

Board Communication: The Mismanaged Asset

By Mickey Connolly and Bill Boyar

There is waste in the boardroom. For all of the waste reduction programs in major corporations, little attention is paid to the primary process with which a board governs: communication. Board communication has the potential to substantially enhance ethical conduct, return on equity, and total return to shareholders. It is time to shift this potential asset to a real one.

There are occasions for cross-boundary collaboration that face nearly all boards:

- Communication between management and the board.
- Communication among board members (formal and informal).
- Communication among committees, management, and the full board.

Any occasion for cross-boundary collaboration can be helped or hurt by the quality of interactions. The cross-boundary challenge is resolving differences. The measure of cross-boundary effectiveness is the rate at which you transform those differences into coordinated action.

High-value communication can turn these different commitments, credentials, and talents into better strategies and decisions. Satchel Paige, the American baseball player, once said: “None of us is as smart as all of us.” The response to differences must be “converse and learn” rather than “convince and conquer.”

There are three minimum ingredients for such high-value communication:

1. Valuable senior purpose.
2. Valuable organizational character.
3. Valuable method of real-time assessment and improvement.

Director Summary: For better board communication, communication must advance and protect the shared interests of customers, investors, and associates of the enterprise. Make pretense unacceptable. Sponsor what weak communicators fear and strong communicators welcome: open dialogue.

Valuable Senior Purpose

The source of collaboration is shared interest. For board members to learn from and coordinate their differences, they need a shared purpose to steer with, one that is senior to the individual agenda. A valuable senior purpose for any corporate board might be: “We exist to advance and protect the shared interests of customers, investors, and associates of this enterprise.”

In the above definition, “associates” includes employees, contractors, and supply chain partners—the people who provide the goods and services that cause customers to buy and shareholders to invest.

A healthy business regularly advances the shared interests of customers, investors and associates. A diseased business chronically plunders the welfare of one or more of those three constituencies to survive or to serve narrow interests. Any business that fails to protect all three will ultimately collapse. High-value board interactions search for places where those interests overlap, because at the intersection of customer, investor, and associate interests is sound business strategy. Although there are specific moments when one of the three constituencies is more in focus, over time the three must be in balance.

When interactions advance the shared interests of customers, investors, and associates, they are valuable. When interactions fail to advance that purpose, they are wasteful.

Why should this simple purpose be elusive? Because many board members protect narrow constituencies rather than serve the interests of the entire business system.

Valuable Organizational Character

Sarbanes-Oxley is not a complete answer to business integrity. Many companies define corporate values that, if adhered to, protect the interests of customers, investors, and associates. However, few boards attend to values adherence. Consider the following excerpt from *The Smartest Guys in the Room* (Portfolio, 2003), by Bethany McLean and Peter Elkind:



Our Values

Respect: We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness, and arrogance don't belong here.

Integrity: We work with customers and prospects openly, honestly, and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

Communication: We have an obligation to communicate. Here, we take the time to talk with one another...and to listen. We believe that information is meant to move and that information moves people.

Excellence: We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

—From Enron's 1998 Annual Report

For organizational character to be authentic, boards need to require that:

- Management defines values that protect the interests of customers, investors, and associates.
- CEO (and other management) performance is assessed in terms of values-driven financial results, rather than financial results alone.
- Major business reviews assess adherence to values, as well as to financial performance.
- It is as much a standard of business conduct to address a breach of values as it is a breach of law.

Whenever financial goals are met by ignoring organizational values, the future of the enterprise is at risk. The character of board interactions shapes the character of management interactions, which shapes the character of company interactions overall. If we are to meet ethical challenges facing companies today, board advice and management decision making should survive a values screen. When rules substitute for character, the cost of supervision and compliance go way up.

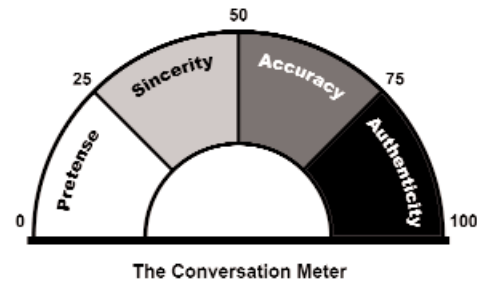
Senior purpose and authentic values establish the foundation for board communication. Next, we build a method of interaction on that foundation.

Real-Time Assessment and Improvement

The conversation model in the next column may be used to assess and upgrade the business value of any board interaction. Here we define the terms in the model:

- **Pretense.** Dishonesty, ranging from lying to withholding relevant information.

- **Sincerity.** Honestly expressed and well-defended opinion.
- **Accuracy.** Careful separation of facts from opinions.
- **Authenticity.** Genuine consideration of relevant facts and important purposes.



The conversation meter goes from 0–100, and the higher the score, the more valuable the interaction.

- The further to the left of the scale (pretense and sincerity), the more waste in the interaction. The further to the right (accuracy and authenticity), the more value in the interaction.
- The further left, the more difficult it is to get your point across; the further right, the more easily you will be heard.

See if the following descriptions remind you of interactions in your own board experience:

Pretense: Lie and Withhold

Pretense is common. We endorse strategies we privately believe lack merit. Agreements are made and—minutes later—dishonored. We harbor concerns that go unannounced and yet we expect resolution. We gossip about someone we will not talk to directly. And sometimes we just lie.

The harm pretense causes far outweighs the imagined damage of candor, because lies and withheld information destroy group intelligence. Deception, suppression, and manipulation are simply less effective than honest conversation. For board communication, all justifications of pretense are wasteful.

A *Fortune* 100 board member said, “If I had my way, dishonest board interactions would be an occasion for dismissal. Pretense is a killer. I don't want the real conversations in the parking lots and hallways, I want them in the boardroom.”

Pretense is toxic to boards. While malevolence certainly exists, the majority of pretense is due to low courage and competence.

Sincerity: Convince and Conquer

When we honestly mean what we say, we are sincere. Sincerity is an upgrade from pretense that improves the



chances for coordinated action. However, I can sincerely believe things that are wrong. Also, I can be addicted to my sincere opinion and unable to learn from differing views.

If conversation is only sincere, I treat my immediate perceptions and opinions as facts. If you disagree with me, I attack your view and defend my own. The people who argue best, rather than the best ideas, win. Often the thinking of the board is homogenized into the most powerful person's viewpoint.

A single, homogenized point of view makes a board dysfunctional. When a powerful person is both chairman and CEO, oftentimes arguments that are only sincere result in either thoughtless alignment with the position in power, or warring factions who learn little or nothing from one another. A wise chairman and CEO will cultivate accuracy and authenticity to profit from differences.

Sincere conversations are honest, but they spawn more myopic arguments than valuable dialogue. Valuable arguments are more than sincere: they are accurate and authentic.

Accuracy: Keep Facts and Opinions Separate

Accuracy combines sincerity with a two-fold discipline:

- Careful separation of facts from opinions, and
- Comparing opinions for value to the senior purpose.

An accurate conversation is based on mutually observable facts. A connection forms as facts emerge; we share a view of reality. On that foundation we can discuss explanations of the data, assessing them in terms of the value they add.

1. **Give observable facts first; opinions second.** If you lead with opinion, the only people who engage are those who already agree with you. Treating the facts as primary communicates your trust in the discourse, a victory of integrity over position.
2. **To move from sincerity to accuracy ask, "What happened that led you to say that?"** If you ask, "Why do you say that?" you will evoke more defensiveness. If you ask, "What happened?" you evoke facts.
3. **Rank explanations for value.** Which explanations improve chances of success? Normal question: "Can I defend my explanation?" A better question: "Is my explanation valuable?"

When you encounter resistance, do accurate research. Weak communicators try to conquer resistance. Strong communicators learn from it. If you learn from opponents, they will feel both heard and valuable. They will disclose information and they will begin to listen to you. You both will be smarter and strategies will improve.

Authenticity: Combine Accuracy with the Important Purposes of Relevant People

Authenticity says that there is more truth and value at the intersection of your point of view, my view, and the facts, than on either trail alone:

When the intersection is not obvious, follow these steps:

1. As you listen, separate purpose from method and result.
 - Purposes are the important aims behind action. A question to reveal purpose: "For you, (name), what is important about (subject)?"
 - Methods are processes or tools for achieving purpose.
 - Results are specific outcomes.
2. Search for purposes you respect even if you disagree with methods and results.
 - One of the purposes is yours. For you, what is important?
3. Identify and acknowledge mutually relevant facts.
4. Look for themes as you scan the various purposes and facts.
5. Now, find an intersection. What is of mutual importance? How does that priority help resolve differences?



Authentic interactions expand your field of vision, assuring that relevant purposes and facts are taken into account. Commingling diverse purposes and facts stimulates learning, creativity, and improved communication.

Many senior corporate leaders have trivialized the importance of open, effective communication. Customers, investors, and associates have paid dearly for that mistake. Using the foregoing recommendations to assess the quality of board communication will create in-board-room dialogue that pre-empts dysfunction and accelerates success. ■

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