



Two Directors Share Lessons on Building a Highly Functioning Board

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lead director of DuPont

We asked two seasoned directors for their thoughts on what boards should do to ensure the operate most effectively.

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lead director of DuPont

Q: Based on your experience, what are some of the key elements of a highly functioning board?

A: Recognizing that there is no “one size fits all” blueprint, my experience has taught me that there are some best practices that, once established, empower a board to capitalize fully on the skills, background and expertise of its individual members.

First, just as the key to a great meal is assembling the best ingredients, a highly functioning board begins with identifying the directors who are best suited to guide the company through its challenges and opportunities. We have found that a skills matrix, honed by reflecting on the output of the company’s strategic planning process, is the ideal tool for assessing

the board’s existing mix of skills and what needs to be added by new members. Critically, the nominating and governance committee should be using the skills matrix to drive a continuous process of recruitment and refreshment and dialoguing with directors so that all are clear that each is nominated on a year-to-year basis in light of the company’s needs.

Once we have done our best to select the right individuals, we turn to giving them the latitude to function powerfully as a group. Essential to this, in my view, is establishing a cadence of board executive sessions immediately before and following the full board meetings to facilitate proactive involvement by the board in meeting content and direction. The pre-meeting executive sessions allow the board members to share with each other their views on the most critical elements in the board materials and then to communicate them to the CEO to ensure proper coverage in the meeting. The post-meeting sessions allow directors to reflect on

what was covered well, what needs further development and, perhaps most importantly, what topics should be addressed by management in future board and committee meetings. The independent board chair or lead director should insist that each member speaks at these sessions, even those who may usually be more reticent.

Finally, a highly functioning board must itself take responsibility for coordinating its activities, ensuring effective communication among its members and, perhaps most importantly, allowing each director to fully bring to bear their skills and experience. In my experience, much of the role of the independent board chair or lead director consists of working to ensure that the board meets this collective responsibility. When all functions as it should, each board member will have the opportunity to see the board's work in the round — rotating through the various committees, serving as a committee chair, evaluating peers — and feel empowered to use all of its talents on behalf of the company and its shareholders.

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— **Yoshiaki Fujimori, director of Boston Scientific, Takeda Pharmaceutical, Oracle Corporation Japan and Shiseido**

Alexander M. Cutler serves as the lead director of DuPont de Nemours, Inc., and also serves on the boards of KeyCorp, United Way Services of Greater Cleveland and the Musical Arts Association. Mr. Cutler was chairman and chief executive officer of Eaton Corp., a global, diversified industrial manufacturer, from 2000 to 2016. Mr. Cutler formerly served as Eaton’s president and chief operating officer, executive vice president and chief operating officer-controls and executive vice president-operations.

Yoshiaki Fujimori, director of Boston Scientific, Takeda Pharmaceutical Company, Oracle Corporation Japan and Shiseido Company

Q: Where do you think boards should be focusing their attention these days?

A: As the responsibilities of boards only expand and become more important for the success of our companies, I think boards would be well-served by focusing with discipline on time management. Where is our board spending our time? Where should we be spending our time?

Core functions for any board are strategy and governance. But it’s important to ask whether we’re spending enough time on the things where a board can help make a difference and drive value. One board on which I serve spends 70% to 80% of its time on the company’s strategy. That is forward-leaning and seems to me a good balance for that particular company. That involved cutting out from board meetings, among other

things, backwards-looking reviews of financial results. Board members can, and are expected to, get that on their own through reviewing the company's earnings releases, listening to the earnings calls and reading post-earnings analyst reports.

One approach I find useful is to map out exactly what topics will be covered, and the time spent on each, during the course of the year during regularly scheduled board meetings. When and how much time will we spend on succession planning, cybersecurity, human capital management, etc., and how that time is blocked off.

Japanese companies tend to have more frequent board meetings but of short duration covering more rote matters, so it is more difficult to have the in-depth review and discussion where boards can make the most impact. For example, one board might meet once every month for

two hours. That adds up to 24 hours over the year, but it doesn't provide the format for what may be a more valuable discussion on strategy that could better take place in a 16-hour segment over two successive days. I think we all need to stay focused not just on the quantum of time spent in board meetings but the quality of how that time is used so that we better guide management and deliver value for shareholders.

Yoshiaki Fujimori serves as a director of Boston Scientific, Takeda Pharmaceutical Company, Oracle Corporation Japan and Shiseido Company. He formerly served as a director of Tokyo Electric Power Company Holdings and Toshiba Corporation, and has been senior executive advisor to CVC Capital Partners since 2017. He was president and chief executive officer of the Japanese building materials and equipment maker LIXIL Group from 2011 to 2016.

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