



Six Key Habits of The Savvy Director



Develop six habits that will help you be the best board director you can be.

You can do this! We'll show you how.

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Discover DirectorPrep



Savvy Directors know about more than just governance. They understand that being on a board of directors is all about people - how they think, behave and interact in the boardroom.

Who is The Savvy Director?

The best board directors are often described as “savvy.” The word seems to capture what a board is looking for in a director - someone with common sense and good judgment, someone who is knowledgeable, well-informed, perceptive, practical, and shrewd.

Savvy Directors add real value to their boards. They're known as thoughtful, wise, and courageous. That's why they're sought out to serve on different boards.

Becoming a Savvy Director starts with gaining knowledge, building skills, and acquiring experience. Along the way, you'll benefit from six key habits. Start developing them now!

Six Key Habits of The Savvy Director

Have you ever wondered what it takes to be a really effective board director? What differentiates a ho hum director from an excellent one? Which directors add real value to the boards they serve on vs. those who just occupy a chair? At DirectorPrep, we've frequently encountered that question.

So, we were delighted to come across global research about director behaviors conducted by Russell Reynolds Associates. First published in 2016 and updated since then, the Global Board Culture and Director Behaviors Survey captures the results of a survey of corporate directors from a dozen countries.

The study found that directors around the world were surprisingly consistent in identifying important attributes that define an effective director. We added a few tweaks based on our own experiences and observations, and vetted it with some of the experienced directors we know.

We call the resulting framework "The Six Key Habits of The Savvy Director."

1. **Build Governance Skills.** Access the resources you need to understand the board's stewardship role and your responsibilities as a director.
2. **Prepare for Meetings.** Spend time before each meeting so you are ready to add real value to board and committee discussions.
3. **Ask Great Questions.** Stay curious. Help the board move forward with well thought-out questions that get to the heart of issues.
4. **Collaborate with Others.** Treat the board and management with respect. Work towards reaching a common understanding.
5. **Think Independently.** See with your own eyes. Avoid Groupthink and challenge the status quo in a respectful manner.
6. **Demonstrate Courage.** Maintain your integrity. Don't be afraid to do the right thing for the right reasons.

The Savvy Director Framework



The Savvy Director Framework depicts the Six Key Habits in a continuous improvement cycle.

That's because Savvy Directors never stop learning.

Practice The Six Key Habits

The most effective board directors display a consistent set of behaviors.

You can increase your own effectiveness in the boardroom by practicing these behaviors over and over so they become habits.

This e-book will help get you started.

Habit # 1 - Build Governance Skills



Learn the rules of the road.
Access the resources you need to understand the board's
stewardship role and your responsibilities as a director.

Governance Skills Matter

All savvy directors have a solid understanding of the roles and responsibilities of a board, and of their own duties as a director.

Your confidence will grow when you know how your board is structured and how it functions. With a good grasp of what's expected of you, you'll be ready to add value to the boardroom.

The Board's Stewardship Role

The work of the board is one of stewardship, meaning that board directors collectively serve as stewards or risk managers for the organization. The board is ultimately accountable to the owners, shareholders, and stakeholders for the sustainability of the entire organization.

The board's stewardship comes down to two overarching roles:

1. To approve and oversee.
2. To challenge, advise and guide.

In fulfilling its stewardship role, the board's three main functions are to set direction, delegate authority and monitor progress.



Noses In, Fingers Out

"Noses In, Fingers Out" describes the bright line between the board's work and management's. The board has the right and the obligation to ask questions as part of its due diligence, but it keeps its fingers out of day-to-day operations.

Noses in means you're entitled to know what's going on - to understand risks, trends and issues; to know about the organization's environment, its stakeholders and capabilities; and to get a handle on what's working and what isn't.

Fingers out means don't try to run the business yourself. That's management's job - don't interfere, second guess decisions, or try to control every move.

A Board Director's Legal Duties

The board's legal duties, captured in statutes, regulations and case law, are similar (but not identical) across jurisdictions. They are reflected in the organization's charter documents, such as bylaws and articles of incorporation, that provide the framework for how the organization works from a high-level governance perspective.

As a board director, your legal duties, described briefly below, require you to maintain independence of thought and a healthy questioning attitude.

Fiduciary Duty

Your fiduciary duty requires you to act honestly and in good faith, with a view to the best interests of the corporation. The board must govern in the best interests of the organization at all times and be free of conflicts of interest. To support this, most boards have a code of conduct and a conflict of interest policy you'll be asked to sign and abide by.

A conflict of interest is a situation where your duty to the organization conflicts with your own interest or your duties to others. It's not always clear when a conflict exists. - it might be an actual conflict, or it might be only a potential conflict or even just a situation that others could perceive as a conflict..

Such conflict of interest situations arise in the normal course of events. Having one is not necessarily a bad thing, but failure to declare it is a problem. If an issue coming to the board could be a conflict of interest for you, declare it. The board may ask you to excuse yourself from the discussion and votes.

Duty of Care

Your duty of care requires you to exercise the care, diligence, and skill of a reasonably prudent person in comparable circumstances.

Directors are expected to use their skills at the board table and to demonstrate due diligence when making decisions. As a director, you have a legal duty of care to use the skills that you have, and bring those to the discussion where appropriate.

Every director is expected to show loyalty and to keep board discussions in confidence.

A Board Director's Liabilities

No matter how careful boards and directors are, situations may arise where lawyers are needed to sort out or even defend an action against the organization including the board's directors. Seldom will there be a finding against directors for a poor decision if it can be shown that sufficient due diligence was performed during the decision-making process.

Essentially, due diligence comes down to doing your best work to examine all sides of a material decision, ensuring that risks and rewards are identified and discussed before a decision is made. As a director, you must bring your particular skills to the discussion — that is your duty of care.

The bylaws usually have an indemnification clause to protect directors, and liability insurance provides further protection. But neither indemnification nor liability insurance will protect boards who are negligent in their legal duties.



Indemnification

The organization's bylaws set out the limits of any liability for its directors and officers. The document also contains an indemnification clause, whereby the organization indemnifies its directors and officers against the costs of any legal actions or judgements, as long as they have acted honestly and in good faith with a view to the best interests of the corporation.



Insurance

It's not a legal requirement to purchase insurance to protect directors, but most boards carry Directors and Officers insurance (D&O.) D&O generally does not cover situations where a board has breached its fiduciary duty or failed to perform its due diligence on matters of a material nature.

The Board Speaks with One Voice

Each director brings their individual knowledge, skills, and judgment to their role. But once at the board table, they are one part of the whole – the collective unit that leads the organization. Directors' individual voices have to give way to the voice of the board, so that when the board speaks publicly, it expresses a consensus view.

There's no boss at the board table. Even though it may appear that the board chair has ultimate authority, the truth is they have only one voice and only one vote, just like every other director. The board has to find a way to arrive at a group decision.

Making that happen involves lively discussions, opposing points of view, and robust debate. The process can be messy and uncomfortable at times, but it's necessary for any effective board.

Once the board has made a decision, whether you voted for or against, you don't have the right to publicly complain, divulge confidential information, or distance yourself from the board's decision. You have to accept that the board speaks with one voice. Most often, the voice of the board is articulated by the board chair or CEO, who handle all queries to keep external communication consistent and aligned.

The Board 's Responsibilities

The board's stewardship role is to set direction, delegate authority, and monitor progress.. The board performs its role by appointing the CEO, who in turn selects a management team. Management then operates the business under the oversight of the board.

The board's oversight responsibilities, broadly stated, include:

- Strategic planning.
- Risk management.
- Management effectiveness and succession planning.
- Communication with stakeholders.
- Internal financial control and management information systems.

The Director's Focus

To be effective, board directors must make the best use of the limited time available to them. They need to differentiate between what's housekeeping and what's vitally important, so they can focus their time and energy in the areas where they can add the most value - strategy, people, finances, and risk.



Strategy

An organization's strategy is its plan for how to achieve its goals. It's about choices - what it will do and not do. Directors must understand the strategy so they can challenge assumptions, assess risks, offer advice, influence direction, and be confident that the plan is sound.



People

Who are the people directors focus on? Most obvious is the CEO – the board's sole employee - but they also focus on the executive team and all employees. Other stakeholders include customers, investors, and funders - anyone impacted by the organization



Finances

The board is a steward of the organization's resources, responsible for protecting its assets and overseeing its financial affairs. Not everyone needs to be a finance expert, but every director should be able to understand the financial statements, budget, and reports.



Risk

Every organization is exposed to risks. Still, it's important to manage the balance of risk and reward. The board oversees that balance, but directors don't get involved in day-to-day risk management. Instead, they think about risk as a matter of course in all their deliberations.

Board Structure

A board's powers, duties, and responsibilities are determined by government statutes and regulations, and by the organization's articles of incorporation and bylaws. These provide a high-level framework for how the organization works. Think of the bylaws as the overall guiding principles for the board of directors in their oversight of the corporation.

The organization's governance manual should be one of the first documents you read when you join a board. It's meant to be practical and accessible. A governance manual that is well-organized and up-to-date is a valuable resource for directors.

The authority to change the governance manual lies within the board's control, so it's far more dynamic than the bylaws. For that reason, boards try to keep the bylaws as broad and general as possible, while embedding a greater level of detail within the governance manual, where it can be updated relatively easily.

Board Committees

Participating in board committees is an expected part of a director's role.

Committees help the board fulfill its responsibilities, allowing it to split up its tasks and get all its work accomplished. Committees are accountable to the full board. As a rule, they are not decision-making bodies – they make recommendations to the board, and the board makes the final decision.

Board committees serve many purposes, including providing a tight focus on issues, delving into detail, providing advice to the board, and performing tasks delegated by the board. To get all this work done, the board establishes both standing committees, which are more or less permanent, and *ad-hoc* committees, which exist temporarily for a specific purpose and are dissolved once that purpose is achieved.

Most boards have at least a couple of standing committees. The most typical are Audit and Governance, but it's also common to see Compensation, Finance, Risk, and/or Nominating Committees.

Board committees should be clear about their purpose and scope of work. Formal terms of reference, approved by the board, are usually established to make sure everyone is on the same page.

Board Roles

A typical board of directors includes the following roles:

- **Chair.** The chair leads the board, managing its affairs, presiding over meetings, establishing agendas, and maintaining a positive relationship with the CEO.
- **Vice-Chair.** The vice-chair assists and backs up the chair, presiding over board meetings and fulfilling other duties if the chair isn't available.
- **Committee Chair.** Each board committee has a chair to lead the committee and preside over committee meetings.
- **Director.** A director with no specific leadership role on the board still has all the same legal duties – the fiduciary duty and the duty of care.

A board may also include roles for a secretary and a treasurer. The secretary ensures that all required documents are prepared and distributed properly, and the treasurer has oversight of the organization's finances. These days it is common for these roles to be held by corporate officers – typically senior executives – rather than board directors.

The Board Calendar



The board calendar is an annual plan of items that need the board's attention. It's a useful tool for agenda planning, committee work, and ensuring the board allocates time for all the essential fiduciary, strategic, and board development work that takes place over the course of the governance year.

The calendar should be formally adopted by the board at its first meeting of a new fiscal year, and regularly tabled at board meetings so it can be reviewed by all. If things change mid-year, the calendar can be revised.

Board Meetings

Board work involves a lot of meetings - that's where the real work gets done.

In-Person or Virtual? The global pandemic forced boards to meet virtually, and they discovered advantages like less travel, reduced costs, and better attendance. Many boards now hold some meetings online and others in-person so directors can interact and get to know each other better.

Board Meetings. Regular board meetings take place at set intervals - often quarterly but sometimes more frequently. They're planned in advance and structured to enable the board to fulfill its stewardship role, have robust discussions, and make good decisions. Special meetings can be added any time to deal with unexpected issues.

The Meeting Agenda. The board chair creates a draft agenda that directors approve when the meeting starts. A good agenda enables directors to focus where they need to - on strategy, people, finances, and risk. Typical agenda items include a financial review, reports from committee chairs, the CEO, and management, strategic updates, discussion of organizational issues, and review of board governance matters.

Meeting Protocol. Traditionally, boards have relied on *Robert's Rules of Order*, adapting and modernizing them to suit their needs. Trying to follow *Robert's Rules* to the letter can place too much emphasis on formal process, leading to confusion and frustration. Still, decision-making relies on the basic elements of parliamentary procedure, meaning that decisions require a formal motion that is voted on after a full discussion.

In Camera Sessions. It's good practice for every meeting to include an opportunity for independent directors to meet on their own without the CEO. These sessions allow them to handle sensitive issues and strengthen their independence from management. *In camera* sessions should never be used to conduct regular board business.

Committee Meetings. Most committees are not empowered to make decisions, so their motions deal with making recommendations for board approval.

Annual Meetings. At the annual meeting, the board and management share the organization's accomplishments and financial results. New directors are elected and other formalities, such as appointing the auditor, take place.

Building and Sustaining a Board

A board of directors is a group of human beings, not just a collection of rules and protocols. A truly effective board benefits from positive board dynamics - the way individual directors interact, how they learn from each other and build off each other's ideas, how they constructively challenge, debate, and make decisions.

Positive board dynamics don't just happen. It's a constant effort that starts with director recruitment and board succession planning, and continues through onboarding to board evaluation and development - work that is usually delegated to a committee.

Director Recruitment

Finding potential new directors and assessing their fit is a key activity. Boards differ in their approach to finding, identifying, screening, and interviewing candidates. Some leave the process to a committee while others rely on the board chair or a key director. When recruiting, boards look for “*Three C's*” – character, competence and chemistry.

- **Character.** Directors with strong character can be counted on to govern with integrity, make ethical decisions, and hold themselves to a high standard of behavior.
- **Competence.** Directors need to have practical knowledge and skills, critical thinking abilities, emotional intelligence, and deep curiosity.
- **Chemistry.** There needs to be a match between individual preferences and board realities. It's not about being friends, it's about having the same values and goals.

Successful boards also look for people who bring diverse perspectives to the board table. To do so, they need to cast a wide net - going out of their way to find candidates, with backgrounds that are outside their pre-conceived notions.

Board Succession

Board succession refers to the process of filling board vacancies. At its best, it's an ongoing process of planned renewal, assessing board needs, and mapping a strategy for addressing them in advance. Proactive boards have a pipeline of interested and qualified candidates so that, when a vacancy occurs, they're in a strong position to fill it with a candidate who has the character, competence, and chemistry that the board wants.

A proactive board also prepares for turnover in its leadership positions by rotating directors through various committee chair roles to identify who might have the skills and inclination to become the next board chair.



Onboarding New Directors

A good onboarding program helps new directors get a good start, so the board gets the benefit of their contribution early on. Onboarding unfolds over the course of the director's first year, and can include components such as an orientation session, reading material, meetings, and board education sessions.

Onboarding helps the new director build their knowledge in four areas: the industry that the organization operates in; the organization itself – its history, operations, and strategy; governance basics; and the board's structure, culture, and key processes.

Board Evaluation

Board evaluations measure how effective the board is. The evaluation process can reveal a variety of issues and obstacles to board performance. These range from easily addressed operational complaints like meeting length or crowded agendas, to thornier issues about the board's role, gaps in knowledge and competencies, and succession planning.

When done well, evaluations can result in greater engagement by directors, more focused agendas, clearer processes, positive changes in behavior, the identification of missing skill sets, and changes in board composition.

Board Development

The best boards are committed to ongoing development, both as individuals and as a team. This ensures that knowledge is up to date with modern governance requirements and that skills are continually developing.

Governance Trends

Board governance doesn't stand still. It's dynamic and constantly changing. Over the past few decades, the role of the board has expanded significantly. Boards have assumed new responsibilities and are more proactively engaged.

This evolution is driven by external forces. Just like everyone else, boards are trying to keep up with the pace of societal change. Regulatory requirements, activist investors, social unrest, increased public scrutiny, globalism, climate change, and the global pandemic – these are just some of the factors influencing the world of governance.

Diversity, Equity, and Inclusion



Boards are looking to build diversity, equity, and inclusion into the ways they operate. Early efforts focused on increasing the number of women. Recently, factors such as race, ethnicity, age, and ability/disability have started to receive attention.

Environment, Social, Governance



ESG focuses on environmental issues like climate change, pollution, and protecting natural resources, as well as social issues like labor practices, product safety and data security, and governance matters like board diversity, executive pay, and business integrity.

Stakeholder Capitalism



Corporations exist to benefit not just shareholders and investors, but all stakeholders – customers, employees, suppliers, communities, and society as a whole. The implication is that companies must incorporate stakeholders in their decision-making, and that corporate purpose is about more than short-term profit.

Habit # 2 - Prepare for Meetings



Spend time before each meeting so you are ready to add real value to board and committee discussions.

Preparation is the Key to Success in the Boardroom

With the right kind of preparation, you'll feel confident - ready to contribute to discussions and influence board decisions.

Being ready for your board meeting all comes down to following a repeatable process - and making a habit of it.

PREP for Success

There's only a limited opportunity for directors to meet, so it's crucial that the board uses its time well. Ensuring that meetings are productive comes down to each director being well-prepared. This allows the board to focus on moving forward with strategic issues, instead of spending time reviewing background information and reports that were available before the meeting.

Every board needs directors who are willing to put in the time and do the work. Of course, time is at a premium for all of us. But keep this in mind: you'll feel more engaged, and you'll add more value if you take the time to prepare. With preparation, you'll always be ready to be a better director than you were for the last meeting.

There's real power in preparing. It's like prevention – it reduces the potential for failure and the costs that go with it. But there are no short cuts to getting ready for a board meeting. Taking the time you need to do the prep work goes a long way to being ready to participate fully and make an impact.



The Board Package Just Arrived

So, the board package has arrived — the agenda, the minutes of the last meeting, management reports, financial statements, key metrics, scorecards, charts and statistics, proposals, etc. And it looks BIG!

Ideally, it would arrive at least a week in advance, giving you plenty of time to review it. But don't count on it. Life happens. The board itself is ultimately accountable for the quality of the information it receives, but responsibility for putting the package together rests with management.



Let's admit it. Sometimes, when you open up the board package for an upcoming meeting (whether paper or electronic), the length of the agenda and the volume of material can be overwhelming.

That's when using a proven approach for board preparation really makes a difference. It comes down to following a process. There's no one correct method. The best system is the one that works for you.

We asked experienced directors for a few tips, and here's what they had to say:

- Just read, you'll know what to focus on.
- Spend less time on the stuff that is day-to-day.
- Identify the major issues.
- Keep a list of questions.
- Make a note of where you need more information.
- Remember the points you want to make.

Follow a Consistent Process

There's no one correct method of preparing for a board meeting. The best system is the one that works for you.

Having said that, using a consistent, repeatable process is a huge help when it comes to being ready for your board meeting.

Such a process is captured in our **PREP** Framework™. It helps create a rhythm or discipline to build on, giving you that consistent, repeatable process for meeting preparation.

You just may find it's an approach that works well for you.

Preparation starts as soon as the package of board material arrives. Once you have it, follow the **PREP** Framework.

The **PREP** Framework



Preview the material

Your package of board material should arrive with enough lead time to thoroughly review it. Be sure to get started early.

First review the minutes to refresh your memory and help you get into the right headspace. Review the action items in the minutes. Are there any actions you were responsible for?

Next review the agenda so you have an idea what to expect. Note which items are most important and where decisions are needed.

Follow this with a quick review of the rest of the information and reports.



Review in detail

After your quick review, think about the upcoming meeting. What are you looking forward to? What are you dreading? What might be contentious?

Think about places where you can add value. Pull together supporting material. Set aside time to read the material slowly and thoughtfully, making notes as you go. Note the areas where you want to make a point, where you would like more information, or where you would like to ask questions.



Establish some questions

One of the most profound ways that directors can make a difference is by asking meaningful questions, especially ones that focus on strategy, people, finance, and risk.

Make a list of questions for the topics on the agenda.



Pick your priorities

From your list of questions, choose a small number that align with your priorities. These are the questions that could kickstart the conversation around the board table.

With this process behind you, arrive at the board meeting well-prepared and ready to add value to board discussions. Ask your PREP questions when appropriate. You'll be surprised how they can influence the discussion.

Holistic Board **PREP**

One preparation technique is to create, in your mind's eye, a view of the meeting as a whole. Rather than considering the meeting to be a series of separate items, as they are listed on the agenda, it can serve you well to stop and think holistically about the meeting – what it really means for the organization and where it fits in the board's annual calendar.

To think holistically about the meeting, ask yourself questions such as:

- What is the main focus of the meeting?
- How does it fit with strategic priorities?
- What decisions will be made?
- How might I consider goals or values?
- Where and how can I add value?



With this approach, you may decide not to start at the beginning and work your way through to the end. Instead, try starting with the meeting's focus, the areas of greatest strategic importance, and the places where you can add value.

While you're fresh and alert, spend your time with those items. These are the areas where you might decide to dig deeper, do some research, or make some phone calls. These are also the areas where you will pull together some questions that align with your priorities – questions that might kick start some great discussions at the upcoming meeting.

Once you're feeling comfortable in those areas, move on to read the rest of the agenda items and supporting material. Make sure that you've reviewed the entire board package before you're done.

Decision **PREP**

In your PREP work, pay particular attention to agenda items where a board decision is needed. For most decisions, the board is presented with a recommendation from management. Faced with that recommendation, the options available to the board are pretty much limited to approving it as presented, approving it with revisions, sending it back for more work, or outright rejecting it.

One thing to keep in mind is that boards can rely too much on management presentations. As directors, we tend to focus on the information that's presented to us. We act as though the information we have in front of us is the only information available, and that it's all we need to make a decision.

Your PREP work gives you the opportunity to explore further before it's time to make a decision – to get more background information, to identify the stakeholders, to understand the impact more fully. You can do this on your own as part of your PREP or you can ask management to do it for you.

Soak Time

When faced with a big, important decision, sometimes a board will stretch the process over two or more meetings. They'll socialize an idea at the first meeting, seek perspectives and questions at the next one, and then bring it back for a decision at a third meeting.



This approach allows for *soak time* - the process of allowing the details and analysis of a complex decision to sink in before casting a vote.

Whenever you can, take advantage of the opportunity to spend some good quality soak time with an important issue.

In-Person Meeting **PREP**

If your board meeting will be in person, you'll be confronted with the dreaded decision, "Where should I sit?" It's not the biggest issue in front of you, but it can actually cause a bit of anxiety to be confronted with a room full of empty chairs.

Your choice of seat matters more than you think. It subconsciously influences others' perceptions of you and your ideas. That's why it's worthwhile to think about your meeting goals. Do you have a lot to say? Do you want to be noticed? Or would you prefer to sit quietly listening? Maybe you are new to the board and just want to get the lay of the land before speaking up.

Whatever your goals, think them through before the meeting to help you make the right seating decision. Here's a few tips.

- The people sitting right next to the board chair are seen as the most supportive.
- If you want to go unnoticed, take a middle seat on the side of the table to the right of the board chair. There will be less eye contact there.
- If you have a lot to say and you feel like being contrarian, try sitting at the opposite end of the table from the board chair.

Virtual Meeting **PREP**

If your meeting will be virtual, here's a few extra steps to take in preparation:

- Download / install the app or software. Ensure it works on your device.
- Familiarize yourself with the platform. Check your video and audio settings.
- Do a test video session with the administrator.
- Know the backup plan if problems arise (e.g. use your telephone.)
- Get comfortable with how the meeting materials will be viewed (another device, split screen, paper?)
- Know how to mute and unmute your microphone, and how to start and stop your camera.
- Know how to speak up and vote - should you raise your hand visibly or use the platform's "raise hand" function?
- Identify a quiet place and set aside some uninterrupted time. Mute your telephone so it doesn't ring during the meeting.
- Have headphones or earbuds on hand in case you need them.

Ready for Your Board Meeting?

OK, you're prepared, but are you ready? And what's the difference?

- **Prepared** = having completed the required steps, done the required reading, filled in the required forms, etc.
- **Ready** = a state of energy and anticipation that results from preparation. Only once you've finished preparing well, can you feel ready – calm, confident, and eager.

When it comes to board work, spending time with your board package ahead of time leads directly to being both prepared **and** ready. Not just spending time reading, but spending time thinking, considering, wondering.

One way to ensure that you're ready for your board meeting – calm, confident, and eager – is to ask yourself the questions from this *Readiness Checklist*. Even the most experienced directors benefit from getting into the right headspace by working through this checklist before their meeting.

<input type="checkbox"/>	Did I take enough time to prepare for the meeting?
<input type="checkbox"/>	Is it clear what we are trying to achieve in the meeting?
<input type="checkbox"/>	Do I understand the issues coming to the board?
<input type="checkbox"/>	Does the meeting agenda focus on strategic issues?
<input type="checkbox"/>	Am I conflicted on any matters to be addressed at the meeting?
<input type="checkbox"/>	Do I have enough information to make informed decisions?
<input type="checkbox"/>	Am I ready to think independently and make my views known?
<input type="checkbox"/>	Am I ready to listen and respect the views of others?
<input type="checkbox"/>	Am I ready to accept and support the decisions confirmed by the board?
<input type="checkbox"/>	As a director, what can I do to continue to add value to the organization?

Savor the **PREP**

Good, solid preparation leads to being *ready for your board meeting* – a state of anticipation, feeling calm, confident, and eager.

Yet sometimes, we lack the motivation to get the **PREP** work done, even though it promises that future reward. We procrastinate, defer, and even avoid it altogether. Blame it on the way our brains are wired. Our brain circuitry doesn't encourage us to embark on activities with deferred rewards (even though our future selves would thank us for it).

But consciously, deliberately focusing on the benefits of the activity – not just passively thinking about it, but actively, mindfully savoring what it's going to feel like – will re-wire our brain circuitry to start wanting to do that activity. It gets our dopamine system working for us rather than against us.

That's what we mean by "Savor the **PREP**" – developing the habit of savoring ahead of time exactly what it's going to feel like to walk into the boardroom totally *Ready for Your Board Meeting*.



Habit # 3 - Ask Great Questions



Stay curious.

Help the board move forward with well thought-out questions that get to the heart of issues.

Add Value to the Boardroom with Great Questions

Asking clear, compelling questions is one way your contribution to board discussions can be just as significant as the most senior director's.

Your question might be the one that helps your board solve a thorny problem or make a difficult decision.

Fulfill Your Role with Questions

As a director, asking questions helps you fulfill your fiduciary duty. Through questions, you inform yourself about the matter at hand and satisfy yourself about what's in the organization's best interests. The right question – asked in the right way at the right time – is a great tool to help drive your organization forward. Thought-provoking questions encourage dialogue and debate – all without being confrontational about it.

Directors' questions don't just keep the conversation going. They help clarify information, launch meaningful discussions, and challenge assumptions. Arriving at your board meeting with a few well thought-out questions will help you feel confident about your contribution.

“ Questions have impact even before they are answered. They can close a door or turn on a light. They can intensify conflict or deepen mutual understanding.

- Laura Chasin, American philanthropist ”

Contribute to a Culture of Inquiry

A board's culture is made up of informal rules and traditions that have developed over time. Culture determines who makes decisions, how people relate to each other, and even who sits where. It drives what role the CEO has, where the board spends its time, and what topics are never discussed.

Effective boards strive to build a culture of inquiry – one that relies on differences of opinion, unique viewpoints, and probing questions to help cultivate the board's collective wisdom and ultimately make better decisions. This approach not only uses time productively, it energizes directors and motivates them to be the best they can be – soliciting, acknowledging, and listening to different points of view, questioning assumptions, and challenging conclusions.

As a director, your ability to ask the right questions, at the right time, in the right way, contributes to the board's culture of inquiry.

Use Questions to Move the Board Forward



Get to the Heart of the Matter

Probing questions let you explore deeper. They're especially useful if responses to the board's initial questions were not helpful. Probing questions dig for details and engage critical thinking.



Encourage Dialogue

Begin with phrases like *How might we?*, or *What do you think about?* to break down defensiveness and encourage dialogue, enabling people to understand each other's perspective and agree on what they're dealing with.



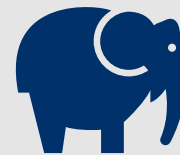
Keep Things on Track

If you anticipate the discussion may veer down an irrelevant path, or you feel a proposal strays from the organization's strategic goals, you can use a carefully timed question to help the group focus and get back on track.



Invite Breakthrough Thinking

To challenge assumptions, try a catalytic question, asking why things are done a certain way and if there's a better way. Get people thinking differently to trigger a breakthrough.



Name the Elephant in the Room

Undiscussable issues prevent a board from moving forward. Help uncover them with a question that taps into fundamental beliefs. It takes courage, but others might be relieved to open up a meaningful discussion.

Be Clear about Your Purpose

The obvious purpose for asking a question is ... to get an answer.

Yet, in the boardroom, you might very well ask a question for another, less obvious, reason. In fact, you might already know the answer. The purpose of your question might be to clarify information, but at the same time to ensure the source of the information is someone other than you.

Your purpose might be to:

- establish facts
- clarify information
- deepen understanding
- challenge assumptions
- reframe an issue
- generate ideas
- make a choice
- envision the future

It helps to be clear in your mind about why you are asking a particular question. Knowing your purpose helps you formulate the question in your mind.



Ask The Right Kind of Question

Not all questions are created equal. It's important to ask the right question - the question that's needed right now.

So, think about your desired outcome. What question type is most likely to produce that outcome?

Question Type	Type of Response Invited	Example
Closed-ended	Specific information	<i>What is the turnover rate among employees?</i>
Leading or loaded	Directing the response	<i>Do you have a problem accepting direction from the board?</i>
Multiple choice	Confine answer to a set of choices	<i>Did you do the analysis, delegate it, or outsource it?</i>
Recall	Accessing facts and experiences from memory	<i>What happened the last time this situation occurred?</i>
Rhetorical	No response is required	<i>Are you crazy?</i>
Funneling	Diminish the number of possible answers	<i>Is this an IT problem? Is it a cyber security issue? Is it ransomware?</i>
Probing or clarifying	Share feelings, think critically, challenge assumptions	<i>If you had to do it over again, what would you do differently?</i>
Impact	Explore implications and consequences	<i>How might this decisions affect our stakeholders going forward?</i>

Adapted from 'That's a Great Question' © 2012, 2020 Greg Bustin.

Use Catalytic Questions to Explore

When added to a board discussion, catalytic questions invite creativity and exploration. They're ideal for encouraging deeper reflection and sharper insights. That makes them a great tool for strategic planning.

But they don't come about by accident – it takes a deliberate effort to transform a common question into a catalytic question. Try it next time you want to energize your board.



Like a catalyst in a chemical process, some questions knock down barriers, open up new spaces, and send energy down more productive pathways.

- Hal Gregersen,
MIT Leadership Center



Common Question	Catalytic Question
What is the problem and how will we solve it?	<i>What is the future we want to create and for whom?</i>
How can we prevent the problem from hurting us in the future?	<i>What will be possible once our problems are solved?</i>
Who is the target audience this effort intends to address?	<i>Who'll be affected by our actions? Who else cares about our results?</i>
Where will the money come from?	<i>What real resources do we need? Who already has what we need?</i>



Remember - it's not just what you ask, it's how you ask it.

A culture of inquiry is one that enables key questions to be asked in a safe environment. But safety is a two-way street. While it's your responsibility to ask the hard questions that need to be asked, you don't want the person on the other end to feel attacked. Nothing good can come of that.

Good, challenging questions in the boardroom don't have to make people angry. But if people are more focused on wondering why you're such a jerk instead of seeing the real benefit of the question, the opportunity may get lost in the emotion.

People remember how you make them feel. Asking too many closed questions in a row can make someone feel like they're being interrogated. On the other hand, a well-formulated question makes them feel that you're interested in what they have to say.

Keep these guidelines in mind.

- **Wait for the right time.** Look for an opening when the topic is on the table and your question is relevant.
- **Use a neutral tone of voice.** A sharp tone can make your questions seem like an interrogation.
- **Watch your body language.** Show interest through your facial expression and body language.
- **Choose your words with care.** Emotionally charged words can stop a good discussion in its tracks.



Avoid These Trigger Words

Try to reframe your questions without these words. They may cause the person on the receiving end to shut down instead of open up.

You
Your
Always
Never
Should
But
Why



The words we use in our questions determine how our questions are received - and how they're answered. These seven words have the power to trigger emotionally charged reactions and create unintended response.

- Greg Bustin, 'That's a Great Question'



Stay Curious



"Stay Curious" - it's more than just a tagline. It's a reminder to intentionally focus on always bringing a lively state of curiosity to the board table.

Curiosity is one of the attributes that separates a ho-hum board director from a Savvy Director. By asking great questions, you have the opportunity to demonstrate genuine curiosity and openness to exploring new ideas at every board meeting you attend.

Habit # 4 - Collaborate with Others



Treat the board and management with respect.
Work toward reaching
a common understanding.

People Remember How You Make Them Feel

The most effective directors know how to ask probing questions
and get their point across without causing resentment.

With a collaborative approach, your point of view
will be heard more clearly,
helping to bring out the collective wisdom of the board.

The Director's Balancing Act

As board director, you'll want to balance your need for independence with your desire for a positive relationship with your fellow board members and the management team. In other words, you'll want to be a team player without being a doormat.

How you're perceived goes a long way to determining whether others are open to your ideas, or whether they dismiss your viewpoint without seriously considering it. So, if your communication style is confrontational without intending it to be so, you're much less likely to be heard.

Effective directors seem to get that. Maybe it's intuitive or maybe they've learned it through experience. They're not worried about taking credit – they let the solution seem like someone else's idea..



Independence is highly valued among board directors, especially the ability to think independently – to *see with your own eyes*. The problem with independent thinking is that it can get in the way of collegial relationships. When Groupthink sets in, there's always the temptation to go along just to get along.

That's where the balancing act comes in.

There's no need to give up on asking probing questions, as long as it's done calmly and respectfully. The very act of responding to questions tends to reduce emotion, lower defensiveness, and engage critical thinking. By using a collaborative approach, you help other directors begin to recognize and question their own biases and re-consider their opinions.

A collaborative approach means tamping down your own defensiveness in the face of disagreement, trying to help fellow directors understand and focus on the issues, refraining from treating a discussion as a win/lose scenario, and making sure to leave others' dignity and self-image intact.

Teamwork

Most of us have been a team member at some point – maybe playing on a sports team or participating on a project team. So, is being a board director like being a team member? Is a board like a team?

Not always. Sometimes a board is more like a working group - a collection of individuals who coordinate their efforts. But a well-functioning board is a lot like a sports team – a group of talented individuals, each with unique and complementary strengths, all setting aside their personal agendas to help the organization achieve success.

What differentiates a working group from a team is the sense of shared purpose. By focusing on communication and collaboration, teams lend themselves to improved productivity, more effective problem-solving, and stronger support for organizational goals.

The best boards are effective teams that develop direction, momentum, and commitment by sharing a common, meaningful purpose. They invest time and effort into exploring, shaping, and agreeing on

a purpose that belongs to them both collectively and individually. They coalesce around a challenging aspiration and then translate it into specific goals. Purpose, goals, and commitment are a powerful engine for team performance. Simply stated, an effective team is more than the sum of its parts.

Some characteristics of effective teams include:

- Healthy conflict, where individuals are free to dissent and debate.
- Engagement, where people routinely go above and beyond expectations.
- Psychological safety, where all members feel they can speak up freely.
- Personal excellence, where everyone holds themselves accountable.
- Respect, where members trust each other to do their best for the organization.
- Adaptability and openness to new ideas.



The essence of a team is common commitment. Without it, groups perform as individuals; with it, they become a powerful unit of collective performance.



-Jon R. Katzenbach and Douglas K. Smith

Board Dynamics

Clear documentation, sound structure, and robust processes are all necessary components of an effective board of directors. Necessary, but not sufficient.

The secret sauce is the people – the individual board directors.

A truly effective board benefits from the way the individuals interact. How they learn from each other and build off each other's ideas. How they challenge one another, leading to good decisions for the benefit of the organization and its stakeholders.

Every board takes on the collective personality of its members. This plays out in board dynamics - the behaviors, routines, and social norms that the board develops. Consciously or unconsciously, board dynamics affect how we, as directors, think and act, what we're willing to say, and how we say it.

The quality of directors' interaction is crucial to board effectiveness. Positive board dynamics can make the difference between an effective board and a dysfunctional one.

Positive board dynamics contribute to director engagement, meaningful discussion, good decisions, and positive outcomes. All of which translates to a higher level of satisfaction for directors.



Conflict in the Boardroom

Wherever people with strong convictions work together to make a difference, there is tension. It can be uncomfortable, but it doesn't have to be unhealthy. A board can manage the tension by sharing information openly, discussing difficult issues, encouraging questions, and inviting diverse perspectives.

When the tension is left unresolved for too long, it can escalate into disruptive conflict. The conflict can be subtle – manifesting itself in withdrawal, silence, and poor attendance – or more obvious and up-front. You might sense a general mood of anger, frustration, or disapproval, or you might see disagreements escalate with directors leaving the room, slamming doors, or suddenly resigning from the board.

These conflicts are often left to simmer in the hope they will go away. Unfortunately, they don't usually go away on their own. Instead, outside guidance is often needed, otherwise the board's dynamics can change in ways that are difficult to recover from.

Camaraderie in the boardroom is important – especially for volunteer directors of non-profit organizations. If the board experience is no longer enjoyable because of unresolved conflicts, directors drift away or resign.

If you're serving on a board with disruptive conflict, it can be hard on you. What can you do?

- Keep your language neutral and fair.
- Stay focused on issues instead of personalities.
- Focus on the big picture where you're more likely to find common ground.



And remember, you don't have to be unemotional to keep conflict at bay. Emotions mean that you care – that issues and relationships are close to your heart. Acknowledging your feelings – and those of others – helps to humanize the boardroom conversation.

Influence at the Board Table

Because all the board's decisions are collective, no one director has the power to make decisions. That makes the ability to influence perspectives and decisions an important skill. If you're unable to influence decisions, it can feel like your voice is not being heard and you might as well not speak up.

There's nothing wrong with wanting to influence the board – that's why you're there. Here are a few tips.

- When you're new to a board, your contribution is often given less weight. Over time, you'll gain influence when you're open to feedback and willing to learn from other board members.
- You'll gain influence by questioning and dissenting, but keep in mind that your tone and style are just as important as your words. Your questions, while challenging, must be respectful and collaborative. Otherwise, trust is damaged – and there can be no influence in the boardroom without trust.
- You bring your own knowledge and expertise to the board table, and that confers influence if it's relevant to the topic. Draw on your past experience but be careful not to be biased by it.
- Gain influence by supporting your fellow directors in their own arguments. In doing so, you help build trust and support a culture of inquiry.

The Trust Factor

If you hope to change directors' minds and influence the board, then trust is absolutely necessary. When you're new to the board, you'll be given the benefit of the doubt, but that's not the same as being trusted. Trust takes time and effort.

And directors are dependent on trust to fulfill their board responsibilities. Without trust, board members may not feel safe enough to ask difficult questions, accept feedback, and listen with an open mind.

Author and consultant Ken Blanchard developed the *ABCD Trust Model* on the next page to help understand the essential elements of building trust. It's a useful model for building trust in the boardroom.

Building Trust in the Boardroom

A is for *Able* - Competence, knowledge, and skills.

Most directors bring a specific set of skills to the boardroom. In addition they need competence in four areas - the industry, the organization, the board, and corporate governance.

B is for *Believable* - Honesty and sincerity.

In the boardroom, you can demonstrate believability by:

- Saying what you actually think.
- Keeping confidences.
- Refraining from spreading rumors.
- Admitting your weakness or error, or if a topic is outside your area of expertise.
- Giving credit where credit is due.
- Acting in accordance with your values.

C is for *Connected* - Empathy and openness.

Here are a few boardroom behaviors that help build trust:

- Asking open questions.
- Listening to what others have to say.
- Acknowledging others when they make a good point.
- Asking for feedback – then listening and acting on it.
- Revealing yourself – showing there's more to you than just being a director.
- Sharing information.
- Avoiding boardroom politics.

D is for *Dependable* - Reliability, accountability, and consistency.

You can demonstrate your dependability by.

- Attending meetings consistently. Be absent only with good cause and with advance notice.
- Showing up to meetings on time.
- Being well-prepared - ready to participate fully.
- Following through on your commitments.

The Board-CEO Relationship

Trust is also at the core of a strong relationship between the board and the CEO. A positive board-CEO relationship isn't a guarantee of organizational success, but it plays a significant part.

The CEO and the board each have different roles, but they have to pull together on achieving the organization's goals. If they're pulling in opposite directions, the organization will be at an impasse.

Every director shares responsibility for creating and maintaining a good relationship with the CEO. Directors help maintain that relationship in the following ways:

- Providing guidance and advice on strategic decisions.
- Keeping an open-door and being available.
- Having the courage to ask tough questions.
- Being willing to take a hands-on approach in a crisis.
- Being fully engaged and committed to the organization.
- Bringing energy to board meetings and other interactions.
- Embracing the obligation to work in the best interests of the organization and its stakeholders.
- Setting clear expectations and objectives.
- Being transparent about opinions, plans, and motivation.
- Being humble and willing to have their ideas challenged.





W.A.I.T. - Why Am I Talking?

If you've ever returned from a board meeting asking yourself *"Why did I say that?"* you're not alone. Making use of the W.A.I.T. technique can help with that.

The most effective directors seem to have their listening skills on high alert and their mouths figuratively fastened with Velcro. They don't feel the need to speak on every topic. They have discovered and put to good use the acronym *W.A.I.T. - Why Am I Talking?*

They W.A.I.T. to contribute when it matters most and is most relevant. When they have the urge to say something in reaction to the person speaking, the W.A.I.T. acronym pops into their head and they pause briefly. They may still choose to speak but they'll know it's because they can add value to the discussion.

There are benefits to picking your spots carefully. If you've done your **PREP** work, you'll have some good questions ready to go. But the impact of a good question depends on waiting for the right time to ask it. The W.A.I.T. technique gives you reason to pause before asking that question or responding to another director's comment.

Listening Skills

When we talk about communication skills for the boardroom, we often mean speaking or presenting – a way of sharing our ideas and opinions. We communicate to influence, advise, or challenge.

But communication is supposed to go two ways. As a director, it's important to consider not just your questioning and speaking skills, but perhaps more than anything, your listening skills. By listening effectively, you get more honest information, increase trust, reduce conflict, and inspire commitment.

We build better relationships and contribute to positive board dynamics by listening more effectively to management and to each other. By listening – *really listening* – we open ourselves up to the possibility of changing our minds.

Effective listening is a disciplined behavior that takes awareness and focus. The key is active listening. While many active listening techniques are designed for one-on-one conversations, most can be adapted for the boardroom.

Consider these four listening principles from Mark Goulston's book 'Just Listen'.

Be present.	Let go of multi-tasking and pay attention. Think only about what the other person is saying.
Be open.	Keep an open mind. Allow for the possibility that your own viewpoint may not be the only one - or even the best one.
Be interested.	Don't interrupt. If you need clarification, wait until the speaker pauses before asking for an explanation.
Be a mirror.	Summarize, repeat and paraphrase to let the speaker know they've been heard and understood.

Habit # 5 - Think Independently



See with your own eyes.
Avoid Groupthink and challenge the status quo in a
respectful manner.

Add Value to the Boardroom with a Director's Mindset

As a board director, your mindset is a bit different than that
of an executive, professional, or entrepreneur.

Your role doesn't involve *doing*, it involves *thinking* –
overseeing, questioning, advising, and taking
a long-term view.

A Director's Job is Thinking

There's no question that a director's work requires the ability to think critically, clearly, and independently. The board applies its collective thought processes to achieve the best possible outcomes in whatever situation the organization is facing.

There's room around the board table for diverse thinking styles – analytical and strategic; people-focused, data-focused and process-focused; big picture thinkers and detailed thinkers; idealists, realists, and pragmatists; risk tolerant and risk averse – but there's really no room for fuzzy thinking, muddled thinking, or wishful thinking.

Savvy directors exercise critical thinking when they examine information from different sources and evaluate it rationally and objectively to arrive at a decision.

In the process, they guard against the barriers that tend to interfere with their ability to think clearly about the issues – barriers like subconscious assumptions, cognitive biases, and logical fallacies.

And they work at staying independent – relying on their own perceptions and judgment, instead of just “going with the flow” – conforming to the majority view to avoid rocking the boat.

Thinking is hard work – brain work. The brain is where we process information, make decisions, manage emotions, control responses, and exercise willpower.

And all this brain work requires energy. The human brain uses more energy than any other organ, accounting for up to 20 percent of the body's reserves. That makes managing our energy very important.

Any dip in our energy levels makes it harder to think critically, clearly, and independently.

When directors' energy starts to be depleted and fatigue sets in, the quality of the board's decision-making can deteriorate without anyone noticing.

“

Thinking is the hardest work there is, which is probably the reason why so few engage in it.

”

- Henry Ford

Critical Thinking

Critical thinking is the ability to think objectively and rationally, and to understand the logical connection between ideas.

Rather than relying solely on intuition or instinct, critical thinkers identify, analyze, and solve problems in a consistent and systematic way. They build and articulate logical arguments that support their point of view.

Critical thinkers also recognize, analyze, and evaluate other people's arguments, determining their validity, importance, and relevance to the situation.

They also seek to determine whether the ideas and arguments in front of them represent the entire picture, and they're open to finding that there's more, maybe better, information available for consideration.



Critical thinkers don't accept ideas and assumptions at face value. Instead they rigorously test them, identifying errors and inconsistencies in reasoning. They apply the same rigor to their own assumptions, beliefs, and values, making sure they're based on facts, not fiction or faulty memories.

In essence, critical thinking requires us to use our ability to reason. It's about being an active learner rather than a passive recipient of information.

Unfortunately, not even the savviest director can think critically 100 percent of the time. Our critical thinking skills are put to the test regularly, whenever our self-control is affected by our emotions, mood, or just plain fatigue.

Skills for Critical Thinking

With persistence and practice, any board director can improve their critical thinking skills – skills such as the following:

- **Observation:** Paying attention to what's going on.
- **Interpretation:** Making sense of your observations.
- **Reflection:** Thinking about a topic or issue in an objective way.
- **Analysis:** Examining a complex issue to fully understand it.
- **Recognition:** Identifying the arguments that relate to an issue, as well as the strengths and weaknesses of each argument.
- **Evaluation:** Evaluating a point of view to determine its validity.
- **Inference:** Noticing the unstated implications behind a statement or argument.
- **Explanation:** Providing a logical rationale for an argument we want to make.
- **Problem-solving:** Following a structured process to reach a solution.
- **Decision-making:** Choosing an option from a number of alternatives.

How Critical Thinkers add Value

Critical thinkers are a great asset in the boardroom. As you hone your critical thinking skills, you'll find yourself adding value to board discussions in all sorts of ways. You'll be able to:

- Raise meaningful questions.
- Access relevant information and evaluate it objectively.
- Articulate ideas clearly and precisely.
- Connect the dots to see the big picture.
- Recognize and challenge assumptions.
- Engage in open dialogue to find solutions.
- Communicate well-reasoned and practical suggestions.
- Test conclusions against objective criteria.

Barriers to Clear Thinking

As human beings, every one of us is susceptible to a number of barriers that get in the way of our ability to think clearly. Whether or not we're aware of them, these barriers have a powerful and pervasive influence on us. And as board directors, they can interfere with our ability to think clearly and rationally about the issues our boards are wrestling with.

Savvy directors are hyper-aware of these barriers because they can – and do - affect the quality of decision-making. That kind of self-awareness is an important safeguard that will serve you well on your governance journey.

Learn to monitor and question your own thoughts, to acknowledge that your ideas might be flawed, and admit that you are as prone to subconscious assumptions, cognitive biases, and logical fallacies as the next person.

Knowing that you're vulnerable to decision fatigue, monitor your energy level as the meeting goes on, making sure to stay hydrated and nourished.



Challenging Our Assumptions

Assumptions are things we believe to be true without requiring any supporting evidence.

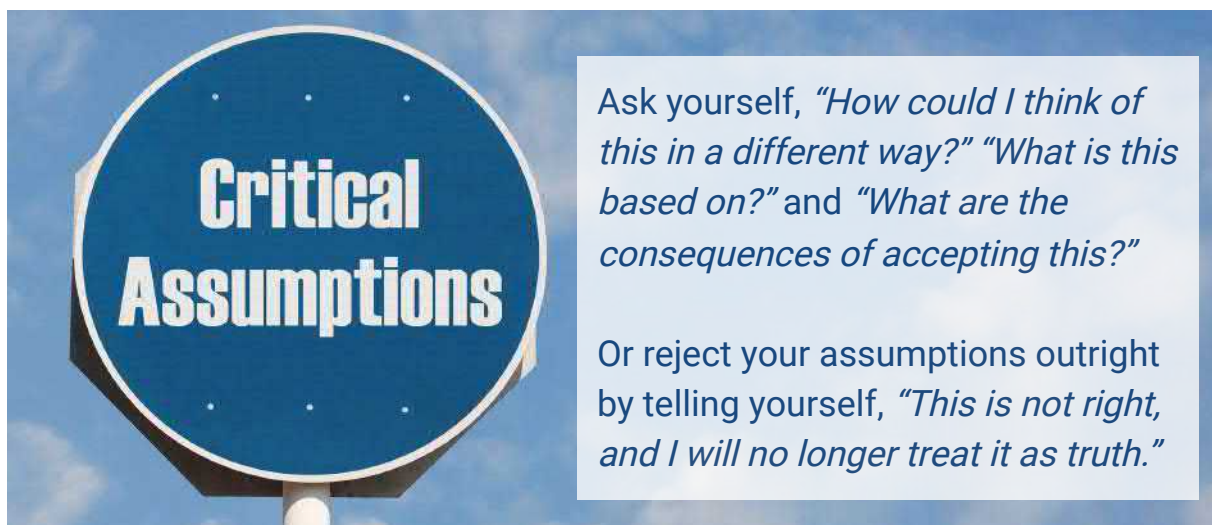
Subconscious assumptions are assumptions we make without even being aware of it. They develop as part of the learning process as our brain seeks to make sense of the world around us.

Making an assumption is neither good nor bad - assumptions lie within every decision. They're as natural as breathing. They're like short cuts. They enable us to rapidly assimilate information, ascribe meaning to it, and make decisions quickly and efficiently.

Assumptions aren't necessarily dangerous. But when critical thinking and deliberate decision-making are called for, these short cuts can cause us to jump to the wrong conclusion. We can even be blind to data that doesn't reinforce our assumptions.

The more consciously that we look at the way we're making a decision, the greater the chance of recognizing our subconscious assumptions.

That's where self-awareness comes in. The moment you become aware that you're making an assumption, taking something for granted, or treating a belief as a fact, that's when you should challenge your own assumptions.



Once you've learned to recognize and challenge your own assumptions, you can help your board make smarter decisions by identifying the subconscious assumptions that others are making - bringing them out in the open so they can be explored and tested.

Cognitive Biases

Cognitive biases are patterns of thinking that cause us to be irrational in how we search for, evaluate, interpret, use, and remember information. Most importantly, for board directors, they cause us to be irrational in the way we make decisions.

We're susceptible to an alarming number and a wide variety of cognitive biases. They affect every area of our lives, from how we form memories and how our beliefs are shaped, to how we form relationships.

In a boardroom context, cognitive biases affect how we evaluate risk, process information, think about customer preferences, remember the past, and perceive our fellow board members.

We can't completely eradicate the influence of cognitive biases, but there are techniques that help can help us think more rationally, starting with becoming aware of the problem.

A few ways to counteract cognitive biases are:

- Make others consciously aware of the bias.
- Frame the discussion as finding the truth rather than proving others wrong.
- Emphasize the value of learning new things.
- Avoid mocking others for their beliefs.
- Spend time with the information free from distractions and false urgency.

Seeing What We Want to See

Confirmation bias causes us to see what we want to see, posing a significant barrier to clear thinking. It's a common cognitive bias - one that causes us to deal with information in a way that confirms our pre-existing beliefs. It happens because of our natural desire to avoid finding out that we're wrong and to confirm that we're right.

Considering that the board director's job involves assessing, evaluating, interpreting, and recalling information, it's easy to see why confirmation bias can be a problem. For instance:

- When we're doing our meeting **PREP**, do we search out and highlight the information that confirms our beliefs and skip over the rest?
- When management presents a proposal, do we pay attention to the slides that conform to our own thinking and drift off when they don't?
- When reviewing reports, do we interpret the data in a way that supports what we already thought?
- When we use an expert's opinion to validate our position on a topic, do we recall only the statements that support our own opinion and forget to mention the parts that don't?

“ A great many people think they are thinking when they are merely rearranging their prejudices. ”

- William James

Logical Fallacies

Logical fallacies are arguments with flaws in their structure or premises. Some of these are quite familiar in everyday life, such as loaded questions or red herrings.

In the boardroom, a director might use a logical fallacy unintentionally. But it's also possible to use one deliberately - to mislead, compensate for the lack of a valid argument, or just change the subject. For instance, someone might use a red herring - presenting irrelevant information - to try to distract others, avoid a question, or shift a discussion in a new direction.

If you notice someone using a logical fallacy and you want to counter it, the way to do so is to identify the flaw in reasoning, then explain the problem with the argument's structure or premises. But keep in mind that countering a logical fallacy is not always effective. You may find that the best way to deal with it isn't from a logical perspective, but simply to refuse to engage with it.

Beware the Strawman

The strawman argument is a logical fallacy where one person creates a distorted version of someone else's argument, making it easier to attack. The distortion might involve oversimplifying or exaggerating the original argument, taking it out of context, or taking it to an extreme that was never intended.

You'll recognize a strawman argument in the boardroom when there's a mismatch between one person's stance on a topic and the stance that someone else is trying to refute. For example, consider this boardroom exchange. The CEO states, "I think that a bigger portion of our budget should go to customer support because we're currently struggling in that area," and the director responds, "if we spend all our money on customer support we'll go bankrupt in a year."

The director's argument contains a false premise - that when the CEO suggests increasing the customer support budget, that means allocating the entire budget to customer support. The director's argument counters an irrelevant point that the CEO wasn't trying to make.

To avoid being vulnerable to a strawman argument, make sure you use clear, precise language that leaves little room for misinterpretation. If it does happen to you, you can counter it by pointing out how it distorts your original stance.

Independent Thinking

Thinking independently means using your critical thinking skills and staying loyal to yourself, even if it means going against the majority view. Some say that independent thinking is an increasingly rare phenomenon in our society, but in the boardroom independent thinkers make a highly valued contribution.

Independent thinkers question popular opinion, but not for the sake of standing out in a crowd, showing off, or just for the sake of being different. They care about finding the truth, and that's why they view the majority view through the prism of critical thinking. They realize that the majority can be wrong and popular opinion can be flawed.

In the boardroom, if you're not thinking for yourself and sharing your independent views, then you're not contributing the value you could, and you're probably not feeling fully satisfied or engaged.



Groupthink

In the boardroom, the biggest barrier to independent thinking is Groupthink.

Groupthink happens when members value group harmony over critical thinking. They refrain from expressing doubts and judgments or disagreeing with the consensus view. As a result, they reach premature consensus, spurred by the urge to conform.

Groupthink inhibits critical thinking, self-reflection, and effective problem-solving. It triggers decisions that aren't ideal or that ignore critical information. So when the decision the board is facing is an important one, Groupthink represents a major risk.

You've read the material. You've seen the presentation. You've listened to management's request. Now it's time for the board to make a decision. It's an important decision, too. You're expecting a robust discussion.

But the room is quiet. Maybe a couple of directors ask a question or two, just for clarification. Now it looks like the board chair is about to call for a vote.

What's going on? Groupthink, that's what. Your board has fallen victim to Groupthink.



In the boardroom, Groupthink can look like efficiency. It's easy for directors to tell themselves that the lack of critical discussion resulted from the excellent quality of the pre-reading material and the thoroughness of management's presentation. These were so comprehensive that directors had no questions to ask and no need to discuss further. The board chair was able to call the vote quickly and the decision was made. How very efficient!

But what if it's not efficiency. What if it's Groupthink?

Dealing with Groupthink

What signs of Groupthink should you look for?

- **Rationalization.** Directors convince themselves that the alternative presented is the best one, or maybe even the only one.
- **Peer Pressure.** When a director expresses an opposing view or questions the rationale behind a decision, others put pressure on them to comply.
- **Stereotyping.** Directors see outsiders as different and inferior, so they discredit their opinions.
- **Censorship.** Only information that supports the chosen alternative is presented. Or directors censor their own opinions to conform.
- **Illusion of Unanimity.** No one speaks out, so everyone thinks the board's decision is unanimous.

How can a board minimize the effects of Groupthink?

- **Have the chair step back.** A leader who states their view too early limits discussion.
- **Allow enough time.** Time pressure is a great friend to Groupthink, so make sure there's time for a robust discussion.
- **Encourage dissent.** Ensure every director has an opportunity to speak their mind.
- **Increase diversity.** Recruit directors with a variety of different thinking styles.
- **Name a devil's advocate.** Have one director bring a contrary perspective, coming up with reasons a proposal might fail.

How can you prevent Groupthink in your own thinking?

- **Be clear on your fiduciary responsibility.** You're bound to act in the organization's best interests, so view decisions through this lens.
- **Acknowledge your biases.** Work to identify your own biases and try to compensate for them.
- **Reframe issues.** Look at decisions from a different perspective. For example, imagine you're on the outside and you've been asked to advise the board.
- **Be mindful.** Be aware of your state of mind. Recognize the forces that are driving you.
- **Use a decision framework.** The decision-making process sometimes matters more than the analysis that went into it.

Habit # 6 - Demonstrate Courage



Maintain your integrity.
Don't be afraid to do the right thing
for the right reasons.

Tone at the Top

Every board decision influences the tone at the top for better or worse.

If the board models ethics and integrity, management will likely uphold the same values, and employees will be inclined to follow management's lead.

As a director, there'll be times when you need to demonstrate governance courage to influence your board to do the right thing

Code of Ethics and Conduct

Most organizations have a formal code of ethics and a code of conduct - often combined into one document. The code of ethics sets out general principles that guide an organization's employees, management, and board. The code of conduct describes what people must do to implement the code of ethics, emphasizing each person's responsibility to bring it to life through their individual actions.

An effective code of conduct:

- Fulfills regulatory requirements.
- Sets the boundaries of acceptable behavior.
- Reduces the risk of fraud, conflicts of interest, and ethical lapses.
- Helps directors and employees be sure they won't inadvertently stray offside.
- Provides the basis for sanctions against anyone who deviates from the code.
- Introduces new employees and directors to the organization's standards.
- Informs those doing business with the organization of its expectations.

Sometimes there's a separate board-specific code of conduct that deals with directors' legal duties, confidentiality, conflicts of interest, respectful behavior in board meetings, and relationships with management.

Board directors are responsible for ensuring that their own actions as well as those of the CEO are consistent with the code of conduct. They're expected to sign off on it when they join the board and annually after that.



The board also ensures that the code of conduct is appropriate. They review it regularly - making sure it remains relevant and considering any new risks that should be reflected in it - and approve any changes.

Conflicts of Interest

A conflict of interest is a situation where a director's duty to the organization conflicts with their own interest or with their duty to another organization.

- **Actual conflict.** Outside interests or connections actually influence a director's integrity, objectivity, and independence.
- **Apparent or perceived conflict.** Outside interests or connections appear to, or could be perceived to, influence a director's integrity, objectivity, and independence.
- **Potential conflict.** A director becomes aware of outside interests or connections that, if acted upon, may influence their integrity, objectivity, and independence.

It's not always clear when there's a conflict. We all have professional and voluntary involvements and personal relationships that may put us in conflict with something that comes up at the board. If you're wondering whether you have a conflict, ask yourself, *"Would others on the board trust my judgment in this matter if they knew of my situation?"* If the answer is *no*, or even *maybe not*, this may be a conflict situation.

Having a conflict of interest about something on the board's agenda doesn't make you an ineffective director. But it's important to make sure you declare any conflict – actual, apparent, or potential – and that your board has a process for dealing with it.

It's best to err on the side of caution and declare anything that might prevent you from having an independent view. Then the board's process kicks in, with next steps determined by board policy. Open discussions about conflict help build trust and create a safe environment for what might otherwise be an awkward conversation.



Asking every director to sign off on a Conflict of Interest declaration every year is a good way to remind everyone about the policy and reinforce a culture of integrity.

Ethics in the Boardroom

Ethics is a field that seeks to answer the practical question, '*What ought we to do?*' - a question that applies to individuals, groups, and organizations. Ethics consists of well-founded standards of right and wrong that prescribe what we ought to do, in terms of rights, obligations, benefits to society, fairness, or virtues.

A board of directors is often faced with making a decision that has ethical dimensions. They don't come with a label marked, "*Caution. Ethical Decision Required.*" It's up to you, as a board director, to notice the ethical implications and treat the decision accordingly.

There are certain types of boardroom issues that frequently involve ethics. You'll find that this type of challenge never completely goes away. They end up having to be dealt with again and again.

People, relationships, and perspectives. Examples include conflict of interest, favoritism, nepotism, and romantic relationships.

Business practices and strategic decisions. Examples include diversity, discrimination, health and safety, remuneration, workforce structuring, tax strategies, and investments.

The organization's place in society. Examples include racial inequity, human rights, climate change, and global trade.

When governance practices are under intense stakeholder scrutiny, as they are today, it's important that directors know how to make ethical decisions.

Sometimes ethics involves absolutes – right vs. wrong, or good vs. evil. But just as often – or maybe more often – ethical decisions are needed in a grey zone where values and principles of equal weight compete. These are the hardest decisions to make, because sometimes the best we can hope for is 'the least bad option.'

Whether in our personal or business lives, or when acting as board directors, using a framework for ethical decision-making gives us the best chance of identifying the 'least bad option' and making the best possible decision under the circumstances.

Making Ethical Decisions

This five-step ethical decision-making framework from the [Australian Institute of Company Directors](#) and [The Ethics Centre](#) helps ensure that boardroom decisions are ethically defensible. That doesn't mean that all stakeholders will agree with it, but at least the organization will have a sound foundation for its decision.

1

Understand the Issue

Determine the facts and how they're linked to the organization's core values. Explore the assumptions being made and identify any non-negotiable factors. List the stakeholders and their interests.

2

Develop Options

Come up with options that could resolve the issue. This is the most creative and difficult part of the process. Nothing should be off the table. Even options that seem outlandish should be considered.

3

Apply Values

Evaluate the top options against the organization's values. Pick the best option and ask: *'Will it produce the best outcome?' 'Would we be proud to see it disclosed?' 'Does it show proper regard for others?'*

4

Eliminate Weaknesses

Identify and eliminate weaknesses without damaging the chosen option's integrity and utility. Ask: *'How would I feel if this was done to a loved one?' 'Would the person I admire most in the world do this?'*

5

Take Action

Take action and monitor the outcome. Reflect on the decision, asking *'What can be learned from the process?'*

Personal Values

As a board director, your personal values might not always be perfectly aligned with those of the organization you serve. When the board is dealing with matters where those values are called into question, trying to resolve that misalignment can be uncomfortable and difficult.

You'll need to go beyond intuition to uncover and articulate your core beliefs. You'll need to be willing to challenge - and be challenged - about your personal ethics and how they relate to the board's need to make a decision.

This kind of situation can evoke strong reactions about what's good or bad, right or wrong. But when you get these issues out in the open, it helps the board broaden the way it thinks about an issue and how it arrives at a defensible decision.

Savvy directors have an important part to play in bringing ethical decision-making to life in the boardroom. You can be ready for the discussion by ask yourself these questions:

- Am I aware of my personal ethical position? How does it differ from that of the board?
- Do I understand my own motivations and biases? How would my motivations look from an external perspective?
- Can I recognize when I'm out of my depth? Am I prepared to seek advice?
- Am I prepared emotionally and intellectually for potentially difficult debate in the boardroom?
- Do my personal values and principles align with those of the organization? If not, does that create a conflict?
- Can I live with the misalignment between my personal values and those of the organization? If not, am I prepared to resign from the board?



A Higher Standard

How is a director's conduct judged? If what's being assessed is a matter of ethics, then directors' behavior might be judged against the code of conduct, But there's no code of conduct in the world that will provide guidance on all the possible behaviors that stakeholders – or the general public – might view in a negative light.

Directors might look to legal advice for guidance or fall back on what's broadly considered to be 'acceptable.' But these days, stakeholders are likely to feel that board members should be held to a higher standard, not just what's 'legal' or 'acceptable.'

The modern view is that directors are organizational leaders, and their conduct should be judged in the context of leadership. The absolute need for ethical behavior and commitment to integrity hasn't faded. But today's climate requires more – it requires that stakeholders have trust in the board's leadership.



As a director, think of yourself as a leader whose conduct is judged not just against a code of conduct, but against a higher standard – a standard of leadership. Here are just a few of the attributes that stakeholders are looking for.

- Commitment to the best interests of the organization.
- Recognizing an obligation to serve the interests of all stakeholders.
- A sense of confidence that the organization is in good hands.
- A feeling that you're up to the challenge.
- Willingness to adapt to change.
- Honest, transparent communication on difficult topics.
- Staying true to a consistent message.
- Accepting criticism with grace.

Governance Courage

It's widely acknowledged that effective directors need to have courage. But what is there to be afraid of in the boardroom? After all, there are no physical dangers, no life-and-death situations. So, what does it mean to have governance courage?

Think about these three types of courage:

1. **The courage of initiative and action** — making first attempts, pursuing pioneering efforts, and stepping up to the plate.
2. **The courage of confidence in others** — letting go of the need to control situations or outcomes, having faith in people, and being open to direction and change.
3. **The courage of voice** — raising difficult issues, providing tough feedback, and sharing unpopular opinions.

The board as a whole needs to exercise the first two kinds of courage when difficult decisions are needed. But, when it comes to you, an individual director, it's the third type of courage – the courage of voice – that's essential. That's what we mean by 'governance courage.'

Courage doesn't imply a lack of fear. Instead, it implies the presence of fear and the decision to withstand it and act anyway.



Courage is the quality shown by someone who decides to do something difficult or dangerous, even though they may be afraid.



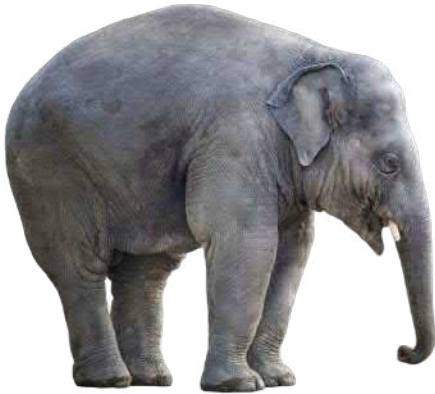
- Collins English Dictionary

In the boardroom, we exercise governance courage when we make the decision to withstand the fear of embarrassing ourselves, or of being wrong, or of creating conflict and harming relationships.

No one wants to be the director who disrupts the agreeable flow of the proceedings. But sharing opposing views and listening to diverse opinions is exactly what produces great outcomes at the board level.

So when it comes to your voice, don't let fear outweigh courage. You're at the board table for a reason and remaining silent isn't it. Whatever you have to contribute might be exactly what the board needs to hear.

The Elephant in the Room



Let's say you're in a position where your gut tells you something just isn't right.

Ultimately, you have to ask yourself, *"Will I ignore the elephant in the room, or will I act with governance courage to bring it out into the open?"*

First, it's a good idea to take some time for self-reflection. Try to pin down exactly what is bothering you. Before you charge ahead like a bull in a china shop, it helps to be able to articulate clearly what the issue is.

If you've made up your mind to address the elephant in the room, how do you overcome your fear?

Ask yourself, *"What's getting in my way?"* and *"What am I most afraid of?"* Maybe you're concerned about damaging relationships, but have you considered that there may be more damage done by shying away? We all know that, left unresolved, issues can fester over time.

Acknowledge to yourself that it's your duty as a board director to bring the issue forward in the best interests of the organization and its stakeholders.

Ask yourself, *"What's the downside of delivering a message I think our organization needs?"*, *"What if I were the person affected, would I appreciate someone bringing the issue to my attention?"*, and *"How would I feel if someone knew something and didn't tell me about it?"*

It also helps to put the situation into perspective. Identify the worst thing that's ever happened to you and rate it on a scale of one to ten. Now, identify the worst thing that can happen if you speak up in this board situation, and, using the same scale, rate that outcome on a scale of one to ten. Chances are, it rates pretty low, doesn't it?

So, if you were able to withstand all those other bad things in your life, you know you can withstand this one too!

Speaking Out

When there's tension and conflict in the boardroom; when you have to choose between keeping the peace or naming the elephant in the room; when your gut tells you something needs to be said but your cowardly heart tells you to keep quiet – those are the situations that need governance courage.

We all have the capacity to be courageous when needed. Once you've gathered your courage and resolved to raise an issue, or to speak out against the prevailing view, what's the best way to do that and still try to preserve relationships?



First of all, resist the urge to frame the issue in an oblique way. You'll just end up sounding passive aggressive or failing to communicate your concern. Here's a few more pointers to help you speak out when you need to.

- Be clear that you're speaking out to fulfill your fiduciary duty.
- Be brief to avoid frustrating others or getting cut off.
- Focus on getting your point across with no embellishment.
- Stick to the facts. State the issue and its consequences.
- If others become aggressive, don't respond in kind, just stick to your point.
- If your initial point is rejected or glossed over, return to your message.
- Some issues are best dealt with one-on-one. For privacy, approach the other person and ask to have a conversation when and where they choose.
- Give the board chair a heads-up. Your issue might be easily resolved.

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Savvy Directors understand that corporate governance is not a static topic. The role of the board continues to evolve as boards assume new responsibilities and are more proactively engaged in a broader spectrum of functions. Experienced directors are always learning. They need to stay on top of governance trends and how they could affect their board.

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