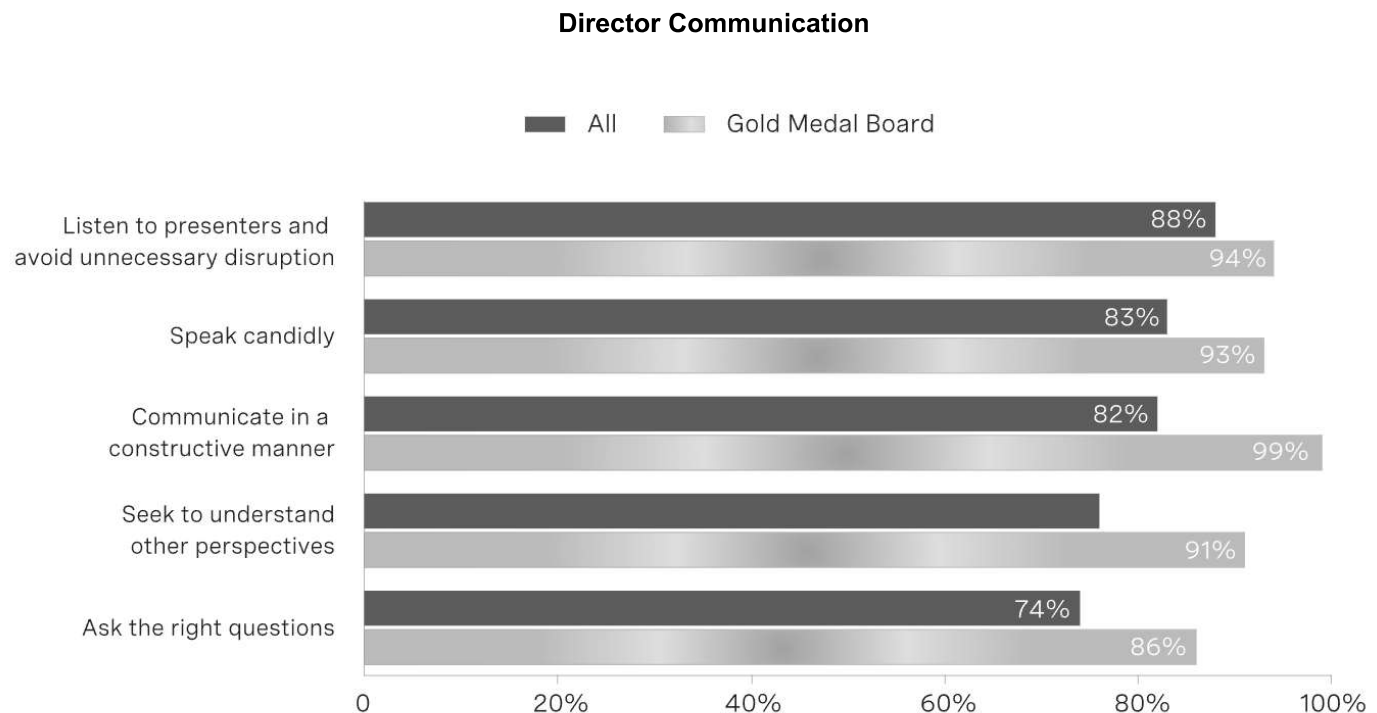
More from: [Elena Loridas](#), [Jemi Crookes](#), [Laura Sanderson](#), [PJ Neal](#), [Richard Fields](#), [Rusty O'Kelley](#), [Russell Reynolds](#)

Editor's Note: [Rusty O'Kelley](#) co-leads the Board and CEO Advisory Partners in the Americas, [Rich Fields](#) leads the Board Effectiveness practice, and [Laura Sanderson](#) co-leads the Board and CEO Advisory Partners in Europe at Russell Reynolds Associates. This post is based on a Russell Reynolds memorandum by Mr. O'Kelley, Mr. Fields, Ms. Sanderson, PJ Neal, Jemi Crookes, and Elena Loridas.

As Peter Drucker said, “culture eats strategy for lunch.” This is true in the best boardrooms as well.

Three years ago, we identified a group we call Gold Medal Boards; those where directors rate their board’s effectiveness highly (9 or 10 on a 1–10-point scale) and where the company has outperformed relevant TSR benchmarks for at least the last two consecutive years. If you were to step into a Gold Medal Boardroom, you would quickly notice a difference in the way directors behave, conduct themselves, and go about their work.

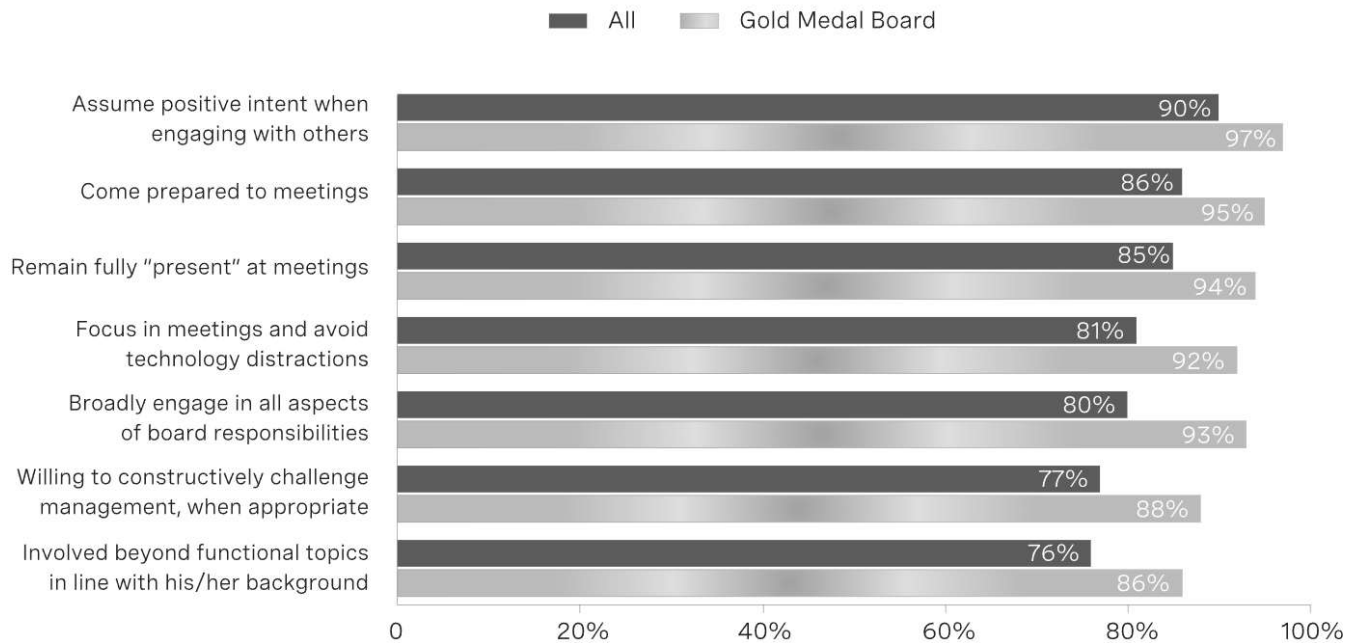
In fact, on every single one of the 28 measures of culture and behavior we reviewed, Gold Medal Board directors outperform their peers—sometimes by significant levels. Let’s take a look:



Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. Percentage of directors saying they "always" or "often" observed directors demonstrating the specific behavior. N=1,136. 2022.

Gold Medal Board directors are more likely to communicate and engage with others in a constructive manner, go out of their way to understand differences and perspectives, and ask the right questions to keep the discussion focused on what matters most.

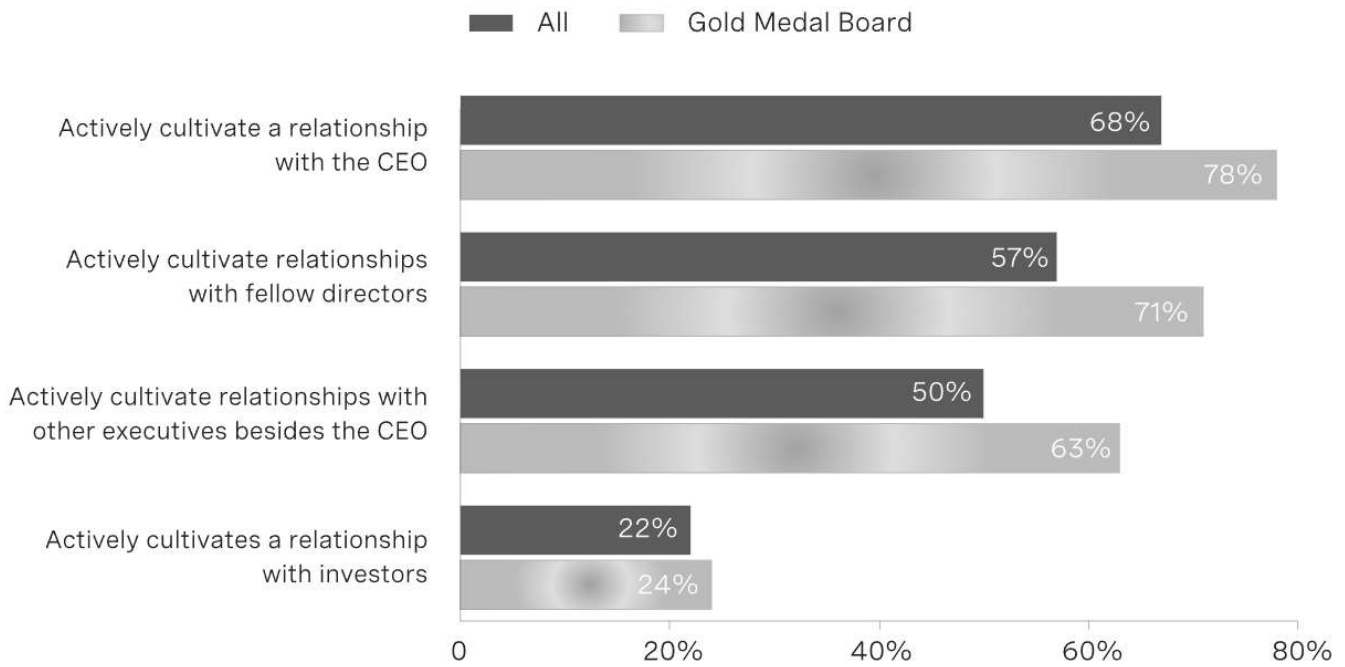
Director Engagement



Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. Percentage of directors saying they "always" or "often" observed directors demonstrating the specific behavior. N=1,120. 2022.

As a baseline, Gold Medal Board directors show up prepared, they focus and pay attention in meetings, and engage on topics that are important to the board, even if they aren't directly related to directors' executive experience.

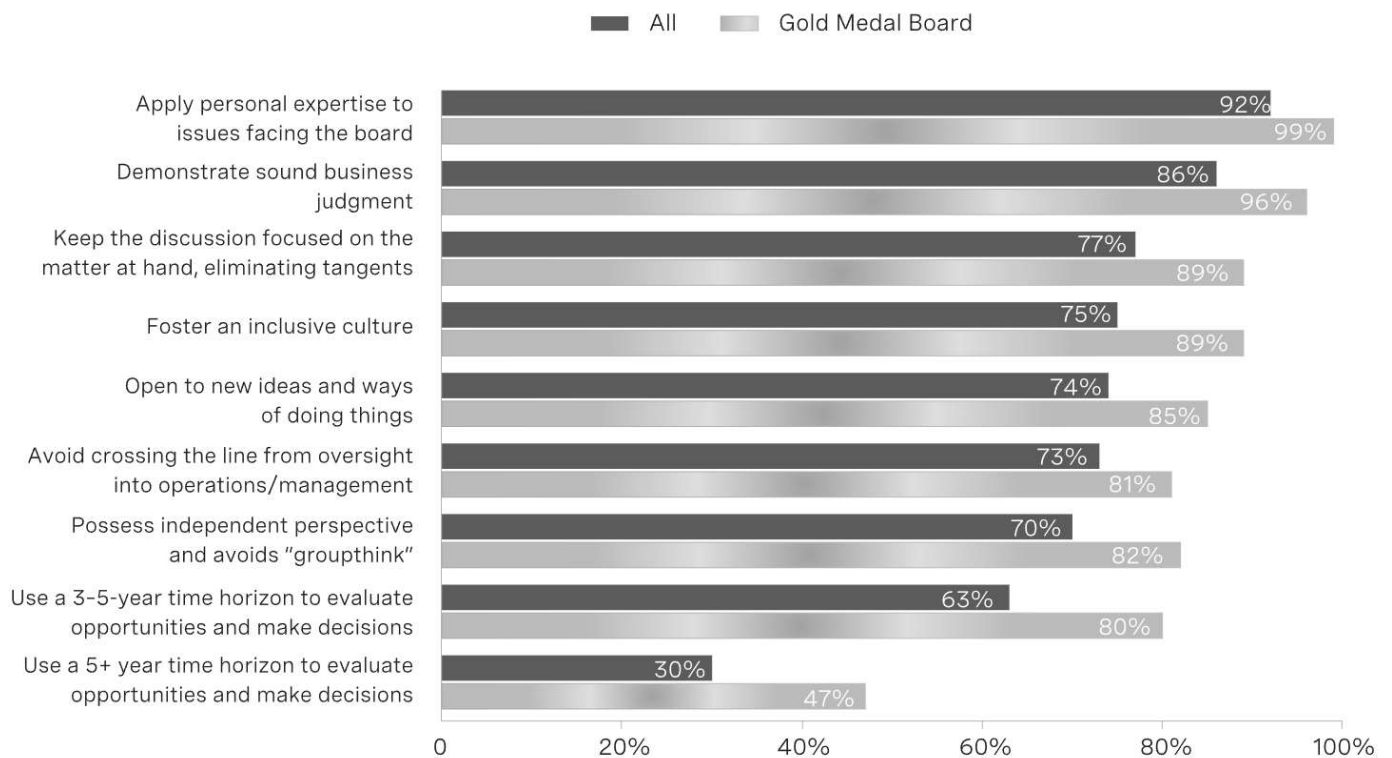
Director Relationship Building



Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. Percentage of directors saying they "always" or "often" observed directors demonstrating the specific behavior. N=1,105. 2022.

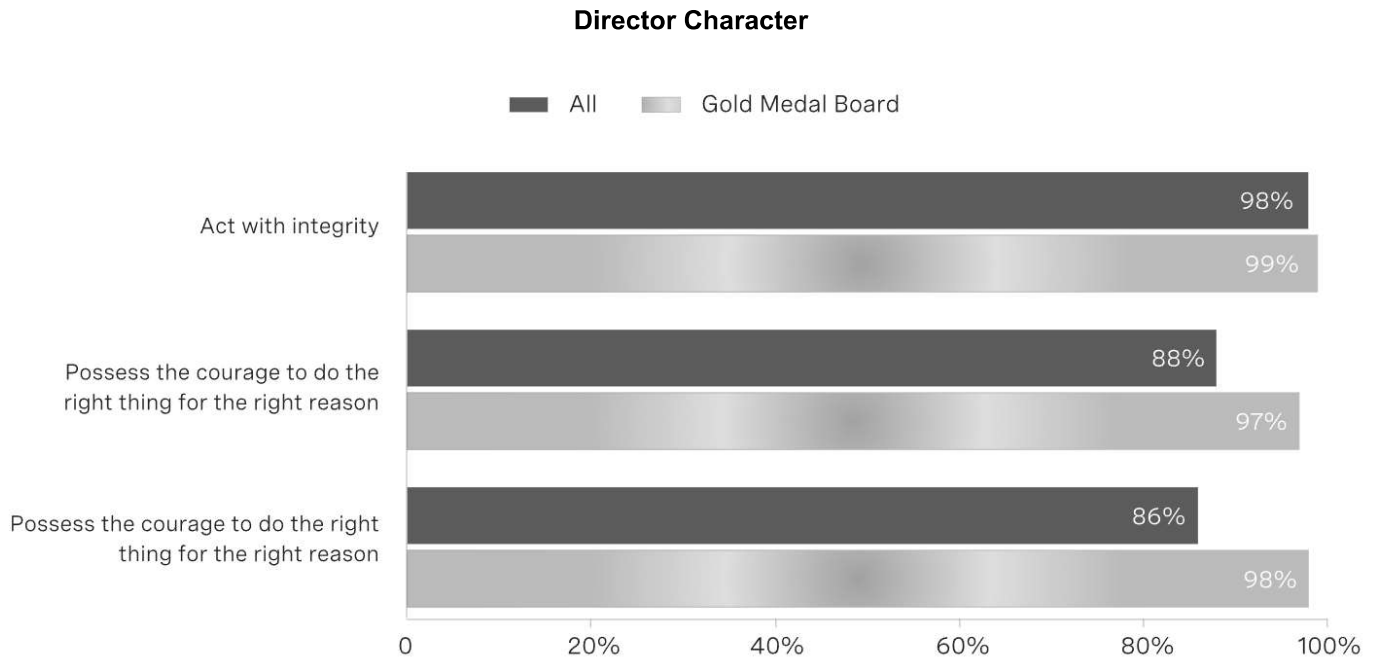
Gold Medal Board directors know that relationships matter, and they go out of their way to build and sustain critical relationships with their peers, the CEO, and other key executives. While engagement with investors ranks lower, that's appropriately so, as not all directors should be engaging with the market.

Director Perspective



Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. Percentage of directors saying they "always" or "often" observed directors demonstrating the specific behavior. N=701. 2022.

While all directors approach their board service with a desire to enable the success of the board and the company, Gold Medal Board directors invest more heavily in doing so. They demonstrate sound business judgment, keep the conversation focused, and build an inclusive culture. They are also more likely to use a longer timeframe for decision making, helping the board avoid a short-term orientation.



Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. Percentage of directors saying they "always" or "often" observed directors demonstrating the specific behavior. N=1,080. 2022.

Character behaviors are about integrity, courage, and trust, and how they manifest themselves in the boardroom. While almost everyone acts with integrity, Gold Medal Board directors are far more likely to demonstrate courage and build trust—two critical enablers of boardroom excellence.

From Insights to Action

Almost all boards aspire to be high performing—but few actually measure potential and current directors to assess their ability to create a high performing board.

Russell Reynolds Associates helps place over 1000 corporate directors each year and this work, combined with our board effectiveness consulting, gives us a unique view into hundreds of public and private companies, as well as nonprofit organizations. In addition, the data from our research efforts enables us to identify the attributes of high performing directors. We divide these into two groups of characteristics.

- **Foundational or Baseline Attributes:** those required to be an effective director and fulfill the responsibilities of the role well
- **High Performing Attributes:** those that we see among the best directors, and that help set them apart from the rest

While many attributes are important, some stand out as being critical enablers of director success:

Foundational or baseline behaviors of effective directors:

- **Prepared and engaged:** Comes prepared, is fully present at meetings, avoids distractions and seeks to add value across a range of board topics.
- **Current and open:** Stays abreast of industry and company developments, is open to new ideas, processes, and ways to solve problems.
- **Builds trust and respect:** Assumes positive intent and builds the trust and respect of fellow directors and management.
- **Knows their role:** Understands the role of a director and avoids crossing the line into management.
- **Stakeholder and investor savvy:** Effectively understands institutional investor and other key stakeholder concerns and how to think about maximizing shareholder returns.

High performing director attributes:

- **Sound judgment and relevant expertise:** Applies the relevant, current business expertise and insights to the situation at hand and demonstrates sound business and situational judgment.
- **Constructive engagement:** Listens more than talks, willing to constructively engage with and challenge management and peers when appropriate.
- **Integrity and courage:** Acts with integrity and possesses the courage to do the right thing for the right reasons.
- **Focus and questions:** Asks the right questions appropriate to the situation and focuses on the key issues relevant to the discussion and business.
- **Possesses an independent perspective:** Avoids groupthink and prioritizes the interests of the company's shareholders and stakeholders.

To build a highly effective board that successfully adds value to the company in the way strong directors desire to, it is important boards use these insights—tailored as necessary to their unique context—in both the recruitment of directors, and their regular evaluation of director performance.

Methodology

Over 1,100 supervisory board-level directors from more than 41 countries participated in the Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey, with 55 percent of respondents based in Europe, 27 percent in the Americas, 12 percent in Oceania, 3 percent in Asia, 2 percent in Africa, and 1 percent in the Middle East. Industries represented included financial services (26 percent of respondents), industrial and natural resources (22 percent), consumer (11 percent), technology (11 percent), healthcare (10 percent), and professional and business services (6 percent). Forty-four percent of respondents' companies had annual revenue over \$1 billion.

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