

What you won't find in a director search matrix

My own top five list of the most needed — yet least identified — qualities for an outstanding board director.

BY DENNIS CAGAN

It is now the norm for boards to compile a matrix of the key mix of skills and qualifications needed in directors to best guide the company going forward. A matrix highlights those attributes that are already represented by current directors and those that are desirable in prospective board candidates. Typically the named categories include job skills like CEO or financial expertise, and specific industry domain experience. These will often be overlaid with some additional unique skills and diversity goals. Sometimes a matrix will even contain broad character traits like 'cultural compatibility' or 'leadership.' However, there are a number

of traits that can be critical to a board's success but are never actually listed in any matrix.

A simple yet effective tool

Whether it is formally written, which is advisable, or just a verbal discussion, a matrix of desirable board director skills, experience, and other qualifications is a simple yet effective tool in identifying which boxes you already have checked and which are best targeted in a new director. I have participated in several board symposiums which have all arrived at the same conclusion — that many a company's greatest failures can be traced to a dysfunctional board. These discussions have also consistently come to the conclusion that a frequent cause of board dysfunction is personality conflicts between directors. Today's complex, fast-moving global business environment requires an optimized high-performance board in order to maximize the success of any enterprise. Yet in spite of the



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direct link between performance and the personal communications styles and personality traits of board members, I have never seen any of these vital personality traits specifically identified in a qualifications matrix.

Having had the privilege of sitting on over 50 corporate boards over the last four-plus decades, I have observed and learned from over 250 fellow directors. Along the way I have developed my own top five list of the most important qualifications for an outstanding board director. A board can function well in executing its fiduciary responsibilities even if it is missing some specific skills or experience; however, it can be completely disrupted at a key point by just one rogue director having one heavy-handed character trait, especially if no one else on the board possesses the personality or authority to rein them in. I would venture that every experienced director has seen this happen time and again. I have often said that ‘being *qualified* for a particular board seat does not mean being suitable.’ For every five or 10 qualified candidates, only one may have a personality that is suitable for that specific board.

Examples might be someone who talks too much, repeating what was already stated numerous times (hijacks or filibusters the discussion), or one who daydreams or falls asleep (disrespectful and not adding value), or is overly argumentative (polarizes members and fosters dissension). Unless another member, preferably the chairman or presiding/lead independent director, has a personality that can appropriately counter it, that one negative director can potentially sidetrack an important discussion, which could then have a material negative effect on the enterprise.

I have listed my top five critical character traits. I challenge you to come up with your own, and formally or informally add it into your board’s evaluation and nominating processes.

Courage: The only No. 1

There may be many opinions on ranking the importance of various character traits that could contribute to a board’s performance and ability to work together to provide a truer execution of its fiduciary duties. Weighting might even vary depending on the composition of any given board and the current circumstances of the firm. However, I have two important observations: only negative situations expose the nitty gritty soul of a board, and in those instanc-

es no characteristic for any director will prove more vital than courage. All others pale in comparison to the courage of a single director who is willing to stand up and voice the unstated truth of a situation, the unpopular alternative, the feared conclusion, or the out-of-the-box creative idea that could right the ship. Others may sense that action is necessary, but typically most will not muster the selfless moral strength to risk ridicule, or even rejection, to boldly articulate the unpopular deed. Leadership and courage are not always present together, although they can be. Does the CEO have to be terminated?

Does a business unit have to be closed? Does the company need to accept or reject a financing or acquisition offer? Should the firm publicly admit or not admit to some grievous mistake or regulatory infraction? Every seasoned director can recall similar confrontations. Was there at least one board member who possessed the courage to step out on the limb and articulate the necessary truths? If so, did it likely avert even worse consequences?

Candor: For frictionless dialog

My second choice is less obvious, and is multifaceted. In many informal chats with board members from other companies, someone always decries to some degree their board’s politics. I attribute the politics to a lack of candor on the part of one or more directors. Malicious or not, manipulative behavior — not clearly stating one’s position and reasoning, or a lack of transparency among board colleagues — will at best waste precious time, energy and money. At worst it can paralyze rational, effective decision making and precipitate a catastrophe. This is not about teamwork (that comes a little later), but rather each individual’s ability to be forthright in the best and highest interest of the enterprise.

Humor: The most underrated

I will reluctantly admit that in retrospect I regret that I have not always lived up to my own standards in courage or candor, particularly in my youth. Humor, on the other hand, has always been a personal strength. It can be a highly underrated technique in a traditionally stodgy corporate boardroom full of self-important, know-it-all business chieftains (present com-

BEING QUALIFIED FOR A BOARD SEAT DOES NOT MEAN BEING SUITABLE.

More predictors of an effective director

The following is an excerpt from “How ‘Rising Stars’ Become Boardworthy” by Gail R. Meneley and Hugh A. Shields, an article that appeared in the Third Quarter 2005 edition of Directors & Boards. The authors are co-founders and principals of Shields Meneley Partners, a firm based in Chicago that provides assessments, performance coaching, and guidance for all forms of leadership and career transition (www.shieldsmeneley.com).

There are a wide range of core competencies — in operations, leadership, management, M&A, strategy — that nominating committees seek in potential

director candidates, as well as a solid background in a particular industry or first-hand knowledge of a given market. But there are also a number of less tangible qualities that are equally important predictors of effectiveness in the boardroom:

1. Commitment

Prospective board members must demonstrate commitment. Board membership requires a commitment of time as well as a commitment to serve the company with a genuine interest and a real passion. Commitment to serve translates into a willingness to make hard decisions, even if those decisions run counter to prevailing

opinion. It also means being an objective, independent thinker who is committed to doing what is right for the company and its shareholders. Executives develop into real leaders by learning how to work positively and collaboratively during times when there are significant differences of opinion about the right path to take.

2. Integrity

Most executives will say that they have high integrity, but the issue is whether they walk the talk. Most of the choices facing major corporations have few black-and-white answers. Unrelenting pressure from ana-

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pany excluded, of course). I have prevailed in board debates far more times with humor than I have with logic. The beauty of humor is that only one person need be able to highlight the irony or silliness of the situation, or diffuse conflict with a well-placed and relevant joke or analogy. Everyone else simply need only appreciate it and participate. The discussion can then proceed again with significantly less tension and resistance, there-

by dialing up everybody’s willingness to listen to one another. Humor tends to draw the group closer together for common purpose.

Inquisitiveness: Uncovering the detail

For many years one of my top reasons for joining a board has been the quality of the other directors. Personally, I like to meet them in advance if possible. I have always sought the opportunity to hone my governance skills and judgment by watching and learning from others. I have one board colleague of 14 years who

served on the boards of General Motors, Raytheon, Hewlett-Packard, Hughes Electronics, Harvard and others. While I am proud that he has learned one thing from me — how not to always wear a suit and tie to board meetings — I have learned many priceless lessons from him. My favorite is inquisitiveness. We have all likely learned to beware of the director who enthusiastically expounds on every topic, even if it has already been well covered by others. However, my colleague has taught me how valuable it is to listen to a question asked by the board member who rarely speaks. He will often start with the phrase, “May I ask a dumb question?” What typically follows is anything but! Rather, it is a precisely articulated inquiry that pierces to the heart of the issue, and often opens up a whole new vista for discussion. A well-placed, well-phrased inquiry can sometimes work as effectively as humor to break the downward spiral of a debate. It is questions like those, from colleagues like him, that can propel a board to great moments.

Collaborative: There is no ‘i’ in board

A high performance board is a team sport. At any given moment even one ‘showboat’ member can derail an otherwise productive dialog. Among any group of accomplished business

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lysts and shareholders to drive financial performance can create gray areas that cloud right from wrong. Directors should be able to see where the ethical edges are being approached and, despite pressure, state their opposition to making exceptions that will bend the rules.

3. Curiosity

Intellectual and cultural curiosity are two 'must have' intangible traits. Intellectual curiosity helps feed creative energy and allows someone to evaluate situations using multiple lenses, offering a new perspective to the challenges at hand. Genuine interest in other cultures and in cultural matters is also important, since it broadens understanding and allows executives to see and embrace global opportunities. These traits can be developed by pursuing lifelong learning opportunities, by participating in cultural

events — whether they be art, music, dance, or theater — and by embracing opportunities to travel.

4. Self-confidence

Self-confidence is indispensable. It ensures that a board member will bring his or her expertise to the table. A director must have a strong point of view and the ability to articulate it.

5. Point of view

Corporations want — and need — outside directors who have unique perspectives and can bring their own experiences to bear on issues of importance to the company. Diversity — of age, gender, and ethnicity — enhances the points of view represented at the board table. Each person's unique perspective makes final decisions more complete.

Those whose time is in short supply must make sure to get involved with something that has real meaning to them.

Boards are generally populated with two types of people: those who have already achieved a level of success that is rare, and those who will. If you are in the latter camp, developing a range of skills — both tangible and intangible — will help lead you to a seat at the board table and to a valuable, meaningful, and highly rewarding experience.

leaders there can sometimes be a tendency for anyone to feel compelled to take charge. The inclination to collaborate may not be their first response. The best directors are those who can subdue their own egos, and who have nothing to prove; those who can blend their talents with their fellow board members' for the good of their enterprise.

This list is far from comprehensive. One might also consider logic, decisiveness, intelli-

gence, judgment, integrity, discernment, vision, creativity, and more. I encourage all board nominating and governance committees, for both public and private company boards, to consider the value of articulating some of these in your requirements document and screening for them when you interview for new candidates. ■

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