



Directors' Circle
Outcome Report
Topic 1: Courage
Date: 21 April 2015



The aim of the Directors' Circles is personal development and building a community of directors.

The Challenges

- The ability to ask questions or raise matters in a constructive way that cut to the heart of the issue at hand is hampered by fear of diminished self-respect, and potentially diminished respect in the eyes of other Board members. Raising alternative or opposing views can also harm relationships.
- Power dynamics within a Board can constrain a director's ability to shift corporate governance in a positive direction.
- Raising 'difficult' issues requires a director to have their own perspective very clearly articulated for themselves. Feelings of inadequacy and intimidation can also hamper this expression.
- Courage needs to be applied judiciously to really important issues, as there is the potential for backlash such as job losses.
- Fear is the emotion that underlies all issues that require courage.

The Ideal

Courage is the defining characteristic of leadership, and is required by the function and the purpose of the position of a director. Courage does not mean that one knows everything, and one need not fear this. A core ability as a director is to ask the right questions, for clarification, especially of values, which in itself can take courage. .

The Solutions

- It is the Board's responsibility to create a culture that allows mistakes, which can reduce fear.
- The ability to ask the right question in the right way could be the most powerful tool to be courageous, and lends itself to encouraging the required robust debate at Board level. Ask questions such that they open up issues for discussion, rather than create defensiveness.
- Individual directors must have a conscious 'baseline' and hierarchy of values, in accordance with which they make decisions, while putting the broader interests of the company and stakeholders ahead of their own self-interest. Self-awareness is easy to say but not easy to achieve and is an ongoing journey. There are a number of tools, mechanisms and approaches available to enhance self-awareness.
- Having a mind-set of being open to new things can help reduce feelings of incompetence or inadequacy. Encourage a learning culture even at Board level, individually and collectively.
- An appropriate use of humour (including mild self-deprecation) can assist in asking pertinent but difficult questions. One cannot think rationally when emotions are running high: acknowledging and naming the emotion to oneself dampens down the 'fight-or-flight' response and allows clearer thinking.
- Ask questions for clarification, using "what, how, when, where, who" rather than "why" which can evoke a defensive response.
- For Executive Directors, informal one-on-one discussions with colleagues can help diffuse potentially difficult situations, but care must be taken not to create factions. Non-executive Directors must maintain independence. It is simultaneously useful to canvass others to actively seek areas of common overlap, rather than focus on issues of difference.
- If there is an intractable issue of difference in a meeting, the Chairman can be asked to defer the issue or suspend the meeting (use the business judgement rule). If this is not possible, the issue can be put to the vote.
- In order to deal with power dynamics, an independent board performance assessment can be done. If this is too expensive, self-assessments are also useful, as are 360° assessments.
- In the public sector it is especially critical to have a clear Terms of Reference to deflate possible areas for disagreement, lack of continuity and power-plays.
- Ways of addressing difficult issues include: sending out an agenda well ahead of time, discussing issues in round-robin, advising the board of potential high-risk items prior to the meeting, not undermining people in front of their peers and allowing people time to prepare.
- Remember that silence is interpreted as consent, and that each director is liable. Reminding others of this can help in raising difficult issues.
- A useful way of managing highly emotional or difficult issues/individuals is as follows: 1. acknowledge the other person's emotions 2. State the facts as you perceive them 3. Make a commitment as to what you can/will do about the issue.