THE BOARD MINDSET™

The vital attribute of exceptional boards

THE BOARD MINDSET'S THREE STRATEGIES FOR AVOIDING COMMON DECISION TRAPS

Most people believe that they can tell when someone is lying to them, but that belief is a trap. Not only are people generally very overconfident about themselves as human lie detectors, but people who have a lot of experience, like board directors, may be more susceptible than others.

It may sound ludicrous that deep knowledge, experience, and past success could lull smart people into big mistakes, but for some, expertise leads to hubris. For example, once a director or an entire board takes shortcuts because they are overconfident, they create risk but may not realize it. Likewise, selecting a chief executive officer or entering into a merger or acquisition based on "gut feel" is risky, yet sometimes decisions like these are made based on little else.

When things go wrong, directors can, understandably, be long on blame and explanations and short on self-reflection, especially if the issue becomes public. However,

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Directors are usually intelligent, successful people capable of stepping into the same decision traps as other people. Yet, some manage to make fewer mistakes than others. So, are some people more "trap resistant" than others? Maybe, but it is more likely that those who make fewer mistakes are doing a few critical things differently.

Three things can help directors sidestep common decision traps.

PAY ATTENTION TO SOCIAL CONTEXT

Who is on a board matters, but while individuals can impact a board, they are also influenced by the group. Robert Cialdini's pivotal research demonstrates how powerfully people are affected by others, even when they think others don't impact them.

Directors need to have the ability to work collaboratively, but not passively.

Directors need to have the ability to work collaboratively, but not passively. A board that is free of disagreement is unhealthy, but so is a board locked in one conflict after another. As a result, conflict is more pronounced, while politeness at the expense of effective working relationships can be more difficult to acknowledge as a problem.

Two boards that we have worked with appear to be opposite from one another, but with the same results – poor performance of each organization.

One board had been fighting over a policy for two years and had built an unhealthy tolerance for terrible behavior. Another board, who liked to refer to themselves as "nice," was passive in the extreme. In each case, the CEO did what they could by working around the board while looking for another job.

MUSTER THE COURAGE TO BE HONEST WITH YOURSELF

A board that we've worked with agreed to an assessment conducted by us. Unfortunately, the results that came in were very unflattering, which is unusual. Often, boards are self-congratulatory but not this one. During the de-brief, many of the directors challenged the results, the methodology, and of course, us. They explained, rationalized, and attacked, but finally, one board member spoke up and said, "Look folks, these are terrible results, and the data came from us. We can either open our eyes and get to work or keep wallowing in the mess we've created. I think we need to listen and figure out how to do better."

One director's comments changed the course of the discussion and how this board works with one another. While it was a rocky road for nearly a year, this board changed its very character, but that wouldn't have happened without the courage to be honest and the fortitude to act.

LOOK FOR THE CAUSE OF BOTH SUCCESS AND FAILURE

When things go wrong, people are sometimes swept away by a desire to look for who to blame. Especially when a failure is embarrassing, some directors want to know "who did it." While it's a natural reaction, it isn't the whole story.

When General Motors was found to have allowed defective parts into some cars, Mary Barra didn't just look for "who." Instead, she also looked for "how." How was GM operating that created a culture where people could not report mistakes? When Barra asked this question, it was a game-changer because it addressed the aspects of the environment that governed critical behaviors.

Conversely, when the board of a luxury hotel chain asked for our help, we realized that they were too focused on what was wrong but knew little about what their most successful locations were doing well. It is a common issue that leaders focus tremendous energy on improvement but don't understand what makes top performers so good. A board that looks at *both* excellent and poor performance knows far more about the organization. If the Wells Fargo board had been more curious about exceptional, even surprising performance in the retail division, they might have asked more and better questions.

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Even the most diligent directors can be deceived by those who intend to mislead them. Still, these three strategies can help any board, regardless of industry, size, or type, perform a better job of fulfilling their duties.