# Take on Board

Transcript – Beverly Behan

Helga Svendsen

Today on the take on board podcast, I'm speaking with Beverly Behan, about becoming a boardroom star. First, let me tell you about Beverly. Beverly is one of the foremost global experts on board effectiveness, having worked with nearly 200 boards in the S&P 1500 and other companies around the world over the past 25 years. She's the author of the governance classic, Great Companies Deserve Boards, and the recently released Becoming a Boardroom Star, the number one new release on Amazon and corporate governance worldwide upon its debut in September 2021. Welcome to the take on board podcast, Beverly.

Beverly Behan

Thank you. Helga, it's a pleasure to be here.

Helga Svendsen

It is so awesome to have you. And I cannot wait to dig more into being a boardroom star. But first, as always, let's dig a little bit deeper about you. So can you tell me what was your earliest experience of governance?

Beverly Behan

Well, back when I was an impressionable young attorney in my 30s, that was the first time that I really was impacted by board. And I worked for a major airline in Canada at the time an airline that no longer exists. And part of the reason it doesn't exist, in fact, a pretty big reason that it doesn't exist has to do with the board of directors. Now, you might say, well, you know, many companies fail, why do you put that at the door of the board, I will explain why this story goes back to the early 1990s. So I'm really dating myself, it was the first Gulf War. And at that time, fuel prices were through the roof, and no one was flying. And in the United States, many of the major airlines were going into what what's called chapter 11, which allows them to operate in a state of bankruptcy, Canadian companies don't have that kind of protection. So had we gone into bankruptcy, our jets basically would have been seized, and we would have been out of business. So a group of employees got together and decided to do a wages for stock deal to try to save the company. And I became involved in negotiating much of that with the company's different unions. So it was anywhere from 10% for the flight attendants, up to maybe 18% for the pilots, and everybody in between. And then management, I think, took 20% And indeed, the fellow who was the CEO at the time, who was not well liked, but he sort of redeemed himself because he had a big meeting at our hangar in Vancouver, and told everyone, he was going to take a 20% pay cut, and sew was management. And everyone in the company sort of held hands and sing Kumbaya until about three months later, when the proxy circular came out. And because we just made all of our employees shareholders, they read the proxy circular a little more carefully. And gee, here's the compensation page. And when I look at it, that CEOs pay it's down a little bit, let me get out my calculator sure doesn't look like 20%. No, I think it's 4%. So what's going on with that? Well, he sent out a message that basically because he'd been under so much stress, the board had given him a raise, and then levied the fall 20%. Now needless to say, our unions were not happy with this response. We had wildcat strikes up many more major airports. And so then the board of directors, okay, decided to do something that they thought was going to fix the situation, believe it or not, they decided to send a letter to the homes of the employees. Now you might think that it would say, hey, we know your shareholders now. And maybe it was a bad idea to give the CEO raise letter didn't say that at all. It basically said you are lucky to have a job and you need you need to stop criticizing the CEO. And needless to say, the morale in our company just really went south. With that happen. The CEO then really became a lightning rod for the employees. The board realized they had to get rid of the CEO now Hell yeah, let's remember, this is an airline, okay. They hired someone to be the new CEO who had run a commercial real estate company. Okay. Where did they get this idea? Well, it turned out that commercial real estate companies head office was in the same Calgary office tower as the airlines head office. And I guess some board members met this guy either in the lobby or the elevator and decided hey, you You're a CEO of this company, we need a new CEO, whatever, things did not go well under this fellow's leadership. And eventually the company was in such bad shape, even though we had raised $750 million from the stock deal with the employees, that finally day sold the company, basically to Air Canada at a fire sale price. And about 40,000 people lost their jobs, including a lot of my friends. And I got interested in boards, because I had seen the impact of decisions that boards make on people's lives. I then went back into private practice, because I'm trained as a lawyer. And I was doing securities and corporate finance. And similarly with the companies, I was dealing with these people in the boards, they had very impressive backgrounds, but they were pretty lackluster. It was like a country club. And I was, I guess, young enough and impressionable enough that I was shocked. And I to me, you know, the boardroom is supposed to be where the buck stops. It's supposed to be where really smart people who are very accomplished, use all that talent and expertise to call the question and bring that to bear to help the company. And I just saw many of the boards I was working with as an attorney. It was like a country club, they being on a board as an honor, not really a job. And around that time, there had been a governance report come out of Britain called the Cadbury report came out in 92. And there had been a governance scandal over in the UK. And so with Australia, Canada, other Commonwealth countries, then started picking up on that doing their own reports. So one came out in Canada was done by a guy named Peter de was put up at the Toronto Stock Exchange. And it was called where were the directors, and it was this scathing review of how dreadful corporate governance was in Canada. And Hell yeah, I read that on English Bay Beach in Vancouver, like it was a dirty novel. Okay, because I was fascinated that what I was observing on these boards, they were Legion. And my friends were saying to me, what are you reading? And I said, I'm reading this corporate governance thing. And they said, Girl, you got to get a lice. And I said, You know what? You're right. And I think I found what I want to do, I want to work with boards. And I want to make them be all that I think they should be, I want to make them a genuine asset to the company and the place where the buck stops, and where smart people make a difference for the organizations they govern. And I've had the privilege of doing that for 25 years.

Oh, Beverly, what a fantastic story. What a terrible story in some ways. But what a fantastic story and a conversation for you and I another day around airline industry boards as well, because as some of the listeners of the take on board podcast will know, part of my history is in the union movement, and I represented the workers in the airline industry. And also went through a couple of corporate collapses here in Australia when adset collapsed back in 2001. And of course, Virgin went into administration last year is still flying. But for adset, just over 20 years ago, likewise, 10s of 1000s of people lost their job. And it was not a fun time to live through. And some of the observations much like you have about what are the board's doing here in this what was actually happening, you and I need to have a glass of wine one day and talk war stories about governance and negotiations in the airline industry. But that's not our conversation for today. So for today, we're talking becoming a boardroom star. And you've already given us some hints in that introduction. But you've just released your book. What motivated you to write this particular book becoming a boardroom star?

Well, as I mentioned earlier, I started working with boards back in about 1996. And my focus is on board effectiveness. I'm not a headhunter who quit practicing law, then it's it's all about making boards the best they can be. And I get involved very much in board evaluations and the kind of work I do. It's not the sort of survey based box ticking, compliance baseboard evaluation, I'm typically interviewing board members, interviewing senior executives that are regularly working with the board. And often we're doing individual director evaluations as well. And one of the advantages of bringing in a third party to do that is that people feel they can be very candid and expressing their views and that's important. And if you're good at this, then you probe to get really useful, constructive feedback for the person. So it's worthwhile for them on the other side, both what they're doing really well. So they understand that and get kudos for that because most people on boards never really get a good pat on the back when they've earned it. And then on the flip side, things like scores are kind of ridiculous, people get mad, but it doesn't really say what's the problem. And so you want to deliver some actionable constructive, specific feedback. Now, I've interviewed literally 1000s of directors over the past 25 years, about their peers. And over the past 18 months, particularly in the United States, I live in New York now, there's been a tremendous amount of recruitment came out of the Black Lives Matter movement. But more broadly, I mean, there was sort of gender diversity movement 30% club before that. And we've never seen this level of diversity recruitment. And what's interesting is, I started to get calls, I would say, in the early spring, from friends of mine, who were African American, who were Asian, who were women who were being recruited to boards, largely because of diversity mandates. And they all said to me the same thing, which was, I'm thrilled to be on a board. And I don't want to be a token, I want to hit it out of the park. And I really want to be a great director, what do I need to know. And so I started thinking about that and talking to them. And after I had about three of these conversations, they were almost a downer call, I went for a long walk in Central Park. And I said, you know, I think I need to write this book. And the title came to me, and so I wrote becoming the boardroom star. And it was really for them. And what's fun about the book is a lot of my other books are about what I call board building processes, which is you know, how to do a director evaluation board evaluation or working with a new CEO. This is like for individuals, and whether you are on the board of a fortune 100, or you are in the board of a local college, much of the advice is applicable, either way. So it's much broader, was also really interesting. When I finished the first draft of the manuscript, I sent it to people I'd worked with in different parts of the world. So people in Malaysia, to someone in Colombia to someone in Israel, two people in Canada, and everyone's reaction was the same. They said, I've seen these things before. And some of the anecdotes like, this is totally happened to me. And what made that interesting to me was that it had global application, this was not just an American centric or North American centric book.

Helga Svendsen

Fantastic. It's, it's the guidebook to getting on there. And as you say, hitting it out of the park, how fabulous. And neither one of the chapters in your book is called profiles in boardroom courage. And here at take on board, we always love hearing stories about such things, and particularly about courage. So I'm wondering if you can share a couple of stories that you profiled there that might be helpful to our audience?

Beverly Behan

Well, the very first story is about young man and he's in his 40s, he was a Silicon Valley IT expert. He went on to his first board, because many people believe in I'm one of them, that sitting on a board and sitting on the other side of the board table is really great professional development experience for anyone that wants to be a CEO. Some boards don't want their CEOs and other executives sitting on outside boards, they're afraid what if it turns into a reputational risk, it becomes Enron or Lehman Brothers or something. Or they say, Look, we want our executives completely focused on their work. But other boards, and CEOs really support that in developing their people. So this director had that opportunity. He chose a company, and he was recruited and not only for his tech expertise, they told him when they recruited him, we want you to bring a fresh perspective, you're younger. And he noticed after attending a couple of board meetings that the dynamics of the board were there were these two retired CEOs, they were both like marquee name CEOs, okay, they did retire, but they were always quoted still in the Wall Street Journal. They were keynoting stuff. And how this board worked was that once they weighed in, and they nearly always agreed with each other, the board kind of went in the direction they were going. And in fairness, this young director agreed with these guys most of the time, and then he didn't. So this was actually a technology issue. The company was looking to move into a new direction. It was a bit off of their beaten path, let's say, but he really studied it, and he thought it was worth exploring. They weren't asking the Board to approve the budget yet just that they could move forward. So they get into the Meeting and the two marquee name CEOs come right out and say this is a crazy idea we should stick to our knitting. Everybody on the room is kind of nodding. And they're about to let it go. And he had a moment. And you might say it's a small thing, but it was kind of a big thing. It was about his fourth board meeting, and he decided he was going to challenge it. So he said, Well, when you guys brought me on the board, you said you wanted a different perspective on things. And I hope you'll hear me out. And he expressed a very different view, he felt it was worth exploring. He felt that some of the things the other two CEOs had brought out that they thought were risks that they really weren't that significant of a problem. And he said, when it was over, you could hear a pin drop. Nobody said anything to him, they actually averted their eyes, and they shared just moved on to the next item. So he thought, Oh, my goodness, maybe I shouldn't have done that. And nobody said anything. No one said anything in the hall, nothing. And at the next meeting, all of a sudden, this item was back on the agenda. And it was back for funding. And it was quite a bit of money. And he realized that they decided to move forward, and they got into the discussion. And all of a sudden the two CEOs said, we really agreed with some of the points that were made. And we've rethought this, we support it. And you know, they went around the room, and they said, Oh, we think you know, we know where you stand. They said to him, and they voted and supported the deal. And they still never said anything to him. Okay. But I was asked to do a director evaluation and a board evaluation with that company. And when I was interviewing the other board members, they talked about how much they respected him for having done that, and particularly the two marquee name CEOs, you know, one said, I knew we were right in bringing him on the board, because they respected him. And he really earned his stripes with us that day, because he stood up. And he made great points. And he changed the course of this whole discussion. And he had the courage to do that.

Helga Svendsen

Oh, my God, that is interesting in so many ways. It's so interesting that I wholeheartedly agree that bringing new people on whether they're experienced or not, to be honest, but having that healthy turnover in the boardroom means that you could see things from a different perspective. And that is very valuable. But I'm fascinated that they all said how valuable it was in the board evaluation, but nobody said anything to each other. They just took it on. It's like, Oh, we've thought about it, we're not going to take it on as our idea. As if we thought of it ourselves. We're going to move ahead on it. So he got his way. But there was no recognition of that. That's really fascinating.

Beverly Behan

Well, I don't know that it wasn't that they were trying to sort of take the idea away, it was just that they had heard him out and they had decided to change their mind. But you know, you would think that somebody would sort of give him an attaboy, you know, when it was over. And they just kind of never did. So he thought, Well, I think I've done something good here. And then when I started interviewing everybody, they were absolutely effusive in their praise of him for the courage he displayed in stepping up on this. And it was amazing. And it interests me in the work I do, how very rarely, directors really give each other the kind of positive constructive acknowledgement for things. I mean, sometimes they do. People kind of know when they're well regarded, just the way everybody listens to them at the board table, that sort of thing. But it's not a feedback rich environment. Let's put it that way. And people always think of director evaluations as being sort of a trap for underperforming directors. And it does work for that there's no question about it, especially if you design it properly. But it's also really important to burnish your boardroom stars, and to reinforce some of the strengths and courageous things that people do. And so that's a great example of it.

Helga Svendsen

Absolutely. That is a fabulous example in 10 out of 10. To that director, probably in the moment is going yes, I'm going to do this. So there you go, folks, because I loved that story. I'm going to ask if there's any other, you know, carriage in the boardroom stories you'd like to share with us?

Beverly Behan

Well, you know, I'd like to pick up on something you said before about whether you been on a board or how to get on board. The biggest challenge I think for most executives, their first time they're actually sitting at a board table is the governance management line. It is a very different fficult thing to master to be completely honest, and it is just human nature that if you've been a chief legal counsel, you've been running an operating division, wherever it is. And suddenly you're in the boardroom, you're just going to sit down and ask the same kind of questions you would ask at the executive committee of your own company, right? That's just natural. But if you're doing that, you're actually asking management level questions, as opposed to oversight or governance level questions. Now, hell yeah, there's lots of cute things like nose in fingers out, or the lawyers will hand you out a sheaf of papers with a description as to what is governance and what is management. But when you're really into some very complex discussions of some very difficult issues, those descriptors fly out the window. And the best tool I've ever seen is a board buddy system, you probably familiar with board buddies. In the US, we started to see that about 10 years ago. And they're a good idea anyway, because they assign an incumbent director to a new director. And when it works well, when when it doesn't work, well, they just kind of never talk Oh, call me if you have anything, and they don't when it does work. Well, they're absolutely religious about having a discussion. And now it would probably be on Zoom, or something like that video conference, about two days before the board meeting after they both had a chance to look at the agenda, look at the materials. And the idea of a board buddy initially was that the incumbent would say to the newbie, here's some of the history and frankly, some of the politics around this agenda item just so you have the full picture. And people love this new directors, because then they wouldn't kind of step in an issue or they at least more fully understood it like that maybe this is something the CEO had particularly pushed back on a certain thing, at least they knew. I started to notice about five years ago, that when the new director had never been on a board before, they were using this meeting with their buddy, the incumbent to test out questions to make sure they were aiming their questions at a governance level. And so they would say on this item, I'm thinking of asking us and the incumbent would say, that's fantastic. You're right at an oversight level. Or they might say, No, you're kind of still at a management level you down in the weeds. Let's talk about what are you really trying to get out? And then they would try to reframe the question, so that it would be at an oversight level. Now, people are really smart, and you're not going to get it out after one or two meetings. But after four or five, certainly after a year, most new directors have mastered the governance management line from someone who's like watching you in the boardroom. So they're giving you like live feedback, as opposed to say, an executive coach, and it seems to work really well. It's the best tool. And once you master that line, then that's a skill you have for the rest of your boardroom career, you take that with you on any other boards you might serve on.

Helga Svendsen

Again, such a great tip. Yeah, boardroom buddies are fantastic, I think not just for the new person. But for the person who's been in the boardroom for a long time as well, it gives them an opportunity to potentially have to explain things that they might not have done for a while. So it really familiarizes them with things and gives them a independent voice to kind of test ideas with as well. So I love that. And yeah, the operational governance line, it's such a tricky one, because it also moves around. Like if an organization is in crisis, then boards do rightly sometimes get a bit more operational, but they then need to know how to get their fingers back out again.

Beverly Behan

And that's something a lot of boards are dealing with right now. Because in the wake of COVID 19, many boards really rolled up their sleeves. I mean, in the book, I actually talk about different modes that boards operate in and when boards go into micromanagement mode, it's very often because there is a crisis, they're gonna roll up their sleeves, and they're gonna try to do what they can to help management navigate God. They will also micromanage when they lose confidence in management. If they've got intensely involved because of COVID or some other type of crisis, then there's a bit of a challenge to migrate them back. You know, it's interesting, I think, a lot of boards right now don't want to migrate all the way back because what we were in, we've come out of country club mode, which we talked about earlier. Most boards all over the world operate in what I call reporting out mode. So management will essentially say okay, here's our proposal, this is what we want to do any questions and then management goes into defensive mode, because their whole goal is to escape the meeting unscathed by the board's questions, and so, given the talent that you've got around your board table, in most boards, you should be harnessing that talent instead of defending against it. And so that's actually the move that I think most boards are going to make in what I call the third decade of the 21st century. And interestingly, I think COVID has actually moved us there a little bit sooner, which is interesting.

Helga Svendsen

Obviously, COVID hasn't been great for the world. However, there are some things from COVID that I think have been valuable, you know, flexible working environment, looking at things differently, all of those sorts of things. So I think there is definitely some things for us to take into the future in all ways, including how we govern organizations effectively. Oh, that Tom always goes so quickly. But I'm going to try and squeeze in one more, because there's too many wonderful gems in here. So look, we talked earlier about you know how board evaluations can be valuable, both for shining a light on good practice, and also maybe shining a light on underperformance. And I know that you've said that one of the biggest failures of board leadership today is turning a blind eye to that underperformance. So I'm just wondering if you can briefly take us through your thinking around that and how that impacts on the credibility of the board and of board leadership? Well,

Unknown Speaker

My favorite survey here in the United States is one done by Price Waterhouse Coopers every year. And they do a study of about 700 board members across the US public companies. And they asked them, Do you think that one of your fellow board members should be replaced? And 47%? The study just came out this year said yes, it was 49% for the last two years. So that's like half the boards in America have at least one underperforming director. They asked them, Do you think there's actually two or more I think it's 20% says yes, there's two or more. And then they asked them to rate board leadership. And the lowest score board leadership gets in the study is on director performance management. In fact, I think it's like one in four, or one and five give their board leaders their lowest score on director performance management either not at all effective or not very effective. So it really is this turning a blind eye is really detracting from the credibility of board leadership. And for a long time boards have used age limits and term limits. And there's nothing wrong with using those as a board refreshment mechanism. There are other tools as well, such as something in the book I talked about called board 2.0. But it is good to look at refreshing your board. However, they're not performance management tools. If you've got a director who is not coming prepared, who's asking off the wall questions, who is using a patronizing tone with management, that doesn't really have much to do with how long they've been on the board, you can have that happen with someone who's 47 As much as you can have that apple with someone who's 72. So we really need and I think directors and executives have a right to expect board leadership to step up to Director performance management. So in the book, I talk about how to create director expectations, which is sort of an easy one to do. It's the most benign, but it's the easiest, and then how to design a director evaluation. I mean, the first time I ever did a director evaluation I did in 96, for a big bank in Canada, they were the first large North American board to ever do a director evaluation. And we had circle one to five and right on. And I would never dream of doing a director evaluation like that now. Because what you want is you want everybody not only the underperformers, clearly you do want the underperformers but everyone to get some really constructive worthwhile feedback. And a score really isn't that meaningful. You wouldn't believe not this one in particular. But over the years as I developed my methodology, you get people writing in really nasty things sometimes. And all that does is get people angry. When I do the interviews I always ask someone might say, Oh, he's terrible. He's the worst director we have. Well, that's not good out. Then I will probe and say, what is it that he does that causes you to feel that strongly about it? And then you get well, it's very evident that he isn't prepared for the meeting. Why is that? Because he's asking questions constantly about stuff that was in the executive summary. Now I have some really specific feedback for this director. It showcases exactly what the problem is it also gives him an insight on what he needs to do to fix it. And 80% of the time, I would say people do step up and try to fix it. If it's a behavioral problem, if you present it to them in that way, you know, none of us really like getting feedback, do it. If somebody says to you, hell yeah, I've got some feedback for you, you know, you never want to hear that. Okay. But it is the best professional development tool there is. I don't happen to believe that people peak as directors the day they walk into the boardroom, now, doing this sort of thing from time to time, and making sure it's really constructive and actionable and worthwhile. And it should be balanced. I mean, even your underperforming directors probably have some stuff that they contributed. And if you acknowledge that, number one, it makes it easy for them to digest the other. But secondly, it showcases like what they are doing that's well that they can can capitalize on.

Helga Svendsen

Absolutely, yeah, I won't surprise you to hear that I'm a big fan of board evaluations. For individual development. It is sometimes just like in any workplace, it is sometimes just about let's really accentuate those things that are going well as well. And being able to have those conversations, they are so valuable. Confronting sometimes I know when boards I've been on, I've done the 360. And you get individual feedback, it can be a little bit nerve wracking, but every time incredibly valuable. So yeah, there's there's your other tip folks get out and do your board evaluations and make sure they're meaningful for individual directors and not just the board as a whole. Oh, Beverly, so many awesome things in this conversation. What are the key things you want people to take away from the conversation that we've had today? Well,

Beverly Behan

I think one of the most important things to recognize when you're going on a board is that boardroom power is all about influence. You know, when you're sort of an all star, as an executive or professional, whatever, often that's about the decisions you make. But when you're on a board, it's a group decision, recognizing that it's really about being able to influence the group. And so a lot of the things that we talked about in the chapter called Hallmarks of Reward your star and pitfalls to avoid, really help to underscore what you need to learn to do well, in order to gain that sort of influence and esteem with your peers. And the pitfalls you need to avoid that can detract from that. Because, as I say, all the people who call me in the spring who were going on to boards for the first time, they wanted to hit it out of the park, they wanted to have influence, they wanted to have impact. And that was really what the book was about.

Helga Svendsen

You know, in all the conversations I have with people, it's dynamics, it comes back to the dynamics in the boardroom and influence in the boardroom, not so much about the technical skills, although they are important as well, but influence in boardroom dynamics are key. Oh, I'm guessing I know the answer to this question. But I will ask it anyway. Is there a resource you would like to share with a take on board community?

Beverly Behan

Thank you. Helga, yes. The book Becoming a Boardroom Star is available on Amazon, it should be available in Australia. I think it's available now worldwide, in ebook paperback. And an audiobook format, I believe is available worldwide. I also created an online course. And if you go to my website, which is boardadvisor.net. You can see that workshop. It's a I think it's $199 US but if you use Workshop25 in the coupon code, it'll take the price down to about $149 US and whatever that translates into so and it's also available worldwide and includes the e book as a gift.

Helga Svendsen

Oh, fantastic. We'll look we'll make sure we share links to all of that and the code in the show notes. So folks, if you're out walking, and you haven't written that down, don't worry. Just go and look at the show notes later and it will have all of the links in how you can do that. Oh, fabulous. Thank you so much, Beverly, thank you for reaching out. And for joining me in this conversation. There's been so much value in there for the take on board community. So thank you for taking the time to share with us today.

Beverly Behan

Thank you for having me as your guest Helga