

ATTRIBUTES OF QUALITY BOARD MEMBERS

ASKS SIMPLE PENETRATING QUESTIONS

Article #4

As the owner of a private company you have formed and invested in a board of advisors or board of directors to bring value to the company. That value comes in part from the unique attributes that the outside directors bring with them to their board participation. Using and leveraging those unique talents of each of your board members multiplies the return to the company.

Years of participating on the boards of private and public companies have made it clear that certain attributes of outside board members are important to achieving the purpose of a productive and effective board of directors.

This series of articles will consider and describe some of those attributes. As you consider the composition of your board these articles are meant to provide you with thoughtful insight for enhancing the performance of the board.

This fourth article will discuss the attribute of ASKS SIMPLE PENETRATING QUESTIONS.

As a board member the job of asking the right questions is fundamental to the value and responsibility of the board. Critical questioning is the road to not only understanding the business but also knowing the management.

Asking questions that get to the heart of the issue or the core of the business not only informs a board member, it also focuses the owner or managers on root causes. Questions that probe the deep and fundamental “why” need not be complicated; in fact, the simpler the question the more likely the answer can uncover real issues and lead to effective solutions.

When considering what questions to look for from your board, remember this guiding principle: Simple and direct questions help the business and the managers analyze, consider, understand and think in new ways. In addition simple, direct questions have the following beneficial attributes:

- They enhance knowledge of the business
- They stimulate the discussion
- They encourage new thinking
- They allow listening and learning
- They demonstrate that both the board and the management have the interest of the business at heart

On the other hand, board members ought to avoid asking questions merely to:

- Demonstrate knowledge of the issue or question
- “Trap” or “trick” the respondent

Experience indicates that board members who ask good questions and managers who provide straight answers build trust as a team, resulting in a strong business model.

New members of the company’s board may ask questions to build a basic understanding of the company. Experienced, long-term board members may ask questions to check the strategic compass of the company. Both new and long-term board members, however, need answers that may seem simple but are actually critical to the health of the company and the value of the board.

Following are some sample questions you might be looking for from your board:

- What is the company’s real or most likely vulnerability?
- Is the business leadership backed up with identified and qualified successors?
- What plans are in place to ensure the company’s growth?
- How does the company stack up against the competition?
- Is the company getting appropriate prices and margins for its products or services?
- How does the management get paid?
- Does bad news travel as quickly and easily as good news?

In recent years the media has reported examples of companies in which the board listened to only good news, failed to ask penetrating questions and/or accepted inadequate answers to probing questions. Enron, WorldCom and Adelphia are good examples of companies that lacked governance by the board. Good governance includes asking simple and appropriate questions that get to the heart of fundamental issues. When board members get comfortable with the process of asking management what is underlying the results and the forecast it benefits the business. Encourage questions from your board that test the fundamental strategy and goals of the company.

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