Board Builder:
Board Behaviour

Introduction

By Patrick Moriarty, Executive Director, Institute of Community Directors Australia

It's not always easy to talk about board behaviour. It's highly subjective, it's messy, it's personal. What is acceptable on a board is determined by organisational culture as much as by codes of conduct. Behaviour twines itself around personality, and vice versa.

But we need to talk about it. Board behaviour is absolutely central to the success or failure of a board, and therefore to the success or failure of an organisation's mission – at least, that's always been my intuition.

It's the intuition, too, of the partners at British firm MWM Consulting. In their report *The Behavioural Drivers of Board Effectiveness*, they wrote:

> In our view, the greatest determinant of a board's success or failure is embedded in the collective and individual behaviour of its members. However, unwilling to accept our own view without testing it, we sought the views of seasoned board members.
>
> To do this, we conducted research involving individual interviews with around 70 board directors. These individuals collectively brought nearly 1000 years' experience of operating as chairs, CEOs, non-executive directors [board members] and executive directors [senior managers] on over 125 public company boards in the UK and circa 75 others internationally, covering over 20 different countries. Notably, 90% of those we approached to participate agreed to take part, an indication of the strength of feeling surrounding this issue.
>
> We further tested our emerging conclusions at a series of events with 45 experienced board members, about a third of whom had not been involved in the earlier interviews.

We at ICDA want to share those conclusions and lessons with you, and so for this edition of *Board Builder* we present *The Behavioural Drivers of Board Effectiveness*, reproduced with permission.

We hope it will make it that little bit easier for you, your board members and your board as a whole to talk about your own behaviour and its impact on your effectiveness.

Editor's note

MWM Consulting researched and wrote *The Behavioural Drivers of Board Effectiveness* in the context of corporate boards, whose main agenda is to enhance shareholder value.

The not-for-profit agenda is different: it is an agenda of purpose. However, most if not all of MWM's findings can be applied directly to not-for-profits.

In reproducing the report here, we've removed UK-specific references; amended references to shareholder value; adapted some terminology to an Australian not-for-profit context; and replaced "business" with "organisation" where this doesn't substantially change the meaning of the text. The terms "board member" and "director" are used interchangeably.

Research approach and scope

In our [MWM Consulting's] research, we asked *"why?"* – why do people join boards and how do their motivations to do so impact their behaviour?

We also asked *"what?"* – what are the drivers that then determine behaviour in the role, what are the behaviours that can raise the red flags and what should boards do to deal with the consequences?

During the discussions to seek to answer these questions, we found the importance of behaviour was endorsed and, even more valuably, there was a readiness to share hard learnt experience about how behaviour impacts effectiveness. As one participant put it, *"processes, information and governance mechanisms are important, but I passionately believe that behaviour is what really makes the difference between good and bad boards";* another said *"behavioural dynamics are key – processes, structures and procedures can only do so much".*

The research clearly reinforced the 'inconvenient truth' that a board can have the clearest and the most robust processes and adherence to governance principles, but if its members do not have the courage and judgement to call out and deal with the real issues facing the organisation in a timely and direct manner, the board will fail to add value and may end up destroying it.

We, along with the participants of this research, have witnessed at close hand the best and the worst of those boardroom behaviours, that have contributed in equal measure to outcomes of both success and failure, salvation and destruction. From these experiences, we have sought to shape our combined perspectives into actionable insights for practitioners, rather than academic observations, which we believe will be of value to chairs and other board members, as they seek to create more effective boards.

Ineffective behaviour: When the whole board gets it so very wrong
By Judy Judd*

A board that I used to be associated with found it difficult to work with one of the board members because she asked so many questions. They tried isolating her, they showed their anger, and they used subtle threats in an effort to force her to resign. When none of that worked, they decided to get rid of her on the grounds of "conduct unbecoming", but they didn't follow their own rules about the process, and in effect they just dumped her. She took them to the Victorian Civil and Administrative Appeals Tribunal (VCAT) and won; she was awarded $5000 for her troubles too. And after all that, they had to accept her back onto the board.

*The real-life stories in this issue have been told to Board Builder by ICDA members. Names have been changed.

Seven actionable insights

1. It all starts and ends with the chair

The chair is the cornerstone of the board and is expected to bring valuable credentials and a personal franchise, which has usually taken years to develop; he or she should have accumulated respect, trust, judgement and a following along the way. The chair is the single biggest determinant of a board's effectiveness: he or she has the primary role in determining its focus, sets the tone for discussions and leads its composition. Our respondents were united in underscoring the chair's importance on the modern board: as one put it, *"this is a critical job, not a position",* while another stressed *"if you've got a good chair, everything else will follow".*

Importantly, it is a demanding and difficult role that requires a set of skills that is different in many respects from those that underpin a successful executive career, in particular as CEO. Great CEOs don't necessarily make good chairs, and equally the best chairs may not have been CEOs themselves. While sector experience can be valuable, it is ultimately a less important determinant of success in the role than having the right characteristics to be a great chair. *"You need to understand the business, but not necessarily to come from the sector",* said one director; another said *"Chair skills are much more important than deep industry expertise".*

So what makes a great chair? Our research highlighted six key characteristics:

- **The right motivations:** Most fundamentally, it is vital that the chair is driven by the right motivations. Chairs need to be clearly and unambiguously focused on promoting and furthering the mission of the organisation – and not concerned about using the role as a platform from which to promote their own profile, network or concerns. *"The chair must have the integrity always to put 'company' before 'self'"*, one director commented.

- **Commitment and engagement:** These are demanding roles and the chair needs to devote the necessary time and energy. Successful chairs do much more than prepare for and run formal board sessions: they maintain a regular dialogue with the CEO, they get out and about in the business and connect with a range of staff, they invest in keeping board members abreast of developments, and they cultivate external relationships and networks that provide useful perspectives on and for the organisation. They need of course to avoid overstepping the boundaries of their role but they must be *"intelligently and meaningfully engaged in the business"* so that they have a good read on the issues faced and a sharp sense of the pulse of the organisation.

Ineffective behaviour: The deadweight "saviour"
By Puck Wright*

I'm on the board of my local junior hockey club. When I joined, it was in dire straits. The president had left abruptly, and we were down to three or four members. The bare minimum of tasks were being done and the club was barely sputtering along. Funds, fortunately, weren't a big problem, because the club had some reserves.

The person who took over as president did so reluctantly, as an emergency measure to keep the club viable. But now, several years later, he remains in the role. He's a lovely guy, but he can't or won't actually do the work that's required. He works long hours elsewhere and he travels overseas a lot. He often misses board meetings and club events.

A number of the tasks he's responsible for are falling through the cracks, meaning the other board members are having to go above and beyond to pick up the slack. This is causing a lot of bad feelings.

All credit to the president for stepping up in troubled times – without him, the club might have died out. But now, thanks to a recent recruitment drive, we have a flush of new board members, and they've quickly become frustrated with the situation. We're going to have to have a brave and painfully honest board conversation in the near future.

The real-life stories in this issue have been told to Board Builder by ICDA members. Names have been changed.

- **EQ as well as IQ:** While there is no single optimal model of chairship, effective chairs have not only the necessary business intelligence but also a high level of emotional intelligence. As one director put it *"big, bruising CEO-style leadership is not right; you need emotional maturity in spades"*. It is a role that requires well developed interpersonal skills – to build and motivate the board, to forge an effective relationship with the CEO that is simultaneously collaborative and challenging and to adapt one's style to the needs of different situations. The chair needs to be a role model for respectful, collegiate and open interaction between board members. *"It's about subtle leadership not dominance; it's not for alpha males"* concluded one respondent.

- **Optimising board composition:** A key responsibility for the chair is to build the right board and to manage board member succession in a thoughtful, proactive and measured way – *"a real skill"* in the view of one seasoned director. The best managed boards follow a well-structured and rigorous process of identifying the collective capabilities required, agreeing key gaps and then searching for candidates with the skills and experience required.

- **The right agenda with the right rhythm:** The chair needs to ensure that the board spends its time on the right issues. At a macro-level, this means that the right balance needs to be struck between governance and key strategic or performance issues. But more specifically, the chair – in consultation with the CEO – needs to identify and anticipate the key issues the business faces, ensure that the board has the chance to explore these thoroughly well in advance of key decision points and provide the necessary information and context to ensure the board is fully prepared.

- **Effective board management:** Finally, the chair needs to be able to manage the board meetings themselves to enable collaborative but robust discussions on these issues. While there is no 'one size fits all' model here, a number of key lessons are clear:

  - Don't be a slave to the process: While it is important to have clear agendas and to manage time well, good chairs do not put process ahead of substance; they allow discussions to flow sensibly. *"You have to avoid the tyranny of the agenda and legitimise the second, third and fourth questions on topics"* said one director. Another called for *"disciplined but not dogmatic management of the meetings, giving people the capacity to speak but not endless time to talk"*.

  - Encourage contributions from all: chairs should manage but not dominate the discussion. They should set the scene on each issue as appropriate to ensure clarity on the objective of the discussion, but then typically tend to talk last not first, instead drawing out thoughts and perspectives from different board members. Chairs need to be self-effacing, well-mannered and good-humoured to set the right tone of relaxed but purposeful debate.

  - Legitimise challenge: It is critical that the chair not only allows but actively encourages the expression of questions, concerns and contrary points of view – not, in the words of one director, *"regarding questions and interjections as a nuisance which interrupts the smooth flow of board business"*. Indeed, the chair should ask the awkward question if no-one else does.

  - Summarise and synthesise: The chair then needs to summarise the key strands of a discussion, to synthesise the consensus opinion of the board and propose a conclusion or agreed set of actions. This requires active listening as well as crispness and clarity of thinking and communication – *"very hard to do on the hoof but incredibly important"*, one director observed.

> **"Good chairs do not put process ahead of substance; they allow discussions to flow sensibly."**

2. The CEO must engage constructively with the board

Alongside a skilled chair, it is critical that the organisation is led by a CEO who sees the board as a valuable resource to be leveraged and ensures effective engagement between the board and staff. As one chair put it, *"if you have an imperial or celebrity CEO, it's very hard to get around"*; another observed *"it's very dangerous if the CEO does not work constructively and openly with the board"*.

Ultimately the CEO needs to know that they hold their position at the will of the board and the board must be prepared to remove the CEO if all other options have failed. If the board are not confident they are getting the full story about the organisation, they have no alternative – however strong the organisation's performance appears to be – as they cannot be effective from a position of partial knowledge.

Our research highlighted key lessons here:

- **The CEO needs to embrace the board:** The CEO needs to view the board as a source of experience and insight to be leveraged, not a nuisance to be managed. It is the chair's responsibility to ensure the board is composed of people with relevant skills and backgrounds, but the CEO needs to be *"genuinely interested in the board's input, not seeking to dominate discussions or being passively aggressive"*, as one director said. Too many CEOs are prone to attempting to stage-manage discussions or reduce the board to a rubber-stamping role, but *"it's not tenable to have anything that falls short of a constructive relationship"* as one chair argued. It is often helpful if the CEO sits on an external board: this can provide important lessons in the value of constructive engagement and empathy and on what it takes to enable the board to make a useful contribution.

- **The CEO must role-model open and constructive dialogue:** The CEO needs to work with the chair to make sure the board is properly prepared for discussions – through providing the right information and professional board papers, as well as keeping them abreast of issues before they reach key decision points. Even more importantly though, the CEO must encourage and legitimise challenge, listening without defensiveness and welcoming input. *"The CEO needs to have the self-confidence not to be right and certain all the time…they must be willing to bring questions to explore, not answers to sign off"*, one experienced director observed. He or she needs to role-model to staff open support for board members and the contribution they can make – *"to accept that there are no dumb questions and to accept input as constructive challenge, not criticism"*.

- **If the CEO has the wrong attitude, it must be addressed by the chair:** However good the CEO is, the clear message from our research was that if he or she does not engage constructively with the board, this cannot be allowed to go unchallenged. *"Ultimately behaviour beats strategy and it must be non-negotiable"*, said one director. It is the responsibility of the chair not just to manage the board but also to manage the CEO – *"being prepared to control the length of the leash and to flex it over time"* as one chair described it. This involves coaching the CEO on how best to engage with the board, recognising any early signs of defensiveness or opacity and calling him or her to account, and ultimately being prepared to confront the behaviour, with the support of the board, removing the CEO if necessary.

3. Balance on boards is key

Effective governance and the smooth operation of a board require a sensible balance of power. As one director mused, *"no one is perfect, and if they are, not for long"*. The best boards have good balance along three dimensions: between the chair and CEO; between the CEO and his or her team; and among board members.

The critical relationship on the board is between the chair and the CEO: indeed, if this is not working well, the chances of the board functioning effectively are slim. The best relationships are characterised by five key features:

- **Clarity on roles:** There is no single right answer on the precise division of responsibilities between the CEO and chair, and hence the role of the chair. Although all would agree that the CEO is the key figure in driving the organisation – *"the CEO must be the first person you think of, when you think of the business"*, said one director – the role of the chair will reflect in part the challenges the organisation faces, the relative experience and backgrounds of the CEO and chair, and their personal preferences on how they will spend their time. It is vitally important that each chair and CEO sit down and agree together, ideally in writing, both their respective roles and how they propose to work together; understanding and respecting each other's role is the bedrock of a good relationship.

- **Mutual respect:** The chair and CEO don't need to be friends; indeed, if the relationship is too close, there can be a danger of losing the challenge required. Nevertheless, they need to have a high degree of mutual respect for each other's skills and value, and good personal chemistry and empathy.

- **Complementarity and balance:** The chair and CEO represent a team and therefore they should ideally bring complementary

"The stronger the CEO, the stronger the chair needs to be."

skills, experiences and profiles; if they are too similar, then they may either overlap and clash or alternatively settle into a cosy and uncritical routine. At the same time, it is important that they balance each other well: "the stronger the CEO, the stronger the chair needs to be", pointed out one director.

- **Support and challenge:** The relationship needs to strike the right balance between support and challenge. Clearly, if there are major tensions or a lack of trust then it is difficult for the organisation to prosper; but it is equally important that the relationship does not become overly cosy. *"The chair must not be captivated by the CEO"* observed one director, while a member of one unsuccessful board reflected that the chair had become *"a cheerleader for management…part of the atmosphere of self-congratulation and hubris".* In the most successful relationships, the relationship is perhaps '80% supportive/20% challenging' with the robust exploration of differences between the chair and the CEO but ideally in private and ahead of board discussions, rather than in open forum.

- **Frequent and open communication:** Finally, the relationship needs to be built through frequent and informal interaction, not just through more formal 'set piece' sessions. One CEO talked of the value of *"almost instantaneous communications"*, while another welcomed the frequent informal discussions with his chair that both helped to build their relationship as well as to provide valuable real-time insights and advice. Above all, communication needs to be characterised by openness, honesty and candour – no surprises either way.

The chair needs to work consciously on avoiding the development of cabals: this requires spending time outside of board meetings with each director, updating them on key developments and understanding any concerns they may have, rather than focusing in particular on an inner coterie of committee chairs or specific favourites. It also requires ensuring that key decisions are genuinely taken in board meetings, rather than being 'pre-baked' ahead of time by an inner group. At the same time, board members need individually and collectively to play a highly engaged role that ensures that the board doesn't become *"the chair and CEO show".*

4. Being a great board member is as much about character as competence

Board members need of course, individually and collectively, to bring the skills and experience required to execute their role in light of the particular challenges and priorities facing the organisation. Well-run boards now identify these skills systematically and review where any gaps may exist. However, having such skills is a necessary but not sufficient condition for board effectiveness; it is equally important that board members have the necessary character for the role. One director summed it up well: *"Personal attributes such as motivations, values and behaviour are ultimately more important than technical skills and experience"*. Our research highlighted five broad areas of character that are critical – the 'five Cs':

- **The right catalyst or motivations:** When you ask people why they join boards, the answers usually centre on the intellectual stimulation they gain and the chance to make a difference. Nevertheless, it was interesting that when board members were asked why some of their colleagues wanted to be on boards, a variety of less noble motivations were suggested. For a minority, money was felt to be important. For many, status and the desire to stay connected following the end of their career is critical: one interview talked of colleagues with *"fear of the vacuum – both intellectually and socially"*, while another talked of the need to *"have a good answer to the 'what are you doing now' question at dinner parties"*. One director admitted *"I couldn't bear the thought of being on the outside looking in…my work is my life"*. Such motivations are not necessarily dangerous, but it is important for the chair to understand and monitor them – so that he or she is confident that at all times directors have high levels of integrity and are putting the institution ahead of their own self-interest. *"This is much rarer than I used to think"*, one seasoned chair observed.

- **Commitment and engagement:** A high degree of commitment and engagement is non-negotiable. Certainly, the role of a board member has become a much more serious one in recent years and it is typically taken very seriously. At a minimum, board members need to prepare thoroughly for meetings by reading the board papers and to execute diligently the committee work. Equally, however, they need to deepen their insights on the organisation by being involved outside of formal meetings, exploring opportunities to add value to the organisation in specific areas of expertise. Above all, they need to have the knowledge required to ensure that their counsel reflects the specific facts of each situation, not just their previous experience in other organisations.

- **A challenging and independent mindset:** To be effective, directors need to bring a challenging mindset – the ability and willingness to ask awkward questions and to test management's thinking, rather than to be sycophantic

and compliant. As one CEO put it, *"you want people who will make you stop and think"*; another complained that *"Boards typically have one or two tame dogs that just waste a seat"*. In the same vein, one chair spoke of the need for *"independent directors, acting independently"* and observed that *"compatibility is important, but so is contrarianism"*.

- **A collaborative and constructive style:** At the same time, however, board members need to contribute in a constructive and empathetic way. Successful directors avoid long-winded speeches, ensure their comments are evidence-based rather than mere assertions, demonstrate active listening rather than dominating airtime and avoid

Pest control on the not-for-profit board
By Chris Borthwick, Thinker in Residence, Our Community

The average board is an ecosystem of its own, just waiting for its David Attenborough.

The alpha male

Sees every interaction, of any sort, as a tussle for dominance where there can only be one winner. Goes straight for the jugular.

Counter: If you want anything to pass, present it as their idea – "I think, George, the way out of this problem is to do what you were suggesting to me the other day, and…"

The rambler

Whatever anybody says reminds them of another issue that's not quite on the point, which reminds them of something else, which reminds them of something that's completely irrelevant to the motion and sets everybody else on a long pointless discussion.

Counter: Move that the distracting factor be put on the agenda for the next meeting and restate the motion.

The pedant

Knows the constitution, and Robert's Rules of Order, and is not afraid to use them. Is quite prepared to spend the entire meeting discussing whether the constitution permits the amendment of a motion that the motion be now moved – rather prefers it, in fact.

Counter: Bring in standing orders that leave that sort of procedural decision to the unfettered discretion of the chair.

The apologist

Somebody must have seen them face to face, once, but that was generations ago. Now their ghostly existence can be discerned only from the regular appearance of their name in the Apologies section of every set of minutes.

Counter: If you can get rid of the Alphas, the Pedants and the Ramblers, the Apologist may re-appear. If that's not possible, see if you can add another board member as a casual vacancy to do the job that's not being done.

The black hole

They want to help, and they volunteer for everything. They're the ideal board member, except that when you actually need that treasurer's report, or the fundraiser mailout text, or the meeting minutes that they promised they'd do, all you get is excuses. They spend so much time and effort on excuses that it'd be easier to do the work.

Counter: Fool me once, shame on me. Fool me twice, shame on you. Don't give the black hole a second chance.

But –

I have to confess, though, that these counters don't always work. The only thing that really fixes a dysfunctional board member is replacing them. That's why the board should prepare carefully for AGMs (year-round if necessary), being prepared with a slate of people they believe will do a good job, and wording up members on who to vote for.

The other thing you have to remember is that nobody ever sees themselves as the villain.

Alpha males think they're decisive.

Ramblers think they're wide-ranging.

Pedants think they're the only ones doing it right.

Apologists believe they're unlucky with their dates and times.

Black holes think they should get credit for good intentions.

And you think you don't fall into any of these categories.

grandstanding. *"It's not about showing how smart you are and how weak management is"*, said one director, while a chair commented on the need to *"avoid arrogance and the over-valuing of your own ego"*, adding that the best directors are *"good listeners who don't have something to prove, not jumped up traffic wardens"*. *"You have to avoid the 'wannabe' CEO or the former CEOs who think they know everything"*, said another. Experienced board members talked of the need to have the maturity and wisdom to read situations, the empathy to look at issues from the shoes of managers, the subtlety to judge when to dive in, and a questioning, rather than telling, style. Above all, discussions and disagreements should centre on issues not personalities, and remain focused on problem-solving and not apportioning blame.

- **Courage under fire:** Finally, directors need to have courage. This takes many forms. Firstly, there is the courage to swim against the tide and to express a contrary point of view, rather than meekly to follow the majority point of view – what one director called *"the integrity to speak out with conviction"*. Secondly, there is the courage to remain entirely focused on what is right for the organisation and its stakeholders, rather than worrying about the external reaction – in particular in the media. A surprising number of directors are thin-skinned and overly concerned with what the press think – and hence the perceived impact on their reputation – and consequently try to manage the optics of the situation; the most effective directors instead *"have the backbone to ignore these siren voices"*, argued one chair. Finally, board members ultimately need the courage to resign from a board. This option should clearly be the last resort, but is one utilised arguably too infrequently, perhaps because directors wish to avoid being labelled as 'members of the awkward squad' and damaging their relationships on or prospects for other boards. But as one board veteran argued, *"you've got to stand up for what you believe in…and you've got to be prepared to go if necessary"*.

These characteristics raise an important implication for the selection process itself, as they clearly need to be explored just as thoroughly as candidates' technical qualifications. As well as through skilled probing in interviewing, assessing such character traits can best be done through thorough referencing of candidates with colleagues from other boards and organisations; past behaviour, especially in difficult and challenging situations, is a strong predictor of future actions. A number of directors observed that referencing can often lack the rigour and insight required on these dimensions, and that chairs should both insist on better referencing and be prepared to take up certain references directly themselves.

5. The board needs to be designed and managed as a high-performing team

The best boards function as high-performing teams, and it is incumbent on the chair to try consciously to create the right conditions for this. Team effectiveness is an area of extensive broader analysis and perhaps unsurprisingly our own research underscored the importance of many of the key generic findings. Six key characteristics were highlighted:

- **Building a common purpose:** The starting point for any high performance team is clarity and alignment on its purpose, and boards are no different. The best boards therefore explicitly address fundamental questions on the nature and focus of their role and how they will add value to the organisation – in key areas such as governance and risk management, strategic direction-setting, performance oversight and succession planning. Alignment on this should then underpin how the board operates – influencing the frequency and nature of its meetings, how it spends its time and the way the board interacts with the broader organisation. Importantly, this agreement on the board's purpose should not be a one-off exercise, but instead periodically revisited in the light of changing circumstances. This may sound obvious, but it is surprising how rarely boards have systematically thought these issues through.

- **Optimising board size:** General research suggests that teams of 8–12 are optimal in balancing the trade-off between the need for sufficient resources and the ability to maintain cohesiveness. It is unsurprising therefore that the value of keeping boards as small as practically possible was an almost universal observation from our interviewees. Some suggested 8–10 was best, others 10–12 –

"With each new member, the signal to noise ratio decreases."

›

and all recognised that the scale and complexity of the business was an important influencing factor. Nevertheless, they stressed time and again the disadvantages of boards that were too big and the deleterious effect they had on the quality of discussions and the degree of mutual commitment. *"Every time you add someone to the group, you multiply the relationships binomially"* observed one chair, while another added *"with each new member, the signal to noise ratio decreases"*. The desire to keep boards small argues for relatively restricted representation of management or staff on the board, and many of our interviewees argued strongly for only having the CEO and CFO on the board; however, others felt equally passionate about the value of broader membership.

• **Ensuring mutual respect and commitment:**
  For a board to work well there needs to be a strong foundation of collective commitment. This foundation comes from three elements. Firstly, there has to be mutual respect: board members need to have confidence in the management team and equally managers

"The best boards have one or two members who provide grit in the oyster."

Ineffective behaviour: Conflicted and volatile
By Robert Brickman*

I was on the board of an organisation which was undertaking a moderately large capital project. It was the first construction project we'd ever done, so the CEO and the board were understandably nervous and cautious. We decided to contract a project manager with experience in a project of this type.

After about six months, the CEO and the board sub-committee responsible for the project were unhappy with the project manager's performance. The project wasn't meeting deadlines, the budget had run over, and when we questioned the project manager about the lack of progress she had myriad excuses. The sub-committee brought its concerns to the whole board.

One of the board members was a retired employee of the company for which the project manager worked, and he knew the woman who had got the contract. He had had no part in the tendering process for the project management contract, and he had deliberately excluded himself from the sub-committee to avoid conflict of interest. He had been on leave when the sub-committee had waved the red flag about the project manager's underperformance at the two previous board meetings.

When the sub-committee raised the issue again, he leapt to the project manager's defence. He didn't just disagree with the sub-committee members, he went berserk. He raised his voice, he stood up and pointed fingers and was visibly shaking with rage. The chair gently pointed out that he seemed to be taking the discussion very personally and perhaps had a conflict as a result of his work history and relationship with the contractor. With this, he became even more upset. He accused the rest of the board of ignorance and prejudice and even accused the CEO of mismanaging the project and overriding the sensible recommendations of the project manager. It became clear that he had been discussing the project outside the board with the project manager.

It was tense and horrible meeting and the angry board member left before it had concluded. At the following meeting, he reluctantly apologised. But from then on, every time the project was discussed, he refused to participate in the conversation, saying sarcastically, "Well, I *could* offer an opinion here, but *obviously* I am conflicted."

The real-life stories in this issue have been told to Board Builder by ICDA members. Names have been changed.

need to see the board as capable of adding value: as one chair argued, *"the calibre of the board must be good enough to warrant and command the CEO's respect"*. Secondly, there needs to be a bedrock of common values that provides a degree of glue to the board. Thirdly, and perhaps most importantly, there needs to a high degree of trust in the confidentiality of board discussions and an unwavering adherence to the idea of cabinet responsibility. At its best, the unitary board model facilitates this extent of mutual commitment, but it requires careful and unrelenting management by the chair to create and maintain it.

- **Engineering diversity – especially of thought patterns:** Boards need a shared purpose, common values and mutual commitment. However, at the same time they are truly effective only if they bring and embrace divergent thinking. As one director put it, *"diversity leads to dynamism, similarity to staleness"*. Diversity takes many forms. Clearly, a range of skills and experience is critical to bring both the expertise required and to enable different perspectives to be accessed. Having a range of nationalities brings interesting cultural diversity as well as different geographic experiences. Female board members often bring a less ceremonial, more open and empathetic style and can reduce the tendency to 'alpha male' grandstanding; they remain significantly under-represented on most boards. All these dimensions of diversity are important, and most strong chairs are consciously working on them. However, there is one further dimension which is both critical and in our experience often undermanaged and that is the need to have a diversity of cognitive thinking types on boards – seen by one chair as *"the most important defence against groupthink"*. Getting the balance right between the chemistry of a harmonious board and the productive edge of one with robust discussions is a real art, and the best boards have one or two members (carefully nurtured by the chair) who provide grit in the oyster.

- **Investing in team-building:** Furthermore, chairs have to work at turning the board from a working group into a real team. This rarely happens naturally through the rhythm of formal board and committee interactions. Instead, a range of mechanisms needs to be used to build closer professional and personal bonds. The best boards are typically characterised by the use of board dinners and strategy "away days" that not only provide important forums for professional interactions but also help forge closer ties and underscore the sense of shared commitment. As one director put it, *"relationships matter…the board needs a social identity"*. In addition, the most effective chairs work hard at keeping all directors in touch with events so that they feel, as one said, *"Board members every day, not just in formal meetings"*; this is enormously helped by modern technology.

"Diversity leads to dynamism, similarity to staleness."

- **Addressing weak links:** The final element is one that many chairs find the hardest – addressing underperformers or people who are a destructive or malign influence. No-one likes to take lightly action that may raise questions or damage someone's reputation – or indeed that may lead to concerns from stakeholders on how the board is functioning. There has historically therefore been a preference to allow people to serve out their term, rather than taking more specific action. However, this can be dangerous: as one director said, *"You really need to deal quickly with the bad penny…They can poison things"*. The most successful chairs explicitly invest significant time in developing board members to help maximise their effectiveness, both through the provision of training as required and through personal coaching.

6. The best boards make skilful use of a range of 'safety valves'

Our research also highlighted some key 'safety valves' that can be invaluable in bringing to the surface and addressing key issues inhibiting board effectiveness – but that if used poorly can be window-dressing at best and dangerous at worst. These are formal board effectiveness reviews; and the support of the company secretary.

- **Board effectiveness reviews:** Annual reviews are often seen as mere box-ticking exercises. This is particularly true of internally led reviews. However, it is also unfortunately true that many externally facilitated reviews have also had little impact; one director talked of *"exercises which get you to first base, but no further"*. In contrast, though, a number of the interviewees talked of assessments that highlighted important issues and provided the basis for the board to agree real changes to the way they operated – *"a real catalyst"*, said one director. The most effective reviews seem to have had a number of common characteristics:

    o They are facilitated by experienced and confident evaluators, who combine deep and broad boardroom experience with the independence of mind to draw out difficult messages.

o They centre on individual interviews. The issues are too complex and too sensitive to be dealt with via questionnaires; individual confidential interviews provide the best way to expose and explore key issues.

o They are focused on the right issues. Too often, reviews focus simply on assessing the board's modus operandi and recommending incremental changes to its processes and procedures; instead, reviews should start by ensuring clarity and alignment on the role of the board, how it will add value and whether it has the capabilities required, before exploring not just how its processes operate but also the more subtle but pivotal behavioural dynamics.

o They are driven by a commitment to action. It is vital that a review clearly stimulates the discussion of a series of concrete actions to improve board effectiveness, rather than just being a paper exercise. The report should propose sharp and actionable recommendations, and the chair needs to facilitate and lead an open, honest and courageous conversation that develops and commits to a concrete set of actions to address the identified priority improvement areas.

- **The public officer (secretary):** The third and final potential safety valve is the public officer [referred to in some Australian states as the secretary]. Experiences of and hence opinions on the contributions of public officers vary widely, and there is no doubt that some holders of the role focus merely on supporting the efficient operation of the board and related processes. The best public officers, however, play a critical role as an invaluable source of counsel and advice to not only their chairs but also the other directors, and as an important neutral sounding board on issues that are emerging. One chair described his company secretary as *"my second set of eyes and ears on the business and its dynamics"*.

7. Anticipating and managing 'red flag' issues is the acid test

Finally, it is important to recognise that even the most successful boards can go off the rails. The best chairs and the best directors are constantly alert to potential dangers; our research highlighted three key 'red flags' to look out for:

- **The corrosive influence of power and success:** CEOs – and indeed chairs – who start out in their roles with a well-balanced outlook and a willingness to listen can, over time, become gradually but progressively less tolerant of challenge, less effective at taking advice and more influenced by what one director described as the *"folie de grandeur"*. Boards need to be alert to this risk, watching out in particular for changes in behaviour. Danger signals can include the stifling of debate in the management team, the loss of strong talent in the senior ranks, a lack of effective succession options and a reluctance to engage in rigorous succession planning; similarly, a less open and collaborative degree of engagement with the board is a concern. It is interesting that several of the newer CEOs have brought with them an encouragingly open and constructive approach to working with their boards, often in marked contrast with their predecessors; it will be interesting to see if this endures.

- **Self-congratulation and hubris:** Boards of successful organisations risk falling into the trap of not stress-testing their thinking and anticipating changes – both internal and especially external – that can disrupt their progress. A particular danger is that the board becomes a victim of 'group think' and fails to bring the necessary degree of challenge to the CEO and management. One director talked of the risk of becoming *"enthralled by management"*, while another admitted that a board he had been on had been guilty of *"walking over the cliff applauding the CEO"*. Boards need to guard against this – in part through the right composition and refreshing the board, but also through having

"Behavioural dynamics can make the difference between a bad board and a good board, and between a good one and a great one."

a healthy degree of paranoia and developing mechanisms that force a rigorous assessment of the risks and the potential disruptive forces out there.

- **The personal drama of succession events:** Above all, boards need to be aware of the destabilising impact that chair and CEO succession can have – not just because they end with new characters in the pivotal roles, but even more so because the succession process itself offers great scope for people to reveal themselves at their worst. As one director put it, *"these big decisions are always the proving points for boards"*. Another explained people's behaviour as they prepared to step down from their roles thus: *"Work is their life…They have horror at the sight of the finishing line and the prospect of losing their identity, their car and their secretary"*. Contenders for roles may even seek to play out their candidacies through the press, on occasion going so far as to hire their own PR advisers.

  The best boards deal with this in part by insisting on robust succession plans and timetables. As one director argued *"No-one's irreplaceable, but chairs and CEOs can't see their own moral hazard"*; it is vital that board members ensure that robust discussions on succession planning and timing are had, that appropriate plans are put in place and that they are stuck to.

Behavioural dynamics can make the difference between a bad board and a good board, and between a good one and a great one: our own experience and that of the 70 seasoned directors who took part in our research confirms this. This report highlights seven key areas for boards to consider. We believe that recognising these issues and managing them correctly should provide the foundation for ensuring that a board develops the right behaviours and hence enhances its effectiveness. We hope this provides useful food for thought to all chairs, CEOs and directors.

About MWM Consulting

MWM Consulting is a leading UK-based board advisory and search firm.

MWM advises on board performance, capability and succession planning. It was a UK pioneer of board effectiveness reviews and has consistently been an innovator in the focus of such reviews, drawing not only on its boardroom search and consulting experience but also proprietary insights and perspectives from its ongoing research programme.

This research into board behaviours was led by three MWM partners:

- *Michael Reyner* joined MWM Consulting in 2007 and has led a range of board assignments, including both effectiveness reviews and board appointments.

- *Anna Mann* was one of the founders of MWM Consulting in 2002, and previously was the founder of Whitehead Mann. She has worked with the boards of leading businesses around the world for over 20 years.

- *Richard Phillips* joined MWM in 2004, having previously worked in the board practice group at Whitehead Mann.

www.mwmconsulting.com

Board Matching Service

The board vacancies below are just a small sample of those currently listed on the Institute of Community Directors Australia website: www.communitydirectors.com.au/icda/board.

Board member
INCH Housing, Brisbane

view position

Chair
Friends of Sole Parents Inc, Granville, NSW

view position

Board members
The Good Life Farm, Yarra Ranges, Vic

view position

Treasurer
Art on the Move, Perth

view position

Director of Communications
Abundant Water, Canberra

view position

Advertise a board vacancy

click here

Advertise a board vacancy

Looking for talented people to contribute to your board or committee? ICDA can promote your vacancy for free to a targeted audience of skilled professionals via the online Board Matching Service. Learn more about listing your vacancy: www.communitydirectors.com.au/icda/board.

Double your impact with GoodJobs.com.au

Board listings added to the Board Matching Service are also featured on Good Jobs, increasing the reach of your search for board members.

GOOD JOBS
GET AHEAD, GIVE BACK