What does it take to be an effective director?

You could be excused for thinking the answer is, “experience relevant to the specific industry and a strong professional background, particularly as a CEO, accountant or lawyer”. While this might sound glib many see becoming a Director as part of a natural career progression. Boards and individuals need to recognise the unique role of governance. Many when joining boards, especially in small organisations, find themselves ill prepared or quickly disillusioned.

So why is this the case? Let me suggest three causes. Firstly, a person’s pride in being offered a directorship (and the status this confers in society) can work against an individual’s willingness to undertake robust due diligence or ask for induction support. Secondly, many organisations fail to hold sufficiently robust appointment processes when selecting directors. Nor do they adequately identify the development support a new director needs (and everyone needs some!). Thirdly, most board fundamentally lack clarity in their purpose and practices. Let us look at each of these issues and explore some solutions.

Becoming a director is often an ambitious career path. Pursue any other professional position and significant training and development is expected. With a directorship, (like parenthood) people just fumble through the first time. Governance has its own knowledge base, including some unique principles and terminology. This can’t just be learnt overnight.

Organisations have made this worse by not running robust selection processes. If more boards did this, both the organisation and the aspiring director would avoid the inevitable mismatch when there is insufficient information about the board’s challenges, modus operandi, etc. No longer is it acceptable for the Chair to turn up at the board meeting with ‘our new board member’ (yes this still happens). The governance role has ultimate accountability to the ‘owners’ be they shareholders, members or a community of interest. Directors have the role (explicit in their title) of setting the organisation’s direction, to formalise clear management boundaries and to monitor the CEO’s adherence to these requirements. Governance is not an easy job that just anyone can do. It takes a specific set of skills and personality that does not suit everyone. The board holds ultimate accountability so why so little time and resources are spent on developing boards just does not make sense.

Those new to directing often believe that governance should be more strategic and outward looking rather than focusing on operations, but struggle to know how to achieve this split. With poor governance, the lines between board and management are often vaguely, if at all, defined. In such a situation the new director typically adopts an ‘advice giving’ approach, as they fail to see how they can otherwise add value. This is especially true of someone who has a specific skill set or strong knowledge in the industry they are governing. The fact they may have ‘been there - done that’ makes it difficult to see that their contribution now as a Director is different. A director of a board practicing good governance will use their skills and experience to connect with shareholders, set overall direction and ensure effective monitoring. They will safely delegate the ‘how it is done’ so it empowers CEO achievement rather than strangle it. This can be very difficult for some directors especially when they are skilled in a management field. For CEO’s having board members providing incidental advice, is a bit like a friend walking into a conversation halfway through and missing the key theme. A CEO’s decisions are often interwoven and individual directors getting involved in select parts of the operation can confuse things and even set off a negative domino effect. It is a difficult reality that directors need to understand they do not control all decisions in the organisation.

The potential lack of due diligence undertaken by new board members is an area of great concern. Often they may be flattered to get an invitation to join a board, or have a genuine interest to contribute something back to society, but more than a copy of the last strategic plan and quick chat with the Chair or CEO is needed to make such a big decision. Many other tools are available to potential board members, such as web searching, networks of colleagues to gain insights, meeting with other board members, viewing past minutes and papers to see how the board is run and asking probing questions to get to the level of detail required. A classic situation was relayed to us recently of a very disgruntled board member who joined the board because they thought it looked interesting, had some ‘experienced’ members and wanted to contribute something back to the business world. They agreed to join with little due diligence and now regret not being more vigilant as they are bogged down in operational matters and not able to contribute at a governance level.

So how, as an individual, do you get the skills, and learn the questions to ask? Clearly there is a number of training options being offered, but upskilling yourself through reading, observing (and critiquing) public boards in action, finding an experienced and knowledgeable mentor are all simple ways to pick us some early knowledge. Joining a board with a robust governance model (identified through good due diligence) should provide some peace of mind to the new director. This should allow you a formal platform from which to effectively contribute your skills and perspectives in leading the organisation.

So as an organisation what can be done about this? Firstly clearly define the governance role in your organisation so everyone understands it. Develop a code of conduct and board member job description. Clearly define how (not just what) things are delegated to the CEO. Have an effective monitoring schedule of board policies and annual schedule of board work in place. These, and many other tools, become useful not just for conducting board business but also for informing, inducting and training new board members.

Next ensure robust processes are in place for attracting new board members. Define what is expected; look at the skill mix and perspectives of the current board members; think about the maturity and stage of the organisation; what is on the horizon, etc. Note we don’t talk about specific skills (legal, accounting, etc.) Boards can buy in specific skills if they need them. So make sure if you are appointing an accountant it is for their broader perspective, such as their ability to connect with business stakeholders not just to take on the financial accounting responsibility for the board. In law, every board member is jointly accountable for everything. People are generally very good at self-determining their suitability for a role if they have sufficient information. Carefully selected, informed and inducted board members can fulfil their governance role more quickly. This is important when meetings might only occur ten times a year. There just is not time (nor sufficient liability insurance) to tolerate a learning ‘on the job’ approach.