

## Eight Ideas for Demystifying Your Board

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Effective boards make a significant contribution to their company's success. However, in many cases, employee-owners do not understand why their organization has a board, what the board does, what kinds of decisions the board makes, and, ultimately, how their board adds value. When there are board members who are not employees of the company, employee owners often wonder why it makes sense to let outsiders influence corporate decision-making. In return, board members, especially if they are external to the company, often feel disconnected from employee owners' experiences in and perspectives about the company as well as not understanding employees' concerns.

To eliminate frustrations or distrust that can arise when employee owners have mistaken ideas about the kinds of decisions that boards make, some ESOP companies have taken focused action to demystify their boards and, as a result, report a high degree of satisfaction among both the board members and the employee-owners involved. To make the work of their boards more transparent and to bridge the gap between employee owners and directors, ESOP companies have developed a number of effective strategies ranging from those that are very easy to implement to those that take a greater commitment and more planning on the part of everyone involved. Eight of the most effective strategies follow.

*1. Educate employee owners about the role of the Board, clarifying the distinctions between the role of the board and the role of management.* This can be done through columns

in your employee newsletter, on your intranet, through brown bag lunches, special education sessions, or at annual meetings. Keeping the distinctions as clear and simple as possible will help. Examples might include explaining the meaning of "duty of loyalty" and "duty of care," "fiduciary responsibility," and differences in the decisions that management makes and those that are made by the board (of course, we have seen situations where board members themselves need to be reminded of these distinctions when they tend to become over-involved in management issues). It is also important to emphasize that every board member has the responsibility to make decisions in the best interest of the company, not in the interest of a particular constituent group.

*2. Publicize the names (with pictures), experience and affiliations of any outside board members, along with an explanation of why the decision was made to add outside members to the board and what they add to board discussions and decisions that is different than what is gained from inside members.* Wondering why a company would want outsiders to have any say in the company's direction is a common reaction of employee owners. Clarifying the value of adding perspectives that arise from people with broader, relevant professional experience than insiders might have, using real examples, can help with this explanation. Some companies have introduced board members by highlighting the background and experience of one

board member in each issue of their newsletter.

*3. Create opportunities for board members to meet employee owners.* ESOP companies have pursued a variety of strategies for doing this:

a. Some have given external board members, early in their tenure, the opportunity to interview employees or employee groups such as members of an employee communications committee. This gives both the board member and the employee owners familiarity with one another.

b. Others invite their board members to all-company events such as their annual meeting, summer picnics, and holiday parties. At those events they introduce the board members, ask each outside member to say a few words about why he or she joined the board, and then ask the board members to circulate during the informal portion of the event.

c. On board meeting days, some companies invite employees to an on-site lunch with board members, making sure the board members are dispersed at different tables to talk informally with employee owners.

d. In multi-site companies, companies practice rotating board meeting locations, combined with either informal interaction opportunities or more formal question and answer sessions with employee owners.

*4. Organize question and answer sessions with board members.* I serve as an external board member for a 100% ESOP company. Not too long after that company installed their first two outside board members, they invited the ESOP communications committee to solicit questions for the board from employee owners across the company. Committee members organized the questions and then, following a board meeting, the company held a question and answer session with board and committee members which was broadcast live throughout the company. Questions and answers from sessions like these

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can also be repeated in newsletter and intranet communications.

5. *Publicize board minutes.* Some companies post summaries of the minutes from their board meetings, omitting any confidential information, so that employee owners can see what kinds of issues are being discussed and what decisions are being made.
6. *Invite employee owners to attend portions of board meetings* that don't include sensitive issues. Some companies have implemented a rotating open seat for which employee owners can sign up. Others have invited individual members of the ESOP communications committee to take turns attending meetings. This gives employees who don't understand the role of the board or who want to learn more about board decision-making, a chance to do so.
7. *Joint meetings of the board and the company's employee communication committee.* Some companies have joint meetings or portions of board meetings once or twice a year that include their entire employee communications committee. This kind of meeting can bridge the gap some board members feel between their perspectives and those of employee owners. An opportunity for the board to hear directly from employee owners concerning issues that are of particular interest to them can be valuable for both groups.
8. *Involve your ESOP communications committee in developing strategies for demystifying the board.* Several years ago, the CEO of Reflexite at the time, Cecil Ursprung, realized that the company's more than 500 employee owners might not understand much about their board. Primarily what employee owners knew was that on days when there were board meetings, mostly strangers would come into the company and be shut in a room with the company's executives for the better part of the day. They were left to imagine the content of the meeting. To better understand the extent of the gap between the board and employee owners, Mr. Ursprung solicited the help of the company's ESOP Committee to determine just how much employee owners really understood about Reflexite's board. They began by surveying employee owners about their board knowledge. When they found that the level of knowledge about the board was quite low, the committee then devised a number of strategies to educate employee owners about their board. Following their educational efforts, they re-surveyed employee owners and found that their level of knowledge about the board had improved dramatically. More importantly, as a result of increasing communication between the board and employee owners, the board was more thoughtful about considering employees' perspectives when making decisions and employees had more trust in decisions that the board had made.

There is no reason for the role of a board to remain mysterious. If employee owners are to be responsible co-owners of their company, then understanding what their board does, how the board functions, who is on the board and why, are all important elements in developing confidence that their company is being well-run.

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