

The Challenge Of The Disruptive Director

by Peter C. Browning and William L. Sparks

“Disruption” has become one of the hottest buzzwords in business and management change. In the boardroom, however, a disruptive director can prove a far less positive force. Whether bullying, playing the know-it-all, micromanaging—or sometimes just zoning out altogether—this director can destroy the collegiality any board needs to govern effectively.

It is not surprising that a gathering of highly motivated, engaged, driven individuals has a built-in potential for disagreement and conflict. After all, board members, by definition, have spent their careers achieving well-recognized, hard-earned success as chief executive officers, chief financial officers, or leaders in other fields. It is this demonstrated achievement that has brought them to the board in the first place.

Maintaining a healthy balance between the strongly held opinions of individual members and the need for consensus in such a group is no small accomplishment. The best and most dynamic boards maintain authentic collegiality, and members have respect for one another while at the same time freely engaging in candid debate and constructive disagreement with one other. Serving on such a board with this rare collegial chemistry can be fulfilling, but it can become a draining and frustrating experience when this collegial chemistry is missing.

In their book *Boards That Lead*, Ram Charan, Dennis Carey, and Michael Useem note that boards often face the challenge of a disruptive member. “In our experience, as many as half of the Fortune 500 companies have one or two dysfunctional directors,” the authors assert. We would agree with this assessment based on the popularity of the topic at board governance conferences, in workshop offerings, and in traditional and social media discussion groups

focused on board governance.

How does a board deal with the thorny issue of telling an otherwise smart and successful board member that his or her services will no longer be required? How does the board manage the bruised ego of someone who is not used to failure, or to being confronted with the news that his or her behavior or performance has been judged disruptive and unproductive by fellow board members?

Directors are usually elected by their shareholders annually, which is becoming the prevalent practice, or triennially as part of a staggered board. In either circumstance, boards cannot “fire” fellow directors during the middle of their term.

In almost every case, a disruptive board member can be transitioned off the board in a structured, procedural way.

If a director should leave before the director’s term has expired for whatever reason—disagreement with a board decision, health or family challenge—the SEC requires the company to file Form 8K on behalf of the director, explaining the reason for the departure as approved by the director. In almost every case, a disruptive board member transitions off the board in a structured, procedural way.

Although the circumstances faced when we had to deal with a difficult or disruptive director were different, and the process used to address the challenge was varied, the outcome was the same: we were able to move the director off the board. Some board members dealt with the news by simply opting not to stand for renomination. Others submitted their resignation, with the face-saving explanation that

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their responsibilities outside the board had changed in a way that prevented them from continued service.

Once the resignation was submitted, the board simply voted to accept the director's resignation. In some cases, disruptive or underperforming members were simply advised by the lead director that they would not be renominated by the governance and nominating committee.

Boards of publicly traded companies are a unique and distinct microcosm. Elected by shareholders to represent their best interests, these highly accomplished, very successful individuals are mostly hyper, type A personalities. In the setting of the boardroom, they are all peers. Still, leadership roles within the board are required, including the selection of chairs for various committees and the selection of someone to take on the role of the full board's nonexecutive chair (also known as lead director or presiding director).

Candor and robust debate are absolutely critical for effective boards. Without enough conflict, they may be making poor decisions due to "Groupthink."

Nevertheless, each board member carries the right to a single, all-important, "yes" or "no" vote, no matter how critical the issue or how vigorous the debate is. As in any group, certain members by virtue of their style, personality, or experience endeavor to exercise undue influence when decisions are being made. It is these members whom boards must work with to encourage more collaborative ways of interacting.

Collegial candor and robust debate are absolutely critical for effective board dynamics and decision making. Boards without enough conflict may be making poor decisions due to "Groupthink."

A key antidote to both of these dilemmas is a dissenting director who is willing to provide the board with timely information, differing viewpoints, and a healthy way to disagree. It is not unusual for dissenting directors to have strong opinions, but they should have the critical skill of being able to disagree without being disagreeable.

An example of an effective dissenter is Henry Fonda in his portrayal of the lead juror in the 1957 Oscar nominated film *12 Angry Men*. As a juror, he is not convinced that the circumstantial evidence presented by the prosecution is enough to convict a son accused of murdering his father. Fonda must convince nearly all of the other jurors to adopt his point of view. Fonda's character pursues a classic course toward consensus building as each juror slowly changes his mind during the course of the movie.

Fonda's character is an example of "an effective dissenter." Board members who are effective dissenters are critical to any board's efficacy when the board is faced with challenging circumstances and issues that require open and honest dialogue to resolve them. Board members must make an effort to learn how to work together and appreciate the differing philosophies, styles, and personalities of the other members. This ability to effectively negotiate through disagreement defines exemplary group dynamics.

The opposite of the director who is an "effective dissenter" is the "disruptive director." Such directors are, as the cliché goes, "often wrong but seldom in doubt" and "never without an unexpressed thought."

It is not unusual to find such a personality pursuing his or her point of view with such intensity that the chairman/CEO and/or lead director is unable to effectively facilitate the meeting. Over time, these directors end up disrupting the rhythm and chemistry of the board, without adding to the quality of the board in any way. The board must decide if such a director is so disruptive to good process and productive outcome that they would be better off without that director's presence.

Disruptive directors display little of Henry Fonda's sophisticated consensus-building techniques on display in *12 Angry Men*. In fact, they generally fit into one of five categories of disruptive directors that unhinge the board's dynamic and/or derail healthy debate and discussion.

- The Dominator.
- The Micromanager.
- The Expert.
- The MIA Director.
- The Dinosaur Director.

The “micromanager” director disrupts the flow of board conversation and debate with inquiries that needlessly tie up senior staff time.

□ **The Dominator.** As a director, the dominator is a person with a supersized ego, whose outstanding career was built on a “larger than life” personality. In general, this is the stereotypical egotistical personality who is outspoken, and perhaps even a bit bullying with the other directors. This individual is the classic example of the true “disruptive director” and someone who, as we noted earlier, is “often wrong but seldom in doubt.”

□ **The Micromanager.** A detail-oriented director is someone who spends too much time “in the weeds” always seeking more data. While these directors are well intended in their due diligence, too much information can sometimes be as disruptive as too little.

Still, it usually takes time for the board to develop a sense that such a micromanager is disrupting the flow of the board’s conversations and debate. Furthermore, since inquiries for more information usually require additional work by senior staff, these micromanagers soon come to the attention of the company’s CEO, who eventually sends some clear communication about the member to the board’s lead director.

□ **The Expert.** Boards face a wide range of knowledge and informational challenges, so it is not unusual for them to decide that they would benefit from having a specific subject matter expert on their board. For example, a board may decide that it needs expertise on cyber security, Internet marketing, nuclear energy, or doing business in China. Quite often these are very constructive members who serve on a special committee that is formed to deal with a specific issue.

Clearly, the deep experience brought by these members can be helpful to the entire board and the management team. In some circumstances, however, there is a tendency on the part of these individuals to continue to refer back to their area of expertise again and again. It takes time for fellow directors to develop a consensus that the disruption outweighs

the value of their expertise. The biggest challenge is that it is quite often easier to live with the behavior than to try to develop a consensus for whether or not to renominate the disruptive director.

□ **The MIA Director.** A director who fails to “show up” either physically or mentally is very disruptive to efficient board operations. Whether the absence is physical, or not being prepared for meetings because the director has failed to read the board materials, the MIA director can drain the productivity of an otherwise effective board.

Symptoms of the MIA director include not attending meetings due to his or her own scheduling conflicts (necessitating calling in to the meetings); paying too much attention to a cell phone or an iPad; and not being able to fully participate in the discussion because the director has failed to read pre-board meeting materials.

These members may not be disruptive *per se* to the quality of a particular discussion within the boardroom or committee setting. However, their lack of participation is a drain on the overall morale of directors who are present.

□ **The Dinosaur Director.** The “dinosaur” is a long-standing, experienced director whose day of relevance and ability to add value has passed. The challenge of this director is different in that the director is long serving, was undoubtedly effective in the past, but is no longer able to productively and actively engage in committee and board work. Once a consensus begins to develop that, nostalgia aside, a change must be made, then the challenge of what some call the “empty-seat director” must be addressed.

An effective board is an essential management tool for the CEO and top team. A particularly disruptive director draws attention from the company’s most senior levels.

Boards have too much on their plates to not have every board member fully contributing to the board. In this circumstance, suggesting that the member consider retiring, with full recognition given to his

Assessment Can Spot Disruption

Sample Peer Feedback Form

Please complete this survey by indicating your rating of each director. Please include written comments in the space provided at the end of the questionnaire. Your comments will be particularly helpful for addressing matters not specifically covered by the questions.

Ratings: ① Unacceptable ② Below Average ③ Satisfactory ④ Above Average ⑤ Excellent

	Director A	Director B	Director C	Director D	Director E	Director F
Regularly attends all board meetings						
Comes to board meetings well-prepared						
Participates in a constructive and effective manner, contributing to discussions without dominating them						
Communicates with candor and tact, helping the board to manage conflict constructively						
Exercises independence of judgment when considering issues, even if taking an unpopular position on an issue						
Encourages other directors to contribute to board discussions, listens to and respects opinions of others						
Makes an effort to know and interact with members of management and fellow board members						
Asks questions focused on policy and strategy rather than tactics and details						
Gets to the heart of a discussion quickly						
I would recommend this director to serve another term on the board						
Average Score						

Source: Peter Browning Partners LLC

or her contributions, is a thoughtful and effective recourse. These circumstances require great sensitivity and also much interaction between the CEO and/or the lead director and the director in question.

How does a board develop a collective sense that a fellow member is an impediment to the board’s progress? The short answer is that it takes time—time for fellow directors to develop a sense that a change is needed, that enough is enough, and that despite all of the individual’s experience and wisdom, the group would be better off without this disruptive member. Usually, the process toward this consensus

building begins simply, with one board member asking another if he or she is having similar difficulties with a fellow member’s behavior.

As this one-on-one consensus grows, eventually one of the directors reaches out to the nonexecutive chair, lead director, or presiding director to share the group’s concerns. It is very likely that the CEO and the lead director may have already discussed their own concerns about the disruptive director.

Remember that an effective board is an essential management tool for the CEO and the CEO’s team. Clearly, any particularly disruptive director draws

attention from the company's most senior levels. For example, after a board meeting, the management team surely will discuss the board meeting, both its positive and negative aspects, with upper management. A disruptive member is a perfectly appropriate topic for discussion with these company leaders.

Performance assessments can help. A well-executed annual board assessment will likely reflect any full or brewing discontent concerning a "disruptive director." If the board uses peer assessments, the disruptive director situation has an even better chance of surfacing. Still, even with the most robust assessment practices, the challenge remains that many directors are reluctant to explicitly criticize fellow directors.

As the situation unfolds, the lead director should seek views and opinions from other board members about the putatively "disruptive director." It takes time to develop a consensus that action is necessary to deal with a disruptive director, but the lead director should have a sense "that the time has arrived."

Boards are a group of peers elected by shareholders, so every effort should be made to communicate concerns and to give the disruptive director an opportunity to change. Nevertheless, sometimes taking action is unavoidable.

As a general practice, most boards include in their governance principles some guidance on director resignations.

For example, Nucor Corporation's *Governance Principles* lists the following guidelines under the headline, "Change in Job Responsibilities":

Directors who have a change or termination in their principal employment or have a substantial change in job responsibilities, in each case other than as a result of a promotion by the director's employer, shall promptly tender their resignation for consideration by the governance and nominating committee. The committee shall evaluate the director's tendered resignation to determine whether it is appropriate for such director to continue on the board in light of the changed circumstances and shall recommend to the board whether to accept or reject such resignation.

Not all directors gracefully accept the news that their services are no longer required, whether that news is a request for them to resign at the end of their board term or the revelation that their renomination will not be supported by the board. This is not a pleasant time for anyone, and is one of the more difficult jobs of the lead director. It is the lead director's responsibility to contact each board member to ensure that a consensus exists to move the disruptive member off the board and to advise the disruptive director that his or her resignation is being acted on and why. ■

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