
A PRACTICAL PERSPECTIVE

BOARD EDUCATION



Focus and dedication are central to success.

Professor Didier Cossin argues that board education should be tailored to the specific remit of the board, rather than taking its lead from executive education

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Most board members see themselves as being beyond education.

They are successful and seasoned personalities with a great deal of experience, often having been a chief executive or having held other senior responsibilities, or having climbed to the apex of their professional environment, in academia, public service or elsewhere.

Despite these impressive credentials, most corporate boards are failing. I don't just mean the spectacular failures recently witnessed at Olympus, Yahoo, or, some would argue, BP. Most boards are failing more profoundly by not adding the value they could to corporations. Yes, most boards comply with classical corporate governance standards and now follow commonly agreed practices on board size, presence of independent directors, and constitution of committees and so on.

But within this framework, not many chief executives consider their boards to be as effective as their executive team, or feel they can rely on their boards for true value creation. The truth is that boards are seriously lagging behind – so much so that many chairs consider it acceptable to have one or two board members who do not add value. This would not be acceptable on an executive team, so why should we tolerate it on a board?

Greater than the sum of its parts?

Why is it that such a select group of impressive individuals often makes for a suboptimal board? A board that sometimes shines but overall is not adding the sort of value to the company that the individual board members would themselves wish for if they were the chief executive? Our work around the world, whether it is in the Americas, Asia, the Middle East or Europe, has given us insight into a variety of practices and cultures that make board work quite different from place to place.

Despite this, the fundamental factors that make boards effective do not vary much across environments. Much of what is required to be effective can be achieved through the right education, whether it addresses direct knowledge or behaviours and dynamics.

Let's consider, for example, a key factor behind board effectiveness, and a driving success factor for any organisation: people quality. This is obviously crucial, yet the quality of people on boards still largely depends on the traditional process of selection (nomination committee constitution, as well as use of consultants) and diversity requirements

(industrial, geographic, personality and style, gender). This isn't enough. The reality is that people quality is nothing without focus and dedication. It is about making sure that board members, stars or not, are dedicated to the company's needs and have the right focus. Focus and dedication are central to success, but few boards address these issues directly today. Addressing these issues will ensure that the role of the board is well examined and correctly steered through any contextual changes, and that the role played by individual board members is well understood. There is also the need to make board dynamics rich and positive, focused and efficient, in order to maximise the quality of each individual's contribution. All of these issues – the role of the board and individuals and board dynamics – are matters of education in a wide sense. It is a matter of evolving as an individual board member and as the board as a whole, towards a better self, something that good education leads to.

A new approach

Unfortunately, typically board members are not being educated properly—notably because many researchers and business schools still see boards as a check on the chief executive, rather than as a significant competitive advantage for a company, a theory which has been put forward by the majority of research. I strongly believe that this so-called agency theory is obsolete, and has framed regulation and education in a way that is now unproductive, and sometimes destructive. It is encouraging to see that the academic obsession with controlling managerial misbehaviour is starting to wane. A few select institutions are addressing real issues, such as drivers of focus and dedication, boards and risk, boards and strategy, board dynamics, board behaviour in good and bad times, information architecture for boards, and best-in-class structures and processes.

Boards today can become a huge competitive advantage for their companies. They can provide an outside view, overcome blind spots in strategy, raise awareness of external risks, connect with governments, society and other stakeholders, and give

credibility and build trust in ways that executive teams cannot. Chief executives and senior executives need the support and abilities of boards to handle the complex world around them.

Thanks to business school education, we have generations of well-tuned educational tools and practices for senior executives. But sadly, most board education programmes today add little value. They either focus on the regulatory environment or copy existing managerial education for senior executives. Boards need more than this to become truly effective.

This is why I urge board chairs and board secretaries not to address educational needs in boiler plate format, but instead to determine what the true needs of the board are and who the quality providers are. All-encompassing programmes are not enough, and I do not know of any institution today that can provide a truly impactful education for boards from its standard courses. I believe that board education should target the following issues as a minimum:

1. Board focus and dedication
2. Board dynamics (board group dynamics, and board to chief executive and management dynamics)
3. Board work on risks and opportunities
4. Boards and strategy
5. Crisis preparation for boards
6. Innovation and boards
7. Stakeholder analysis, monitoring and engagement at board Level

All of these topics should be covered with dedicated board programmes. Strategy for boards has little to do with strategy for executives, and the same is true for any other topic such as risks or stakeholders. I would also recommend having a general education/diagnostic programme that targets board effectiveness in general.

In practice

Complementary topics may arise, such as information design for boards, chief executive succession, or board processes. Sometimes, the education process gives board members a much deeper view than any evaluation process or consultancy work can achieve. There is nothing like seeing things from the inside, and this is what the best education should achieve.

Such programmes can be for the whole board or for individual board members. A mix of both works best; it helps to create an education programme that follows the board cycle. In all cases, it is dedicated board education that has value for board work.

Take the board's strategic role as an example of why dedicated board education is required. Since boards are ultimately responsible for the long-term success of their organisations, strategy is central to their work. Unfortunately, there is great confusion about what boards should do on strategy. Most strategy reflection to date

has focused on what chief executives and their teams should do, so strategic reflection at board level has become a copy and paste of executive teams' work, or has been weakened to a simple health check of the chief executive's strategy. Neither makes sense.

Strategic thinking for boards is completely different, because boards have their own mission within the firm. The board's responsibilities for strategy are complex for three reasons. First, what is meant by strategy for the board can differ from company to company, and, even worse, differ from the view of the executive team. Second, the role of the board itself is complex, combining a traditional supervisory role, a support role to management (towards external stakeholders as well as internally) and a co-creation role (by giving an external perspective and possibly overcoming executives' blind spots). Each role impacts differently on how a board should lead the strategy debate.

Third, the board's involvement in strategy will very much depend on the context in which the company works. In a simple context, the board may support the definition of a strategic plan and remain distant. But in a difficult and chaotic context, a board may bring more of a hands-on approach with built-in flexibility. All this is very different from what executives do, which means that even a seasoned executive may not immediately become a strong board member on strategic issues. A short education programme (two days, for example) will address both principles of strategy, and the specific context of the company, as well as address in parallel some of the group dynamics on strategic issues. A single two to three hour session may be intriguing but is typically not enough for sufficient education. Being highly selective when finding an experienced educator for this purpose is crucial.

Another example would be to look at boards and innovation. Boards not only monitor the company's performance in this area; more importantly, they also actively contribute to it in increasingly significant ways. Board diversity is key in this regard. Board members from other industries are faster to foresee sudden industry shifts or disruptive moves. Representatives of other stakeholders, such as major customers, can push companies to be more dynamic in overcoming organisational barriers to innovation. Employee representatives can also be an excellent source of innovative thinking. But again, how do business schools educate board members to perform this vital role?

Board education is crucial because today's chief executives are confronted with an incredible rise in complexity – from society, governments, alternative business models, global changes, new risks and opportunities and shifts in economic conditions. Even the very best executives cannot be expected to respond consistently to all these challenges. In short, the board has become essential to corporate success. Education is key to growing excellent individuals into great value-adding board members and into making a group of star individuals a truly successful board. A strong education programme can help boards become a major competitive advantage for their companies.

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Professor Cossin is the director of IMD Global Board Center. He works with senior leaders, executive committees and boards to provide the latest thinking on best-in-class governance, risk and opportunity optimization, investment selection and strategy design.

He favors an adaptive and interactive approach to finding distinctive solutions for organizations on a wide range of management topics. His latest research focuses on the role of the board in achieving success. His past research has dealt with risks, M&As and financial decision making.

In his work with boards, Professor Cossin helps them enhance organizational performance through strategy involvement, best-in-class decision making, information management and general governance (including board restructurings).

He is an advocate of adapting board work to the economic transformation taking place in many regions of the globe, and through his international experience he has gained insights into the different ways in which societies and economies deal

with the issues at stake. He also looks at the latest approaches to risk issues. His work addresses not only technical risks (for which he uses his finance background) but also those arising from a number of different factors: psychological biases, social and cultural environments, technological changes (such as in information issues), strategic choices and/or from governance structure (for which he leverages his long experience with senior leaders).

Professor Cossin is an advisor and/or executive teacher with the United Nations, central banks of several countries, the boards or executive committees of corporations, financial institutions and funds in Europe, Asia and the Middle East.

His most significant experience is with the oil and gas industry (Schlumberger, Shell, Sinopec, Saudi Aramco and others) and the banking industry (HSBC, Bank of America, Goldman Sachs, ICBC and others), but he has also worked with many other industries (media, luxury goods, retail, shipping, etc.). He is a member of the Risk Who's Who Society, the American Finance Association, the Eastern Finance Association, and the European Finance Association.



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