

NEDs & CEOs: Discourage Dissent in the Boardroom at your Peril!



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Board decision-making reminds me of the film *Sliding Doors*. The film presents two outcomes. In one, the main character just about makes it through the closing doors of a train and the outcome is x. In the other, they don't, and the result is y. Catching the train was, therefore, a 'sliding doors' moment. The movie dramatises the two alternate outcomes, popularising the expression: 'a sliding doors moment'. It's a powerful image.

Board meetings are like that film. Decisions are taken or not. Discussions had or not. People speak up or not. The implications of these alternatives are grave. The board members involved in corporate scandals will know how grave: Enron, Carillion and The Post Office - to mention just three.

Non-executive directors should act as critical friends of the business. But the power of NEDs is limited by how much information they receive, their courage and the board's culture. Worryingly some NEDs tell me that they have influence but no power despite the power they possess under the Companies Acts. They have power but don't use it.

So what to do? Well, you can do nothing, and nothing will change, or you can decide at your next board meeting that you want to put processes in place to reduce these risks for your business.

The cause of company failure or significant risk events will be in the decision-making processes. So how can you 'de-risk' the decision-making processes in your boardroom, particularly on your operating board or ExCo (Executive Committee), where members have access to more information, and the management team takes decisions daily?

I propose that at every main and operating board meeting in your business, one member, by rotation, is appointed as the

Devil's Advocate for that meeting with permission, nay the expectation, that they can say the unsayable, speak truth to power and challenge, for the sake of it, every critical decision.

The Chair and CEO would never act as Devil's Advocate, but every other board member or ExCo member would be required to take on the role by rotation at each meeting.

The process would not change how you conduct the meeting or who speaks when or how save that at the end of the meeting, the Devil's Advocate for that meeting would speak without interruption or challenge. For example:

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“Chair - you spoke over Joe Bloggs several times during the meeting. Joe Bloggs, you allowed yourself to be spoken over. This behaviour is unsustainable and poor governance.”

“No one spoke up on Item 4 when we all know it's a controversial issue, and I have heard colleagues debate this issue hotly outside meetings. We must revisit this issue.”

“On Item 12, we spent no time planning how to celebrate the behaviour of that function which was odd given how much the results from that function have improved. Unless we celebrate successes, we won't motivate the teams and therefore reduce the chances of achieving our objectives.”

I suspect, if done correctly, the board would reverse or amend many vital decisions using this process. Fundamental issues affecting the future of the business - primarily conduct risk would be called out.

Your Devil's Advocate would require a mandate to represent all stakeholders - not just shareholders and the banks, but creditors, large and small, employees, their families and the environment.

Larry Fink, CEO of BlackRock has said repeatedly that "society is demanding that companies, both public and private, serve a social purpose". Financial journalists frequently write that board members of organisations in trouble did not ask the right questions and that carrying on as before has already led to a fractured society. Merryn Somerset Webb, the editor in chief of MoneyWeek has opined that since "most adults in the UK have a stake in the listed UK sector, they should know that - be able to act upon it".

The zeitgeist is changing. Women are standing up to dominant leadership structures. Electorates are defying old voting patterns. And investors see the writing on the wall for old processes.

They see that the current model isn't working. They also know that it's not a binary solution - capitalism versus socialism, but a midpoint which gives all stakeholders a say in matters which

affect them.

Perhaps the term should be Stakeholder Advocate and not Devil's Advocate. But if these arguments do not persuade you to implement a devil's advocacy process at your board meetings, you might ask yourself why?

Is it because you're afraid? If you are, then the seeds of self-destruction are already sown in your organisation. It's only a matter of time. ■

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