

## ASSESSING DIRECTORS' MINDSETS

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Do your board members have a Board Mindset™? How do you know? And how do you strengthen this set of attributes?

We define a Board Mindset™ as: The set of beliefs, attitudes, and assumptions held individually and collectively. Your Board Mindset™ matters because it influences what information a board seeks and how it is evaluated, how you establish priorities, decision making and director behavior, in and outside of the boardroom.

[National Association of Corporate Directors \(NACD\)](#) and [Institute of Corporate Directors \(ICD\)](#) have and are contributing to higher performing directors. In my work with boards, I have seen improvement in governance practices. They offer topical sessions on oversight of climate change and cyber-security. More is required by directors to achieve a board mindset.

### **Courage**

A highly performing board requires courage.

Courageous directors will challenge long-held beliefs, will play devil's advocate, and seek more information before accepting management or committee recommendations. Do not mistake this with asking for more data, additional reporting or more analysis. This additional work and demand on resources is an impediment to a high functioning board. Instead, one can observe courage in action when other directors or management start to squirm, look uncomfortable or attempt to change the subject.

Courage must be partnered with respect. When

challenging a point of view or offering an opposing opinion, do so by asking questions, to seek understanding. Also, offer data and reference points to support your position. This should never be an attack on a person, but rather a counter argument to a proposal or placid consent.

### **Prioritization - Stay the Course**

Priorities are set annually and should flow from a three to five-year strategic plan. Annual retreats or strategic planning sessions enable directors and management the opportunity to take the long view. Once priorities are set, departures from plan or re-prioritization should be on an exception basis, resulting from black swan events or unanticipated crises. The board chair and/or chair or governance committee ensures that reporting, discussions, or decisions are aligned to the priorities agreed to at the beginning of the year.

### **Commitment**

Commitment can be an overused word and, as a result, it is often a glossed-over expectation. How do the best directors demonstrate commitment?

Committed directors read all board material in advance. This should sound like a given, but it is not. Typically, at least 20 percent of the directors have not read the entire board pre-mail. The good news is that as this becomes blatantly obvious, board chairs, governance committee chairs or others can, and should, address this with directors and ask for their commitment to fully prepare.

## Participation

Participate - fully. Directors have told me that they will fully contribute in their area of expertise, commercial real estate, or audit, but beyond that, if their expertise is not required, they do not expect to contribute and will essentially act as silent partners. This is not acceptable if you strive to have a Board Mindset™.

Presuming you have an effective recruitment and nomination process, directors bring a breadth of experience and importantly, judgement to the table. If you require a specific area of expertise for a finite period, e.g., M&A experience, recruit that expertise to participate on a special committee. Or consider if that expertise should best reside with the management team, perhaps through a consulting arrangement.

Fulsome participation includes asking questions when it is not an area you are familiar with; this often exposes potential risks.

## Attendance

Everyone has multiple demands on their time. If directors are not able to attend most board meetings, retreats, participate on committees, etc. then they may need to step away from the board. If your bylaws do not stipulate an attendance requirement, add it. This makes it simpler to enforce and sets the same expectation for everyone. If lack of attendance is a common issue among directors, you may be meeting too frequently.

## Not for Profits - Financial contribution

Directors of not for profits often have a connection to the mission of the organization. Sometimes their interest is primarily to expand their network and/or expand their board resume. When that is the case, they can be motivated to be strong contributors.

Those with a Board Mindset™ do not shy away from stipulating that a tax-deductible financial donation is a requirement of all directors. The donation can be modest. This requirement should not be seen as an impediment or obstacle for potential board members.

## Decisions

Well functioning board committees enable effective decision making. The most common are HR and Compensation, Governance (often combined with Nominations), and Audit and Finance. Committee members can act as excellent advisors and confidantes to members of the management team. They ask some of the tough questions (of management and each other) in advance of reporting to their director peers. When recommendations come forward for approval, the board need not dig into detail but can operate at a governance level and assess risk and benefits. Decisions are made after a review of relevant data, particularly trends, and an external scan, if appropriate. Sufficient time is allowed for debate and exploration. All directors must participate or accept and support the decision. Silence assumes consent.

## Board Development

No industry is sitting still. Technology, global economies, and the workplace are rapidly evolving. Inspired and passionate directors, CEOs and executives pursue development and evolve their thinking and points of view. Good director education often includes topical items such as AI, blockchain, global disruption, oversight to climate change, cyber-security and the changing workforce. Some high performing boards invite speakers to every board meeting (often at a dinner event).

As directors, it is worth the investment of resources and any discomfort to assess for and adopt the attributes of Board Mindset™. Shareholders will benefit. You will participate in a more rewarding board experience. Management and employees will be the beneficiaries of a well performing board. Strengthening this set of attributes in your board will benefit those involved and your organization.