



Cultivating Board Culture for Excellence and Impact

1. Introduction

When culture in the boardroom is not enabling you to contribute at your best it can be very difficult to address issues and improve culture depending on board dynamics, governance, and priorities.

No matter how challenging this situation, cultivating an effective boardroom culture is essential for building trust, creating an environment where everyone feels safe to contribute and challenge thinking, and enabling the board to deliver excellence for the organisation.

Board culture challenges come in many forms; these are just a few examples.

- misalignment of purpose and outcomes
- passion projects vs strategic priorities
- control vs inclusion
- inexperience vs skills and capabilities
- bias and assumption vs open-mindedness,
- and failure to uphold and role model the organisation's culture and values.

The impact of your board culture, good or bad, will flow through the organisation. It will show up positively or negatively in trust, confidence, alignment, engagement, and effort.

“Like the operating system in a computer, culture is the enabling environment for everything an organisation does.”

Elizabeth Broderick, AO

2. Creating organisation culture

Organisation culture can be created by default or by design. When created by design it provides an opportunity for the board, executives, and all employees to proactively influence those factors that will enable the achievement of results, mitigation of risks and creation of competitive advantage.

Creating culture is no longer a ‘nice thing to do’. Proactive duties for directors and officers require that organisations do everything that is reasonably possible to create a work environment that is free from inappropriate behaviours and psychosocial and psychological hazards. In short, directors have a proactive duty to create a positive and compliant workplace culture.

Designing culture should start with a clearly defined identity that is future focused and will ensure the organisation's sustainability through future challenges. There are two sides to identity – the external which is brand, and the internal which is culture. Most organisations focus on brand and the influence this has on reputation, communication, engagement with their market and influence on revenue generation.

Ensuring the external identity is reflected in culture will align employee and customer experiences and make the achievement of strategic objectives easier.

Culture must be embedded in governance frameworks, strategy and risk management practices to be robust and sustainable. This means ensuring consistency of language, clarity of aligned expectations, appropriate risk appetite, demonstration of organisational justice, and the creation of boundaries to guide behaviours according to your values.

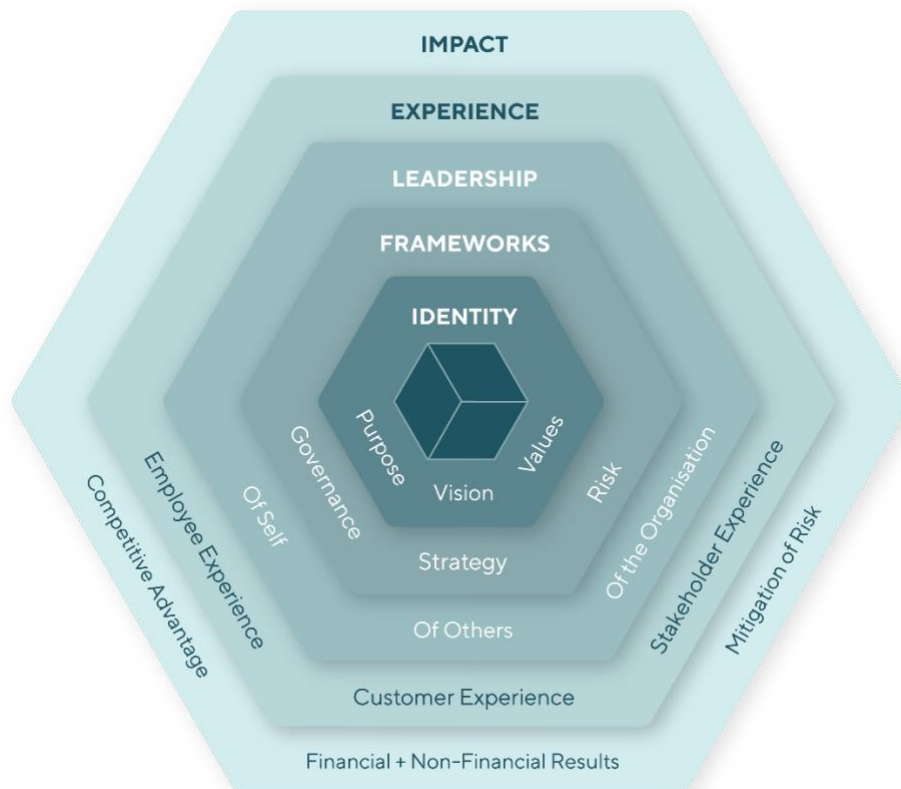
Leaders, from the board room to front line, have the greatest impact on culture through their ability to role model behaviours, uphold standards, address culture issues, and inspire performance. When leaders are not acting consistently across the organisation, or they are seen to not place importance on culture, the impact and importance of culture is diminished. Ensuring leaders are aligned on how to uphold and reinforce culture is essential for organisational effectiveness.

When culture is created by design, the experiences of employees, customers, and other stakeholders are positive, create loyalty and support the achievement of organisational objectives.

The impact of an effective organisation with a curated culture, is the ability to achieve financial and non-financial results, create competitive advantage, and mitigate risks.

HENRY REED's Model of Organisation Effectiveness

A visual guide to creating culture by design



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3. Cultivating board culture

Effective board culture requires an intention to create an environment that will allow all directors and participants in board meetings to contribute at their best. Ensuring that board culture reflects and reinforces the desired organisation culture can often be overlooked with directors coming together infrequently and not being involved in the day-to-day operations of the business.

Ensuring an aligned board and organisation culture requires

- The foundational elements of organisation culture, purpose, vision, and values, to be clearly defined, embedded, reinforced, and upheld
- Boardroom behaviours to be guided by and role model the organisation's values

- Board effectiveness to be enabled by governance frameworks that are fit for purpose, including Constitution and Board Charter
- Board culture and ways of working that create a psychologically safe environment for open contribution, debate, and decision-making.

Creating an aligned and effective culture can seem difficult when board diversity includes diversity of

- Board experience
- Lived experience
- Skills, knowledge & capability
- Roles
- Interests, priorities & passions
- Education
- Thought

Having a diverse board does not inhibit the development of aligned and cohesive board culture.

Alignment should be reinforced through

- Open communication
- Identifying and eliminating bias
- Having clarity of roles and responsibilities
- An effective board induction process
- Board education and mentoring
- Board evaluation for continuous improvement

4. Addressing culture issues

Addressing culture issues in the boardroom or in an organisation can be difficult because it involves people. Many people, even experienced leaders, can be hesitant to address issues relating to behaviours because it may incite an emotional response or reaction, there may be a fear of damaging a relationship, or because of the unknown decisions or actions of the person being addressed.

Without the supporting structures of Code of Conduct, Board Charter, policies for performance management and grievance resolution, or clear expectations for the demonstration of values-based behaviours, there may be no formal framework to guide how these issues are addressed in an effective and compliant way.

To support an effective culture and enable culture issues to be addressed, the board should

- Set and reinforce behavioural expectations
- Address issues in real time
- Build trust by demonstrating authenticity, credibility, empathy, and focusing on collective not self-interest
- Establish processes for feedback, performance review, conflict resolution, and monitoring board effectiveness

In the boardroom, it is essential to foster a culture that is aligned to the desired organisation culture and ensure the psychological safety of all board members and others who attend board meetings. An effective culture will support robust discussions, build trusted relationships, and ensure the most complex and difficult issues are able to be addressed openly and fully to achieve desired outcomes.

5. Psychological safety

Psychological safety risks can appear as one-off events, be repeated behaviours or incidents, behaviours that worsen over time, be overt or hidden, and they may escalate from unchecked behaviours or interactions previously thought to be acceptable.

Some examples include

- Control or dominance by one or more board members
- Dismissive or exclusionary behaviour
- Micromanagement
- Manipulation
- Disrespect
- Bullying
- Inappropriate behaviour and/or language
- Lack of emotional regulation

5.1. Strategies for a psychologically safe boardroom

- a) Lead by example: Board members should model psychologically safe behaviours by actively listening, encouraging diverse viewpoints, and responding constructively to dissenting opinions. This sets the tone for the entire organization
- b) Establish clear expectations: Develop and communicate clear guidelines around respectful and inclusive behaviour in the boardroom. Emphasize the value of diverse perspectives and discourage dismissive attitudes
- c) Encourage speaking up: Actively solicit input from all board members, especially quieter ones. Make it clear that constructive criticism and dissenting viewpoints are valuable contributions
- d) Create a feedback and learning culture: Foster an environment where board members can provide input on board processes and dynamics. Acknowledge that mistakes and learning experiences are valuable for collective progress
- e) Conduct regular assessments: Use surveys or other tools to measure psychological safety at the board level. Analyse results and take action to address any issues identified
- f) Provide training: Offer education to board members on psychological safety, its importance, and strategies to promote it
- g) Implement robust reporting processes: Establish clear procedures for reporting and addressing negative behaviours or psychosocial risks

- h) Promote work-life balance: Ensure reasonable workloads and expectations for board members
- i) Foster open communication: Create an environment where board members feel safe to express concerns, opinions, and ideas without fear of negative consequences
- j) Recognise psychosocial hazards: Be aware of potential risks like excessive workload, lack of control, or inadequate support systems that could impact psychological safety
- k) Ensure diverse representation: Include board members with expertise in people and culture issues to provide valuable insights on psychological safety
- l) Collaborate with management: Work closely with the CEO and executive team to align on psychological safety initiatives throughout the organization

Case studies

The following brief scenarios provide high level insight into some board culture issues that are often experienced. These are, of course, complex issues and will require examination on a case-by-case basis to implement an effective and appropriate solution. If these scenarios raise any concerns for you or you would like to discuss board or organisational culture in more detail, please contact Georgia Henry, HENRY REED, on 0414808060 or email georgia@henryreed.com.au

1. Culture is not a priority until there's a crisis

The board of a mid-sized company consists solely of finance, legal, and functional specialist, with no people or culture expertise. The board does not have designated accountability for people and culture. People only become an important topic for the board during reactive crisis management situations when the focus is on mitigating risks and limiting damage.

Potential actions

- Educate all directors on their duties and obligations for the people in their organisation.
- Recruit at least one board member with HR/organizational culture expertise
- Establish a People & Culture Committee
- Implement regular culture/engagement reporting to the board to identify trends, risks and opportunities
- This ensures proactive oversight of people issues rather than just reactive crisis management.

2. Board culture is toxic, and trust is low

There is palpable tension and lack of trust in board meetings, both among directors and between the board and executive team. This leads to lack of information sharing and openness, ineffective decision-making, and poor collaboration.

Potential actions

- Conduct a board effectiveness review facilitated by an external consultant and act on identified issues and recommended corrective actions
- Hold a board-executive offsite focused on creating a psychologically safe environment and ways of working together, clarifying roles/expectations, and establishing shared goals.
- Implement regular informal check-ins between the Chair and CEO to build rapport.
- Create opportunities for board and executive team interactions to build trust and connection

3. Ineffective governance is hindering culture change

The board struggles to address serious culture issues, including misconduct by a long-standing director. The outdated constitution lacks clear processes for director discipline or removal.

Potential actions

- Engage legal counsel or governance expertise to update the constitution with clear conduct expectations and disciplinary procedures for directors.
- Establish an Ethics Committee to oversee culture issues.
- Implement annual director performance reviews and term limits.

4. Culture is diluted due to lack of clarity and alignment

There is confusion among directors about their roles, delegations of authority, and the board's overall purpose. This leads to micromanagement and strategic drift.

- Develop a comprehensive Board Charter clearly outlining roles, responsibilities, and delegations.
- Hold a facilitated session to define the board's purpose and strategic priorities.
- Implement a structured onboarding process for new directors.
- Support directors with mentoring or board education

5. The boardroom is a psychologically unsafe place

Some directors exhibit controlling behaviours and inappropriate influence over others, creating an environment where open discussion and healthy debate are stifled.

Potential actions

- Engage an executive coach to work with the board on improving psychological safety.
- Establish clear meeting protocols that encourage equal participation.
- Implement anonymous feedback mechanisms for directors to raise concerns.
- The Chair must proactively address problematic behaviours in real-time.

Contact HENRY REED for support with board and organisational culture issues

Board effectiveness

Independent assessment of culture

Culture design

Culture, governance, strategy and risk alignment

Embedding culture

Leading culture

Employee and customer experience mapping