Building Boardroom Dynamics Fostering Trust and High-Performing Teams

FCS Nkirote Mworia-Njiru

Introduction

Trust is the cornerstone of effective governance in modern organizations. In an era marked by corporate scandals, shareholder activism, and a growing emphasis on the separation of ownership and control, trust has become a precious currency. This article explores the forces driving trust in governance, the critical role of stakeholder relationships, and the strategies to build and maintain trust in the boardroom.

Forces Driving Trust in Governance

Corporate failures and scandals have shaken the foundations of trust in governance. High-profile cases of financial misconduct and ethical breaches have eroded the confidence of investors, regulators, and the public in corporate leadership. Shareholder and member activism have empowered stakeholders to demand greater transparency and accountability from boards.

The enhanced separation of ownership and control in modern corporations has raised questions about the alignment of interests between shareholders and executives. The fight against corruption, both at the corporate and societal levels, has underscored the need for ethical governance.

The global 'governance revolution' has witnessed a shift towards more robust regulatory frameworks and increased scrutiny of board practices. Organizations have come to realize that good governance not only aligns with ethical principles but also has a tangible economic payoff in terms of reputation and performance.

Stakeholder Relationships are Critical

Stakeholder relationships are at the heart of building trust in governance. Businesses are interconnected with a web of stakeholders, including investors, government entities, customers, the community, employees, employee families, and partners. These relationships are a valuable asset that must be nurtured and maintained.

A New Approach to Building Relationships with Stakeholders

To foster trust and build robust stakeholder relationships, organizations should consider:

1. **Purposeful Value Exchange:** Seek mutually beneficial exchanges of value with stakeholders. Understand their needs and aspirations and align them with the organization's mission.

2. **Strong Corporate Governance:** Implement and adhere to sound corporate governance principles that emphasize transparency, accountability, and ethical conduct.

3. **Structured Strategic Engagements:** Develop structured engagement processes that allow for meaningful dialogues with

stakeholders. These engagements can uncover valuable insights and enhance trust.

Driving the Trust Agenda

Building trust is an ongoing process that requires dedication and effort. The boardroom plays a pivotal role in this endeavor. To build trust effectively, consider the following strategies:

1. **Induction**: New board members should undergo a thorough induction process to understand the organization's culture, values, and expectations.

2. **Develop Relationships Quickly**: Establish relationships within the board and with key stakeholders as swiftly as possible to foster a sense of camaraderie and trust.

3. **Eliminate Information Asymmetry**: Ensure that all board members have access to the same information to prevent power imbalances and promote open discussions.

4. **Bonding**: Encourage board members to spend time together outside of formal meetings to build rapport and trust.

5. **Performance Reports**: Regularly receive performance reports from management, providing insights into what is working, what is not, risks, and successes. Be willing to admit mistakes.

6. **Focus on Delivering Results:** Keep the focus on delivering tangible results and allocate resources to secure future performance.

7. **Embrace Innovation, Learning, and Research**: Foster a culture of innovation and continuous improvement. Stay updated on industry trends and best practices.

8. **Cultivate a Culture of Accountability**: Encourage board members to take ownership of their responsibilities and hold themselves and others accountable.

9. **Deep Listening:** Listen actively and empathetically, seeking to understand rather than respond. Eliminate biases and encourage diversity of thought.

10. **Culture of Transparency**: Promote a culture of transparency where truth-telling is valued, difficult conversations are encouraged, and contrarian views are rewarded.

Who Drives the Trust Agenda

The responsibility for driving the trust agenda in an organization falls primarily on the CEO and the board of directors. The CEO sets the tone for leadership and must be clear about expectations for the entire leadership team. The board is accountable for building and protecting stakeholder trust.

Systems and processes for follow-up are essential to ensure that trust-building initiatives are sustained. Some organizations are appointing Chief Trust Officers to oversee these efforts. Despite the importance of trust, a Deloitte survey found that trust is not regularly discussed at board meetings in many organizations.

Measuring Effectiveness

Measuring the effectiveness of trust-building efforts can be challenging but crucial. Consider the following tips:

1. **Impact of Corporate Governance Improvements**: Assess whether governance improvements have resulted in measurable impacts, such as improved access to finance, lower cost of capital, and an enhanced reputation.

2. **Evaluation of the Chairman and Directors**: Evaluate the performance of the chairman, individual directors, and the board as a whole. This evaluation should involve self-interrogation, objective feedback, positive criticism, and a commitment to continuous improvement.

3. **Situational Awareness**: Develop situational awareness by identifying and systematically addressing governance issues as they arise.

4. **Use a Good Story**: Combine quantitative data with anecdotal evidence to make a compelling case for the effectiveness of trust-building initiatives.

5. **Ethics as a Key Component**: Emphasize ethics as a key component of the governance framework, including adherence to a Code of Conduct and Conflict of Interest Policy.

Board Mandate

The board's mandate involves a group discussion focusing on four key areas: Transformance, Concordance, Performance, and Conformance. These aspects encompass:

- **Strategy and Performance:** Discuss suitable strategic and governance directions for the organization, emphasizing critical strategic issues.

- **Talent and Reward:** Ensure standardized governance principles across all parts of the organization, communicating the required focus, consistency, and adherence to committees and management.

- **Risk, Compliance, and Assurance:** Address governance issues related to risk, compliance, and assurance, emphasizing effective rigor and oversight.

- **Financial and Technology Oversight:** Oversee financial and technological aspects, ensuring the organization's financial health and technological resilience.

- **Customer, Reputation, and Responsible Business:** Focus on building and maintaining customer trust, managing reputation, and promoting responsible business practices.

Strategy

The role of the board in strategy varies across organizations. The board may set the tone, co-create strategy, inspire management, guide strategy crystallization, challenge objectives, own the strategy, oversee implementation, and serve as a forum for independence and transformation.

People

Several people-related challenges and opportunities shape the board's agenda, including:

1. **Scarce Expensive Talent**: High attrition rates for in-demand roles and steep competition for talent amid rising inflation.

2. **Career and Talent Mobility**: Enabling talent to drive their professional development and learning.

3. **Diversity, Equity & Inclusion**: Focusing on building an inclusive organization.

4. **Reskilling, Upskilling, and Outskilling**: Strategic workforce planning and development.

5. **Succession Management & Retention**: Identifying critical talent pools and improving retention.

6. **Leaders and Culture as Competitive Differentiators:** Leveraging culture and leadership for competitive advantage.

7. **Flexible Job Architecture**: Balancing roles and work structures.

8. **Support Career Growth Beyond the Organization**: Acknowledging and facilitating career growth beyond the organization.

9. **The Fifth Industrial Revolution (5IR)**: Embracing advancements in technology and automation.

10. **Employee Value Proposition (EVP) & Brand Affinity**: Attracting and retaining top talent through compelling brand strategy.

Sustainability and Shared Value

Sustainability and shared value are central to the board's responsibilities. Emerging business strategies, new corporate

capabilities, and societal needs drive innovation and transformation in organizations.

Risk Management

Effective risk management is a critical part of the board's mandate. This includes identifying, assessing, addressing, reviewing, and reporting risks. Understanding the good, the bad, and the ugly is essential.

Managing Difficult Conversations

Managing difficult conversations is an art. To do it successfully, consider the following pre-requisites:

- **Define Goals**: Clarify what you hope to accomplish through the conversation.

- **Examine Assumptions**: Reflect on any assumptions you might be making.

- **Emotional Awareness:** Check your emotions and aim for a rational discussion.

- **Consider Your Opponent**: Understand the person you're conversing with.

- **Identify 'Blind' Spots:** Be aware of any biases or misconceptions.

Effective management of difficult conversations involves inquiry, acknowledgement, advocacy, problem-solving, and authentication.

Managing in Crisis

Crisis management is another aspect of the board's responsibilities. Crisis situations require swift and effective responses. Key considerations include minimizing distractions, maintaining clear communication channels, channeling enthusiasm, and planning for long-term recovery.

Board Leadership and Performance in a Crisis

During a crisis, board leadership is crucial. Effective communication and engagement are essential to minimize disruption and maintain trust. Leaders should also focus on the long-term, uphold the organization's culture, and closely monitor board behavior and succession pipelines.

Boards of the Future

Boards of the future will be transformed and transformative. They will embrace non-traditional approaches, including digitization, customer-centricity, talent management, and culture shaping. The ever-changing business landscape demands agility and adaptability from boards.

Conclusion

In conclusion, effective governance and trust-building are fundamental to organizational success. Leadership, proactivity, communication, agility, and transparency are vital components of this process. By understanding the forces driving trust, nurturing stakeholder relationships, and embracing innovative strategies, boards can pave the way for high-performing teams and sustainable, value-driven organizations. Trust remains the

currency of the modern boardroom, and its value cannot be overstated.