Seven best ways to improve your board

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Based on Insync Surveys' report, Taking your board from good to great: the best 101 ways to improve, here are seven of the best suggestions to improve your board. Our research is based on suggestions made by senior directors.

The seven suggestions for improvement were selected from 856 suggestions made by 345 directors from 47 boards in some of the largest and most important organisations in Australia and New Zealand; these are boards of ASX listed companies and other organisations with assets or annual turnover exceeding $500 million each.

Chair to continue to foster his ‘trusted adviser’ relationship with the CEO to support increased alignment of management and board objectives — this may require spending increased time together regularly

This suggestion emphasises that one of the main roles of the board is to support, develop and monitor the performance of the CEO. A large component of this role is achieved on behalf of the board through the chair.

Hence, the chair’s relationship with the CEO is critical to both the effectiveness of the board and the effectiveness of the CEO. This relationship must be built on a high level of mutual trust and respect. The board and management must be on the same page, particularly in relation to the organisation’s long-term direction, purpose, strategy and values.

While this will be achieved through appropriate workshops, meeting and discussions involving the board and management, the chair’s regular catch-ups with the CEO are important to ensure the ongoing alignment of the expectations and objectives of management with those of the board.

More robust discussion at the board table

This builds on Sir David Walker comments in the Walker Review of corporate governance in UK banks and other financial institutions in 2009. Sir David pointed out that the right sequence in board discussions on major issues is the presentation by the executive (with all relevant facts), a disciplined process of challenge by the board, decision on the policy or strategy to be adopted and full empowerment of the executive to implement it. He noted that the step involving the disciplined process of challenging management was often missed by boards leading up to the GFC.

Great boards have a very constructive, rigorous and healthy debate on key issues before making decisions involving important strategic issues and/or increased risk. Boards can’t carry out their oversight role effectively unless they have rigorous and robust debate. Those discussions will add new perspectives and also identify the costs and implications of taking each alternative course of action.

Continually test any tendency towards ‘groupthink’ or the impulse to nod sagely

This is a fabulous suggestion from someone who has probably seen the adverse impacts of a board not ensuring they have the robust discussions referred to in the last suggestion. The different perspectives that are so essential for good decision-making do
It is crucial for the board and management to discuss and agree what is meant by and what will deliver sustainable high performance for their organisation.

It is an excellent board but it doesn’t understand genuine high performance. It has good KPIs and performance metrics but this falls short of real high performance, though it has the potential to go down that path

Structure board papers to focus more on the issues that are challenging management about the future

The nature, extent, content and style of board papers continue to be reassessed, debated and refined on most boards. The debate about the extent to which papers and meeting time are devoted to strategy, performance and compliance matters will continue.

Obviously board papers must report past performance compared to budgets. However, boards also need to ensure that their board papers are sufficiently forward-looking and deal with the issues that challenge and concern management.

The board, and the chair in particular, need to know what is of most concern to the CEO and executive team and what is ‘keeping them awake at night’. Boards will be much better positioned to add extra value if they are acutely aware of and discuss these crucial matters.

Perhaps more involvement/ownership on strategic direction (three to five years)

Boards must be very involved in the strategy of their organisation. While the executive team will do most of the hard work on the organisation’s strategy the board should guide the way it is shaped in the early stages, which will normally include setting the broad parameters to be achieved. The board should also ensure it conducts a rigorous review of the strategy before it is signed off.

If the board is involved in both these ways, they will have bought into the strategy and considered it to be owned by them and not just by management.

A good board will know the main drivers of the organisation’s success. It will also have a good understanding of the extent, complexity and cost of actions required to implement the strategy and the likely challenges. This will enable board members to appropriately challenge management about the strategy, bringing its experience and forethought of the likely potential hurdles in implementing it.

For a copy of the full report, Taking your board from good to great: the best 101 ways to improve, email research@insyncsurveys.com.au.