

Boardroom Bearings

Navigating to Board Excellence



April 2016

How to Help Directors Speak Up

The March issue of Boardroom Bearings focused on two dysfunctions of group decision-making: The Abilene Paradox and Groupthink. The Abilene Paradox occurs when a group of reasonably sensible people collectively decide on a course of action that individually they each thought was a bad idea. [\[Read the Abilene Paradox article here\]](#) Articles are listed alphabetically]. Groupthink is a similar psychological phenomenon that occurs when a group makes decisions in a way that discourages creativity and critical thinking.



Both dysfunctions occur all too often on boards of directors. An obvious outcome is poor decisions. A less obvious, but insidious outcome is the disillusionment and dissatisfaction of directors whose views are consistently disregarded by more vocal directors. Read this month's newsletter to discover ways to help directors speak up.

The question of the month is "Why do we need directors and officers (D&O) liability insurance?"

To Fight Groupthink, Proactively Change Board Composition



Be careful about "more of the same"

When the board seems to have little ability for divergent thinking, consider overhauling the nomination process - especially if the board is made up of friends, family members, and colleagues. When nominating new directors, it may take some courage for the governance committee to reject a director's family member or the return of a termed-out director, but they must be careful not to cultivate the continuance of people who think alike.

Seek candidates with new qualifications

In This Issue

Proactively Change Board Composition

Develop a SPEAK UP Culture

Things Leaders Can Do

Tools that Undermine Groupthink

Tell Your Team that Silence Denotes Agreement

Question of the Month

Yes, of course the governance committee should recruit new directors from various and relevant professions and/or from different sectors such as education, government, healthcare, etc. But they should also be looking for intangible qualities such as critical thinking, leadership ability, and visioning skill.

Look for a couple of contrarians

While you don't want disagreeable people on the board, you DO need people who are willing to present divergent opinions. When interviewing potential board members, ask them to tell about a time when they expressed a minority view in a group. Then follow up with questions such as: "Did the group eventually agree with you?" "Were you satisfied with whatever the group's final decision was?" "How often do you find yourself diverging from what seems to be the majority?" "Are you willing to express your views on our board?"

Develop a SPEAK UP Culture in which Groupthink is Unlikely to Happen

First of all, TALK about the negative consequences of groupthink! In their board development role, the governance committee should constantly pay attention to board processes and introduce discussions about strengthening the board. Groupthink is sometimes the elephant in the room; it needs to be identified and eradicated.

With governance committee's leadership, the board can adopt a process for making significant decisions -- decisions that may harm the organization if made poorly.

The process should include:

- * Clear criteria and objective for the decision
- * Systematic development and exploration of alternatives
- * A method to ensure that ideas can be challenged safely
- * Thorough discussion of the risks associated with the preferred choice
- * Examination of assumptions
- * Collecting information from outside sources such as experts, groups of constituents, etc.



Things Leaders Can Do



A board chair and chief executive can prevent groupthink if they:

1. Do not state their own preferences, expectations, and opinions at the outset.
 2. Encourage members to raise objections and concerns.
- Consider reading The Abilene Paradox story aloud to the group - or at least discuss the negative consequences of groupthink.

3. Assign the devil's advocate role to two or three directors, perhaps on a rotating basis. The devil's advocate job is to question assumptions, identify risks, and ask penetrating questions.

4. Divide the board into sub-groups of three, ask each small group to discuss the impending decision, and report the discussion -- without naming names -- when the full board is re-assembled. This technique provides a less intimidating space for soft-spoken directors to voice their concerns.

5. After a decision consensus is reached, have a session in which all directors are expected to critically review the decision before final approval is given.

Tools that Undermine the Tendency to Groupthink

Here are three useful techniques that can be used to develop and critique decision-options:

* **Brainstorming** While brainstorming is a VERY well-known method for developing a lot of ideas quickly, it is often used poorly. Check out Scott Berkun's article for more insight.



* **Modified Borda Count** This method offers a way to choose among several options. The Borda count is used in some political elections, professional and technical societies, sports awards such as MLB Most Valuable Player Award in baseball, football's Heisman Trophy, and ranking of NCAA college teams.

* **Six Thinking Hats** Six Thinking Hats is based on the idea that our brains think in distinct ways; by asking people to adopt different ways of thinking, a problem or a decision can be made more effectively.

Before a Meeting, Tell Your Team that Silence Denotes Agreement



Here is a favorite article from *Harvard Business Review*. It might be more applicable in a for-profit organization, but still, it's a great idea. Here are a couple of enticing excerpts:

"Most bosses assume that, when they directly ask for feedback, people will offer their thoughts candidly and directly. It's great when that happens. But it often doesn't, especially in public settings and high-stakes situations. If you get unanimous, but mostly unvoiced, support for a decision that you thought might be contentious, it should be a warning sign.

"Why do people hold back from weighing in? In some cases, junior people may hesitate to disagree with bosses or senior colleagues. In others, the most powerful team members may be disinclined, for political or other reasons, to express candid opinions in front of the group because they know they can always get access to decision-makers or launch a covert campaign to sway support their way after the fact.

"How can you prevent this from happening? Set one key ground rule: 'Silence denotes agreement' or '*qui tacet consentire videtur*,' as it's been known for centuries.

"These three words do a great job of forcing people to open up, no matter how reluctant (or passive-aggressive) they may be feeling. Explain to people that if they don't say anything when given a proposal or plan, they're voting 'yes' to it. Silence doesn't mean 'I'm not voting' or 'I reserve the right to weigh in later.' It means 'I'm completely on board with what's being discussed.'

"You must then commit to enforcing the rule ..." [Read more here.](#)



Question of the Month

Q: Why do we need directors and officers (D&O) liability insurance?

A: To answer this month's question and not being an insurance expert myself, I turned to an excellent article written by Pamela E. Davis and published in The Nonprofit Quarterly. The excerpted material below is quoted from her article.

"The short answer is 'yes.'"

"D&O insurance covers the organization and its directors, officers, and trustees against actual or alleged wrongful acts in three areas:

1. Governance liability: claims resulting from general governance decisions;
2. Fiduciary liability: claims resulting from alleged fraud and improper financial oversight..., including oversight of employee benefit plans and use of grant funds and donor contributions, and;
3. Employment practices liability: claims resulting from employment-related activities."

"Of these types of claims, employment practices liability claims are by far the most frequent and, generally, the most costly."

The article includes a chart of "Alleged Wrongful Acts" that shows 94% of all claims are related to employment practices. Davis writes that when claims that close with only expense payments are removed from the data, "...an average employment practices claim that actually has merit will typically cost between \$150,000 and \$200,000 to ultimately resolve - whether by way of settlement or trial. Unless a nonprofit has these types of discretionary funds available to undertake defending and settling such claims, it behooves every nonprofit to provide D&O insurance protection for their organization and their board of directors."

Davis lists the most common types of employment practices claims:

- * Sexual harassment;
- * Racial and gender discrimination;
- * Retaliation, including whistleblowers;
- * Defamation;
- * Failure to accommodate (as per Americans with Disabilities Act); and
- * Improper employment classification (exempt/nonexempt and independent contractor/employee).

Examples of governance liability claims include:

- * Breach of contract (those unrelated to employment, such as leases);
- * Discrimination in housing access; and
- * Improper board elections.

Fiduciary claims include:

- * Attorney general investigations
- * Improper fundraising allegations
- * Improper reporting of revenue
- * Mishandling of donations
- * Failure to report payroll taxes; and
- * Mismanagement of employee benefit plans.

[Read the full, informative article here](#)

+ + +

Please remember:

You are invited to submit questions by emailing them to kdw@centerpointinstitute.com. And if you have a troubling governance issue and need someone to talk with, confidentially, at no charge, call 815-545-1300 or send an email.

Boardroom Bearings...

...is written by Katheryn Wiedman, Ph.D, a BoardSource Certified Governance Trainer at Centerpoint Institute. You may reach her at kdw@centerpointinstitute.com or at 815-545-1300.

To subscribe your organization's chief executive, board chair, board members, or other staff, please forward this newsletter with a suggestion to [subscribe here](#).

Previous newsletters are [archived here](#).



[Forward this email](#)