Boardroom Behaviours

I am a freelance writer and consultant whose main business lies in the field of systemic leadership. Publications include *The Search for Leadership: An Organisation Perspective* and the *Systemic Leadership Toolkit* (Triarchy Press). My background is in HR and Organisation Development, so I am interested in governance from a people and organisational perspective.

Observations on ICSA's *Boardroom Behaviours* report prepared for Sir David Walker

It is stated that companies failed to foresee the events that engulfed them. At a company and industry level that seems to be so. But there were some prescient voices beyond company boards, those who foresaw a financial crisis, but the system was unable to listen to them. They included the BBC Business Editor Robert Peston, the IMF's deputy managing director, at least one book (Frank Partnoy's *Infectious greed*), and of course Paul Moore, sacked in 2005 by Sir James Crosby, then CEO of HBOS, for being outspoken and arguing that the bank was taking excessive risk by growing too quickly. Even the FSA had been concerned about the level of risk in HBOS as early as 2002. Yet nothing happened. Organisations are not good at hearing dissenting voices and handling doubt, especially when things at the particular moment appear to be going well. Watchful of their competition and mindful of short-term financial pressures, companies cannot afford to step off the treadmill.

Walker's prime focus is on individuals and the dynamic between board members. But there are wider systemic considerations, and indeed systemic *leadership* issues that affect risk in all its forms – inside and beyond company boards. The report on boardroom behaviours understates the behaviour of organisations as complex systems. In my book, using a popular analogy, I describe this as a need to work on the fishtank more than the fish; that is, all those things that surround people that, in large measure, influence and explain their behaviour – the rules, protocol, access, power distribution, climate, incentives, goals, silos, accountability arrangements, etc.

Psychologists speak of the 'fundamental attribution error' – the tendency for people to over-emphasise personality-based explanations for behaviours, while under-emphasising the role and power of situational influences. In other words, people assume that what a person does is based more on what kind of person he or she is, rather than the social and environmental forces at work on that person. Recent research on decision making gives more emphasis to social influences on individuals.

The HR issues described above contain two closely related and important governance questions:

'Who is recognised as the responsible official in the company (who may not be a board member but may be accountable to a board member) whose job includes:

1. Being responsible for monitoring and advising on the health, design, functioning and improvement of the organisation as a system?'   and (which may be part of the first)

2. Being responsible for advising on and ensuring that a proper accountability system is in place in respect of leadership, that is understood, practised and respected?'

I attach the questionnaire on 'Leadership and Accountability' from the *Systemic Leadership Toolkit*. This contains questions that the named official needs to address. The responsibilities call for a deep understanding of the impact that the system is having on leadership, and the impact that leadership is having on the system.

A supplementary point is that Walker's work places much faith in the rational half of organisation life (e.g. codes of conduct and guidelines). Such instruments are needed, of course, but the power of the organisation's non-rational 'shadow' side is the more powerful and better explains the nature of aberrant behaviour (also discussed in the book). Just consider codes (industry-wide and in-company) that prohibit bribes or anti-trust dealings; when these breaches persist they are best understood by searching in the fishtank's non-rational dimension. Executives with a strongly rational disposition can be tempted to believe that once codes, rules, edicts and injunctions, etc have been addressed, the job has been finished, and that is not so. The shadow aspects of organisation behaviour need more recognition and understanding.

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