

Did you ever sit in the board meeting and watch the CEO's facial expressions, imagining what he was thinking? You're sure that he, along with every other CEO, would just as soon not have to spend the time dealing with a board. But he is savvy enough to mask such sentiments. Here is what we hear CEOs say behind the scenes. During their confidential conversations, they want to discuss how to address some of the following director and board behaviors.

A CEO'S LEGACY TO THE BOARD

By Lana J. Furr and Richard M. Furr, Ph.D.

For some time now, I have been reflecting about the legacy I have left as CEO of AZW Corporation for the last 14 years. I am proud of many accomplishments and the following are just a few that come to mind:

- the performance of our organization and our return to our stockholders;
- the many fine leaders we have developed for the future of our company;
- our innovation and how we have continued to reinvent ourselves;
- the relationships we have developed with our customers; and
- the many hours our employees have volunteered and the difference we have made in the communities in which we operate.

This board deserves appropriate credit for the success we have enjoyed during the past 14 years as a result of the decisions you have made to support many of our strategies and initiatives. Many of you have been on the board the entire 14 years of my tenure. You would likely agree that it was not always easy, and certainly was not fun, for the board and management to work through some of those decisions that produced our success given the widely divergent opinions we held at times. For example, you were highly skeptical when we entered one particular market as an early player, when we decided to open our own corporate university and when we lowered our earnings two straight quarters in order to bring two new product lines to market at once. But you ultimately trusted our research and respected management's point of view.

The trust and respect have been instrumental to the relationship between the board and management. It has been manifest throughout our tough times. Because of that experience, I have decided I can trust you to accept my reflections with an open mind, believing that I have the best of intentions. All of you intend to be dutiful and effective as directors. That is why I am offering you my thinking. I want to leave you a legacy that will enable you to be the best directors you can be and to set the standard for future directors. Therefore, I am going to share my *wish list* with you. It is the wish list that took shape over the years as I worked with those of you on the board and observed how it could be more effective. In fact, the recommendations here are my legacy to you.

Prepare for every meeting and phone conference. Over the years, I have observed many occasions when several directors have come to the table without being prepared. How did I know? Sometimes you opened the package when you sat down at the table at the beginning of the meeting. On many occasions, you asked questions that were answered in the packet of materials. Sometimes you suggested alternatives that we had already considered and discarded (as described in the pre-meeting materials). Or sometimes, you were uncharacteristically silent.

I know that each of you occasionally has extraordinary circumstances to deal with in your own endeavors that can cause things to fall off your plate. It becomes more

noticeable and less easy to overlook when it happens with some frequency. I know you sacrifice to be part of this board. But my own experience has been that it only requires making a decision to do what I need to do...making something a priority...in order to do what is needed. I know that each of you can do the same, and that is what our board needs of all directors as a standard.

Put AZW first. AZW has become a much more complex organization since I began my tenure. There are so many constituencies to be managed. I am pleased that we had so many conversations about who we serve. We will always consider the following in decision making:

- the customers as the reason we remain in business;
- our owners, the shareholders, as providers of the capital we needed to begin and continue to operate and grow financially;
- the employees and management as the intellectual capital that allows us to innovate and compete with high quality products;
- the communities in which we operate as providing the infrastructure and transportation capabilities we require and the quality of life our staff can enjoy; and
- the many regulatory and governmental agencies that we complain about but who require us to operate with high standards of safety, etc.

With all of these many legitimate interests to be managed and balanced, AZW requires 150% capacity of the best and most alert business minds available. The competencies required to remain good representatives of all of these constituencies continues to grow with each passing year. The energy required of directors is enormous...the reading, continuing education, committee meetings, and other commitments add to everyone's burden.

When the time comes that you are no longer able or willing to serve all of these interests at the level needed, please know then that it is time to step aside. Here are some of the troubling instances I have seen:

- Some directors resist the time required because it takes away from your own business. Some of you habitually leave the board meetings after an hour or show up 30 minutes late. That is not acceptable.
- Others of you seem confounded by the growing complexity of the business over the last few years. How can you fulfill your fiduciary responsibility if you are struggling to understand increasingly complex financials?
- Retirement ages are arbitrary. Some people are able and willing to do the job beyond our current retirement age of 72. Others are ready to be on the golf course or sailing most of the time by 62. There is too much at stake for any of you to use the board as a social club or continuing income stream. Each of you knows when that is the case for you.

Please take the personal accountability for yourself to do what you know you need to do. It simply makes it awkward for all the other directors when you are not carrying your load. They resent it, but they also hate to violate the code and do not want to have to address the issue with you. Do the right thing and resign when you no longer want to play the game at warp speed. Few of you really *need* the money. You can maintain your status and stay connected through an avenue where there is less at stake.

Make a difference.

You were invited to our boardroom because of the difference you have made in your own sphere. You have excelled in your profession, you have been a leader of others to enable them to contribute their best, and you have earned respect. We need you to make that same difference in our boardroom.

There are different perceptions and expectations about the role of directors. Perhaps you have been a member of a board where the leadership did not want to know what you thought. Perhaps you have been in a situation where you contributed to boardroom discussions and you could see that your input was not welcome. Maybe you know that you are highly selective about offering your views because you are still learning a situation, business or the people around the table. Perhaps your personality is more introverted, and you only speak when you have had time to carefully consider what you are about to say. Occasionally you may have views that are in opposition to the direction of the discussion, and you do not summon the courage to go against the tide. Sometimes you may be preoccupied with other issues from your own sphere and you simply do not stay engaged with the topic at hand. Or perhaps the agenda is structured so that you are simply listening and there seems to be no place for discourse.

Despite conditions that may not be conducive to your contributions, the shareholders elect you to represent them. You are an agent who is expected to make a meaningful difference. You can make a difference and earn the respect of other directors if you are willing to weigh in thoughtfully as we deliberate.

Ask yourself these questions before you speak up:

- Will what I am going to say offer a potential solution to a problem?
- Will my contribution open the door to a creative opportunity?
- Is my viewpoint a different perspective for thinking about the issue that will need to be considered if we are to succeed?
- Have I seen something related to this issue in my reading about this industry or another that may affect the alternatives we are considering?
- If it needs to be said, will I have the courage to say it if no one else does?
- Does my comment keep us on track and operating at a strategic level instead of taking us on a tangent and “down in the weeds” to an operational level?
- Is my comment unnecessary because it is coming from my own risk aversion which is well known to exceed all moderate limits?

Our board and management wants and needs to hear from you. The other directors will develop resentment to your occupying a seat without pulling your weight. Make a meaningful difference.

Be strategic.

Having said that the rest of the directors want you to make a difference, I must add a caveat. Many directors hear the message about contributing, and they decide to contribute where they feel most comfortable...in operational issues. When people feel stress or they want to impress others, they sometimes revert to offering their functional

expertise, whether it is marketing, sales, engineering, IT, or HR. Help us decide *what* to do and management will determine *how* to do it.

The complexity of constantly attending to the short-term results while taking a long-term view of the future is demanding for every enterprise. You will make the most valued contribution by thinking with us about balancing the trade-offs...investing here, moving into that market, or increasing earnings this quarter...which options will keep us on track to the vision. Your external perspective about other sectors and what you learn from your own business can help us evaluate threats and opportunities. *And*, you sometimes can see if we are too opportunistic and hence about to lose valuable focus.

Be willing to take a stand.

Being an *effective* director requires you to confront yourself and your willingness to do the tough parts of the job. Directors are equals. It is said that the Chair is the first among equals. In fact, *any* director may need to step up and be a leader among equals. Any time the board is not fulfilling its responsibilities, for any reason, each individual director is accountable for addressing that.

Suppose you observe that the CEO/Chair is not fulfilling his role effectively or is otherwise creating negative effects. You have mentioned it to the Vice Chair, the Chair of the Governance Committee and some of the other directors who are influential with the CEO. They are clearly uncomfortable and unwilling to go to the CEO/Chair. Will you? Will you call the CEO, invite him or her to lunch and talk about the “for what it’s worth”? Maybe you have your seat because the CEO recommended you to the board and you feel beholden to him or her for that. You would surely like to remain well-liked by everyone on the board. Will you also be willing to do the right thing for the organization and the person?

If you observe creating damaging effects on the board and the directors in sanctioned roles are not willing to act, then your role is to talk with the person to give constructive feedback. Without second guessing, putting the executive or other directors on a pedestal or making accusations, check it out. Describe what you are seeing, the effects that could result and why you are concerned. It is the highest form of expressing your Duty of Loyalty.

Likewise, what if the entire board is avoiding a critical aspect of its role, such as CEO appraisal and management succession? I would have appreciated a substantive appraisal discussion, but the board has not yet created a process to use. You need to implement that process as a basis for your compensation decisions and as a way to have a meaningful discussion about CEO performance. You may have gotten clear signals from the executives on other boards that you are not welcome in those arenas. And perhaps your lead director or Chair on another board is unwilling to challenge the executives. Maybe you have had an experience with another CEO or Chair who is still trying to override the work of the nominating committee by telling them who to recruit to the board or trying to convince the governance committee that they do not really need to do an individual director evaluation. Will you take a stand on this board during executive sessions to advocate for fulfilling the entire role of the board? Be willing to take a stand for our board. Let’s raise the bar.

Manage yourself.

I do not know anyone who gets up in the morning and decides to be a difficult #&*%! Nevertheless, we meet people everyday who are difficult. Unfortunately, they show up on boards. Having an incisive business mind, traveling in influential circles and being a person who gets things done does not rule out those who do not manage themselves well. You see people who have to be *in control*. Other people become obstreperous when they are challenged. You have doubtless observed some directors doze during meetings. Some directors have a tendency to be “yes men.” And some directors constantly interrupt when others are talking.

The governance committee of the board owes it to individual directors to define what is expected, to evaluate director effectiveness, and to give directors feedback. At the very least, directors get nonverbal feedback from other directors when their behavior creates undesirable effects.

As a director, be alert to the cues that you are getting from others and manage your behavior in ways that supports the board doing its work. Self awareness and self management are the hallmarks of valuable leaders. According to the Phillip Massinger quote, “He that would govern others, first should be the master of himself.”

Take stock now.

Have you felt uncomfortable or defensive while reading this reflection? It is *intended* to provoke you to deal honestly with yourself. This is a good time to ask yourself the following questions to evaluate if you need to make some changes in your behavior or relationship with the board.

Individual Director Reflection

1. Have I participated in a board meeting or phone conference during the past year without prior preparation? Have I invested three to six hours per week on the work of this board during the past year?
2. Do I make time to arrive for all board and committee meetings in plenty of time to greet others before the meeting and stay through all planned functions? Do I return board surveys and other requested information on time?
3. Does understanding the organization’s business and the work of the board require more effort than I am willing or able to invest?
4. Do I resist thinking about leaving the board even though I do not feel fully engaged? Is my real interest and passion elsewhere while I am attending board events?
5. Is the board primarily serving as a social connection and/or income stream for me at this point as opposed to an outlet for intellectual engagement and making a difference?
6. What is the difference I make in the board? What would be missing without my unique contribution? How would other directors rate my contributions to board deliberations on a scale of one to five?

7. Do I maintain interactions at the strategic level? Have I been known as a visionary thinker in my own sphere? When have I been especially influential during strategic discussions of our board during the past year?
8. When have I advocated or taken an active role in ensuring that our board and individual directors are optimally effective in fulfilling our roles? Have there been opportunities to take a stand and I was unwilling to become involved?
9. When and how am I a difficult person? Do my family members joke with me or talk in earnest about any of my behaviors? Do I have a reputation in my own sphere of being hardheaded? Being driven like a “dog with a bone”? Having to be in charge? What effects am I having on our board that creates sand in the gears of the board’s workings?

If you answer these questions honestly and see a profile you do not like, you need to make a decision. Peter Drucker, famed management consultant, has said, “Unfortunately I know of no procedure or checklist for managerial courage.” There is no substitute for summoning the courage to do what is best for the organization. Doing what is right for the organization is your obligation. How can you do anything else?

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