



Streaming the next board meeting live to shareholders – expectations of board effectiveness & performance

Many company boards, irrespective of their scale, do not have an accurate understanding of their board effectiveness & performance. In most cases, their shareholders have even less of an understanding and in a lot of cases would be quite surprised and disappointed to realise that their board is not moving heaven and earth to excel as an outstanding highly effective board team delivering genuine strategic value to the organisation.

In our board best practices workshop with board teams, we ask the board team to consider the following hypothetical scenario whereby the next board meeting would be streamed live to all the shareholders. This is illustrated in the following extract from the workshop ;

The acid test – what would your shareholders & stakeholders think? 

Imagine a scenario where we streamed your next board meeting live to every single stakeholder/shareholder!


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Following the meeting, we asked each shareholder/stakeholder to assess each individual board member and the collective board on ...

• Contribution and value-add	• Level of challenge and debate	• Leadership from the Chair and CEO
• Work-ethic (preparation)	• Engagement and collaboration	• Diversity of thinking, approach, etc..

We then asked them, for each board member and the collective board, to vote to ...

- (a) Retain the board member;
- (b) Replace the board member;
- (c) Retain the board;
- (d) Replace the board;

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In this scenario, each shareholder would be asked to assess each board member's performance under the key areas of ;

- Overall contribution & value-add
- Overall work ethic (including quality of preparation, signs of effort between board meeting, at the board meeting)
- Level of rigorous quality challenge & debate
- Engagement (attitude & respect for fellow board members, listening)
- Chairman's leadership of the overall board meeting
- CEO's leadership in openly engaging very constructively with the board
- Collaboration between board members and sense of a genuine team

Each shareholder would then be asked for both individual board directors & the board team to vote on

- Retaining the board member
- Replacing the board member
- Retain the board team
- Replace the board team

We genuinely get a great reaction to this scenario as the majority of board members, even the most experienced seasoned veterans, find this quite an unusual and surprising lens to look at their board and they very quickly grasp the true point of the exercise is to understand that their level of effectiveness & performance as a board team may actually fall quite short of what their shareholders expect of them and in many cases, assume that they are performing at.

I have summarised here some very honest and surprisingly open quotes from board directors (both in front of their board colleagues & privately afterwards) in response to this scenario ;

"This would change everything – board meetings would never be the same again"

"This is a serious wakeup call and while I believe we have a competent board, I don't believe any of us around the table believe we would come out of an exercise like this with flying colours"

"As chairman, I would be horrified to have to go through a scenario like this as I believe we have been drifting for years and our shareholders would genuinely be highly disappointed if they saw the true state of our board effectiveness & performance"

"This should be the yardstick that we as a board team should be capable of handling"

"As CEO, this is a wake-up call for me in terms of my attitude to the board and how I partner with them. I would seriously worry that if all the shareholders were looking on, I'm not sure they would be happy with my level of openness and attitude to serious tough challenge from the non-execs"

"We have consistently pushed back on annual board reviews justifying this on the basis we don't have the time and we're all experienced board members. Are we all comfortable that we could withstand this type of review by our shareholders ?"

"As an investor director, I'm not quite sure I would be comfortable with my managing partner and our external institutional shareholders looking closely at this board. It's at best competent but a long way from a level of excelling as an outstanding board team on behalf of our shareholders"

The penny drops quite quickly with all the board members when I make the point "why should it take streaming the board meeting live to all the shareholders for you individually and collectively to be absolutely at your best and perform as an outstanding highly effective board team ?".

I have found this to be a wonderful original exercise in getting board members and board teams to re-examine their actual role, their responsibilities to their shareholders, their current level of effectiveness & performance and what is needed to truly deliver and excel on behalf of the shareholders.

In summary, I would like to conclude with highlighting some critical learnings from working with board teams as they look in the mirror and reflect on their effectiveness & performance.

Chairman leadership

Company shareholders place a critical responsibility on the shoulders of the chairman to provide outstanding leadership to the board team and ensure the highest standards of effectiveness & performance. Every chairman worth their salts should be able to honestly look all the shareholders collectively in the eye with the confidence that their board team is an extremely hard-working high-calibre board team genuinely adding serious strategic value. The idea of “streaming the board meeting live to all the shareholders” would not result in sleepless nights for an outstanding chairman and board !

You can't improve what you're not measuring

Even for a board with experienced board members, it's very hard to understand a board's actual level of effectiveness & performance if you are not actively measuring it and reflecting on a continual basis on the areas where the board can be improved. Progressive high-calibre board teams use a comprehensive high-quality board review process that is embraced by all the board members, that is not afraid to call out the elephants in the room and which translates into a sustainable action plan that is led by the chairman and implemented in a very open & transparent way in the eyes of shareholders.

One of the key reasons why only 10% of company boards are considered to be in the excellent category is that a significant percentage of boards do not want to put the mirror up to themselves and ask the very hard questions of

- is this an outstanding highly effective board team where every single board member is pulling their weight adding significant value ?
- do we have a very high-level of rigorous challenge & debate which leverages genuine diversity (gender, age, ethnicity, thinking style), optimises our decision-making and mitigates serious risks ?
- do we have an excellent partnership between our exec and non-exec board members balancing very tough challenge & oversight with adding serious value in areas like strategy ?

Growing expectations of shareholders in terms of a board's effectiveness & performance

In recent times, we are seeing a significant shift in external institutional shareholders looking a lot more closely at PLC boards trying to understand the effectiveness & performance of the board, individually & collectively and setting the bar higher in terms of their expectations. This is a healthy trend that to be honest all company shareholders should welcome and embrace. After all the harsh lessons over the last decade since the financial crash, I believe shareholders now genuinely realise that the mere presence of experienced board members is absolutely no guarantee that you will have a genuine high-quality effective board.

Summary

Excellence is not the default position of a board of directors – outstanding boards are forged from a high-calibre chairman setting the bar very high on board effectiveness & performance, superb diverse non-executive directors bringing an outstanding work ethic, challenge, oversight & strategic thinking to the board, a CEO & executive team engaging in a highly open and accountable manner, all integrated into a genuine board team with a passionate commitment to excel on behalf of their shareholders.

Kieran Moynihan is the managing partner of **Board Excellence (www.board-excellence.com)** – supporting boards & directors in Ireland, the UK and internationally excel in effectiveness, performance and corporate governance.

Think your business could benefit from our services and expertise? Get in touch today to see how we can support your board excel.