Seven Sins of Boards

Idea In Short

Board effectiveness depends on avoiding seven major pitfalls: micromanagement, indifference, confusion, impatience, internal politics, indiscretion, and disruption. Overstepping into operations, neglecting risks, lacking clear strategy, or fostering division undermines oversight and progress. High-functioning boards prioritize governance, maintain confidentiality, respect management roles, and use informed, collaborative decision-making. By focusing on their core responsibilities and fostering ethical, unified cultures, boards can drive organizational success and sustainable growth.

Boards play a critical role in steering organizations. They set the vision, drive strategy, and oversee risk management. Yet, even the most well-meaning boards can falter when they succumb to certain pitfalls. These "seven deadly sins" of boards highlight common missteps that can derail their effectiveness.

Micromanagement

Micromanagement occurs when boards interfere in management-level responsibilities. Instead of focusing on governance and oversight, they delve into operational details. This overreach often creates confusion and undermines management's authority.

To avoid this, boards must establish a clear charter of expectations. This document should define which risks the board takes responsibility for and which are delegated to management. Importantly, while boards can delegate responsibility, they cannot delegate accountability.

For example, if customer service issues arise in a call center, resolving them is a management responsibility. However, if such issues persist and the CEO fails to address them, the board may need to act. Removing a CEO for ineffective leadership falls squarely within their accountability.

Indifference

Some boards fail to act on critical reports, such as audits, control reviews, or complaints. Indifference often leads to inaction, particularly in addressing underperforming CEOs.

A notable example is the David Jones board, which ignored reports about the inappropriate behavior of their CEO. This negligence forced an affected staff member to escalate the issue publicly, tarnishing the board's reputation.

Boards must actively review risks at every meeting. This includes analyzing reports from management, consulting their risk subcommittee, and involving third-party auditors if needed. Risks should be revisited annually to ensure proactive mitigation and accountability.

Confusion

Boards sometimes lack clarity about their role or the organization's purpose. This confusion can lead to misguided decisions that detract from the organization's goals.

For instance, some boards misuse surplus funds on projects outside their mandate, such as building schools or housing, instead of returning profits to shareholders or reinvesting strategically. While these initiatives may seem noble, they often fall outside the organization's core purpose.

Boards must focus on their primary responsibilities: defining the vision, setting the mission, and ensuring effective governance. Strategic goals should align with these elements, leaving unrelated initiatives to other entities.

Impatience

Enthusiasm for driving change is a valuable trait in board members, but impatience can lead to poor decisions. New members often jump into action without fully understanding ongoing initiatives, organizational blockers, or cultural dynamics.

Change should be approached with collaboration and respect. Data-driven discussions are far more effective than opinionated arguments. Patience allows board members to make informed decisions that drive sustainable progress.

Politics

Factionalism within boards can cripple decision-making. When board members prioritize personal or political agendas over the organization's interests, governance suffers. Political infighting signals dysfunction and undermines trust.

Strong governance and recruitment practices can counteract this issue. The board chair must address political behavior directly and discourage divisive actions. Regular evaluations of board members' performance, ideally conducted by external parties, ensure alignment with the organization's goals.

Indiscretion

Confidentiality is paramount for effective governance. When board members share sensitive information without authorization, they compromise the organization's integrity. Such breaches can be unethical, and in some cases, illegal.

Boards must enforce strict confidentiality protocols. A designated spokesperson—usually the chair—should handle communications. In specific situations, like crises, this role may shift to someone with specialized knowledge. Repeated breaches of confidentiality by board members must be disciplined to maintain trust and accountability.

Disruption

Disruption occurs when board members deliberately create conflict or embarrassment during meetings. This often involves raising surprise questions designed to catch others off guard, rather than genuinely seeking information.

Boards exist to make informed decisions. Effective members ask thoughtful questions well in advance, giving others time to prepare. For contentious issues, questions should be tabled at prior meetings to allow for thorough discussion. Embarrassing colleagues undermines the board's cohesion and distracts from its purpose.

Boards wield significant influence over an organization's success or failure. Avoiding these seven pitfalls—micromanagement, indifference, confusion, impatience, politics, indiscretion, and disruption—requires diligence, collaboration, and strong leadership.

A high-functioning board prioritizes governance, respects management's role, and focuses on strategic objectives. By fostering accountability, open communication, and ethical behavior, boards can steer their organizations toward sustainable growth and success.

Summary

Boards play a vital role in guiding strategy and risk management, but can falter through micromanagement, inaction, unclear purpose, impatience, factionalism, breaches of confidentiality, and disruptive behavior. These “seven deadly sins” undermine authority and effectiveness. Success hinges on clarity of governance, mutual respect with management, strong ethical standards, and proactive oversight. When boards remain focused and unified, they enable organizations to thrive despite complexity and change.