The Sociology of Governance

Governance is a Social Construct

The performance of a board of directors, and the value they bring to an organization and its shareholders is not guaranteed. In addition to a vast body of information on the legal and regulatory areas of governance the human dimension of governance is getting its due attention. Though numerous studies suggest that corporate performance and business succession success rates improve when a board of directors is in place, the path to a value-adding board is not always direct, nor easy, nor quick. How come? Short answer: people.

Sociology and Effective Governance

Governance is the systematic manner in which an organization will determine their strategic direction, engage with and direct their executive management and monitor the achievement of results that is consistent with the values, needs and aspirations of the organization. Simple hey?

Realizing the benefits of governance requires an understanding of the human system -- the *sociology* good governance.   Looking at governance from a sociological perspective (the study of individuals and groups in society, including patterns of social relationships, social interaction, and culture) tells us a lot about why some boards board perform and add value while others struggle to achieve even moderate effectiveness.

Our experience is this: there are two fundamental <u>human</u> aspects of a governing system which, if aligned, can greatly enhance the value a board brings to an organization and its strategic decisions. The two factors are assumptions and behaviours.

- The <u>assumptions</u> and beliefs all individuals bring to an experience form a mental model. Our mental models are shaped by our experiences, our education, our background and our interactions with other people. In the context of governance, each board member brings a set of assumptions about how a board should operate, how a board adds value, what the chair should do, etc., etc. Not surprisingly, a board comprised of a diverse group of people (a good thing!) will have a diverse set of ideas about what constitutes good governance, how to frame issues and opportunities and how to approach the work of the board. Failure to understand these mental models, and more importantly, to reconcile these mental models frequently results in frustration and dysfunction.

- The <u>behaviour</u> of individual board members (before, during and after board meetings) also has a significant impact on board effectiveness. A skilled board chair will fully recognize the human dynamics at play in the <u>decision process</u> and account for them in them in the way decisions are framed, how they are sequenced and how they are advanced through a series of connected conversations.

The theory of team behavior promoted by Patrick Lencioni (and many others) has taught us the importance of phycological safety (trust) as the condition precedent for vulnerability, healthy conflict, commitment and organizational performance.

Applied to the boardroom, this theory tells us (and our experience shows) that careful attention to understanding the human system (e.g. individual interests and motivations, cognitive bias, interpersonal dynamics, etc.) forms the foundation of an aligned and high-performing team.

Carrying out this analysis is important work of an objective, independent Board Chair. As the unofficial "Chief Governing Officer" of the board, the board chair plays a critical role in optimizing the performance of the board by accounting for the sociological (human) factors in executing the board's responsibilities.

So What? Now What?

Our practice is focused on analyzing, designing, assembling and developing and high-performing boards and governance systems. We help new boards form and thrive, and existing performing boards reimagine their potential. Sometimes the "solution" is rooted in technical practices and processes but more often, it is is found in the interpersonal dynamics that created and contribute to the current state.

As you continue to reflect on the ideas presented here, consider the following:

- What are the interests (concerns, hopes, expectations, aspirations, beliefs, fears, values, needs) of the individuals that comprise the governance system (board, executive officers, shareholders, family council)? Where is there alignment? Where are there gaps or potential for conflict?
- What behaviours and cultural norms are needed to create trust between board members and between the board and executive?
- In the context of your organization, what knowledge competence, skill, ability or perspective is needed to create a diverse and generative board?
- What process will you use to understand and reconcile multiple mental models about key aspects of a governance model?

Want to know more?

We'd be happy to talk. Feel free to reach out:

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