



Board Dynamics Matter
Norm Smallwood, The RBL Group and Paul Butler, Global Edg

The CEO of a global, privately held business was thinking of calling it quits after less than a year on the job. He was deeply frustrated with his relationship with the Chairman and the board. The charismatic Chairman, son of the founder of the company had been CEO and Chairman for over twenty years and had grown the business from \$100 m in revenue to over \$3B during his tenure. In his late 60s he wanted to stay involved in the business as Chairman but wanted to step down from the day to day operational grind of CEO. He had personally recruited and groomed the new CEO and expressed confidence in his ability to take the company to the next level.

However, the board still recognized the chairman as the “real” leader of the business and on several occasions, they delayed approving the CEO's recommendations until the Chairman was able to attend a meeting and give his approval. The CEO talked to the Chairman about his concerns that the board did not take him seriously. The Chairman acknowledged the problem but also seemed to derive some pleasure from the board still wanting his approval and did not expressly change the dynamics.

In our experience, board process dynamics are a major contributor to performance. They are a strong prediction of contribution—more so than either professional qualifications or networks of the board member. Process dynamics make the board team greater than the sum of its individual members.

Effective group dynamics are found at the intersection of key stakeholders. Critical intersections include:

- CEO and Chairman
- Board and Management Team
- Board Member to Board Member

CEO and Chairman:

In our introductory story, the Chairman had been both the CEO and Chairman but when the roles were separated he did not effectively manage the transition with the board. With some coaching, the Chairman was able to better see that what he was doing was destructive. He met with the board to “name” the problem i.e. he was inadvertently maintaining control and asked the rest of the board to have confidence in new CEO and his decisions. This had the desired impact and the CEO can now perform his role. A board member of another prominent multi-billion dollar and privately held company told us “that this [transition] is especially important to a retiring chairman who turns the reigns over to a non-family member -- especially if the family name is also the company name.”

Board and Management Team:

Sharen Jester Turney, former CEO of Victoria's Secret and veteran board member to many says it's important for the management team to put the “elephant on the table” when discussing topics with the board that are likely to produce conflict rather than trying to skate over the sensitive parts. Let the board be effective rather than have the board spend the time to go back and ask questions to figure things out later. She also describes occasions when the board has concerns with a management team presentation and then talks about it offline. Don't be afraid to have real conversions in real-time versus behind closed doors.

At one point in time, Southwest Windpower was the world's leading supplier of small wind turbines & wind-solar hybrid systems. Their board was comprised of venture capital investors who recruited Dixon Thayer, a veteran CEO and business transformation leader to regenerate the business. But the board never assessed its own internal unanimity for supporting change and maintained strict restrictions on “Corporate Authorities.” Despite four successive strategic plans by management (that have since been proven by others in the market), the Board kept hesitating due to misalignment on their own goals, to the point where they finally decided in frustration to sell the business. The key learning is that strategy must be assured early and frequently or management is left spinning its wheels due to a lack of authority to act strategically.

Board Member to Board Member:

For many board members the interaction with other members is what makes the board experience worthwhile. But there are cases when the interactions become negative. While interviewing veteran board members we heard a few examples of the dilemmas they faced when they had to notify the rest of the board on “me too” type indiscretions. Obviously, these are very touchy situations and must be handled appropriately. Other board conflicts include interpersonal problems with the same board member. When there is a dysfunctional member of the board, it's critical to either help them change- usually by mentoring by the Chairman or coaching - or there is a need to replace them. Ed Lonergan, a veteran CEO serves on several boards. He told us: “With up to 250 hours per year dedicated to board work, it is critical that members work well together and respect each other. In my experience, the most successful boards operate this way. We want to make a difference. I could not imagine serving on a board where this did not exist.”

Improving Board Dynamics:

Given the impact that group dynamics play in successful board governance, we suggest four practices to improve them:

1. Make board process dynamics a regular practice: rather than letting problems fester, we recommend that twice a year, the board spend a few hours looking at their group dynamics. This can be best be done with an external facilitator, who can help them assess how well they are functioning as well as how to improve cohesiveness around strategy, decision making, interpersonal relationships and so on. Well established principles and practices are a hallmark of well-run boards.
2. Use coaching to help bridge gaps– when there are identified problems, take appropriate action to resolve or at least alleviate them. This could be in the form of peer coaching with another board member or by bringing in an outside coach to work on improving conflicts between board members/management or the interpersonal dynamics of an individual.
3. Consider changing out board members who continue to create dysfunction especially if the problem is chronic or unsolvable. Find a way to remove the dysfunctional board member once it is clear that this needs to happen rather than waiting and hoping things will improve in the future. The choice to not take action is a path to making things worse.
4. When selecting new board members management and operating experience are the primary focus. Equally important is having the ability to work as part of a team as an important criterion, rather than just interview board members: we suggest the use of a psychometric tool such as RBL's Mentor Assessments.