



## Hidden costs

### How ineffective board members can set back your business

Board members are chosen intentionally for their experience, functional expertise and potential to add measurable value. But not all board members are created equal.

Often, impressive experience comes with little knowledge of the company's industry, competition or market dynamics.

Sometimes members might possess industry content expertise but have no experience with a for-profit/publicly traded company. They bring the passion but not the necessary sense of accountability to shareholders by which for-profit companies live and die.

#### Look for hidden costs

A board is essential for good corporate governance. However, boards can bring many nonvalue-adding costs that are hidden beneath their dynamics and interplays. These costs often sacrifice the realization of maximum benefit.

An example is the complex dynamics among members or between the chairman and CEO that lead to much off-line conversation, churning and defensiveness — or, worst of all, rocked confidence of the CEO or his team to act boldly in the best interest of the company.

Another example is time wasted while these members attempt to outdo others

with positions and comments that do not advance the business of the company.

Yet another cost is staff time spent in preparing special reports or analyses that less-informed board members are “just wondering about.” These requests can tie up human capital for days and days. Such board requests from members who are “just curious” — or worse, who want to escalate their pet issues to center stage — divert the efforts of key management teams and staff from solving the real issues of the business.

Thankfully, solid board members often try to offset the behavior of such peers — but that is a time and energy drainer for the “good guys who try to do the right thing.”

#### The makeup gives a clue

I often contemplate these questions: Do ineffective board members know who they are and do they care? Do they come from environments that value being difficult for no reason? Do they somehow think that behaving in a belligerent manner is what board members are supposed to do?

Some encouraging news is that we increasingly see board members who are sitting CEOs or executives of other companies. In our experience, they make the very best board members. They are deeply immersed in the real world and active in the trenches of business today, so they better understand the marketplace dynamics of the season.

They participate on the board to learn and grow to further their own

careers versus just seeking income. Their challenges tend to be issues-based versus people-based. They are sensitive to the time constraints of the CEO and management team because they live in a similar world, so they tend not to ask for unnecessary reports or additional work.

#### Good board members have no peer

There is no substitute for the board members who do their homework prior to the meetings, get along well with others, challenge issues versus people and are always clear about two things: What problem am I trying to help solve with my requests and comments? And have I behaved constructively and added value to this management team through my comments and questions?

Never rush into a board member selection until you are very sure about how this prospective member has behaved in similar settings.

The hidden and often not-so-hidden costs of an ineffective board member can be incredibly detrimental to the company, the board and the management team. ●

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