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It's Time to Vote Majority Rule Off the Company Board

Listen to the specialists on your board and adopt “qualified consensus” for decision making.

by [Randall S. Peterson](#)



Photograph by Athit Perawongmetha

A former colleague of mine was once invited to join the board of a major U.K.-based company because of her in-depth financial expertise and management experience. But after she was on the board, she found that she constantly had to prove herself, and she was repeatedly voted down.

It seemed to her that despite her expertise — the reason she had been asked to join the board in the first place — she was mostly being ignored. In despair, she asked the chair why she was not having any impact. The chair’s response was to suggest that other board members believed that as a newcomer, she couldn’t possibly understand the nuances of the company. This made other directors more likely to ignore her views, leaving her isolated.

Let’s take this concept a step further. Imagine you are on a board that’s just appointed a nonexecutive director because of her digital skills, and the topic on the boardroom table is cybersecurity. Imagine that she is similarly bypassed because of a majority view based on perceptions of the newcomer’s relative lack of familiarity with the business. Would you think it justified to overrule the digital specialist?

Historically, boards are composed of experienced generalist leaders. Each individual has an equal voice on all matters. According to the U.S.-based National Association of Corporate Directors (NACD), as well as other similar organizations globally, directors have two primary duties. The first is to exercise a “duty of care” requiring that a director pay attention, ask questions, and act diligently in order to become and remain fully informed. The second is a “duty of loyalty” requiring that a director make decisions based on the corporation’s best interests. Additionally, all directors are given equal weight in decision making by majority voting. These principles combined perhaps also explain why a board might, as in the earlier example, discount the contributions of a newly appointed member who does not yet fully appreciate the business.

And yet, when thinking about our digital specialist, would generalist board members who successfully managed in a predigital age fully understand the decision they were making in overruling her expertise? In fact, might giving veto power to a particular specialist even be appropriate in some circumstances?

These are not simply hypothetical questions. At London Business School's Leadership Institute, we see an increasing trend toward appointing directors with specialist skills, in addition to good generalist knowledge. A global study of more than 600 nonexecutive directors published by the institute in 2017 showed that as digital skills have emerged as critical for the boardroom in recent years, more digital specialist directors are being appointed. [Almost 20 percent](#) of companies in that study had appointed them, compared with virtually zero five years ago.

I have found consistently in my own research that majority-rule voting actually fails when the will of the majority is used to silence legitimate and specialist minority voices. What is right for the many ought to prevail, but not at the expense of the rights and specialist knowledge of a minority. This means that boards must understand the full implications of their two duties — care and loyalty — especially at a time when they are hiring more specialists. And it's worth remembering that the sincere embrace of those two duties on the part of each director is key if majority rule is to function effectively.

So if, say, the digital specialist director in my example ends up voting against a cybersecurity-related decision she believes to be ill-advised, but a majority of her fellow board members vote for it, that director needs to consider whether her peers truly understand the risks. She needs to ask herself whether their decision is fully informed, and if not, she is obliged to raise this issue, rather than simply accept the vote.

What follows in practice is that when a director believes that a particular decision is fundamentally wrong, whether for ethical reasons or because it violates regulations or because it represents a disastrous strategy, that individual director should be able to challenge boardroom colleagues.

This does not mean that each board member must entirely agree with, and vote in favor of, every decision the board makes. But there is an important distinction between a decision that an individual judges to be *suboptimal* and a decision that the board member believes is totally *wrong*.

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Boards should therefore operate on the principle of qualified consensus. By qualified consensus I mean a state in which a majority are in favor, *and* no one believes the decision is fundamentally wrong. Board chairs should be giving every member the opportunity to explain a dissenting point of view, to which the others listen and respond. You might think that this already happens as a matter of course. Yet I often hear about cases where the board literally hears the dissent, but does not recognize the distinction between a suboptimal decision and one that is seen as truly wrong. Giving a dissenting member the opportunity to speak up is just not on the board's radar screen often enough.

This illustrates the critical point of minority rights in a democratic corporate ecosystem. In short, board members need to better understand when disagreement is an indicator of something especially important — when that lonely board voice believes the proposed decision is not simply less than desirable, but fundamentally wrong.

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Unfortunately, open and frank discussion that arrives at consensual and informed decisions — and thus incorporates understanding of the point above — is too often lacking among boards. For example, in another global study of board directors by the London Business School, scheduled to be published in late 2018, 64 percent reported misunderstandings in the boardroom to be commonplace, and one-third reported the need to revisit decisions.

How can boards create and maintain a culture of qualified consensus and avoid the risks of, say, a corporate scandal emerging as a result of voting practices that

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do not recognize the difference between something many would perceive to be suboptimal and something that qualifies as an unethical decision? Below are some key principles.

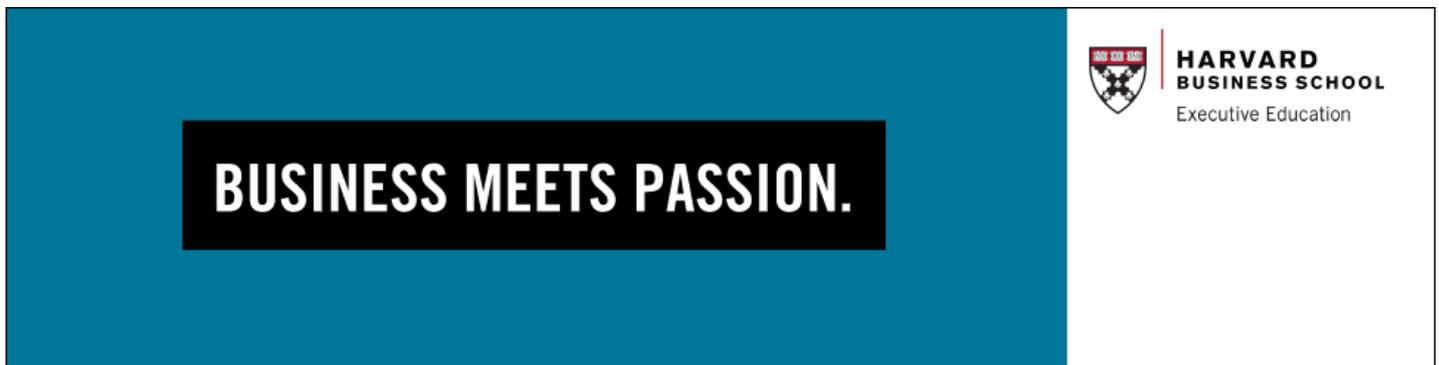
Get the right team on the board and prioritize their learning. All board members need to have a working knowledge of the core aspects of their business, in addition to a specialist area in which they offer unique value. Indeed, a distinct trend has recently arisen of appointing directors with reference to some kind of skills audit by focusing on specialization, in addition to good generalist knowledge.

Boardrooms attract a lot of stars, but they need the right people with a wide variety of perspectives who represent all the key functions of the organization. When companies assemble a board, it's frequently assumed that once they've appointed experts to the board, their problems in every area are solved, as these experts will address any specialist questions.

However, boards typically deal with complex problems such as business strategy. Although they need specialist members, boards also need to create integrated solutions looking across specializations. Therefore, they must spend time building understanding of other board members' specialist knowledge, assumptions, and values.

The real function of experts on the board is in teaching and advising fellow board members, not making solo decisions. Learning must therefore be an essential ingredient of any board, with a defined induction process followed by ongoing training and development. Such processes for boards are essential for the sharing not only of information about standard operating practices of the board and its goals, but also of the chair's expectations regarding director behavior and how a director engages others.

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One particularly experienced chair who has led the boards of well-known organizations writes letters of appointment to new board members, specifying formal responsibilities and norms of engagement. These rules include behavioral expectations such as “listening sensitively to the views of others, inside and outside the board” as well as expectations for directors to “gain the trust and respect of other board members.” These clear guidelines help board members collaborate and integrate perspectives effectively, facilitating a more consensual approach to decision making.

To manage experienced board members' continuous learning, one board chair I met explained that he has a 10-minute information session at the start of every meeting to focus on the core knowledge that every board member should have. When possible, it is advisable to create personalized learning plans for specialists to come to grips with business fundamentals; generalists, meanwhile, need to have an appreciation of particular disruptive forces within the industry.

Encourage trust and “psychological safety” among team members. It's essential to foster a shared feeling of trust among board members that supports interpersonal risk taking in which difficult questions can be asked and doubts shared.

Classic work on groupthink highlights the results likely to be obtained by a board without psychological safety, one on which everyone has doubts but no one dares raise them because no one else is raising concerns. Everyone believes he or she is the only one with doubts, but actually everyone has them.

If the boardroom is a safe space in which to air concerns and discuss problems from each director's point of view, the resulting conversation will bring the group toward mutual understanding of the full set of interrelated problems to enable a strong decision.

Openly share information to create understanding of the problem. Board leaders can manage the complexity that comes from bringing together a group of individual experts and starts by clearly establishing a routine that allows people to quickly determine what is known, and what is unknown, about a topic before launching into decision making or problem solving. When an individual starts a board discussion with, "Here's how I'd handle it," that discussion is unlikely to build the necessary shared understanding. It takes strong leadership to prevent people from beginning with a proposed solution, especially when it's a group of action-oriented, experienced individuals, as most boards are.

The best way to ensure a clear understanding of the solution is disseminating clear briefing papers. One highly experienced director of a U.K. firm shared his experience of being on a board whose chair was not entirely fluent in English. Although he acknowledged that this posed challenges in discussions, it did mean that management was forced to write briefing documents using everyday words. Everyone had to carefully explain assumptions and ideas during debates. Paradoxically, then, the chair's shaky English forced even complex decisions to be talked about in ways that everyone could understand.

The overall goal is for board members to understand *why* a solution should work. Members must be prepared to talk about, and listen to, underlying issues and perspectives before progressing to potential solutions. Discussion is important and not a mere preamble.

Highlight specialist knowledge in the team from the start. Relevant specialist knowledge on the board should be clear very early on. When directors are aware of who has specialist knowledge, it encourages them to listen carefully and learn from that expertise — but it also alerts directors to the potential for misunderstandings and the need to ask questions. When possible misunderstanding of the key problem is identified early, board members can resolve issues more readily.

The more diverse the board — which means those with specialist knowledge are included — the more important it is to identify areas of common ground immediately. In fact, given the increasing diversity of boards, representing a variety of cultures, ethnicities, and genders, the potential for misunderstanding today is exacerbated. A culture of ongoing learning, cooperation, and coordination is essential for the successful functioning of any board, but it's particularly helpful in securing the many benefits of diversity. Stressing shared values and goals also helps to build trust and goodwill.

One final thought: Given the complexities of the problems that boards increasingly face, it has never been more important for them to be able to cut through that complexity and communicate clearly. Good leadership is essential. All board members should have a point of view while remaining open minded; they should listen more than they speak, and in so doing work together to reach qualified consensus for the long-term benefit of the organization.

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