

Board Dynamics: The When, Why, and What for Building an Effective Board **with Nancy Eberhardt**

SEASON 1, EPISODE 10 (*October 2024*)

Narrator: Why do some companies stand out while others seem to merely show up? That's what we'll explore with leaders across multiple industries to hear how they're creating better experiences by design. And now your host, Susan Quinn.

Susan Quinn: Today we're exploring the topic of boards. Yes, boards. When to form one, why you would even need one, and overall, what are the best practices for driving strong board governance. My guest, Nancy Eberhardt, well, she knows a thing or two about the subject. She's served on many boards over her career, but she's also helped businesses through her consulting practice on how to drive growth that's actually in alignment with the company's mission and goals. And in her book, "Uncommon Candor", she shares how fostering an environment of candor, especially from leaders, can translate into success. This is definitely a conversation you won't be bored with. Nancy, welcome to Better Experiences by Design™. I am delighted to have you with us today to share lots of wisdom that I know you have experienced over your career, certainly a seasoned business consultant, and we'll allow you to give a little more context to what I mean by a seasoned business consultant. So, I will turn it over to you.

Nancy Eberhardt: Thank you, Susan. I've been lucky enough in my career to sit beside and to be a part of family-owned businesses, smaller businesses, private businesses, some public or cooperative businesses up until like 250 million dollar-sized businesses, and one of the things along that way is actually learning about the importance of candor and ethics and communications. And so that's why to me the role of boards and how folks participate in boards and use boards is the unexplored area for a lot of folks who could benefit from it or get better benefit from it.

Susan Quinn: We're going to be talking about the importance of boards today, but you mentioned the uncommon candor, so I would love to have our listeners understand how that term came to be. You have written a book that really gives context to the meaning of those words, so would you share a little bit about the inspiration of that book?

Nancy Eberhardt: It came about because what I realized at one point along my business journey was that CEOs were constantly asking for the real deal to be told to them, and employees were constantly asking for management to tell them the real deal. And so, I got very curious about why we all want it and don't feel like we get it. I began to sort of investigate why we don't have straight talk, and it does relate to board and management interaction as well, and what could happen, and what great speed and accomplishments we could get if we actually were more frank with each other.

Susan Quinn: There's so many areas that we could focus on, Nancy, of where you have expertise, but brought you in today because you work with and have worked with small, medium, and large organizations. You've worked with public. You've worked with private. You've worked with nonprofits. When does a company know if they need a board, if they don't already have one? Can you address just sort of the beginning of when do you establish one?

Nancy Eberhardt: So, I believe maybe making a distinction about types of boards would be helpful here. A lot of businesses that are anywhere from startup phase to maybe up to a hundred million in assets or sales, think about fiduciary boards, that is boards of directors that actually meet and talk about policy and, especially in regulated environments, about how you remain compliant with all sorts of things. I think the great beginning is an advisory board where there are folks on that board – maybe they've had some experience in your industry if you're a CEO, or maybe they haven't – but their job is to allow you to bounce ideas off of them and have them respond based on their experience, knowledge, and how they think or how they want to cause you to think as a CEO, and to give you different perspectives that you might not hear when you sit with your leadership team inside the organization. I think it's particularly an advantage if you have a family business, there's always other threads that are running through if there are multiple people in the business that are from the same family. And so, to have an outside source who looks at it from the facts and not from the intertwining of the relationship is really helpful.

Susan Quinn: And that's an interesting distinction. So family, closely held family businesses can benefit. And would they be called advisory boards? And it does it matter because I think you were making a distinction. And so, there are board of trustees, advisory boards. Is there anything else in the board nomenclature?

Nancy Eberhardt: Yeah, so as you say, board of trustees or a board of directors would most likely, and that's a good distinction to make when you're setting it up and determining a charter for it or what you want the responsibilities of this group of people to be, is what is the role? Is it simply advisory or is it a larger company in particular, or one that's publicly traded, or one that because of certain regulatory perspectives requires one where the folks on the board actually have an obligation to act in a certain way on of the company.

Susan Quinn: And not to zero in because I think we both have served on boards, you have many, many different types of boards, but I've not really been a part of the initiation or beginning a charter and determining the responsibility and the role. Is there a certain time if you are in business for five years, ten years, like is there like a critical time that you see that it really becomes a next step of growth perhaps for a company? Is there anything that you've observed in your career?

Nancy Eberhardt: I think that's a great question, Susan, because I actually think that there is a maturity to a company that can, like maybe if it's at three to five years, that maybe could start to have real benefit from an advisory board. There are also startups that begin with an advisory board because oftentimes those who have the ideas may not feel like they are also the great creators and managers of a business that supports the great idea.

Susan Quinn: So, you can create another set of eyes and ears. You give a different perspective. They can serve as connectors to other people you don't know. What are other ways that you see boards being used at the highest level? Like they do it really well and you have seen the benefit

of that. And does growth happen maybe at an accelerated pace because they have invested in that part of their business makeup, the ecosystem of their business?

Nancy Eberhardt: I think a lot of people join boards—it might be a nonprofit board or a corporate or a small business board, advisory or board of directors—where they may be brought on because of who they know or what they know. Oftentimes you'll be on a board or be advising someone about a board and they'll say, you know, I really need somebody who gets marketing, or I really need someone who's a good finance person because that's a skill set we really haven't built yet in the company well, and so they're really like bringing someone on for their experience and capabilities. To me that can be valuable, but it has limited value. I really advise folks to begin to look at people who are experienced, have recent relevant work experience of some type, but not necessarily in the industry, and are able to sort of come from a place of other people that matter. For example, members of a board, advisory or otherwise, are more likely to take in information about the company more like a customer than like the CEO does so that they can question the status quo—and I make that distinction, they're not challenging the CEO, but challenging the status quo or what's being presented—while bringing a collaborative mindset.

Susan Quinn: I love that distinction of they are questions around the status quo, but not questioning, and, you know, it's just that distinction, and I'm sure that candor component of what you have written about comes through in that way. But, I mean, we only can see based on our own experiences what we're learning and it's within our own head. So, to bring together a group that can serve as a sounding board, what are other possibilities? Doing it from the lens of perhaps your customer or your client. That's an interesting way to look at it. And how do you know how many people to have on a board? And I guess that's part of the I guess that's part of the board charter and structure, but how do you know when it's too small and how do you know when it's too large? Does it get unruly when you have too many people giving opinions?

Nancy Eberhardt: I do think it gets unruly if it's too large. And actually, I used to believe that there was wide variability depending on what you wanted to accomplish. But I've gotten to a place now where I think the answer is at least three, especially if you're an advisory board, that three to five is a really great number. I actually think a board of directors, even for a company of great size, once you get more than 10 or 12, a couple of things happen that I think are unintended and not appreciated [laughter]. What happens is there's so many folks that the accountability to be frank or to raise a new idea, it limits it because if I know there are 15 other people on that board and I'm the only one that has this idea, I might just stay quiet. The level of accountability and the rigor of the conversation where multiple people are raising issues, over about 12 it gets really too big.

Susan Quinn: I've certainly experienced that being part of boards that are larger than that and yeah, you just get a lot of opinions and the rigor, I like that, of the conversation gets limited, or you can't scatter it amongst 30-some people and have an effective meeting. Is there a strategic sheet of filling out who you have on the board? You know, you're looking at it big picture as a dashboard, so, we've got between three and 12 ideally. How do you then take it from there? You've got term limits, no term limits. Like give us more of best governance that you see every time propels better boards, what would that look like?

Nancy Eberhardt: I think term limits is a good point, and I'll start there. Unless you're dictated by certain corporate bylaws that define the board and already have those things in place, I really

like the notion that it's a one-year service and that each year, both the CEO and the board member decide if another year makes sense. Groups of people when things are going pretty well can get kind of stale on a board. Just from being on boards, I'm sure Susan, you've seen this as well, there'll be somebody that you have high hopes about their ability to be a vital member of the board that for any number of reasons, it just doesn't turn out. And so, the ability to easily replace them with someone else that might have different capabilities, or be at a different stage in their career, it becomes easier to do. You know, it's interesting, also talking in term limits, there are some organizations that have an age cap. And [laughter] I used to believe that was a really good idea, especially since I would hit up against the age cap and I was ready to be gone from the board [laughter], so it made it convenient. But I will also tell you, on a couple of boards I serve on, because these senior people bring specialized experience that's very hard to find, they actually remain some of the best valued board members you might have. And so, I would really not place an age cap on it and do like a year to year. People are more willing to join if they think at the end of a year, we're going to both decide if we re-up.

Susan Quinn: Do you have any thoughts of how many times a board should meet? And I guess it varies by all the different types of businesses out there, but do you see a best practice amongst the boards that you have worked with?

Nancy Eberhardt: I'm on an advisory board now that I think does it really well, and it has to do too with the capabilities. They have selected four of us to be on the advisory board who understand their business but come from very different industries. We're folks who have either been consultants with them in the past, or suppliers to them in the past or, worked with them in another organization in the past so that they know that they're getting a certain level of quality of people in other industries that matter to them. And we come together quarterly, and we get an agenda with a timeline on it. And we get a probably five-page briefing book and the most recent financials that we prepare with ahead of time. And they even tell us, here's what we'd like to discuss in the materials, and here are the questions we want to have answered when we leave. So, it keeps us really focused on what's most important for them.

Susan Quinn: Well, it's like anything else. It's the preparation of what you're seeking, defining the agenda, clear amount of time for the briefing. So that's an advisory board, you show up four times a year, you are giving input and you're basically in and out, so that's an advisory let's move to if you are on boards where there are committees. Are there any best practices that create effective board to fill-in-the-blank organization that this is where you intersect, this is where you need to stay clear? In my experience, sometimes that isn't clearly defined and a board can overstep [laughter] its intended role and sometimes the organization can overstep what I think that board can assist with. So, anything of these would be good practices to do and to avoid.

Nancy Eberhardt: To your point, Susan, one of the best things to think about is that the board is oversight, the board is not implementation. And how you define oversight is really about holding an organization accountable to their strategic plan and that they're accomplishing what they laid out. You are like their accountability partner for that, and it's what you owe either people who are invested in the company, whether they're shareholders privately or publicly, that's sort of your responsibility, and also making sure that the right CEO is in place because none of the implementation happens well if the tone at the top is not right.

Susan Quinn: You talk about the strategic planning process and being an accountability partner. And it could be different for different boards, but what is the role of a board in the strategic planning process? Are they there to be a part of it? I would just love, because I am seeing, obviously I love strategy, it's what I do. I would just like to know, what are best practices? Where do you see boards doing it really well? Examples, if you can, or at least at a high level, what that looks like.

Nancy Eberhardt: I would say I've seen it in a number of different situations that can work well. So, I've seen it where the board and the management team do work in order to come up with an aligned strategic plan that then everybody is bought into and moves forward with. I've also seen it driven mostly by management, keeping perhaps the chairman of the board, and if there is a strategic committee of the board, engaged with that and know that when they're ready to present it, that they've done a lot of touch base along the way. And this is something that's going to resonate well with the board or with some improvements by the board when it's presented.

Susan Quinn: Mmmhmm. But bottom line, it's management's responsibility to own the strategic plan, involve the board as needed, a part of that process, obviously communication along the way.

Nancy Eberhardt: And an ongoing, at least quarterly presentation on where things are relative to the strategic plan to the board.

Susan Quinn: That's a good point. You don't just do it, but each board meeting, it is connecting the dots back to, these are the marching orders, this is what we're doing, and really big picture on it, I would imagine. The second thing you said is making sure the right CEO is in place. I think of two scenarios, assuming it is the right CEO. Well, what happens if it's not the right CEO? So that would be one. What is the board's responsibility there [laughter]?

Nancy Eberhardt: This is probably the most difficult part of any board's role, whether it's nonprofit or a board of directors. You know, in an advisory board sense, you really wouldn't grapple with this because it's, the management is asking you to give advice, you don't have that fiduciary responsibility that you have on a nonprofit board or a public board to ensure that the right CEO who can lead the strategic plan is in place. But in those circumstances where they maybe are determined—and it can be either for malfeasance, it can be because, you know, many of you have heard of the term, the founder issue. They founded something. And now the company or the nonprofit is at a point where that person's skills are not the right skills for the next phase. I have a great colleague who wrote a book called "The Second Decision", and it's really for CEOs who have founded organizations—the first decision being when they founded it, the second one when they have to realize that they're not the one for the next stage—and how a board can help with that and help the CEO transition well and have a new CEO come in that's right for the next stage. But when it's for malfeasance or there's a difference of opinion about how things ought to be run, that's when it gets really choppy.

Susan Quinn: What are some lessons learned? And we may be bringing in some uncommon candor here. If that is a scenario for a board right now and maybe there is the founder issue. How do you have candor? Are there any steps that take place to ensure that there isn't a negative exit, or it is done honoring where you are and where you want to go next?

Nancy Eberhardt: So, first of all, I make the disclaimer I always make—I'm neither an HR professional or a legal professional [laughter], and we've all seen examples where, especially for nonprofits, we know about a disagreement between a CEO and a board where it plays out in public with someone's dismissal and other people's threat to sue. I always am uncomfortable about it because I just think that the organization is suffering from the drama that plays out in the public space. We have to realize that unless the CEO is in agreement with the board that the next stage needs to be run by somebody different, it's never gonna be perfect. And it's never going to be at the end what everybody expected the transition might look like. People are gonna have feelings around it. You know, I have this belief, people say it's just business, it's not personal. Well, to me, it's all personal, and if you have a CEO that's on board with it, sometimes the CEO recognizes it before the board and brings it to the board, and that's a lovely situation to have. Then, you know, you can talk about how communications and the right next person can work. There's an organization that I'm familiar with recently that brought in the second person that they thought would be grand and the board's just let that person go. And it's a shame because what it means is that there's been probably several years of not much accomplishment.

Susan Quinn: Well, that's an interesting observation. You've got to get it right sooner than later because you will take a few steps back and no organization or business wants that to happen. I'd like for you to briefly touch on in the situation where the right CEO or leader was in place, but they are retiring. Any insights of you've seen it work well because this is what happened?

Nancy Eberhardt: So, in an ideal world, one of the measurements of CEOs should be how well they're planning for their succession every moment. I don't care if they're young or new in the job. It's still something to be done constantly and discussed with the board on an annual basis. Who's being developed and for what and how, because I believe that often the very best thing you can do is have multiple candidates ready for the CEO role that you've had a lot of experience with. Let's talk about nonprofit where, you know, everyday people's lives depend on how well that executive director runs that human services agency. And we've hired somebody that we've just, interviewed five times [laughter]. Or we've checked references, but maybe not people who have actually worked for them. We do a lot of not doing all the checks we can do, and nothing substitutes for years of experience in working with people. And then you have multiple candidates who are ready, whether it's retirement or someone wins the lottery. For whatever reason, you have this top-notch person who's about to leave the organization, and suddenly the decision is more about which of these will be best versus we have nobody internal, and now we've got to meet some people we don't know at all.

Susan Quinn: I'm curious, are there any trends that you see are different today for boards, or it's just tried and true? We look at it differently today than we did when I started my career many decades ago. Have you seen any evolution or trends in boards that if we've got people listening that they need to make sure these are the latest trends to consider?

Nancy Eberhardt: I'm quite heartened about the boards I serve on where there are folks who are much younger than I am, who are 10 to 20 years into their career post-college, who are used to being collaborative with people of all ages, who bring an expertise about a younger marketplace, and who are incredibly open and respectful to folks of all ages, backgrounds, and highly respectful of other people's opinions and confident about theirs. And to me, that's the beauty of a good board, is when you have all those perspectives and no one's trying to prove they're being a contributor. What they're just trying to do is be a really great service to the organization.

Susan Quinn: I mean, it's really that diversity component of all organizations, and you make a good point, someone that is open to multiple generational views and that together we are extracting best practices and how to move forward. I know this is coming at the end of our conversation, but you are creating a list of potential board members, and then what's the final component of it is it a yes or no? Is there kind of the pre-decision bringing them on? Are they a yes or no? And then is there anything on onboarding them? What does that look like?

Nancy Eberhardt: Right. When you decide that there's a few candidates for the board, I would treat them very much like you would if you were hiring for a high-level position in your organization. Like get to know them some. Get an idea about what's important to them. I would ask them about what they've loved about certain board experiences they may have had in the past and what they didn't. You're not looking for just whether this is the right person for the organization, you want somebody that's going to enjoy their work, and you want to know what compels them to want to keep serving. It's almost like, I hate to use the word, but it is like dating and getting to know someone, even if you feel like you know them well, getting to know someone if you were to be in a board management relationship with them.

Susan Quinn: Well, I was going to ask as you look at, you've got your board members, is board evaluation important for continuous improvement? Where does that play into better board governance?

Nancy Eberhardt: That's a great point. So, I believe that it's really good board governance to every 18 months to two years for the board to do a self-assessment.

Susan Quinn: Mm. Okay.

Nancy Eberhardt: To answer certain questions like, do I always feel like my voice is heard? Do I feel like there are folks on the board where I don't hear their point of view enough? To ask members of management if the board is serving their needs? And if they could improve on it, what would it look like? Are there capabilities that we have not been missing so far, but we think we miss now [laughter]? And I also think that it is important for people to grow, just like, again, you would have an onboarding time that would be about giving people access to, and this would be once they're on board, access to some past minutes so that everything that comes up is not brand new to someone, so that the board can keep moving effectively without leaving people behind.

Susan Quinn: You mentioned onboarding— and I know that this is a recommendation we have made many times with the firms that we work with—I think a lot of times we think of onboarding that it's you come in, you get information, and then your quote unquote on board. I've seen best practices is that you look at it over many months and that you break it into manageable chunks so that, and I love the board minutes being able to go back, then you experience it, and then you come back in to see where do you need to get on board and what else is needed. Do you see that practice taking place?

Nancy Eberhardt: I have not seen it, but I love what you're suggesting. Because what we realize is suddenly we have new context, that the information we looked at before will have more value. It's great. I love that idea.

Susan Quinn: I'm going to ask a final question. We had just talked about continuous improvement and the effectiveness of just running any and everything in this instance boards. But part of better experiences by design, it's following the traits of the highest performing companies, organizations, and one of my favorites is around continuous improvement. So, my final question for you, Nancy, is what do you do to better yourself? Sharpening the pencil so that you remain the seasoned business consultant that's relevant, cause the world changes so much every single day. What does that look like?

Nancy Eberhardt: My entire career, whether as board or management or consultant, what I have learned is that a broad-based curiosity about what's going on in the world is the most helpful. I can't even begin to tell you where ideas from the nonprofit world spark great ideas in the corporate world and vice versa. I've always been one who believed liberal arts lessons are good [laughs] in college, you know, when people tell me they're a psychology major, I say good. And they say, but I don't have a profession. And I say, yes, you have any one you want. And I think it's true, too, as we mature and advance, is the more we take from all sorts of areas of lifelong learning, it continues to keep the ideas popping, and the stories about what's happening elsewhere that make us think differently, top of mind.

Susan Quinn: That is well said. Well, we are at the end of our time together, but please know how much I appreciate you. The uncommon wisdom you give so much around candor, you've given that word a meaning for me that means care, how to deliver that. As we say, it's not what you say, but how you say it, and I appreciate what you say. Thank you so much.

Nancy Eberhardt: Thank you, Susan. It's a real privilege to be with you. Thanks for the good work you're doing with this podcast.

Susan Quinn: Take care.

Narrator: Thank you for being part of our best in class community. And until next time, keep bettering your best.

Better Experiences by Design™ is a podcast series produced by circle S studio that highlights leaders across a variety of industries dedicated to delivering exceptional brand, employee, and client experiences. © [circle S studio](#), 2024.