



# Board Research Finds the Development Practices that Produce Effective Boards in a Fast-Changing World



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## 1.0 Introduction

This research is for the many directors and trustees who struggle to govern well, taking on roles for which they often have little specific training, for those who are courageous enough to face the challenges faced by boards, and for the constituencies, families/whānau, iwi, communities, organisations, and businesses they seek to act on behalf of.

## 2.0 The Context: Boards Must Grow in Capability and Performance

The changing world, full of new risks and opportunities, challenges organisations of all types to keep performing and stay healthy. These challenges are fundamentally organisational learning challenges because failure to learn how to meet the challenges may mean the organisation's demise. Because boards have the ultimate responsibility for their organisations, such challenges are board learning challenges. Boards must grapple with the world's volatility, uncertainty, and increasing complexity, challenging boards' status quo and their effectiveness. For their organisations to survive and fulfil their purposes, boards must constantly be learning and developing.

This research was an opportunity to discover practical ways for boards to strategically learn and develop themselves at a faster rate than the challenges they face in today's world to maintain effectiveness. The search for answers took the author into academic and practitioner literature on governance and learning and led to interviews with directors and trustees.

The research found a vital clue –many of the boards interviewed said their predominant way of learning/developing was reactive. They learned reactively by experience. And the literature said

that, while legitimate, inherent or reactive learning was not as valuable as proactive intentional learning because with reactive learning, the wrong thing might be being learned, like bad habits. Reactive learning was the 'killer' –it could not produce the mindset or the speed of change necessary to meet the abounding risks and opportunities.

The research found the solution to the problem. Boards that are relentlessly developing themselves are not damaged by the challenges but rather increase effectiveness and optimise performance and capability. But it's not easy. Most boards were reactive and not proactive regarding their challenges because directors are time-poor and were reluctant to add another layer of things to do to already-full board work or, tragically, think they already know enough. The research showed that organisational performance could be affected by board learning. However, more education does not automatically result in more effective learning. This research focused on effective ways for boards to learn (called 'board learning'). It is in the interests of society that boards are continuously improving their abilities to make sound decisions because board decisions affect all members of society.

## The Research Questions and Method

### The research asked:

is there a link between board learning and board effectiveness?

If so, what learning practices are most likely to affect board effectiveness?

The research had two broad methodological steps. First, the academic and practitioner literature on governance and learning was examined for links to each other. Second, 24 semi-structured interviews were conducted with 26 directors/trustees from 26 entities to understand instances of governance and board learning.

## The Interviews

The participants were asked how they learned the role of director/trustee and how their board learns and develops itself. They were asked what helps and hinders their learning/development. The interviews were 'semi-structured', loosely following a set of questions but allowing the author the flexibility to explore particular participants' situations in depth.

The participants' descriptions of their learning were called "learning practices" by the author. Participants were asked to rate the use of their learning practices in terms of importance, confidence to govern, and any other descriptors they chose.

## The Findings

Three requirements for learning and competence development were found in the literature on learning: an incentive to learn, content to learn, and interaction while learning (explained in section 8.2). The three requirements for learning apply to learning and developing governance: there needs to be an incentive to learn or develop governance, learning content, and interaction while learning/developing it.

The literature on governance showed that every aspect of governance theory and practice involved learning. The fiduciary (the concept that is the indispensable core of governance), is a person with an obligation to act in the best interest of others and so must keep learning to fulfil their duty. The result: the literature showed unequivocal links between governance and learning.



## 5.1 Links Between Learning and Governance

While the links between learning and governance were obvious, the characteristics of those links have been shrouded and unresearched. Applying the relevant governance and learning literature to the interview data collected for this research revealed the learning characteristics that are most likely to affect board effectiveness. The requirements for 'learning' (content, incentive, and interaction) were applied to the board setting.

'Board learning' was shown to be the learning and development that board members, individually and collectively, need to do to maintain or increase board effectiveness. The findings demonstrated that every board challenge is a 'board learning' challenge and that boards are more likely to be effective at meeting their challenges if their board learning has five characteristics (below).



**Every board challenge is a board learning challenge.**

## 5.2 A Definition of Board Effectiveness

A definition of effective governance was derived from the literature on governance and learning: a board is effective at governance (can do what is adequate to ensure its organisational purposes are fulfilled) to the extent it intentionally continues to learn and develop the board functions and mechanisms and their learning capabilities at least as fast as the rate of change.



Apart from acts of God, the research demonstrated where the ultimate responsibility for organisational performance lies, with the board. Boards can develop their effectiveness. This research found that the most effective boards demonstrated five characteristics, including specific board learning practices and explicit realms of learning responsibility. These are described in the next section.

The research found that effective boards have the following characteristics:

### Characteristic 1

The board members understand the foundations of governance: (a) that their role is to take ultimate responsibility for the direction of an organisation on behalf of others (e.g. owners, beneficiaries); (b) at least one of them is a genuine fiduciary (acting in the best interests of someone other than themselves); (c) decision-making is collective.

### Characteristic 2

The board embraces learning and development deliberately and intentionally (contrasted to learning taking place inherently or haphazardly). Many interviewees considered intentionality in learning a prerequisite to staying ahead of changes. Some participants told stories of how their board's effectiveness was developed slowly and reactively from experience. Other participants told stories of deliberately and proactively developing their board effectiveness through intentional learning practices. Board effectiveness was developed more quickly through intentional learning practices.

The research showed that when learning became an intentional practice, awareness of the learning's why/what/how came into focus. The learning appeared to change from reactive to proactive. This is a crucial point. When the mode of learning changed from reactivity to proactivity, the board's ability to anticipate and meet internal or external challenges increased.

### Characteristic 3

The board has seven core board learning practices: (1) A learning/development plan (often created from a governance evaluation), (2) A learning item on the agenda of every meeting, (3) A board culture of learning and continuous improvement, (4) A board learning coordinator, (5) A methodology for learning from experience, (6) An evaluation of every board meeting, (7) A safe zone that allows robust discussion to flourish and hubris to be challenged.



**The research  
found seven core  
board learning  
practices**

#### Characteristic 4

The board embraces seven realms of responsibility for board learning and development, recognising them as either hindrances or enablers of learning/development (described in section 6.4).

#### Characteristic 5

The board learns and adapts itself in response to the internal and external factors affecting their organisations at least as fast as the rate of change.

The research showed that the continuous joint activation of the five characteristics together allowed boards to develop their effectiveness, and that board effectiveness is likely to suffer significantly if fewer than all of the characteristics were adopted.

## 5.4 Hindrances to Board Learning

The interviewees were asked what got in the way of their board learning/development.

Table 5. Incidence of hindrances to learning and development in the data.	No. of participants
Hubris	23
Ignorance, lack of awareness, not taking responsibility	11
Board composition is wrong	7
Lack of accountability, apathy, energy	6
Poor Governance systems	6
Balancing family and business, time, busyness	5
Different or no visions, purposes, values	5
Lack of robust debate, good behaviour, trust	5
Chair causing issues, including poor meeting timing	4
Management-Governance issues	4
Complexity, the speed and volume of change, uncertainty	4
Know-it-all attitude	3
Not having a learning plan and not implementing	3
Poor or confused CEO-Board-Chair relationships	3
Lack of desire, gifting, mindset for governance	2
Taking Offence	2
Not reflecting or evaluating ourselves	2
Poor or no learning culture	2
Deliberate obstruction to learning	1
Electronic (eg Zoom) Meetings	1
Wrong venue for board meetings	1

Table 5 shows the hindrances to participants' boards' learning/development. The greatest of these, categorised as "Hubris" and encompassing a range of negative traits, was experienced by all but one interviewee. It was more than twice as prevalent in the interview data as any other hindrance to learning. The literature was surprising in its use of emotive words to describe hubris. The definition of hubris in the governance literature included exaggerated self-belief, excessive pride, bias, arrogance, self-serving, unbridled intuition, bullying, non-consensual, egotistical, entitled, and more. Hubris was described in the literature as being of "epidemic proportions because of its ubiquity and potential for serious harm", calling it a "virulent communicable disease of dysfunctional leadership" (Garrard, 2018). The next table shows how the interviewees described the manifestation of hubris.



**“Hubris is of epidemic proportions because of its ubiquity and potential for serious harm”.**

<b>Table 6. Incidence of the components of Hubris and Know-it-all in the data.</b>	<b>No. of participants</b>
Bullying	10
Pride	8
I don't need to learn	8
Identity tied to past accomplishment	7
Ego	5
Acting in own best interests	5
Own agenda	4
Know-it-all attitude	3
Greed	3
Personal attacks & rubbishing expert advice	3
Prejudice relating to position	2
"Hubris"	1
Experience can be a bias	1
Bad habits can be learned	1
Deliberately derailing the board	1
Played by a different set of rules	1

Why did the literature call hubris "serious" and "virulent"? Because the literature found, as most interviewees found, that hubris makes people deaf to learning and threatened by it. If hubristic people hold sway on a board, board learning is quickly squashed, and the 'disease' is allowed to continue another day. Hubris is seen in the literature and the interviews as the chief enemy of learning and development and, therefore, of the long-term survival of the purposes of organisations of which directors and trustees are custodians.





While hubris was seen overwhelmingly negatively, occasionally, hubris was seen positively in the literature. Companies sometimes hired hubristic individuals because they were likelier to inspire confidence in peers and shareholders when they took responsibility and asserted control in times of uncertainty or ambiguity. But the ‘cure’ that those companies bought for uncertainty was seen as worse than the disease.

But what if that hubristic person is a family member or a revered and successful board member? Both these situations were present in participants’ cases. Would the hubristic one see a personal challenge to their hubristic behaviour as a betrayal when the success of the business or organisation has been due to that person? Some of the interviewees solved the problem. The governance literature and the interviewees pointed to a board learning practice that can prevent the spread of hubris and be an antidote to its operation, especially in family business situations and where personal relationships are important: creating and maintaining a safe zone for robust discussion. The interviewees rated creating and maintaining a safe zone as the most important learning practice of all, and the one that provided the greatest confidence to govern. This board learning practice struck at the heart of hubris and know-it-all attitudes as those board members were challenged to recognise their need to learn and not rely on past success.

“Using the safe zone is a standout, in my experience”, in the words of an interviewee. “I’m a strong believer in courage, vigorous, respectful debate, questioning, and not just accepting things.” No interviewee described the ‘safe’ of ‘safe zone’ as a haven but as safe for vigorous, respectful, robust and courageous debate. In another interviewee’s words, “it’s not a cone of safety coming down on us, but safe for robustness. By ‘safe’, I mean we are increasingly comfortable having uncomfortable conversations”. “Calm weather doesn’t create a skilled mariner,” said one interviewee, insightfully describing that the best learning would happen through having these uncomfortable conversations.

A safe zone, with an agreed set of values and behaviours, was shown to be necessary for enabling boards to test and dismantle the personally-held boundaries, biases, and hubristic behaviours that would hinder a board from learning and, therefore, from being effective.



**Creating and maintaining a safe zone for robust discussion was seen as the antidote to hubris**



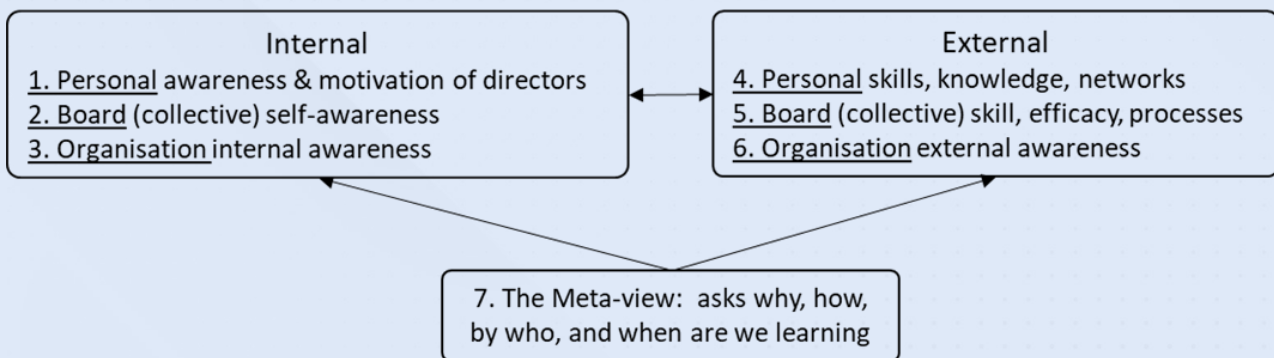
**“Calm weather doesn’t create a skilled mariner”**



## Seven Realms of Board Learning Responsibility

The ability of a board to keep learning and growing was found to be either hindered or enabled by a number of factors. The factors appeared to be powerful determiners of whether a board, given the task of steering the ship, is able to learn and adapt well enough to continue to steer the ship to its destination. The following diagram shows the seven types of board learning hindrances or enablers that were found:

### Seven types of learning hindrances and enablers = Seven realms of board learning responsibility



Each of the seven types hindered board learning/development if misunderstood (or undeveloped) and enabled board learning/development if understood (and developed). Therefore the seven types of hindrances/enablers became realms of board learning responsibility. Realms 1 to 3 were 'internal' and were categorised as personal (director/trustee), board (as a collective), or organisational. Realms 4 to 6 were 'external' and were similarly categorised as personal, board, or organisational. The 7th realm of responsibility is taking the 'meta-view', which is a systems view. These are the realms that boards need to master to make fulfilling the purposes more likely.



### **Realm 1.**

#### **Personal self-awareness and motivation factors.**

Includes fiduciary mindset, commitment, energy, desire to learn, embrace change, take responsibility, confidence, willingness to be vulnerable, hubris, bullying, egos, and personal agendas.



### **Realm 2.**

#### **Board self-awareness factors.**

Includes the desire to self-evaluate and collective efficacy.



### **Realm 3.**

#### **Organisational (internal self-awareness) factors.**

Includes chair-CEO relationship, governance-management relationship not working well, good management, all operations, HR, culture, etc.



### **Realm 4.**

#### **Personal skills, knowledge factors.**

Includes experience, networks, ability to manage time, balance family and work, emotional intelligence, and self-reflection skills.



### **Realm 5.**

#### **Board collective skills factors.**

Includes composition, size, the ability of the chair to facilitate, safe zone, degree of unity on purpose, vision, and values, diversity, consensus, succession, electronic meetings, lack of robust debate, not having a learning plan, explicit learning practices, governance systems and processes, skills matrix.



### **Realm 6.**

#### **Organisational (external forces) factors.**

Includes complexity and the speed and volume of change, uncertainty, getting help from outside, and PESTLE (Political, Economic, Social, Technological, Legal, and Environmental) changes.



### **Realm 7.**

#### **Taking the 'meta-view.'**

This is the systems view. It includes asking why, how, by who, and when are we currently learning? What is likely to happen? And what is needed for learning/development?



## Limitations of the Research

Some limitations of the research were identified, providing opportunities for further research. While the scale of the study (26 directors/trustees) enabled an in-depth understanding of the issues in the situations, we need to be cautious about generalising the findings. There is an opportunity to conduct research with larger groups of participants from across a more diverse range of types and sizes of organisations from a broader cross-section of industries. Similarly, we could generalise the findings further by researching participants in various cultural settings. In addition, the participants were from within New Zealand, and although the results may resonate outside of New Zealand, further research outside New Zealand may allow generalisation to other country contexts. There is an opportunity to conduct board learning research on larger organisations, especially public companies, which are publically accountable to a higher degree than private companies.

A further limitation, and therefore an opportunity for future research, relates to the prior knowledge of the author and the potential for bias. The author's prior knowledge about the learning and development of governance that provided insight to inform the data collection and analysis is likely to have introduced biases that could be tested in further research. A further limitation/opportunity is that the research was based on one-off interviews of directors and trustees. Conducting longitudinal research could provide insight into how boards have learned and developed their governance over time.

## Implications for Practice

### Use the Assessment Frameworks

The core board learning practices and the realms of board learning responsibility frameworks contribute to practical wisdom because they can be used as assessment frameworks for boards to determine their present state of board learning, a future desired state, and provide the means to bridge the gap. With the frameworks above as tools, boards have an opportunity to learn to develop their governance.



## Activate the Three Requirements for Learning and Development

Imperfect governance will exist in most entities, because no-one can say they can stop learning. In the same way junior soccer is different from professional soccer, but is the same game, so governance could be performed poorly but to the best of the participants' ability and developed over time to a professional standard. This research contends that no board in existence could say they have reached perfection but requires continuous development and learning in response to an ever-changing world of people and circumstances.

The research has shown that intentional activation of explicit board learning is a requirement for developing board effectiveness, but there must be awareness and **'incentive'** (Illeris, 2018) or motivation for boards to begin such a learning journey. The motivation to develop their governance may come, this research suggests, from within or without: retiring board members needing new board members to come in; recognition that the board has made or allowed to be made decisions that have not worked out well; recognition that one or more of their board members may not identify the importance of learning; organisational difficulties and

challenges; the speed and complexity of changes affecting, or that will affect the organisation, whether internal or external; poor organisational performance; the board room is stale and rigid; or recognition that the board could simply be better.

Second, there must be **'content'** (Illeris, 2018) for a board wanting to activate board learning. Boards should develop a learning plan and prioritise the learning content they use by considering their strength in each of the learning realms they are responsible for, acknowledging that while some things are undeveloped, there are hindrances to board learning. Prioritising the overcoming of the greatest hindrances would be a priority, as would activating the boards' most practical enablers of learning.

Third, there must be **'interaction'** (Illeris, 2018) for a board wanting to activate board learning. Boards should prioritise the learning practices; for example, appointing a learning coordinator would be an early practice to start, as would the formation of a safe zone for robust discussion.



**The three requirements for learning and competence development are incentive, content, and interaction.**

### 7.3

## Address any Lack of Board Effectiveness or Organisational Performance

This research finds that any lack of board effectiveness is an opportunity to improve board learning practices. The problem could be that the board needs to learn how to direct an organisation, or learn how to reflect upon and evaluate its own performance and assumptions in order to improve and develop how it does what it does.

Similarly, any lack of anticipated organisational performance is ultimately a board learning problem. The problem could be that the board needs to learn what will make an organisation perform better, or learn how to evaluate, improve, and develop itself so it can direct the organisation to better performance.

In both cases, a lack of either board effectiveness or organisational performance points to the need to examine their learning components (incentive, content, and interaction) for problems. Board learning could be seen as a predeterminer and predictor of organisational sustainability.

### 8.0

## Conclusion: the Research Challenges Boards

This research challenges those who think learning has no place in boardrooms because of the hubristic belief that people must already have all the knowledge and skill needed to get into that boardroom. But the genuine fiduciary knows that learning is a self-evident absolute of the role and will adopt board learning practices. Tragically, those who tend towards hubris act in their own interests and are, therefore, unlikely to be genuine fiduciaries (who act in the best interest of others).

The research challenges boards to counter hubris by instituting and maintaining a safe zone for robust discussion, the antidote for hubris. With board learning practices in place, board members will have the courage and humility to lead the critical reflection necessary to have uncomfortable conversations about hubristic behaviour by others on the board. This research revealed a safe zone in which those with hubristic tendencies can be safely,



confidentially and effectively challenged to begin acting in the best interests of others, not themselves. Using a safe zone enables directors and trustees who are genuine fiduciaries in challenging governance situations to learn to help their whole board become better.

This research challenges those in boardrooms with hubris who think an admission of needing to learn is a weakness. With board learning practices in place, genuine fiduciaries will be able to confront those board members in a safe zone and, if unsuccessful in seeing behaviour reformed, will be prepared to question that person's place on the board.

Global volatility, pandemics and wars, uncertainty, complexity, and ambiguity are challenges to organisational existence. This research points to some practices that, when adopted, will enable boards to proactively learn and develop at a pace faster than the rate of change to their organisations and so continue to fulfil their purposes.

This research does not signal the arrival at a particular destination but the start of a long and rewarding journey of continuous explicit and intentional learning for many boards that will lead them to fulfil their organisational purposes and benefit the societies they operate in.



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