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LEADERSHIP IN THE BOARDROOM

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Leadership matters – it matters whether the leadership in question is of a small team, a large organisation, or a board. Research consistently shows a strong connection between the quality of leadership and better outcomes. But what is effective leadership? How do you know it when you see it? If you ask most managers or investors, they will typically talk about the style of individual leaders and mention ideas such as charisma or authenticity. But what does this mean for boards? Does it mean that we need effective chairs who understand how to lead in the boardroom? The short answer is yes, and much more. Business schools have been studying boards and senior executive team dynamics and what makes for better outcomes for decades. It is not an exact science, but it does give us some clear ideas about what matters, the how and why of leadership success in the boardroom, and things to look for to increase your chances of positive outcomes for your organisation.

Everyone matters

When we focus on successful leadership in the boardroom, most observers overfocus on the chair. Yes, every great board has a great chair who can

facilitate effective conversation, who enforces norms of rigour, and who brings out the best in each board member. A bad chair can undo the hard work of many good individual directors. However, especially in the boardroom, each and every director is a leader in their own right. If individual directors refuse to tolerate bad behaviour or ignore bad news in the boardroom, it is extremely difficult for others, including the chair, to continue to ignore these important issues. Each individual director has an obligation to raise concerns and questions when they see ill-advised practice. Indeed, this is the point of a board at the helm of most organisations globally as the collective responsibility of a board should be better at identifying questions, concerns, and risks than any one individual or executive. This is the original reason why boards exist.

Collective responsibility

Building on the point that every individual director matters is the important truth that every individual around the board table is individually and collectively responsible for the decision(s) made as a board. This means that no one director can ever use the excuse that they are not responsible because, for example, they were outvoted. If the decision is fundamentally wrong (i.e. unethical, disastrous and so on), there is an obligation on the part of the individual director to continue to challenge the board. That is not to suggest that every individual will fully agree with every action the board takes, but when the decision crosses over from a judgement of better or worse into just plain wrong, that is an important distinction. It is why most effective boards rarely need to resort to voting, but instead operate on the principle of qualified consensus – where any director can stop any decision, but only if one believes it is fundamentally misplaced.

The coordination challenge

Collective responsibility is an excellent mechanism for identifying and avoiding mistakes, but also makes it highly unlikely that the board will identify or achieve the best possible solution(s). The reason is that boards and all groups are notoriously bad at sharing full information, learning from each other, and coordinating their individual efforts. Rather, in an effort to meet the collective responsibility challenge, boards and other groups often stop once they reach the first acceptable solution where everyone agrees on

a resolution or action. Effective leadership and governance deals with this problem by prioritising learning over winning in the boardroom. Boards collectively make their best decisions when the individual directors are open to the possibilities in understanding the business better rather than being concerned about not making a mistake.

What follows are 20 evidence-based questions that will help you assess the leadership culture of your board and ensure you have the best chances for success. Each of these questions is associated with research-backed support¹ for positive answers predicting board success (in no particular order).

- To what extent are directors highly attuned to their environment and major changes occurring around them?
- Does the board adjust failing policies in a timely fashion (i.e. the board recognises shortcomings and attempts to cut its losses by making midcourse changes)?
- Is criticism of ideas and individuals in private meetings not only acceptable but also actively encouraged as a way of improving decision-making?
- Does the board accept that painful and divisive choices cannot be avoided (that is, that it will not be possible to achieve everything on their wish list)?

1 S. Boivie, M. K. Bednar, R. V. Aguilera, and J. L. Andrus (2016). "Are boards designed to fail? The implausibility of effective board monitoring" *The Academy of Management Annals*, <https://doi.org/10.1080/19416520.2016.1120957>;

H. K. Gardner and R. S. Peterson (2019). "Back channels in the boardroom" *Harvard Business Review*, September/October Issue, 104–111;

R. S. Peterson (2018). "It's time to vote majority rule off the company board listen to the specialists on your board and adopt "qualified consensus" for decision making." *Organizations & People*, October 24, 2018. <https://www.strategy-business.com/article/Its-Time-to-Vote-Majority-Rule-Off-the-Company-Board>

R. S. Peterson (1997). "A directive leadership style in group decision making is both virtue and vice: Evidence from elite and experimental groups" *Journal of Personality and Social Psychology*, 72, 1107–1121. <https://doi.org/10.1037/0022-3514.72.5.1107>;

R. S. Peterson, P. D. Owens, and P. V. Martorana (1999). "The group dynamics q-sort in organizational research: A new method for studying familiar problems" *Organizational Research Methods*, 2, 107–136.

- Does the board demonstrate a capacity for “double-loop learning” (that is, the capacity not just to monitor performance with respect to established indicators, but also to undertake periodic reassessments of performance indicators to ensure that they are measuring the right things)?
- Does the board accept that most policy and strategy decisions require a fluid process, weighing competing values and making subtle trade-off judgments (that is, decisions are made in many ways depending on the circumstances)?
- Can the board act decisively in emergencies?
- Does the board have formidable problem-solving skills and is it adept at improvising solutions to unexpected events?
- Do directors assume that they share a “common fate” (that is, either they will succeed together or fail together), and not have individual, functional, or divisional agendas?
- Does the board show strong team spirit?
- Are the directors intolerant of gamesmanship, their focus instead being on achieving shared goals rather than political games (for example, claiming expensive perks, redefining criteria for success and so on)?
- Are directors remarkably open and candid in their dealings with one another (that is, no false appearances and deceptive manipulations)?
- Is there a genuine common commitment to solving problems confronting the board (that is, a no-nonsense task-oriented feeling to the group)?
- Does the chair make clear his/her policy preferences (that is, so that directors are not constantly in doubt as to where the chair stands on important issues)?
- Do individual directors believe in self-sacrifice for the greater good, and are they willing to have their ideas “lose” if the rest of the board disagrees with them?
- Are individual directors open, confident people who are willing to consider that they might be wrong?
- Is there an atmosphere of trust and mutual support within the board?
- Are there clear rules of engagement for how members should engage with one another (for example, norms of civility, constructive challenge and so on)?

- Does the board prioritise continuous learning for each and every director?
- Does the board appreciate the value in diverse, even conflicting perspectives on the problems they discuss?