



# WHAT SUCCESSFUL SUPERVISORY BOARDS DO DIFFERENTLY

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**W**HAT MAKES A SUPERVISORY board successful? How can non-executive board members make a valuable contribution to a company? According to one supervisory board chair, “It is almost impossible to do justice to the number of best-practice recommendations and the constant demand for ‘more.’”

To help supervisory board members cut through the clutter and identify the most helpful recommendations, BCG conducted a survey of 120 German and Austrian supervisory boards and leveraged statistical methods to determine exactly what it is that successful supervisory boards do differently (for details on the methodology, please see the box at the end of this article).

Some results are surprising. For example, when it comes to appointing the executive team or monitoring financial performance, there are no measurable differences between the most successful and least successful supervisory boards. In these days of rapid change, company-specific know-how also appears to be less crucial than in the past, indicating that the negative consequences of cooling-off periods are of little relevance. Successful supervisory boards are not even distinguished by having deep market knowledge.

## The success factors of supervisory board work

What is it, then, that makes the most successful supervisory boards stand out? Our survey identified the ten most important success factors, which we organized into two categories: effective teamwork and a strong strategic focus (see exhibit 1).

**Effective teamwork:** Successful supervisory boards work together as a team. The one thing that clearly drives success is a common understanding of goals and rules—that is, clarity in terms of the board’s focus areas (#1). This increases the probability of being one of the most successful supervisory boards by a factor of 7.2. One supervisory board chair stated in our discussions that “the focus of the work must be clearly aligned with the respective situation within the company.” Of course, the role and contribution of individual members must also be clear and explicitly agreed upon (#3). This is the only way to systematically cover all relevant perspectives.

Effective teamwork also requires that the supervisory board chair ensures objective (#4) and open (#8) discussions in the board. A high percentage of work in special committees (#10) increases effectiveness and is therefore one of the most decisive factors

ensuring successful board work. “The complexity of today’s challenges can no longer be mastered without working in committees” is how one supervisory board chair put it. In order to form a team from a group of individual top performers, regular discussion of how the board works together (#2) is indispensable.

**Strategic focus:** In times of increasing change and disruption, a stronger focus on strategy becomes a key success factor. Statistically, top committees place a more significant emphasis on supporting management in strategy development than their less successful peers. The members advise on key business decisions (#5). They discuss various options in the board, challenge core assumptions, and in doing so can optimally bring their experience and knowledge to bear.

Particularly successful boards are also more involved in defining the strategic direction of the company (#7)—for example, in defining targets and time horizons or approving the overall strategy. This, especially, requires—over and above good information on the financial situation (#6)—strong strategic competence within the supervisory board (#9). Special company-specific, market, or financial know-how, on the other hand, is not decisive.

Exhibit 1 | Top 10 success factors of supervisory board work



Source: BCG analysis

Note: The figure summarizes the ten statistically most important success factors. The success multiplier indicates by how much the probability of being one of the most successful supervisory boards increases if the respective aspect is designed effectively.

## The characteristics of failure

In addition to key success factors, we unearthed some peculiarities among the least successful supervisory boards. Of note: if these problems are not resolved, the probability of failure increases significantly.

For example, we found that less successful supervisory boards do not deal sufficiently with risk and personnel issues. Members of weak boards described a less-than-transparent decision-making process and regarded collaboration with executive management as neither trust-based nor constructive.

At the same time, these supervisory boards lack the resources needed to support them in their work: only half have secretaries, their own budgets, or assistants at their disposal, whereas 82% of successful boards report having such resources.

More formal effectiveness evaluations, in particular, can help solve these fundamental problems. Unfortunately, only one in five of the less successful boards makes use of this option, compared with two-thirds of the top boards.

## An action plan to becoming a successful supervisory board

Our study clearly reveals the factors that are essential for the success of supervisory board work and points to the aspects that boards must focus on to become more effective. The following questions can serve as an inspiration and trigger discussions on how to develop supervisory board's work further:

1. How do we evaluate our board work? What weaknesses and challenges are we currently facing? How do we intend to further develop our work?
2. Do we work together effectively as a team? What role should we play as a board, and what is the role and contribution of each individual? How can we further improve the discussion?
3. How can we as a board bolster strategy development? Are we setting the right priorities in our agenda? Where do we lack the necessary know-how?
4. How can we better organize ourselves? Do we have the right special committees with clear mandates? As a board, do we have the necessary resources to work effectively?

If supervisory boards focus on the success factors described, they can significantly increase their contribution to the success of the company.

## METHODOLOGY

This report is based on the largest survey to date among supervisory boards in Germany and Austria. A total of 120 supervisory board members took part in the survey. All the statistics can be found in [Challenges of Supervisory Boards—Results of BCG’s 2018 Survey of German and Austrian Supervisory Boards \(www.bcg.com/de-de/perspectives/211648\)](http://www.bcg.com/de-de/perspectives/211648).

The measure of success is based on the self-assessments of supervisory board members. They were asked how effective they would rate their board to be and how satisfied they were with their work. We considered boards to be successful if they make a “very high” value contribution and their members are at least “satisfied” with their work. We also included boards that are “very satisfied” with their work and contribute at least a “high” value. Less successful supervisory boards either make a lower value contribution or are dissatisfied with their work.

In order to distinguish between significant and insignificant factors influencing the success of

supervisory board work, we used a univariate logistic regression. The success multiplier is the increase in the probability of success if the underlying factor is increased by one unit. We only considered statistically significant values ( $p < 0.1$ ). Multivariate regressions were used as robustness checks.

Other BCG reports in this series are [Learning from the Best Supervisory Boards—Recipes for Success by Board Chairs of German DAX Companies \(on.bcg.com/21EuuGh\)](http://www.bcg.com/21EuuGh) and [From Monitoring to Actively Shaping—How Supervisory Boards Must Evolve \(www.bcg.com/de-de/perspectives/211649\)](http://www.bcg.com/de-de/perspectives/211649).

### Notes:

Some findings only apply to the German two-tiered supervisory board, which is non-executive only and, in the case of large companies, may include workers’ representatives.

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