

From Governance to Growth: How Boards Can Help Long-Term Value Creation

ARTICLES BEST PRACTICES By Raj Gupta, Kevin Clark and Ramesh Nuggihalli | November 16, 2025

Boards that actively engage in shaping strategy, nurturing talent, assessing risks and constructively challenging management create the foundation for resilience and growth.

LINK:

<https://www.directorsandboards.com/board-duties/best-practices/from-governance-to-growth-how-boards-can-help-long-term-value-creation/>



Whether a company is public, private or private equity-backed, it must adapt to changing business fundamentals while addressing a wide range of internal and external challenges. These may stem from macroeconomic shifts, intensifying competitive pressures, geopolitical uncertainties, supply chain de-risking or technology disruptions that threaten core business models.

As Andy Grove, the former CEO of Intel, stated, “only the paranoid survive” in a competitive environment. Unfortunately, since Andy’s departure, Intel has lost its momentum and had to seek outside investments to stay afloat, having dropped from its position as a leader in the industry. Intel lost its edge and brought the company to its knees by missing opportunities and making poor strategic decisions, particularly in cloud computing, AI, manufacturing graphical interface chips and supporting mobile devices. Contrasting Intel with Microsoft, Satya Nadella, with the board’s support, transformed the company from a Windows-centric enterprise into a cloud-and-AI-driven one, executed several strategic acquisitions and investments and drove Microsoft’s valuation from less than \$400 billion to over \$4 trillion, making it one of the world’s most valuable companies. Finally, General Electric underwent a turbulent period of strategic shifts before appointing Larry Culp as the new CEO in 2018. Culp ultimately decided to split the company into three independent companies focused on aviation, health care and energy. This decision increased its market value from approximately \$60 billion to \$525 billion by implementing a sharper focus, improved execution and more effective capital allocation. This raises two key questions:

- How can the board and management team work together to create significant value for stakeholders while avoiding major risks for the company?
- How can boards prevent and reduce their own blind spots?

Boards dedicate significant time to managing the fiduciary duties of care and loyalty. While meetings often focus on past information, important discussions about growth, M&A, talent and technology disruptions frequently lack adequate attention. In addition to fiduciary duties, when boards focus on strategic issues, they promote an environment that aims for long-term value while managing short-term commitments. A disconnect between the board and management on growth strategies and M&A execution often results in a blame game, which hampers effective governance. During strategy execution and complex M&A transactions, boards should share their perspectives. Management requires the board’s approval, and this alignment significantly enhances the chances of success. Encouraging diverse opinions and constructive dissent at board meetings should be encouraged and not frowned upon. Focused, aligned and skilled boards can motivate management to think creatively and effectively execute complex strategies for sustained long-term value.

American companies are the envy of the world, with eight reaching a trillion-dollar-plus valuation.

America leads in AI, innovative e-commerce, emerging nuclear energy technologies, and advanced pharmaceutical and biomedical sciences. However, the world is changing rapidly. American innovation faces challenges from other nations in renewable energy, electric vehicles, automation, generic pharmaceuticals and manufacturing. The success of American companies was largely attributed to strong leadership and creative thinking by management teams, combined with an engaged board.

Companies are now being forced to step up by redefining, refocusing and reconstructing their boards and partnering with management to better navigate these changes and become stronger allies. Those boards and companies that can adapt, learn and transform in response to a shifting environment will thrive.

Redefine the board charter. Many public companies are starting to redefine their board charters. In the book *Talent, Strategy, Risk: How Investors and Boards Are Redefining TSR*, Bill McNabb, Ram Charan and Dennis Carey shift the focus of the conversation on total shareholder return to long-term value creation by emphasizing talent, strategy and risk. The authors convincingly argue that companies often make poor decisions by pursuing misguided M&A, investing in unprofitable businesses and hiring CEOs who are not suited for the changing business environment. Institutional investors, who are the majority owners of Fortune 500 companies, expect board leadership to balance short-term gains with long-term growth. To build sustainable value, boards need to expand their charter beyond compliance and risk management to include strategic planning, long-term growth, talent development and mitigation of disruption risks.

Ram Charan, Dennis Carey and Michael Useem introduce a straightforward yet powerful model for how boards can effectively collaborate with management in *Boards That Lead*. A refined version of this framework, highlighting talent, strategy, growth and risk, is outlined in Table 1.

Table 1: Role of the Board

Take Charge	Partner	Stay Out of the Way
<ul style="list-style-type: none"> – Influence central idea (strategy) of the business – Select, retain and fire CEO – Manage board competence, process and agenda – Maintain ethics and integrity – Compensation architecture 	<ul style="list-style-type: none"> – Shape the strategy, growth, talent and capital allocation – Achieve financial goals and shareholders and stakeholders value creation – Active risk and talent management – Influence culture and build a culture of decisiveness 	<ul style="list-style-type: none"> – Execution of programs and initiatives by management – Monitoring operations – Areas of delegation of authority in operations – Nonstrategic decisions – Excluded by board charter

Refocus the board agenda. When boards meet five to seven times a year, the agenda is always jam-packed. They must review large amounts of data and presentations, make well-informed decisions and act on committee outputs. But where does the board find time to discuss strategy, growth, risk and talent? Unless the board and management team intentionally sets aside time for these critical topics, it will never happen. We need a shift from focusing board time on short-term issues to emphasizing long-term value creation programs and initiatives, while delegating governance responsibilities to committees. Adjusting the board agenda to include formal discussions on these crucial topics, developing metrics and processes to track progress, and allocating necessary human and financial resources to implement value-creation programs will lead to meaningful results in long-term value creation.

Risk management is too often treated as a compliance exercise and delegated to the compliance and legal teams. However, boards have a responsibility to examine a wide range of risks and to evaluate and support the actions needed to mitigate them. In “Managing Risks: A New Framework,” Robert Kaplan and Anette Mikes suggest a straightforward three-part classification of risks:

- **Preventable risks.** Risks that are internal to the company and must be actively identified and managed.
- **Strategy risks.** Risks that the company deliberately accepts in pursuit of its goals, but they must be carefully assessed and managed.
- **External risks.** Risks that necessitate a proactive partnership between the board and management, one that is capable of anticipating and responding to disruptive events.

With this simplified framework, boards and management teams can promote more meaningful discussions about enterprise risk. At Tyco, the board held an annual enterprise risk management review with management at one of its operational locations. It was a collaborative and transparent discussion on risks and how they are measured and mitigated.

Some companies establish a new special committee at the board level for growth and M&A (or talent and culture) to dedicate resources and time to specific topics. While this approach might work for companies in the early stages of developing programmatic M&A or creating a new operational structure, we believe the entire board should address these critical topics. Involving the full board brings the richness of conversation and diverse and contentious views, and allows for a transparent and deliberate discussion of opportunities and issues. Management needs to be receptive, and boards should proactively bring in outside expert advisors for board meetings to assist in guiding complex business decisions.

Reconstruct the board capabilities. The richness of board meetings and the depth of conversations depend on the caliber and experience of the board members. As business models face challenges from competition, threats from new entrants, pressure from the technology disruptions, boards must have the proper skill set to understand these threats and work with management to address them effectively.

The average age of directors in public companies generally ranges from 61 to 63 years, while the average tenure is over eight years. Boards that promote diversity, including relevant industry expertise, functional experience, gender and race, enable more balanced perspectives in discussions and result in stronger governance and strategic outcomes.

Adding new board members with narrow skills to address flavor-of-the-month topics, such as AI, will not support long-term value creation. While there is a preference for recruiting CEOs and CFOs to the board due to their natural experience in managing companies, boards should consider including individuals with sector-specific expertise, such as chief growth officers or pragmatic chief human resources officers, to balance the skill set needed for long-term success. Furthermore, as demographics shift, it is essential to have a board that reflects the voice of the current generation.

Heidrick & Struggles, in their “Board Monitor 2025 – The Quiet Power of Continuous Refreshment” report, emphasizes the importance of having a disciplined process for board member refreshment. In their survey, 54% agreed that board refreshment is a top priority, but other priorities have overshadowed the refreshment process. The two major board events that prompt conversations around board refreshment are reviewing and approving strategy and managing enterprise risk. Boards that believe in refreshment, regularly evaluate skills, perspectives and contributions to the business strategy. Actively building relationships with potential board members before they join and making board refreshment planning a more continuous and proactive process turns refreshment into a key driver of performance.

Management and boards should be open to mapping out the skills matrix aligned with the company’s strategic needs and actively working on filling the gaps. Utilizing third-party companies to conduct anonymous surveys of the skills matrix and perform gap analyses helps avoid confrontational conversations and difficult decisions.

Right-Skilling and Building an Engaging Board Culture

Boards that lack the right skills and do not refresh may be vulnerable to unforeseen risks, including disruptions to the company's core growth strategy. Besides risks, a refreshed board provides new perspectives on growth and innovation and helps prevent groupthink, where the desire for consensus results in poor decisions.

Boards must go beyond merely getting along to embrace creative abrasion, promote healthy debate and encourage constructive challenges, which strengthens decision-making and enables the organization to make smarter, more forward-looking choices. Having a diverse group of experienced directors and cultivating a culture of open and transparent discussions supports this effort.

Long-standing board members may be hesitant to accept new ideas or appropriately challenge proposals. One of the authors recalls a six-hour board session on company strategy, during which the board members were disengaged and asked only two questions, along with one comment about the PowerPoint presentation's formatting. A lack of industry knowledge and a failure to understand the company's core business model contributed to this disengagement.

In a 2024 board survey conducted by PwC, it was found that 49% of the board is dissatisfied with at least one director, and 25% with two or more directors, indicating a desire to replace them. The same survey highlights the skills that the board is considering adding, mainly in finance (35%), industry (34%) and operations (23%). The diversity of thoughts, perspectives, experiences and ideas enriches board debates and discussions, leading to more informed and optimal decisions. Providing ongoing education and training helps keep directors informed about new developments and emerging risks, bridging skill gaps. Ultimately, a board that is not forward-thinking or dynamic will be viewed negatively by investors and lose confidence.

Boards have their own unique culture. A culture based on trust, candor and respect creates an environment that supports debating sensitive topics, evaluating options and making informed choices. Unfortunately, not all companies appreciate dissenting ideas from board members who challenge the status quo. Although directors are accomplished leaders and independent thinkers, they are often pressured to conform. Therefore, creating a culture that values diverse viewpoints is essential for strong decision-making.

In the Harvard Business Review article, "What Makes Great Boards Great," Jeffrey Sonnenfeld emphasizes the importance of managing the social dynamics within a board. He argues that the board will be fighting the wrong war if it focuses solely on tightening procedural rules, while neglecting its more urgent need to be a strong, high-functioning work group where members trust and challenge each other and engage directly with management on critical issues facing companies. He also advises board members to steer clear of political agendas and back-channel communication. Additionally, he underscores that consistent attendance and active participation are key traits of a conscientious director.

In their "2024 Board Index," Spencer Stuart explains how creating a dynamic and energetic board culture depends on all members recognizing that their service is based on the boardroom's needs and is not guaranteed long-term. Regular board assessments, peer reviews and management team feedback on board contribution, collaboration and effectiveness help develop a transparent and dynamic board culture, as well as the skills necessary for the company's success. Boards can take an additional step by implementing a tenure policy that sets a limit on the number of years a director can serve on the board.

Getting the Board Agenda Right

When board meetings turn into scripted presentations by management, leaving little room for meaningful debate or professional disagreement, they risk becoming a Kabuki theater rather than serving as a forum for effective governance. Critical information must be shared with directors ahead of the meeting, without staging or hiding important details or sending a voluminous set of information the night before the board meeting.

Setting the right agenda for a board meeting involves more than just compliance and governance topics. It should also include discussions on growth, strategy, talent and risk, which help create a culture of long-term value creation. Traditionally, management has controlled the agenda. However, a forward-thinking board collaborates with management to develop an agenda that benefits both parties. The way time is allocated for these topics, the rigor with which they are discussed, and the consistency with which management team members attend these sessions all provide opportunities for the board and management to partner on initiatives that create value.

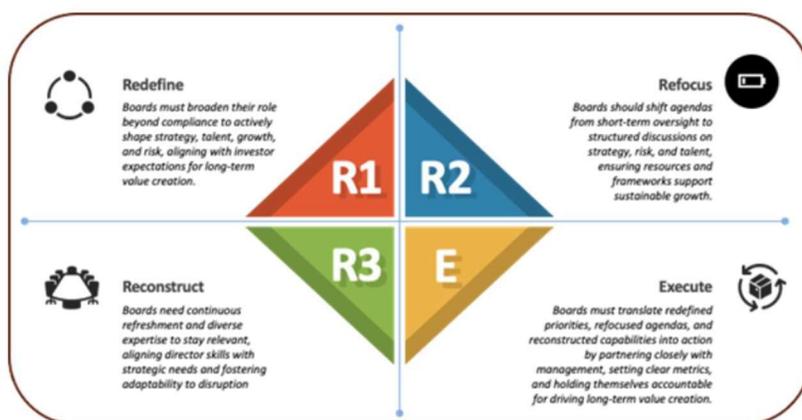
Table 2: Asking the Right Questions to Build the Agenda Topics

Board Agenda Questions
– Does the company have a compelling long-term strategy? What are the assumptions, competitive dynamics and risks associated with it? What would make the company a definitive industry leader?
– Are there any technology disruptions? How do geopolitics and regulation impact execution? What innovation and R&D programs are active?
– What are the company’s value creation programs? How are resources allocated to these programs? What is the timeline for implementation and how is success measured? Does the balance sheet have the capacity to invest in game-changing ideas?
– Does the company have the right talent and leadership to execute the strategy? What skills and capabilities are needed to succeed in the marketplace?
– How is the portfolio of products and businesses performing? Does the company need to rationalize its portfolio?
– How does M&A fit into the company’s growth strategy? Does leadership have the financial and human resources to identify and execute M&A opportunities? Can the balance sheet support the M&A program? What size and complexity of transactions can the company handle?
– What is the enterprise risk for the company? What mitigation programs are in place, and how likely are these risks to occur?

Going beyond the typical agenda topics related to audit, governance and compensation committees, boards can creatively identify key annual calendar topics, including strategy, M&A activities, talent and culture assessments, technology and disruptions, and enterprise risk management. Bringing subject matter experts from operations into these reviews helps build transparency and rapport between the board and management. Companies should explicitly establish a clear and defined protocol for decision-making between the board and the management team. Ultimately, what matters is making informed, strategic and timely decisions on critical matters that will have a long-term impact on the business and addressing opportunities, risks and disruptions to the company.

Building a Board That Balances Governance and Growth

There is no silver bullet for taking the board from here to there – with “there” meaning an engaged, reinvigorated, skilled and effective partner with the management team in creating long-term value while fulfilling short-term commitments. The core principle of building such a board relies on the CEO’s partnership and a board culture that welcomes productive discussions with dissenting voices. We recommend a straightforward four-step process for companies looking to refresh their boards.



From our combined experiences in public, private and PE-backed firms, we identified a set of best practices that help companies in this transition:

Begin with the board culture. Build a board culture that welcomes dissenting voices and avoids back-channel communication. Ensure the board is actively involved and understands the company’s strategy and value drivers.

Clearly define the roles of the board leader and CEO. Holding an executive session before and after the board meeting helps address important non-governance topics and reach agreements on actions related to strategy, talent and risk.

Build a strong partnership with the CEO and identify the needs and requirements to refresh the board. Agree on a timeline and steps to enhance the board’s skills. Hire an external independent partner to conduct a board skill evaluation and link the new skill requirements to the company’s strategy. Consider adding directors with a growth mindset to align with the current generational experience.

Broaden the board agenda to include topics beyond governance and compliance. The board and the CEO work together to develop the agenda. Consider inviting domain experts, analysts or even activist investors to give an outside-in perspective on how the company is perceived.

Give thorough analysis – not superficial reviews – to areas like strategy, disruption, technology development. Review scenario planning and portfolio management to navigate challenging market conditions. Involve outside experts when needed, but do not let them overshadow the management team’s proposal.

Avoid the “celebrity CEO” syndrome, where everything is accepted without in-depth discussion. The longer the CEO’s tenure, the more the board tends to agree with the CEO’s ideas without questioning. Many CEOs are risk-takers, and the board should be cautious about placing all its bets on flashy ideas.

Governance and Growth: Two Sides of the Value Creation Coin

Boards that aspire to lead in today's dynamic business environment must recognize that compliance and governance are necessary foundations, but they alone do not guarantee sustainable success. Governance offers discipline, accountability and risk management, while business growth and value creation depend on foresight, innovation and strategic boldness. The two are not competing priorities. Instead, they are complementary forces that, when balanced, enable long-term value creation. In Table 4, we present a practical framework on governance for growth, illustrating how a disciplined board partnership transformed Aptiv into a high-performance technology solutions enterprise.

Boards that actively engage in shaping strategy, nurturing talent, assessing risks and constructively challenging management create the foundation for resilience and growth. They avoid the pitfalls of passivity, groupthink and excessive reliance on management, instead promoting a culture of partnership and debate. By consistently updating their skills, refining their agendas, and maintaining an outward-looking perspective, boards can steer their companies to outperform competitors and adapt to disruptive changes. Ultimately, boards that combine governance rigor with a growth mindset serve as true stewards of value creation.

Table 4: A Case Study on Aptiv's Transformation through Board Engagement and Collaboration: How the Partnership Between the CEO and the Board Became a Competitive Advantage

– **Laying the Foundation.** Aptiv's governance journey began ahead of its 2011 IPO, when the Delphi board built a disciplined model emphasizing transparency, oversight and forward-looking engagement. When Kevin Clark became CEO in 2015, he and then-chair Raj Gupta deepened this foundation into a genuine partnership between management and the board. Their shared approach established a governance model grounded in collaboration, clarity and accountability — one that continues to guide Aptiv, now a \$20 billion global automotive technology leader.

– **Building a Culture of Collaboration.** As Aptiv's business grew more complex and technology-driven, Clark and the board increased communication beyond formal meetings. Regular one-on-one sessions, monthly updates and strategic off-sites ensured that directors stayed close to the business and were informed as market dynamics shifted. Board meetings evolved to include deeper strategic reviews, exposure to internal and external experts, and customer and employee engagement to broaden perspective. These practices encouraged constructive debate, mutual trust and alignment — hallmarks of a boardroom culture where directors could both challenge and support management.

– **Driving Strategic Decisions.** The new governance framework and board partnership became the engine of Aptiv's transformation. The 2017 separation of the Powertrain business followed two years of candid board-management dialogue and analysis. Over the next decade, the same disciplined process guided 18 acquisitions, 11 strategic investments and five divestitures — actions that sharpened Aptiv's focus on high-value, technology-rich solutions. Most recently, the board, led by Clark and lead independent director Paul Meister, approved the 2025 separation of the electrical distribution systems business, extending Aptiv's evolution into a software-defined, high-value solutions enterprise.

– **Evolving the Board for the Future.** As the strategy advanced, so did board composition. Since 2015, Aptiv has deliberately recruited directors with expertise in software, cybersecurity and emerging technologies to mirror its innovation-led strategy. Today, many of its directors come from technology backgrounds — compared with roughly one-quarter at the time of the IPO — positioning the board to govern confidently through rapid digital and industrial shifts.

– **Delivering Results.** The outcomes speak to the strength of this governance model. From 2017 to 2024, Aptiv's revenue rose 53% to \$19.7 billion, operating cash flow grew 121% and adjusted EPS increased 35%. Total shareholder return has outperformed the automotive peer group by more than 25 points. These outcomes underscore the link between transparent governance, strategy execution and sustained value creation. Aptiv's experience proves that when the board and CEO operate as true partners, united in purpose and disciplined in execution, governance itself becomes a driver of growth, competitive advantage and sustained value creation.

About the Author(s)

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Raj Gupta is a highly experienced board director with governance expertise across Fortune 500 and private companies. He is a seasoned global business leader who built a 39-year career at Rohm and Haas, retiring as chairman and CEO in 2009. He has served on the boards of 15 public companies, including Hewlett Packard, DuPont, Arconic/Howmet, Delphi/Aptiv, Airgas, Tyco, and Avantor, where he held long-term chair roles at both Delphi/Aptiv and Avantor. Additionally, he has served on the boards of six private companies, including Vanguard Group and IRI, bringing a deep perspective on strategy, risk, and value creation.

Kevin Clark

Kevin Clark is chair and CEO of Aptiv. He joined Aptiv (then Delphi) in 2010 as CFO, later served as chief operating officer, and became president and CEO and a director in 2015 before being named chair in 2022. Earlier in his career, he held senior leadership roles at Fisher Scientific International, where he served as CFO, and at Chrysler Corporation. He serves on the board of United Parcel Service, Inc.

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Ramesh Nuggihalli is a global executive with experience in driving value creation across the energy, environmental and industrial sectors. As a trusted advisor to CEOs and boards, he brings expertise in capital allocation, growth strategy, risk management, M&A execution, and organizational and operational improvements. He has held senior leadership roles at General Electric, Ametek, Tyco, Pentair, Xylem and CECO, including regional CEO roles in the Middle East and Asia.
