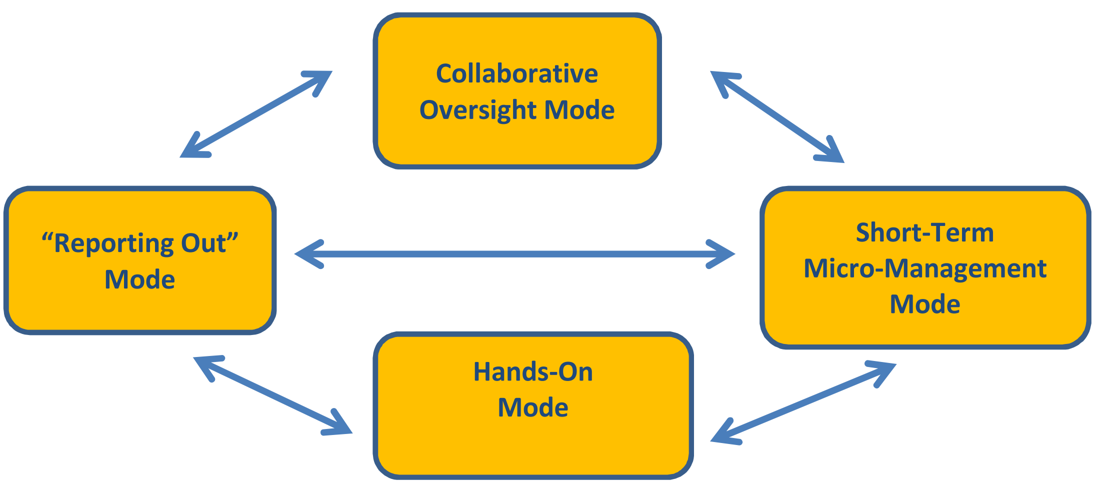
Four Board Archetypes

Board archetypes provide a particularly useful framework for analyzing the landscape of board culture, board dynamics and the board/management relationship during Board Culture Assessments. These are illustrated in Figure 1, with arrows representing the fluidity that can exist between the different operating modes. Some boards will actually fluctuate between "Reporting Out", "Short-Term Micro-Management" and "Collaborative Oversight" in a single meeting. For example, the board might routinely operate in "Reporting Out" mode but lacks confidence in one corporate executive, causing directors to "jump the fence" into "Short-Term Micro-Management" whenever this individual makes a presentation. However, most boards have a predominant operating style, which is what you might want to consider relative to your own board in reviewing Figure 1 and its descriptors.

Figure 1: Four Board Archetypes



- ***Reporting-Out Mode:*** The cadence of the relationship involves the CEO and management team largely "reporting out" during board meetings, seeking board approval for various initiatives and entertaining questions for further information and clarity from board members. Management is largely "telling" the board what's happening and what they're proposing, then responding to questions and challenges by directors, primarily defending their recommendations rather than engaging with board members in a constructive two-way dialogue. This board is largely operating in an oversight or "Watchdog" mode, making sure they have canvassed key risks, tested management's assumptions and otherwise challenged a range of issues relative to the proposal before giving assent to management's recommendations. This is the predominant operating mode of most boards in the S&P1500 today.

- ***Collaborative/Oversight Mode:*** Dialogue in the board meetings is designed to engage directors in a robust two-way discussion with management, eliciting views from both management and the board around critical issues and assumptions underlying key decisions. Efforts are made by management to actively engage the board around particularly important issues where board expertise can be of genuine value to the management team – and where the board can make a real difference in providing guidance and/or confirming management's own points of view. The desired outcome is a final decision on a pivotal issue that board members and management thoroughly understand, largely (though not necessarily unanimously) support and have provided their best thinking on. In this mode, the board plays a dual role right in the meetings, serving as both: (i) a thought partner and collaborator, offering insights and sometimes even business contacts to management; and (ii) an effective overseer, challenging management where appropriate and holding them accountable for achieving business goals and objectives.

- ***Short-Term Micro-Management Mode:*** Board members delve into management-level details and weigh in on issues that would typically fall within the purview of management. This may characterize a board navigating a crisis – an "all hands on deck" scenario involving a corporate emergency such as the sudden departure of the CEO, a hostile takeover bid, or a major product failure resulting in a public relations nightmare. It can also result where the board loses confidence in management, either due to performance problems or by directors feeling misled by the management team. Where trust becomes impaired, directors start to play "gotcha" with management – "drilling down" because of a concern that the CEO is "hiding something" from the board, which they hope to surface through astute and detailed questions.

- ***Hands-On Mode:*** The board routinely makes management-level decisions for implementation by the CEO and senior management. This is typical in early-stage companies where directors often provide expertise not yet resident within the executive team. It can work extremely well in these scenarios. A prolonged period of CEO/board disharmony in any company can also result in a board adopting this pattern – a shift from "short-term" to "long-term" micro-management. While the operating modes are similar, the tenor of these two Hands-On relationships is markedly different: Largely positive and collaborative in the "early stage" scenario, highly contentious in the other.

Understanding which of these four board archetypes best characterizes your board's over-arching mode enables you to assess what might be required to shift from the current operating mode to another archetype considered more desirable – such as shifting from "Micro-Management" to a steady-state "Reporting Out" model. This is a shift that is often necessary – but not always easy to achieve – when a board hires in a new CEO after a fractious relationship with the prior CEO, who may have been fired or quit after many months or even years of turbulence. During that period, the board likely operated in "Micro-Management mode" much of the time due to erosions of trust and a lack of confidence in the CEO and the management team. In fact, this may have gone on for so long that it became an established pattern: The board moved into "Hands-On" mode without even realizing it.

This scenario can be somewhat of a minefield for a new CEO – especially if they don't understand the context of the board they've just inherited. While every director will express a heartfelt desire to establish a different and far more positive working relationship with the new CEO, old habits are tough to break. The new CEO needs to be scrupulous about board transparency during their first year at the helm to earn the boards' confidence. They also need to be a bit tolerant of micro-management; recognizing that the board has operated this way for some time and they'll occasionally revert to this pattern. Many CEOs don't fully appreciate the boardroom landscape they've stepped into; so, they become annoyed with the board and highly defensive when this occurs – creating fissures in their own board relationship that may deepen over time if this pattern continues. This is why a Board Culture Assessment can be particularly valuable in a new CEO scenario; it can address and forestall these kinds of issues before the new CEO/board relationship ends up in a downward spiral.

The majority of boards in the S&P1500 and other public companies around the globe currently operate in "Reporting Out" mode. There's nothing wrong with that; for many boards it's working perfectly well and represents a vast improvement from the passive, "Country Club" mode that characterized most boards 30 years ago - when directors largely viewed board service as an honorific appointment and many boards functioned as little more than a club full of dilettantes.

However, most boards today are keen to make a further shift –one that involves a transition from the timeworn pattern of management "Reporting Out" to the board followed by "Okay, any questions?" to a more collaborative approach focused around robust two-way discussions of critical issues. After all, what's the point of recruiting directors who are successful corporate leaders, financial wizards or technology innovators – and then treating them largely as an audience for management presentations, with only the ability to ask a few questions at the end? That doesn't exactly harness the talent you've assembled in your boardroom. The new archetype - "Collaborative Oversight" - represents the next stage in a boardroom evolution that began 20 years ago with the fall of Enron.

But even Boards and CEOs that are inspired by the "Collaborative Oversight" model and want make a shift to operating in this way, often can't accomplish this very quickly. That's because there are a number of requirements necessary to make this shift, most of which will be gaps in the way the board is operating right now – even if the board, itself, is already high-functioning. These are the four essential pre-requisites necessary to successfully adopt a Collaborative Oversight model:

- **Board composition:** The Collaborative Oversight model can only evolve if board members have a good understanding of the company's business and provide relevant experience that enables them to serve as a collaborative thought partner to the CEO and management team. The model presumes there is high intellect and relevant expertise resident at your board table that would be genuinely worthwhile to bring into play more vibrantly on critical corporate issues. If that's not the case, you will be largely disappointed and frustrated by the discussions generated from this approach. Only if you have the right people at the board table is it worth the effort to make the shift to Collaborative Oversight. Many boards that find that they need to recruit at least two new directors with expertise not currently resident at the board table if they're serious about creating the board composition necessary to make this shift worthwhile; some need even more.

- **CEO sets appropriate parameters:** The initial reaction of some CEOs to the Collaborative Oversight model is that it threatens their control by allowing the board to become far more engaged. That's true. But savvy CEOs realize that there's a Goldilocks formula to pulling this off. Let's use this simple example as an illustration: The company's Chief Financial Officer is retiring at the end of the year. Some CEOs will simply tell the board, "I've just hired Jane Smith as my new CFO." Executive staffing decisions, after all, are entirely within the CEO's purview and the CEO exercised complete control over that decision – and that's what many would do with a board operating in "Reporting Out" mode. At the other extreme, a CEO trying to have a "more open board relationship" might say: "Here are three CVs from our headhunter for a new CFO. I want your input – which one of these strikes you as the best candidate?" But this goes too far in the other direction; the CEO just ceded the CFO decision to the board – and if they don't like the board's opinion, they're into a testy argument. A savvy CEO striving for a Collaborative Oversight relationship might take an approach along these lines: "We are about to conduct a search for a new CFO. I'm inclined to restrict that search to people with experience in our industry. Does anyone disagree – and if you'd broaden the search, why would you do so? I've asked the Chair of the Audit Committee to interview the final CFO candidate before I offer the job to him or her. What I'd love to get from every other director – and you can email me – is one question you'd encourage me to ask CFO candidates once we get to the interview stage." The CEO remains in control of the CFO decision, but collaborates with the board on important aspects of the process. Not every CEO knows how to set these kinds of parameters.

- **Board Chair facilitation skills:** An effective Collaborative Oversight discussion requires an excellent meeting facilitator to draw people into the dialogue, shut down off-topic segues, actively listen, keep the board focused and the conversation energized, strive for a balance in terms of guidance and challenges from the board, drive to a consensus decision and summarize that decision to provide clarity to management. Now, one might argue that this is what an effective Chair needs to do in running ***any*** board meeting. But the truth is, not all Chairs have these skills. And it's a lot easier to chair a "Reporting Out" style of meeting where the role can be fulfilled by acting as little more than a traffic director – "First Mark, then Sheryl."

- **Board materials and presentations**: The Collaborative Oversight model requires a shift in the way management works with the board – fostering board engagement rather than simply "telling the story" in board meetings and then "fending off" directors' questions. The cadence of this relationship is synergistic, rather than "Here's what we want to do" followed by "Okay, any questions?" This will necessitate a different tone in the way board presentations are framed and in the design of the board materials provided prior to the meetings. Board materials are an area where many management teams could improve. Some executives throw "everything but the kitchen sink" into their board books and repurpose materials from executive presentations in order to save time. But a board audience is quite different than a team of industry executives who spend every day focused on the company's business. And far too often, detailed materials and re-purposed presentations unwittingly lead the board in the opposite direction: Towards "Micro-Management". If your ultimate goal is to transition your board to the "Collaborative Oversight" model, even well-comprised board books and terrific presentations will nonetheless require some refinement to achieve this.

As you can see, these are not simple, overnight changes. They take time to engineer. But they are changes that can and will make a tremendous difference in terms of how your board works together, how the board works with the CEO and management team – and the value the company and its stakeholders ultimately derive from the board.

This article is largely excerpted from the forthcoming book: ***New CEOs and Boards: How to Build a Great Board Relationship - and a Great Board*** by Beverly A. Behan, (Board Advisor, LLC www.boardadvisor.net). The book is scheduled for publication in late 2021.