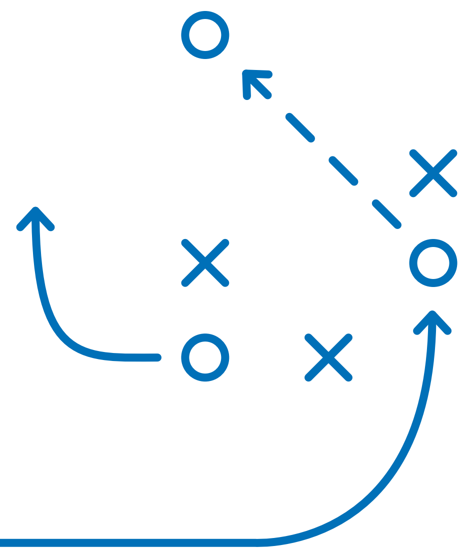
FCLTGLOBAL
FOCUSING CAPITAL
ON THE LONG TERM



REPORT

The Board Playbook

WINNING STRATEGIES FOR LONG-TERM VALUE CREATION

Focusing capital on the long term to support a sustainable and prosperous economy

Millions of people around the world are saving money to meet personal goals—funding a comfortable retirement, saving for someone's education, or buying a home, to name a few.

The funds to support these goals are safeguarded by institutional investors—pension funds, sovereign wealth funds, insurers, and asset managers—who invest in companies for the prospect of growth and security. These savers, their communities, and the institutions that support them make up the global investment value chain, and each benefit from long-term decisions in different ways.

Data shows that long-term-oriented investors deliver superior performance, and long-term-oriented companies outperform in terms of revenue, earnings, and job creation. But despite overwhelming evidence of the superiority of long-term investments, short-term pressures are hard to avoid. A majority of corporate executives agree that longer time horizons for business decisions would improve performance, and yet half say they would delay value-creating projects if it would mean missing quarterly earnings targets.

Today, the balance remains skewed toward short-term financial targets at the expense of long-term value creation.

FCLTGlobal's mission is to focus capital on the long term to support a sustainable and prosperous economy. We are a non-profit organization whose members are leading companies and investors worldwide that develops actionable research and tools to drive long-term value creation for savers and communities.

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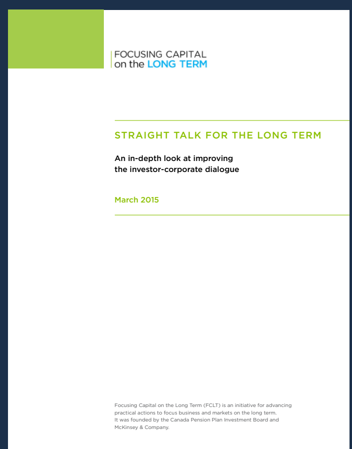
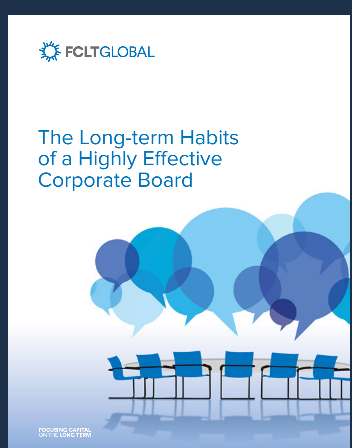
FCLTGlobal's work benefited from the insights and advice of a global working group of subject matter experts drawn from FCLTGlobal's members and other organizations. This final document is our own, and the views expressed here do not necessarily represent the views of our working group participants. We are grateful for the insights of all our project collaborators.

This publication builds on FCLTGlobal's body of work addressing governance as one of the key drivers of long-term performance. It is impossible to have a long-term company with a short-term board, and the board is the connection point between the owners and the management in both public and private companies.

FCLTGlobal's existing research gives companies tools for strengthening their governance for long-term value creation.



Straight Talk for the Long-term (2015):
Companies that articulate a long-term strategy effectively tend to attract investors who are more willing to look beyond short-term under-performance. We found broad agreement on 10 key elements that companies should communicate to investors: purpose, mission, and vision; key value drivers; market view; competitive advantage; strategic goals; execution roadmap; longer-term metrics and targets; capital and non-capital investments; risks; and executive and director compensation.



The Long-Term Habits of a Highly Effective Corporate Board (2019):
Original FCLTGlobal research, conversations with key stakeholders, and a review of existing studies emphasize four overarching steps that boards can take to focus more on the long term. In addition to dedicating time to strategy, rewarding directors for long-term success, and ensuring board diversity, these boards communicate directly with long-term shareholders by making a concrete commitment to their success in the company's governing documents, requesting investors' feedback, and giving investors the chance to talk freely, and listening actively.

EXECUTIVE SUMMARY

Companies — both public and private — strive to build boards that are instrumental to long-term value creation. But boards often feel they have to follow somebody else's playbook. The goal of this paper is to share insights from interviews with board directors, CEOs, and experts along with a series of tools that boards can use to create their own playbook for success.

Companies have unique strategies, cultures, and strengths and weaknesses. As companies grow, and especially if they shift from private to public markets, they encounter a set of norms that governance experts expect them to follow. Some of these norms are listing requirements or laws that companies must follow, but many are simply norms – somebody else's playbook.

Over time, the company's competitive environment will undoubtedly change, and the board and management will need to adapt their strategy to thrive. Just as circumstances and challenges evolve, so do boards. There is no single standard playbook that works across all companies or even the same company over time.

Rather than running the same play, organizations that thrive over extended periods develop differentiated governance models that align with their specific strategy and adapt as circumstances evolve. The alignment between the board, executive leadership, and strategic vision is often the linchpin in sustained corporate performance.

Our research, based on extensive interviews with board directors, CEOs, and governance experts, reveals a fundamental challenge: while directors and executives broadly acknowledge the importance of strategic alignment, many companies have not achieved it.

The most effective long-term boards calibrate their orientation across three critical dimensions:

- Strategic Time Horizon: Aligning board perspectives with the company's investment cycles and growth trajectory
- Risk-Growth Balance: Establishing an appropriate equilibrium between opportunity pursuit and risk management
- Board-Management Relationship: Structuring governance to provide both partnership and appropriate oversight

Borrowing from sports terminology, successful boards must balance "playing offense" (investing in growth and pursuing strategic opportunities) with "playing defense" (ensuring risk oversight and maintaining operational stability). In this regard, as one executive noted to us in the writing of this report, "Every board is out of balance one way or the other." And so, every company needs a playbook that meets its unique circumstances.

This publication offers a way to craft that playbook, and to help company directors establish strategic, differentiated, long-term governance, drawing on perspectives and examples from public and private companies around the world:

- Questions for Developing Strategic Governance (page 13)
- Self-Assessment for Board Directors (page 19)
- Pro Tips for Board Chairs (page 21)

The critical insight for board governance is that any position on the spectrum, from defensive risk minimization to offensive growth orientation, can support long-term value creation when appropriately aligned with the company's circumstances. The key determinant of success is not adopting a particular governance style but rather establishing and actively maintaining alignment between the board, management, and strategic objectives as conditions evolve.

PART I: BALANCING OFFENSE AND DEFENSE

Boards both support management through disruption and must challenge management to generate value and manage risk. In this sense, high-performing companies tend to find a good balance between defense and offense.

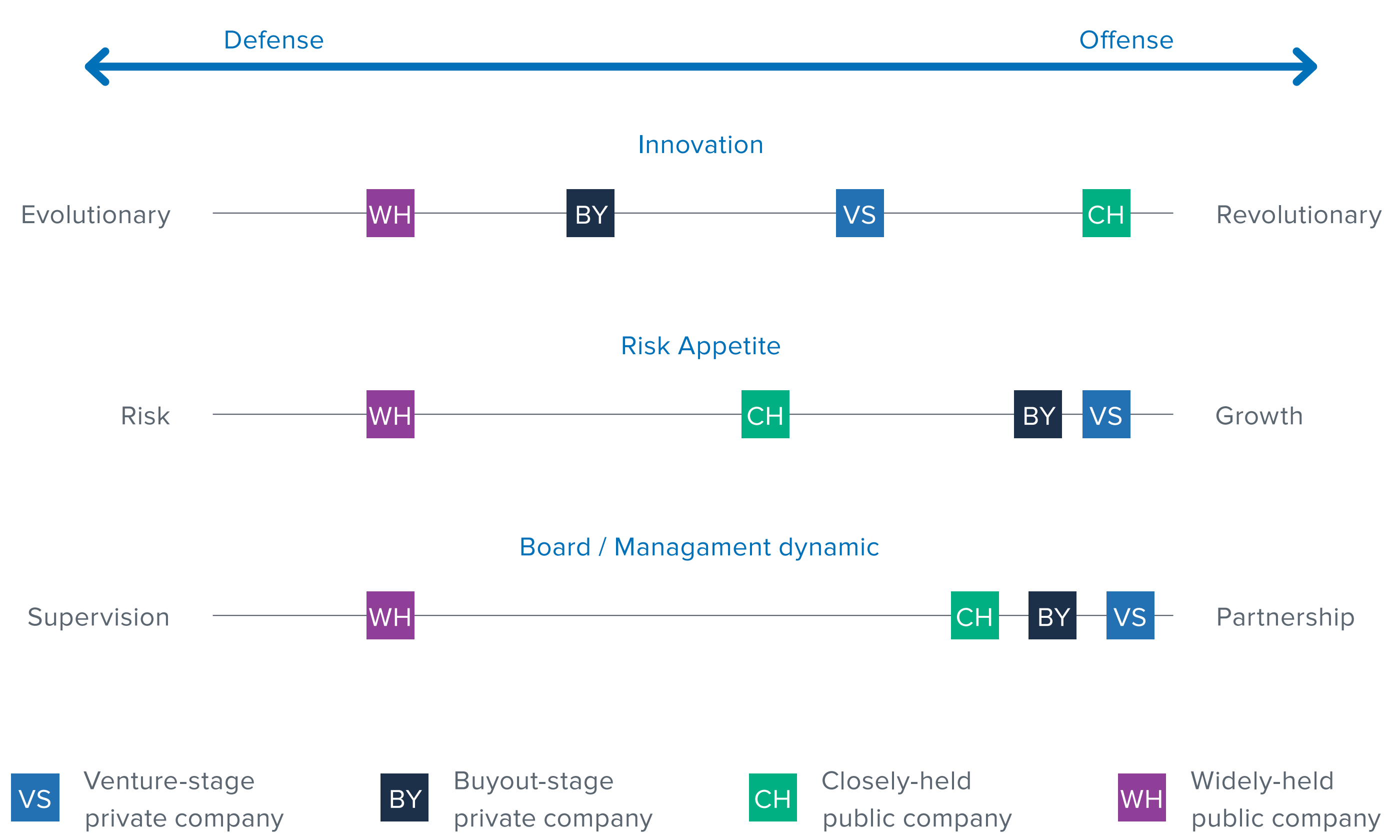
Yet, despite the importance of this balance, executives have told us that nearly every board struggles to achieve this equilibrium, "and it's the CEO's and chair's job to constantly seek it." [1]

This conclusion recalls findings from *Corporate long-term behaviors: How CEOs and boards drive sustained value creation*, prior FCLTGlobal research conducted in partnership with McKinsey & Company. That work found that many established businesses have developed an aversion to risky bets. Instead of playing to win, they play not to lose—and so they struggle to stay in front of competitors. Accordingly, the long-term behavior for these companies is going on offense by investing sufficient capital and talent in large, risky initiatives to achieve a winning position. Yet companies must mind their defensive position at the same time: "Growth alone won't deliver value." [2]

A company's strategy drives this balance, as expressed by its choice between evolutionary (i.e., incremental) and revolutionary (i.e., transformational) innovation, its risk appetite relative to growth objectives, and the type of relationship the board has with management. Whether public or private, firms may make quite different choices in these dimensions.

We have synthesized these dimensions and identified where typical companies fall on this spectrum, using direct input from a wide variety of investors and corporations.

Exhibit 1. Evaluating the balance between a board's offense and defense



From these discussions, we conclude that:

- Boards of widely held public companies tend to have more evolutionary, risk-averse, and supervisory-focused governance than their closely held and private market peers.
- In contrast, boards of more closely held companies, commonly in the form of family or founder-held firms, permit a long-term orientation alongside an increased focus on management as well as the ability to target the controlling shareholders' risk appetite.
- Private equity boards are often more transaction-oriented with an intermediate time horizon.
- Meanwhile, venture capital boards tend to be revolutionary, growth-focused, and more involved in management as befits the needs of startups.[3]

These archetypes bring to life why different "playbooks" are right for different companies.

Board practices across these dimensions vary between companies across borders, just as they do between public and private companies. Notable differences can be observed in terms of shareholder involvement in board selection and director compensation.

- For instance, in the U.S., large shareholders are typically excluded from board selection, while in Sweden, large shareholders are asked to play a critical nominating role.
- In the U.K. and Europe, directors are often compensated with annual cash payments, while equity as part of director compensation is standard in the U.S.

What matters is that companies make choices that align with their circumstances and corporate strategy, and that their board and executive team are aligned with these choices.

Examples:

Votorantim: "At Votorantim, we have a clear and defined mandate that is always developed jointly with the board and shareholders. This mandate determines our strategic objectives, the level of risk we are willing to undertake, and the tools and incentives management has at its disposal... clear communication of these instruments in a smooth and frictionless manner ensures that the balance between long and short term, risk and growth, and management and governance can perpetuate throughout the company and its investments, becoming an inseparable part of the DNA and corporate culture. Ultimately, the goal is to make these balances ingrained in the company's culture, beyond written and well-communicated policies." [4]

State Street: "The three critical requirements of a successful board are: a deep understanding of long-term strategy; CEO selection and succession planning; and effective risk oversight... Change is perhaps the only constant in business. As new opportunities, challenges, and risks present themselves, skill sets must never remain stagnant. This holds true especially at the board level. New ways of supporting corporate boards — and enabling individual board members to evolve through deeper corporate understanding and subject matter expertise — are essential components of delivering upon any company's long-term strategic goals." [5]

PART II: LEARNING FROM BEST PRACTICES ACROSS GEOGRAPHIES AND MARKETS

Boards can draw on the practices of long-term companies from around the world, across both public and private markets, to establish their own differentiated, strategic governance. As stated previously, these practices pertain to the company's strategic time horizon, appetite for growth relative to risk, and the board's relationship with management.

Strategic Time Horizon Practices

These include the company's investment horizon, directors' compensation structure, and the term lengths of directors.

A long-term board aligns its time horizon with the company's investment horizon. The length of a company's strategic focus may vary based on its industry or product cycle, meaning one time horizon does not fit all companies. A mismatch between the board's time horizon and that of the company can hinder the board's long-term success.

To assess alignment, compare the company's investment horizon with directors' compensation and term lengths. This alignment is easier to track across different stages of company growth (e.g., private ventures versus mature, widely held public firms). However, national regulations and market practices may impact the feasibility of aligning time horizons, as countries do not have uniform investment horizons for their corporations.

Risk and Growth Practices

These practices involve the board's mindset, incentives, and aspirations, which are shaped by both intrinsic and extrinsic motivations.

Long-term boards ensure that directors' motivations align with the company's strategy. Conflicting motivations can undermine long-term success. Monetary incentives, such as equity or options, often encourage directors to focus on growth, while fixed instruments like cash can motivate risk control. However, directors' personal aspirations also influence their approach. For example, a director in a family-owned company may prioritize long-term growth, while a supervisory director in Germany may focus on oversight due to labor representation.

Partnership and Supervision Practices

These practices define the board's relationship with management, particularly in terms of focus and representation.

A board's priorities influence its culture, access to information, and interactions with management. Smaller boards, often more agile, may prioritize investor perspectives and work closely with management. In contrast, larger boards, which inherently represent more diverse perspectives, may adopt a more deliberative approach, which can make them less nimble.

The size of the board can affect its ability to partner closely with management. In ventures or companies undergoing turnarounds, clear vision and commitment that smaller boards often offer are essential for long-term success. Larger boards, though less agile, often are better suited for the deep deliberation needed to help more established businesses thrive in future generations.

The matrix on the following pages catalogs practices of boards across the aforementioned ownership structures. Another matrix that immediately follows does the same in various national markets but focuses just on widely-held public companies out of necessity, since practices across ownership structures vary widely even within countries. These are meant to serve as an illustrative menu of options for boards to choose from, rather than a precise characterization of any single governance system. We emphasize that these practices are not prescriptive and are subject to wide variation.

	Private		Public	
Characteristics	**Venture**	**Buyout**	**Closely-held (Founder, Family)**	**Widely-held**
Strategic Horizon				
Investment horizon	5-7y	3-5y	Generational	3y
Payday target	Public market IPO or strategic sale	Sale of the company	Intergenerational	Vesting and lockup horizons
Term length	At the board's will	Until exit	1y with exceptions	Unlimited, 1-yr renewal with adversarial exception
Growth Driven - Risk Focused				
Incentives				
Reward	Equity and Options	Equity	Permanent Equity	Base + Equity
Constraint	Time to fix, Next deal	Next fundraising ability	Family Reputation	Personal Reputation
Aspiration				
Emphasis	Build the future	Operational effectiveness	Prestige	Insight, oversight, foresight
Core Lever	Strategy	Expertise	Professional management	Consultation
Partnership - Supervision				
Focus				
Board culture	Visionary	Near-term return	Grounded	Aligned
Engagement distance	High involvement	High involvement	Moderate involvement	Limited involvement
Information availability	Full access	Full access	Need to know basis	CEO curated
Information analysis, synthesis	Fully resourced	Fully resourced	Resource limited	Resource-limited, boardroom only
Meeting frequency	Weekly	Ad hoc	Monthly	Quarterly
Representation				
Board size	6	6–8	Variable	12–14
Diversity	Low	Low	Variable	Medium
Investor	Yes	Yes	Yes	No (Ex. activists)
Independent	No	No	Variable	Yes
Workforce representation	No	No	No	No

Characteristics	United States	United Kingdom	Sweden	Germany (Supervisory tier)	Japan
Strategic Horizon					
Payday target	Long-term ownership incentives with vesting and lockup horizons	Annual (cash)	Annual (cash) with some long-term ownership incentives	Annual (cash)	Annual (cash); evolving to some equity long-term ownership incentives
Term length	No legal tenure limit; 1y terms with adversarial exceptions	9y independent tenure limit; 1-3y terms	Varies by whether the director represents a block holder	No legal tenure limit; 3-5y terms	No legal tenure limit; 1y terms with adversarial exceptions
Growth Driven - Risk Focused					
Incentives					
Rewards	Base, equity	Base, prestige, service	Relationships, Honoria cash secondarily	Prestige; Honoria cash secondarily	Base, equity evolving; low absolute levels of compensation
Constraints	Personal Reputation	Sense of liability and personal reputation	Structural boundary of AGM-board and of board-management	Limited scope of influence	Expectation of consensus internally; Personal reputation and some liability externally
Aspirations					
Emphasis	Insight, oversight, foresight	Oversight, direction-setting	Insight, oversight, foresight	Oversight	Trust, support, allegiance
Core Lever	Consultation	Disclosure	Agenda setting	Meetings, including committees	Support of the CEO

Characteristics	United States	United Kingdom	Sweden	Germany (Supervisory tier)	Japan
Partnership - Supervision					
Focus					
Board culture	Maximize shareholder value	Balanced for stakeholder considerations	Shareholder value first, stakeholder considerations second	Focused on stakeholder (i.e., employee) considerations	Consensus-oriented
Engagement distance	Limited involvement	Limited involvement	Limited involvement	Moderate involvement	High involvement
Information availability	CEO curated	Exhaustive disclosure	Broad access to management	Via the management board	CEO curated
Information analysis, synthesis	Resource-limited, boardroom only	Resource-limited, boardroom only	Hired advisors	Expectations of supervisory directors	Procedural and technical
Meeting frequency	Quarterly + committee meetings	Quarterly + committee meetings	5-8 times/year	>8 times/year + committees	Monthly
Representation					
Board size	11-14	10-12	6-12	15-20	10-15
Diversity	Medium	Medium	Medium	Medium	Lower but accelerating
Investor	Low	Low	High for the nominating committee; low for the board	High	High
Independent	Yes	Yes	Yes	Yes	Yes, for globally competitive companies; Low for domestically competitive companies
Workforce representation	No	No	Yes	Yes	No

PART III: TOOLKITS: PRACTICES TO BUILD YOUR PLAYBOOK

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Questions for Developing Strategic Governance

Long-term corporate boards must evolve to achieve their corporation's future ambitions, rather than remaining anchored to the status quo. As boards evolve to meet changing market and economic conditions, understanding the development needs of a board becomes particularly important.

The key attributes of successful, long-term-oriented boards are:

- Having a clear remit
- Being a competitive advantage of the organization
- Having effective leadership
- Including broad expertise
- Ensuring a strategic focus
- Having an long-term mindset

These attributes may appear rudimentary at first glance, but an open conversation among board members around them can be quite informative. Do the various board members have the same or different answers? Do board members discuss what the board does, or what it should do? The effectiveness of these questions depends on the board's willingness to think critically about its practices and provide frank answers.

Long-term-oriented boards ask these questions and revisit their answers over time, both to maintain their key attributes and to evolve in response to changing conditions.[6]

Clear Remit	
Question	**Rationale**
Do your executives and directors have a shared understanding of the board's role?	Long-term boards do not take this shared understanding for granted. As one corporate CEO noted, "It's not always clear to me that board members have read the terms of reference for their role." A global index provider CEO added, "Directors should realize that it's 2024, it's not 1980... You need to understand your role and execute on it." Importantly, part of understanding the terms of reference for a board's role includes being clear on which authorities the board has delegated to management.
Do you have a clearly written statement of the board's objectives and role that serves as a foundation for board discussions?	Having a shared understanding of the board's role is necessary but not sufficient. The board must also practice its role. Importantly, part of understanding the terms of reference for a board's role includes being clear on which authorities the board has delegated to management.
Is it clear to directors whose interests they represent (e.g., shareholders, employees, country, etc.)?	Disinterest is inconsistent with long-term value creation and is not the ultimate goal. Part of what gives a director long-term focus is having a differentiated perspective, knowing what it is, and bringing it into the boardroom.
Do directors have sufficient independence from management to represent those interests?	Boards add value by complementing executive management, not echoing it. This complementary perspective is only effective when directors feel free to offer it. As a global index provider executive stated, "the board's responsibility is to maintain a long-term vision and preserve management's focus on a foundation for continuous innovation, growth, and return." They added that "independence is most valuable when there are competing priorities."

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Competitive Advantage	
Question	**Rationale**
Would you consider your board a key long-term competitive advantage of your organization?	Directors and executives may not initially think about the board in terms of competitive advantage. At the same time, directors and executives want all the company's activities to improve it in some way – and the board is part of the company's activities.
Is your board seen as a forthright, problem-solving partner to management?	Directors and executives often mention the problem of "gotcha" directors who highlight management's imperfections. While imperfections are inevitable, boards are most effective when they help solve the problems they identify. As a global service provider executive pointed out, "the board needs to be viewed by management as a sounding board."
Have board members established strong working relationships with one another?	One challenge some boards encounter is having the CEO or Chair at the center of every relationship. Directors require a network of relationships to serve on a board effectively. Defining these specifically as working relationships distinguishes these boards from those underpinned by social relationships, which are prone to groupthink and tend to focus more on personalities than on company success.[7, 8]
Is board effectiveness being measured, discussed, and used to improve continuously?	Conducting an assessment doesn't guarantee the board will use it. Long-term boards take that next step proactively. As a Sovereign Wealth Fund from APAC noted, "long-term boards seek assessments of their own performance and future needs."

Effective Leadership	
Question	**Rationale**
Does the chair set the tone for the board?	Having effective leadership is crucial in ensuring choices are complementary, not conflicting.[9] An APAC sovereign wealth fund executive noted, "boards which are skillfully chaired… support better long-term behaviors, pulling in the same direction." Another asset owner CEO emphasized that "having the right chair is absolutely key to the performance of the board in every respect – that includes ensuring and improving long-term behaviors." A global consulting CEO added, "chairs make a huge difference. The way they're positioning their board, positioning relative to management."
Would board dynamics and culture represent the company well on the front page of the newspaper?	Culture is complex, qualitative, and broad – it is also one of the most important factors for a board's success.[10] Directors know if they would be proud of the dynamics and culture inside their boardroom getting publicized, even if they cannot define those features exactly or quantitatively.
Is your board chair effective at handling challenging issues?	The chair's role extends beyond administering ordinary business – it also involves handling challenging issues.[11] As one corporate CEO put it, "Our new chairman is almost a full-time job and an expert in the industry, in contrast to those who make sure nothing blows up and then say goodbye in five years. [He] asks questions, asks them again if he doesn't get the right answers."
Have you considered the trade-offs of combining or separating the CEO and chair roles?	This decision is often framed in black-and-white terms, with one right answer, even though views differ on what that right answer is. However, the job of boards is to know the trade-offs and make the best choice they can, not to all make the same choice.[12]
Does your board have a CEO succession plan in place for smooth or unexpected scenarios?	While boards typically have a plan for smooth transitions, which is relatively straightforward, the most important preparation is for unexpected events, which are much harder to plan for. Without a plan in place for these difficult situations, a company risks instability and potential damage to its reputation and performance.[13]

Strategic Focus	
Question	**Rationale**
Are you investing to pivot toward new profit streams and manage future disruptions?	Strategic focus helps boards prepare for inevitable disruptions. Directors of companies with long-term strategies understand that while they can't predict the exact nature or timing of disruptions, they must plan for various scenarios. Even in calmer periods, competitive advantages will eventually fade, so a board committed to long-term success must actively strategize for new profit streams and cultivate fresh competitive advantages to stay ahead.
Does your board spend most of its time on strategy and capital allocation rather than routine matters?	The way a board allocates its time reflects its strategic focus.[14] Capital allocation is essential for executing a company's strategy, and long-term boards ensure they spend sufficient time discussing it. As one of our large asset owner members explained, "A board must ensure that it doesn't ask the business to grow at a certain rate and then doesn't provide for sufficient funding to achieve that." Additionally, an asset manager highlighted the importance of connecting questions about board governance with other FCLTGlobal tools for capital allocation, such as those in *Funding the Future* and *The Dangers of Buybacks*. *Corporate Long-term Behaviors* emphasized that "boards of directors can help orient management toward the long-term… [by] ensuring that strategic investments are fully funded each year and have the appropriate talent assigned to them."[15]
Does your board review long-term (3+ year) strategic roadmaps?	A strategic goal is only as effective as the plan to achieve it. Long-term boards not only have a clear view of the path to reach their strategic goals but also continuously assess whether the company is staying on track.[16] As a large Canadian Pension stated, "the board doesn't just review strategy, it's part of the elaboration of it."
Does your board ensure that CEO compensation aligns with the execution of the long-term strategic plan?	"You get what you pay for" is a principle long-term boards understand well—they know that CEO compensation must align with the strategic plan to drive desired outcomes. However, this alignment is rarer than many might think. A significant portion of CEO pay often comes in the form of annual salary and bonuses, with even long-vesting incentives sometimes tied to year-on-year changes in total shareholder return, rather than long-term goals.[17] Corporate long-term behaviors similarly emphasizes that long-term boards structure "executive compensation over longer time horizons—including time after executives leave the company."[18] FCLTGlobal has provided tools for doing so in subsequent reports, *The Risk of Rewards* and *The CEO Shareholder*.[19]
Do you use committees for discussing routine matters, such as periodic earnings?	Boards must comply with laws, policies, and best practices, and these routine matters require attention. However, to ensure that full board meetings can focus on strategy and capital allocation, this attention is best provided through the use of committees, allowing the board to delegate routine tasks while prioritizing more strategic discussions.[20]

Broad Expertise	
Question	**Rationale**
Does your board have the depth and breadth of skills, expertise, and experiences to make durable strategic decisions?	Long-term boards maximize their decision-making potential by combining directors' skills and experiences to align with the company's long-term goals. The CEO of a large index investor noted that "success hinges on building a board with broad, complementary experiences, skills, and qualifications." In contrast, a Canadian asset manager added, "how an engineer approaches a problem relative to a lawyer is fascinating. Having that diverse perspective when you're thinking about risk and long-term strategy is helpful, actually more than helpful – critical."
Is your board resourced to make these decisions?	Having decision-making potential is not enough; boards will only realize that potential if they are properly resourced.
Does the size of your board encourage both responsibility and active discussion?	A board that is too large risks missing out on active discussion, while a board that is too small may lack the capacity to cover the full scope of its responsibilities.
Does your board promote critical thinking and avoid groupthink?	Boards benefit from diverse perspectives when they actively solicit and incorporate these viewpoints from directors.[21] The quality of thinking is what truly drives long-term value creation.[22] "Groupthink", which fosters confirmation bias and limits creativity, undermines this potential. Even with diverse personal backgrounds, directors may think similarly, so long-term boards ensure their diversity leads to actual diversity of thought. As a global consultancy member noted, "You can sometimes get groupthink on a small board when everyone's meeting on a regular basis and driving hard toward a defined strategy".
Are there tenure limits, age limits, or other mechanisms to ensure board renewal over time?	Diversity has a time dimension, as it naturally decreases within a group over time as members share experiences and develop expertise together. Boards must prioritize renewal to maintain diversity. As a large global consultancy member noted, "It's not life tenure, or until retirement, but only as long as your skills are relevant… stepping down when no longer relevant should be normalized." A European financial services member also added, "How do you find new people? Even if you get it wrong once, you make the change again a few years later. Just avoid the one Key Man risk problem."

Long-term Mindset	
Question	**Rationale**
Does your board have a long-term mindset?	Mindset is crucial, as it can either enhance or undermine the board's comparative advantage, leadership, focus, and expertise. As a large index provider member stated, "Let's face it, this is about human behavior. It's a mindset."
Are board members motivated by the company's long-term success?	Directors have various motivations for serving on boards, ranging from long-term goals, such as cultivating a legacy, to shorter-term objectives like collecting fees, advancing their careers, or socializing. As a global consultancy member stated, "board members are investing their reputations."
Do your board members hold meaningful equity positions?	Buying and holding equity is one way to establish a long-term mindset among directors. What makes the equity meaningful is its scale relative to the director's personal wealth, not the firm's market capitalization. Since directors have varying levels of wealth, the significance of the equity position differs individually. The Long-term Habits of Highly Effective Corporate Boards emphasizes the importance of directors having a stake in the company's long-term success.[23]
Do your board members have at least a 5-year holding period for their equity investment?	A trading mindset contrasts with an investment mindset, where a trader exits quickly, while an owner is patient and committed. A 5-year holding period strikes a balance, ensuring directors remain committed while still being short enough for those nearing retirement. As a U.S. consultancy member stated, "Hold until you step down, or maybe a bit after; that's probably helpful." A global consultancy member added, "If you give them a holding period afterwards, it does give them a long-term perspective, but they still need to see the organization holistically, not just in terms of shareholders."

Self-Assessment for Individual Directors

When considering whether to accept or continue a position on a board, it is critical that directors evaluate the match between their skills and interests and the organization's needs.

Directors themselves, just like the boards they serve on, can be long or short-term. A director offers a company board a particular set of skills: leadership, technical, or industry experience. Boards commonly recruit directors for the varied and rounded perspectives they can offer, so answering the questions of "What balance of perspectives can I bring to this board?" and "Within these categories, what exact perspectives do I offer?"

Directors should ask themselves these questions, and the others provided below, to assess whether they offer the perspectives that the board requires. They will benefit most by answering these questions in terms of their personal contributions rather than regarding the type of representation they provide on the board. This approach involves understanding what unique qualities they bring to the board that cannot be easily replaced by another director.

Questions for Board Director Self-Reflection	
Clear Remit	Is it clear whose interests I represent (e.g., shareholders, employees, country, etc.)?
	Do I have sufficient independence from management to offer this perspective well?
Competitive Advantage	Does my service help enable the board to be a long-term competitive advantage for the company?
Effective Leadership	What perspectives can I offer this board: technical, industry, leadership, or other?
	Can I help the board manage challenging issues by leading beyond specific technical expertise?
Strategic Focus	Do the skills, expertise, and experiences I bring help the company pivot towards new profit streams and manage future disruptions?
Diverse Expertise	Can I promote diversity of thought and avoid groupthink?
	What tenure would be optimal for my board service (beyond any tenure or age limit required by the company)?
	Are there accomplishments or other signals indicating that my work on this board is done and that it's time to step down?
Ownership Mindset	Am I motivated by a sense of long-term ownership to serve the corporation?
	Am I willing to maintain meaningful equity ownership in this company for years to come?

Pro-Tips for Board Chairs

It sounds simple enough: future-oriented chairs lead boards that build long-term value in their companies. But what does this mean practically? How can chairs effectively lead their boards toward long-term success? Of course, boards vary significantly based on whether they are private or public and the country in which they are located. However, the characteristics of strong board chairs are remarkably similar across structures and countries.

As part of this research, we asked board chairs from across our membership and beyond what they believe chairs can do to be most effective in guiding the board and the organization over the long term. This list of "pro tip" comes from chairs and directors who have collectively participated in thousands of board meetings across organizations worldwide.

1. Invest in trusting relationships among the board, with management, and with owners

- Meet in person.
- Use retreats to build direct relationships with and among directors.
- Meet with the CEO between board meetings.
- Orient directors' relationships with the CEO toward shared problem-solving – and replace the CEO if that is not possible.
- Host visits to key sites.
- Familiarize yourself with the strategic shareholders and incorporate their perspectives into meetings.

2. Resource directors for the role

- Streamline materials to 10 – 50 pages needed for decision-making.
- Enable directors to access information on an ongoing basis.
- Provide directors with an analyst to help probe this information.
- Support directors administratively in participating in board activities.
- Offer educational sessions before board meetings focusing on new strategic content.
- Bring experts to the board, not onto the board.

3. Set each agenda deliberately

- Build the agenda around challenging issues, not around updates.
- Maximize interaction time and set the expectation that directors will do their preparation work in advance.
- Include vision, mission, and 2–3 meeting goals on every agenda page.
- Put strategy as the first item on each agenda.
- Schedule committee meetings on a separate day.
- Gather directors' questions for the CEO as part of agenda-setting.
- Include questions for directors in the materials, not just the presentation.
- Include an executive session for directors only on every agenda.
- Schedule meetings after earnings calls, not before.
- Invite shareholders, customers, and other stakeholder groups to address the board periodically.

4. Prioritize critical thinking and avoid groupthink

- Make the most difficult decisions as soon as possible in the meeting.
- Surface opposing views, calling a preliminary vote before discussion, anonymously if needed ("Vote, Talk, Vote").
- Build in challenges to strategic decisions using "red team," "black hat," or "pre-mortem" devices.
- Know the skills, expertise, and experience each director was recruited to bring and draw out their perspectives accordingly in meetings.
- Steer discussion toward challenging issues and away from distractions.
- Facilitate discussion before offering an opinion.
- Ask constantly about how circumstances have changed and which of your assumptions no longer hold.
- Conduct regular crisis simulations and provide debriefing afterward.
- Assess the board annually and set the expectation that individual directors will also conduct annual self-assessments.

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