INGIMAGE©

DIRECTORS' LEARNING CURVE

Dr. Muneer Muhamed urges directors to keep their fingers out and noses in!

> Divided attention within the board is bad

While planning a column on how board members can make the lives of managers simpler, we stumbled upon a few interesting insights into how boards actually make managers' lives more difficult!

There have been numerous highly publicised incidents of CEOs surprising their boards with their outbursts and activities. Top managers have either suppressed information from reaching the board or spoken out of turn without keeping their directors in the loop. But there are also many cases where boards have driven management to cool things down.

Sniffing out and controlling potential conflicts of interest for C-suite executives are among the fundamental tasks of a board. When such conflicts occur, it's the duty of CEOs to disclose their personal interests to the board. However, in many economies across the world, we see that corporate boards often don't demand compliance.

Sometimes, boards can drive their CEOs crazy; so here are some interesting examples of how this happens. By listing these pointers, we hope that both directors and management can work together, to improve the process and limit the damage.

When directors demonstrate that they don't understand the business in-depth, the first salvo is fired. This is when those yes-men or retired bureaucrats take an active interest in the company's affairs instead of sipping tea and nodding heads.

As an independent board member, you will never know the plumbing of the company as well as management does; but you still have an obligation to learn about the drivers of the business, what shapes profit and loss structure, current competitive positions and challenges for the company, and the industry dynamics.

Board members may bring their special expertise (financial, legal, technological or in the Sri Lankan context, political) but they still need to understand the core business well.

While the lack of in-depth knowledge of the directors is a major strategic headache for managers, a more specific tactical pain is when directors show up for board meetings unprepared. In many instances, this is a reality – they haven't read the reports or even gone through the highlights.

Managers invest time and energy when preparing board papers; and if a director inquires about something on page 10 that has already been explained on the previous page, managers wonder whether it makes sense to put in an effort and prepare reports for these directors.

Yes, directors are supposed to ask questions and dig below the surface for a better understanding of issues; but they should also know the cost of doing so and ask accordingly.

Directors often ask questions without realising what's really involved. If a quarter over quarter variance occurs, asking managers to launch an in-depth analysis of why it's so could run up dozens of hours of staff time and often add little insight. Smart board members perform a quick mental cost-benefit analysis before seeking a deep dig.

Often, directors play a 'gotcha!' game with staff presentations without applying thought. While you need to hold management accountable, staffers get frustrated when a director pounces on a minor error, misprint or other minutiae. Putting someone's inadvertent mistakes under the spotlight and grilling a poor executive assures bad blood.

So use discretion when noting errors!

Boards are valued for their top-level strategic take on the enterprise; but sometimes, directors burrow in and miss seeing the wood for the trees. They lose sight of the big picture and dig into technical details. While this may sound like good oversight, independent directors will always be amateurs in dealing with these technicalities and often frustrate professional managers who work with such issues daily.

Another problem is when a board crosses the line into management. Keeping the fingers out and noses in is difficult for many directors; and failing to do so often irritates the management team, which has been hired to handle such details.

Micromanagement is something boards should not get into. For example, a director suggested that a bank should beef up its cybersecurity firewall and hire a specific vendor. The first part is good but recommending hiring a particular vendor is encroaching on management territory.

Directorial grandstanding at board meetings not only frustrates managers but annoys the other members as well. Since most directors are high-level career alphas, the temptation to show off is always there – and some of them dominate discussions to demonstrate how much they know.

The last boardroom buzz kill is a minor one but very common… and a real enthusiasm damper. Divided attention within the board is bad. Board members who are on their smartphones, texting or stepping out for calls are a strict no-no. That is demoralising all-round.

If managers have invested time and effort to prepare a solid presentation for the board, such behaviour by directors tells them that they've wasted their time.

Dr. Muneer Muhamed is the cofounder and chief evangelist of a nonprofit organisation.