

Executive Development: Involving the Board of Directors

Maurice Cohen

The high level of interest in boards of directors' involvement in executive development is probably no coincidence in the post-Enron, post-Worldcom, post-Sarbanes-Oxley global marketplace. In fact, the heightened sense of accountability on today's boards—combined with the true engagement that one expects to see with highly effective boards—has executive development playing an increasingly significant role in the boardroom. Chief learning officers and other organizational development executives can leverage their own positions among the top leaders in their organizations to ensure that the board gets involved in this critical piece of the development puzzle.

It's About What's Possible

Despite a climate of increased scrutiny, when experts talk about board involvement in executive development, they do not focus on potential liabilities, but rather, on what is possible. Adding value, thereby increasing the possibilities for the company, ought to be the guiding motivation for board members.

"Everything is in service of the creation of higher value and the delivery of higher performance in a company, and boards, as stewards of the owners, have that as their primary obligation and duty," said Chris Gibson-Smith, chairman of the London Stock Exchange.

Executive development provides key leverage in elevating an organization's performance. "Organizations make the best progress through the activation of talent and opportunity," said Chris Moorhouse, former global HR leader for BP. Moorhouse maintains that the fundamental focus in any organization should be twofold. "The first part is about how can I increase the opportunity," he said. "Then do I have the talent capability to fully bring those opportunities to their best outcome? And do I have the plans in place to create the capability of the future?"

Developing the right talent ought to be a top priority for directors, according to Larry Farmer, former management committee member at Halliburton Company and current director of Invensys PLC and Digital Steps Limited. "One way I can be of extraordinary value as a non-executive director is to pro-

mote and cause to happen the development of executives and management," said Farmer, who has served on the boards of nearly 50 companies and joint ventures in the construction industry. "We're in a competitive world, and if a given corporation is not excelling in developing people, it's almost certainly not going to excel in shareholder value. I personally don't think it's possible."

In the minds of these experts, boards operating in today's environment have to be very involved in both the formal and the informal aspects of management development.

Contributing Beyond the Status Quo

The former status quo expectation of boards—putting the right executives in place and developing succession plans—is simply not enough to achieve extraordinary results. And that, said former TRW executive Bob Kohler, currently on the board of Kor Electronics, calls for reframing the role of directors. "You can approach being a board member as a good soldier," he said, "or you can be a real activist, and these days, I think you almost have to be an activist."

That means engaging in executive development work. Offering a case in point from his board tenure at ORINCON (now Lockheed Martin ORINCON), Kohler said, "We not only put a new senior management team in place, we invested in leadership development for the entire team, and ultimately, the company sold for a whole lot more than anybody ever thought it would."

in practice:

ORINCON: Developing a High-Performance Team

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Since its founding in the early 1970s, ORINCON International has been a leader in the defense and intelligence sectors. In the late 1990s, ORINCON's board of directors decided to position the company for a liquidity event—either going public or being acquired by another company in five to seven years. To implement this plan, the board put a new senior management team in place.

"We were a new, hand-picked leadership team installed in a company that had done things a certain way for 25 years, and done them with great success," explained Art Garner, who took over as president and chief operating officer at ORINCON in 1998. "Yet the board had charged us with taking the business down a certain path, and that was a powerful catalyst for action."

Leading the company down that path would mean dealing with conflicting leadership approaches. "Here I was with a team of all-stars, every single one of us with credentials to prove that we knew what we were doing," Garner said. "Our respective instincts were, to some degree, to just get started and make things happen. But this was a defining point in time for the company, and we had to figure out a way to do this as a team."

The leadership team committed to the aspiration, but could not reach consensus about approach. Embracing this setback, Garner—with support and, in some cases, urging from board members—convinced ORINCON's senior team to participate in an executive development program offered by JMW Consultants. The primary objective of this focused development effort would be to help the team take a cohesive and results-driven approach to the challenge—and turn this group of all-stars into a high-performance team.

"Before any of us walked through the door at ORINCON, we all knew how to take charge on our own terms," Garner explained. "Now we needed a collective vision."

Over the course of the program, Garner and his peers developed a new perspective on the changes they were implementing at ORINCON—specifically, what those changes would mean for employees, as well as key leaders. They also developed a new sense of what was possible for their company.

The senior executives first had to commit to several future-focused principles. Rather than focusing on obstacles, the team had to shift its perspective and commit to "possible" results. Each individual team member needed to articulate what he or she stood for, as well as what the organization stood for, leaving no doubt about expectations. Finally, it was important for team members to operate beyond boundaries, setting ambitious goals and then meeting them. "This was a company built on innovation and expertise," Garner said. "We leveraged that strength in the milestones we set along the way."

He added, "there were challenges here and there, and not everyone stayed on board." However, for the most part, the senior team made consistent and fast-moving progress. Garner credits these results to the executives approaching their work with a collective bias for action, rather than from a reaction to peripheral issues. They also found a critical balance between communicating thoughtfully and being able to deliver tough messages. What's more, Garner and his team carefully managed how they listened, especially as they worked through the tough spots. "If I hadn't listened carefully to the people on my team," Garner said, "I couldn't have made some vital informed decisions."

Galvanized by their development work, the team delivered on the board's challenge ahead of schedule. "Our commitment was clear, which helped guide us through the tough calls and yield the right results," Garner said. The team didn't work to identify problems. "This was a big one," he added. "If you're troubleshooting, you're looking for a problem. Operating from a mindset that something's just missing—that's an entirely more productive perspective." Finally, each member of the team held himself/herself accountable, standing up for what worked and acknowledging what didn't—and fixed it.

Between 1998 and 2003, ORINCON's workforce nearly doubled and annual sales surged from \$17 million to \$60 million. In 2002, four large-logo suitors began what escalated into a bidding war to acquire the company. In January 2003, Garner announced the achievement of ORINCON's top objective: a buy-out deal with defense industry powerhouse Lockheed Martin.

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Helping a company achieve its highest objectives calls for far more than passing discussion. "Most boards worth their salt are actively engaged in getting to know their leaders," said Norman Chambers, president and COO of NCI Building Systems Inc. "The best boards take a deep dive into a catalog of maybe hundreds of their top talent...from their photographs to their strengths and weaknesses, and how to deal with the gaps. It's almost like the scouting we see with professional sports teams—and this intelligence can ultimately be a pivotal part of the company's success, or lack thereof."

This kind of in-depth work entails a sizeable commitment by board members, but that's part of the deal, said Brightpoint Chairman and CEO Robert J. Laikin. "Our board is a very active board, and we try to operate the business as a best-in-class operation," Laikin explained. "If you look at the average compensation for board members, it is a significant amount of money, and the company has an obligation to get the value from those board members."

An equally important way directors can contribute to development is through less formal, one-on-one mentoring of key management players. "What a board brings is much greater experience. I've seen a lot of miles of business, I've been through many situations...and to not be engaging in offline mentoring would be a deprivation, really," Gibson-Smith said.

Yet there is a hitch, whether the director's contribution is offline or in the boardroom: It has to be welcomed. Or, in the words of former ConocoPhillips executive Tom Knudson, now on the boards of Offshore Logistics Inc. and Natco Group Inc., "Many boards are superb resources to help with executive development, but management needs to be receptive so that the process is collaborative without blurring the proper distinction between board and management accountabilities."

Operating in a New Mix

How can learning executives help ensure that management will ask for—and be receptive to—the board's contributions to their development? If a healthy board-management relationship is the answer, then certain aspects of the board landscape are important to take into account as boards and executives strive to operate effectively together. "I look at the ideal combination of board and executive as being a single high-performance unit bringing diverse skills to the same task," Gibson-Smith said, "and aligning to create that same task between them."

That might sound simple, but it's not—particularly when the commitment is to create high-performance, which requires real inquiry, constructive debate, true collaboration, problem-solving and the ability to move quickly to create and capitalize on opportunity. These functions call for board members to develop high-performance skill sets, including the ability to work effectively together in today's board landscape, which is uniquely defined by the composition of the board, board-management frictions and potentially conflicting shareholder interests.

To begin with, boards are striving to have a broader array of capabilities to expand their opportunities and help avoid blind spots. However, this also brings a challenge. "When you look at the diversity a board needs in order to be effective, to ask the right questions and consider the right things for a company, then you end up with several different talents at one table," Farmer explained. And while a stronger mix of people leads to better group decision-making, the potential range of perspectives can create a more complex group dynamic.

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Add to this the inherent pull created by directors' potentially conflicting agendas. It is important to remember, as Chambers said, that directors represent the shareholders—from those with short-term, primarily financial interests to directors with a more long-term, strategic focus. "But when the board consists of people with different fundamental agendas," he added, "I think the task is very much more difficult and challenging."

Then there's board-management friction. "Very often now on boards, there is a real tension between the board and management, which can both be destructive and positive," Kohler said. "Maybe the board is encroaching a little more in the management's prerogative than management want them to... maybe management's pushing back."

This tension doesn't have to be a bad thing, Kohler said. "This can become a very productive environment," he explained. "If it's done right, it's very positive tension."

The Right Conversations

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Deliberately developing the skills to have the right conversations is at the heart of this success. "The degree of effectiveness of a board is contingent upon their ability to have the right conversations with one another," Knudson said. "The message that came out of the Enron case, the WorldCom case, the Disney case was these boards didn't have the right conversations. But that skill set is not something that just naturally happens."

Creating the ability to have the right conversations requires very intentional action, added Gibson-Smith. "It takes a lot of practice and very conscious creation of social, cultural ambiance, and that's just as true in the one-on-one situations, creating a sense of trust and support in order to have open listening both ways. It's not something that happens without care," he said.

Applying that kind of care sometimes means bringing in outside help, as Laikin did at Brightpoint. "We had brought in new board members to fill certain gaps, which presented a learning curve for new members as well as existing members," he said. "We brought in an executive development consultant to help us learn how to

talk with one another and how to talk with management and develop a productive working relationship." As a result, Laikin explained, "We got past a lot of issues that CEOs deal with every day, like the 'us-versus-them mentality,' and started having the right conversations."

This is an area where management can provide real leverage. For example, a board meets with management only a few times a year, and board members frequently have "day jobs." That puts a powerful prerequisite on management to get the right information to the board members in advance so they can read it and digest it so that the information doesn't have to be rehashed in the meeting. This enables board members to enter the room talking—sharing their experience and expertise. "More is not necessarily better when it comes to distilling the information that ought to resonate," Knudson said. "And the higher up you get in an organization, particularly at the CEO and board levels, it's critical. That is a skill that would benefit an organization to develop in management, beginning well before they reach board level."

Executive Development That Looks Both Ways

Activist directors not only advocate, but also insert themselves in management development—and take on the development of their own board-related skills as well. The strong commitment to professional development expressed by experts who serve on various boards of directors points to new promise and possibilities for companies—not only because there is inherent value in strengthening an organization's leadership ranks, but also because more developed and effective leaders perform more productively in the boardroom. They are far more likely to come to the table with capacities that will enable them to make the most of the board as a resource—and to embrace its contributions as part of a high-performance effort. To move an organization forward, directors and senior managers don't always have to get along, but they have to know how to talk with one another and how to have the most productive conversations.

These observations and insights not only speak to a new kind of board and board environment, but also to a new kind of executive development that looks both ways—to the board and to management—as directors work together toward the ideal of high-performance. ■