

# Dare to be holistic

*Directors who go beyond the boardroom to understand the big picture and how all the pieces fit together can be transformative for a company.*

BY LAWRENCE SIFF

**H**olistic insight — seeing not just all the relevant pieces but how they fit together and the picture they form — allows a board to make decisions that optimize a company’s growth and create long-term value. A board operating with holistic insight is a genuinely strategic asset because its judgment stems from broader and deeper perspectives.

Having served on, worked with, and advised hundreds of boards, I have seen far too many cases of boards giving management advice and counsel based on a less than holistic perspective. There are three primary reasons:

- the board has too few independent directors,
- directors lack the necessary combination of curiosity, knowledge, and experience to give appropriate guidance, and
- boards are making decisions in an information vacuum.

So how do you ensure that your board can offer holistic insight? Recruit the right people. Whether you tap into your own network or use executive recruiters, search for board members who have not only deep vertical knowledge but also the ability to understand

how their discipline connects with other disciplines. Typically, ideal candidates are past

or present CEOs or CFOs who have experience in seeing the whole of their organizations. “Holistic insight” is a crucial characteristic to add to your skill sets such as “good listener” and “strong team player” on your board matrix. In doing your due diligence on potential board candidates, you should determine if this person has applied holistic insight in their roles as either a board member or an executive.

Holistic board members can analyze issues, understanding that it is not always a case of black and white; can read between the lines; are forthright in asking what is not being discussed; are willing to address risks; and are able to present out-of-the box, creative solutions.

My experience is that independent directors are the most capable of approaching their jobs holistically. Independent directors are truly objective; they are not caught up in the day-to-day operations and are unafraid to speak up. The goal always is to create a non-threatening transparent atmosphere in which questions can be asked to better understand the whole of the company. Independent directors can create an atmosphere where realistic, less-biased information is valued and relied upon to make the right decisions for the long term. This is especially important in a family business where often emotions and relationships can influence decisions.

Let’s say your company is one that has formed a board with a majority of independent directors who are diverse in background and expertise and understand their fiduciary responsibility. You have applied best practices but, even if you have done all these things, your board needs the right information to make optimal decisions.

Too often, board education is restricted to presentations that are biased, limited, partial, and/or skewed. How can a board make objective decisions when it receives only subjective information? How can a board offer holistic insight when it isn’t able to form a holistic view? A board is accountable to shareholders and must be able to make objective decisions that result in long-term value creation. Directors need to make sound decisions and offer objective advice based on information that is presented to them as well as information that they gather. Management must understand, encourage, and support a board’s ability to not only receive but also seek the necessary information. Only then can the board form a holistic view.

## Holistic health

We applaud companies that focus on their employees’ “holistic health” by providing resources related to nutrition, counseling, and financial advice. This same philosophy should be applied when evaluating the health of a company. More and more, colleges and universities look beyond applicants’ scores and grades to get a holistic view of aspiring students. Wall Street retail analysts adopt a holistic view by looking beyond the financials



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by visiting the retail stores (including those of competitors). Companies make hiring decisions based on more than just a potential employee's work experience and credentials. Yet the idea of being holistic hasn't caught on with boards? A company should be evaluated on criteria that are not always apparent within the walls of a boardroom.

Management should embrace this philosophy, recognizing that allowing your board to operate with holistic insight means encouraging your directors to "go beyond the boardroom." That includes:

- Board members meeting one-on-one with middle and senior management (with the CEO's permission).
- Board breakfasts or dinners that have a rotating roster of key management.
- A board member pairing with a manager to prepare for a board presentation.
- Board members meeting with key investors to understand their long-term goals.
- Board meetings at different corporate sites.
- Board members encouraged to walk around and visit the facilities and/or distribution channels.
- Industry experts and key customers presenting to the board.
- Board members receiving relevant trade magazines and having

conversations with other industry executives to keep informed.

### No 'overstepping'

Go beyond the boardroom and schedule more intimate, information-seeking meetings after a board meeting. A meeting with the CEO without management can be enlightening and provide certain perspectives on the company. A meeting with the senior management without the CEO can provide a different perspective. A meeting with a middle manager who presented on a specific topic can provide a completely different angle. Directors and officers who collect this information and share their opinions at the next board meeting are doing their due diligence; they are peeling back layers of potentially misleading information that may skew decisions relating to productivity and profitability. That said, I am not advocating for board members to overstep their bounds — the board's focus is on long-term strategy and tactics as they relate to that strategy but not day-to-day operations.

All of these holistic steps will help improve the quality of the board's decision making because the overall information will be improved.

All stakeholders — shareholders, management, employees, and the board — should be rowing in the same boat with the goal of making

the company as successful as it can be. The best boards have constructive tension, healthy dissent, different alternatives and diverse points of view. A strong, informed board combined with a strong management team is a winning combination that will enable a company to achieve its true potential.

## A COMPANY SHOULD BE EVALUATED ON CRITERIA THAT ARE NOT ALWAYS APPARENT WITHIN THE WALLS OF A BOARDROOM.

Board members should be empowered and encouraged to fulfill their responsibilities by going beyond the boardroom, broadening and deepening their perspectives, and bringing what they learn back to the boardroom. Board members with holistic insight can be transformative for a company. A holistic view of the company's current situation is a powerful tool that will help ensure your company has its greatest potential for profitable growth. ■

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