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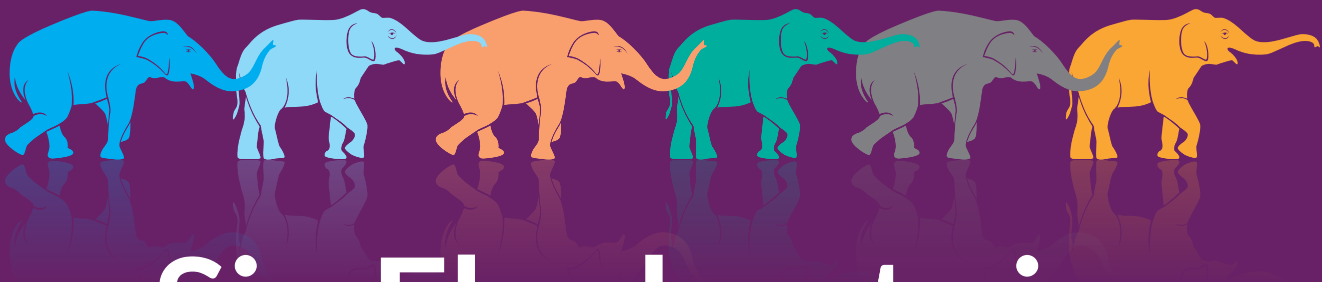

Six Elephants in the Boardroom

A high-performing board will be a hotbed of ideas, constructive debate and well-informed analysis. However, unacknowledged problems at the top table can damage all this good work. **Emma Riddell** asks senior business leaders to identify what they see as the "elephants" in the boardroom

Issues around team dynamics, decision making and communication are common. Executives explain more:

1. Beware the 'Silent Assassin'

Senior leadership must present a unified front. **Beth Butterwick**, CEO of Karen Millen, explains: "At any peer level, good challenge is a healthy dynamic, however, it's critical to ensure you've got a senior leadership team that is 100 percent committed to a business' goals. They need a clear understanding of the priorities and what their part is in delivering results.

"I expect there are many businesses that have a fractured leadership team, because someone's not bought in, or culturally they're not the right fit. If there is someone in that room – however talented – but they're not fully supportive of their peers, then you're better off removing them."

Beth continues: "Over time, they can become the 'silent assassin' in the business: disruptive rather than proactive. I see this as the elephant in the room that leaders and boards don't address quickly and openly enough."

2. Refusal to Acknowledge Uncertainty

Executives can feel under pressure to paint a picture of the company for the board that has no shades of grey. For **Matthew Blagg**, CEO at Criticaleye, this is potentially dangerous as it can result in a "discord between what is being said and reality".

He continues: "As a NED, you have a duty to look at business risks and it's not reassuring if you have a CEO who, for instance, expresses uncertainty regarding strategy.

"However, on the most effective boards, you see that there is an openness and freedom to have honest and clear conversations. In such fast-moving markets, it's unrealistic to expect executives to have all the answers."

He notes that chairmen and NEDs should be integrated into a business, so they understand how it operates. "When that's the case, they are more likely to spot the early indicators of discord between what they are being told, the information they are getting, and what they are observing," he comments. >

3. Tough Strategic Decisions are Deferred

When businesses are performing well, there is the temptation to avoid making decisions that may be disruptive, even though this may be the best time to deal with problems.

Sometimes, this may be about dealing with underperforming areas of the organisation, as **Roger Bayly**, Managing Director at Alvarez & Marsal, explains:

"In successful companies, people are often very slow to deal with their problem children, whether that's a region, a division, a store or a product. And you can understand why, as they are focusing on growth.

"But in every business there are value-destructive areas, and addressing those quickly and decisively is something that shouldn't be ignored."

4. Broken Communication Processes

While the quality of strategic discussions and decisions are crucial, once made, they also need to be disseminated throughout the organisation. This is where **Nigel Howell**, CEO at FirstPort, has seen boards fall short.

"When we're busy and businesses are growing, many executives underinvest in staff communications," he says. "As leaders, we don't spend enough time bringing the whole organisation with us; yet those are the people who will help us to guard against future risks."

This is an area where Firstport has focused considerable energy: "We do all the usual things: we have a good intranet; a cascade process for briefing staff; and annual appraisals. We've also tried some different things. We produce 'Nigel's notes' – an email from me about once a month. It's written by me, rather than being ghost written by a professional internal comms person, so it reflects my personality and values.

"It may not be a very innovative idea, but the fact that it's personal and captures my hopes, aspirations and frustrations, I think helps the communication to be more authentic."

5. Gradual Erosion of Capabilities

Boards can be slow to spot the loss of capabilities within an organisation, says **Roger**, noting how it's not uncommon for performance levels to steadily degrade over time as people leave.

"It can be missed when it happens slowly – that can go for a management team, a specific capability, or a function in a company, such as a sales team or a manufacturing operation. In hindsight, the early indicators of value destruction and declining performance are often very obvious.

"So, one of the great conundrums is: why aren't companies looking out for those things regularly?"

6. A disconnect with new generations of customers

Many boards today are anxious to stay in touch and 'connected' to new generations of customers who behave very differently in a fast-changing market. Chairmen and NEDs can quickly find themselves out of touch with their younger customers, particularly when they no longer have executive roles.

Laurence Vallaeys, Director at Warren Partners, finds that this is a common problem in sectors that are being disrupted by Millennials, in particular banking, retail, hospitality and leisure. "Take the 'asset free' generation who are choosing alternatives to buying a car – how will this transform the traditional insurance market?" she asks.

"There are many ways to stay relevant, each with their own merit," **Laurence** says. "Some organisations have successfully appointed digital NEDS, others have created customer advisory boards and/or subcommittees, and in some cases they've even appointed digital coaches to the board. However, none of these will ever replace the need for non-executives to spend more time with customers and employees in the business, or indeed the powerful input from a truly diverse and eclectic mix of NED experience and skills around the top-table." ■

Featuring Commentary From:

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