

THE
IMPERFECT
BOARD
MEMBER



*Discovering the
Seven Disciplines of
Governance Excellence*

Jim Brown



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“This is an interesting approach to learning more about governance. The parable is not only helpful to anyone involved in governance of an agricultural cooperative, but also with family, family businesses, church, and community. It is an easy read and has a happy ending! This book can help make your life and the lives of those around you easier.”

—Don Schriver, retired executive vice president,
Dairy Farmers of America and former chair,
National Council of Farmer Cooperatives

“*The Imperfect Board Member* is a very easy read. It is of great value to anyone serving on a board, be it a private, public, or not-for-profit organization.”

—Hon. Lyle Vanclief, P.C., former Canadian
Minister of Agriculture and Food; certified
director, Institute of Corporate Directors

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F O R E W O R D



◆ I t used to be that people looked up to boards of directors. They had no real idea what boards did; still, they trusted that these surely were honorable and important groups. But now that strange names like Enron and Sarbanes and Oxley have become a part of everyday language, the luster of boards has faded and the scrutiny of their work has increased. Unfortunately, most of that attention has focused on fiduciary responsibilities and legal liabilities, making it entirely likely that when all of this blows over, people will still be as bored with and confused by boards as they were before.

This is why *The Imperfect Board Member* is such an important book. In two equally important ways, it gives us a compelling look at how boards can truly add value, and along the way it shows us why boards are so important.

First, it makes the work of boards human. In spite of how boards are depicted in Hollywood, they do not consist of a bunch of cigar-smoking men in pin-striped suits sitting around in a dark, wood-paneled conference room figuring out how to deceive or manipulate naïve stockholders.

The truth is, most boards are made up of ordinary people. They are grandparents. They are Little League coaches. They are next-door neighbors. And they are often volunteers who have nothing to gain from sitting on a board other than taking part in a learning experience and knowing that they are contributing to something important.

Second, *The Imperfect Board Member* makes the work of boards entirely understandable and accessible. Sparing us the jargon that induces sleepiness, it provides a clear description of what boards should—and shouldn't—be doing.

This may sound like I'm saying this is a book for people who aren't on boards. In part, I am. Better than anything before it, this book will help the average person grasp what legitimate board work is about. It's ideal for the middle manager who wonders what the company's board is really for. It's important for the majority of investors who are brave enough to put some of their hard-earned savings into stocks but are too intimidated to attend an annual meeting. It's what all front-line volunteers in a community service group need so they understand the part the board has to play.

But even more, *The Imperfect Board Member* is a book for actual board members. The author—a friend of mine—often jokes that a greeter at Wal-Mart gets more orientation than most board members ever do. We all know that’s no joke. It’s true for boards of every description. And it’s appalling. Although it sounds extreme, management guru Peter Drucker wrote, “There is one thing all boards have in common . . . They do not function.”

For over a decade, Jim Brown and his team have been helping boards overcome their dysfunctions and govern well. Now this book extends the clarity of their perspective and the wisdom of their insights to everyone who cares enough to make a difference.

Jim does all this by painting a picture of real, likeable people struggling to be better board members and leaders. As they encounter twists and turns and pitfalls, we learn and grow with them. Whether we’re directors of large corporations or board members of small community non-profits, we see ourselves in this story. Most important of all, we’re left with a renewed vision. Boards really can add value to the organizations they serve. Board members really can work together in meaningful and rewarding ways. And even though we all have imperfections, governance excellence really is possible.

July 2006

PATRICK LENCIONI

INTRODUCTION



BOARDS MATTER

◆ **W**hen my partners and I began our consulting practice in the middle of the 1990s, most people had no idea what the word *governance* even meant. Typically, board members presumed they were elected or appointed because of their wisdom and experience. Typically, CEOs and executive directors considered the board to be a necessary nuisance. Neither board members nor senior executives considered board coaching or director development to be of consequence. Indeed, there seemed to be a stigma that accepting any such service would be tantamount to admitting they were not qualified to be at the board table.

So much has changed in just over a decade! As devastating as the debacles at Enron and WorldCom have been, those disasters and others like them have catalyzed a fundamental

shift in how people view boards and their role. As Ram Charan told me with relief, “Thanks to Sarbanes-Oxley, boards have become active.” Charan refers, of course, to the Sarbanes-Oxley Public Company Accounting Reform and Investor Protection Act of 2002. In Charan’s terminology, explained for all of us in his excellent book, *Boards That Deliver*, boards are evolving from being “ceremonial” to “liberated” and ultimately to “progressive.”¹ What Ram observes and describes is a process—a journey toward governance excellence.

Imperfect Board Members

No one wants to be known as “the imperfect board member.” But we board members are all imperfect, because no one is flawless and no one knows everything. Fortunately, this need not prevent us from having a great board, as the best boards are teams of highly talented and experienced people who bring unique strengths and complement each other’s weaknesses.

There is so much we need board members to bring to the table. Understanding the complexities of Sarbanes-Oxley and related legislation is important. Being able to interpret the organization’s financial reports expertly is crucial. Having the ability to detect and examine emerging trends in our sector and then strategically anticipate opportunities and

impacts is powerful. These all exemplify what my colleagues and I say makes a board “smart.”

Smart and Healthy

As critical as it is for boards to be smart, this is what economists call necessary but not sufficient. Bill Dimma, a distinguished veteran of governance with experience on fifty-five corporate boards and almost as many non-profits, has diagnosed what he calls “the classic board dilemma.” In his marvelous book, *Tougher Boards for Tougher Times*, Bill reminds us that right up to the time of their demise, the boards of Enron and Nortel were composed of people with outstanding talent and credentials.² He judges it as a case of individual competence and collective incompetence.

It is obvious that having the skills and knowledge to perform as a smart board is not enough. It is also imperative that boards be *healthy*. By this, we refer to issues including the level of trust and candor that exists at the board, the clarity of the respective roles of board and management, the relationship dynamics within the board, and the determination of the directors to subordinate their personal interests and serve the interests of the shareholders or members.

This concept of “smart and healthy” was introduced to us by my friend Patrick Lencioni and his team at The Table Group.

They observe that successful organizations share both qualities.³ He agrees with us that the principle applies profoundly to boards as well. So our consulting and coaching practice is fueled by a passion to help board leaders understand their role and fulfill it with confidence and excellence. We are convinced that this is only possible when boards become *both* smart and healthy.

In the growing section on bookstore shelves for governance, some books are superb. Many are not. Regardless, the vast majority of them focus on improving the smartness quotient but ignore the healthy dimension. This book places greater emphasis on the healthy side, while laying a foundation for both aspects. It is not, however, a recipe for board work. There are specifics and complexities beyond the scope of this book, many best addressed by a professional familiar with your particular situation.

A Quick Read, A Fun Story

This book is especially written for the millions—and there are tens of millions of directors of non-profit and for-profit organizations in North America alone—who are serious about their board service but already swamped with the demands of their other work, family, and community commitments. I have deliberately made this book short enough that you could read it on a flight from New York to Denver or in a

single evening. (Please don't try to read it during a board meeting, no matter how tempting!)

The journey toward governance excellence is a process of discovery. With inspiration and coaching from renowned authors Ken Blanchard and Patrick Lencioni, *The Imperfect Board Member* has been crafted to convey this journey in a style that allows you to travel the road as an interested observer. Perhaps you will even find yourself identifying with the characters. They are fictional, but they are representative and composite of so many leaders with whom I have had the privilege—and challenge—of working.

Discipline for Directors

As the story unfolds, you will see the characters discover the seven disciplines of governance excellence. These disciplines apply to all boards, and this story traces the journeys of both a corporate board and a non-profit board learning and practicing the disciplines in their settings.

Discipline, as we use it here, is something we *do* methodically, deliberately, and adeptly. It also refers to how we train to improve strength and control. Although some associate discipline with pain or even oppression, that need not be the case. In the context of sports, academics, and personal health, having discipline is generally understood to lead to

desired results. I trust you are reading this book because you desire to see results from the boards you are on or work with.

More Than a Story—Prepare to Take Action

To help you apply the principles and practices presented in the story, a section at the end of the book reviews the model, offers tools and tips, and lists resources. All of this can help you no matter what your connection to a board—as a seasoned director, a beleaguered executive, an interested stakeholder, or a hopeful future board member. I sincerely hope you gain insights and understanding and take your next step to a healthy board.

July 2006
Guelph, Ontario

JIM BROWN

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CHAPTER ONE



ON THE EDGE

