

Boardroom Behaviours

I am a freelance writer and consultant whose main business lies in the field of systemic leadership. Publications include *The Search for Leadership: An Organisation Perspective* and the *Systemic Leadership Toolkit* (Triarchy Press). My background is in HR and Organisation Development, so I am interested in governance from a people and organisational perspective.

Observations on ICSA's *Boardroom Behaviours* report prepared for Sir David Walker

It is stated that companies failed to foresee the events that engulfed them. At a company and industry level that seems to be so. But there were some prescient voices beyond company boards, those who foresaw a financial crisis, but the system was unable to listen to them. They included the BBC Business Editor Robert Peston, the IMF's deputy managing director, at least one book (Frank Partnoy's *Infectious greed*), and of course Paul Moore, sacked in 2005 by Sir James Crosby, then CEO of HBOS, for being outspoken and arguing that the bank was taking excessive risk by growing too quickly. Even the FSA had been concerned about the level of risk in HBOS as early as 2002. Yet nothing happened. Organisations are not good at hearing dissenting voices and handling doubt, especially when things at the particular moment appear to be going well. Watchful of their competition and mindful of short-term financial pressures, companies cannot afford to step off the treadmill.

Walker's prime focus is on individuals and the dynamic between board members. But there are wider systemic considerations, and indeed systemic *leadership* issues that affect risk in all its forms – inside and beyond company boards. The report on boardroom behaviours understates the behaviour of organisations as complex systems. In my book, using a popular analogy, I describe this as a need to work on the fishtank more than the fish; that is, all those things that surround people that, in large measure, influence and explain their behaviour – the rules, protocol, access, power distribution, climate, incentives, goals, silos, accountability arrangements, etc.

Psychologists speak of the 'fundamental attribution error' – the tendency for people to over-emphasise personality-based explanations for behaviours, while under-emphasising the role and power of situational influences. In other words, people assume that what a person does is based more on what kind of person he or she is, rather than the social and environmental forces at work on that person. Recent research on decision making gives more emphasis to social influences on individuals.

The HR issues described above contain two closely related and important governance questions:

'Who is recognised as the responsible official in the company (who may not be a board member but may be accountable to a board member) whose job includes:

1. *Being responsible for monitoring and advising on the health, design, functioning and improvement of the organisation as a system?' and (which may be part of the first)*
2. *Being responsible for advising on and ensuring that a proper accountability system is in place in respect of leadership, that is understood, practised and respected?'*

I attach the questionnaire on 'Leadership and Accountability' from the *Systemic Leadership Toolkit*. This contains questions that the named official needs to address. The responsibilities call for a deep understanding of the impact that the system is having on leadership, and the impact that leadership is having on the system.

A supplementary point is that Walker's work places much faith in the rational half of organisation life (e.g. codes of conduct and guidelines). Such instruments are needed, of course, but the power of the organisation's non-rational 'shadow' side is the more powerful and better explains the nature of aberrant behaviour (also discussed in the book). Just consider codes (industry-wide and in-company) that prohibit bribes or anti-trust dealings; when these breaches persist they are best understood by searching in the fishtank's non-rational dimension. Executives with a strongly rational disposition can be tempted to believe that once codes, rules, edicts and injunctions, etc have been addressed, the job has been finished, and that is not so. The shadow aspects of organisation behaviour need more recognition and understanding.

Module 9 Questionnaire: Leadership and Accountability

[NB: THE FORMAT BELOW IS SHOWN IN ABBREVIATED FORM.]

Accountability design and structure

How well do these statements describe your organisation?

Rate each one on a scale of 0 – 3, where 0 = not at all/untrue and 3 = very well/true.

1. Besides routine job performance reviews, there is acceptance of the need for managers to account in person for important activities, decisions and occurrences, especially within projects.
2. Other than when faced with criticism once things have gone badly wrong, there is acceptance of the need for a formal system for calling managers to account in person for important activities, decisions and occurrences.
3. During an important piece of work (as well as afterwards), there is acceptance of the need for a formal system for requiring managers to account in person for important activities, decisions and occurrences.
4. There is an expectation among managers that they will be formally required to account for those things that matter most.
5. It is clear to managers how the accountability system is designed to work.
6. When change programmes are being designed, a suitable accountability process is considered and put in place.
7. When change programmes are being designed, the accountability process is designed to cover all the relevant parties.

Accountability practice

8. It is clear to your managers what they are responsible for.
9. It is clear to your managers who they have responsibilities to.
10. It is clear to your managers to whom they are accountable for fulfilling these responsibilities.
11. Your senior managers are required to account separately for delivering 'today' ('doing the job' within the existing paradigm) and for safeguarding 'tomorrow' ('changing the job' by challenging the existing paradigm).
12. Your senior managers are held to account jointly with colleagues when key responsibilities are shared.
13. Your senior managers' leadership performance is considered separately from their management performance.

Governance

14. Your top executives are well equipped to provide oversight for the leadership and management performance of their senior managers.
15. It is clear with whom the main responsibility lies for ensuring that a proper accountability system is in place in respect of leadership - one that is understood, practised and respected.
What is that official's position? (*Write in*).....
16. That official understands and acknowledges this responsibility.

17. It is clear with whom the main responsibility lies for monitoring and advising on the health, design, functioning and improvement of the organisation from a systemic standpoint.
What is that official's position? (*Write in*).....
18. That official understands and acknowledges this responsibility.
19. That official has the necessary skills to fulfill that responsibility.
20. That official receives clear oversight and is properly held to account.

Areas of focus

Your accountability structure and process focuses on the following distinctive areas:-

21. Managers' performance in respect of results in their own job area.
22. Managers' performance in respect of subordinates, including their development and improvement.
23. Managers' performance in respect of being positive colleagues for their peers.
24. The collective performance of the management team of which the manager is a member.
25. The performance of the system for which each the manager is responsible (the fishtank rather than the fish).
26. The performance of the manager as a cleaner of the 'fishtank'.
27. The performance of the reviewer of the manager considered above.

28. Performance review questions

29. Your performance review process contains challenging questions.
30. Your performance review process contains questions about leadership.
31. Your performance review process contains questions about improvement.
32. Your performance review process contains questions about the future.
33. Your performance review process includes discussion about the functioning of the system in each manager's area.
34. Your performance review process includes discussion about the functioning of the system in the wider organisation.
35. Your performance review process includes discussion about the manager's role as a cleaner of the system.