BOARDWORKS
International

Does your board help the CEO to think aloud?

At a recent workshop we facilitated on risk management an exchange between board members and the CEO made it clear for all participants – perhaps for the first time – that the board expects the CEO to really ‘stretch’ its thinking about future directions for the organisation.

What the board said to the CEO explicitly was: “…we need you to be thinking about the future; we want to hear what you and your colleagues think about the future and what this organisation should be doing about it”.

What it was saying to her, in effect, was “we want to hear you thinking out loud”. The CEO could not have been more delighted at the encouragement to do so.

Given the reliance so many boards have on their CEOs it is surprising this is not a routine expectation. Unfortunately, however, this is not an invitation that is always clear or even implied in the communication between a board and its CEO. In fact many CEOs are reluctant to bring anything to their board until it is ‘bullet proof’ (in other words, so thoroughly worked through that it is difficult to challenge or even debate). When that is the case it places the board in the position of being simply a passive and reactive ‘rubber stamp’. Few boards will tolerate that forever. Ultimately it may encourage a board to capriciously reject a CEO’s otherwise sound proposals simply to ‘show who’s boss’!

Apart from that risk it also denies to the CEO the opportunity to engage the board in the process of thinking about and thinking through a wide range of issues. An open and confident CEO is able to engage with and gain benefit from the collective wisdom and experience of his or her board, even though some matters explored may ultimately relate to CEO decision making prerogatives.

Some initial ‘thinking aloud’ by the CEO prepares the board for important decisions that still lie in the future. Because, ideally, it is a *dialogue* rather than a monologue it is also a catalyst for the board to do its own thinking aloud – sharing members’ initial reactions to the CEO’s ideas, prompting an exchange of ideas, information and perspectives, and an exploration of underlying values and philosophies. The participants in this type of informal dialogue learn together, jointly gaining a growing understanding of the challenges in front of the organisation and the ways in which key parties are beginning to think about them.

Critical is the idea that this process occurs well before important issues become subject to a debate in which positions are taken and egos invested in preferred explanations and options.

How your board should approach this process is wide open. It would seem that key factors include the board's unambiguous invitation to the CEO to communicate with it in this way, and the creation of an atmosphere where the CEO cannot only speak freely, but also safely and, to a degree, intimately. It goes without saying that the board should set aside adequate time for the dialogue to take place.

We do not see this process as being a formal part of the agenda. If it were that might carry with it the implication that what is said should have a direct and immediate connection to policy-making. On the contrary, it should be explicit that any policy-making will come, if at all, much later. At this stage the board is simply creating an opportunity for the CEO to use the board to frame problems and to identify uncertainties and possible trade-offs. Problems, and far less their possible solutions, have not yet been well-defined.

As an illustration, one board we work with now makes an unstructured session with the CEO, on his own without other staff present, a key part of a 'pre-business' session at the commencement of its monthly meeting. This is an un-minuted session that provides an opportunity for the CEO to 'think aloud' about potentially important matters affecting the company's future. It is rapidly becoming a valuable and greatly satisfying part of the monthly agenda for both the board and the CEO.

An example like this illustrates the fact that the more chances a CEO has to expose his or her own thinking to the board, the more chances directors get to add value.

A board…cannot add value as a 'sounding board' unless the board takes ample soundings. It is as simple as that.[1]

[1] Richard P Chait, Thomas P Holland and Barbara E Taylor (1996) Improving the Performance of Governing Boards. Phoenix, The Oryx Press. p.12