

Focus versus Fashion; how to get your board off the latest fad

Have you recently read any articles about what your board should be focused on? Was it bird-flu, Internet portals, Terrorism or some other fad?

I wish I had a dollar for every article on the latest buzz-word that every board should worry about. Or fifty cents for every list of twenty questions board members should ask about the craze. I would hate to be on a board that was so easily sidetracked from their real concern; running the company so that it achieves what it was set up to achieve.

In some great research from Australia Neil Buck surveyed real company directors on what risks they thought most likely to impact their companies. His initiative revealed 16 categories of risk which, when read by company directors, were recognised as things they worry about.

I have followed up on that research and interviewed 241 company directors on the big risks facing their company. Unsurprisingly the number one risk was financial but (sad news for the audit community) it was not financial statement misstatement or fraud, but simple cash flow risk that kept directors awake at night. Fixing this is a question of strengthening the business. Improving reporting or ticking boxes in the board room won't help.

Directors the world over are focused (as they should be) on running businesses to generate wealth (or benefits in a NFP context) in an environmentally and socially acceptable manner. If bird flu is important for the business they will focus on that. If not, they should focus on what is important for their business.

Directors can rely on their own judgement to help them to evaluate such things. They may get it wrong occasionally (all boards, when they are being honest, have a decision they regret in their history) but it rarely is so wrong that they can't fix it. Unless, of course, they are rushing from one fad to the next without pause for thought. Anyone who suggests that every possible risk should be a board focus is either totally inexperienced in the board room or hoping to sell your board something. For optimum results focus your board on what is important for your organisation by holding an annual discussion of strategic aims and current targets. Forget the current fashion and just talk about what the organisation needs to achieve and what are the risks that threaten that achievement.

You will be amazed by the power that the board can generate and the value that they can add.

Julie Garland McLellan is a professional company director and corporate governance consultant. Her book "All Above Board" is a practical manual for government sector boards. Julie delivers practical boardroom training and performance assessments that empower boards to achieve results. Not-For-Profit Network members are invited to subscribe to her newsletter '[The Director's Dilemma](#)' free of charge until 1 January 2009.