

NANO TOOLS FOR LEADERS®

THE LEADER'S CHECKLIST FOR BOARD DIRECTORS

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes—with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

THE GOAL

Understand and continuously evaluate your board's performance and responses to today's most pressing strategic and leadership issues.

NANO TOOL

Company directors are increasingly called to partner with executives, playing a high-stakes role in driving an enterprise's strategy and leadership. Fortunately, many of them have extensive experience in running their own companies and are ready to contribute to a firm's strategy and leadership. The challenge is for them to bring that expertise regularly and systematically into their boardrooms—and for this, a set of governance checklists, comprised of a series of well-researched questions, can be a useful resource. These checklists can also be used as templates for leadership in advisory committees, product teams, work crews, or just about any other group. And the leadership roles of board chairs can be extended to group heads and team captains.



ACTION STEPS: APPLY THREE DIRECTOR CHECKLISTS

Director Checklist 1. Questions for Directors, Executives, Owners, and Investors:

- Do company executives and directors have a compelling strategy for creating value and increasing advantage?
- Are company executives and directors capable of thinking and acting strategically?
- Is the firm's organization capable of executing its strategy?
- Do all executives and directors add value to the company's strategy and leadership?

Director Checklist 2. Risk and Resilience Issues for Directors:

- Identify hazards that can become disruptive or even disastrous if not detected and mitigated—including those caused by management.
- Work with executives to caution against intuitive thinking that can lead company executives to misestimate high-impact but low-probability risks.
- Bring more deliberative thinking into both the boardroom and executive suite.
- Recruit directors with prior risk-management experience to strengthen the firm's engaged and deliberative oversight of risk.

- Usefully guide and appraise company risks in the development of new products and services, posing critical questions and challenging executive assumptions.
- Press executives to substantiate their forecasts, anticipated results, and identified risks without micromanaging them.
- Strengthen the norms of informed and active engagement in risk oversight; recruit and coach top executives to think more deliberatively about company threats.

Director Checklist 3. Questions for Owners and Investors:

- Has the board picked the right board chairperson and established a procedure to identify the next?
- Does the chairperson conduct effective executive sessions and make sure that the chief executive is receiving true feedback from the directors?
- Is the chairperson able to work well with top executives—but also ready to ensure that a faltering CEO is either mentored or removed?
- Has the chairperson arranged a way for directors to communicate directly with owners and investors?
- Does the board annually evaluate the performance of the chairperson?
- Has the chairperson arranged for the best-prepared directors to serve as chairs of the key committees?
- Does the chairperson regularly consult off-line with the other directors?
- Is the chairperson focusing the directors on the company's strategic challenges and leadership capabilities?
- Are the directors actively leading the company on key decisions in partnership with the executives, not just monitoring them?

HOW ONE COMPANY USED IT

As China's Lenovo Group, the world's largest personal-computer company, globalized its operations, directors played a central role in defining company strategy, leadership, and their integration. Lenovo acquired IBM's personal computer division, and in doing so, actively embraced the four questions in Director Checklist 1 to strengthen the strategic thinking and leadership of its directors and executives.

On the fourth question in the first Director Checklist, for instance—are all board members and senior executives adding value to the company's strategy?—the company revamped its board's membership and procedures to strengthen the directors' multinational contributions. On the second question—is the post-acquisition governing board and top team prepared to think and act strategically in presiding over their firm?—Lenovo expanded its directors' attention to include a focus on the strategy and leadership of the company's multinational operations.

In applying the second question in Director Checklist 1—that of whether top executives are capable of thinking and acting strategically—the board pressed for Lenovo's officers to reflect the company's new operating geographies. A year before the acquisition, all members of the top management team were Chinese; two years after the purchase, 6 were from greater China, 1 from Europe, and 11 from the United States.

In line with the fourth question in Director Checklist 1—that of whether executives and directors add value to the company's strategy and leadership—Lenovo brought a host of strategic issues to the board for its vetting and final decision

making. The issues included how long to retain the IBM logo on its products, what new acquisitions to pursue, which adjacent product areas to enter, and whether to build devices that bridge laptops and desktops.

Lenovo's directors also pressed for bringing in new directors who would add deep experience to the firm's strategic and corporate leadership. Lenovo also moved its directors from a relatively limited role in monitoring management to more active engagement in the company's strategy and leadership. The board had been primarily concerned with audit and compensation, but after the acquisition it played a far larger role.

To ensure a disciplined alignment of strategy and leadership, Lenovo formed a board-designated strategy committee, charged with vetting the company's mid- and long-term decisions on behalf of the directors. The strategy committee met monthly on issues ranging from company direction to cultural integration, and played a particularly important role in appraising the company's leadership as specified by Director Checklist 2. The executive chairperson and chief executive submitted annual self-assessments and 360-degree feedback results to the committee and the board, and the directors then evaluated the extent to which the executives had achieved their annual plan's financial, market-share, talent recruitment, and related goals.

In line with the three leadership checklists, there was a sharp divide between the way the Lenovo board operated before and after its decision to acquire the IBM PC division. Prior to the purchase, the board had operated without a strategy committee or an annual performance review. Director decisions expanded from accounting audit and shareholder rights to branding, sourcing, strategy, and leadership. Directors replaced the first chief executive, decided against an acquisition, and facilitated cross-cultural integration of widely different divisions.

A decade after the acquisition and remake of its board and management to better strategize and lead the company, Lenovo had the largest global market share of PC sales. To draw the best from a governing board, developing a set of governance leadership checklists is a way to help ensure both directors and executives are attentive in detail to the mission-critical features of what makes for an optimal combination of strategy and leadership in your boardrooms.

CONTRIBUTOR TO THIS NANO TOOL

Michael Useem is William and Jacalyn Egan Emeritus Professor of Management and faculty director of the Wharton Leadership Center and McNulty Leadership Program. He is author of *The Leader's Checklist: 16 Mission-Critical Principles* (10th Anniversary Edition), Wharton School Press, 2021, and *The Edge: How 10 CEOs Learned to Lead*, PublicAffairs Books, 2021.

KNOWLEDGE IN ACTION: RELATED EXECUTIVE EDUCATION PROGRAMS

[*Advanced Management Program*](#); [*Boards That Lead: Corporate Governance That Builds Value*](#); [*CEO Academy*](#); [*Corporate Governance: Essentials for a New Business Era*](#) (all co-directed by Professor Useem)

ABOUT NANO TOOLS

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, director of Custom Programs at Wharton Executive Education. *Nano Tools for Leaders®* is a collaboration between joint sponsors Wharton Executive Education and Wharton's Center for Leadership and Change Management. This collaboration is led by Professors Michael Useem and John Paul MacDuffie.

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