Case Discussion:

Avoiding the “Oh Crap!” Moments with Your Board of Directors

Comments by Rod Hoagland – Coaching Services Series

Business situation

A former colleague of mine was fond of the saying, “One 'Oh Crap!’ wipes out all of your stored Attaboys". While you cannot avoid all of the “Oh Crap” moments in front of your Board of Directors, there is no sense in committing easily avoidable mistakes. There are simple things you can do to ensure the board remains confident with your ability to lead the organization with minimal intervention.

One common mistake to avoid is submitting items for board approval after the fact. For example, seeking board approval for terms offered to a new hire after an offer has been made, or for the terms of a significant new contract already in place. Asking for some generalized input and direction before the terms of new agreements are set will help gain quick board approval.

Another way to lose credibility with your board is to have two versions of ‘truth’ from different functional heads; for example, when the VP of Sales presents sales projections that do not match with a revised product availability timetable presented by the COO. Certainly it is perfectly fine for functional leaders to have different opinions on how events might play out, as long as the opinions do not conflict openly with known facts.

Executive teams can lose confidence from the board if a significant proposal is presented without appropriate supporting research. An example of this might be pushing for a major product development shift without addressing the financial cost, development time, market strategy or impact on other programs. Another way I have seen this mistake made is for a CEO to ask for an increase in the option pool without having an up-to-date capitalization table readily available, including a pro-forma on the resulting shareholder dilution. Taking the time to prepare for probing questions can help avoid embarrassing moments, and build the board’s confidence in the CEO’s decision making capability.

Solution

There are proactive steps CEOs and executive teams can take to avoid these and similar mistakes. To start, the executive team should have a planning session prior to each board meeting. This includes development of the agenda and review of all proposals. Individual executive team members should challenge items they believe are not thought through or contradict other items. Ensuring the agenda items and proposals are vetted in advance is an important step in managing the meeting and building consensus among the executive team.

Benefits

The CEO should have regular one-on-one discussions with Board Directors to get their input on significant issues outside of the formal board meeting. Keeping Board Directors informed to minimize surprises, good or bad, is a sound management tactic. These one-on-one meetings allow for better preparation on agenda items by exposing potential concerns in advance. This provides opportunity to prepare for specific objections.

Finally, distribute the agenda and board information with plenty of time for the Board Directors to digest the material and formulate intelligent feedback. Strive for a week in advance, as the night before the meeting, or even two days before, is generally inadequate for proper review.

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