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BoD INTERACTION INTRODUCTION

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Quick Summary: Maximizing the effective interaction with the Board is the CEO’s responsibility.

Abstract:

A company’s Board of Directors is the most important resource available to the company. The guidance they can offer can give the CEO a fresh perspective on the issues and opportunities they face. Typically, Board Members have “seen it all” and, with their higher-level view of the company and the issues they regularly face, can help the company avoid or recover from the challenges that will occur. Carefully managing the Board relationship is the CEO’s responsibility.

The previous chapter, 7.01, “Help From My Friends,” defined the three boards that a company can form: Board of Advisors, Customer Board, and Board of Directors. All three can play significant but different roles in guiding the company. Although Advisor and Customer boards are optional, the governance provided by a Board of Directors is mandatory – after the Board is formed. The company’s Articles of Incorporation and/or the company’s Operating Agreement executed between the company and their financial investors will determine when the BoD should be formed and the duties and responsibilities of the Board as described in article 7.010401, “*Board of Directors.*”

Also, as discussed in the previous chapter, Board Directors and the Board as a whole do not want to run the company; they expect the CEO to run the company, keeping the interests of the shareholders first and foremost in their mind. If the CEO is not performing at the expected level or heeding the Board’s advice, the Board has only one recourse: to replace the CEO. Clearly, this is a drastic step that all parties try to avoid. It is obviously in everyone’s best interest that the CEO and all of the Board Members develop and maintain a positive, respectful, and trusting relationship. The CEO is responsible for developing and maintaining the relationship with the Board. Dr. Felda Hardymon is a well-known, highly respected, and experienced venture capitalist. Felda once said, “*I have never fired a CEO six months too early but have often fired them six months too late.*” Felda was referring to CEOs of the venture-back companies in his portfolio. Although he referenced CEOs, virtually every manager has experienced the problem of an employee not meeting expectations or having other interaction difficulties. Termination is always the last resort. It should never be a surprise to the person in question. Candid feedback should always proceed the termination event, giving the individual time to make changes to rectify the situation.

With the above thoughts in mind, the CEO must carefully manage their interaction with their board, listen to their advice, and take actions accordingly. This certainly does not mean that a CEO should be a “yes-

man,” and mindlessly comply with the Board’s wishes. Ultimately, the CEO will be given full credit for the company’s success or failure. They must, therefore, never lose sight of that responsibility.

Board member involvement is a part-time job with only a fraction of their time spent on company issues. They cannot possibly know the “in and outs” and daily activities occurring within all functions of the organization. They must rely on the CEO to provide clear, concise, and relevant information (not merely data) about the company’s operations and results. They will also need guidance in determining the importance of the information presented. A simple but highly effective check that can help a CEO and any other person from the company interacting with a Board Member is to focus on:

1. What does the information mean?
2. Why share it?
3. How does the information impact the company?
4. What, if anything, is being requested of the Board?

CEOs and others in providing information to the Board must carefully differentiate between filtering and helping them interpret the information.

The remaining articles in this chapter discuss how to interact with the Board in a way that will be in everyone’s best interest. The articles in this chapter discuss:

- Board of Director Dynamics
- Board of Direction Potential Friction
- Board Meeting Preparation
- Board Meeting Logistics
- Board Meeting Content
- CEO Assessment for the Board
- Board Meeting Presentation Tips
- During and After the BoD Meeting

Nine articles on the subject of Board Interaction may seem like overkill. However, a company’s Board of Directors can be the most important resource available to the company. Maximizing the effectiveness of the interaction is in everyone’s best interest.