

The Value Of The Question

Good directors question company performance, strategy and the assumptions used to formulate these plans. Answers to these questions can help the board better understand your business and how you approach and solve complex problems.

The tone and phraseology used in these questions can mean the difference between effective board and CEO interactions and potentially explosive tensions. If you and your management team perceive the questions as supportive and designed for better director understanding, positive dialogue results. However, if directors ask questions perceived as accusatory or critical, significant tensions can rapidly develop between the CEO and board. These tensions can rapidly escalate into major issues that can destroy a positive CEO/board relationship.

Even in companies when there is a historically strong and positive relationship between and CEO and their board, tensions might develop. The intensity of the tensions will ebb and flow over time depending on business results, market conditions, individual personalities and the chemistry between the CEO and the board.

Understanding the background and reason for a specific tension does not diminish or eliminate the tension; it only helps to explain it. Good CEO's detect tensions early and manage these tensions with their board so that ultimately the tension is reduced or eliminated.

Good Questions Provide Value

Boards should always try to be supportive of their CEO. A good board provides guidance and council on operational problems, strategy and people issues. Directors ask questions to improve their knowledge of the business and to understand your thought process. Many times, their questions are based on their personal experiences and expertise to help you focus on the right issues and consider other alternative solutions.

These questions can be very reinforcing if you have thought through the issues well. They can be especially helpful if they open your mind to consider other options or alternatives that you might have overlooked.

These types of questions can be instrumental to your personal success and creating value for your investors.

Bad Questions Are Disruptive

Questions that are phrased in an accusatory way, with hidden agendas or with little respect can be very detrimental. These types of questions are many times "judgmental" and it's clear that the director asking the question has a different viewpoint and has already made up their mind. These types of questions are more confrontational than supportive and easily lead to defensive answers hindering open dialogue and discussion.

CEO Response Is Critical

Today, many CEOs are experiencing more probing questions at board meetings. Directors are questioning business performance, strategy and the capabilities of the management team. Some CEOs fear voicing concern or dismay about these questions but their body language at times conveys a feeling that they are no longer trusted or perhaps their board is concerned with their performance. After particularly intense questioning, a CEO may even believe that their board has lost confidence in them.

CEOs should view their board's questions and probing from a positive perspective. They are not trying to find where you are failing or what you are doing wrong. They are trying to ensure that you and your team are doing everything possible to create value for your shareholders. They have insight and experience available that can be very helpful to you and your management team.

Closing Thoughts

More intense and focused questions from your board are a result of their need to better understand your business, competitive environment and assess performance. Directors need to ensure that they understand the relevant business issues, that alternatives have been thoughtfully considered and that the decisions they have approved at past meetings are being implemented.

Fundamentally, good director questions can create real value and sustainable competitive advantage. Bad director questions can destroy investor value, morale and create dysfunctional relationships.