Agile Boards of Directors: A Fad or the Future?

Some Agile principles can be counterproductive in the boardroom, while others can help.

A few weeks ago, we had a long conversation with a majority shareholder whom we have been helping in the area of corporate governance. The businessman, fresh from an executive development programme at a top business school, wanted to make his company's board Agile. We refused to support the idea straight away, but promised to reflect on it.

As the word *Agile* stirs excitement in many boardrooms and shareholder offices around the world, we decided to delve into the concept of an Agile board and its implications for corporate governance.

Agile and corporate governance

Born in the software industry, the Agile philosophy quickly moved beyond it, laying the foundation for a revolutionary approach to project management and product development. In Agile organisations, self-organising cross-functional teams experiment, learn and adapt by rapid iterations, in lock-step with evolving customer needs. As the Agile movement picked up pace, dozens of tools, instruments and practices sprung from the initial four values and twelve principles formulated in the **Manifesto for Agile Software Development** in 2001. Unsurprisingly, some experts now suggest boards of directors also become Agile. Should they?

Sitting at the apex of the organisation, the board of directors creates a framework for executive action, guiding the CEO and other managers who run the business on a daily basis. The board appoints senior executives, defines their pay and evaluates their performance. It approves business strategy and major investments, as well as oversees risk management and compliance. It also keeps stakeholders informed about significant developments. The board is not a team of full-time members, but a group of professionals with multiple affiliations who convene four to eight times a year for a half-day, aside from board committee work. Directors focus on a limited number of important decisions and strive for effectiveness. Could an Agile philosophy help?

Customer-centricity is the first principle of the Agile manifesto. In the 1990s, it seemed like corporate boards were indeed making shareholders' interests their true north. However, this approach soon proved impractical, as shareholders run the gamut, from the company's founders to investors who bought at the peak. Nowadays, boards tend to avoid serving any narrowly defined group. Directors are expected to take into account the interests of all stakeholders – shareholders, employees, customers, suppliers, etc. – in a way that serves the company itself and ensures its sustainable development. Unlike Agile product development teams, directors should not rush to appease any particular stakeholder but strive to ensure harmony.

Tough times for boards and CEOs

The Agile value most often applied to boards is *adaptability*, a concept developed to address the characteristic turbulence and disruption of the software industry. Agile philosophy assumes that plans can't reflect reality adequately and should thus be updated constantly in response to the environment. Indeed, today's rapid knowledge obsolescence puts enormous pressure on CEOs and boards. CEO tenure length is fast **dropping** and activist shareholders are multiplying campaigns to shame boards that use a wait-and-see approach. Is "*responding to change over following a plan*", to cite the Manifesto, the right answer?

We are not convinced. Looking closer at activists and other shareholders' initiatives, we see that the problem is not companies sticking to a plan and ignoring the changing environment. It's the opposite – too many companies do not have a clear plan or fail to communicate it. Stakeholders want more engaged stewardship, a clear vision and transparent communications from directors, not vague metaphors and wishful promises to become Agile. Just take ThyssenKrupp, which saw both its chairman and CEO **step down** in July days after announcing a joint venture with Tata Steel as opposition mounted from investors and labour unions over the deal.

In an era of constant change, boards must reduce uncertainty for stakeholders by making sure that the company has a crystal clear vision for its future and an actionable plan to achieve it. Certainly, the vision and the plan will evolve, but the board must have the courage and wisdom to be proactive instead of reactive.

Another Agile principle, which boards are urged to adopt, refers to a *shorter timescale*. Agile philosophy states that for successful delivery, interactions should be as frequent as possible. Applying this principle to boards means that they should increase the frequency of meetings and communication with management, as well as focus on the nearest future. However, the ultimate role of the board is to provide the long-term vision for the company. While some may compare the exercise to reading tea leaves, it is still necessary. Frequent board meetings and communication with management could distort the board's time perspective. The demarcation line between the board and management could also grow ambiguous.

What boards can borrow from Agile

While some Agile principles may be counterproductive and even risky in the boardroom, others could enhance directors' effectiveness. Our research shows that good boards have been using such principles for decades.

The Manifesto suggests to "*build projects around motivated individuals".* The idea is to give them *"the environment and support they need, and trust them to get the job done".* That's exactly what an effective board does: It selects a capable and motivated CEO and creates a productive frame for her actions.

Another applicable principle is the one about *" maximising the amount of work not done",* with the goal to limit the efforts, costs and time teams spend on creating products. The same idea could help boards focus on truly strategic issues instead of debating the Christmas office party's budget or retailer volume discounts. Effective boards should always check if anyone else in the company is qualified and empowered to make the non-strategic decisions that often creep onto their agenda.

Agile philosophy also praises *self-organising teams*. Although the board is not a traditional team, directors do have to work collaboratively. Quick scoping, structuring and sorting are essential. This principle also puts the responsibility for organising collective work on each member, rather than on a team leader. Each director co-creates effective boardroom processes by sharing ideas, listening to others and following the rules. Some boards already implement these good practices, but it would be a big change for the majority that still rely on the chair to orchestrate everything.

Lastly, numerous boards already follow the principle of *team reflection*. However, this generally takes the form of an evaluation – a requirement in many countries – rarely leveraged to improve effectiveness. The evaluation is often a formality conducted by external consultants whose findings are soon forgotten. Boards would be better served by an Agile approach. For example, it would be far more practical and impactful to carry out informal evaluations at the end of each meeting. Questions needn't be complicated: "What went well today? What did not go so well? How will we improve next time?"

So should boards become Agile?

Returning to our basic question as to whether boards should be Agile, we have two answers. If you are a purist, an Agile board is not a productive construct for you. Applying the Agile philosophy in its entirety is likely to be damaging. However, if you have a pragmatic attitude, like the term *Agile* and consider it a synonym for dynamic (as many people do), go for it. Just make sure that you and the other board members agree on what you mean by it.

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