Too Many Boards Struggle With Big Decisions

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As the consequences of poor corporate governance become more apparent, boards have a greater need to carefully examine their ability to make group decisions. Not doing so could have dire consequences when the board is faced with crucial decisions on succession planning, CEO evaluations and strategic events such as acquisitions.

All boards represent a unique mix of individual backgrounds, experiences and personalities. While developing this capacity to work together as a team, some boards benefit from the "wisdom of crowds" and "synergy," while others fall peril to the classic pitfalls that often afflict group behavior and decision making.

No matter the situation, all of us have participated in high-performing teams where the output was greater than the sum of the individual members' efforts. However, we have also experienced groups where an autocratic leader shut down discussion and dialogue, creating a culture grounded in fear, apathy or frustration.

Boards have to ask tough questions that can help determine whether they fall into the former or latter scenario. We have found that there are two distinct types of group cultures that lead to two different — and dysfunctional — decision-making processes.

The first and most common culture in corporate America is "Dependent." A dependent culture is marked by a dominant, often controlling leader who manages by fear. The underlying anxiety produced in a dependent culture often leads to "groupthink." Dr. **Irving Janis**, the late **Yale University** psychology professor, found that "groupthink" occurs when groups are ineffective in managing conflict. It will also take place when members are pressured into "getting with the program" or being a better "team player."

The second culture that leads to poor decision making is the exact opposite — a "Dramatic" culture that is grounded in a norm of politeness. In this example, conflict and candor are replaced with warm agreement and self-censorship. In the *Abilene Paradox*, Dr. **Jerry B. Harvey**, professor emeritus of management at **George Washington University**, poignantly describes how groups are unable to "manage their agreement." In this scenario, they reach a false consensus and take inappropriate actions, often compounding their problems instead of solving them. When either culture exists, boards will have much more difficulty operating as an effective team and making optimal, objective decisions.

It is imperative that the leader of the independent directors — whether lead director, non-executive chairman, etc. — develop an understanding of these dynamics. Managing these dynamics as boards address high-risk decisions is critical to the future success of the enterprise. There are several things that can be employed to facilitate effective group processes and better board decisions. These steps include:

1. Ensuring that everyone participates: Invite participants who are less vocal to lead or start certain discussions. Create a board norm of going around the table and making sure that everyone expresses his or her true opinion.

2. Reinforcing candor, not politeness: It's nice if everyone gets along, but that can also be trouble. Develop a norm of authentic candor where constructive conflict becomes a healthy means to better ends, including thanking or otherwise reinforcing the board members who surface difficult topics.

3. Testing assumptions: Board members oftentimes share so many common traits and values that it's easy to develop and act on tacit assumptions. Effective boards should occasionally test their collective assumptions, asking "what if" questions from time to time.

If trying some or all of these practices produces only nominal process improvement, the lead director, presiding director or non-executive chair, together with the CEO, should consider a "deep dive" assessment of the board. This process allows for members to rate themselves, each other and the board as a whole, while raising concerns or suggestions for process improvement. Healthy and functional boards realize the power of "process" improvement and spend the time, energy and effort on this critical aspect of group dynamics.

The wisdom, energy and collective synergy that come from highly engaged board members operating as a team will be required to help us navigate the current economic crisis. Boards that manage their process dynamics will more effectively fulfill their role to shareholders, customers and employees. True enterprise risk occurs when boards are faced with the most important decisions — including acquisitions, mergers, divestitures and major personnel decisions. Consequently, real risk management occurs when boards work together to optimize their process dynamics and increase the likelihood of sound decision making. ■