

## Bored with Boards? Never!

---

[Leadership Advance Online](#)

Rob McClelland

"Some boards are very effective; most are a waste of time," says Fred Broling, currently CEO of U.S. Precision Glass located outside of Chicago. Broling could be called a professional board member having chaired a full spectrum of boards from successful international corporations to inner-city ministries. Having spent over 20 years in various boardrooms, Broling opines, "The way I see it, neither the CEO nor the board can be fully effective without understanding some essentials." Broling's rudiments for board success include the makeup of the board, the locus of strategy formulation, and the working relationship with the CEO.

When determining the best board on which he has served, Broling believes the makeup of the board was the deciding factor. He harks back to representing Prudential on the board of a large chemical company. In the early eighties, Broling borrowed over \$100 million from Prudential Securities at a double-digit interest rate. The deal worked well for both parties, and they maintained a close relationship. Consequently, Broling represented Prudential as a board member for several companies. One company, Harris Chemical, had the most effective board on which Broling has participated. "The make-up of that board was very strong. We had some powerful bankers and lawyers that were protecting major interests in the company." Broling maintains that investors are usually the best board members because they have an active interest in the success of the company. "When you have sharp, committed people with a major investment in the company, you're on your way to a winning team." He believes that capable shareholders, always acting for the corporate good, are a true asset to the CEO and investors alike. Conversely, Broling believes that individual board members with "control issues" make the work difficult for everybody. "Very few boards are controlling—it's the individual members that feel they should be in charge." He may have a good point, unfortunately there is a dearth of research regarding an individual director's influence on the entirety of the board (Finkelstein & Hambrick, 1996). Thankfully, there is much more research on strategy formulation.

Who creates the strategy? Does it really matter? It does according to Broling. "The origin of business strategies is ultimately the responsibility of the CEO. Boards are not responsible to formulate strategy." Interestingly, Lorsch (1989) reports that directors desire to be increasingly involved in strategy derivation, and Finkelstein & Hambrick (1996) propose a positive relationship between the power of a board and their role in strategy formulation. Nevertheless, Broling reasons that strategy is inextricably tied to daily operations and squarely in the company's purview. "It doesn't matter how powerful the board is... they should review the strategy and even ask that it be rewritten-but they are not the ones to form the strategy." A committed board that carefully reviews corporate strategy is two-thirds of the equation. Broling's final area is the working relationship between the board and the CEO.

Board/CEO relationships are as varied as the individuals that fill the roles. After interviewing about sixty board members, Whistler (1984) developed a litany of unspoken rules for board members. The list includes giving the CEO your full support, understanding that boards do not manage the company, and keeping one's distance from subordinate company executives. Broling commented on Whistler's conclusions. Regarding CEO support, Broling recognizes the need for support "until the CEO is in over his head. During the good times, the CEO has you in the palm of his hand; but when the going gets tough, forthrightness is the board's chief responsibility."

Regarding company management, Broling notes that many board members attempt to influence day-to-day management, but “an astute chairman can usually help directors understand the need to let the executives handle the details.” Regarding the need to avoid subordinate executives, Broling agrees with the reasoning, but explains that isolation from executives other than the CEO is not healthy. “Sitting next to a VP at a board dinner is very helpful. I like insight from different perspectives. You can gain valuable information without undermining the CEO.”

Broling believes that a director who carefully reviews strategy, invests in the company but does not try to control it, and maintains a healthy relationship with the CEO, is a boon for any company. Research reveals that these areas can help reduce board and CEO turnover, which is usually good business (Harrison, Torres, & Kukalis, 1988).

Broling’s new company is privately held; he does not have a board. Does he wish that he had one? “Yes. Sometimes they seem like a hassle, but when things are not going as well as they could, it’s great to have some trusted friends and a fresh set of eyes to help guide the way.”

### References

Finkelstein, S., and Hambrick, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations*. St. Paul, MN: West Publishing.

Harrison, J. R., Torres, D. L., and Kukalis, S. (1988). The changing of the guard: Turnover and structural change in the top management positions. *Administrative Science Quarterly*, 33(6), 211-32.

Lorsch, J. (1989). *Pawns or potentates: The reality of America’s boards*. Boston: Harvard Business School Press.

Whistler, T. L. (1984). *Rules of the game: Inside the corporate boardroom*. Homewood, IL: Dow Jones-Irwin.