



Maximizing Board Impact

► Introduction

Recent publicity, legislation and stakeholder pressures are focusing attention on board functioning. Boards are complying with legislation and responding to stakeholder concerns. A lot of positive change has resulted from these efforts. However, boards are generally overreacting to ensure that mistakes are not made. An unintended consequence of this cautiousness is reluctance on the part of boards to be creative, and even bold, in trying to figure out how to maximize their impact. Risk avoidance often comes with the price of lost opportunity.

Boards can become complacent once they have compliance and reasonable functioning in hand. How might a board go beyond avoidance of mistakes to having much more positive influence and impact? And how can this influence occur through governance rather than involvement in detail? Just as outstanding leadership can have great influence without becoming overly involved in the details, boards can do the same.

A board's functioning can be analyzed on two levels. One level is content. This considers the issues being discussed, the arguments for and against different courses of action, the agreed upon decision, who is assigned what responsibilities, completion dates, and so on.

Another level goes beyond the content to focus on the process. Numerous process observations can be made. For example, how rigorous was the discussion and was that rigor tempered with appropriate respect? How did the Chair drive the decision process? In addition to analyzing a particular board meeting it can also be informative to look at patterns across time.

These process observations are invaluable in understanding a board and its dynamics. Yet they are often overlooked despite their potentially informative nature. Boards which want to sharpen their functioning and enlarge their impact should analyze themselves on the following process dimensions and seek positive changes.

► Vision

Many boards are so busy tackling current responsibilities that they fail to create an ideal image of themselves. It is critical for a board to have such a vision.

A vision can bring clarity and direction to the board's actions. This means creating a detailed picture of where the board should be moving. What do the stakeholders and management need from the board over the next few years and what does the board need to do to make its best contribution to the organization? What points of influence exist beyond the avoidance of mistakes?

The board members of a manufacturing company decided they were not earning their fees. They had become a good old boy network: comfortable meetings with good food and drink in great places. This drifting into complacency had been building for a long time and a series of major setbacks in the corporation made it apparent that the board was "asleep at the wheel." The board was embarrassed. A difficult discussion ensued in which the board reluctantly came to the conclusion that it was not doing its job. It was time for change. The board decided to analyze itself and

Continued from page 1

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institute major changes in how they functioned. They embarked on such self analysis and concluded that they were so fearful of interfering with management that they had lost contact with the organization. They created a vision for themselves to be a more serious board, focused on the company and its struggles.

They set goals to better understand the competitive environment and to better know the management. Rather than simply accepting what they were told, the board moved to become more appropriately questioning, curious, and influential in shaping the future of the company.

► Board/CEO Relationships

The relationship between the board and the CEO is absolutely vital and sets the tone for the entire organization. Both need to have a full appreciation of how influential this relationship is and how visible it is to the organization. It is essential that they work toward making this relationship as productive as it can be. They must engage in regular and forthright dialogue. Problems and potential problems need to be addressed and resolved quickly. Each must improve listening skills as well as see things from the other's perspective. They both should be ready, willing and able to compromise.

It is important that the caliber of this relationship be maintained and both parties make efforts to continually improve this relationship. Power struggles between a board and the CEO are extraordinarily detrimental and must be avoided.

In today's world boards are quickly stepping up and terminating failing CEOs. While such actions fulfill a board's responsibilities to the stakeholders, the board needs to do a systematic analysis of the CEO failure, including its own contribution.

Failure to hold CEOs accountable has led to scandals. The next opportunity may be for boards to govern in such a way that CEO's success, and ultimately organizational success, is more fully assured.



► Board Composition

When staffing a board, factors such as an individual's industry and functional expertise are typically considered. But other attributes are just as important. In order for a group to achieve effective decision making it needs to have a broad array of types of people. There must be people who are creative and uncensored as well as those who are more thorough and cautious. The group should also have individuals who are consensus driven as well as those who are highly opinionated and directive.

The quality of a board is heavily dependent on having such an appropriate mix. Thus the composition must go beyond race, gender, functional expertise and industry experience to include many types of attributes and personality characteristics. The specific balance depends on the unique characteristics of the board, the issues, and what is going on at a particular point in time.

The board of a renowned nonprofit organization invited a different type of person to serve on its board. The new board member was direct and forceful and quickly challenged the board about its processes. The board had fallen into "group think" where everybody thought and acted the same. There was too much self-satisfaction with the charitable work that was done and they failed to recognize what more could be accomplished. The board brought a more diverse set of people onto the board. As a result it helped the organization think of new ways to positively impact its community.

Once optimal diversity is obtained it then has to be managed. Are the potential benefits of such diversity being derived and is the board preventing such diversity from getting out of hand and becoming dysfunctional?

► Board Member Motivation

Why are board members on the board? Virtually all board members espouse high virtue and purpose as to their motivation for being on a board. The vast majority are noble in their intentions and actions. Unfortunately a few are not so virtuous and their behavior can cause disruption in the process of the board. They may also be serving as a bad model for the rest of the organization.

Such board members can be more motivated by money, prestige, or power rather than the enhancement of the organization. They may be driven by one agenda item related to their motives. They may use their position to enhance themselves or their own business. They may enjoy denigrating others and use their position to indulge this need.

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Fundamentally board members need to be motivated by their responsibility to do what is right and in the interest of stakeholders. This means standing up and raising issues even if the issues are difficult. Board members must believe in the mission of the organization and ideally be passionate about it. They must be willing to turn that passion into action.

Motives are difficult to understand. It often takes an outside perspective to alert someone as to what behaviors they are manifesting, the potential underlying motives and the impact of their behavior. Organization psychologists can help board members recognize the impact of their behaviors and how to alter them.

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► Board Roles

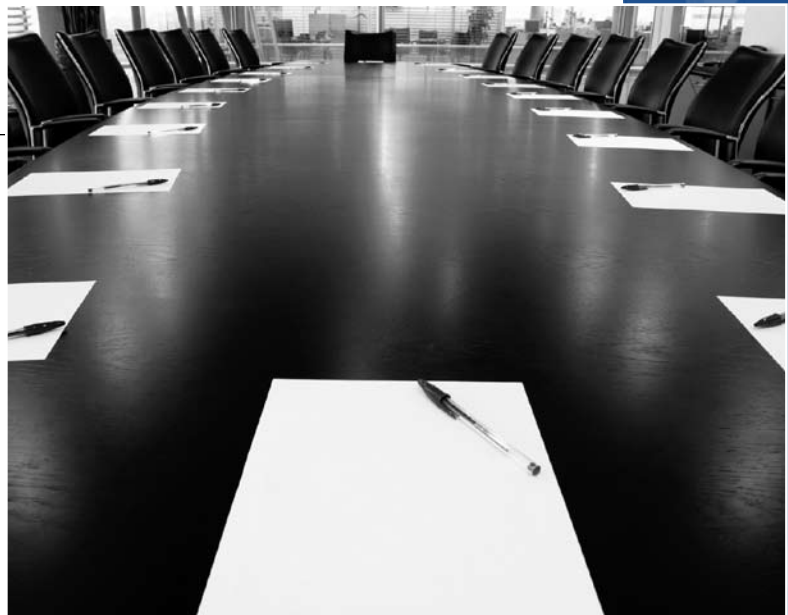
A board needs clarity about who is responsible for what. Different board members have different roles to play and everyone needs to be clear about these roles.

It is also important to examine how different roles interact with each other. This applies within the board itself, between committees and the board, and between the board and management.

There are both formal and informal roles on every board. The responsibilities of the chair, lead director, committee chair, etc. should be clear to everyone. Informal roles are also critical. Who takes responsibility for synthesizing information? Is one person particularly skilled at bringing a discussion to closure? Is there a board member who brings wisdom and long term perspective?

The Chair of a high technology company was concerned about one board member who was not contributing. A seat on the board is a valuable asset and left unused or filled with someone who doesn't contribute can be costly. He prompted the board to design a process where each board member received performance feedback and coaching from a consulting psychologist about how to enrich their contributions. A psychologist can orchestrate improvement without disruption of the interpersonal relationships in the board room.

Particularly problematic are board members who fail to fulfill their roles. The Chair may neglect responsibilities, a board member may lack the competence to serve, or a board member may be disruptive. These are sensitive issues which require delicate handling and sophisticated interventions.



► Board Continuity

An essential component of board effectiveness has to do with the caliber of current and future board members. Often too little thought is given to the reputation of the board and its ability to retain good board members. Outstanding board candidates will be more readily available if the board is seen as an effective group.

Thought should also be given to how new board members are welcomed and integrated. Even if the new member is an experienced board member, a process in place to orient them to the vision, culture and practices of this particular board would help them more quickly become an active and contributing member.

This integration of new board members should go beyond the obvious and focus on some of the more subtle requirements of the particular board. In addition, steps should be taken to elicit from the new board members their best contributions as quickly as possible.

An overlooked component of board member retention is appropriate appreciation and acknowledgement of their contributions. This reinforces the positive behaviors of the individual but can also have educational and aspirational benefits to the rest of the board.

Continued on page 4

► Board Development

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Board development is not a one-time event. It involves establishing a norm of continuous process improvement. Most boards engage in formal development activities. While these activities are necessary and helpful, they may not go far enough to move the board towards outstanding performance. A board must establish a culture of self improvement, so that it continually evaluates itself with a critical eye and establishes new goals and patterns of functioning.

In addition to thinking about board development for the entire board, boards can go further and apply similar principles and processes to individual board member development. Offering feedback on an

individual's performance in the boardroom can be sensitive and potentially risky. This needs to be done in a positive and constructive manner.

One process is to create a set of high standards against which individuals can evaluate themselves. Expected behaviors are then clear and individuals can hold themselves accountable. Organizational psychologists can initiate board development by conducting interviews which can discern both group and individual dimensions of functioning and by providing feedback and suggestions for improvement.

► Decision Processes

Few boards analyze their own decision processes and even fewer individual board members reflect on their personal contributions.

While most people know the elements of a good decision making process, putting them into practice can be a challenge. Time constraints, packed agendas, strong egos, and unarticulated assumptions are just some of the realities that conspire against high quality board decisions. Few boards analyze their own decision processes and even fewer individual board members reflect on their personal contributions (both good and bad) to the decision making processes of the full board.

Boards can improve their decision making process by paying attention to a number of different areas.

Are the right issues getting the right amount of discussion time?

Too often boards drift into discussions that are interesting or comfortable rather than work on the more difficult and uncomfortable content. There is also a risk of reaching a conclusion too quickly or without the benefit of a rigorous discussion. If not careful boards can fall into the trap of not challenging each other or management's thinking. Other boards react by challenging every little thing. The amount and depth of discussion should match the importance of the issue, weighted against the strategy and vision.

Examination of decision processes on both a full board and individual level is necessary in order for a board to have a decision process commensurate with the complexity and impact of their decisions.

► Modeling

Every organization establishes a set of expected behaviors. The board needs to not only

have an awareness of the expected behaviors, it also should be intentionally modeling them. And if the organization is implementing changes, is the board leading the way?

For example, if the organization is integrating more risk taking into its culture, are board members demonstrating appropriate risk taking or does the

board question management in such a way that cautiousness is maintained? If the board thinks the organization needs to employ more cost cutting, is the board being appropriately cautious about its own costs?

Fundamentally the board needs to fully appreciate how on view it is and the opportunities to influence that derive from such visibility. Is the board aware of the organizational practices that need to be maintained and reinforced, those which need to be altered, and using its own behavior as a model?



► Board Meetings

Attendance and participation at a board meeting are not enough. Each board member should take responsibility for making the board meeting more productive. Self examination at the end of each board meeting would help the individual know what to do differently at the next board meeting.

It is easy for a board to fall into predictable patterns for meetings. Sometimes a more outgoing individual does most of the talking while quieter members, who have much to offer, may be reticent. This is an opportunity for the board to make sure that everyone's best thinking is offered.

A board can become stuck around certain topics, so members need to watch for such times and find new ways to approach them. Sensitive, uncomfortable, or difficult issues risk not being fully examined, so the board needs to evaluate whether it is being penetrating enough and digging into the core of these issues.

While boards appropriately put effort into creating an effective formal agenda, the same effort should be applied to being aware of and managing any hidden agendas that board members may pursue. Discussions can easily go off track, especially if high emotion is involved, so members should watch that focus remains where it should. In addition to the content of discussions and meetings, the tone,

dynamics and process can reveal important information about any hidden agendas.

Boards are usually made up of highly competitive individuals who are adept at being in control and winning. They will look to do the same in the boardroom, and this has benefits. Yet caution must be used to avoid having board members competing against each other. It is especially destructive if such conflicts get played out with management. Boards must guard against unhealthy interpersonal conflict and develop processes to manage differences when they do arise. The board chair has a special responsibility in this regard.



It can be difficult to analyze the process of board meetings. Board members have a responsibility to focus on the content which makes it difficult to also focus on the process of the meeting. Often outside observations about the process of the meeting can be insightful and lay a foundation for improvement in many areas.

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► Committees

Much of the work of a board is conducted by the committees. Just as the board needs to engage in its own development, committees need development as well. Committees need to examine how they do their work and their own internal dynamics.

In addition to each committee examining its own functioning, it is important to take a systemic view. Thus committees need to consider how they work with other committees, how well the committee interacts with management, and how well the committees function with the full board.

► Relationships with Management

In today's world boards often are cautious not to manage and only govern. This caution can drive a board to not know enough about what is going on in the organization. Boards can be too passive in accepting the information given by management. Outstanding boards strike the appropriate balance between not managing the organization yet knowing enough about it in order to govern optimally.

Boards need to become adroit in soliciting information from management. Badly done, solicitation of information can be experienced as a lack of trust in management. Board members have a responsibility

to solicit information from management in ways that gathers necessary information and enhances board/management trust.

Additionally, the board should monitor and guide management to focus on the right issues, based on corporate strategy and goals. Focus can drift to the most comfortable or the most interesting, and difficult topics tend to be avoided or not fully presented. The board should also demonstrate to management how rigorous yet considerate analysis and discussion is conducted and it should steer management to do the same.

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Continued on page 6

There are times for the board to be critical of management and times to be supportive. The wisdom is knowing when to do either. It also takes wisdom to know how to deliver criticism constructively and how to demonstrate support.

Beyond formal activities, there are many informal opportunities for board members to gain a deeper

understanding of the talent that exists in the organization. These informal times also allow management to learn from individual board members. Again, a key is for board members to be knowledgeable and intentional in taking advantage of these opportunities.

► CONCLUSIONS

For a board to function optimally it is vital that a board understand its own process and be willing to work on improvement. Embarking on such examination and development is difficult. There is a tendency to leave well enough alone and this can lead to stagnation or a persistent deterioration of functioning. It takes courage to look in a mirror. The foregoing discussion provides a framework for a board to overcome these obstacles, fine tune their processes and thus maximize their impact.

It may be tempting for a board to use this framework on its own. This is difficult and may only get to a surface level of analysis. If done poorly it can cause disruption. It is possible and desirable to go deeper however. Consulting psychologists immerse themselves in understanding a particular board, its

members and the organization. They observe meetings and conduct interviews to discern the motivations, dynamics and process issues in depth and with behavioral specificity. This type of information can best be gathered by objective and experienced consulting psychologists who know how to use this information in ways that are constructive, respectful and move the board and its members forward.

The issues that come before boards are typically complex and multifaceted. Group dynamics interact with these issues. Individual board member behavior and motivation further complicate the task. Serving on a board can be a challenging, rewarding, and influential activity, one where leadership can make a lasting and positive impact.

It takes courage to look in a mirror.



Peter G. Spanberger, Ph.D. has 35 years of experience in consulting with organizations. His work has focused on board functioning and on issues having to do with executive selection, deployment and development.

Peter G. Spanberger, Ph.D.
PGS Partners, LLC
6200 S. Syracuse Way, #125
Greenwood Village, CO 80111
303.874.5150
pspanberger@pgspartners.com

Susan M. Jackson, Psy.D. is a licensed psychologist whose practice focuses on boards and executives. She works to help them with development to improve their functioning as groups and as individuals.

Susan M. Jackson, Psy.D.
Vela, LLC
9800 Mount Pyramid Court, #400
Englewood, CO 80112
720.895.1940
sjackson@velallc.com