



## **MAICSA Syllabus Document – Module 7**

# **Boardroom Dynamics**

**January 2020**

### **Introduction**

This module does not appear in the International Qualifying Scheme (IQS) framework. The content was developed from focus groups with subject experts, practising Company/Chartered Secretaries and from recommendations from UKRIAT. The module aims to help to develop soft and smart strategic skills and provide tools that the company secretary/governance professional can use to influence and effect change in the dynamics of the board and its members.

## Module 7

# Boardroom Dynamics

Level: 7

Module type: **Mandatory – Part Two (Level 7) Programme**

Total hours study time: **200**

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### Introduction

Does governance work? When governance is applied as a compliance exercise it cannot protect organisations from failure. The aim of this module is to provide the advanced knowledge and tools to recognise the role of the company secretary/governance professional in supporting and influencing boardroom performance, by enabling both effective individual behaviours and group processes.

In recent years, due to high profile failures, maturing codes of governance, and an increasing interest in human capital intangibles, there have been increasing calls to focus on how the board works beyond the technical aspects. These are necessary but not sufficient to engender good governance. In addition therefore, an appreciation and competence in more behavioural, cultural and psychological aspects of boardroom practice is required to be an effective modern company secretary/governance professional.

This module explores these areas in detail, with a particular focus on understanding the dynamics of, and between, members of the board and how these factors contribute to an effective board and the sustainability of an organisation. In addition the module will cover what boards and company secretaries/governance professionals can do differently and how they can influence and effect change within the remit of their role.

### Before studying this module

It is recommended that students complete all other modules in the qualifying programme before attempting this module to ensure they have gained the underpinning technical knowledge for successful completion of this module.

### Learning outcomes

After successful completion of this module you should:

- 1 Understand why focusing on boardroom dynamics is becoming increasingly important for organisations
- 2 Understand the different facets of boardroom dynamics
- 3 Be able to critically evaluate how dynamics might affect the quality of relationships, decision-making, conversations, culture, diversity and other factors
- 4 Understand how to use formal and informal methods to positively influence dynamics and enhance boardroom performance

**Module content**

Section A: Why focus on boardroom dynamics?	
<b>20% – 40 Learning hours</b>	
<i>LO.1: Understand why focusing on boardroom dynamics is becoming increasingly important for organisations</i>	
Topic area	Potential content
<p>The importance of board dynamics as a discipline in governance</p>	<p>The impact of boards on organisational performance</p> <p>Defining board dynamics:</p> <ul style="list-style-type: none"> <li>the emergence of board dynamics as a discipline, through:                             <ul style="list-style-type: none"> <li>– recent ICSA reports (e.g. ‘Boardroom Behaviours’, Walker, 2009) and research</li> <li>– the evolution of board evaluation</li> </ul> </li> <li>teams:                             <ul style="list-style-type: none"> <li>– definitions of team and team dynamics</li> <li>– the link between board dynamics and the theory and practice of team dynamics</li> </ul> </li> </ul> <p>how board dynamics relates to more technical and structural elements of board governance</p> <p>frameworks for analysing board performance, e.g. Nicholson and Kiel (2004), Cross (2013)</p> <p>current research on boards shifting away from agency theory and demographic variables</p> <p>how board dynamics predicts board and organisational performance compared to other technical aspects of the board</p>
<p>Organisational failure</p>	<p>The difference between compliance and governance</p> <p>Examples of organisational (including corporate) failure, e.g. Royal Bank of Scotland, Kids Company, BHS, Sports Direct, Volkswagen, FGV, 1MDB</p> <p>Impact of organisational failure, including:</p> <ul style="list-style-type: none"> <li>collapse of Enron and WorldCom leading to the development of Sarbanes-Oxley</li> <li>Australia – HIH Insurance and One.Tel and resulting CLERP 9 reforms to improve investor confidence</li> <li>Italy – Parmalat scandal</li> <li>increased scrutiny, e.g. FSA report – The Failure of the Royal Bank of Scotland</li> <li>increased focus on culture, e.g. Boardroom Behaviours (ICSA/Walker, 2009)</li> <li>The Walker Report – A review of corporate governance in UK banks and other financial industry entities (2009)</li> </ul> <p>Reasons why compliance with codes is not enough to prevent organisational failure, including:</p> <ul style="list-style-type: none"> <li>key predictors of team performance</li> <li>introduction to how culture is created and role modelled by leadership</li> <li>the importance of having an ethical framework in place</li> </ul>

Topic area	Potential content
	<p>Looking beyond ‘box ticking’ and why this is important to prevent organisational failure: influences and environmental factors on boards of directors (Long, 2006)</p>
<p>Evolution of codes</p>	<p>How codes of governance have evolved and why: global trends versus UK trends since the Cadbury Report (1992) FRC Guidance on Board Effectiveness (2011) as a first official governance recognition of the importance of acknowledging board dynamics pre- and post-2008 and the impact of the global financial crisis on governance practices Malaysian Code on Corporate Governance (2017) – the shift from ‘comply and explain’ to ‘apply or explain’ an alternative</p> <p>Reasons why compliance with codes are not predictors of board effectiveness or organisational success</p> <p>Impact of codes of governance on board culture, behaviours and effectiveness: Tomorrow’s Corporate Governance: Improving the quality of boardroom conversations (Tomorrow’s Good Governance Forum report, 2012)</p> <p>Evaluating human capital: Accounting for People – Task Force on Human Capital Management (2005, 2007) Human Capital Reporting: What information counts in the City (King, 2010)</p>
<p>Governance structures</p>	<p>Components of governance structures, including: board size committee structure director independence diversity/gender diversity meeting frequency incentive schemes equity involvement board talent management</p> <p>Best practice when creating and implementing governance structures: why effective governance structures are important for governance best practice impact of ineffective structures on organisational performance</p> <p>Evaluating governance structures in organisations: methods of evaluating governance structures, e.g. questionnaires, observation, interviews purpose of evaluating governance structures role of the company secretary/governance professional in evaluating governance structures</p>

Topic area	Potential content
	<p>how evaluation can inform creation of best practice</p> <p>impact of governance structure on board effectiveness                      – reasons why making changes to governance structures does not always mean the board will be effective</p> <p>Reasons why organisations need to look beyond compliance with code requirements to ensure sustainability of the business</p> <p>How organisations can move beyond and box ticking and begin to predict performance, e.g. by focusing on:</p> <ul style="list-style-type: none"> <li>culture</li> <li>talent</li> <li>engagement</li> </ul>
<p>Technical competence of the board</p>	<p>Human capital aspects of the board:</p> <ul style="list-style-type: none"> <li>age</li> <li>director competencies</li> <li>director skills and experience</li> <li>chairman effectiveness</li> </ul> <p>Evaluating individual board members:</p> <ul style="list-style-type: none"> <li>why evaluation is important for governance best practice</li> <li>methods of evaluating individual board members, e.g. skills audit</li> <li>purpose of evaluating board members</li> <li>role of the company secretary/governance professional in the evaluation of board members</li> <li>how evaluation can inform creation of good governance practices</li> <li>impact of implementing best practice on board performance</li> </ul> <p>Reasons why board members who are individually well-qualified may not be effective as a team, including:</p> <ul style="list-style-type: none"> <li>impact of experts on group behaviour</li> <li>impact of technical skills versus emotional skills</li> <li>impact of emotional triggers:                             <ul style="list-style-type: none"> <li>how each board member will react differently to different triggers</li> </ul> </li> <li>the importance of the company secretary/governance professional being aware of the triggers that affect individual board members</li> </ul>

Topic area	Potential content
<p>Personal characteristics of the board</p>	<p>Personal characteristics of board members:                      commitment to board activities and effectiveness                      motivation for becoming a board member                      factor analysis of personality traits of directors:                          – application of the Five Factor Model of personality traits in a boardroom setting, e.g. agreeableness and openness</p> <p>the company secretary/governance professional's relationship with individual board members:                          – benefits of understanding the personal characteristics of directors                          – applying personality theory to inform and effect change in board dynamics</p> <p>Reasons why evaluation of the board and its members does not provide a complete indicator of board effectiveness, including:                      impact of individual behaviours on team performance                      instability of personal characteristics measures</p>

**Section B: Understanding boardroom dynamics**

*40% – 80 Learning hours*

*L.O.2: Understand the different facets of boardroom dynamics*

*L.O.3: Be able to critically evaluate how dynamics might affect the quality of relationships, decision-making, conversations, culture, diversity and other factors*

Topic area	Potential content
Board dynamics – setting the scene	<p>Specific dynamics to boards, including:</p> <ul style="list-style-type: none"> <li>team characteristics</li> <li>relationships (Neil and Dulewicz, 2010)</li> <li>emotional intelligence (Goleman, 1995)</li> <li>team mix, e.g. Belbin roles</li> <li>group and team dynamics</li> <li>how a board differs from a group or a team</li> </ul> <p>Specific board roles, including:</p> <ul style="list-style-type: none"> <li>executive versus non-executive roles</li> <li>sector specific differences</li> <li>culture specific differences, e.g. Hofstede theory of cultural differences</li> </ul> <p>Key theories, for example:</p> <ul style="list-style-type: none"> <li>Intellectual Capital model (Nicholson and Kiel, 2004)</li> <li>Dialogue theory (Isaacs, 2008)</li> </ul> <p>Board dynamics impacts on organisational performance</p> <p>Psychological theories underpinning board dynamics</p> <ul style="list-style-type: none"> <li>psychodynamics</li> <li>behavioural approaches</li> <li>cognitive approaches</li> <li>humanistic approaches</li> <li>positive psychology</li> </ul> <p>influences from other arenas: military, education, sport, arts, etc.</p>
Decision making	<p>Definitions of decision making and decision making as a core competence of a board</p> <p>Types of decision-making, including:</p> <ul style="list-style-type: none"> <li>maximiser versus satisficer</li> <li>the concept of the paradox of choice</li> </ul> <p>Evidence-based decision making, including:</p> <ul style="list-style-type: none"> <li>Evidence-Based Management: Concept Cleanup Time? (Briner et al, 2009)</li> <li>CIMO (Context, Intervention, Mechanism and Outcome) questioning model (Denyer et al, 2008)</li> </ul>

Topic area	Potential content
	<p>Cognitive bias, including:                      twelve types of bias and questions to ask in a boardroom setting (Kahneman, 2011)                      the four villains of decision-making (Heath and Heath, 2014):</p> <ul style="list-style-type: none"> <li>- narrow framing</li> <li>- confirmation bias</li> <li>- short-term emotion</li> <li>- overconfidence about the future</li> </ul> <p>five questions to use to make sense of and resolve grey-area problems (Badaracco, 2016)</p> <p>Understanding how others learn:                      tools, e.g. Kolb's Learning Cycle, McCarthy's 4MAT Learning System</p> <p>the potential impact of not understanding how board members learn, e.g. conflict, ill-informed decisions being made that have a negative impact on the organisation</p> <p>How the company secretary/governance professional can effectively influence decision making:                      through mediation and relationship management, e.g.:</p> <ul style="list-style-type: none"> <li>- effective conflict management</li> <li>- looking for consensus in the boardroom</li> <li>- ensuring others have had their say</li> </ul> <p>voting procedures, e.g. use of technology, choice of method</p> <p>Order of Chairman speaking impacts on board member contribution</p>
Stakeholder conversations	<p>Developing dialogue over debate:                      Dialogue theory (Isaacs, 2010)                      Transactional analysis theory – building trust through adult/adult conversations</p> <p>The importance of developing the ability to create good relationships, including:                      building trust and gaining rapport                      positivity versus negativity                      self versus others conversations                      inquiry versus advocacy</p> <p>Challenging effectively:                      use of humble inquiry as a mindset for appropriate challenge                      feedback theory</p>



Topic area	Potential content
	<p>Emotional Intelligence as a core board competence:                      individual emotional intelligence:                      – definitions                      – impact on leaders                      team emotional intelligence                      Managing conflict:                      stages of team development – Tuckman’s Stages of Team Development                      Thomas-Kilmann Conflict Mode Instrument</p>
<p>Culture</p>	<p>The emergence of culture in the arena of governance and compliance                      Examples of organisations with good culture practices and the impact good practice has                      The company secretary/governance professional as a role model for culture in the board room:                      the importance of the company secretary/governance professional being a leadership role model                      leadership communication styles, e.g. Informal Coalitions framework (Rodgers, 2006)                      Application of Schein’s Three Levels of Culture model:                      artefacts                      espoused values                      basic underlying assumptions                      Company culture – Competing Values Framework                      Country culture – Hofstede’s Cultural Dimensions</p>
<p>Diversity</p>	<p>Defining and understanding the meaning of diversity                      Areas of diversity and their relationship to boards, including:                      linking diversity to an increase in effective board performance                      gender diversity:                      – women on boards – Davies Review (2015)                      – unconscious gender bias                      – the differences between men and women in meetings, e.g. how they make decisions, asking few/lots of questions, overestimating/underestimating own abilities                      other types of bias – race, sexuality, age                      ethnic diversity, e.g. the Parker review of UK boards                      Personality types:                      individual differences, including:                      – Big 5/Five Factor Model                      – Myers-Briggs Type Indicator (MBTI)                      – Insights personality types                      different team roles – Belbin</p>

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	<p>Diversity of thinking in a boardroom setting:                      perspectives of thinking, e.g. gender, ethnicity                      how diversity of thinking links to board effectiveness                      how to achieve diversity of thinking</p>
<p>Creating the environment</p>	<p>The use of ‘pre-suasion’ – creating the building blocks to influence effectively in the boardroom by:                      contracting effectively                      pre-meetings                      minutes circulation                      developing agendas                      checklists                      meeting protocol</p> <p>The use of physical space, including:                      furniture use and the concept of proxemics                      table positioning</p> <p>Other environmental factors, including:                      light                      music                      breaks                      movement</p>
<p>Other factors and trends</p>	<p>Well-being and resilience of the board                      the need for resilience in a volatile, uncertain, complex and ambiguous (VUCA) world                      defining stress and eustress, including demands, supports and symptoms                      defining well-being                      defining resilience – as ‘bounce-back’ or as ‘breakthrough’                      individual and team resilience</p> <p>The board as a role model for wider organisational culture:                      Cultural markers: Assessing, measuring and improving culture in the charitable sector (ICSA, 2017)</p> <p>Trends in technology, including:                      use of virtual boards for remote teams                      benefits and drawbacks to the company                      secretary/governance professional role in embracing trends in technology, for example:                      – face-to-face versus virtual/audio interaction</p>

**Section C: Applying principles of boardroom dynamics and how to effect change**

*40% – 80 Learning hours*

*LO.4: Understand how to use formal and informal methods to positively influence dynamics and enhance boardroom performance*

Topic area	Potential content
<p>The role of the company secretary/governance professional in influencing boardroom dynamics</p>	<p>Opportunities for the company secretary/governance professional to influence boardroom dynamics, including:                      formal meetings, for example board meetings and AGMs                      informally, e.g. through coalitions, role modelling director induction, developing good working relationships with CEO, Chair and individual board members</p> <p>Application of theory – influencing culture (Leadership Communication model, Rodgers, 2006):                      formal versus informal opportunities to communicate with and influence stakeholders                      one-way versus two-way methods of communication between boards and stakeholders</p> <p>How the company secretary/governance professional can influence the dynamics in a positive way – through facilitation methods, including:                      relationship building tools                      group ground rules tools</p>
<p>Talent management</p>	<p>The importance of effective talent management of board Members</p> <p>Recruitment and selection:                      competency interviews                      values alignment                      behavioural versus technical competencies                      CEO selection</p> <p>Induction:                      the importance of rigorous induction                      essential areas of the organisation to cover, including:                      – history and development of the organisation                      – context                      – culture</p> <p>the psychological contract – mutual expectations of inputs and outcomes</p> <p>Training and development:                      the 70:20:10 model of learning and development                      board dynamics training recommendations                      effective use of board away days and strategic off-sites</p>

Topic area	Potential content
	<p>Performance management of board members:</p> <ul style="list-style-type: none"> <li>the performance management cycle</li> <li>effective performance management</li> <li>effective goal-setting</li> <li>methods of giving/receiving feedback</li> <li>how to structure difficult conversations</li> </ul> <p>Performance reviews:</p> <ul style="list-style-type: none"> <li>gathering feedback</li> <li>modern approaches to performance reviews</li> <li>the ‘check-in’</li> </ul> <p>Exit:</p> <ul style="list-style-type: none"> <li>managing an exit from the board</li> <li>exit interviews</li> </ul> <p>The role of the company secretary/governance professional in effective talent management:</p> <p>the company secretary/governance professional as:</p> <ul style="list-style-type: none"> <li>– coach</li> <li>– human resources manager</li> <li>– facilitator</li> <li>– mentor</li> <li>– expert</li> </ul> <p>ethical dilemmas in relation to managing talent</p>
Board evaluation	<p>How board evaluation can be used to assess the board and specifically boardroom dynamics:</p> <ul style="list-style-type: none"> <li>evolution of board evaluation</li> <li>how codes of practice have created the requirement for board evaluation</li> <li>benefits of board evaluation (Kiel and Nicholson, 2005)</li> </ul> <p>Methods and process options of board evaluation:</p> <ul style="list-style-type: none"> <li>key questions a board evaluation can find answers to</li> <li>evaluating governance structures</li> <li>evaluating human capital</li> <li>evaluating director personal characteristics</li> <li>evaluating board dynamics</li> </ul>
Cultural differences	<p>Sector and country-specific considerations in boardroom dynamics:</p> <ul style="list-style-type: none"> <li>Hofstede’s dimensions of national culture</li> <li>UK cultural dynamics</li> <li>UK versus cultural dynamics in other dynamics</li> <li>Company culture through Competing Values framework (Cameron and Quinn, 2005)</li> </ul>

Topic area	Potential content
	sector-specific advice: <ul style="list-style-type: none"> <li>– listed company dynamics</li> <li>– small and medium-sized enterprises (SME) dynamics</li> <li>– public sector dynamics</li> <li>– charity sector dynamics</li> <li>– family business dynamics</li> </ul>
Developing behavioural agility	Understanding the company secretary/governance professional role as a ‘smart influential observer’: the link to emotional intelligence techniques to build empathy techniques to build influence Skills to use to best play the role of ‘smart influential observer’: noticing well providing effective feedback asking great questions How and when to adapt your style: when to take a lead and assert facilitation skills – Heron’s Six Categories of Intervention: <ul style="list-style-type: none"> <li>– authoritative interventions – prescriptive, informative, confronting</li> <li>– facilitative interventions – cathartic, catalytic, supportive</li> </ul>
Maintaining personal resilience	The significance of the stress epidemic in maintaining personal resilience How to maintain your own resilience and well-being to enable you to support others over periods of stress The benefits of implementing resilience training in the workplace Techniques to maintain own resilience: Southwick and Charney framework (2012): <ul style="list-style-type: none"> <li>– applying signature strengths</li> <li>– finding resilient role models</li> <li>– developing moral/spiritual compass</li> <li>– cognitive appraisal/facing fears/active coping</li> <li>– optimism</li> <li>– social support</li> <li>– exercise and nutrition</li> </ul>

Topic area	Potential content
	<p>i-resilience – Robertson and Cooper:</p> <ul style="list-style-type: none"> <li>– confidence</li> <li>– purposefulness</li> <li>– adaptability</li> <li>– social support</li> </ul> <p>well-being approaches – how sleep, activity, nutrition and mindfulness relate to boardroom performance</p> <p>Behavioural styles to support others well:</p> <p>The well board: 6 essential conditions (Robertson and Cooper, 2017):</p> <ul style="list-style-type: none"> <li>– resources and communication</li> <li>– control</li> <li>– balanced workload</li> <li>– job security and change</li> <li>– work relationships</li> <li>– job conditions</li> </ul>