

A BOARD OF DIRECTORS:
WINDOW DRESSING OR ESSENTIAL STRATEGIC ALLIES?
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A BOD is generally considered an essential (and often legally required) part of business, and Common wisdom suggests that a BOD can provide advice from experienced businesspeople. When digging in, however, one often finds that a corporate board of directors has less impact than one might hope. Following are several contributing factors that prevent boards from being as effective as they might be, and remedies:

Many boards are comprised of company officers. In a way, this defeats the purpose of a board of directors. Many excellent operational managers do not possess enough in-depth business experience to act as a business consultant. Two main advantages of an external board are a broader network of business contacts and a "confidante" for the chief executive. An external board comprised of inside employees eliminates these two benefits.

Owners and CEO's of small firms do not have the prestige or compensation resources to offer. They therefore assume they cannot find good directors. Directors do expect compensation, but it doesn't have to be traditional cash. Stock options increase a director's stake in the business' success, and can become quite valuable over time.

Owners and CEO's fail to see the board as a critical strategic priority to develop. Outside input can strengthen corporate leadership and serve to temporarily run the business if need be. A strong board slate expands on management strengths by bolstering management's weaknesses or inexperience. A board should be recruited and developed based on a thorough knowledge of where the business most needs advice.

Many boards are not provided with the knowledge about the organization and its environment needed to give insightful advice. It's hard to find a light switch in a dark room! Give people information so they can give good advice.

A lone ranger entrepreneur doesn't want to share the power. At the very least, create a Board of Advisors. Power and authority remains with the owner, but wisdom of seasoned veterans is not lost.

Loading the board with narrow specialists who don't possess broad business sense. Boards are meant to expand expertise, not confirm what you already know.