

# HUMAN INSTINCTS WORK AGAINST BOARD EFFECTIVENESS

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The real work starts when the door to the boardroom closes. As a board member, you can have your view on what the corporation should do or not do, but your effort is required during the meeting to verify your perspectives and reach new insights. Your questions and comments will decide whether you are able to make a valuable difference. The clock is ticking. The conversations can go back and forth. You need to keep your head clear and avoid missing points that would have changed an important decision had they surfaced before the end of the meeting.

Many boards have gotten away with meetings that were neither focused nor particularly interactive. Some boards have been put together with more emphasis on politeness than on professionalism. The demands on boards and their members are, however, being raised anywhere and are taken more seriously in the Middle East and North Africa. Some organizations are taking larger steps than others. The consequences are the same: with corporate governance, the responsibility for successes and failures is being placed with the entire board, not just the chairperson or the owners. A natural place for the chairperson and the owners to



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begin is with the selection of board members. The experience of a board should reflect the critical needs of the business, and together, the members should have at least a basic understanding of the work that they are supposed to do together. And yet this work does not really start before the door to the boardroom closes, regardless of whether all have prepared themselves properly in advance. The time that passes inside the boardroom is precious.

### ***Competencies alone do not determine effectiveness***

Even competent board members can act in mysterious ways under the pressure of the need to make big decisions and engage in complex discussions. Bob Anderson is a leadership expert from the United States who has conducted perhaps the most comprehensive quantitative study of leadership effectiveness, providing some handy insights for anyone sitting on a board. Using his Leadership Circle Profile model, Anderson has analyzed half a million assessments of individuals ranging from chairpersons to boards and executives a couple of levels down in the organization.

His studies confirm that 18 competencies reflecting popular theories about board work and leadership in a wider sense have a very strong correlation with leadership effectiveness. He also importantly dissects behavioral patterns that anyone who has spent extensive time in board meetings can recognize. The 18 healthy competencies are counterbalanced by a set of reactive tendencies that have a clear negative impact on effectiveness. In other words, our basic human instincts can cut through our sophisticated knowledge, and the assumptions that you make about yourself can limit your potential in life in general – and in a board meeting, for that matter.

“Decisiveness,” “strategic focus,” and “vision” are attributes that would be natural to look for when selecting new board members. Anderson includes them in the competency group that he calls “achieving.” The group of reactive tendencies working against it contains “pleasing,” “conservative,” and “passive.” We all naturally have them in us. Our lives would be less gentle, predictable, and relaxed if this were not the case, but in large amounts, they jeopardize our professionalism. For example, if you fear that others will dislike you if you say something that they do not like to hear, then it can suppress everything you have ever learned about strategy and decision-making. Even though it is evident what a board member should say and do given his or her insights, it might feel more comfortable for him or her to go along with the other board members in a sensitive discussion. The statistics are solid: the correlation between the two aforementioned groups of opposing competencies and reactive tendencies is clearly negative.

### ***Board members are human after all***

Textbooks state that board members should not just follow the stream but go against it when it is in the company’s interest. It is said that the board should never be a comfortable place. Board members should be recruited based not only on their competences but also on whether they have a history of speaking their own mind and demonstrate this in the interview process for the board position. Anyone chairing or sitting on a board should, however, still pay careful and continuous attention to the issue.

We humans are hardwired to react instinctively to danger whether we meet a hungry lion on the African savannah or exposed to a sudden pressured situation in a boardroom, where personal reputation and considerable amounts of money are at stake. When we are threatened and allow our instincts to rule, we

do one of three things: fight, flight, or freeze. The tendencies to please, be passive, or stick to old conventions fall into the freeze category of this triad. Unless we are highly conscious about our inner workings, words can slip out of our mouths faster than we can properly think them fully through. The problem is more likely to occur in the boardroom, when it is least supposed to. "I agree with the chairman's wise words." "No, I do not have anything more to add." "If we just do what we normally do, then everything will be fine." There are good reasons that people often spend so much energy contemplating what they have already said.

Corporate governance is, furthermore, flavored by the cultures of the United States and the United Kingdom, two of the torchbearers in the domain. In these cultures, people challenge each other more than is common in the Middle East and North Africa. An American or British board member is less likely to suppress contrary views and to stick to the protocol than a board member from the region. Geert Hofstede is a pioneer in cross-cultural studies, and his research shows that this difference in behavior is not just anecdotal.

Hofstede has generated index scores for how national cultures vary along five dimensions. Three of these dimensions relate closely to the pleasing, unresponsiveness, and conservatism factors in Anderson's model. First, "power distance" reflects the extent to which people accept and adapt their behavior to others higher up in a hierarchy. The United Kingdom scores 35 on this index, which is relatively low, while Saudi Arabia is at 95, which amongst the absolutely highest in the world at the end of the index. A Saudi board member is more likely than a British one to follow his chairman, despite disagreeing on critical issues. Second, "collectivism" means that people associate with and act like the others in the group that they are part of, as

opposed to behaving individualistically. The United Kingdom and Saudi Arabia score 11 and 75 on collectivism, respectively. The former is very low close to the other end of the index, while the latter again is high. A Saudi board member is more likely to sneak out of a discussion in which he disagrees with most of the board. Finally, "uncertainty avoidance" refers to one's level of comfort with change and uncertainty. The pattern is the same. The United Kingdom is low at 35, while Saudi Arabia is high at 80. A Brit is more likely than a Saudi national to point out that he or she finds that the board is ineffective and suggest new ways of running their meetings.

All 12 countries in the Middle East and North Africa that Hofstede covers fall into the upper half of the indices for power distance, collectivism, and uncertainty avoidance meaning that they score high on all of them. The United Arab Emirates and Kuwait are together with Saudi at the very top. Meanwhile, both the United Kingdom and the United States are in the lower half of all three indices. There are, of course, individual board members who deviate from their local norms, but the big picture of national averages is clear.

### *The chairperson alone cannot control effectiveness*

A chairperson who realizes that his or her board struggles with decision making, strategic focus, and achieving results might take the matter into his or her own hands. The board members who are least active could be told to speak up more in the meetings if they want to keep their seats. The chairperson could start preparing him- or herself even more for the meetings to avoid missing anything and push the members during the meetings to live up to his or her own high standards. After all, such dedication is what enables many entrepreneurs to overcome barriers and helps career professionals to

climb the corporate ladder. Willingness to take the driver's seat and pick fights can be healthy, but these actions also have a flipside when they are forced strongly.

The types of behaviors just described fall into the group of reactive tendencies that Anderson calls "controlling" and is opposed by the "relating" competency group. The latter contains "fostering team play," "collaborating," and "interpersonal intelligence," amongst other attributes. High scores in controlling clearly work against relating.

When you as a chairperson take strong control of what should happen and how it happens, you risk pushing the other members of the board further back into a follower role. Instead of looking at how they can complement each other, they could look to you for guidance. They could end up paying more attention to what you want than to what the company needs. The effectiveness of a board is not one person's work alone.

### ***Must-dos for a more effective board***

A better approach to address groupthink or other issues with board effectiveness

is to discuss how the board should ideally work and how you can move closer to this ideal. The conversation is unique for each company. There can be special needs because of the nature of the business and preferences grounded in a particular culture or a mixture of several cultures. The starting points are always at least slightly different.

It can help to ask the members of a board jointly to select and describe a small set of must-do behaviors to which they can all commit. While this task may sound similar to the formulation of value statements for a company that many boards have been involved in, the exercise is actually very different. Behaviors can quickly turn into habits, and people have difficulty adopting new values. The must-do behaviors should be defined so they are observable. Every member of the board should be able to see or hear whether everyone lives by the behaviors or not. An example is as follows: "Just before we make a critical decision, we have each member imagine what could go wrong after we make the decision." Board members have many concerns. They should not carry all these concerns around after the door to the boardroom is opened again. They should put their deeper thinking on the table while it still counts.



Sources:

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