

## HOW EFFECTIVE IS YOUR BOARD?

*David Mellor looks with Paul Chapman of Azure Partners Limited at the link between board effectiveness and company performance, and provides some practical tips and hints to address potential shortcomings.*



I was chatting recently to my good friend and fellow Azure Partners Board member Paul Chapman about board effectiveness. Paul is a firm believer that the board is the “head and heart” of the organisation, regardless of the size of the business. He made three interesting observations:

- It isn't just about compliance – the board should be where the vision of the company originates, together with the clarity of purpose, values and drive to achieve a well thought-out strategy. It needs the skills, experience, structure and process to make sure that the company delivers its promises.
- If this is a reasonable description of your board then congratulations – but you are probably in a minority!
- Unfortunately many boards are not as effective as they should be, and consequently the company does not realise its full potential.

This set me thinking, and Paul and I continued to reflect on two aspects of this: firstly, the pitfalls a board should seek to avoid, and secondly warning signs to look out for in a board meeting.

Paul started with the pitfalls:

A board is responsible for the sustainable success of the organisation, but in most companies which are established and fast-growing the board members also have management responsibilities. The challenge is to do both well! Common issues are:

- A lack of strategic focus
- The board gets wrapped up in the minutiae
- Lack of board meeting structure - an ineffective chair
- Not using numbers – for results and for forecasting

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- Backward-looking not forward-focused
- Too much time spent on next month rather than next year
- Getting involved in day-to-day management of the company - this may be necessary, but not in board meetings
- Not having the necessary breadth of expertise - e.g. strategy, marketing, sales, finance, people
- Lack of drive or commitment – if your board meeting is boring you are doing something wrong!
- Bickering – a focus on personalities rather than the business
- Not holding board members and management to account – failure to deal with underperformance
- Group think – a lack of intellectual challenge means we stay in our comfort zones.

So, I asked Paul, if these are the “Dirty Dozen” of a dysfunctional board – what to do next? Paul suggested that a board could score itself against these 12 pitfalls, and if it looked as if two or more of the characteristics were displayed, then corrective action would be strongly recommended.

We then moved on to discuss potential warning signs or signals. Again, Paul had a useful definition: the board meeting should be the place for considered discussion of where the company is now, and where it is going. This needs a clear mind, a primary focus on the big issues, good information, and time for board members to think and discuss. Frequently however meetings are dominated by discussions and details that should be tackled elsewhere.

Symptoms of a poor board meeting include:

- Not reaching decisions
- Friction
- Rehearsing old arguments in the meeting
- Not having the full facts to make a decision
- Flavour of the month attitude to ideas
- Backward looking

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- The wrong environment – e.g. The MD always makes the decisions anyway, so there's no point contributing
- Inaccurate, incomplete or out-of-date information
- We have not launched a new product or service for years
- Our staff don't understand or communicate our vision effectively
- Board meetings are boring
- We are always unprepared
- The "same old ideas" come out.

I would suggest that a remedial piece of work could be to score your board against these behaviours, and then prioritise where corrective action could be taken. Addressing these types of challenges could just make the difference between your business surviving its "growing pains" and moving on to prosperity.

For help in building an effective board, please contact:

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