



Protection by Disruption: The New Boardroom Challenge

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There's no question that today's marketplace is defined by a blistering pace of innovation and that the mass availability of data has virtually all organizations competing in ongoing battles to discover the next big trend or product. It doesn't matter what industry you're in, what size your business is, or how long you've been operating; if your organization isn't innovating, it's dying.

As a result of this increasingly progressive business landscape, the role of the board of directors continues to evolve. While boards are still relied upon primarily for traditional governance and risk management, today's business climate requires the placement of directors who can effectively enable companies to "see around the corner" and more directly engage with management about long-term innovation strategy. Best-in-class boards don't simply monitor a company's innovation performance; they actively contribute to it. In fact, how successfully (or not) boards rise to this challenge can be a core difference between a board whose effectiveness is lagging, and one that serves as a competitive advantage for its company.

If you feel there's an opportunity to increase the effectiveness of your board, here are 3 ways you can disrupt the status quo to positively impact the future success of your business:

Disrupt the Comfort Level with Creative Tension

While boards have many responsibilities, their principal mandate is to protect the shareholders' assets and ensure decent return on their investment. A board of directors with fiduciary responsibility owes its shareholders the highest financial duty under law. An advisory board is frequently a step in the direction of more formal governance, but does not carry the level of responsibilities associated with being legally bound to the business. In either scenario, today's business climate requires board members, CEOs, and senior management to push further out of their comfort zones than ever.

While it's always been expected that board members will protect the organizations they serve from risk, long-term organizational success now mandates that board members become active participants in helping to drive innovation as well. This requires a shift in mindset, where friction in the boardroom is no longer seen as problematic, but as productive. As *Harvard Business Review* points out, many board members today remain reluctant to ask their most pressing questions because they don't want to be perceived as overly critical or micromanaging; however, at the same time, CEOs are realizing the importance of "creative abrasion" as a core capacity that is essential for innovative problem-solving. To ensure your board is providing the most value possible, it's critical that board members treat meetings as working sessions rather than status updates, and that management comes to the table expecting—and demanding—engagement rather than answers.

Disrupt the Risk Adversity Mindset by Embracing Fast Failures

Although "fail fast" and "fail forward" are common phrases in the entrepreneurial world, many business leaders and board members continue to go out of their way to avoid failure. However, for organizations to get to—or remain at—the forefront of their industries, a few missteps are all but unavoidable, and both management and boards must let go of their risk-adversity in order to enable their business to recognize its true potential. Innovation requires learning, and to expedite that learning, board members must be comfortable hearing ideas that are not yet fully developed, management must be welcoming of honest critique, and both parties must be willing to engage in transparent dialogue about what is and isn't working. As Rob Shelton, the global innovation chief of PwC explained in *Business Insider*, innovation is about having a hypothesis, and testing it. "If the results don't match your hypothesis, you've got data. If the results do match your hypothesis, then you have a discovery." In this spirit, retaining board members who are not only interested in leveraging their accumulated expertise but also in continuing to push their knowledge base and skill-sets will enhance the best aspects of the "fail forward" ethos.

Disrupt Historic Boundaries by Inviting Closer Connections

There has always been a well-defined line separating the roles of board members and senior management, and while an effective partnership certainly requires clear ownership of responsibilities, the more closely the two parties can work together, the stronger the potential output is in terms of innovation strategy. However, for management to welcome this closer connection, board members must also bring more relevant insight to the table than ever before. According to *Harvard Business Review*, "Many directors—particularly CEOs—express frustration that their boards lack the level of industry expertise and innovation experience necessary to make well-informed risk-reward assessments about proposals." That's why it's so critical that businesses today evaluate board composition in order to assure the appropriate balance between governance expertise, industry expertise, and innovation expertise.

While there is a clear benefit to placing directors who are deeply knowledgeable about industry trends and advancements (while avoiding conflicts of interests), there is also massive value in placing innovation experts from other fields who can adeptly translate their experiences into new markets. When senior management can truly see the value being delivered by the board, and is confident the board is capable of positively impacting forward momentum, that's when the most successful, well-balanced partnerships are formed.

So what does this all mean?

At the end of the day, long-term success in any industry requires innovation, and innovation requires taking risk. For organizations to best position themselves for the future, both the board of directors and senior management must be willing to advocate for—and engage in—a more transparent relationship with one another. This must start with clear communication of new expectations so that the board can deliver maximum value while adhering to the important mantra of “nose in, fingers out”. Additionally, board members must be carefully vetted with an increased focus on their potential contributions to long-term innovation strategy, and both parties must encourage active learning, welcome push back, and be willing to talk openly and honestly with a shared goal of driving the business forward. After all, in today's marketplace, the biggest risk a business can take is not taking a risk at all.

Robinson Resource Group can assist you in building a board that will take a more active role in evaluating and securing the future of your business. We invigorate company boards by finding and placing candidates who are uniquely qualified to provide the innovative leadership required for long-term success.

If you have a private company that has not yet established a board, we would also be happy to discuss the benefits and process of establishing one. To learn more, give us a call today at 708.738.5040, or visit our website at RRGExec.com