

Is your Board of Directors a Strategic Asset or a High Risk Liability?

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Does your Board operate as a strategic asset, or does managing it make you feel like you are drinking from a fire hose? Do your Board members bring tough questions from diverse perspectives to your organization, or do they get bogged down in management issues? Are they positioned to bring their years of experience in diverse industries to bear on your company's future, or do they focus primarily on their own self-interest and self-preservation? Do they have the mechanisms, tools, structure, and presence to be able to ask the tough questions of you and your C-suite executives, or do you find yourself only tolerating their inquisitiveness and minimizing discussion? As Ram Charan says, "All too often boards and CEOs fail to connect in a way that brings the full expertise of the board to bear on shaping strategy and that creates alignment between the board and management."

Your Board is a strategic asset when:

1. Members have been strategically placed in the appropriate roles based on their skills and abilities, and
2. Mechanisms and structures are in place that support effective group dynamics and purposeful dialogue, with healthy doses of constructive feedback.

Without this level of engagement, you are, at best, not fully utilizing one of your most valuable assets. You are at risk for poor governance. If left unaddressed and without focus, your Board could deteriorate into a major distraction that causes you to focus on Board clean up work rather than utilizing the Board's energy and enthusiasm in appropriate directions.

Board Members deserve to be a strategic asset. Most Board members want to be engaged in meaningful ways and to contribute to something bigger than themselves. But they need structures to support them at the appropriate level of engagement. If you, as the Chief Executive, do not provide your Board members with context, they will bring their own context to your Board, based on their experience, attitudes, judgments, and perspectives. And these may not align with your corporate values, strategic vision, and your current strategic plan.

You might be surprised by how many Chief Executives struggle to develop strategic Boards. The mechanisms and structures to develop a strategic board are simple but not easy. They start with having strong Committees whose purposes and objectives are clearly defined and well documented. This level of clarity and documentation forms the basis for a disciplined and structured approach to good governance and Board effectiveness.

Each Board Committee should have a documented Committee Charter that describes the purpose of the Committee and a list of its annual deliverables, the Committee's scope of authority, how the Committee relates to other Committees and the Board, and how communication will occur. Once these have been defined, it is a simple matter of building an annual Committee calendar with the deadline for each Committee deliverable, and the dates of each Committee meeting and Board meeting. With this calendar in place, the agenda items for each Committee meeting and Board meeting will be easy to assemble. This provides for ease in producing accurate minutes that document decisions and recommendations from each Committee meeting and facilitate accurate and complete reporting to the whole Board.

Another tool to build in structure and discipline is an assessment mechanism to evaluate the annual outcomes of the Committee, individual member's contributions, and overall Committee effectiveness. The assessment must be based on clearly defined roles and expectations for Committee members. If effectiveness can be measured at the individual level and at the Committee level, the assessment of the entire Board's effectiveness can be simplified and enhanced. For example, if a Committee member attempts to over-reach the Committee's authority or purpose because of either a personal agenda or simply from lack of understanding, the Committee Chair can communicate with this person in a way that brings the individual into greater alignment with the Committee and the Board. If the person does not respond, an effective, disciplined Board structure will preclude that person from stepping into a greater role of influence and authority on that Committee or the Board.

The effectiveness of both the Board Chair and the Chief Executive can be exponentially enhanced almost effortlessly, once good governance structures are in place. For the Board Chair, he or she can trust that the Board is, in fact, ensuring that Management strategy is grounded in reality, that Board and Management decisions are well thought-out and based on balanced perspectives, and that shareholder and stakeholder value continue to increase. Structure frees the Chief Executive to guide the business utilizing the operational assets, the Management, and one of the key strategic assets, the Board. Structure provides for a balance in perspective, attitude, and assessment so that one individual, even the Board Chair, the Chief Executive, one individual Board Member, or a faction within the Board cannot steer the Board's (and the organization's) efforts too far in one direction.

Once your Committees are structured properly, they provide guidance on the identification of appropriate Board members. If your Audit Committee lacks enough members with substantive financial acumen, you can focus on the recruitment and selection of that type of candidate. If your Board includes members who are no longer engaged, the Governance and Nominating Committee can focus on building job descriptions, terms of office, and routine procedures that can be used to re-engage—or to replace--members.

In his article, *Aligning Boards and Management on Strategy*, Ram Charan says, “Boards need to understand strategy, but it's not their job to create it. They may challenge management's ideas for strategy, but it's not up to them to provide alternatives. The board's real value comes by helping management test whether the strategy is grounded in reality.” They do so by insisting that management answer fundamental questions. In my opinion, this means bringing to bear all of the professional experiences of the individual Board Members to management’s strategy in view of the current reality. Without this broader and deeper perspective, management could lose sight of critical strategic opportunities or risks. If roles and expectations are not clarified and defined – in advance, and continuously assessed and negotiated - the Board could bury itself in operational and management issues that, first, cause stress for the management team and, worse, cause the Board to miss the opportunity to play their most important role and think and act strategically.

If your strategic planning process tends to be CEO and staff driven and lacks thoughtful engagement and dialogue with the Board, or, worse, if random Board members attempt to steer the company in directions that are not aligned with the values of the company or your strategic vision, this is an indication that your Strategic Planning Committee needs greater attention and more structure to support appropriate engagement.

Measuring and reporting regularly on Board effectiveness, creating a strong Committee structure, and giving your Board the time and attention it deserves, provide the opportunity to get the right Board members in the right places. The return on the company’s investment in this kind of Board infrastructure can be the highest returns you generate for years to come. Board members who share the corporate values and buy into your strategic vision can align themselves with you, your team, and each other for authentic, meaningful dialogue. As Dr. Charan reminds us, “rigorous debate is the best reality check there is, and the best bet that decisive moves are sound.” Rigorous debate requires effective board committees and structures to provide for maximum attention to the group dynamics of the Board.

A Board of Directors that feels safe to bring their own experiences and perspective to bear on your discussions can be one of the most valuable assets your company possesses. Without the structures to support this model, the cost to your company, as well as the toll on you personally, as the CEO, can be enormous.