

Boardroom or School Playground?

Watching the infighting on the NRMA board has become such a national event that it's probably earned a slot on pay TV sport.

Just look at the plays and counter plays we've seen over the years. Remember Jane Singleton's campaigns? Richard Talbot and Dawn Fraser fighting through the courts? Directors suing the organisation. Directors threatening to sue other directors. The organization suing its own lawyers. Now we see Nick Whitlam and Anne Keating and their respective supporters publicly slugging it out over leaks, profits and organizational governance, to the point where the Australian Shareholders' Association has threatened to call an investor's meeting to try to pull the combatants apart and get on with the real game. The whole thing resembles a schoolyard brawl!

The fights go on, with investors and taxpayer's money poured fruitlessly into lawyers bills, court costs, enquiries, more committees and committee meetings (for which the feuding directors themselves actually get paid extra) and regulatory interventions at public expense.

I don't know about you, but I can't remember what the issues have been, just the ongoing wrangling that has come to be associated with the NRMA, and who knows where the truth lies in the reports that we get through media...probably somewhere in the middle I expect. But it does raise the question of whether there is something about the culture at the NRMA that makes board conflict a seemingly constant state of affairs? Or is it just that here we are getting a very public airing of what happens everywhere in boards across the country to a greater or lesser extent?

Corporate governance is a hot topic these days with a lot of argument about box ticking exercises. The important question to be asking, however, is whether boards are implementing the *right* checks and balances to ensure that they are doing the best job they might be doing. In particular, no amount of meetings, minutes and committees will uncover problems of board culture which have a very real potential to undermine board performance. How many boards in this country go through the process of a regular, 'warts and all', internal review which is what is needed to uncover the subterranean agendas that can, and will, be operating.

The Shareholder's Association should be concerned about the issue generally. Otherwise highly intelligent and rational people, the very model of the appropriate director, get drawn into brawls that take on a life of their own. In other cases, directors find themselves unable to speak, or to challenge what is happening, or cannot make themselves heard, and the boards get hopelessly distracted from the job that they are there to do. Examples litter the stock exchange floor which enable savvy operators, like Consolidated Press, to pick up temporarily weakened companies like ANI, then clean up and on sell for a tidy profit.

If you are a member of a board of directors reading this and saying to yourself that your board is different, you are wrong. Working with and around boards over many years and in different capacities, we have seen the patterns emerge again and again. This is the stuff of human nature and it happens everywhere...the difference is just in *how* it manifests itself. Straight greed and hunger for power may seem extreme, but the needs of fragile egos are visible everywhere, in even the best intentioned organizations with the most avowedly altruistic motivations. The biggest branch stack in history is occurring right now in the Vatican as the Pope seeks to ensure that his regime continues even after his death!

If we were to take a look at some of the more notable collapses in our recent corporate history, we would see the repeated pattern of someone close to the action who is a bully. It might be the chairman, or another very dominating member of the board, who can be charming and charismatic but, make no mistake, the board and its operations are about *him*...and it usually is a 'him'. To make matters worse, they commonly surround themselves with people who are selected precisely because they are unable or unwilling to challenge them. So much for corporate governance!

Shareholders need to be aware that adherence to just *the form* of implementation of 'the usual' corporate governance procedures provides no real protection for their interests. What they need is *the substance* of a group of people on the board who are actually trying to work together in the furtherance of a common objective – that of the benefit of the shareholders and stakeholders – rather than devoting themselves to other peripheral issues. When this happens, the governance tools that have been put in place, become nothing more than ordinance for the war between the factions.

Boards are much more aware of getting the right mix these days of different skills and interests, but attention has to be given to the group dynamic that happens when

these people come together with all of their needs and ambitions. The problem begins in the 'coming together' because it is difficult for most people to make the transition that is required to work comfortably in different groups. Every group is going to have its own culture because of its different constituent personalities and its different context. As well as this, however, the size of the usual board seems especially difficult. They are big enough to form factions but small enough for those factions to be intensely personal.

While the major and conscious focus of any board of directors is the task it was appointed to achieve - to look after the interests of the organization, any group of people will have personal needs too and meeting these needs runs like a subtext through everything a board does.

It is in the overlap between the organizational work and individual needs that the mischief happens. If individual directors do not bring to their task a level of emotional intelligence that matches their intellectual intelligence, the gap will be evident in their relationships and interactions with fellow directors and the rest of the world for that matter! In corporate life this is the shadowy world of power games and hostile body language, of patronizing tones, silent treatment and barbed asides or threats. It is from this world that the leak and the whistle blower emerge, possibly as the only means of challenging the otherwise unchallengeable.

From the shareholder's perspective what are the signs?

The most obvious outward sign will be conflict. Don't get me wrong, conflict will always occur and can be a healthy thing: democracy in action! It depends how it is handled. But when it becomes habitual or chronic it is a fair guess that other agendas are driving it. At this point, the group dynamic needs a closer look. The board might be working from the unspoken assumption that it has met to preserve itself and that this can be done only by fighting someone, or by running away from something. The practice of demonizing those outside the group is easy to fall into and can have the wonderful effect of unifying an otherwise disparate group. But boards will often have a director who occupies the position of 'outsider' from within the board itself. A person can be expelled from the group like the proverbial scapegoat sent off into the desert bearing the sins of the group after which harmony is assured! Except that the pattern keeps repeating because this group always needs to have an outsider to attack or defend against.

Another manifestation of the same thing is when a person, quite literally, isn't heard or, at best, has his or her ideas regularly attributed to someone else.... which Moira Rayner and Joan Kirner have called the "did someone speak?" phenomenon. There are many other variations.

On the other hand there may not be much conflict at all if the group has abrogated all responsibility to a given person as if he or she were omnipotent or omniscient...the wise leader (or father) who can do no wrong, and therefore cannot be challenged. If this is happening, some members of the board will actually not see any wrong, even though it might be right in front of them. The courts are full of the debris of this type of blindness. Otherwise good people will go to any lengths to justify unethical or just plain spiteful behavior, while maintaining belief in their own or their leader's righteousness.

The group dynamic is part of the human social response and, as such, is inescapable. The issue becomes how do we manage it for the sake of the very job that directors are there to do? Part of the difficulty comes from the intangible and shifting nature of group dynamics. It is also almost impossible to discern culture or group personality if you are caught up within the group itself where you run the risk of interpreting events through your own emotional filters. This means that independent analysis is essential.

As individual directors, it helps to be conscious of our own particular buttons that can be pressed that cause us particular anxiety and to be aware of the 'default settings' we slip into when stressed or anxious or our own particular button. Shareholders intent on tapping the full creative potential of their often highly paid directors need to insist that the board pays attention to the organisation's culture and that the board review its own performance regularly, as well as that of its committees. Where possible it is very useful to involve shareholders and other stakeholders in the evaluation process for some frank and free feedback!

There needs to be less reliance on formal compliance measures such as more committees, and more on demanding active reporting on board and committee effectiveness. As well, Institutional investors have a particular role to play because they are often the only voice that small investors can hope to have and because they often have a closer insight into how boards are travelling.... not to mention the power to force change. To the bystander, the Coles Myer rout a few years ago, looked like a

good example of the triumph of governance over other interests....but only under pressure from the institutional investors. Small shareholders might also consider supporting shareholder activists, whether or not you agree with any given position they take, on the grounds of democracy and transparency.

For all of the 'blood letting' that happens in corporate life, there is reluctance to go into, what can be, an intensely touchy space of board relationships. But we must for the sake of the job that's there to be done. Until we do, in some quarters, the only difference between the schoolyard and the boards of corporate Australia may be in the gravity of the consequences when things go wrong!