

ignite

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CONNECTING AND INSPIRING YPO'S GLOBAL LEADERS

HAVE YOU BUILT THE BEST TEAM FOR YOUR BUSINESS?



FROM CUBICLE TO CLOUD: THE GREAT OFFICE UPRISING
YPO LEADERS ACROSS BORDERS
SUPERSTAR BUT SUPER TOXIC EMPLOYEES



ON THE ROAD TO MAXIMUM GROWTH, think of your board as driving with an anticipatory eye while management deals with the bugs on the windshield.

BUILDING AN OPTIMAL BOARD OF DIRECTORS

■ By Cynthia Lescalleet

YOUR COMPANY'S BOARD of directors or advisors can be a catalyst to moving your business forward or an impediment to potential growth.

At its best, an effective board is a multipurpose tool, one providing expert advice, accountability, oversight, industry connections, different perspectives — and, when merited, a reality check.

While the board-building process is neither “rocket science” nor “magic,” it does take thought and effort to field a high-impact team, according to a wisdom-sharing trio of management consultants who are YPO members and highly ranked speakers on the topic at chapter and network events. For “Ignite,” the three consultants weigh in with some of their tips and insight.





"A board is your weigh-in for what you promise. Accountability drives performance."

— **BERNIE TENENBAUM** (WPO Philadelphia)

Now boarding

Having the right board is worth the time, effort and expense of forming and managing it because it will increase company revenue, says Lodestone Global founder and managing partner **Bernie Tenenbaum** (WPO Philadelphia). In Lodestone's annual survey on private company board compensation (available at bit.ly/1MPWfsW), 87 percent of companies surveyed in 2015 reported increased revenue since implementing a board, with an average revenue growth of approximately 35 percent. Sound familiar? The survey's 272 participants were YPO companies.

For best board results, Tenenbaum says companies must build a clear strategy and find directors who understand that blueprint and can anticipate challenges in reaching the goals. "A board is your weigh-in for what you promise," he says. "Accountability drives performance."

At the table

The team should include directors who know things you don't, have a different perspective than you, challenge your assumptions and have experienced — and solved — what your company now is facing, Tenenbaum says. Talent recruited from a related upstream or downstream industry can be useful — so can well-connected retired executives, but only if they are not dogmatic about how they did it in their day.

Other potential sources for board candidates include professional associations, trade shows, industry conferences and universities. High caliber recruits also can be found within YPO.

When building a board, be mindful of dynamics and company culture, Tenenbaum says "You could

**THAT'S
BOARD MEETING,
not BORED
MEETING**



YPO's board-building experts offer tips on managing more efficient board meetings.

▶ **Start meetings** where the previously distributed meeting materials ended. Directors need to arrive prepared and ready to ask relevant questions that advance the discussion.

▶ **Focus on critical issues** facing the company. Limit revisiting old business.

▶ **Follow a deep-dive rotation.** Over the course of a year, devote a meeting to strategy, financials, functional areas of the business and perhaps a mid-year review.

▶ **Ask for input** from "the quiet ones" at the table.

▶ **Avoid "group think"** and encourage authentic individual input.

▶ **Check on any assigned actions** well in advance of the deadline to ensure timely completion.

▶ **Listen more,** talk less.

have the most talented directors ever but if they don't play well together, the board won't work," he says. Similarly, a right-brain chief executive might not appreciate a board's creative thinker. Even if brilliant, he or she won't be heard.

Among Tenenbaum's other tenets for building a board:

▶ **Be explicit about what you expect** from your directors and their contributions.

▶ **Don't be cheap with compensation.** The right team will drive performance beyond the board costs.

"A board is an exercise in group leadership. Management has to want it, prepare for it and provide information for it to be impactful."

— **JAIME GREGO-MAYOR** (WPO Barcelona)

▶ **Keep noses in, but hands off** (unless invited). Boards observe, advise and anticipate. Let managers handle the day-to-day operations.

▶ **Maintain neutrality.** In small or family-owned businesses, a board might need to untangle lingering dynamics and personal issues affecting management decision-making. "The board is Switzerland," he says. Similarly, in situations of competing management interests, the board provides a chief executive "air cover," he says. Just tell management, "The board said to do it."

Align and assess

As far as board-building resources go, Daly Strategic Associates' CEO **Mark Daly** (WPO Cincinnati) wrote the book. His go-to guide, "5 Steps to Board Success!" covers how to identify, recruit and compensate highly effective board members. His advice: Have the right team, the right framework (purpose), the right process, the right focus (strategy) and the right improvement (measure board performance and outcomes).

"If it's not done correctly, there's no value to having a board," Daly warns. In contrast, a well-constructed board that is in alignment with management and shares the company strategy means the business end of operations can be targeted and purposeful, he says. "The board is a vibrant tool of the process."

Toward this end, seek board candidates who can collaborate without being dominant, Daly suggests. As traits go, listening well is important and diplomacy is paramount, particularly when management is thin-skinned. A well-placed, well-phrased question to management can be a real wake-up call, he says, though the right questions also need the right people asking them. That's one reason Daly recommends a regular assessment of directors' skills and an annual review mechanism to assure they remain relevant to the current strategy. Terms of service can depend on that as well, though you don't want to lose someone of ongoing value to term limitation.

Aspire beyond adequate

Don't settle for a mediocre board, when it can be "great," says **Jaime Grego-Mayor** (WPO Barcelona), managing director of Advisory Board

Architects. And don't let your board go from OK to bad. Grego-Mayor recommends watching for these common impediments to a successful board:

▶ **"Boards are one** of the least-managed aspects of company business." Grego-Mayor estimates 90 percent of boards are not evaluated for performance, leaving little chance for improvement.

▶ **"Not enough members** of a board are independent," handicapping the board's ability to provide a broad strategic vision.

▶ **Boards tend to form** at a given point in a company's arc and stay in place unchanged. "Obsolescence is pervasive."

▶ **Boards only have impact** if management is willing to listen, which can be an off-putting exercise in vulnerability for more insecure managers.

▶ **Board members,** whether they are directors or advisors, fail to engage because they don't feel they have impact.

Counter these scenarios with fresh talent that is relevant to current strategy, Grego-Mayor says. When searching for candidates, go broad but apply strict criteria. "People hide a lot of relevant experiences in their CVs," he says. Beyond a candidate's particular management positions, look for useful skills and know-how in such areas as sales growth, integrating acquisitions, restructuring, or managing research and development.

Whether starting a board from nothing or refining one in place, the process "needs design and management — and a willingness to use teamwork," Grego-Mayor says. "A board is an exercise in group leadership. Management has to want it, prepare for it and provide information for it to be impactful." ▲

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TENENBAUM



DALY



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