

CORPORATE BOARD MEMBER

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Does Your Board Deliver Strategic Advantage?

by Patrick Dailey



A board chairman recently lamented:

“Just a few years back when planning time came around, some of my directors with great skills in other areas would quietly step back from the strategy work...with others taking the lead. Today, I have a boardroom filled with ‘Michael Porter wannabes’— every director expects to be a key player in our strategy planning....Yes, I like the engagement, but overall, the consequences are not all positive. I fear my planning process is off the rails—my board is not delivering sound strategic guidance.”

As directors become increasingly involved in their company’s strategy process, it’s evident that some fail to have the competencies to meaningfully contribute. Some deficiencies may result in only benevolent dabbling, as the chairman above noted. But at the extreme, deficiencies can result in destructive, deliberative processes and the adoption of faulty strategic decisions. Often these scenarios operate

within the context of participation by well-meaning directors—not within hostile environments.

Here are a few thoughts on how to counteract this situation on your board. First, we must realize director selection has never been more important. As expectations for participation rise and the half-life of strategies contract, the risk of a derailed strategic process increases. With these risks, the importance of selecting directors who have the competency to deliver strategic advantage has never been more crucial.

Second, boards should recognize that skills and qualifications matrices are insufficient. The matrices included in proxy filings are helpful, as they specify experiences sitting directors should possess. But they fall short in addressing how a director might behave. Behavioral competencies, therefore, are very useful in specifying key characteristics that candidates should demonstrate and sitting directors should possess.

Key competencies

Seven competencies stand out as key differentiators of directors’ ability to shape strategy and long-range planning.

Curiosity. Look for candidates alert to emerging signals in the marketplace, and those who seek diverse channels of information, as these individuals acquire and assimilate new information easily. Curious thinkers explore far and wide, even into areas that may have no obvious connections to the core business. It is often in these foreign territories where breakthroughs are found.

Debate skill. Assertive people use debate to understand and refine their ideas. They engage in persuasive arguments with others, which serve to polish and clarify the thinking of all members of the board.

Tolerance of ambiguity. For some, there is a definite “right way” of doing things. Their way has proven to work well for them, and it is difficult for them to accept other ways. For these low-tolerance individuals, while their way anchors their understanding, it restricts their ability to accept ideas or processes that differ significantly from their view. Look for candidates that seek to understand (but not acquiesce to) others’ opinions and arguments.

Candor. Seek candidates that tend to be frank, direct, and tactful in expressing opinions. Less-candid directors tend to speak out in general terms, disguising anything that may trigger a challenge.

Prudence. Prudence means adherence to rules and standards. Rule-bound directors are strong in compliance and less comfortable in the gray areas in which many board discussions dwell. Rule-lax directors may engender risky decisions and often have a cavalier disregard for statutes, policies, and code—believing these can be nuanced or ignored.

Analytic speed. Analysis of facts, arguments, and assumptions depends upon experience and perspective, but most important, on cognitive-processing capability. All things being equal, fast processors more quickly reach conclusions, analyze presentations, and discern the key points in an argument.

Coaching. The transition from executive leadership to board service requires the emotional maturity to dial down personal competitive practices and dial up interpersonal skills so directors may more successfully engage peers and senior management in problem-solving or developmental conversations.

Who takes the lead?

It's the job of the nominating committee to seek diverse candidates based on "who we need" rather than "who is available" criteria.

Adoption of better assessment tools such as the key attributes listed above, along with more disciplined selection procedures, will enable boards to select candidates who can deliver real strategic advantage.
