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Critical Thinking for Directors and Boards



The authority, influence and power that a board is able to exert can depend upon factors beyond applicable laws, regulations, listing requirements, license conditions and contracts. More experienced directors may better understand the informal levers they can pull in addition to the formal ones, whether within a board meeting or dealing with external parties. Competent directors absorb and consider relevant inputs, and reflect and think critically about them and other factors relating to a board's agenda. Awareness of group dynamics and listening and communication skills enable them to influence discussions and decisions.

The scale and urgency of some issues confronting boards and the speed with which events are unfolding may require a board to take larger steps. Innovation and radical change rather than incremental improvement may be needed. Corporate fundamentals might have to be reviewed and reset. Breaks with the past may have to occur. In such circumstances, balancing imagination, tolerating risk and uncertainty, and being courageous and bold, may need to be balanced with requirements for board members to be cautious, considered and prudent.

Some directors are better than others at recognising choices and trade-offs, while also encouraging awareness that there may be important shared interests as well as contending ones. They are able to juggle and balance different considerations. For example, addressing short-term issues and pressing requirements, while at the same time furthering a longer-term purpose and objectives may enable the building of consensus and the avoidance of inertia or fragmentation. One may find some boards that are diverse, questioning and vibrant. Others may be more homogenous,

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compliant and unimaginative. Rather than uncritically accept the foisting of a particular and significant course of action upon a board, directors should ensure discussion and critique and that options and alternatives are considered.

Importance of Critical Thinking

Critical thinking and scepticism rooted in an understanding of human behaviour and motivation, especially of senior executives, along with an independent and questioning approach are important for business leaders, directors and boards. While open-minded and listening to others, and able to form their own opinions and exercise independent judgement, experienced directors recognise that 'things are not always what they seem'. They question assumptions, probe root causes, assess sources, explore drivers, investigate root causes and take little for granted when discharging their distinct and onerous legal duties and responsibilities.

Directors are often faced with lengthy sets of board papers, comprised of multiple documents that may contain detailed and complex information. On occasion, some of them may be circulated at relatively short notice, or even tabled at a meeting. The challenge is to identify and distil key elements, messages and themes, assess their significance and relevance to what and for whom, and consider how to respond. Critique can involve evaluation, reflection and judgement about whether to accept or reject a proposal or suggestion, or suspend judgement while seeking clarification, more information or clearer justification. It could entail considering a board paper's purpose, the context in which it appears, supporting arguments and evidence, and any apparent weaknesses or limitations.

Over time, aspirations, expectations and what might be accepted or tolerated can change. In periods of crisis, flux and stress, they should not be assumed or taken for granted. They may need to be confirmed or re-evaluated and reset. Addressing challenges and existential threats and individual, corporate and collective responses to them may require the critique, review and resetting of aspirations and expectations, purposes and priorities and goals and objectives. Given recent developments and uncertainty, visions and values, assumptions and beliefs, and the social and environmental responsibilities of businesses may also need to be questioned and challenged by directors and discussed and debated by corporate boards.

Critical Thinking and Corporate Boards

Critical thinking is not always easy to define, understand and achieve. Many directors first encounter it during their education. For academics, the ability to critique, think abstractly and to contextualize is important for teaching and learning. Critical thinking has been an educational goal of many institutions, particularly universities. During their education, students in many liberal democracies are often encouraged to engage with,

think about and critique rather than just accept, reproduce or describe what they experience or see, and read or are taught. Director selection committees should assess how well candidates for board appointments can do this.

The context in which advice or information is received, and its source, accuracy, objectivity and relevance are all factors that may influence the credence and weight that directors put upon it. Has it been rapidly pulled together without much thought, or authenticated, corroborated, and carefully considered, prior to its presentation to a board? Directors should avoid basing their decisions on dubious assumptions, partial views or foundations of sand. The rigour of analysis and thinking that is required, should reflect the magnitude of what is at stake and the possible consequences of a decision or other response. The risks of limited thinking time may need to be considered.

Many boards face multiple and inter-related challenges and have to make strategic choices. Fundamental re-thinking may be required to change direction and/or undertake necessary adaptations and transitions and transformation journeys. Critical thinking that involves pause, reflection and re-visiting assumptions can avoid the risks associated with snap decisions. However, inaction and indecision and delay can also incur risks. In addition to directors who provide strategic direction, critical thinking is also important for those executives responsible for its execution and implementation. It may be beneficial more widely if collective responses to shared challenges are required and business model and lifestyle changes are also needed.

Critical Thinking in the Boardroom

Board chairs should encourage critical thinking and ensure adequate opportunity for challenge, questioning, discussion and debate. Board reviews should assess the extent and rigour of these activities and whether because of conformity, groupthink, lack of diversity, being rule-bound and other factors a board has become dysfunctional. Active questioning and critical thinking are inter-related, and stimulating one can support the development of the other. Ideally, directors should think about their targets, timing and approach before challenging and develop a questioning strategy. Responses and reactions to an initial question may suggest supplementary questions, further critique and new areas to think about.

At some board meetings a variety of generalisations may be uttered that might not relate to specific issues being discussed. An ability to discern and address what is distinctive and significant about a particular issue, response or situation, identify alternative and viable courses of action, and the foresight to imagine and consider their implications and possible consequences are valuable qualities for directors to have. The ability to challenge, explore and probe by asking relevant and insightful questions is an important skill for board

member. They require a critical and sceptical mindset. Critical thinking can also be valuable when formulating an argument, discerning relevance and understanding the limits of generalization.

Critical thinking and a willingness to question and challenge are not only needed in the boardroom and during informal discussion among board members between meetings, they are also required by directors when they are with a CEO and key executives. Too often, directors try to be diplomatic when interacting beyond their immediate peers. As a result, they may insulate themselves from understanding what is really going on and not cause others to reflect, think, question and raise concerns. Disagreement is very different from disloyalty and loyalty obtained at the expense of dissent may be counter-productive. A desire for consensus on a way forward should not be allowed to prematurely curb questioning and discussion.

Conformity and Critique

Critical thinking and the questioning and challenge it can involve may help to limit or contain the groupthink that often limits the effectiveness of small teams, even if it does not entirely prevent it. The practice and benefits of critical thinking may be enhanced when it is accompanied by a greater diversity of membership. In the re-thinking now required from many corporate boards in the face of existential challenges it may be especially important that every director reflects, forms independent judgements and has an opportunity to express an opinion. In some boards there is a wide gulf between rhetoric and reality. Those in positions of power may advocate openness and challenge, while acting to stifle or sideline those who question their own actions, priorities or preferences.

Some directors face significant social and group pressure to 'fit in' and 'go along' with an established position that appears to have the support of board colleagues and is underpinned by a succession of board decisions that have been supported by key players within the board, and more widely across a company and among its influential stakeholders. It may take courage to question a purpose, direction and strategy, and objectives, priorities or positions that have been authoritatively endorsed and appear to be supported by an apparent consensus. Governance arrangements and board practices may not always provide for their periodic review. Even when reviews are advocated, they may not happen. When they do occur, areas that might be felt to be controversial or sensitive may be ignored or overlooked.

Board colleagues might feel that an intervention is ill-timed and a director is being disloyal to question and challenge them just when they seek and/or require support. However, doing this with tact and in a way that appears helpful may be the responsible course of action for a director to adopt. Once

questions are raised, it may emerge that others also have a sense of unease. The courage of one director to speak up, and the timing and tone of their intervention, may cause others to follow. This might lead to recognition of the need to review, rethink and address fundamentals and root causes. A crisis or difficult situation can also sometimes cause board members to confront realities, engage in critical thinking, see matters in a different light, change direction and/or pursue different priorities and new possibilities.

Critiquing Inputs to Board Decision Making

The relevance, quality and impact of board decisions can reflect inputs, such as advice, briefings, reports and financial and other information received. Much may depend upon their objectivity, timeliness and accuracy and who produced them and for what purpose, and the extent to which they have been amended or sanitised for a particular reason and/or from a particular perspective. Drafters of documents sometimes modify or even leave out what they fear may be unwelcome news. Their reports may be biased, whether to demonstrate loyalty to an established position or respect of past decisions and current priorities, or to further vested interests or communicate messages they believe key players might want to receive.

Too often, information and other inputs to a board are received uncritically, without directors exploring the assumptions and sources upon which they are based. Accounts and financial reports received by many boards fail to address the negative consequences of corporate operations, activities and offerings. The associated costs and other impacts of these are often borne by those affected, which may be whole communities and the environment. Matters raised and questions posed by board members are sometimes described as complex or needing a great deal of work to address in an attempt to deter further enquiry. The use of such ploys may indicate a lack of understanding or an attempt to conceal. It might also suggest an area of vulnerability. Body language and facial expressions can sometimes be revealing.

Openness, candour, honesty and integrity can be important for critical thinking. Along with mutual trust and respect, and full and frank discussion, they are qualities that can contribute to collective board effectiveness. Uncertain and weak boards can be defensive. Some insecure directors resist and react against criticism, particularly from those board members they consider to be in inferior positions to themselves. More confident directors and boards welcome comments, insights and suggestions. They listen to feedback. They may explicitly devote time to engaging with those who express critical views, identifying areas for improvement and reviewing what they have learned. On occasion, they may be willing to change direction. Board chairs and directors themselves should provide listening leadership.

Retaining Balance and Proportion

In dynamic situations, circumstances and contexts, much may have changed since a purpose, direction and strategy, and objectives, priorities or positions, were last discussed and reviewed. Busy board colleagues beset with contending pressures and concerned about the impact of changes upon themselves and their activities may not always devote the thinking time required to assess the implications of developments for a company and its stakeholders. Any thinking that does occur under pressure may be defensive, protective and reflect established assumptions, strategies and priorities, rather than be about different possibilities.

Many experienced directors think carefully about when, where and whom or what to challenge or question before speaking up. One needs a sense of balance, materiality, proportion and timing, as making mountains out of molehills can alienate boardroom colleagues. Something may appear questionable, but is it worth speaking up when an issue may be immaterial in the context of the whole and there may be more important matters on or off an agenda to address? At the same time, there may be occasions when something that at first sight seems innocuous represents the tip of an iceberg. Intervening might open a window onto areas that are worthy of exploration.

Directors do not necessarily need to raise a matter at a board meeting to have an impact. Some issues can be resolved off line, or through a quiet word with the appropriate person. Directors should focus on the overall picture and consider whether a flow of decisions, events and/or information suggests a trend, pattern of behaviour, problem, deficiency or vulnerability. Interventions and contributions to board and other discussions should be concise, lucid, coherent and logical. Where time may be short and interruptions are anticipated, thought should be given to the order of comments, to ensure key points are aired and priority concerns are addressed.

Reducing Negative Impacts

Rather than just advocating critical thinking and critique a board could take steps to ensure they happen. For example, 'high fliers' or candidates for possible future board roles could be asked to critique a company's priorities, strategy, operations or the net carbon, environmental and/or social impact of corporate activities. Critique could be from the perspective of

impact on the environment or that of an investor, customer, competitor or local community and against the background of their view of possible future developments. They could also be asked to identify vulnerabilities, risks and missed opportunities, and to suggest what ought to be done about them and what they could contribute. Similar exercises could be encouraged and arranged in business units, geographic operations and/or functional groups.

Advocates of more responsible leadership and strategic direction sometimes question the contribution of directors and boards and the value they add, rather than focusing on reducing their and corporate negative impacts. The damaging impact of collective corporate activities on biodiversity, the environment, overuse of natural capital and global warming suggest more could be done to ensure negative externalities are identified and addressed. A focus on adding more value and increasing contribution sometimes reflects a reality that more responsible leadership is required. Corporate accounting and reporting policies and practices often reveal the extent to which a board is aware, responsible and transparent. Those of many companies seem designed to conceal the full extent of negative externalities.

Rather than hide past excesses, irresponsible activities and mistakes, boards should welcome their identification and suggestions as to how they could be addressed. They should encourage directors and executives, and customers whose demands contributed to them, to move on and learn from them. Understanding the drivers and root causes of operations and proposals that appear irresponsible or prove to be harmful, may enable them be addressed. Board ambition, imagination and drive should not be too far ahead of those of corporate executive teams. Encouraging them and others to critique current priorities and activities, and consider less damaging alternatives, might stimulate their contribution to more sustainable operations. Critical thinking might initiate transition and transformation journeys that benefit a company, its people, other stakeholders, the natural environment and future generations. ■

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