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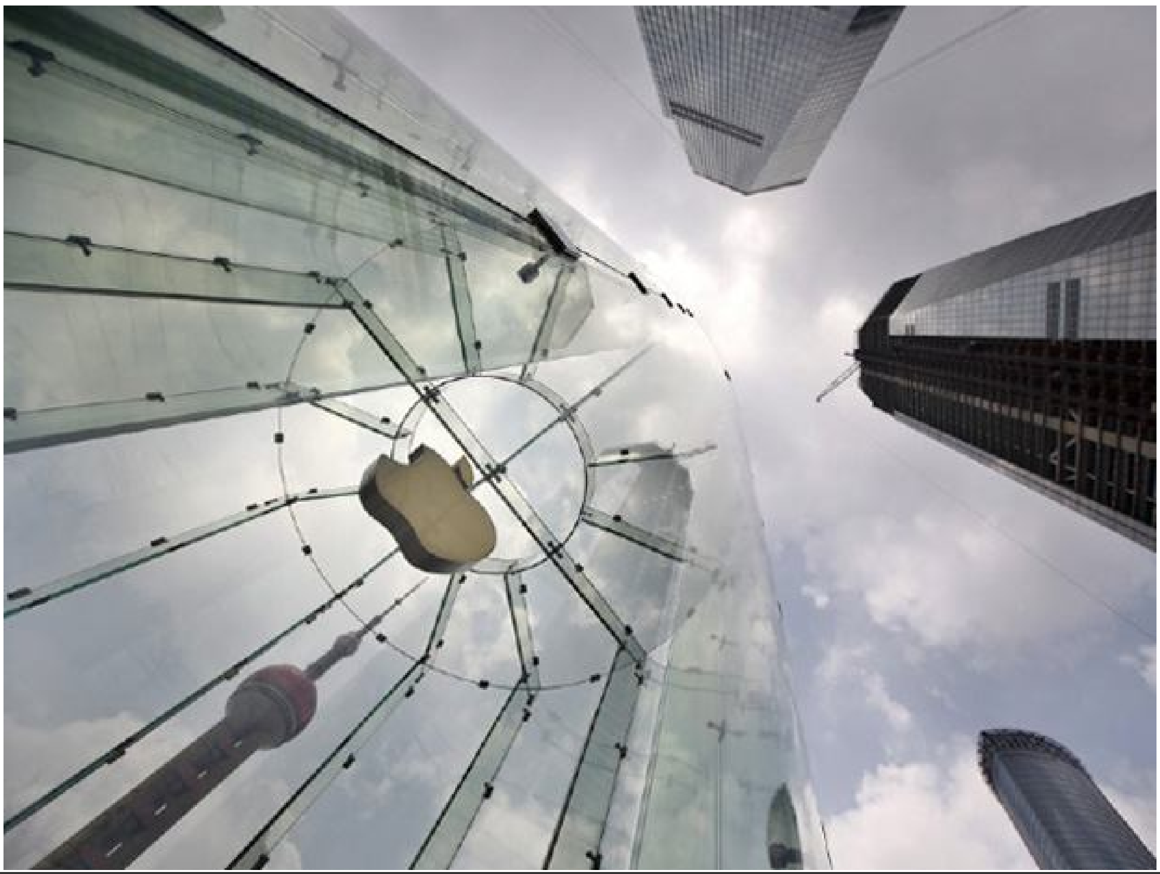
# The one definition of a good board



Reuters

Brad Cherniak Nov 14, 2011 – 9:17 AM ET

Rather predictably, after the death of Steve Jobs, Apple Inc.'s board of directors has come under fire for being pliant toadies: yes-men and women.

The board is rather unconventional by current standards. Just seven members, many hand-picked by Jobs, and by most accounts, subservient to him and his personal quirks and needs (particularly regarding his health in recent years). The other notable feature has been the optical and functional irrelevance of the chairperson. This was Steve Jobs's board — full stop.

This seems an opportune time to discuss boards, what makes a good one, and what purpose your board really serves. This is an important discussion for small to mid-sized businesses because they cannot afford the time and cost to support a weak board in a tough economic environment. There is really only one operative and relevant definition of a good board: It is the board of a successful company.

Despite protestations of a burgeoning governance industry and movement toward standardization and certification of board members as somehow proof of their future value, a good board is like a good painting. Good and bad paintings are made of the same stuff — paint, canvas, wood — it is how they mesh together that makes it either art or garage sale refuse. And while you can take painting lessons, there is no step-by-step guidelines for creating art. Having served on and observed a good number of them, I can say there is no dependable formula for a good board either.

In the early- to mid-20th century, corporate boards were populated largely by colleagues and friends of the chief executive and people who had invested money in the company. Meetings were a combination of socializing, cigar smoking, and importantly, lively "beat-up" sessions where the decisions and results of the company were attacked or praised, and the future debated.

The board's motivations were a combination of financial and personal interests and often took on the personality of the chief executive. If he was thin-skinned or lacked confidence, the board may be largely yes-men and mentors. If he was cocky or self-confident, they had more of a financial bent, with members spending more time driving growth and protecting their investments than anything else.

The "independent director" would not be an operative concept for decades. Today, they are valued as impartial observers of the company, with no obvious interests in the company (read conflicts of interest) beyond their role as board members. There is also now the corporate governance expert: someone who is presumed to have expertise in making sure boards operate in socially acceptable and beneficial ways.

I think the Apple board was a raving success because the company was. Whether it was intentional or not, they knew enough to stay out of Jobs' way and support his personal quirks in running the company. The result was one of the most dynamic and successful companies in recent history and a home run for investors.

Perhaps it is appropriate to apply the new thinking to the Apple board under its new chief executive, who is not the rebel and maverick creator Jobs was. Hard to say.

Bottom line, boards seem to have taken on a life of their own in today's corporate world. With their Byzantine structures, interests and directives, boards have become fused to the businesses they oversee. Expensive, ponderous and I daresay, not very good at what should be their core objective — being associated with a successful company.

Boards have taken on too much of a policing role, in concert with the government oversight and regulation that has enveloped western countries, Canada included. The benefit of this may be catching more corporate criminals, but at what cost? Companies have lost a venue where company leaders could participate in raucous debates and arguments about their business. Where they could get the unfettered views of a tough but insightful and experienced group, many of whom had built their own fortunes and gained valuable experience in doing so. In proceedings which were closed-door, discrete and confidential.

Today, board meetings are dominated by formalities, in structure and presentation. Dialogue is guarded at best. Polite, superficial, formalistic at worst. The hard core discussions are often held outside the board, one-on-one and off-the-record.

Boards are too large and too dominated by independents and governance experts, who in my mind are just people who are more concerned with the processes than with the outcomes.

Not that the focus of corporate governance is all bad, but the pendulum has swung too far from being a resource to companies and their operators to more of an obligation and burden.

Innovation — something almost everyone seems to want, from commentators to academics to politicians — is at stake here. Businesses are not cookie cutter entities, nor should their boards be. Kudos to Apple and its founder.

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