



Driving up Board performance

*Insights from two
Leadership Conversations*

Society of Leadership Fellows

St George's House, Windsor Castle

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March 2018

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Chapter I

Seven insights into Board under-performance

Seven insights

We can all fall so easily into the “politeness trap” without owning the fact that we’re not really speaking our truth



Those of us who are Chairs and Non-Executive Directors know that there are times when we should have said to our Chief Executive, or one of the Executive Directors, “*We need better than this*”.

Yet we hardly ever allow ourselves to say this sort of thing. No, we say, we must be polite in Board meetings - and can’t be so blunt.

In the same breath, we complain about lack of honesty on the part of others, without acknowledging that our concern with being “polite” compromises this honesty that we want to see in greater abundance.

So we need to “say it as it is” and deliver this new toughness with real honesty.

Of course, it is important that we get the tone right and deliver any tough messages with generosity and warmth.

We also need to make clear that we’re ready to **hear** tough messages at the same time as offering them up.

Too often we ourselves create role traps – for example, by saying that the Chair must do the “connecting” whereas more often than not the Chair and CEO should BOTH be acting as connectors

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We can easily find ourselves arguing in favour of certain behaviours on Boards because we believe that they are what's expected of us, rather than because they are right.

One example is to do with the role of the Chair, who is generally regarded as the person who should act as the bridge between the Non-Executive and Executive Directors.

The Chair definitely has the leading role to play in ensuring that connections are made across the Board in-between meetings, so that there are fewer surprises at the Board and all sorts of dialogues are brought to the table rather than having to start afresh.

At the same time, there are many Boards where the Chief Executive could play a more active role as a connector, too, and indeed if the Chair and CEO were to share this role more, it would be an excellent way of ensuring that all Non-Executive and Executive Directors are talking to each other more in the run-up to Board meetings.

Any technical misunderstandings should have been sorted out, thereby clearing the way for a richer and fuller discussion at the Board, made possible because both the Chair and CEO have already been facilitating whatever connections needed to be made.

So often, Boards don't develop the role of their third key player – who might be their Vice-Chair or Senior Independent Director – in the ways that they could

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Most Boards have a third senior office-holder who could play a key role in sharing the leadership of the Board. Sometimes that person is the Vice-Chair and at other times they are the Senior Independent Director (SID).

In too many Boards, however, this third role is treated as having only occasional significance. In these situations, the Chair and CEO can develop a very tight shared grip from the centre, that can cause resentment on the part of NEDs and Executive Directors alike.

This is why there is much to be said for NEDs and Executives jointly making clear that they want their Vice-Chair, or perhaps their SID, to play a more significant leadership role. They could, for example, ask them to act as the custodian of the organisation's values and behaviours, being the first to say at the end of the meeting whether they believe that any of the Board members' behaviours were out of line with their values as a Board.

To achieve a Board led by three people rather than two, you usually need some sort of specific approach to this third person to help define a wider role beyond that set out within the constitution of the Board. Rather than waiting for the Chair to take the initiative, it is often best if one of the NEDs opens up this debate.

For Boards that are seeking to develop more inclusive ways of working, this three-way leadership model has a lot to commend it.

Some CEOs seem to believe that a sign of being successful is that they shouldn't "need" their Board. On the contrary, one of the keys to being a successful CEO is that the Board see themselves as necessary to your success

4

There is a widespread view that CEOs should generally avoid asking their Board for help with tackling a tricky problem, on the grounds that this could be interpreted as a sign of weakness.

Instead, many concentrate on reporting success stories to their Board and are reluctant to ask their Board for any support beyond approving proposals that they put before them.

More and more high performing Boards now have a very different sort of relationship with their Chief Executive. They regard any disclosure of under-performance as a sign of trust on the part of their Executive team.

Whilst they tend to be impatient and expect urgent action in response, they are more likely to remain loyal to a CEO who engages transparently with problems rather than minimising their significance because they are so keen to avoid any possible Board "interference".

As a general rule, the higher a Board performs the more likely they are to respond well – very well – to a CEO who says,

- *"I want to talk to you about something that I'm worried about, because I would really appreciate your advice about turning it round".*

When CEOs are prepared to ask their NEDs for help, this makes it easier for NEDs to reframe their role outside of Board meetings and become an informal sounding board for their Executives to help them in developing proposals before bringing them to the Board

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This insight points to the considerable impact that a Chief Executive can have if they are prepared to seek their Board's advice in ways that would be resisted by those who believe that "strength" requires a high degree of self-sufficiency in relation to their Board.

Once a CEO is willing to seek the engagement of their NEDs in relation to some of the trickiest strategic challenges that they face, it becomes so much easier for NEDs to define their role more broadly in relation to their Executive team.

Instead of just being there to provide scrutiny and seek assurance, they can develop a more expansive view of their brief, inviting the CEO and Executive Directors to let them know how they would like to use them.

Some NEDs have greater influence over their Executive team outside of formal Board meetings than they ever do in the meetings themselves. This is no surprise, really. The most effective capacity-building takes place in settings where authority tends to sit with those whose capacity is being built.

The same is so often true of leadership development: those who are being developed are much more likely to take the key messages on board if and when they feel that they have volunteered for this process.

In general, the induction process for NEDs doesn't work. Instead of NEDs being spoken at by senior staff, there should be more of a two-way process that involves NEDs offering feedback at the end of their induction

6

One of the reasons why some NEDs end up being disruptive in Board meetings is because they feel over-managed by their Executive team, from day one. This starts with a one-way induction process.

If, instead of just being told what senior staff want them to be told, NEDs are made to feel significant and empowered from day one, just think how this could transform the transition of new members into full Board membership.

Why would there be any need for any of them to over-position at Board meetings if they feel able to make themselves seen and heard from day one?

This is why in the next section we offer a very specific proposal to ensure that

- Staff members involved in the induction of NEDs each ask them at least one thoughtful question and make a point of saying that they are keen to learn from them, because it is this collaborative culture that they see as one of the greatest strengths of their organisation.

Boards under-estimate the importance of cross-Board relationship-building at their peril! When things go wrong they can find themselves unable to stop suspicion and distrust from taking over, because the people around the Board table don't know each other well enough

7

So many Board Chairs and CEOs attach too much significance to their formal Board agenda and too little significance to the time that Board members spend together outside of meetings.

Whenever any business encounters a crisis, it is the interpersonal relationships between the Executives and Non-Executives that are key, and most of this relationship-building takes place outside of meetings.

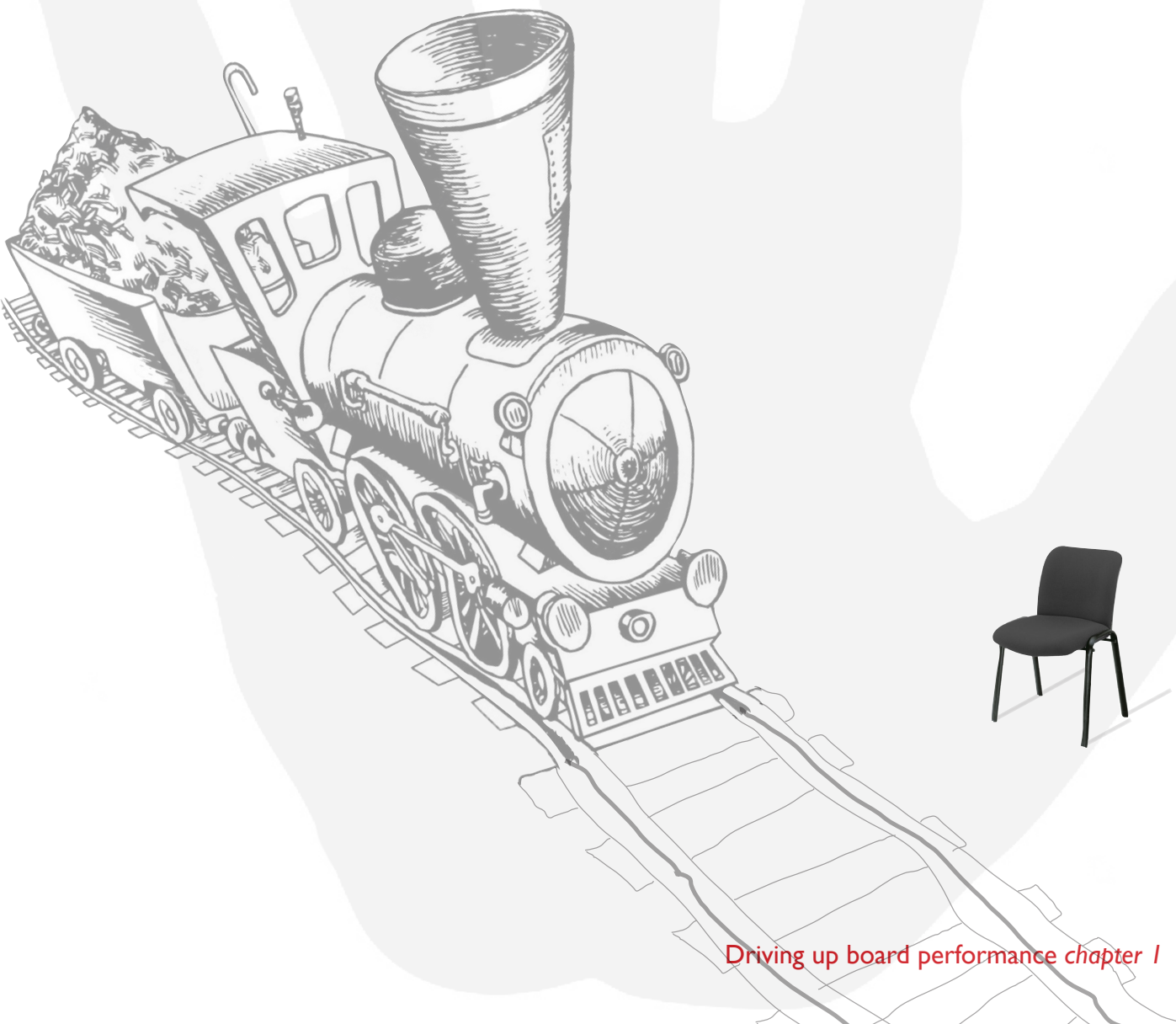
They determine how the Board set about managing the crisis and how much they are able to lead the organisation out of it as one single team.

This why informal events such as occasional dinners the night before a Board meeting, and occasional drinks after a Board meeting, are so incredibly important.

They build the identity of the Board as a group who freely invest in getting to know each other – and understanding the particular strengths and gifts that they each bring to the Boardroom.

A to G

Seven actions to drive up Board performance



Chief Executives and Chairs: invite your NEDs to assess the induction process

A

Bring the NEDs together with your staff involved in the induction process and invite the NEDs to say:

- *“What most excites them about joining the Board*
- *What, if anything, worries them about joining the Board*
- *What they most want out of the induction process.”*

Then after each presentation and discussion, senior staff should ask the NEDs:

- *“Did I give you what you were expecting?*
- *Was there anything about my presentation that made alarm bells ring for you and we might need to return to on another occasion?”*

At the end of the induction process, each NED completes a form to be shared with all staff involved:

- Assessing the usefulness and clarity of each element of the process
- Commenting on whether they feel that their professional experiences were acknowledged by the staff presenting to them – and whether any members of staff deserve special recognition for how they engaged with them.

Chairs: occasionally create a matrix of expectations at the beginning of a Board meeting, for review at the end

B

At the beginning of a Board meeting, ask what individual members hope to achieve through the meeting and how they each hope to add value to the discussion. Invite a member of staff to write up their answers as a matrix, in two sections: AIMS and ADDED VALUE, and with their initials by each one.

Make sure that every member of the Board has their answers written on the flipchart/s and then invite a member of the secretarial staff to type this up whilst the meeting is underway and bring back copies for you (with 1 for each member of the Board) when they are ready.

At the end of the meeting, pass round the matrix and ask each member of the Board to score their own performance out of 10, in relation to aims achieved and value added as captured by them at the outset (with a separate score for each), and then with an overall score for the performance of the Board as a whole.

Board members share their scores, and those that are tough on themselves are appreciated for their candour.

All Directors are asked how they hope they might contribute more at the next meeting and ensure that the overall score is higher than it has been today.

As Chair, you invite feedback about how you might have improved your performance in relation to the score that you have given yourself and you then bring the meeting to a close.

Chairs: occasionally use check-in and check-out questions to encourage higher levels of honesty at Board meetings



Whenever you use a checking in system, it's important to ask a different question each time. If Board members have a chance to prepare for it, its impact is much diminished. For example:

- *“Before we start going through today’s agenda, is there anything in the rest of your life that you’re particularly worried about that you want to flag up now, so that we know a little more about what else is in your mind apart from our business as a Board?”*
- *“We have a strong set of papers before us from the Chief Executive and her team. Without getting into detail now, which one offers the greatest clarity and sense of purpose, and which one do you regard as the least persuasive in advance of our discussion?”*

The same applies to a checking out system at the end of a Board meeting. You always need to vary the question. For example:

- *“Before we close the meeting, can you tell us which discussion you regarded as our most productive – and what it was that made it work so well?”*
- *“If you could suggest one thing you would have liked me to have done differently today as Chair, to improve the quality of our discussions, what comes to mind first? Please don’t feel you have to be polite!”*

Chairs: establish the principle that it's not acceptable for a NED to go through the whole of a Board meeting without saying a word – and if they do, you will expect them to find other ways of adding value to their Board colleagues

D

Here again, the knack is to come up with a proposal that others are not expecting you to suggest, in order to keep them on their toes and add in that extra level of dynamism that comes through unpredictable leadership behaviours:

- *“We have a big presentation coming up from the Chief Financial Officer next time on your financial plan for the next 3 years. John, you haven’t come in on any of the discussions today, and I would be grateful if before the next Board you would make a point of spending some time with Sarah to support her in sharpening up the main financial options for us as a Board. We need rather more from you, John, than you have been able to give us today, and I am sure that we would all benefit from you taking on this role.”*

OR

- *“John, we haven’t heard your voice today and I would like us all to gain rather more benefit from your experience next time. I would like to set aside 30 minutes for a discussion on how we could work together more effectively as a Board. Would you please make a point of talking to at least 3 of the Exec Directors and 3 of your fellow NEDs and then give us a 5-minute opening to kick off this discussion. Thanks ever so much.”*

You are open and positive, and very clear that it is not an option for NEDs to sit there and say nothing.

Chairs: when you don't have any of your customers represented at Board meetings, make sure there is occasionally an empty chair - and defer to it, asking what Directors think they would say if they were there

E

An empty chair can have a real impact on the meeting, so long as you are careful to make sure that you refer to it every now and again and challenge your Board on what the customer/ consumer/ user view would be.

(In Amazon it has been their regular practice for years to leave one seat empty around their conference table and Jeff Bezos will refer to that as their customer's chair. Worth reminding ourselves that they are now the third most valuable company in the USA, ahead of Microsoft and not far behind Apple and Alphabet.)



NEDs: make sure you ask any technical questions that you want to ask Exec. Directors BEFORE the Board meeting

F

This is bound to sound incredibly obvious to some. And yet the fact remains that there are many Boards where this does not happen.

A NED will think it is fine to ask a technical question about some minute point of detail without having shown the courtesy of putting their question to the Executive Director concerned before the Board meeting.

Suppose the Chair were to say, every time there is a technical question from a NED:

- *“Did you raise that beforehand with the COO/ CFO/ CEO - and are you unhappy with the answer that they gave you? Oh, you didn’t raise it one-to-one ... next time will you please TRY, because the clock is ticking and we have some very important agenda items to discuss!”*

Where a NED pursues a question that they did take up with an Executive Director beforehand, and remains dissatisfied with the answer given by the Executive, this is then an issue on which the Chair needs to champion their NED:

- *“You asked your question beforehand, Darren, and weren’t satisfied, and now the level of assurance given by the Chief Financial Officer seems to lack a certain clarity. So, may I suggest that the Chief Executive and I meet with the two of you at the end of this meeting and send a note round the Board on what we have agreed”*

Chairs and CEOs: do something unpredictable with the agenda for each Board meeting to “stop the train” (briefly!)

G

The theme of these action points is their unpredictability – and there is no area where this is more important than in relation to Board agendas!

Some Boards have not changed the structure of their agendas for years and there is an utter predictability about them, which does nothing for the creativity and entrepreneurial spirit of the Board.

This is why it would be brilliant if the two of you, as Chair and CEO, could have a shared resolve to do something unpredictable in relation to each Board agenda. Just **something** unpredictable!

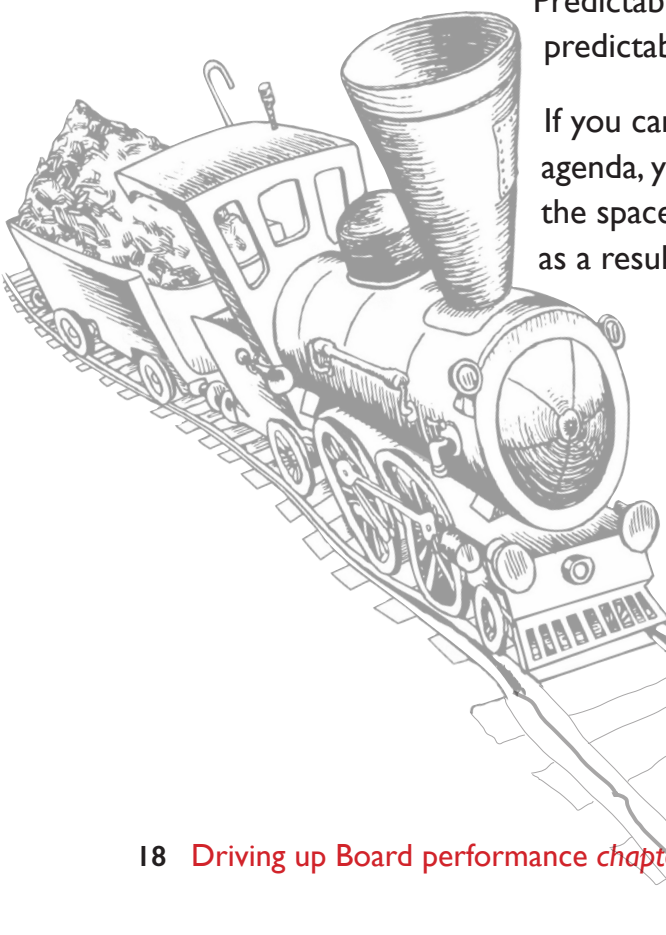
For example:

- *This might sound silly, but you could put Any Other Business as an item in the middle of the agenda.*

It just takes away that sense of the agenda as a train that will go to certain stations yet again, in exactly the same way as before, without fail.

Predictable agendas are nearly always accompanied by predictable behaviours on the part of Board Directors.

If you can introduce some unpredictable element into each agenda, you will have helped to **stop the train** – and create the space for your Board to think and act that bit differently, as a result!





Chapter 2

Turning round Board performance: *four stories*

BOARD TALK JOURNAL

BREAKTHROUGH NEWS SUPPLEMENT



Stories
to inspire
you to top
performance

- Making space for creativity
- Regular spring-cleans essential
- Recognising that close can become too close
- Post-traumatic stress in the Boardroom

Four top stories of how Boards took risks to become top performers

Making space for creativity

Imelda Estelle, Chair of Letushelp, the major national charity, shares how winning top marks in governance distracted the Board from a downturn in the organisation's performance. Pages 4-5

Post-traumatic stress in the Boardroom

A phrase known in combat has been carried to the Boardroom. **Ita Schock**, CEO of Stepover, a regional third sector organisation, tells the story of how burying the trauma created by a rogue Executive led to 12 months of stepping on land mines. Pages 8-9

Recognising that close can become too close

Non-Exec Director **Hugo Warey**, of Ourway PLC, reveals how close the Board came to rebellion because of the close relationship of Chair and CEO. Full story on Pages 6-7

Regular spring-cleans essential

Ivor Brush, Chair of Growth, a rapidly expanding PLC, explains how he and his CEO have had a major spring-clean and reduced meetings by over 40%. Pages 10-11

Making space for creativity

Imelda Estelle, Chair of Letushelp tells her story



The trigger point was our drop in performance despite ticking all the boxes for excellent governance. I knew the Executive was working its butt off but it was having no impact. I persuaded our Trustees that we should bring new blood on to the Board that would strengthen our leadership in improving performance.

Problem solved, I thought. But no: the two new appointments to the Board were visibly becoming disengaged. After one of our regular awaydays, I tackled them individually about this and was shocked by their response.

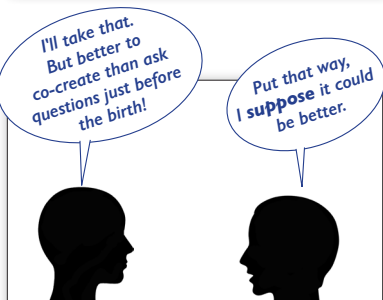
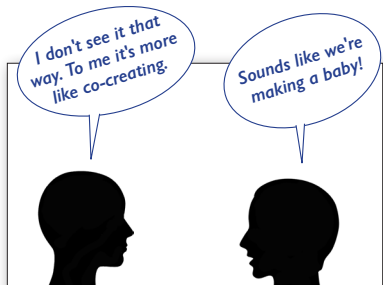
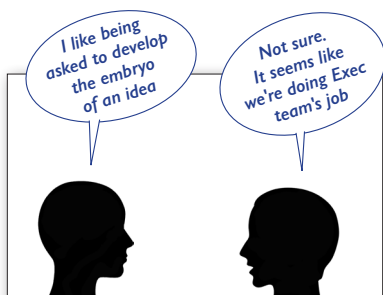
They said they felt stifled. Every Board meeting was governed by the need for assurances on all sorts of issues with no real 'elbow room' for discussion. Okay, I agreed, but our single agenda item awaydays are different. No, they said: they are still about ticking the boxes we need to tick to keep the regulator happy. They are not about working with the Executives in a creative way.

Of course, what they were saying was true. The way we've always worked is to question the Executives' proposals and reports to ensure they are fit for purpose and bear independent scrutiny. It took fresh eyes on the Board to make me realise that we were trapped in a 'them and us' culture. And if we carried on, the two Non-Execs recruited to help solve our problem could walk.

Change of use

I felt between a rock and a hard place. I couldn't justify any more awaydays but I could see that having creative space for co-production of ideas between the Board and Executive team could be what we were missing. With my CEO's agreement, I decided to take what for me felt a really risky decision and change the way we ran Awaydays.

Non-exec chat



No more detailed briefings. Beforehand, Executives would identify the one burning issue that needed fresh thinking and circulate a 2-page note highlighting why new ideas were needed. On the day, Executives would invite our Non-Execs to an ideas-building session in tackling these issues. Our first session was on 'why performance is dropping'.

Some Board Directors were doubtful that this was a good use of their time, but others loved it – and so did senior Executives.

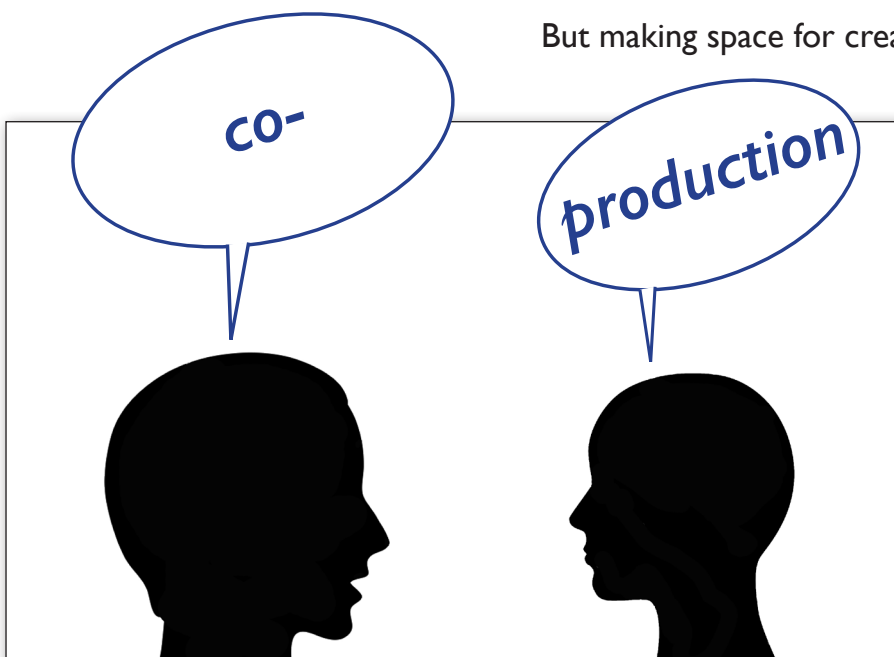
Of course, there were too many ideas generated to take them all forward. But there was an amazing willingness to prioritise. And the real win in my view was the level of engagement and co-production of ideas happening. For the first time, the Executive team were asking the Non-Execs questions instead of the other way round!

We now access up-to-date briefings electronically. We hold two full-day creative sessions a year. At the start not all Non-Execs attended, but numbers increased with each session.

Our performance and customer satisfaction ratings have improved significantly. This hard evidence has helped win over the doubters.

But making space for creativity has had other positive

spin offs. The Executive is no longer defensive in the way they present proposals. There is a genuine feeling that we're all batting on the same team. ”





Becoming close *but* not too close

We all know that a close relationship between a Chair and CEO is pivotal to the success of an organisation. But it can badly backfire when it becomes too close, as *Hugo Warey, Non-Executive Director of Ourway PLC* explains.



Around three years ago, we appointed a new CEO. The Chair had told us some good things about Justine Thyme and he appeared to be spot on. She had the company turned round and facing in the right direction within 12 months.

What I didn't like, though, is that our role as Non-Execs changed at meetings. The Chair and CEO appeared joined at the hip and in complete agreement on every proposal put forward.

Their confidence meant that opening up anything for discussion felt awkward. There wasn't much point, anyway, as they always had an answer. I felt we were just there to rubber stamp their decisions rather than make them as a Board. I have to confess that the more I felt this happening, the more I found myself wanting to derail their tight control.

I made the rubber-stamping point in our annual Assessment of Board Performance. Interestingly, so did others. The Senior Independent Director agreed to arrange a meeting for me to discuss the issue with him and the Chair.

At first, our Chair was really defensive. For him it was a bolt from the blue. He was completely oblivious of how he had sidelined us! He said that of course he and Justine have differences, but they thrash them out prior to Board meetings. Would you believe, he thought they were helping the Board by giving us a clear steer. He had no idea of how close he'd been to a full rebellion!

Once he could see how we were feeling, the Chair conceded that he needed to change the nature of his pre-Board meetings with the CEO. Differences between himself and Justine on important issues would be aired openly with respect on both sides.

In terms of our regard for Justine, it has made a terrific difference. Now that we've had a chance to know what she thinks, rather than having her views made

Board-friendly by the Chair, we trust her much more.

And I believe it has worked well for both of them as well as us. Sometimes discussions at Board meetings reveal a better way forward than either of them had considered. ”





Recognising Post-Traumatic Stress

My story by Ita Shocke, CEO of Steptover

“ Taking over as CEO was a baptism of fire for me. I discovered that my Chief Financial Officer (CFO) had been engaging in some rather over-creative accounting in presenting figures to the Board. This had been going on for some time. I told the Chair and had the CFO out within a week – and I must admit that after the shock I felt rather pleased with myself. Job done.

But the problem didn't end there. In some ways, it was only the start.

The stress of what happened affected the behaviour of the Board. Not just for a few months. For nearly a year it felt like we were stuck in the middle of a minefield with occasional explosions. And the person most badly affected? Our new CFO and her team – all of whom were completely innocent of any wrongdoing.

Having been burnt once, the Board was distrusting of the Executive team. We were all tarred with the same brush, even me who had called out the CFO!



The Board demanded such detailed and frequent reporting that it really impacted on performance. Executives at all levels were spending a disproportionate amount of time preparing evidence-based reports on everything and anything. The Execs felt that reporting to the Board was like being in front of the Inquisition. They dreaded the monthly meetings. Even worse, every suggestion we made to remedy a fall in our performance had to be justified in detail.

There was a real frustration and anger amongst staff at the clear distrust being exhibited by the Board, and a significant number left the organisation.

I knew I had to try and get the Board to realise that their behaviour was destroying morale. We couldn't continue in this way. I first spoke to the Chair who was initially reluctant to challenge the Board's behaviour. She eventually agreed to talk to Non-Execs individually and explain the impact of their behaviour on the organisation.

Following the conversations, there was a closed Board Meeting for Non-Execs to which I was invited. We discussed in depth how the Board's post-traumatic behaviours were undermining those innocent of any crime. We agreed that trust needed to be rebuilt on both sides.

Most important, we created the space for people to say how they felt about the old regime under the previous CEO. I then asked them to judge me by my standards and behaviours – not by those of anyone else. Of course, they agreed. Many of them came up to me afterwards and apologised. They hadn't been aware of how destructive their behaviour had become.

We are still in the early days of recovery, but things are beginning to work well again. When we do slip back into low trust behaviours, we carefully remind each other rather than storing it up. That's the key difference now: we know that we need to help each other let go of the trauma and the best way to do that is to be really open and say it as it is.





Regular spring-cleans essential

A Chair's view by Ivor Brush, ACME Enterprises



Over the past few years we've had great growth, but it's begun to slow down and, as a Board, we have got worried. So we've been asking ourselves what's slowed us up.

The conclusion we've come to is that we've asked our Executive team to spend far too much time managing the organisation, in committees and sub-committees, and not enough time driving it.

As our Group has grown and diversified, so has the number of committees and sub-groups – like topsy. I did a count and six months ago we had 55 different committees, groups and meetings, averaging over one a week.

Each one needed a secretariat, papers prepared beforehand and minutes drawn up and circulated afterwards. Finding dates for all of them, especially for the senior Executives, was a nightmare.

Staff were spending far too much time servicing the meetings at the expense of getting on with their jobs. We'd spawned a monster that was beginning to consume the energy of far too many people.

I asked my CEO to sit down with his senior team and review the need for each and every meeting. The key question I wanted them to answer was why a particular committee/sub-group was needed. Their discussions revealed as the business has grown that about 25 of them have become irrelevant, overlapping in purpose or needing new terms of reference.

As a Board, we then planned out how we should set about spring-cleaning.

For me, a priority was to manage the process in ways that didn't lose the tremendous support we have from our Non-Execs. Some of them had been chairing groups for over 3 years and I didn't want to devalue their contribution in any way. Also, the Board felt that the changes needed to be proof-tested by the groups themselves to ensure no babies were thrown out with the bath water.

We introduced a number of time-limited task groups to replace standing committees. This has been a real success in troubleshooting specific areas of performance and driving forward ideas. Other groups have been merged and refocused. We now have 32 different groups, some time-limited. It's still too many, but we're moving in the right direction.

Generally the Board has been very supportive. Some Non-Execs were concerned that important information may be lost if particular groups were disbanded, but they were quickly persuaded by evidence that this wasn't happening.

I must say the whole process has been truly liberating. The organisation feels fresher, sharper and more action-oriented. This has been the first major spring clean we've had, and the Board has voted unanimously for it to be established as a bi-annual review – led by a time-limited task group!

Our principle now is that every committee or group needs a powerful justification to keep going after two years – and if it isn't obvious, then we assume that we no longer need it. ”



Top
performing
Boards
take
risks
in
the
ways
they
work