Collaborative leadership in the boardroom

David Archer and **Alex Cameron** consider the benefits of business interdependence and how to achieve truly collaborative leadership.

Business has always involved collaboration: few organisations are masters of their own destiny. But globalisation, spurred by the technology revolution, has encouraged the development of an increasingly interconnected business environment, with companies having to work with partner businesses of many different kinds. These arrangements often involve complex supply chains, where the actions of just one party can have a significant impact on another several steps down the chain.

This interdependence can bring great opportunities for innovation, but also great risk. In the mobile phone market, for example, manufacturers like Nokia, with a proud tradition of product research and development, have found that the saleability of their new smartphones depends as much on the popularity of the Apps that run on them as on the design of the device itself. In short, the creativity of external App design companies – businesses with no involvement in the original research and development – is fundamental to the success of the product.

But reliance on others' input isn't confined to the technology sector. Witness this year's horsemeat scandal, where the reputation of a number of major retailers and food manufacturers was damaged because of the working practices of their second and third tier of suppliers.

As levels of interdependence in business continue to grow, leaders have seen the importance of devising and operating suitably robust governance structures in order to assess

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the levels of risk and opportunity involved in multi-party relationships. Even within their own organisations, leaders rarely have complete autonomy over all the decisions that they make. In every business there are stakeholders to manage, staff to engage and colleagues to get aligned to the leader's agenda.

Most organisations have designed their governance structures to provide the right checks and balances, ensuring that individual leaders' decision-making does not go unchallenged – sometimes with varying degrees of success! In PLCs the board is the ultimate controlling element of the governance structure: a leader must foster positive interaction with his or her board colleagues in order to agree business strategy. That's before considering the impact of other organisations on their own business performance.

The contribution of the board

Together, the board and its committees have a constitution designed to provide the scrutiny and challenge necessary to help the business deliver its performance and manage its reputation, no matter how complex and interconnected the business environment. It is therefore no surprise that bringing all the parties together to create an effectively operating board is a significant collaboration task. Because of the potential tensions that can occur in such a structure, there is a need for boards to pay attention to three critical foundations of good collaboration:

- The right governance to ensure that roles and accountabilities are clear. This means meeting the requirements of any relevant governance code. In the UK it is the Corporate Governance Code produced by the Financial Reporting Council (FRC).
- The best board operations to ensure that the right information is available and shared appropriately. This includes ensuring that the board committees (audit, finance, nominations and remuneration) operate seamlessly as part of the overall board governance process.
- The most constructive behaviours to ensure that the board can manage any tensions, but also encourage constructive challenge and deliver the best decisions for the future of the business.

How boards are expected to behave

Principles, not rules, are the chosen methods to encourage the best board behaviour and operation. In the US the Commission on Corporate Governance, set up by the New York Stock Exchange in 2010 in the wake of the financial crisis, laid out a set of principles which aim to influence the behaviour of directors, management and shareholders. But critically the Commission 'recognises the interdependence and inter-relatedness of the board, the management and shareholders'. The UK Corporate Governance Code sets out the principles of good corporate governance and a 'comply or explain' approach. The FRC makes it plain that its code 'cannot guarantee effective board behaviour because the range of situations in which it is applicable is much too great for it to attempt to mandate behaviour more specifically than it does'. This means that, once again, these principles are used as guidelines. The role of a 'collaborative' leader is to make these principles work within an interdependent system.

> Interdependence can bring great opportunities for innovation.

How collaborative leaders contribute to board performance

Sometimes boards are still referred to as 'teams'. This can be shorthand for an effective decision-making group where the participants get on well together. But, as we have already seen, the danger with this definition is that it does not adequately describe how board members need to work together to be effective as the ultimate decision-making body for the business. If 'getting on well together' really means a 'cosy club', we have missed the point of the true collaborative nature of a successful board.

Each member of the board has, based on the individual's role, a contribution to make to the effective collective operation of the whole. Executives, non-executives, chairman, senior independent director, chief executive officer and company secretary all hold personal accountability and collective responsibilities as a member of the board. As such, these roles have a significant amount of interdependence, but also need to be separate from each other so that each person can demonstrate their own independence and accountability when this is necessary.

Clearly the independence of non-executive directors is an essential component of effective board operation: the tension that often occurs between the executive and non-executive roles can be a necessary part of the board's decision-making process. In many ways, this positive tension is similar to the relationship between leaders from different businesses trying to collaborate on a joint project. Our contention is that all members of boards need to have the capabilities of the collaborative leader. The skills and attitudes required for effective collaborative leadership are applicable to each member of the board, but there are some skills that should be prerequisites for board roles.

- **Mediation** – the ability to address conflict situations as they arise is critical to all board members. This is particularly important for the chairman and sometimes the senior independent director, who are responsible for resolving issues between members and ensuring that the board process is effective.
- **Influencing** – the ability of the individual to match their method of influence to the needs of the situation is particularly important for executive directors who know that they need the support of their non-executive colleagues when board approval is being sought for their proposals.
- **Engaging others** – building relationships and communicating with clarity is essential for any senior board role, especially when dealing with shareholders and other stakeholders who need to support board decisions.
- **Agility** – quickly assimilating facts and asking incisive questions is necessary for all non-executive, part-time roles where the individual needs to be able to get to the heart of the issue being discussed quickly, without necessarily being part of all the preparatory discussions.
- **Patience** – taking a calm and measured approach is often cited as the essential attributes of a good chairman. However, the SID and CEO also need to be able to lead their constituencies within the board in a measured fashion, often taking the long view on what is best for the business.
- **Empathy** – truly listening, understanding their personal impact and taking an open-minded attitude to the views of others applies to all board members. In such a complex group, all participants have to be able to listen if they are to fulfil their responsibility to contribute positively to effective collaboration.

If boards are to deliver the level of scrutiny, business insight and strategic skills that businesses require, all board members must recognise the need for collaborative leadership and demonstrate these skills and attitudes.

Effective collaboration within a board and across a multi-party supply chain can foster innovation and secure major benefits, but collaboration doesn't just 'happen'; it requires a collective will to act collaboratively and the rigorous, continuous examination of all the risks and opportunities involved in interdependence. ■

» About the authors

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