

Developing the “gut feeling & intuition” of a board of directors

Description

In working with board teams across the UK & Ireland, one of the interesting characteristics I have noticed in high-performing board teams is that they develop a strong “gut feeling & intuition” which not only optimizes their decision-making but helps identify serious issues & risks earlier. This “gut feeling & intuition” not only is apparent in the individual board members but manifests itself very powerfully in a $1 + 1 + 1 = 5$ effect where this “gut feeling & intuition” combines to enable the board team collectively operate in a very high gear and absolutely on its toes continually.



The following represent a number of the key areas where a high-performing board team utilizes its “gut-feeling & intuition” to significantly improve its effectiveness ;

Spotting serious business performance trends early

Even the sharpest CEO and executive team can be prone to either downplay a serious looming performance issue or not take seriously enough an accumulation of for example sales losses or manufacturing quality problems that actually are representative of a more systemic problem underneath. Experienced non-execs on a board who put in the hard yards to really understand the business, its ebb and flow, and who have the scars on the back & cold objectivity to “sense” that there is a broader issue looming, can really add value by constructively challenging the CEO and executive team to look at the problems properly. Many CEOs have commented to me that this is where they have



~~seen non-execs at their very best and their intervention has forced them to properly face up to and understand if there is a serious problem brewing in a specific area and avoid going into “hope is a strategy” mode that there isn’t a genuine systemic problem. This intervention then enables the entire board team to assess the situation properly and make the smart calls around qualifying and handling the potential issues often ahead of time.~~

Spotting serious disruptive trends in the marketplace

We are living through a business age where no company can afford to be complacent given the sheer pace of technology and business model disruption. A number of sectors such as the retail & travel sectors have already witnessed a first wave of an incredible level of disruption as new business models and harnessing of technology have caught many traditional sector leaders flatfooted and many traditional company boards were either too arrogant, complacent or just simply asleep at the wheel as new players emerged. Other factors such as regulatory change, looming trade wars, Brexit etc. can have very substantial impacts on a company. This is precisely where a smart intuitive board comes into its own in terms of facing up to and putting in the hard work to not only properly understand the threats posed by these disruptions but also to spot the opportunities that they bring.

Excessive concentration of risk

Risk is an area that many companies, even the largest PLCs, struggle with. One of the reasons is that once you have your risk heat maps and risk management framework established, it can be very easy to get complacent about monitoring risks particularly those type of risks that aren’t immediately obvious, hiding just beyond the horizon. This for example could be a gradual emergence of a supplier concentration risk or an over-dependency on a small number of customers. A sudden worsening of a geo-political risk or un-expected M&A activity in a sector can cause havoc with a static risk management approach. A sharp intuitive board can sense that there is a risk lurking and forces itself to run the proper scenario planning and get ahead of a looming problem by facing up to it properly, either mitigating the risk or avoiding it altogether.

Understanding serious changes in the competitive landscape

One area that CEOs & exec teams really benefit from an overall board team with a sharp gut-feeling is in the area of competitors. As a former CEO and in discussions with many CEOs over the years, CEOs and executive teams can be very prone to under-estimating the competition, being very complacent and not spotting a serious change in the competitive landscape. One of the biggest weaknesses that CEOs suffer from in this regard is not recognising the potential for a long-standing competitor to seriously change and up its game. This blindness can also apply to new competitors. A sharp board team is very alert to the potential for a new CEO, new investors, a radical business model & pricing change and significant product innovation can make to an existing competitor.

Identifying and grasping strategic transformation opportunities

A highly intuitive board team is continually on its toes in terms of being alert for strategic transformation opportunities. This manifests itself particularly in the M&A area where tactical opportunities can arise to acquire a weakened competitor for example or where a larger company acquires a smaller company with disruptive technology. Sometimes that can comprise a substantial move into new markets or where the early positive reaction to a highly innovative new product can trigger a lot bigger product



investment than originally planned. The key here is a very intuitive board team who are at the top of their game in terms of being alert to and grasping strategic transformation opportunities that arise.

Early identification of CEO & executive team member performance issues

One of the trends I have seen recently in progressive board teams is a move to a far more dynamic continual assessment of how the CEO and the exec team members are performing. In many cases, the CEO's performance is being assessed on a quarterly basis with all the board members providing very open and continual feedback. Given the critical impact the CEO's decision-making and overall performance has on an organisation, a progressive board team is very in tune with how the CEO is doing. The board chair has a particular key responsibility here. Spotting early either a degradation in a CEO or executive team member's performance or a serious personal issue impacting the executive, can enable a board team to intervene early to address the issues and support the CEO/executive. Non-execs with strong intuition and people intelligence are invaluable in this situation.

Performance culture of the board team

It's always fascinating for me to see how attuned the very best performing board teams are to their own level of effectiveness and performance. Highly effective board teams are very committed to continually measuring and improving their performance. While average to mediocre board teams shy away from board evaluations, highly effective board teams embrace the value of measuring and improving their performance. One of the key skills is for the board to intuitively understand when it is both "on its game" and more importantly when the board is "off its game". An interesting technique a number of progressive board teams use is where they assess the effectiveness of each board meeting in a very honest & open way immediately at the end of the board meeting. Given how little time boards actually spend together, progressive boards want to maximise every minute.

Understanding serious issues impacting the culture of an organisation

In an era of unprecedented focus on the culture & values in an organisation and the "tone & example set at the top", a highly intuitive board is very focused on understanding how the organisation's desired culture & behaviours actually mirrors the experience of employees, customers, suppliers and external stakeholders. Many organisations love embracing the terms "customer-centric" and "high levels of employee engagement" but in many cases their boards don't really understand how that translates to actual day-to-day practice. In my experience, progressive intuitive board teams are quite switched on in the people, culture and customer area ensuring that they both understand the current status and are very alive to identifying serious issues which impact on the culture, values and behaviours across the organisation with a particular focus on how customers are treated day to day.

So how does a board team improve its overall "gut feeling and intuition" ?

As with other aspects that characterize highly effective board teams, there are a number of common factors that lead to the development of a high level of "gut-feeling & intuition" for a board team ;

- **Board composition** – high-calibre board members with strong levels of business & people "intuition"
- **Partnership model between execs and non-execs** which enable the board to operate as a collective team



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- ***Outstanding chair leadership*** – fostering and developing the board's overall “gut-feeling & intuition” continually pushing the board team to stretch itself, see beyond the immediate horizon of thinking and “look around corners” in terms of identifying serious risks and threats
 - ***Diversity*** – in general when I see a highly intuitive board, it invariably has a vibrant mix of board members across both gender and particularly diverse thinking styles. The common problem of group-think is in many respects the antithesis of “gut-feeling & intuition”
 - ***Performance culture*** – continually striving to improve the board's performance particularly in the areas of optimal decision-making, spotting risks early and grasping strategic transformational opportunities

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