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Timeless principles of board dynamics:
Why the ABCs (attitudes, behaviors, candor) persist.

Timeless truths: The ABCs of board governance

We often take for granted that things will work. The car will get us where we want to go. The computer will connect us to the world and help us be productive. But how often do we think about how these things work? We may know that they are made of unique parts, each with a specific purpose and function, but do we stop to consider their complexity and how the parts are integrated to achieve the objective of the machine?

The understanding of a board of directors' function can be framed using the analogy of understanding the parts of a broader, complex machine. The context of good governance is a principle recognized for its pivotal role in driving organizational success. This embodies the existential "why" of a board, with a particular emphasis on how good governance can serve as a strategic advantage, most notably for private company boards.

It's also important to acknowledge the practical "what" of a board, which often lies in its fundamental structures and responsibilities as seen in the [Deloitte Governance Framework](#). These elements, fortified by the unique competencies and skills that constitute a board, facilitate the necessary oversight to shape the agenda, contribute valuable insights, and address challenges.

But to achieve optimal output and value from a board, it should also have the right dynamics. This is "how" a board operates, and to understand it more fully, it's worthwhile to revisit the ABCs of corporate governance.

Coined by Deloitte's first woman chairman more than a decade ago, *the ABCs of boardroom dynamics* reflects timeless principles private company boards can leverage to function optimally and achieve harmony across the board.

When we first [published our views](#) on the ways the ABCs influence the deliberations of a company's board, organizations were consumed by a global financial crisis. Boards were grappling with market instability, and in many cases, survival.

Today's context is often no more certain. Stakeholders expect transparency and decisive action on topics ranging from sustainability to inclusion. Innovative technologies like Generative AI are fueling organizational ambitions, and, in some cases, upheaval. There are myriad risks to contend with, from economic uncertainty to geopolitical tensions to industry convergence where non-traditional competitors are entering markets. To help companies navigate these rapidly evolving priorities and guide their organizations towards progress, it's important for board members to possess not just the *right skills and experience*, but also the appropriate attitudes, behaviors, and candor for *effective collaboration* within the boardroom.

Attitudes: Establishing a baseline for cooperation and productivity

The attitudes, or various states of mind, board members bring into deliberations, can influence corporate board operations, potentially leading to widely disparate outcomes. Attitudes are a choice the individual makes. A curious attitude might influence constructive conversations among board members. A negative attitude can throw an agenda into disarray. Is the board member intentional or indifferent? Open-minded or resistant to change? Prepared or unorganized? Attitudes can set the foundation for how a board operates and its effectiveness.

It's important to distinguish between a positive attitude and an agreeable one. The latter could raise few challenges as agreeable people may fall victim to groupthink. This presents a significant challenge in the boardroom, particularly as it relates to setting agendas or making consequential decisions. The behaviors and candor of board members are critical to eliminating this unproductive trait.

Behaviors: Harnessing the potential of different working styles

If attitude reflects how someone thinks, behavior reflects how they act. To understand how attitudes influence boardroom behaviors—the consistent response to specific circumstances—several scenarios come to mind.

For instance, a thoughtful attitude can help drive behavior that brings attention to risk-related issues. An attitude rooted in integrity can ensure the organization adheres to high ethical standards. A commitment to independence can empower individuals to question traditional beliefs, fostering critical thinking, comprehensive discussions, and better-informed

decisions. This type of independent thinking, shared by individuals with diverse perspectives, can also promote a culture of transparency, enhancing overall governance

The chemistry of the board overall can play a large part in determining its effectiveness. Is there a level of professional respect among members? Do they value each other's experiences and perspectives? Do they work well as a team, capitalizing on the unique strengths of each member? The way board members connect, question, and trust each other is critical to the success of the board and enterprise.

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BUSINESS CHEMISTRY

When there's a mismatch among perspectives in the boardroom, it can be helpful to assess how everyone's individual perspectives influence the whole. Business Chemistry®, Deloitte's analytics-driven tool for understanding and leveraging the differences between people can help board members identify how their own chemistry type, as well as those of others, can contribute to more effective interactions between board members—as well as management.

The tool comprises four distinctive styles, or Business Chemistry types. While the majority of people have a primary and secondary type, most people exhibit at least some aspect of all of the categories. Understanding people's Business Chemistry types and their approaches to problem-solving can help boards to collectively address today's challenges and tomorrow's opportunities.

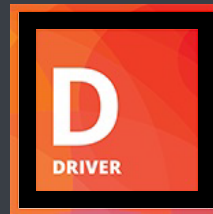
Here's how they might show up in the boardroom:



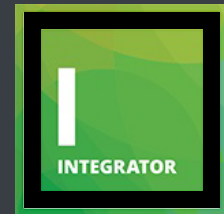
Pioneers relish possibilities. They see the big picture and are brainstormers who speak up and make quick decisions. Sometimes they don't think through the execution details, which can add significantly to management's workload. Pioneers will likely be assets to the board when discussing long-term strategy and innovation.



Guardians appreciate stability. They are risk-averse and like to bring order and rigor to the boardroom. These board members thrive on detail and data. Guardians tend to listen and collect facts before presenting an opinion, which can slow things down. Guardians can be useful in the boardroom due to their attention to concrete detail and affinity for data.



Drivers welcome a challenge. They are skilled at identifying patterns, and direct in their approach to people and problems. In the boardroom, Drivers ask point-of-the-matter questions, and they aren't afraid to create waves with other board members or leaders in management. For Drivers, the end goal is the objective, even if they might sometimes come across as abrasive and impatient.



Integrators value connections. They tend to be diplomatic and non-confrontational, serving as the "glue" that holds the boardroom together in times of chaos or calm. Integrators thrive in human resources and personnel discussions due to their interpersonal skills, love of people, and their networks. Integrators can be helpful as committee members but may struggle to be decisive because of their bias for comradery.

SKILLS MATRIX

One way to establish a baseline for the type of expertise that boards want to see in the boardroom is by means of a board Skills Matrix. This tool can help assess the knowledge and experience of each board member in functional areas like finance or risk management. The tool organizes this information and aligns it with business objectives, allowing boards to pinpoint existing capabilities and keep the conversation focused on board priorities. It may be valuable to include an evaluation of the business chemistry of board members along with the traditional competencies and skills they possess.

Candor: Building confidence and trust

When favorable attitudes yield positive behaviors, it can help create an environment in which people may be more willing to communicate transparently, become receptive to feedback, and remain open to diverse viewpoints.

Like the many parts needed to run a car or computer, a critical component to effective governance is trust. In family businesses for example where stakeholders include family, owners, and management, and generational perspectives may differ, the governance process can work when trust is evident and a cornerstone of all conversations. In addition to trust among board members, [oversight of trust is an important element](#) the board's role in overseeing strategy—increased trust could yield increased value and more agile risk-mitigation.

Building trust begins with the corporate culture. A culture rooted in purpose and integrity sets the stage for a trusting attitude. Alignment in attitude related to trust can result in desired

behaviors in the boardroom – board members demonstrating empathy, being reliable, and assuming positive intent. Ultimately, these behaviors can be reflected in the candor of board members as they adhere to their duty of loyalty and duty of care.

A commitment to constructive candor can help boards create the conditions for respectful deliberation when evaluating sensitive matters and engaging in tough questions about the future of the business. Indeed, boards should be able to discuss these topics and bring their concerns about them to management. With a high level of trust, these topics can be brought to the forefront in an open and transparent manner.

When the ABCs are practiced consistently, the result can be better performance, including at critical stress points. Consider pivotal junctures such as a leadership succession, the adoption of new technologies, or the decision to enter a new market. A board that consistently invests in its improvement and adheres to the ABCs can maintain greater agility, more thoughtful about risk, and truly benefit from the combined expertise of everyone in the boardroom.

Today's business environment is inundated with information. Having the discernment to filter through these vast inputs guided by attitude, behavior, and candor can help organizations get ready for the next wave of change sure to make the board agenda.

More than a decade ago, we began highlighting the ABCs of corporate governance. The fact that they are as applicable today as they were then is a testament to the simplicity and strength of the concept. As we stated in our original article:

Questions for consideration

1. What are some of the prevailing attitudes within your board?
2. How do behaviors shape the outcome of your board meetings?
3. How do you enforce accountability?
4. As the chair, have you created an environment that encourages candor?
5. How are you improving your governance practices?

"Boards are a vital corporate asset. As such, boards can decide to invest in strengthening their own dynamics just as they might decide to invest in any other asset that would strengthen the balance sheet. Investing in the ABCs of corporate governance may be a good place to start. By enhancing their members' ability to relate, think, and act, today's boards can become a competitive advantage — and an example for how their enterprises can embrace the future."

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Deloitte's [Center for Board Effectiveness](#) helps directors deliver value to the organizations they serve through a portfolio of high-quality, innovative experiences throughout their tenures as board members. Whether individuals aspire to board participation or have extensive board experience, the Center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession.

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