



Using the Board's Expertise

A common failing of many boards is their inability to provide active direction and leadership. Too many are relatively passive and reactive, leaving it to their CEOs to drive their organisation. Sometimes this is a consequence of the board's interpretation of its role – that it is simply there to provide support to the CEO as some sort of higher level support group or cheering squad. Sometimes it even seems that these boards believe that their primary responsibility is to their CEO and staff. While such support can be important, a board's primary legal and moral responsibility is to the organisation's owners (legal or moral) and only then to staff and other stakeholders.

Some CEOs and staff also find good reasons to treat their boards as subordinate. In our work we find this most commonly in organisations that employ specialists in fields such as education, health, and science. The CEOs of those organisations are often highly qualified themselves. These CEOs frequently express a lack of confidence in their boards. With the best interests of their organisation at heart, their main concern appears to be that their board's members lack 'relevant (i.e. industry-specific) expertise'. Because of this the CEO somehow feels an obligation to provide direction to their board as well as to lead their staff. Such CEOs have a sense that they have no choice but to carry the whole organisation, including the board, on their shoulders.

The inability to recognise and apply the expertise board members undoubtedly *do* have, represents a great waste of the real leadership potential that can come from an effective and well designed partnership between the board and its CEO and staff. The effective marriage of the two different but complementary roles of governance and management can add great value to the organisation and its stakeholders. Its absence can only detract from organisational achievement and poses real risks.

Risks of CEO Controlled Board Agendas

A CEO who assumes that his or her board is ignorant and can contribute little to organisational achievement will generally act to keep their board away from anything 'important'. This may include both 'important' management matters (which the CEO is probably right to keep away from the board) and 'important' governance issues that the board should address. If the CEO controls the board's agenda (as, unfortunately, is often the case) the agenda may neglect to include important, often critical, governance topics. It is our experience that management designed agendas tend to reflect management issues which, however important, should not be on the board's meeting agenda. If the

agenda does include substantive governance matters the meeting is often over-loaded with other 'interesting' issues that will inevitably distract the board's attention and use up its time.

Few boards are so insensitive to such treatment, or ultimately so passive or forgiving, that they will not eventually react somewhat negatively. Sooner or later a board that feels its CEO is treating it without respect and preventing it from dealing adequately with its responsibilities and prerogatives will start to resent the underlying attitude and assumptions, seeing this as interference. CEOs who forget that they are only an *agent* of their board do so at their peril.

Board Expertise

Many boards have relatively few members who are specialists in the operations of the organisation they direct. Whether or not board members do have such expertise, it is essential that a board is able to readily access sufficient understanding of the field and/or markets in which the organisation operates. It is also important that a board and its members are able to learn about their organisation and do so effectively.

The important consideration, however, is that this expertise, understanding and learning must be applied to the job of *governance* not to the function of *management*. The problem in ensuring that this happens is that too many boards lack a coherent concept and design for their own unique job. As a consequence, many tend to see themselves as little more than a higher tier of management. That its members are part-time and physically removed are but two of the reasons why a board can only ever make a second rate contribution to operational management.

If a board is stacked with the type of expertise that a CEO might be able to respect in a professional sense it will often find it difficult to resist the temptation to try and dabble in the CEO's job. The board's job is not to *manage* the organisation but to 'give direction' and to provide assurance of organisational (and CEO) performance on behalf of the owners (whether these are legal or 'moral' owners). This is a high-level *stewardship* or trusteeship role.

Although it should seek to incorporate their knowledge and expertise, the governance role typically does not require that 'industry' experts or even the functional or professional specialists that are conventionally sought for many boards should dominate a board's membership. A board well supplied with capable, thinking people who have diverse ways of looking at the world can sometimes add far more value to the organisation's strategic thinking and risk management than a group of industry insiders who cannot 'see the wood for the trees'.

A board containing members who do not share the same assumptions as those employed in the organisational 'engine room' is something to be respected and cherished. To view them as so 'incompetent' or ill qualified that the CEO has to do their job for them is not only risky for the CEO personally but a lost opportunity to engage the collective brain of the board.

The Board Must do its Job First

Where CEOs have a poorly conceived notion of their board's main contribution to organisational achievement it is a short step for them to conclude that the mission of their organisations is far too important (and demanding) to be left in the hands of members who are comparative 'amateurs'.

Conceptually, this unfortunate form of thinking can be avoided by both board and CEO having a clear sense of both the board's constitutional position and the true nature of its job. The board is an 'agent' of the owners. The CEO is, in turn, an agent of the board. The core requirement of the board is that it takes on a leadership role but one quite different from the CEO's leadership of staff.

The distinction can be thought of in this way. The board is primarily concerned with "ends" or outcomes. We can define these as a perpetual concern with the questions: "what benefits, for which people, at what cost or relative value". These questions go to the heart of the organisation's reason for being. The CEO and staff, on the other hand, are charged with selecting and implementing effective and efficient 'means' for achieving board defined ends.

A CEO wishing to help his or her board focus on its own unique job may find it useful to remind the board that the CEO – as its sole employee – cannot be held accountable until the board has done its *own job*. The board must prescribe the organisational results that the CEO is expected to achieve and, in terms of risk management, proscribe any limitations it wishes to place on the CEO's freedom to act. Sufficient board thinking about these must have been done to allow policy direction to a level of specificity that allows the board to delegate with confidence to the CEO any further action.

CEOs and boards thrive in partnership when both parties can match each other in a high level of competence that is relevant to their *own jobs*. Boards and their members should not be judged negatively because collectively or individually they know less about the CEO's job and even what the organisation does than the CEO does.