



Roxy Paine. Neuron, 2010. Stainless steel.

# Practical Strategies for Better Board Decisions

*By Raphael Goldsworthy*

It is a widely held opinion that developing better questions for directors to ask before, during and after meetings, will lead to the board making better decisions. Many people who advise directors on how to make more strategic decisions provide directors with “strategic” questions they can use for this purpose.

Beware of this approach however, as these questions often do not recognise the underlying drivers of good decision-making. It assumes that these questions are relevant to every situation and are even the right questions to be asking in each case. Situations or problems that directors face are nuanced and require different approaches and ways of thinking that a template set of questions cannot prepare you for. Think of it this way: does having someone else give you the questions to ask seem like a robust way for a director to make better decisions? Instead, ensuring that all directors have a good understanding of decision-making fundamentals and the reasons for them, will create a stronger foundation from which to guide the decision-making process.

The decisions made in the boardroom do not simply affect directors, the chief executive officer, the organisation or the organisation’s clients. Decisions can have far reaching effects into the wider community and into many people’s lives. For this reason it is particularly critical that directors of non-profit organisations work at improving their decision-making and directors strive to be better decisions makers.

**Here are seventeen strategies, seven for directors as individuals and ten for boards as a whole, that can help you and your board make better decisions.**

## Individual Directors

*“Everyone thinks of changing the world, but no one thinks of changing himself”*  
– Tolstoy.

### **1. Be clear on your roles and responsibilities as a director**

Clarity on your roles and responsibilities as a director means that you are less likely to waste time on issues or areas that are not your responsibility, allowing you to focus on the truly important issues that must be dealt with in the boardroom.

More importantly, the responsibilities of a director are a solid starting place for good decision-making as they provide a crystal clear framework in which you as a director must operate. They also provide a lens through which to view decisions once they are in the later stages of finalisation.

For example, as a director you are bound by law to act in the organisation’s best interests. In order to improve decision-making you should be constantly framing decisions through this lens. It is easy to get caught up in the details or hubbub of making a decision and miss the most basic elements such as whether the decision will lead to an outcome that is actually in the organisation’s best interests. On the surface it may often seem that a decision will be in the organisation’s best interests, however, if the wrong frame of reference is used it could be that the decision is aligned in the short term but not in the long term or vice versa.

### **2. Acknowledge your biases and work to balance them**

As human beings we have a wide range of biases, both known and unknown. Directors must work to ferret out their biases, acknowledge them and to compensate for them when making decisions. However, do not forget that when you are trying to take bias out of decision-making, you need to be cautious not to take instinct, courage, and gut out as well. These do form important parts of decision-making.

### **3. Understand that you are dealing with uncertainty**

When making strategic decisions you should realise that when you are discussing risk you are dealing with uncertainty and ambiguity. In the boardroom we often focus on risk as being something that can be clearly identified, the likelihood calculated or assigned a high or low ranking and therefore mitigated. The underlying assumption

here is that we can accurately predict the future outcomes and associated probabilities of a particular event or course of action. Research and history has repeatedly shown that as humans we are notoriously terrible at predicting the future. One of the key reasons for this is because we underestimate or fail to account for the effects of uncertainty. This is equally true when we are attempting to identify and codify risks. We often like to believe that we can see all the outcomes and that we are certain about these, but certainty is an illusion. As Ben Franklin famously said “In this world nothing can be said to be certain, except death and taxes.”

The ISO 31000 (2009) developed by a panel of over 30 international experts defines risk as the ‘effect of uncertainty on objectives’. Risk is an intentional interaction with uncertainty and needs to be treated accordingly.

There are essentially three types of situations<sup>1</sup> in which we all make decisions:

1. Outcomes are known (Certainty)
2. Outcomes are unknown, but probabilities are known (Risk)
3. Outcomes are unknown and probabilities are unknown.  
(Uncertainty)

We would like the world to operate like #1, we typically think we are making decisions in #2, but we are often actually making decisions in #3.

“Risk applies when probabilities are known, as they are at gambling tables, or for insurance companies that have vast amounts of data on individual risks. Uncertainty prevails when even those probabilities are unknown, as they are for virtually all real-life decisions.”<sup>2</sup>

Although they often discuss risk, it is more common that boards are actually dealing with uncertainty – where outcomes cannot be accurately predicted and the probabilities of those outcomes occurring are difficult or even impossible to predict. Uncertainty arises due to the complex and chaotic nature of the environment in which non-profit organisations operate. Recognising that you may be discussing uncertainty rather than risk around your board table is important as there is a distinct difference between the two and they

both require different thinking and approaches.

Successful navigation of uncertainty requires that directors take a much bigger picture approach. Directors who are generalists, as opposed to specialists, are more suited to dealing with the bigger picture, uncertainty and ambiguity. Generalists tend to focus on connecting dots rather than working on developing them. They look at issues through multiple lenses and are therefore able to draw a signal from the noise where others cannot. Conversely, specialists – who often have very deep knowledge of a particular area of expertise – are talented at diving deep into a very specific and well defined issue and calculating the outcomes and associated probabilities, which is a behaviour more suited to dealing with risk than uncertainty.

- 4. Reframe** Flip the situation or issue around in order to reframe it. For example, what if you were on the board of a competing organisation, how might you respond to your organisation making a certain decision? Or what might the outcome be if you decided to do the opposite? Alternatively, frame the problem as if you were an outside consultant brought in to provide advice to your board on the issue. This can help you to look at decisions from another perspective and therefore enable you to cultivate more valuable insights about an issue that your board is grappling with.
- 5. Be mindful** Mindfulness is often viewed as an abstract practice, however, it is becoming widely used by the directors and executives of some of the largest corporations on the planet due to its many tangible benefits. “Mindfulness means paying attention in a particular way; On purpose, in the present moment, and nonjudgmentally.”<sup>3</sup> Mindfulness is working to be more aware of the present moment and the situation. There is much written on mindfulness and its links to decision-making. Some quick research will provide further information on this, but at its core, mindfulness can help you to work toward being more present-state aware when considering complex board issues. Present state awareness is where you are more able to recognise what is driving you at the moment you take action or make a decision. An example of present-state awareness is being aware of whether you are exhibiting a negative behavior (e.g. being a “control freak”) in the moment you are making the decision. Unless



you are mindful and present-state aware you may not realise you are exhibiting negative behavior until well after you have started to do so. By that point, particularly with board decisions and discussions during the decision-making process, the damage is already done.

## **6. Use a decision-making process and framework**

Research from McKinsey<sup>4</sup> highlights that while analysis is important in decision-making, the process used matters more than analysis by a factor of six. Implementing a decision-making framework to improve the process you and your board use to make decisions can lead to better quality decisions and outcomes for your organisation. There are several decision-making frameworks available, however, a straightforward one to use as a starting point is the WRAP framework<sup>5</sup> that Chip & Dan Heath outline in their book *Decisive*.<sup>6</sup>

## **7. Practice strategic decision-making every day**

These techniques can be used on more than just board-specific problems. Use them to get a better handle on the smaller decisions you make everyday at work or at home. As they say, practice makes perfect and practicing these methods outside the boardroom will make you better at using them when it comes to the big issues, wicked problems and critical decisions you need to make about your organisation's future.

## **The Whole Board**

*"If everyone is moving forward together, then success takes care of itself."*  
- Henry Ford

### **1. Build diversity**

Much of the focus when discussing board diversity has been on tangible factors, such as increasing the number of women or young people on boards. While these are both important, a key advantage of embracing diversity in the boardroom can be the board's increased diversity in thinking and the benefit of different ways of thinking that the contribution of people from different backgrounds can provide. These additional advantages of diversity can inadvertently be ignored when the focus is solely on areas like gender or age. Diverse thinking and different perspectives on topics, or even life, will bring more robust thinking to your boardroom and bolster good decision-making.

### **2. Cultivate trusted board advisors**

Cultivating trusted advisors can be a powerful way to ensure that all sides of an issue or decision are explored. Trusted advisors are people who have the courage to provide honest feedback, and who

do not necessarily hold the same worldview or set of opinions as you, or are willing to play devil's advocate and ask the really hard questions, even if the issue or discussion may be uncomfortable. This requires a reasonable level of confidence as well as comfort with confrontation, but it again brings diversity of thought and different perspectives that will ultimately strengthen the decision-making process.

**3. Leverage sub-committees and external advisors**

Sub-committees and external advisors are a key asset to boards as they can provide another set of eyes through which to view a set of issues. Sometimes we can get stuck in our own heads, and even the most diverse boards are certainly susceptible to groupthink or the influence of a particular person or group that holds power or status. Utilising a third party, whether a consultant or is someone who sits on a sub-committee and not on the main board, can help resolve these problems. This third party is less likely to be immersed in the emotion or details of an issue and can therefore potentially avoid the blinders that someone who has grappled with it might have.

**4. Improve reporting to the board**

The way information flows to your board and the method of its presentation to directors can have a significant impact on the way that information is perceived, understood and processed, and ultimately the final decisions. The personal traits of directors may even be an influencing factor here. For example, a director who is very detail-oriented and likes to wade through the minutiae of reports is likely to prefer different reporting mechanisms from someone who is more interested in the big picture and prefers broad overviews.

Due to a variety of factors, such as personal preference and time constraints, there is a trend toward directors being presented information in a more succinct dashboard style. As a director, something key to remember about the board reports you are presented with is that just as you have your own biases, the person preparing them will have biases in their perception of the related issues and associated risks of a particular decision. When reading these reports it is worthwhile keeping in the back of your mind that these biases may have influenced the preparation of the report and you should be on the lookout for them.

**5. Adopt a structured test-and-learn approach**

Working to uncover your board's underlying decision-making process is a valuable exercise. Look at how often decisions are made and revisited, who is accountable, what inputs are considered, and the

level of process and analysis used. Making a concerted effort to figure out the structure within which the board makes decisions and then documenting it in a decision-making blueprint will help to improve the process over time.

Once you have a blueprint documented you can then test variations or changes to the process to see if it helps the board make decisions more effectively. Creating a blueprint that lays out how your board makes decisions – both big and small – provides a rigorous approach to decision-making. As the board refines new approaches to the way it makes decisions, your decision-making blueprint should be updated.

## **6. Document and track your decisions over time**

Once you have a decision-making blueprint, it is important to also track how the quality of the decisions the board make are improving over time. Every decision the board makes should be documented on a board decision register. The most basic decision register will show the decision and when it was made. A more robust and sophisticated register will also record who was involved in making the decision, the potential expected outcomes of the decision, the potential impacts of those outcomes, associated risk rating and likelihood of that outcome.

Over a period of time, the register will provide information about where you are making decisions that are effective. The board's perception of risk levels can be tracked as well as accuracy of predictions. What many boards are likely to find is that the risks of certain outcomes were in fact different from what was anticipated and that predictions about what might happen in the future were not as accurate as believed. This awareness can be fed back into the board's decision-making process when making decisions in the future.

## **7. Continuous reviews over the annual review**

Research by HBR<sup>7</sup> shows that organisations that abandon the old methods of planning, where there is a single annual review of decisions, were able to make twice the number of strategic decisions each year. Regularly reviewing your decision-making processes, decision-making blueprint and decisions register on a quarterly basis can help increase the number of strategic decisions you can make.

## **8. Risk-averse or opportunity**

A board can easily become risk-obsessed, and too often directors define risk as something you avoid rather than as something you



take. Taking risks is a key part of making strategic decisions. Risks are often the reasons that something is an opportunity for your organisation. Growth and development cannot come from constantly playing it safe.

**9. Make tough people choices**

You do need to make hard calls about the people who are sitting around the boardroom table. You might be struggling with a director who never seems to make time to contribute, someone who is getting long in the tooth, a director who does not realise the organisation has moved beyond their level of skill, or maybe the board is too homogeneous and lacks the diversity of thought required in today's environment. Whatever the reason, you need to ensure that the right people are around the board table in order to make the decisions that will ensure a bright future for your organisation.

**10. Be decisive**

Directors and boards can be held back in their decision-making because of indecisiveness. The world in which we operate today moves faster and is more volatile, uncertain, complex and ambiguous (VUCA) than ever before. Decisiveness is imperative in a VUCA world as some of the most damaging decisions are missed opportunities. Being decisive is about being timely. Nine times out of ten, making an imperfect decision at the right time will trump making the perfect decision at the wrong time. Decisions do have a shelf life so ensure you put a time frame on them. The decisiveness of a board is influenced by the types of people who sit around the table. Certain personalities are more likely be hesitant in their decision-making. Do not make the mistake of waiting too long to make a decision and letting opportunities pass you by.

**How to get Started with Better Board Decisions**

Get started on the road to better board decisions by choosing at least one of the above strategies to start implementing today.

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