# Boardroom Dynamics

Chartered Governance Qualifying Programme

Syllabus

**The Hong Kong Chartered Governance Institute**

**Chartered Governance Qualifying Programme**

# Boardroom Dynamics

Part Two Programme

Total study time: 200 hours

## Introduction

The aim of this module is to provide the advanced knowledge, understanding and skills needed for the company secretary/governance professional to support boardroom performance by enabling both effective individual behaviours and group processes.

In recent years, high-profile corporate failures, maturing codes of governance, and an increasing interest in human capital intangibles have led to an increase in calls for governance professionals to focus on how the board works in practice as well as in theory. Technical considerations are necessary but not sufficient to engender good governance.  An appreciation of and competence in more behavioural, cultural and psychological aspects of boardroom practice is essential to being an effective modern company secretary/ governance professional.

This module explores boardroom practice 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. The module also covers what boards and company secretaries/governance professionals can do differently and how they can influence and effect change within the remit of their role.

## Learning outcomes

After successful completion of this module you should be able to:

1. Demonstrate an understanding of the importance of boardroom dynamics for organisations.
2. Demonstrate an understanding of the different facets of boardroom dynamics.
3. Critically evaluate how boardroom dynamics might affect the quality of relationships, decision-making, conversations, culture, diversity and other factors.
4. Apply formal and informal methods to positively influence dynamics and enhance boardroom performance.

**Module content**

| Section A: The importance of board dynamics |
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| *20% – 40 learning hours* |
| LO.1: Demonstrate an understanding of the importance of boardroom dynamics for organisations |

| Topic area | Learning areas |
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| The emergence of board dynamics in governance | • The evolving focus of governance:<br>  • how codes of governance have evolved and why<br>  • reasons why compliance with codes is not a predictor of board effectiveness or organisational success and why organisations need to look beyond compliance with code requirements to ensure sustainability of the business<br>  • the purpose of task-focused training<br>• Organisational failures:<br>  • impact of organisational failure<br>  • examples of organisational (including corporate) failure<br>  • examples of corporate scandals<br>  • new business regulations:<br>    - Sarbanes-Oxley Act (2002)<br>    - CLERP 9 (2004)<br>• Interest in human factors:<br>  • gross national happiness<br>  • human capital<br>  • talent management<br>  • culture<br>  • other human factors<br>• Shifts in approaches to leadership<br>• Focus on ethics<br>• How corporate governance is maturing:<br>  • the evolution of codes<br>    - The Walker Report (2009) (UK)<br>    - King IV (Leadership by the Governing Body) (2016) (South Africa)<br>    - UK Corporate Governance Code (2018)<br>    - importance of the FRC's Guidance on Board Effectiveness (2018) (UK)<br>• Shift in board research away from structural factors<br>• A broader model of corporate governance:<br>  • the 11 Cs model:<br>    - board structures<br>    - board demographics<br>    - board attributes<br>    - board dynamics<br>• Defining board dynamics |

| Topic area | Learning areas |
|---|---|
| The emergence of board dynamics in governance (*cont.*) | • The evolving role of the company secretary: Andrew Kakabadse research |
| Governance structures | • Governance theory related to board structure:<br>  • agency theory<br>  • stewardship theory<br>  • stakeholder theory<br>• Defining structural elements of boards and the impact of board structures on performance and board dynamics:<br>  • unitary board (e.g. UK; USA; Hong Kong):<br>    - all-executive board<br>    - majority executive board<br>    - majority independent non-executive board<br>  • two-tier board (e.g. Germany; Mainland China)<br>  • ratio of executive director to non-executive director<br>  • board size<br>  • committee structures<br>  • chairperson considerations:<br>    - chairperson and chief executive officer split role<br>    - chairperson as a former chief executive officer<br>    - chairperson as an executive or non-executive<br>  • director considerations:<br>    - average tenure<br>    - board diversity<br>    - director compensation/remuneration – base pay, incentive schemes, equity involvement<br>  • board tasks:<br>    - board meeting frequency<br>    - board review<br>    - board induction and development<br>  • summary of board structural configuration and compliance<br>  • implications of different corporate governance structures on board dynamics |
| Board director demographics and attributes | • Board demographics:<br>  • board demographics as predictors of board performance<br>  • assumptions of traditional board theories<br>• Key individual technical components:<br>  • capacity:<br>    - fit and proper test<br>    - external commitments<br>  • capability:<br>    - independence |

| Topic area | Learning areas |
|---|---|
| Board director demographics and attributes (*cont.*) | <ul><li>professional capital</li><li>financial expertise/experience</li><li>skills/technical expertise/competence</li><li>diversity</li></ul><ul><li>connections</li></ul><ul><li>Board attributes:</li><ul><li>competence (including executive and non-executive directors):<ul><li>specific board role competence</li><li>general leadership competence</li><li>emotional intelligence, leadership style and the role of chairperson in promoting team performance</li></ul></li><li>21st century leadership competence:<ul><li>resilience</li><li>learning agility</li><li>cultural intelligence</li><li>digital intelligence</li></ul></li><li>commitment and personal disposition:<ul><li>personality styles</li><li>mindset</li><li>motivation</li><li>derailers</li><li>character</li></ul></li></ul></ul> |

| Section B: Understanding boardroom dynamics |
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| *40% – 80 learning hours* |
| LO.2: Demonstrate an understanding of the different facets of boardroom dynamics |
| LO.3: Critically evaluate how dynamics might affect the quality of relationships, decision-making, conversations, culture, diversity and other factors |

| Topic area | Learning areas |
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| Psychology of the board | • The importance of board dynamics relative to board structure, demographics and attributes <br> • Defining board dynamics: <br>　• interactions between board members individually and collectively <br>　• how boardroom dynamics influence and are influenced by the wider stakeholder system <br> • Psychological theories underpinning board dynamics: <br>　• psychodynamics <br>　• behaviourism <br>　• cognitivism <br>　• humanistic psychology <br> • Characteristics of boards and board meetings: <br>　• ten specific characteristics <br>　• three-gears model <br>　• three-modes framework <br> • Boards as high performing teams: <br>　• defining boards as teams: <br>　　- Katzenback and Smith definition (1993) <br>　• working groups versus teams: <br>　　- Hawkins' nine factors <br>　• boards as high performing teams <br> • Board team outcomes: <br>　• board tasks <br>　• cohesion <br>　• challenge <br>　• the need for balance: <br>　　- Walker Report (2009) <br> • Board team processes: <br>　• senior leadership teams research – six key challenges for the CEO: <br>　　- a real team <br>　　- a compelling purpose <br>　　- the right people <br>　　- solid structure <br>　　- supportive context <br>　　- team coaching <br>　• resilient teams process – best practice <br>　• board team process – best practice |

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|---|---|
| Board decision making | • Board decision making: an overview:<br>  • process and outcome<br>• Evidence-based boards:<br>  • definition of evidence-based practice<br>  • four sources of evidence<br>  • six-step process<br>• Cognitive bias:<br>  • the issue of bias in the boardroom<br>  • System One and System Two thinking<br>  • types of bias<br>  • mitigating bias:<br>    - reviewing the decision-making process<br>• Individual differences in relation to decision making:<br>  • personality measures:<br>    - five factor model<br>    - MBTI differences<br>    - decision styles model<br>  • personality differences<br>  • maximisers versus satisfiers<br>• Decision making tools:<br>  • the WRAP framework:<br>    - widen your options<br>    - reality-test your assumptions<br>    - attain some distance before deciding<br>    - prepare to be wrong<br>  • complex decision making<br>  • gender differences in decision making<br>  • Huston (2016) – seven recommendations for better decision making<br>• Board team decision making: key factors and tools:<br>  • board structure (size and meeting quantity)<br>  • board diversity<br>  • board leadership culture<br>  • board stakeholder conversations |
| Stakeholder conversations | • Introduction to stakeholder systems:<br>  • from boardroom dynamics to board dynamics<br>  • the board as a system<br>• The systems inside the board<br>• Individual director lens:<br>  • biology and personality<br>  • life roles<br>  • director roles<br>  • the overemphasis of the individual lens |

| Topic area | Learning areas |
|---|---|
| Stakeholder conversations (*cont.*) | <ul><li>Inter-personal board relationships lens:<ul><li>building trust</li><li>levels of communication</li><li>parent, adult, child ego states</li><li>collective and individual interaction of board members with shareholders and other stakeholders – why, how, with whom, and when?</li><li>implication of ownership on board dynamics (e.g. individual, family, founder(s), the state, widely-held)</li><li>investor relationships, including alignment of board performance with the interests and expectations of capital providers</li></ul></li><li>Team relationships lens:<ul><li>team development frameworks:<ul><li>- Tuckman's model</li><li>- five dysfunctions of a team</li></ul></li><li>team dialogue:<ul><li>- Kantor's four-player model</li><li>- Isaacs' advocacy versus inquiry</li><li>- positivity ratios research – Losada (1999)</li></ul></li><li>board conflict:<ul><li>- an introduction to team conflict</li><li>- the extent of conflict in boardrooms</li><li>- board role conflict including the Drama Triangle</li><li>- how to challenge well in the boardroom</li></ul></li></ul></li><li>Team tasks lens – purpose, picture, plan, parts</li><li>The systems outside the board:<ul><li>local environment:<ul><li>- behavioural norms and practices (UK, Europe, Asia)</li><li>- political and social content, including local governance and ethical standards and examples</li><li>- strength and quality of local regulation</li></ul></li></ul></li><li>External stakeholder lens:<ul><li>stakeholder mapping</li><li>including the stakeholder voice in the boardroom</li></ul></li><li>Wider systemic influences:<ul><li>PESTLE analysis</li></ul></li></ul> |
| Culture in the boardroom | <ul><li>Corporate culture – what is it, how has it come about, how entrenched is it and how it impacts board dynamics (e.g. start-ups vs longstanding organisations)</li><li>Governance and culture:<ul><li>responsibilities of the board</li><li>limitations of rules-based compliance</li></ul></li></ul> |

| Topic area | Learning areas |
|---|---|
| Culture in the boardroom (*cont.*) | <ul><li>Defining board culture:<ul><li>what is culture?<ul><li>- Schein's ten categories of culture and Iceberg Model</li><li>- Cultural variety</li></ul></li></ul></li><li>Board cultural markers:<ul><li>board conversations as a representation of culture</li><li>what can go wrong with board conversations</li><li>current quality of board cultural dynamics</li></ul></li><li>Board cultural dynamics:<ul><li>Bedrock of board culture model</li><li>power culture:<ul><li>- passive board</li><li>- certifying board</li><li>- engaged board</li><li>- intervening board</li><li>- operating board</li></ul></li><li>ethical culture:<ul><li>- ethics, governance and risk</li><li>- ethical culture through team board trust</li></ul></li><li>performance culture:<ul><li>- learning culture</li><li>- task versus relationship culture</li></ul></li></ul></li><li>How to influence board culture:<ul><li>situational factors</li><li>raising awareness of values</li><li>chairman role modelling</li><li>directors' attitudes</li><li>board diversity</li></ul></li></ul> |
| Diversity in the boardroom | <ul><li>Defining and understanding the meaning of diversity in governance</li><li>Types of diversity</li><li>The impact of diversity on dynamics and performance:<ul><li>the common business case for diversity</li><li>gender diversity</li><li>race and ethnic diversity</li><li>age diversity</li><li>country culture diversity</li><li>other 'surface' diversity</li><li>deep diversity:<ul><li>- learning styles</li><li>- personality types</li><li>- team role types</li></ul></li></ul></li></ul> |

| Topic area | Learning areas |
|---|---|
| Diversity in the boardroom (*cont.*) | • Diversity mindset:<br>  • implicit association test<br>  • diversity micro aggressions<br>• How to promote a diversity mindset:<br>  • within the boardroom<br>  • outside the boardroom |
| The effect of meeting design on boardroom dynamics | • Introduction to meeting design:<br>  • the challenge of meetings<br>• Design of board meetings:<br>  • temporal characteristics:<br>    - meeting length<br>    - promptness of start and end<br>    - use of breaks<br>    - time of day<br>  • physical characteristics:<br>    - the basics: lighting, noise, temperature and refreshments<br>    - meeting space<br>    - technology use<br>    - seating dynamics<br>    - meeting space arrangement<br>  • procedural characteristics:<br>    - meeting goals<br>    - agenda use<br>    - pre-meeting talk<br>    - visual displays<br>    - meeting arrangements<br>    - minutes<br>    - meeting recorded<br>  • attendee characteristics:<br>    - number of attendees<br>    - presence of a meeting facilitator<br>  • the board design checklist |

| Section C: Effecting change in the boardroom |
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| **40%** – **80 learning hours** |
| LO.4: Apply formal and informal methods to positively influence dynamics and enhance boardroom performance |

| Topic area | Learning areas |
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| The role of the governance professional in influencing the board | <ul><li>The 21st century governance professional</li><li>The company secretary as strategic leader:<ul><li>leadership and management, including Mintzberg's three categories:<ul><li>informational</li><li>interpersonal</li><li>decisional</li></ul></li><li>evolution of leadership theory</li><li>leadership styles:<ul><li>directive</li><li>visionary</li><li>affiliative</li><li>participative</li><li>pacesetting</li><li>coaching</li><li>the company secretary as an 'invisible leader'</li></ul></li></ul></li><li>Leadership influence:<ul><li>approaches to leadership influence, including Cohen and Bradford's five currencies of influence:<ul><li>inspiration related currencies</li><li>task-related currencies</li><li>position-related currencies</li><li>relationship-related currencies</li><li>personal-related currencies</li><li>Rodgers' Leadership Communication Grid</li></ul></li><li>leadership influence tools:<ul><li>building relationships</li><li>networking</li><li>acting politically</li><li>storytelling</li><li>challenging</li></ul></li></ul></li><li>Ethical dilemmas in relation to board dynamics</li></ul>Examples: conflict of interests, compliance with codes of conducts, regulatory breaches |

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| Effective talent management | <ul><li>Board talent management overview:<ul><li>company secretary as talent manager</li><li>introduction to talent management</li><li>board talent management</li></ul></li><li>Board competencies:<ul><li>questions to be asked</li><li>chief executive officer and executive directors</li><li>the roles of non-independent non-executive directors and independent non-executive directors</li><li>what is independence</li><li>the role of executive directors (including chairperson) and their relationship with non-executive directors and their differentiated duties as both managers and board members</li><li>the delegation and allocation of board authority and responsibility to board committees</li><li>executive management</li></ul></li><li>Board recruitment:<ul><li>identifying the organisation's needs</li><li>recruitment and selection:<ul><li>how? networks, recommendations, executive searches</li></ul></li><li>appointments of and separations from CEO/director/ company secretary selection</li><li>role and function of a nomination committee</li><li>'right-sizing' the board for optional effectiveness (Director Perceptions of their Board's Effectiveness, Size and Composition, Cheng et al, Harvard Business School 2017)</li></ul></li><li>Board induction</li><li>Board learning and development:<ul><li>approaches to learning and development</li><li>board development</li></ul></li><li>Board performance management:<ul><li>performance management overview</li><li>assessment</li><li>development</li><li>remuneration:<ul><li>the impact of remuneration including stock ownership of non-executive and executive directors on their individual and collective behavior</li></ul></li></ul></li></ul> |

| Topic area | Learning areas |
|---|---|
| Effective talent management (*cont.*) | • a systems perspective to board performance management<br>• the effects on board dynamics of length of service – the merits or otherwise of term limits balancing experience and newcomers on a board, application of the Hong Kong Corporate Governance Code<br>• managing the knowledge asymmetry between non-executive and executive directors<br>• board succession |
| Board evaluation | • The company secretary as board consultant<br>• The current landscape of board evaluation - reasons and evolution:<br>  • evolving corporate governance codes (UK and Hong Kong)<br>  • organisational use of board evaluation<br>  • board evaluation providers<br>  • board evaluation interest from shareholders and investors<br>• How to conduct board evaluations:<br>  • objectives of the board evaluation<br>  • defining the scope – different models<br>  • deciding who and what is to be evaluated<br>  • deciding who will conduct the evaluation<br>  • techniques to be used in an evaluation<br>  • deciding cost, timetable and deliverables<br>  • frequency and timing<br>  • facilitating an evaluation<br>  • self-assessment<br>  • external assessment: tendering and appointing assessors<br>  • managing board sensitivities – cultural and organisational awareness<br>  • what to do with the results of an evaluation<br>  • communicate the evaluation to individual board members, the board as a whole and to stakeholders<br>  • following-up the evaluation<br>  • limitations of board evaluation<br>• Board evaluation – moving towards best practice:<br>  • FRC Guidance on Board Effectiveness (2018)<br>  • Corporate Secretaries International Association report (2018) |

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| Cultural differences in boardroom dynamics | <ul><li>The company secretary as a cultural diplomat</li><li>Cultural development:<ul><li>culture and cultural variety</li><li>stages of cultural development:<ul><li>denial</li><li>defence</li><li>minimalisation</li><li>acceptance</li><li>adaptation</li><li>integration</li></ul></li><li>cultural intelligence (CQ):<ul><li>cognitive CQ</li><li>physical CQ</li><li>environmental/motivational CQ</li></ul></li><li>multicultural teams</li></ul></li><li>Company culture:<ul><li>Deal and Kennedy's model of corporate culture (1982)</li></ul></li><li>Sectoral culture:<ul><li>Cameron and Quinn's competing values framework (2006)</li><li>sectoral culture differences</li></ul></li><li>Country culture:<ul><li>theories of country culture:<ul><li>Geert Hofstede cultural dimensions</li><li>Fons Trompenaars and Charles Hampden-Turner cultural dimensions</li><li>Edward T. Hall cultural dimensions</li></ul></li><li>country culture differences in the boardroom:<ul><li>differences in relation to punctuality</li></ul></li></ul></li></ul> |
| Developing behavioural agility | <ul><li>The company secretary as a team coach:<ul><li>research on high-performing teams and team leaders</li></ul></li><li>One-to-one coaching:<ul><li>the case for coaching</li><li>defining coaching</li><li>the coaching mindset</li><li>building coaching relationships</li><li>effective coaching questions:<ul><li>open questions</li><li>closed questions</li><li>'why' questions</li><li>'what' questions</li><li>'how' questions</li></ul></li><li>coaching trends</li></ul></li></ul> |

| Topic area | Learning areas |
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| Developing behavioural agility (*cont.*) | <ul><li>Mentors:<ul><li>the case for mentoring</li><li>defining mentoring:<ul><li>buddy mentor</li><li>expert mentor</li><li>attached mentor</li><li>detached mentor</li></ul></li><li>trends in mentoring</li></ul></li><li>Systemic team coaching:<ul><li>the case for systemic team coaching</li><li>defining systemic team coaching</li><li>systemic team coaching disciplines and interventions:<ul><li>discipline 1 – commissioning</li><li>discipline 2 – clarifying</li><li>discipline 3 – co-creating</li><li>discipline 4 – connecting</li><li>discipline 5 – core learning</li></ul></li></ul></li><li>Facilitators:<ul><li>the case for facilitation</li><li>defining facilitation</li><li>facilitation skills and interventions:<ul><li>prescribing</li><li>informing</li><li>confronting</li><li>cathartic</li><li>catalytic</li><li>supporting</li></ul></li><li>facilitation styles:<ul><li>contracting and ground rules</li><li>process breaks</li><li>mindful meetings</li><li>the check-in</li><li>positivity</li></ul></li></ul></li><li>Other supporting roles:<ul><li>supervisor</li><li>mediator</li><li>counsellor</li></ul></li></ul> |
| Maintaining personal resilience | <ul><li>The requirement for resilience:<ul><li>the company secretary as a corporate athlete</li><li>the level of the stress problem</li></ul></li><li>The stress response:<ul><li>demands</li><li>appraisal</li><li>response</li></ul></li></ul> |

| Topic area | Learning areas |
|---|---|
| Maintaining personal resilience (*cont.*) | <ul><li>Defining resilience:<ul><li>the resilient individual</li><li>the resilient board member</li></ul></li><li>Building resilience:<ul><li>resilience in theory</li><li>resilience in practice:<ul><li>physical</li><li>cognitive</li><li>humanistic</li><li>social</li></ul></li><li>resilience programmes</li><li>a resilient board dynamic:<ul><li>company secretary relationships</li><li>the resilient board</li><li>Robertson and Copper's six essential conditions of well-being</li></ul></li></ul></li></ul> |

-End-

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