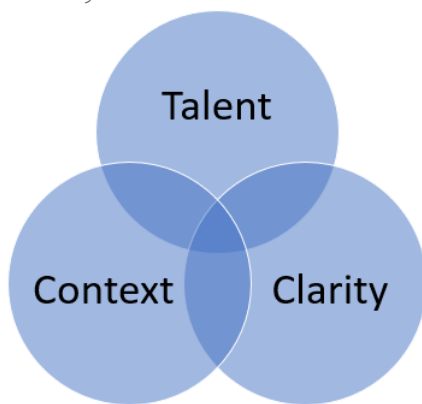


THE VIBRANT BOARD

Intelligent, talented people fill boardrooms all over the world, yet many boards fail to achieve their full potential for one of three reasons: they don't have the *right* talent; they lack clarity; or they have failed to create an atmosphere where the right people can do their best work. Directors of *Vibrant Boards* earn the esteem of their peers, the respect of senior leaders, and add value for stakeholders. These directors don't default to "that's-the-way-we've-always-done-things-around-here" approaches. A successful board exudes vibrancy.



When boards have the right internal and external context for their decisions and clarity about the future, but lack the right talent, they become *Sitting Ducks* for a takeover or stakeholder activism, that is if they don't tank the business first. In these kinds of boards, we've often seen not only troubled relationships with the C-suite, but also a skewed balance of power among the directors. Frequently, overconfident, arrogant directors engage in bounded reality—that is, they believe they know all there is to

know. At other times, we've seen cowardice, which keeps the imbalance of power in place.

Directors of *Sitting Duck Boards* often allow emotions to take center stage, and logic and dispassionate thinking don't even get called from the wings to take a bow. They frequently vacillate between passivity and aggression, and too often resist needed change. Scared people often find candor difficult, so trust becomes collateral damage. The one common factor that all *Sitting Duck Boards* share is they consistently make bad decisions, often fatal ones. Their over-reliance on check-the-box agendas obscures reality and puts them in harm's way.

When boards have the right talent, and they have created a culture that embraces change, but they lack clarity, we call them a *Country Club*. Frequently, these kinds of boards fail to set term limits, so the directors view board meetings as a chance to visit a desirable location and play golf with their friends. Someone may take the time to create a decent board book, but the contents vary little from meeting to meeting. Because they too often fail to prioritize strategic issues, they run out of time before happy hour and dinner, leaving pivotal decisions for another day. Clarity demands that directors get to the core of complex, unfamiliar problems. Directors of a *Country Club Board* may know how to do this, but they seldom do, especially if they haven't taken the time to establish well-defined roles and prioritize strategic issues.

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, the *Country Club Board* comes to life. But often it's too late. Directors deny executives, and the company in general, the value of their experience and input when they don't put management's strategy to the test before they adopt it.

Vibrant Boards do better. They don't formulate strategy, but they challenge management's assumptions and continuously assess and critique it. Directors need to detect flaws deep in the strategy—not to execute, but to detect and report.

When directors lack clarity about roles and priorities, however, they tend to discuss strategy piecemeal over a period of time, often in relation to something else. *Vibrant Boards* not only reach full agreement on the strategy, but they also help to shape it. They articulate the strategic direction, establish metrics for evaluating it, and set timelines for its completion.

A *Blinded Board* has the right people and intellect, but can't achieve its full potential because of the culture in which they operate. In addition, both external and internal forces conspire to create roadblocks to their success. A *Vibrant Board* uses strong governance processes to help guide not only the agenda of the board, but also the very nature of it.

While *talent and clarity* address specific "What?" questions, *context* answers "Under what conditions?" questions. It includes, but is not limited to, decisions about the board's size, frequency of meetings, director selection, shareholder relations, and social responsibility.

Most importantly, context influences decision-making, but too often directors fail to examine repercussions of them.

Context on a *Blinded Board* explains why things don't change, won't change, or can't change. Conversely, on a *Vibrant Board*, context describes why things improve when directors embrace the mission of the organization and create trust among members.

Espoused values reflect those perceptions that directors consider "correct." Over time, directors learn that certain values work to reduce uncertainty in critical areas of the organization's functioning. As the espoused values continue to work, they gradually transform into an articulated set of beliefs, norms, and operational rules of behavior. Eventually, these values become embodied in an ideology or organizational philosophy that serves as a guide for dealing with ambiguity or difficult events.

When a solution to a problem works repeatedly, people start to take it for granted. The hypothesis, supported only by a hunch, comes gradually to be treated as a reality. Basic assumptions become so taken-for-granted that no one challenges them. Therefore, they influence behavior, even when people don't mention them.

Directors of *Vibrant Boards* realize their espoused values should address the thorny issues, and provide a compass for navigating uncharted seas, even when the price of doing so is significant. Instead of writing these on a plaque in the foyer, directors *live* these espoused values and expect others to, too. They grapple with the tough questions and develop a list of standards that serves as more than a nice poster; these values serve as the bedrock of their strategy and

give them the guidelines about how and what to change.

However, misguided innovation and change can cripple a board as surely as change aversion can. The gold lies in a culture that embraces well-thought-out change, but balances it with a realization that the status quo and traditional approaches offer some redeeming qualities too. Success related to a culture of change relies on the people making the decisions. Those who take a disciplined approach to creativity but marry it to discipline, stand to win. Those who carelessly bet on the wrong horse just because it's a new horse, stand to lose.

Innovation stands squarely at the heart of a learning culture—with rigidity and fear as its arch enemies. Fear causes us to build silos that serve as our fortresses. When we fear, we go into protection mode, but reinvention prevents fortress-building. Star performers don't need shielding, so they resent fortresses. They adapt and adopt quickly, and want an organization that does too. Directors of a *Vibrant Board* know that if they wait to react, it may be too late. They also know that a culture of change requires a context for learning.

Excellent decisions are the coinage of the *Vibrant Board*. When directors consistently make good decisions, little else matters; when they make bad decisions, *nothing* else matters. Any student of organizational development knows that a pivotal decision—or, more likely, a series of pivotal decisions—literally separated the businesses that flourished from those that floundered. Every success, mistake, opportunity seized, or threat mitigated started with a decision—a deliberate one, or one reached by default.

Success doesn't happen without decisions, but neither do mistakes, except when the decision involves indecision—essentially a tacit decision not to decide. When directors play the toughest games, they can play in the most competitive leagues, they will have mishaps and missteps, but indecision doesn't have to be among them.

Vibrant Boards understand the difference between what should never change and what should be open to change—between what is sacrosanct, and what is not. A well-conceived change effort, therefore, needs to protect core principles, the enduring character of an organization—the consistent identity that transcends trends, technology, product line, or services.

Core principles provide the glue that creates the context for the best directors to do their best work. It's that subtle, yet powerful, driver that directors strive—often futilely—to influence. Directors who aspire to create a *Vibrant Board* pay attention to the culture they help create so they can understand it, guide it, and tie it to their strategies for growth.

Each year new regulations surface to protect consumers and hold boards accountable to shareholders. Corporate governance is on the move, and everyone has started to demand more of directors. No longer can they languish in a role and expect to keep it for life—not even in privately-held companies.

Active, compliant boards no longer offer organizations enough benefit. Companies need and demand stellar performance from both individual contributors and the board as a whole.

More change is coming. As the world redefines what it expects, what it will take to lead organizations successfully, directors will take a more active role in decisions that once belonged solely to the CEO. These talented directors won't make these decisions in a vacuum, however. They will formulate as much clarity about the future of the company as they can, and will create an environment that goes beyond tolerating change, to one that actively embraces disruption.

Directors who refuse to understand this reality doom themselves and the organizations they

serve to creating debilitating questions of authority and limits of control. Directors, therefore, need a detailed gazetteer to use in conjunction with their existing roadmaps. They need to understand the lay of the land, to separate the decisions they should make as a board, from those that require partnering with senior leaders. And everyone should understand when the board should get out of the way. This kind of clarity depends on directors taking a more active role in their own development, with the goal of achieving symmetry and symbiosis for all concerned.

Helping Define Your Company's Success



Helping boards achieve excellence in critical aspects of governance that most ignore.

We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

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](#).