

THE FINAL WORD

»»»» BETTER QUESTIONS MAKE FOR BETTER BOARDS ««««



Too many questions in the corporate boardroom might sometimes be a problem, but too few or poorly informed questions are almost always a bigger mistake. Tough decisions about succession, risk, compliance and other complex issues require the right information and the correct level of discussion - the heart of which is the well posed question. For independent directors, “cooperative skepticism” is one way of describing this balance between asking questions that challenge and enlighten while avoiding interactions that might bog down an otherwise effective management team.

Many questions from independent directors simply clarify materials received from management. This is a mistake. Those “housekeeping” questions can be useful but tend not to unearth new viewpoints, reveal erroneous fundamental assumptions, or help management cast a fresh critical eye on their plans and strategy.

To develop the right questions, directors and senior executives need to cultivate and encourage a varied, substantial, and recurring inbound flow of relevant unvarnished information about their company. Directors rely on official curated sources such as management presentations, stock analyst reports, securities filings, and formal news coverage. The risk, however, is that even well intentioned management will over-curate this information and directors will consume an incomplete and sometimes biased set of materials.

The best directors, with a goal of fostering a cooperatively skeptical discussion, will find information from a wider variety of non-curated sources. These include the investment theses of any relevant short sellers or shareholder activists, blogs and online commentary about the company or the company’s critical vendors, and “amateur” commentary about company culture, management, or products found on job-sites or in consumer review forums. These directors take the time to digest that information and create space (and time) to bring their intellect and experience to the formation of questions posed to management - all with the goal of advancing the conversation beyond the simple clarification of materials already on hand.

In her groundbreaking book, “Willful Blindness: Why We Ignore the Obvious at Our Peril,” Margaret Heffernan highlights one of the practical advantages of spending time to create and foster better questions. Her research into corporate missteps, whether perpetrated by bad actors or simply the result of well-intentioned but mistaken managers, demonstrates that the information needed to avoid catastrophe was seldom hidden or secret. Instead, this critical insight was often just one good question away from being brought to the attention of the board and management. Better questions, as it turns out, are the low hanging fruit of improved boardroom decision-making.

A handwritten signature in black ink that reads "F. Daniel Siciliano".

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