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BOARDROOM INTELLIGENCE

Boardroom black holes and taboos

GARY W. PATTERSON

FISCALDOCTOR

When you are cringing in a foxhole dodging shot and shrapnel, it is tough to be strategic, candid and on top of your game. We've all been there from time to time.

Your peers at the National Association of Corporate Directors (NACD) annual Board Leadership Conference SUCCESS identified a list of uncomfortable topics that board directors and CEOs sometimes gloss over. If you are not confronted with some of the problems that these taboo topics reflect, count yourself lucky to be living in the land of milk and honey.

How does this happen? Pressed by hard financial realities, leaders say they made it through the recession by hunkering down through the mean times and getting lean. They were forced to cut fat, then muscle, and finally bone.

We all live in a world where there is never enough money, people and time to fix all problems and pursue all opportunities. Leaders can make very bad choices if their organisations do not think through their uncomfortable taboo topics.

Has your organisation ever had a fiscal checkup? We're not talking about some

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Gary W. Patterson is founder of the FiscalDoctor. He can be contacted on +1 (678) 319 4739 or by email: gary@fiscaldoctor.com.

bean counting exercise but rather an operational and strategic assessment of how your organisation reflects the true realities of the world you are living in.

Below are some key areas to help you look for your 800 pound gorilla, to position your board to better prioritise which issues to address in more detail and in what order.

Overreliance on information from management. It is easy to become too insular and rely upon reports and updates from management. Experts are calling for directors to work closer with management in assessing your business and updating strategy. Where might external activists better understand your business than you do?

Urgent overwhelms the important. Get serious about risk factors and how to mitigate them. This is particularly important for middle market companies that can't afford to make mistakes. Where can you make the enterprise risk management process more strategic and operational in order to build shareholder value?

HR brings sexy back. Many boards seem to look only at top executives. Everyone talks about people being their most important asset. Where can you improve your human capital base for the top three levels of your people?

Disrupt or be disrupted. Many times disruption comes from outside your industry. People become too complacent, insular or resistant to change. Is your organisation a Motorola or Sears, or is it a Google?

Compensation risk profile. Management focus and performance follows reward. Where should incentive plans be tweaked or even rebuilt from the ground up to encourage actions that reflect your best long-term corporate interests versus this quarter's or year's results?

Need to update risk appetite. There always will be tension between the board and management on how much risk to take on for the reward targeted. How well defined and mutually agreed upon is the risk appetite structure? This includes defined levels of risk that provide parameters for management behaviour.

Lack of the right timely information needed for management and leadership. Some organisation's information is forward looking; others are historically oriented. Management is only as strong as its metrics. Does your organisation have the right information to make the right decisions at the right time? How well do you understand and measure the key levers for future growth?

Gold watch syndrome. Have one or more directors retired in place and need to be given a gold watch and a retirement party?

Opportunity costs. Do you keep doing the same things you have always done because it's comfortable? Where should you reallocate resources and think bigger?

Unwilling to take enough risk. Failing fast and cheap in order to learn how to improve beats a long slow death by inertia. How regularly do you make meaningful bets in terms of money, time and resources for 'game changing' initiatives?

The Kodak syndrome. This former great innovator and disruptor now seems to be the poster child for spending too much time doing the wrong things right, but not doing the right things. Where would you benefit from actually going ahead and doing something?

Squandering director skills. What would you do differently if you thought you would lose your three most strategic and operationally focused directors in the next six months?

Political correctness runs amok. More calls for candour are being heard. How often do your board directors err on politeness when actually speaking out is more appropriate?

Updating business model regularly. What percentage of your activities comes from initiatives which started in the last three years?

Accelerated blurring between nonprofit and for-profit. True North is no longer to maximise long-term profitability. The phrase economic patriot is a politically correct phrase to say "pay too much tax compared to most of your foreign competitors". How well prepared is your business to move towards more socially responsible and nonprofit endeavours in the next five years (and preferably 10 years)?

Right person in the right seat driving the bus. Board leadership requires understanding and knowing who are the best qualified people to lead a discussion on a topic or ensure that their voice is heard. Where could you benefit from more contributions from quieter and more appropriate voices on a given topic?

Functional obsolescence. Believe it or not, Windows 98 still exists and people are forced to use it rather than being allowed to upgrade. Where are your opportunities to invest in training and intellectual property to give your people the tools and support needed to increase their contributions to the business?

Back to the basics. Even experienced directors need refreshers and updates. Continuing education is not a luxury, it is a requirement. Why is there such resistance to onboarding, updates and training? If it was not just your company, but also your personal wealth that was at risk for decisions voted on, where would you encourage refreshers and updates?

Ostrich syndrome or directors in the land of denial. How many of your directors want to believe things are great, rather than truthfully benchmarking your company against other firms in your space or even outside your space?

Pay distribution. The distribution of pay equity from CEO to entry level workers issue will not go away. How will you move forward on this issue?

Recall the time one of your parents said "speak to your father or mother about that". You knew that meant they did not want to talk about an issue. There is a value in an outsider calling out the ugly baby rather than yourself. What C-level executive or board member should consider the points outlined above to help them come to grips with seemingly invisible, unforeseeable issues?

Perhaps now is the time to get your organisational house in order: to know, prioritise and fix those high impact issues that will not go away. With that process, you will better understand your risk profile and be more comfortable that the right big bets are being made on your business. Then, you can worry less about your million-dollar blind spot finding you before you find it. ■