Dissent is not a dirty word

by Carolyn Evans and Tanya van der Wall

Setting up for organisational success really does start in the board room. Otherwise, chances are the entity will flounder at least, and founder at worst. But a great board needs to be a great team, and achieving that is no mean feat. A key feature of what gets in the way is that directors typically are, and certainly should be, independently-minded, so they will disagree. In fact, from a contemporary governance view point, the organisation *needs* them to disagree in order to ensure the full scope of an issue has been explored (with the due modicum of facts and reasoned logic, of course).

In many places, however, this represents a cultural shift away from the organisational norms of earlier times, when dissent was often perceived as sitting on a continuum from being 'not quite polite' behaviour, through to constituting a gross act of disloyalty to one's colleagues.

As we see it, there is a good reason for the tale about the brave soul who said the emperor had no clothes, and contemporary reportage continues to show that a naked emperor does no one any favours and the fallout for a board never gets any prettier. So a clever chair helps their board to value (well-conducted) dissenters and nurture appreciation of their views.

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Size doesn't matter, really

In getting to a well-functioning board, size really is not the key to success. Of course, board capacity begins with the number of individuals on the board, but just adding one of every type of potentially relevant expert may actually be counter-productive. On the contrary, small or large boards can be successful if well-composed in context, and if able to maintain positive orientation towards the decisions, actions and outcomes necessary to the organisation's strategic direction, That strategic direction is set by the board, but must be duly cognisant of the views of the 'owners', as to their purpose for having, and keeping, the organisation alive.

The time honoured tradition of an uneven number of directors has an evident role in managing dissent by not ending up with a tied vote, but its not a silver bullet - there can always be legitimate absences, abstentions or recusals.

Of course, the chances of board success diminish without sufficient breadth and depth of expertise on the board, or accessible in its expert advisers and the management team. That is equally the case, however, where the board team grows so large it becomes unwieldy. So size of the board ends up being a compromise between what works easily on a good day but still well enough on a bad one - not unlike many calls that a board needs to make.

That said, a board's teamwork really does spin more on quality than quantity - so it is crucial that each director be suitably qualified for the role, share an understanding of what needs to be done and the individual contribution they can make, and be willing to invest enough time and effort to deliver it.

Shades of grey, sure, but ...

Setting the direction to fulfil organisational purpose necessarily has shades of grey. But some boards make positive decisions despite the shades of grey, while others never do, even on matters that are almost black and white. This speaks to the overall composition of the board, beyond it being a collection of highly competent individuals.

In its composition and work practice, a great board able to embrace dissent to advantage will demonstrate the capability for and willingness to:

- not just clone themselves when seeking new members, but set clear selection criteria for board members as much as for management;
- choose board members as least as purposefully as senior executives are chosen, giving genuine consideration to diversity, and diversity of opinion, which is not at all in short supply with the wealth of talent out there qualified to serve on a board;
- task individual directors in line with the organisation's purpose as set by 'owners' - including, for example, formally-expressed collective wishes of the members in a membership-based association; and
- regularly review overall board performance, and the contribution of individual directors, diligently and factually linking this to progress realised towards fulfilling the purpose of the organisation.

Fundamentals

The chair

On some days a ringmaster, a juggler or a lion tamer, but always not much more than first among equals, the chair of a board has what is often an unenviable task.

It falls to the chair to be the leader to 'facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between board and management'.[1]

Our perspective: it is often the chair's job to manage dissent on the board to get the best of what differing opinions have to offer. Having a chair who is reluctant to deal with dissent positively dilutes rather than strengthens board capacity for the tasks at hand.

Board performance

The board's performance is more than the sum of its parts, in the contributions from the directors and staff assigned to support them (eg. preparing board meeting materials). It needs to be evaluated as much as any other part of what is done to realise the purposes of the enterprise.

It is always open for the 'owners'[2] of the entity to act on poor results, though they often do so only in extremis. A better deal is for the board to evaluate its own performance, in fair and factual manner, and to afford time for mature consideration and diagnosing how to improve in the future - a task that takes a little more than an hour slot at the annual strategic planning love in!

Playing nicely

Teamwork among board members, and in board interaction with the senior management team, is crucial to the organisation's effectiveness.

It's all about *what you do with what you have*, which is less about the skills and talents available on the board and more about how those resources are brought to bear for the organisation.

Of course every person on the board needs to be highly competent in the context, but even with this, they must have capacity for working collegiately with peers - which experience suggests is a rather more rare commodity. Such collegiality - genuine, rather than lip service - is founded on:

- challenging, well-informed debate amongst peers, and teamwork that forms despite disparate backgrounds, rather than unduly relying on homogeneity and conformity;
- appropriate interpersonal behaviours, every bit as much as each director having independent viewpoints to contribute to the discussion; and
- a commitment to 'cabinet solidarity', abiding by the majority decision to support the agreed direction to which the board commits as a team.

One thing to avoid carefully is the 'representative' mindset that may arise from directors feeling that they have some (informal) 'constituency' which backs them to be on the board. Many jurisdictions prescribe what directors must, and must not, consider in their board deliberations, and this attitude may transgress such requirements.

There is sometimes a formal aspect of a similar kind - such as in Germany, where a board position reserved for a worker representative is still common, and student representatives on 'board-equivalent' groups are common in many academic places. This may legitimately bring a responsibility for that director to give voice to the interests and concerns of the group they are said to 'represent'. Where that applies, best practice is that part of the annual planning process revisits the legal or other accepted obligations that need to be accommodated in the board's work practice - respecting legal obligations of all directors (for example, in some places to always act in the best interests of the organisation) and concurrently still being able to identify and respond appropriately to problematic conflicts of such interests.

Focus, not hocus pocus

As much as anywhere else in life, having the heart to keep working as a board member calls for seeing a positive result from one's work. Deliberate decisions and risk management in context go a long way, but experience suggests that every board must have, or develop, the capacity to direct itself well, in order to return results commensurate with time and effort invested.

Put another way: as much as their task is essentially to engender the required performance of the organisation, boards necessarily must first take ownership of their own performance. So, with compliments to Jansen and Kilpatrick, we'd say mostly 'the key isn't to do more but to focus more.'[3]

Fundamentals

Size

There is nothing magic about board size, but there are some pervasive interpersonal and group dynamics behind why so many settle at a similar size. It's a balance of:

- having enough capacity and spread of skills;
- not being so large as to be unwieldy in meetings, or in scheduling them; and
- being large enough to avoid a routine split into an 'us and them' dichotomy, but not so large as to end up with multiple factions.

Our perspective: six to nine well chosen board members will do the job in most cases.

Recruiting

Great board work depends on great team work and authentic leadership from the chair.

Appointing highly competent executives to a board doesn't necessarily make a great board, especially if it fails to become a team. Paul Strebel, Professor of Governance, Strategy and Change at IMD (a global business school based in Switzerland), particularly recommends including strong sparring partners who are willing to raise a red flag.[4]

Our perspective: make a long list of candidates having the right core competencies and professional background, then filter to find those who will tell the emperor he/she has no clothes, with personal maturity and interpersonal skills enough to deliver the message so the emperor thanks them for the advice.

Who does what?

In good times and in bad, many board members find it hard to resist delving in to solving the problem rather than working out whether the right problem is being solved. As a cause for dissent of the kind that really helps no one, who should do what in leading the organisation may be the greatest chestnut argument of all time. And, in one sense, so it should be - the boundaries between what a board should do, and what it should leave to management, or what might be delegated one or more steps down the chain, is hardly a matter of perfect science or dry rationality. It is highly contextual, and subject to both the effluxion of time and the course of endeavour by that entity. All of that noted, every board needs to corral this discussion to its rightful and productive place in the overall scheme of things, not rehearse the same litany at each board meeting when bad news pops onto the board's radar.

Some commentators cast the board contribution to organisational success as a combination of oversight, insight and foresight.[5] If it helps to have a visual concept, think of something like a car rally enthusiast who needs to monitor a speedometer, a GPS locator and over-the horizon radar, to be competitive by going at the right speed in the required direction with an eye on what trouble might be up ahead. Try setting out the annual planning day under those headings!

In the end, it remains that:

- the board's role is to determine the organisation's direction - what mountain will the enterprise climb?
- management's remit is to deliver on the direction set by the board - how will the enterprise climb that mountain?

With that in mind, in the annual planning cycle it is very sound practice to make sure that the board has duly considered its own role in directing, enabling, accepting, and refining, achievements of the enterprise in bringing its raison d'être to fruition - and in discussion elsewhere, we urge boards to give those questions more than an hour on the run, between looking at a budget and tossing around whether its really necessary to revise the board's policies next year.[6]

Further reading:

The references footnoted here are also great general reading for boards and senior teams.

1. ASX Corporate Governance Council Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Ed, 2007; re-issued in 2010), 17.
2. “Owners” is our usual shorthand for those who have the final right to determine the form and purpose of an organisation, and to whom the board is accountable for their decisions, actions and outcomes. See also our paper on corporate governance.
3. Jansen, P J and A R Kilpatrick ‘The Dynamic Nonprofit Board’ (2004) 2 The McKinsey Quarterly 20, 22.
4. Just google the good professor for his latest writings, phrased very much for a commercial enterprise but with messages on a broader front - see this piece for example: https://www.forbes.com/2010/09/16/best-board-directors-leadership-governance-imd.html#2337d9a97ef7
5. Julie Garland McLellan, for example - www.mclellan.com.au/release2.html
6. See our web site for materials on this crucial topic.