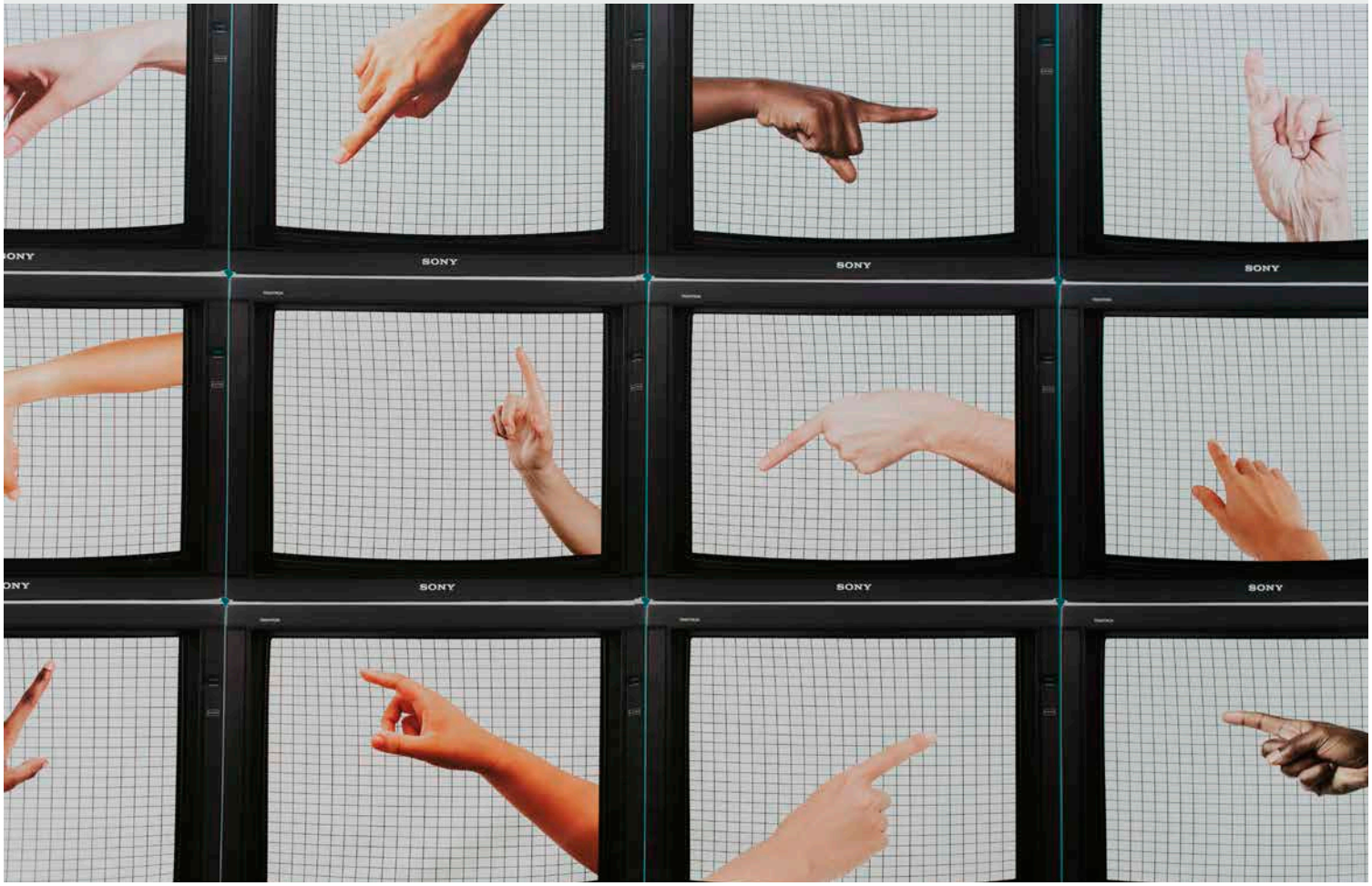
An interview series by Lloyd Mander CMInstD, DOT Scorecard

Realising your board's diversity of thought

Board chairs share their practices that can build your board culture



DOT Scorecard®

Institute of DIRECTORS NEW ZEALAND

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Forword

A recent study of New Zealand boards revealed substantial differences in relation to their diversity of thought. They varied widely not just in their potential for diverse thinking but also in the extent to which their culture supports the realisation of their diversity of thought.

Following on from those findings, the chairs from four boards with high-performing cultures in that study were interviewed to learn about the practices boards can use to develop a culture that enables diversity of thought. As these boards demonstrated their positive cultural performance through the DOT Scorecard® – an insider's 360-style evaluation – the selection of interviewees has an objective basis, in contrast to the more typical selection method of relying on a board's profile and external perception of its performance. For this reason, these interviews present a unique opportunity to gain insights into boards where diversity of thought is measurably at work.

Bio

Lloyd Mander CMInstD

Lloyd Mander CMInstD leads DOT Scorecard, a consultancy that works with boards, executive teams and other teams to understand potential for wide-ranging diversity of thought and develop the decision-making culture that is required to realise diverse thinking. He represents the Canterbury Branch on the IoD's National Council and has held governance roles associated with the health, housing, transport, and entrepreneurship. Lloyd was previously a co-founder and the Managing Director of a regional healthcare provider.

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Part 1. Inclusion:

Building an inclusive board culture

Chairs we interviewed

Abby Foote CFInstD

"Having clarity of vision and the shared values helps you to navigate the different views and see them within a context that is constructive, rather than oppositional."

Abby Foote

Currently: Chair Z Energy, Independent Director Freightways, Independent Director Sandford

Previously: Director TVNZ, Director Museum of NZ Te Papa Tongarewa, Director Livestock Improvement Corporation, Director Local Government Funding Agency, Director BNZ Life Insurance, Director Diligent Corporation, Director Transpower

Frazer Barton

"I've heard it eloquently described that 'you need a culture of convincing and cajoling, rather than commanding and controlling'."

Frazer Barton

Currently: South Island Vice President NZ Law Society, Council Member, Chair of Appeals Board, Chair of Health & Safety and Ethics Compliance Committee University of Otago, Partner at Anderson Lloyd

Previously: Chair of Anderson Lloyd Partnership, Chair of Presbyterian Support Otago

Janine Smith CFInstD MNZM

"With an inclusive culture you also need the respect of everyone around the board table, to ensure that they do actually listen."

Janine Smith

Currently: Chair REANNZ, Executive Director and Principal The Boardroom Practice

Previously: Chair AsureQuality, Director Steel and Tube, Director Kensington Swann, Director The Warehouse Group, Deputy Chair Kordia, BNZ, Deputy Chair Airways, Executive Director Arnott's NZ

Ngaio Merrick CMInstD

"It's the chair's role to bring voices into the room; it's the chair's role to include people without putting them on the spot. It's also the chair's role to ask people to play devil's advocate if we agree – in fact, especially if we agree quickly."

Ngaio Merrick

Currently: Chair KiwiNet, Director Reefton Distilling Company, Co-Founder Nuance Connected Capital, Portfolio and Investment Manager Lewis Holdings

Previously: Director Everedge Global, Director Precision Engineering

For diversity of thought to be realised, all board members need to be appropriately included in decision-making. To achieve this, board members must have space to contribute to the conversation and be willing to speak up, and others must be prepared to listen.

Recognising levels of involvement differ between decision types

Although board members are collectively accountable for the board's resolutions and actions, it is not realistic, or desirable, for every board member to be equally involved in every decision. Some decisions will be based on the application of an established best practice. Others will draw more on the skills of specific board members such that they may rely more on the recommendations of those with the relevant expertise. However, boards will also face some complex challenges and opportunities where there are fewer constraints on options, there is no definitive 'best' solution and factors are at play that you don't know you don't know ('unknown unknowns'). These are the decisions that should include all board members, especially those who may hold a different viewpoint.

It is helpful if board members take time to classify different types of decisions and decide how each type of decision will be made. An established framework such as Cynefin provides a common language and consistent logical approach to support this. Once decisions have been classified, it is easier for boards to be clear on the level of involvement each board member should have in each decision.

To achieve inclusion in decision-making, the board meaningfully brings particular board members into the process when their contribution may add value. Individual board members should feel that they are readily able and duty-bound to contribute.

"There is an expectation that everyone participates. I don't have directors that don't speak. Even if they're not experts, I expect them to have a view on a topic, because that helps us to make sure that we make better decisions. Having only one or two people speak doesn't really help that decision-making process which is our role as a board."

Setting clear expectations for participation

As chair, Janine sets clear expectations and ground rules for board members' contributions. This goes a long way towards ensuring their thinking is both independent and readily shared.

"There is an expectation that everyone participates. I don't have directors that don't speak. Even if they're not experts, I expect them to have a view on a topic, because that helps us to make sure that we make better decisions. Having only one or two people speak doesn't really help that decision-making process which is our role as a board."

A culture of engagement across all board members supports diligence and respect too, as Janine explains.

"They know what my expectation is and if they don't speak out or I think they need to have a point of view, I'll always ask. It would be fair to say that my directors don't come to the boardroom without having read the board papers – it is pretty obvious if ever they haven't done so. With an inclusive culture you also need the respect of everyone around the board table, to ensure that they do actually listen."

Frazer strongly supports encouraging 'outliers' who challenge the board and present different ideas. But he is mindful that board members also need to be receptive and listen to both the outliers and those with more widely held views. They should then be prepared to absorb all they have heard, to pick out the best bits and ultimately to modify their own positions if that is appropriate. There is no place for too much ego in the boardroom.

"I've found that makes governance hard work at times. On the one hand, you don't want a whole lot of 'yes' people – we want the vibrancy of dialogue and debate. But on the other hand it should be done in a courteous way, where people are actually listening and you actually hone the decision, so it's been refined as a result of the input from everyone, and everyone's prepared to listen and modify their positions.

"Unfortunately, I've had experiences where you've got the person who wants to rule with an iron rod and it's all just tokenism or lip service to have a board in place. I've heard it eloquently described that 'you need a culture of convincing and cajoling, rather than commanding and controlling'."

Techniques to encourage inclusivity and different perspectives

Abby supports getting the fundamentals right. One of these fundamentals is to properly acknowledge and appreciate contributions from board members, especially when someone shares a position that differs from others.

"A board member with a different view needs to feel that there's a real willingness for the group to explore why their view is different to others, or where it differs and what's on their mind."

Ngaio also sees the chair as having a critical role in ensuring every board member shares their views.

"It's the chair's role to bring voices into the room; it's the chair's role to include people without putting them on the spot. It's also the chair's role to ask people to play devil's advocate if we agree – in fact, especially if we agree quickly."

One technique Ngaio uses is to look for any signs that inclusivity is missing.

"For me it's when no one challenges an assumption. I don't take silence as assent. That's probably the biggest mistake that chairs can make – they take no response as meaning that everyone agrees. In fact, it really only suggests that the chair agrees! If we make decisions based on assumptions and we haven't challenged those assumptions, then I'm not sure that decisions are robust enough, so quite regularly we go back and ask people to give a different perspective."

Another of Ngaio's techniques is to actively seek to hear everybody in the room: "I haven't heard from you. Are you thinking with us or are you thinking something different? Can we hear from you?"

And if a member's contribution then shows they are thinking differently, the chair should make an inclusive response: "That's a new perspective, thanks for that. How does everybody else see that?"

In addition, it's important to ensure

that the board's thinking has been adequately challenged: "You've agreed with everything just said. Any chance you could play devil's advocate – look at it from a different perspective for me?"

Ngaio also credits Ruth Richardson (a former New Zealand Minister of Finance) with the easy ability to request another perspective from the group when she felt a decision was inadequately scrutinised. Her role as chair was akin to being the conductor of an orchestra: "Bring in the drums, come on, let's have a devil's advocate view."

Actions for your board:

- Discuss how the board will take different approaches to making different types of decisions
- Ensure each board member understands and agrees with how they will be included in different decisions (everyone should be included when facing complexity)
- Do not assume silence around your boardroom table means agreement
- Encourage contributions from 'outliers' who might present a different view or challenge your board's thinking
- If your board agrees too readily on an important complex matter, take time to challenge your assumptions

"It's the chair's role to bring voices into the room; it's the chair's role to include people without putting them on the spot. It's also the chair's role to ask people to play devil's advocate if we agree – in fact, especially if we agree quickly."

Part 2. Psychological safety:

Ensuring all of your board members can make an authentic contribution

Ngaio Merrick CMInstD

"I think it's all about psychological safety and that everything you do when you do bring in somebody's opinion contributes to their psychological safety."

Abby Foote CFInstD

"The management team should feel that it's safe to present different perspectives to those expressed by the board and to share that they disagree with board members. Everyone should then be curious about why those different perspectives exist."

Janine Smith CFInstD MNZM

"To develop trust and respect, it's really important to get to know the person outside of the boardroom."

Frazer Barton

"You've got to observe what's going on around the table and avoid the dominance – you've got to call those out who are talking over others or are repeating themselves. You need to invite people to speak up where they have not been able to do so."

"They don't just know each other from their board time, they actually start to know each other as people. I've seen that work extraordinary effectively."

Psychological safety is the shared belief that a group is safe for interpersonal risk-taking. It is about being able to be and show one's self without fear of negative consequences to self-image, status or career. Psychologically safe board and team members feel both accepted and respected.

Establishing and maintaining psychological safety

Based on her research and experience, Janine characterises psychologically safe boards as those where members respect and trust each other. Structuring in time for people to get to know each other outside of the boardroom is critical to developing relationships of this nature.

"They don't just know each other from their board time, they actually start to know each other as people. I've seen that work extraordinary effectively."

Ngaio sees psychological safety as going beyond allowing someone to be themselves; for her, in a boardroom context it's specifically about allowing an individual to disagree with the rest of the board. She believes that everything you do as chair, including actively bringing in somebody's opinion, should contribute to their psychological safety.

"It's also about ensuring that there is never a witch hunt – that if something goes wrong, there isn't an allocation of blame back to the suggester."

To Frazer, an important part of the chair's role in building a psychologically safe board is preventing someone from dominating.

"You've got to observe what's going on around the table and avoid the dominance – intervene and stop people talking over each other – and then when things get a little bit heated, you've got to call those out who are talking over others or are repeating themselves. You need to invite people to speak up where they have not been able to do so. Ideally you shouldn't have to do it but it does happen, and I think it's managing a situation to make sure that no one overbears anyone else."

"I have had times when a female board member has come to me suggesting that one of the males was perhaps over-speaking, not quite being a bully but behaving in a way that was of concern. You raise it with them and they have no idea by the way, so you just have to manage that."

"The management team should feel that it's safe to present different perspectives to those expressed by the board and to share that they disagree with board members. Everyone should then be curious about why those different perspectives exist."

While Janine does not recall many instances of poor behaviour on her boards, she acknowledges that establishing and maintaining trust and respect does require more work where board members are diverse.

When behaviour is detrimental to psychological safety – such as over-talking – Janine believes it is best tackled proactively. Interestingly, the person responsible for such behaviour can be completely unaware of its impact.

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Benefits of psychological safety

As Abby explains, boards that demonstrate high levels of psychological safety feel free to share their concerns. They do this in a way that stimulates the curiosity of others and opens opportunities for others to build on to thinking, as opposed to being defensive or reflexively challenging in response.

Where a board has psychological safety, Abby says, it allows for really robust debate about different perspectives and then makes it possible to move on to the next issue, where board members may form entirely different combinations of views. Plus, you're confident that everyone's still really comfortable with each of the relationships around the board table.

Ngaio further emphasises psychological safety is a safety net for the individual rather than collectively for the board as a whole. In her view, a critical education piece is to consider how board members feel when the board does not follow their idea but they did contribute to the decision-making process and a better decision.

"If you have someone who's really against the direction of the group as a whole, I'll say, 'Okay, so you clearly disagree with the direction of travel here and I know that when we leave the room, we all have to agree, so what can you live with?' and then we'll try and find some common ground, which means that you haven't won but you haven't lost either."

Ngaio encourages converting an absolute "win/lose" mentality to a more nuanced view from board members, where they think:

"I contributed, I helped, and I got there and I don't need to wed myself too closely to my idea as being absolute, as long as parts of my idea or some of my considerations have been heard."

Supporting new board members and management

Ngaio has also observed that new board members can be put under some pressure when the existing board is keen to make the most of their "fresh set of eyes". She sees the solution as giving people fair warning and good notice to prepare to make their contribution:

"We're currently discussing this. You're quite new to this board, and when we get to the end I'm going to ask you what you think, and if you have no extra thoughts, that's fine, but if you do have a different perspective, we would love to hear it."

Ngaio reports that in most cases people do then share their thinking; in fact, they often see something others hadn't thought of. Going through this process once or twice gives people the encouragement they need to know that their ideas are wanted and valid.

"Even if the idea that comes through is outside the brief, or goes right against everything already proposed, it's a matter of acknowledging 'that's a great framework for reviewing what we do, and making sure that it does fit with what we're supposed to be doing so thanks for bringing that framework in'. But that's the psychological safety net: knowing that you are necessary as part of our overall decision-making, not that your individual ideas will necessarily be acted on."

Abby shares how psychological safety should also be a priority consideration for the board's interaction with management: "The management team is a really important part of wider board culture. They've got to feel that they're part of that journey and there's psychological safety for them as well as for the board."

Abby acknowledges that the work of the broader group of management and governance can be fraught at times. She explains that you need to keep watch on the relationship because you want to make sure that the management team feel challenged and held to account for their part but equally that all of the people around the table have mutual respect.

"The management team should feel that it's safe to present different perspectives to those expressed by the board and to share that they disagree with board members. Everyone should then be curious about why those different perspectives exist."

Actions for your board:

- Start by building trust and respect inside and outside of the boardroom
- Proactively prevent someone from dominating your board discussion
- When a board member raises a concern about another's behaviour, encourage curiosity instead of allowing defensiveness
- Frame decision-making as a team sport, not a win (or loss) for the individuals whose ideas are supported (or discarded)
- Support the psychological safety of your management team too

Part 3. Independence:

Achieving independent thought and expression

Janine Smith CFInstD MNZM

"There is an expectation that everyone participates. I don't have directors that don't speak. Even if they're not experts, I expect them to have a view on a topic, because that helps us to make sure that we make better decisions. Having only one or two people speak doesn't really help that decision-making process which is our role as a board."

Abby Foote CFInstD

"I'm a big believer in the power of people bringing their view, not having shared it with others beforehand because of the risk of a moderating of views that can come just from talking to others."

Frazer Barton

"I will only express my views towards the end of the discussion, after making sure everyone's included."

Ngaio Merrick CMInstD

"What I'm really careful with, particularly with any CEO who is coherent and articulate, is not to persuade the fertile question, but to leave it completely open. So the supporting data has to be minimal, as opposed to 'Here are 18 pages justifying why I think what I do, do you agree?' It's got to be a fertile question that really does challenge the way that we think."

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Including independent opinions that are often both diverse and contrasting is fundamental to the success of boards seeking to realise their diversity of thought.

Each board member should strive to form an independent view by seeking additional information and insight through their sources, applying their individual problem-solving preferences and seeing things in the context of their personal experiences and beliefs. Then they should convey their view to the rest of the board without moderation or modification. In this way, the board has the opportunity to consider the member's genuine independent thinking, whether it is aligned to or divergent from the views of other board members. After the board member has conveyed their perspective and heard the independent perspectives of others, they are entirely free to change their mind.

Creating an environment that supports independent thinking

Abby strongly believes that boards should create an environment that recognises the value of the diversity of the viewpoints, so people don't feel that they've got to suppress their views or moderate them under influence from others.

"I'm a big believer in the power of people bringing their view, not having shared it with others beforehand, because of the risk of a moderating of views that can come just from talking to others."

Ngaio sees 'fertile questions' as especially worthy of independent and open thinking by boards. These are the complex or big-picture questions with no particular boundaries – for example: "Should our organisation exist? Are we still necessary?"

To include the independent views of all board members and to encourage robust discussion, Ngaio recommends allowing adequate time for consideration, perhaps a few weeks prior to the meeting. She also says it's important for the chair to give thoughtful consideration to how they provide information to the board.

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As the leader of the board, the chair is in a position with potential to influence how willing others are to share their true views. Frazer reflects that his upbringing shaped his approach to addressing this. His father, a Presbyterian minister, taught him that the leader's role in group decision-making is to help everyone come to the right decision, not necessarily to reveal your personal view.

"I see my job as being to facilitate well-informed, clever and wise decision-making. And there are times I need to steer it depending on what the particular issue is."

Following her extensive experience in executive and governance roles as well as with consultancy supporting boards, Janine reports that during meetings she is conscious of whether board members are sharing their true independent thinking, although she has not often been concerned that they are holding back. However, sometimes board members can make contributions that are less helpful.

"There have been people that might want to rock the boat [for the sake of it], but the board culture is strong enough, so you don't have to have the chair addressing it all the time; the rest of the board will actually moderate that."

Encouraging independent thinking when making complex decisions

Independent thinking is critical when boards are facing important complex decisions. Ngaio shares the following useful techniques to bring out board members' independent thinking in such situations.

- A blind ballot:

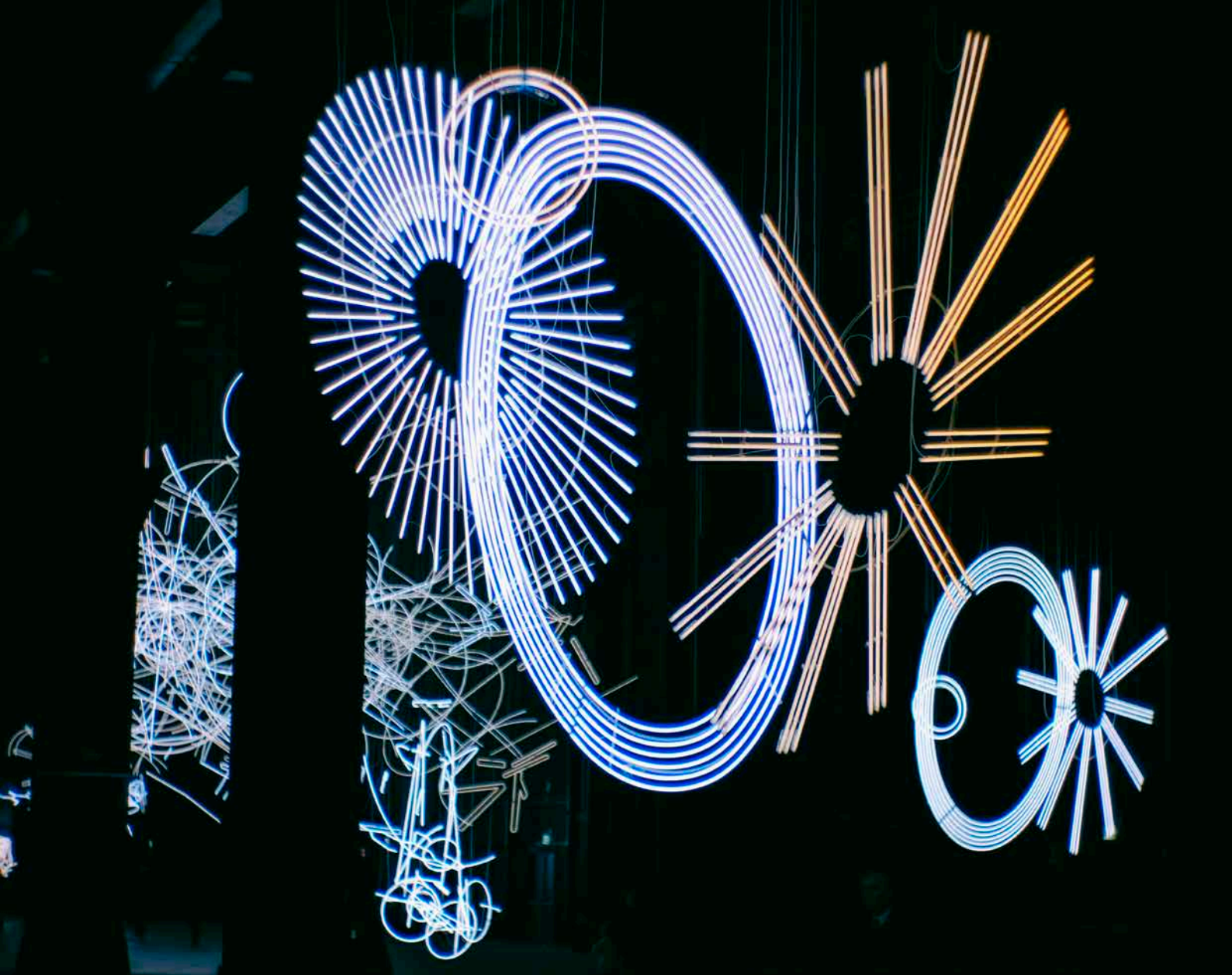
  "In some of my committees I ask members to close their eyes and raise hands for A, B or C, so that I can get a feel for the room without having everybody see what everybody else said. Getting people to commit before they say it out loud is the essence behind that."

- Writing down the number:

  "One of the really common questions in our startup world is - at what price would we sell? If the founders are thinking the price is $100 million, and the board are thinking it is $10 million, you're actually misaligned. So quite regularly I will ask people to write down on a piece of paper without showing anybody the number that is in their head, and then we will turn our pieces of paper over."

- Playing devil's advocate to challenge the consensus with an extreme alternative:

  "I might say, 'So you think we should go down to Dunedin and run it down there and that's absolutely the best place to be. Well I was actually thinking Whangārei, and the reason I think Whangārei is this, so is anybody in the middle?' and that will often bring out the voices such as, 'We thought Hamilton, but I didn't want to say it because you were so set on Dunedin'. So providing an opposing view is necessary. Sometimes people have said, 'I was thinking Whangārei too' so then we really are a long way apart. When we are a long way apart, that's when as a chair I start celebrating: fantastic we have a robust decision on our hands, so because we've started here, when we get to a single place we will have had to go through a robust process."



Actions for your board:

- Board members should strive to develop an independent view and share it in the boardroom
- Chairs and CEOs should be especially careful not to unduly influence board members' independent thinking
- Your whole board has a role in supporting board members to share their independent thinking
- When your board is facing an important complex decision, use a disclosure technique that allows each board member to share their unmoderated and unmodified view prior to open discussion

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Part 4. Effectiveness:

Undertaking productive board decision-making

Janine Smith CFInstD MNZM

"I believe that if the discussion is free flowing then there's nothing worse than stopping when you haven't reached a decision, or someone's just come out of left field. Even with the best intentions in the world and an agenda that has timeframes associated with it, sometimes it just doesn't work that way."

Abby Foote CFInstD

"You've got to go slow enough that all of the views come out. Because if you don't, you end up revisiting topics because there are concerns that remain unexpressed or not sufficiently articulated."

Ngaio Merrick CMInstD

"If we make decisions based on assumptions and we haven't challenged those assumptions, then I'm not sure that decisions are robust enough, so quite regularly we go back and ask people to give a different perspective."

Frazer Barton

"You can get bogged down in long discussions and the meeting takes too long. But then when it's something important and it's a good vibrant discussion and we're making progress, I will sit back and let the debate happen. So, I think it's keeping a finger on the pulse – it's not an easy balance to strike."

"Having clarity of vision and the shared values helps you to navigate the different views and see them within a context that is constructive, rather than oppositional. The more that you can do to create an environment where there's a real openness to understanding those views and building on them in order to take you further in the direction that you want to go – the better."

Boards are ultimately responsible for making decisions that their organisations can execute. Genuinely including diverse perspectives in the process is necessary but not sufficient for effective board decision-making. Bringing together different viewpoints also takes more time and can be emotionally draining for everyone involved. Board discussion is constantly constrained by finite meeting times and frequently packed meeting agendas.

The balance between efficiency and thorough discussion

The chair is tasked with achieving the right balance between ensuring discussion is thorough and having a meeting that is sufficiently productive to make the decisions that need to be made.

The experience of leading a board through complex challenges – such as the ongoing impact of the COVID-19 pandemic – has allowed Abby to reflect on the success factors involved in effective decision-making. She highlights the necessity of underpinning diverse views with a shared set of values and a focus on achieving a strategic direction towards a clear vision. Using this foundation, the board chair can foster an environment where diversity of thought is realised in a productive way.

"Having clarity of vision and the shared values helps you to navigate the different views and see them within a context that is constructive, rather than oppositional. The more that you can do to create an environment where there's a real openness to understanding those views and building on them in order to take you further in the direction that you want to go – the better."

When shared values are missing, Abby sees this as leading to greater polarisation: people tend to move towards different ends of the spectrum instead of building on those different views to better deliver the shared vision.

Abby confesses that when she began chairing meetings her natural inclination was towards efficiency, but she has since learned that this is not necessarily helpful and now prioritises thorough discussion. She also recognises the importance of

accommodating reflective thinkers who need the discussion to fully activate their thought process. If the discussion moves on too quickly, some may seek to revisit prior items, which risks frustration for everyone.

"You've got to go slow enough that all of the views come out. Because if you don't, you end up revisiting topics because there are concerns that remain unexpressed or not sufficiently articulated."

She advises considering the agenda and planning out the discussions where different perspectives are likely, difficult conversations may be required or you'll need to spend time teasing out views. Those are the discussions that you need to allow enough time for and avoid moving through too quickly.

Abby also advises that you can use the 'board only' time at the beginning of the meeting to test whether the board agrees with the chair on the agenda and where it wants to spend its time, as well as testing which items might involve different views to work through.

Ngaio regularly finds that the person who has been the most vocal in support of a decision is also the best at coming up with a contrary perspective. This is because they have often considered the counter-arguments in their own mind. Bringing out these dual perspectives certainly supports a healthier, more robust discussion.

"We have had decisions where we've been really close to consensus and approval but then we've called it as not sufficiently robust. It does make the process longer, but it means that the decisions that you make are things that you can live with for longer. So yes, the process is longer, but you don't end up having to revisit their decisions so probably the process is shorter in the long run."

Janine correspondingly believes it is always important to find an appropriate balance between thorough board discussion and efficiency. She is clear with board members, especially those who like structure, that she is very flexible with timing and will not forgo quality discussion.

"I'm not a very strict timekeeper and do not adhere to having specific times that might be on an agenda. I believe that if the discussion is free flowing then there's nothing worse than stopping the discussion when you haven't reached a decision, or someone's just come out of left field. Even with the best intentions in the world and an agenda that has timeframes associated with it, sometimes it just doesn't work that way."

Janine acknowledges that board meetings can go on too long but this is rare – generally the chair can get a sense that the discussion is becoming more repetitive and ready for summation. However, given that some board members (reflective thinkers) will at times bring up another point of view when the discussion has otherwise played out, flexibility is essential.

"Sometimes the best decision-making comes when someone comes out of absolutely left field with something that no one had ever thought of and therefore that takes the conversation down a different tangent. That actually means that you may flow into other time -- but that's okay. You know what's the board's role? To make the best decisions possible."

Techniques for managing the decision-making process

Frazer shares his practical techniques for managing the board decision-making process.

First, be prepared to limit those who are too vocal to speaking only once. He says that there is always at least one person who's too vocal, who fills the room with the sound of their (usually but not always 'his') voice and they drown out everyone else.

"People get worn down – they start to think, 'Is it that important? I don't really care any more …' We all get worn down at times. One discussion example that comes to mind was a very obscure point about a narrow issue. Two people took diametrically opposed views and wouldn't listen to the others. Everyone else in the room was sick of it, it didn't really matter at all, but the two had to keep on slugging it out. You end up with the person who's speaking loudly on and on, trying to bear down on everyone else in the room. It's not necessarily the best-informed opinion, whereas the person who's reluctant to express their view might in fact have a much better view."

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Second, you need to actively empower and facilitate the discussion towards actually achieving a decision. Frazer acknowledges that this is tough. You might have five people coming up with five different things: "Is the best way forward one of the five? a combination of these? or a separate sixth option?"

Further key aspects to actively manage include:

- Setting the agenda with an effective order of discussion, with the important matters discussed early in the meeting when everyone has a good level of energy
- Allocating time effectively across different matters – people will inherently keep on talking unless they are reined-in
- Rising above the operational detail – avoiding the tendency for people to focus on the often-easier operational aspects than wrestling with the bigger-picture strategy
- Being conscious of people's energy and attention in real time – if people are exhausted, they will not make the best decisions, so be prepared to move less critical items to a future meeting or to deal with them in a different way

"You can get bogged down in long discussions and the meeting takes too long. So you'd go from one hour to four or five hours – when the correct answer is two-and-a-half hours, and that's the chair's job to try to balance that. So, there are times you need to shut something down. But then when it's something important and it's a good vibrant discussion and we're making progress, I will sit back and let the debate happen. So, I think it's keeping a finger on the pulse – it's not an easy balance to strike."

While board software is great from environmental and efficiency perspectives, Frazer identifies some practical limitations.

"If you've got someone chairing a meeting and moving through very efficiently, it can go so fast that you can't find your own notes on points for discussion fast enough. Then you're on the next subject. I think it has to be that balance between moving too efficiently and adequate discussion. You can find the meeting is over in an hour and no one said anything [of substance]."

Drawing out the underlying concern

Abby shares her experience that directors will at times have a concern about a matter the board is considering. However, their concern is difficult to articulate, perhaps because their thinking is not fully formed or it has an emotional component. The concern is even less likely to be articulated when a board member feels that it is not shared by the rest of the board, even when the board environment is quite inclusive.

"The way that manifests can be asking a lot of questions. And sometimes, asking questions doesn't necessarily help, because the management team can respond to the question without having actually addressed the underlying concern. So the trick here is to try to identify where people are asking questions to satisfy an underlying concern which they haven't quite articulated successfully – sometimes even to themselves."

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Abby acknowledges that this can be an uncomfortable process for the director, especially when it involves an emotional component, as people don't necessarily acknowledge that 'feelings' are appropriate within a board environment. But if you fail to give legitimacy to the underlying concern, the director will continue to raise questions, plus you've missed the opportunity to understand exactly what was driving it and whether it was something that the board should be alert to.

This is not an issue that Abby believes should be addressed with the director away from the meeting. Instead she feels that the whole board should explore the concern as a way for them all to try to understand, as well as help the director to express their concern, who might then build on their thinking through the contribution of others.

"As a board we agree that we're going to focus on what our concerns are, rather than asking questions. Then we encourage the management team to figure out ways they might address concerns as opposed to just answer questions. In some respects, I would say it's not about treating concerns as a problem, it's more about seeing them as is a way of really interrogating the

"If people understand why they're supposed to be there and what it's all about – you know the context, then you're much more likely to get people to respond and know that that's what they need to be doing and therefore for management to want to involve the board as opposed to feeling the board's getting into management, and that's part of the chair's role as well."

challenge to get to the nub of what will make the best solution."

Getting the most from management–board interaction

The interaction between management and the board is critical to board effectiveness, as Janine explains.

"We're there to create and preserve shareholder or stakeholder value. So, to achieve sustained value we're all in the same boat, we've just got different roles.

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Janine also shares some key success factors in a good board–management relationship.

First, management needs to understand the board's role:

"There can be an assumption that we all know what a board does and actually we don't."

Second, management needs to believe that the board adds value:

"I still see organisations where management think boards are a waste of time – particularly if the board hasn't done a great job. If management has closed minds in terms of what the board's going to offer, then they're never going to see the value a board can add."

Third, the role of the CEO is also critical as their attitude influences management's attitude towards the board.

Finally, it is important to be conscious of any disconnect between the extent of diverse thinking of the board and management. If the board holds more diverse perspectives than management, it can be frustrating:

"With one organisation at times we had been pushing management and questioning deeply and being somewhat frustrated by their narrower thinking. Then we decided to try to understand how diversity of thought might work with the organisation's board and management. We saw a significant difference in results between the diversity of thought around the board table and that of management. It was a bit of an 'aha' moment – understanding from a board perspective as to why we were getting frustrated at times because management just simply didn't have that diverse thinking within their team to be able to capture what the board thoughts and focus was."

Fortunately, any such diversity of thought disconnect can be readily addressed through the dual evaluation of both the board and the management team.

Actions for your board:

- Have a shared set of values and a clear vision to support constructive discussion
- Allow sufficient time for everyone to form their view and be heard, otherwise you risk a longer process through revisiting decisions
- Consider the most important decisions early on in the agenda when focus and energy are highest
- Proactively limit over-contributors
- Be open to board members sharing concerns instead of always asking questions, which may not capture what they are really looking for
- Take time to ensure that management understands and supports the board's role

Part 5. Recruitment:

Bringing on new board members to support your board's diversity of thought

Frazer Barton

"Have discussions as chair with the person in advance as to what is involved, expected and what you want. And then once they've joined, this continues with similar conversations – a degree of mentoring for the first few months."

Ngaio Merrick CMInstD

"It is ultimately based on finding people who challenge the way we think."

Abby Foote CFInstD

"So many of the challenges faced by boards have a degree of complexity to them that we haven't encountered in the past. Having a variety of diverse views around the table, including creative ways of facing and responding to those challenges, is really critical."

Janine Smith CFInstD MNZM

"When you induct a person, you talk about what's the culture, what are the expectations, how board meetings are conducted, the consensus decision-making, the process in terms of talking to management. You set it all up. If some challenges arise, as you've set the ground rules you have the opportunity to have a chat."

"You've got to be really careful that you do get their cultural fit, and at the same time you don't want someone that's just like you."

Appointing board members

Building a board culture that will enable diverse thinking starts with the selection of the right board members.

Abby says that, before embarking on a recruitment process, it is critical that the existing directors have embraced the objective of increasing diversity of thought on the board. From this basis, they can avoid a process of looking for someone who everyone likes, but whose thinking is closely aligned to that of the existing board.

Striking a balance between 'fit' and 'difference' is a need that Janine identifies: *"You've got to be really careful that you do get their cultural fit, and at the same time you don't want someone that's just like you."*

Abby is increasingly looking for independent ways to measure elements such as the culture of the existing board and the impact that a prospective board member might have on it. For example, Z Energy has worked with an organisational anthropologist to help people to identify their personal values and categorise them so that the board can consider how their values might impact the way they approach issues. It's an approach that gives more insight than traditional personality-type assessments.

"Are their underlying values likely to be a fit? If those values are inconsistent with the way that the organisation and the rest of the people sitting around the table are orientated, then that may be an environment they would find unsatisfying. It doesn't necessarily mean that you have to be all the same, but it is about saying what's the best fit for you and how can we make sure we recognise where people might be coming from and get the best out of each other?"

Different thinking can be especially valuable when boards are facing change or growth. Ngaio chairs KiwiNet, a growing organisation that supports the commercialisation of scientific research. She sees its growth as a driver for having people around the boardroom table who will challenge the organisation's thinking and push it forward.

"We need people who think differently and who challenge us because we've

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been going for 10 years now and instead of thinking we're doing a good job, we're looking to continue to challenge that premise. Our [board appointments] process is very robust in terms of due diligence, checking experience and having a mentoring and buddying system but it is ultimately based on finding people who challenge the way we think."

As an example of putting this intention into practice, Ngaio describes an interview with a prospective board member who was "spectacular and had all the skills they wanted". Halfway through the interview, the interview panel looked at each other and I said, 'This person is just like us, that's why we like her so much. In fact, if we knew her socially, we would be friends'." Ngaio stopped the interview at that point and said to the candidate, "We're feeling really comfortable with you and believe you're very much like us, and for that reason we won't be bringing you onto the board now." The interviewee was, unsurprisingly, disappointed. But the prospective board member was not rejected; instead, she has been factored into the board's succession plan so that she joins at the time Ngaio leaves. In the meantime, the board has selected another member who thinks completely differently from the current board.

While a clear mandate to prioritise diverse thinking, together with good appointment practices, will get the right outcome in the end, discerning boards should be prepared for the possibility of an extended recruitment process.

Abby explains, *"For directors who value diversity of thought, the process is important. If you sense there's a degree of something short of legitimacy around the process, then it can create a difficult environment around the board table."*

"If you're disciplined and clear, you can get the right outcomes. Boards need to use the right recruiters and constantly force themselves to be challenged by what the best candidate looks like and doesn't look like. And not give up when it's not easy to find the right person."

Janine feels that most of the time board appointments are successful, even when an external party is responsible for the appointment. However, working with an external appointor requires a single-minded focus on identifying and making the case for what the board needs:

"If they understand why you want a particular skill, how it fits into the strategy what you're doing with succession, then there's not much they can argue about."

Abby shares similar experiences: *"Where you have boards with less influence on board appointments, I suspect that's a bit different because there may not be the same readiness to further a positive board culture and welcome new people joining but, in my experience, it tends to be a 'progression' as opposed to a 'regression'."*

Inducting board members

The induction process introduces new board members to the board and, for non-executives, to the organisation as well. One major part of a typical induction is to share documentation – for example, on board structure and processes, codes, terms of reference, relevant legislation and biographies of other board members. A second aspect is meeting with other board members and key management personnel, as a chance for the newcomer to gain further context and ask questions. (For more detail, see The Four Pillars of Governance Best Practice for NZ Directors.)

From a diversity of thought perspective, an effective induction process is essential. It is an opportunity for transparent information sharing with, and open inquiry from, new board members to build their capability to develop a viewpoint and be able to actively contribute their thinking in the boardroom.

Frazer acknowledges that the board nomination process in some organisations may mean that the board in reality has limited input into the selection of new board members. Therefore, he feels that you've got to use the influence you can apply to the induction process and beyond to ensure new board members will have a positive impact on culture. This is a view Janine shares:

"When you induct a person, you talk about what's the culture, what are the expectations, how board meetings are conducted, the consensus decision-making, the process in terms of talking to management. You set it all up. If some challenges arise, as you've set the ground rules you have the opportunity to have a chat. The key is not to let

any issues go on for too long. It's about people as the key driver, and the critical element is to prevent boards from being ineffective."

Frazer sees the induction flowing through to a longer-term relationship too:

"Have discussions as chair with the person in advance as to what is involved, expected and what you want. And then once they've joined, this continues with similar conversations – a degree of mentoring for the first few months."

Although the relationship should not to be too close, as Frazer notes: *"But you also don't want it to be a relationship that is so cosy that they won't disagree with you."*

There are good reasons to be positive about new talent. Janine has observed that new, less experienced board members have the potential to develop substantially during their tenure. Having an open mind and being open to coaching are key prerequisites for their success. New directors often learn by observing the behaviour of others around the table.

"If there are less experienced directors, most of them want to learn, want to be good directors, and so they're very happy to try and to get the feedback. Of course some people have got more fixed habits that are not as easy to shift, even if they want to, but fundamentally most of them do change and they grow. Like anything, the more you do it, the more experience you get and the more wisdom you get, therefore the better you get, if you're open minded."

Finally, Janine recommends inducting board members individually if possible. When board members are inducted together, they may form a closer association. While this might be positive in terms of collegiality, it introduces the risk of creating a coalition, with the result that the new board members do not offer the same degree of independent thinking as they otherwise would have.

Actions for your board:

- Start by agreeing that diversity of thought will be a recruitment priority for your board
- Structure and execute your recruitment process so that your board does not appoint new board members that think in the same way as the existing members
- Combine different thinking with consistent underlying values across your board
- Use the induction process for new board members to set expectations around participation and conduct that will support your board to realise diversity of thought

Lloyd Mander CMInstD leads DOT Scorecard, a consultancy that works with boards, executive teams and other teams to understand potential for wide-ranging diversity of thought and develop the decision-making culture that is required to realise diverse thinking. He represents the Canterbury Branch on the IoD's National Council and has held governance roles associated with the health, housing, transport, and entrepreneurship. Lloyd was previously a co-founder and the Managing Director of a regional healthcare provider.

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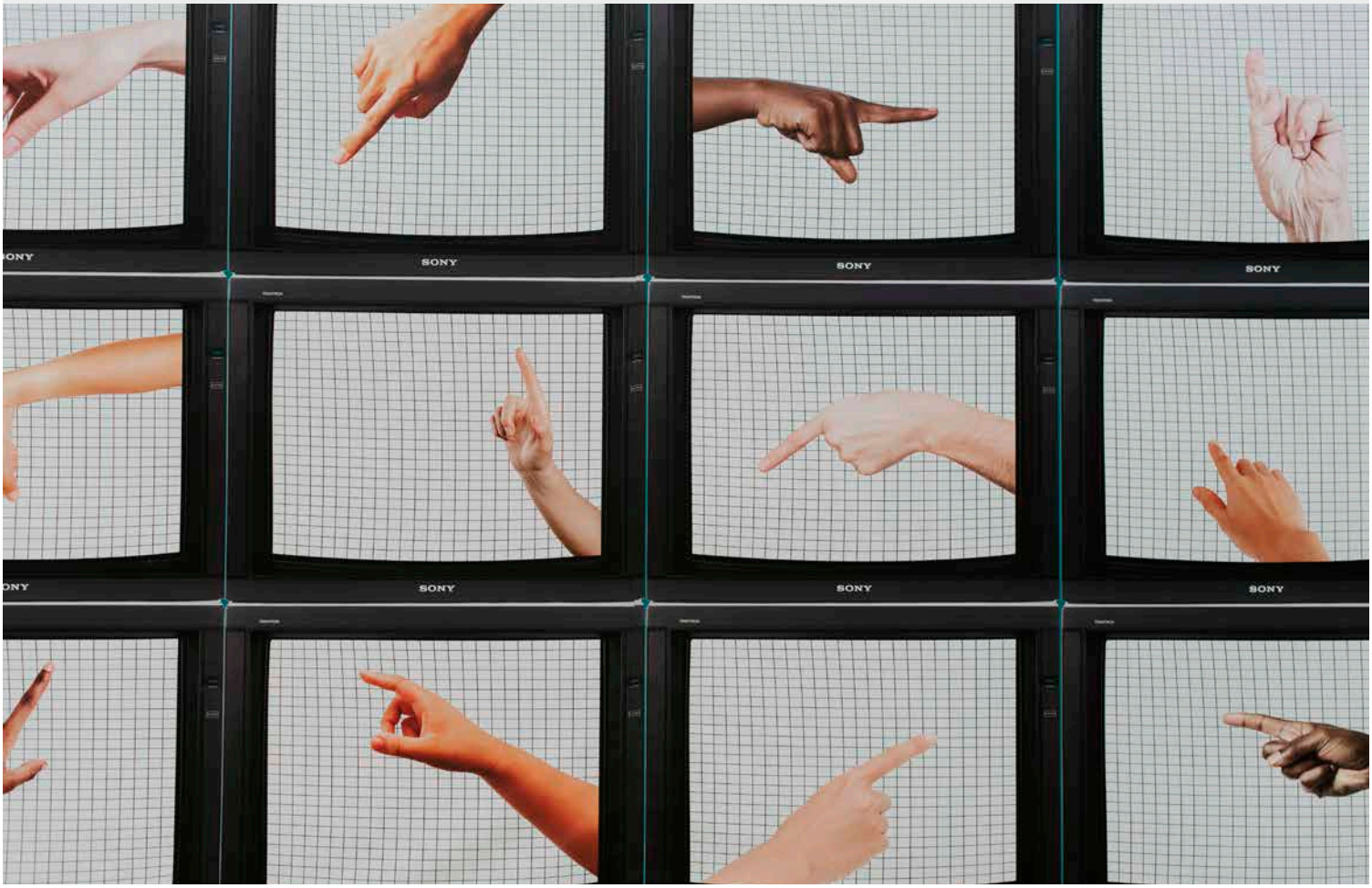

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