



Pouring Uction on Dysfunction

When boards don't jell

Dysfunctional boards are not uncommon. Nor are the causes hard to identify. What should the chairman be doing about it?

When directors and chairmen express concerns about the effective functioning of their boards, the most common problem raised is the inability of directors to engage with matters before the board as an effective team. In other words: dysfunctional boards.

A core tenet of best practice governance is that directors must act and make decisions in the interests of the organisation they govern and its goals. The board meeting is not a debating chamber with fors and agains, winners and losers. The board is there to provide leadership by making the best possible decisions for the organisation. In fact, directors may be in breach of their duty of care if they act and make decisions in the interests of any other organisation or cause in which they may be involved, have an interest in, or are accountable to, at the expense of the organisation they govern. Likewise, they may not act and make decisions in their own interests at the expense of the organisation they govern.

Causes of dysfunction

The most common causes of board dysfunction are:

- Disconnected board members who are not

committed to a clear common direction.

- Board members not understanding the role and functions of governance.
- A lack of accountability for the performance of the organisation by individual board members and the board collectively.
- Personal agendas that dominate board discussions.
- Board members who do not demonstrate respect for each other and who fail to work as a team.
- Personal distrust among board members.
- An inability by individual board members to accept what is presented to them when it doesn't agree with their pre-established point of view.
- Factions or sub groups of board members continually opposing each other.
- Board members who practise 'group think' – with uninspiring results for the organisation.
- Lack of effective communication among board members.

Individual board members give rise to dysfunctional boards by:

- Dominating the board, personally attacking other board members or being overly aggressive.
- Refusing to compromise.

- Polarising board discussions, creating win-lose alternatives.

- Arguing for decisions based on personal interests and biases, rather than on facts and information before the board and in the interests of the organisation they govern.
- Not contributing toward the common goal or sense of purpose.
- Not demonstrating a sense of commitment to the common sense of purpose.
- Not demonstrating a sense of interdependence with the board's common goal or sense of purpose.

Some directors are in such conflict with the work of the board that they seriously impact its effective functioning. Mostly, these directors have personal agendas. Frequently they interfere in management matters, compromising the board's expectations of the chief executive and his/her accountability to the board.

Animosity between directors; aggressiveness toward each other; power battles between directors or between directors and the chief executive; personality clashes; constrained discussion – all contribute to an unacceptably dysfunctional or factionalised board. Domineering directors who bully and ridicule other directors



invite board dysfunction. These attitudes and behaviours ultimately destroy the effectiveness of the board.

Addressing dysfunctional boards

A board must move quickly to address the causes of dysfunction by considering:

- Training board members on governance in action and how effective boards work. Individual directors may not understand the role of governance and how an effective board should function.
- Formally agreeing the role and function of their board. Board members may not have a common understanding.
- Formally agreeing the common sense of purpose and common goals. The process of discussing and agreeing can itself change individual board members' attitudes and develop the board as a team.
- Recommending a board/director code of conduct be included in the constitution together with a requirement for director compliance.
- Agreeing to carry out a regular annual evaluation of the board (self-evaluation or by an independent facilitator). Establish the performance criteria to be the basis of that evaluation. In this way the performance criteria becomes the standard of performance for the board and individual directors.
- Engaging a skilled independent facilitator to assist the board to function in a more

effective way.

Addressing dysfunctional directors

Responsibility for addressing dysfunction lies with the chairman who should facilitate open dialogue between board members regarding concerns with the functioning of the board. This should be done with all members present and lead to an agreement on how the concerns will be addressed. The board may ask individual directors to address particular concerns.

Chairmen must maintain the standards of the board, taking action when necessary. They must also be able to deal with difficult directors with firmness, sensitivity and diplomacy.

At the same time, they must unlock board members, not stifle discussion and appropriate examination of perspectives and views. While they must look for dissidents at the table and hear from them – these people add another dimension – the chairman must not put up with bad behaviour. The chairman must know how to practise fairness and earn respect.

If a board has a relevant code of conduct policy, an offending individual director should be dealt with in terms of breaches of that policy. The chairman can highlight to an individual member, or the board, when the code of conduct is not being followed, and the action to address the problem can

be agreed. With the board's agreement, the chairman should ask the individual to correct the situation or resign from the board.

Problems are harder to solve when there is no relevant code of conduct or standard. In this case, the chairman must take the leadership role and move to resolve the problem for the ongoing effective functioning of the board.

The board evaluation process is an effective way to deal with problems. The completed evaluations provide an appropriate and valuable basis for raising and sensibly discussing board difficulties and possible improvements. The entire process is a valuable tool for the resolution of any difficulties. But it is important that it is a positive process, with commitment to address the problems and make agreed improvements to the processes and functioning of the board.

Commonality of interest is fundamental to good governance. When board members do not accept, or get to, commonality of interest and function in a narrow frame of reference, the chairman needs to move to re-dimension them and the board.

Chairmen must prevent the board becoming factionalised by strong self-serving representative directors. It is their role to ensure that directors do not confuse representation with power over the board. The chairman must ensure the board always acts in the best interests of the organisation, and that it is not disadvantaged by the influence of major interests.

A good chairman welds the board to the common cause, continually raising discussion to the next conceptual level. As directors should understand – but never get lost in – the detail, a strong chairman will have the ability to pull individual directors out of operational detail. Context is the chairman's role and is a fundamental of good governance.

Above all the chairman must bring common sense to the working of the board. The chairman's leadership clearly is the most important factor in addressing dysfunctional boards. **M**



Doug Matheson, FNZIM, is a professional director and author of *The Complete Guide to Good Governance in Organizations and Companies*.