THE
BOARD
MINDSET™

The vital attribute of exceptional boards

WHAT TOP EXECUTIVES CAN DO WHEN DIRECTORS INTERFERE

The role of boards is well understood – they give strategic advice, focus on increasing value, and identify, avoid, or mitigate risk. Yet, sometimes board members, precisely because they are experienced and successful executives, step over the line. Often such over-reach is due to fear that something is amiss. Though a director may mean to be helpful, they can also create a dilemma for executives without realizing they do so. In our decades of experience advising boards and top management, we have seen boards interfere in ways that create minor tension and sometimes outright conflict. These three strategies can help.

First, check your understanding of how the board is meant to function. The role of a particular board can legitimately be different depending upon ownership and stage of the business. Start-ups often have board members who are also investors and experienced leaders whose role is to be more involved than directors of a mature corporation. Sometimes, a director is invited to the board precisely to give management advice, which doesn't violate their role. Later in the company's development, a board can shift to a position that is less involved. If a mature, public company director gives orders to an executive, especially in secret, that probably is cause for concern.

Second, avoid keeping secrets, especially when the reason to do so is a rationalization. It isn't possible to prevent a director from telling an executive a secret if they are bent on doing so. In the rare case of a board having serious worries about the CEO, it may even be necessary. However, often the secrets are a way to manage difficulties indirectly, through triangulation.

An executive who gets entangled in a secretive relationship will find it difficult to back away. Ultimately, secrets are often discovered and when others discover duplicity, an executive may find their reputation tarnished. If a board member insists on a private conversation, then asks for confidentiality, you should say something like, "I will certainly listen to your concerns but can't promise to keep it confidential until I know what your concern is." It's not easy to do this, but once a secretive relationship is established, people feel the weight of duplicity. Surprisingly, a common reaction to the discomfort is normalizing, rationalizing, and doubling-down rather than course-correcting. What begins as a seemingly harmless agreement ends up feeling like the La Brea Tar Pit of duplicity.

Third, don't let directors convince you that you are irreplaceable. Talented senior executives are uncommon, and boards are acutely aware of that. When a company has a stellar chief operating officer, for example, the board may be counting on that person to remain long-term. Directors know that talented people are seldom unknown to their industry colleagues and search consultants who, quite rightly, always have their ears to the ground and their networks buzzing.

While it can be very gratifying when one or more board members offer praise, if they do so frequently and outside of the ordinary course of business, it's inappropriate. Feedback and coaching should come primarily from the CEO or a board member with the CEO's knowledge. If a director seems to be "courting" you, be gracious but matter-of-fact. It might help to mention your continued professional growth and discussions you have with the CEO. Doing so signals that, while you appreciate the recognition, you aren't willing to go around the CEO. When a board has serious concerns about the CEO, you should expect them to manage the issues directly.

Directors are rightly concerned with all aspects of the companies they serve, but sometimes, knowingly or unwittingly, they exercise their duty of care inappropriately and create a dilemma for executives. Most often, once a board member realizes they've stepped too far, they take corrective action. However, these three strategies can be helpful to you and the director without burning bridges.

If your efforts are unsuccessful, it's time to think about an exit strategy.

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Helping Define Your Company's Future Success

Board Education

Do your directors perform or simply comply? Too many boards monitor the details of compliance but gloss over the key decisions that will define the company's future success.

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Strategy Formulation

Too often boards of directors don't understand when and how they should be involved in strategy. When earnings decline, a competitor makes a sudden move, or a merger or acquisition looms, they come to life. But often it's too late.

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Board 911

When crises start small, leaders often fail to recognize the threat. By the time they figure it out, the crisis has grown to the point that containing it becomes impossible. The warning signals will take many forms...

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We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit www.theboardmindset.com or contact us.