The Bedrock of Board Culture

BY RICHARD CHAIT

TAKEAWAYS

1   Changes in board structure and operations have produced greater efficiency, but problems like disengagement, dysfunction, and misconduct persist—challenges that alterations to board architecture and mechanics cannot resolve.

2   Higher education boards have become more attentive to board culture, and some are challenging, for the better, deeply held assumptions about how they operate and what their ultimate role and purpose are.

3   Boards that ignore a dysfunctional culture, abide the status quo, and focus on artifacts rather than assumptions will pay a steep price: mediocre governance at best and abysmal performance at worst.

THE SIGNIFICANCE OF BOARD CULTURE—THE norms that define acceptable behavior by trustees—and how to improve it have become popular notions recently, but the concept is not new. Thirty years ago, Clay Alderfer published an article in the *Harvard Business Review* that identified group dynamics as "the invisible director on corporate boards." The momentum behind the board culture movement owes not only to the power of the idea, but also to the limitations of other reforms. Changes in structure and operations have produced greater efficiency, but problems like disengagement, dysfunction, and misconduct persist—challenges that alterations to board architecture and mechanics cannot resolve. What, then, are boards to do?

ANDREA MONGIA

Over the past three decades, I have observed small boards grow larger and large boards grow smaller; some boards added committees while others consolidated; some decided to meet more frequently, others less often; term limits have been lifted by one board and imposed by another; and countless boards have reviewed and revised bylaws.

As author and corporate governance expert Ram Charan observed in *Boards that Deliver: Advancing Corporate Governance from Compliance to Competitive Advantage*, mediocre boards, pledge to improve group dynamics but focus instead "on mechanical solutions and do not act on self-evaluation with conviction." Increasingly cognizant of the parameters of structural and procedural modifications, higher education boards have become more attentive to board culture. The hallmarks of a healthy (or unhealthy) culture are neither mysterious nor disputed. Semantic quibbles aside, the markers are listed in the chart below:

HEALTHY BOARDS ARE MARKED BY:	UNHEALTHY BOARDS ARE MARKED BY:
Distributed influence	Dominant inner circle
Collective wisdom	Individual convictions
Open-minded listeners	Close-minded speakers
Constructive dissent	Back-channel agitation
Transparency	Opacity
Confidentiality	Seepage
Diligence	Disengagement
Respect and trust	Disregard and distrust
Clear expectations	Ambiguous expectations
Mutual accountability	Collective impunity

In pursuit of a healthy culture, boards have had candid, sometimes difficult dialogues about disparities between current and ideal conditions and the best means to close the gaps. These discussions have yielded fruitful results, for instance: explicit rules of engagement; intensified efforts to elicit broad participation and diverse views; and more frequent, more immediate feedback loops on board dynamics and board performance.

These are all steps in the right direction. Unfortunately, some boards stumble along the way, either diverted by more immediate concerns or derailed by the complexities associated with changes in culture and comportment.

Our Deep Assumptions

In order to understand better the roadblocks and the resistance, we might reprise a framework developed by Edgar Schein, a progenitor of organizational culture. He referred to "artifacts," or visible manifestations of culture. These are observable behaviors—for example, diligence, respect, constructive dissent, or tangibles such as a social compact or even the physical properties and arrangements of the boardroom. Most conversations about board culture focus on artifacts—the *noticeable* aspects of a board's way of doing things. Discussions tend to center around, "How do we change what we do?"

But a deeper question lurks beneath the surface: "*Why* do we do what we do?" To pursue this line of inquiry requires that trustees probe the bedrock of board culture, the territory Schein labeled "basic assumptions," those things that all or nearly all members of a group or organization take for granted. For instance, Americans presume a capitalistic economy—we expect to pay for goods and services, usually at a profit to the producers and vendors. We hardly ever think twice about our assumptions. As the biologist Louis Agassiz famously

noted, "Fish never discover water."

Invisible and internalized, assumptions are sometimes difficult to discern. Instead, we see only the artifacts, for example, goods for sale at a markup in a free market system. And so it is with board culture. As reformers target artifacts, two fundamental assumptions that shape (or disrupt) board culture remain largely unexamined.

Assumption #1 concerns the board's dominant presumption about the trustee's role: group members or free agents. Are the scope of responsibilities, degree of latitude, and rules of engagement collectively decided by the board or self-determined by trustees? The answers depend on the operative mental model. Is the board more akin to a symphonic orchestra or a jazz ensemble? Members of a philharmonic subsume individualism and adopt prescribed roles. The musicians are literally and figuratively on the same page. On boards of orchestral genre, trustees play by team rules and collaboratively formulate group norms. Standard procedures and behavioral expectations are the predicates of effective governance. Trusteeship means that the collective wisdom, social compact, and single voice of the board supersede personal prerogatives as regards trustee behavior and institutional priorities.

Members of a jazz ensemble operate on a different assumption. Smooth jazz means individuality, spontaneity, and flexibility. Like an orchestra, the group plays together, but with far more self-direction and improvisation. Good jazz and good governance require that the group grant members wide leeway and trust one another's instincts. Free agents on college boards assume that each member has the discretion, indeed the responsibility, to enact a self-defined notion of effective trusteeship. Cultural conventions are more often detriments than benefits.

Assumption #2 concerns the dominant presumption about the board's role: public watchdog or institutional guardian. Some trustees take for granted that the board, above all else, protects the public interest and serves as the voice of the people. The board vigilantly acts as

a counterbalance to the organization's innate bias towards self-interest and meager regard for the greater good. Consistent with that assumption, the board champions the interests of student consumers, society-at-large, employers, and, when applicable, the elected officials who appoint the board.

Elsewhere, trustees assume that the board has an inherent fiduciary duty to serve the institution's best interests. On that assumption, board members strive to realize the institution's ambitions and safeguard its autonomy. Transcendent loyalty to the college or university drives the board's decisions and actions.

In practice, of course, contrasts about the board's role are not nearly as pronounced. Societal and institutional interests intertwine, and public as well as independent boards seek to strike a reasonable balance.

The Four Archetypes of Board Culture

When combined, assumptions about the trustees' role and the board's role generate four archetypes (Bedrock of Board Culture, below). Like most matrices, the categories are oversimplified. Nonetheless, the distinctions have diagnostic value because the assumptions embedded in these categories underpin and profoundly affect the artifacts of board culture. While all four categories appear across the landscape of American colleges and universities, I have identified a "natural habitat"

for each, a segment of higher education in which the model prevails.

Type I: Orchestra (Group Member/ Institutional Guardian)

Type I boards collectively engage to fulfill a shared goal: enhance the institution's short- and long-term welfare. No soloists or subset of musicians can play a symphony; no trustee or subgroup can (or should) govern a college. Orchestras organize by section and need leadership from the podium. Boards organize by committee and need leadership from chairs and the president. Type I boards take as a given that collaborative efforts produce superior results that bolster the institution.

These assumptions promote a culture of collegiality and cohesiveness among board members and a constructive partnership with the president. Since a board governs with corporate and not individual authority, members seek consensus and discourage public dissension. The board expects and embraces strong group norms. Team play without team rules makes no sense. There may be disagreements on substantive issues but not on the board's roles or loyalties. Given the unquestioned purpose of trusteeship—to work together in service to the institution's best interests—how could a board behave otherwise? Type I boards court the risk of group think, excessive deference to peers and professionals, and misinter-

pretation of dissent as disloyalty. **Natural habitat:** selective private colleges and universities.
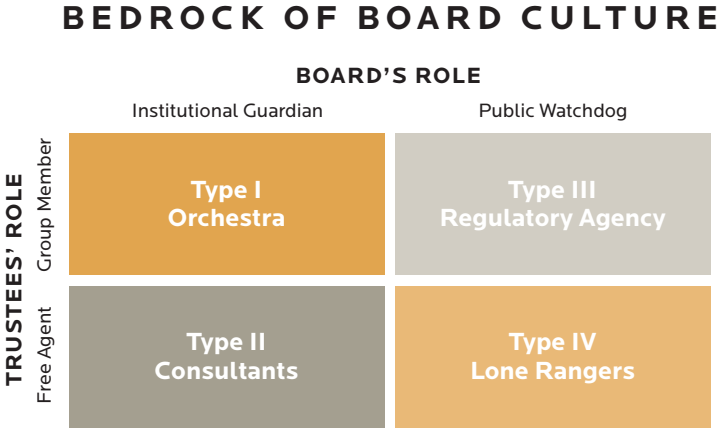
Type II: Consultants (Free Agent/Institutional Guardian)

Type II boards, like Type I, operate on the assumption that the board ultimately serves the institution's best interests. However, Type II boards are more apt to assume that "too many chefs spoil the broth" than to accept the proposition that "two heads [or 35 trustees] are better than one." Group process does not necessarily improve the decision-making process. Board members add value as experts individually or as subsets, less so as a plenary.

These assumptions foster a consultant's mindset and a culture of centrifugal collegiality. Alone or as members of small cadres of specialists, trustees, almost always with honorable motives, offer technical assistance—sometimes on request, sometimes self-initiated—to the administration and the board. Collegiality reigns not so much because the group has congealed as a social system but rather because trustees singly or as subsets enjoy relative sovereignty over designated domains (for example, investments, finance, facilities, marketing). In short, fences make good neighbors and create a workable culture. Type II boards risk micromanagement and disaggregation where all trustees grasp parts of the organization while few, if any, comprehend the whole. **Natural habitat:** less selective private colleges and universities.

TYPE III: Regulatory Agency (Group Member/ Public Watchdog)

"Someone needs to mind the store" captures the philosophy of Type III boards, because the trustees share an assumption that, absent diligent oversight, compliance will suffer and stakeholders' interests will be subordinated to the preferences of faculty and staff. In the minds of Type III boards, the need to offset insularity and self-interest reflects reality, not cynicism. The safety measures are rules, regulations,

BEDROCK OF BOARD CULTURE

BOARD'S ROLE

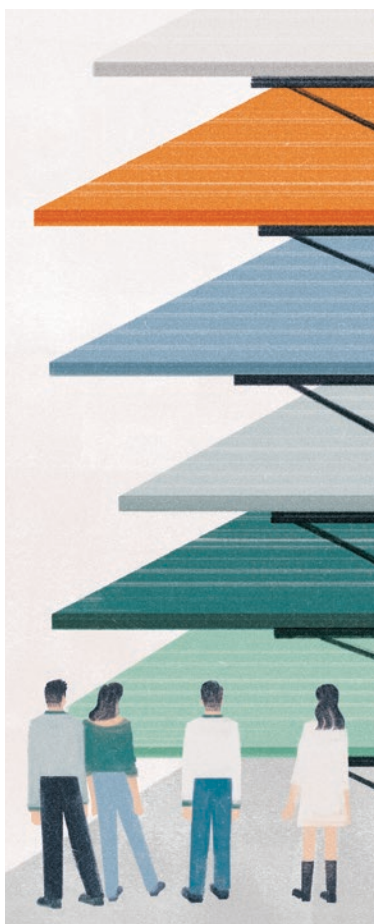|		Institutional Guardian	Public Watchdog
TRUSTEES' ROLE	Group Member	**Type I** **Orchestra**	**Type III** **Regulatory Agency**
	Free Agent	**Type II** **Consultants**	**Type IV** **Lone Rangers**

policies, procedures, precedents, and performance metrics, all closely monitored by the board.

The operative assumption fosters a rather formal, bureaucratic boardroom culture. Board members confront a voluminous agenda, review countless reports, and pass numerous resolutions on sundry, mostly operational, issues. A culture of breathless busyness curtails opportunities for discussion, especially about long-term imperatives. The board may adhere to Robert's Rules of Order with little awareness (or concern) that parliamentary procedures tend to squelch collegiality, give-and-take, and insight. There may be differences of opinion—even split decisions—from time to time, but consensus prevails on the board's principal role as an ever watchful, prudently distrustful regulatory agency for public benefit. The risks are inattention to strategy and conditions inhospitable for innovation and sensible exceptions. **Natural habit:** state systems.

Type IV: Lone Rangers (Free Agent/Public Watchdog)

On a board of Lone Rangers, everyone wears a badge. Although the board discharges most duties together, trustees reserve the right to act independently as necessary. On these boards, the operative assumption posits that the best governance occurs when board members are deeply involved, responsive to constituents, and unafraid to tackle tradition. Therefore, each member has the presumptive power to investigate matters of interest, demand relevant information and explanations, activate channels of communication, and intercede as necessary. Lone Rangers do not hesitate to offer advice or recommendations (usually perceived by staff as directives) to any university employee, confident that the institution will be better as a result.

The dominant assumption of Lone Ranger boards leads to a logical conclusion: no board culture is the best board culture. Free agents as public watchdogs resist the very notion of board culture as a wrong-headed attempt to compel confor-

Trustees generally have a predominant assumption about the board's ultimate purpose: institutional guardian or public watchdog.

mity. To serve society's interest, trustees cannot be constrained by academic etiquette, group process, and bureaucratic procedures, nor should they ever be muzzled to create the illusion of unanimity. In the absence of a strong culture, board members have license to act as each deems appropriate. There is a culture of respect—respect for every Lone Ranger's right within legal and ethical boundaries to do what one needs to do to be a

responsible trustee. In short, the fewer the house rules, the better the quality of governance. The risks are organizational mayhem, and trustees and administrators at cross-purposes. **Natural habitat:** public universities and colleges.

Conclusion

These four descriptions are admittedly caricatures, not unlike the profiles sidewalk artists produce in 15 minutes where tourists congregate. There's an unmistakable likeness, but no one would present the sketches as definitive portraits. Nonetheless, the profiles provide a springboard for trustees to ask a series of questions:

- Do we have a dominant culture?
- If not, what assumptions do we need to reconcile?
- If yes, do we fit squarely within one quadrant or at the border of two?
- Are we where we want to be and, if not, what assumptions do we need to confront?

There are costs to addressing these questions, namely, uncomfortable conversations with personal overtones and the stress associated with attempts to resolve deep-seated differences that hinder a cohesive board culture. But boards that ignore a dysfunctional culture, abide the status quo, and focus on artifacts rather than assumptions will pay a far steeper price: mediocre governance at best and abysmal performance at worst. ∎

AUTHOR: Richard Chait is professor emeritus at the Harvard Graduate School of Education.
EMAIL: richard_chait@gse.harvard.edu
T'SHIP LINKS: Ellen Chaffee, "Getting Down to Why: How Boards Can Make a Difference," March/April 2016. Mary Graham Davis, "Rx for a Successful Board: A Healthy Board Culture," November/December 2014. Richard D. Legon, "The 10 Habits of highly Effective Boards," March/April 2014.
OTHER RESOURCES: *Consequential Boards: Adding Value Where It Matters Most* (AGB, 2014). Terrance MacTaggart, *Leading Change: How Boards and Presidents Build Exceptional Academic Institutions* (AGB Press, 2011). AGBU video on *Institutional Culture*, http://agb.org/agbu/video/video-institutional-culture.