

Optimising the levels and quality of challenge & debate at board meetings

Description

“The highest performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as undiscussable” is a key finding from ground-breaking research carried out by Eisenhardt & Bourgeois on US boards. This has very interesting implications for the whole area of how boards in every organisation handle challenge and debate. My own experience serving on boards over the last 18 years and in working with many different boards over the years is that genuine high-performance boards make a virtue of having a significant level of rigorous challenge and debate at the board table. In practice, many boards find this quite difficult to achieve and instead either have very little genuine challenge & debate or have plenty of challenge & debate but handled in an in-effective and sometimes divisive manner.



In working closely with our board clients assessing their current board dynamics and their levels of effectiveness & performance, the board members are often quite open about finding it challenging to understand what is the optimum approach in this area. *I feel quite strongly that a key characteristic of high-performance boards is that they have found a way over time to enable quite significant levels of challenge & debate but handled in a very smart and strategic manner that delivers higher-quality decisions and in some cases, avoid some seriously flawed decisions.* The common denominator across these boards is that there is a *culture of open dissent* that acts as a critical link in a virtuous cycle enabling each board member to challenge one another's assumptions and beliefs. The respect and trust that underpins this culture of open dissent do not imply endless affability or absence of



disagreement. Rather they imply bonds amongst board members that are strong enough to withstand clashing viewpoints and challenging questions. Many CEOs and Chairmen have commented “Even a single dissenter can make a huge difference on a board” as there have been several cases of major flawed decisions (eg M&A, new product/market investment etc) avoided through the perseverance of a lone dissenter on the board.

A key part of our board best-practice workshops is to lay out a sustainable model for the board team members to

- develop a chemistry which enables them to evolve into a virtuous cycle on the board of respect, trust and candour
- develop mutual respect
- because they respect one another, they develop trust
- because they trust one another, they share difficult information
- because they all have the same, reasonably complete information, they can challenge each other’s conclusions
- because a spirited give-and-take becomes the norm, board members learn to adjust their own interpretations in response to intelligent questions and probing

This is quite a challenging level of dynamics for a board to achieve and I passionately believe that this is one of the areas that holds many boards back. All of the board members have a critical role in enabling this as follows ;

Chairman – has a key leadership role in facilitating and encouraging this level of rigorous and constructive debate & challenge. A strong chairman legitimises “challenge” and enables the tough challenging questions as well as the 2nd and 3rd questions if a board member is not comfortable with the answer to the first question ! Board away-days, dinners the night before board meetings and other social events that enable board members to get to know each other have a key role in helping build this overall framework of trust and respect.

CEO & Exec board members – as the CEO & exec board members are invariably at the receiving end of most of the challenging questions, they have a critical role in facilitating and welcoming the tough challenge & questions as well as intelligently listening to and understanding with an open mind, the drivers behind a non-exec board member’s questions and challenge. As a former CEO, this is not easy and sometimes even the most open CEO can be frustrated either by what she perceives to be a dumb question or a lazy thoughtless question from a board member who has not studied the board pack properly.

Non-exec board members – while non-exec board members have a key responsibility to challenge and debate, it is important to do that from a genuine position of having listened properly to what the executive team have put on the table, have put in the hard yards to understand the topic at hand, are keeping their expertise & market understanding up to date and are listening effectively to the counter-arguments and responses from the CEO & executive team.

Optimising the level of challenge and debate has a critical role in the following areas ;

Improving major decision-making – every decision or recommendation, even the ones that look cut and dry, benefit from rigorous discussion, debate and challenge. Countless research studies have



shown that a rigorous constructive debate can both re-affirm an overall decision, identify significant flaws or identify changes that could result in a superior outcome.

Avoid serious group-think problems – the most serious group-think problems on boards occur in a vacuum of genuine discussion, debate and challenge. It is extremely unhealthy for both the board and shareholders/stakeholders they represent where in particular, non-exec board members do not have either the willingness or expertise to genuinely challenge and debate with the CEO & executive team.

Enable the CEO & executive team to grow – genuine high-quality CEOs and executives, whether at the start of their executive journey or with many years under their belt, benefit hugely from intelligent constructive challenge and debate. It helps sharpen their own strategic understanding, opens their minds to genuinely benefit from the independent perspectives & left-field thinking of the non-exec board members and helps them out-perform as an outstanding leader who drives the best smartest decisions irrespective of the source of the thinking.

Strengthening the risk management capability of the board – a strong culture of high-quality rigorous debate and challenge is a critical mechanism in ensuring a strong risk management capability is in place for the board and organization. Many boards have left their shareholders down by under-estimating or missing serious risks because they were not debated properly and in some cases the full serious ramifications understood.

Strong front-line defence – Shareholders & Stakeholders have a critical dependency on the ability of non-exec board members to monitor executive team performance and are counting on their ability to put two & two together and to be the frontline defence against a breakdown of financial health, operational performance or a serious concentration of risk. Rigorous challenge and debate is a key mechanism by which non-exec board members discharge this critical responsibility.

In summary, the ability of a board team to optimise the level and quality of challenge and debate has a critical impact on a board's effectiveness & performance. It takes a lot of hard work and leadership by all the board members to embrace best practices in this area. For any board team embarking on a genuine path to improving in this area, it will take time, take a lot of hard work & commitment but the way forward has been illuminated by high-performing boards and the rewards are significant in enabling a board team to sparkle and truly deliver significant value for their shareholders & stakeholders.

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