Our first article in this series introduced a framework for family enterprises to help understand and assess the impact of their boards. Determining board impact is one thing, however, actually securing that impact given the number of challenges that family enterprise boards face in delivering value to the business is another (see Board Impact). In this, the second of our articles on family boards, we look at the individual members themselves and what it takes to contribute effectively to a family board.

We stated in our previous article that the impact of a board can be measured through how the executive or wider management respond to board-level discussion, debate or challenge. In high-impact boards, there is evidence of management proposals changing for the better as a result of board-level dialogue. But for this to happen, executives and management need to feel trusted and psychologically safe in the boardroom and with individual board members.

If they feel safe, they are more likely to: share information with the board that is truthful; draw board directors’ attention to the most salient aspects of papers rather than letting them discover these for themselves; and feel comfortable sharing their doubts, vulnerabilities and failures, as well as their bold ideas, with the board. At the same time, board members themselves are more likely to be effective as individuals and as a collective, when they are operating within an environment of trust.

Paradoxically, this is not always the case in family enterprises where boards often have a large portion of family members. Despite the shared heritage, personal histories, and aligned long-term interests, family boards may also harbour longstanding rivalries and inter-generational relationships shaped by deference or presumed authority and may be characterized by a lack of external business or organizational experience. Family boards may also manifest an us-and-them or even us-vs.-them mentality in dealings with management, where people from outside the family are perceived and treated differently to those from inside, regardless of their experience, expertise, or performance.

So, trust in the boardroom is important – but where does it come from? In this article we explore the qualities that board members must exhibit to help build that environment of trust and psychological safety, where people feel seen, heard, and valued; where they can contribute without fear of judgment, embarrassment, or negative consequences.

Let us remind ourselves of some of the key characteristics of trust:

**Trust is...**

- Integral to the success of every individual, organization, and ecosystem.
- Driven by observable competence and action, as well as positive intentions.
- Dynamic, continuously shifting, based on current events.
- Reciprocal and mutual, rather than pushed down or out from above.
- Personal; based on subjective perspectives rather than objective rules and criteria.
- Built in different ways – some people trust easily whereas others look for evidence that someone or something can be trusted before trusting.
- Relevant all the time, not just times of crisis.
- A deliberate choice on the part of the trustor.
- Necessary for all positive forms of human interaction, including colleagues and shareholders.

**Getting the balance right**

Before moving on to look at how board members can help to build that environment of trust, it is important to emphasise that trust and psychological safety must work in balance with an appropriate level of constructive challenge to deliver meaningful impact (see diagram on psychological safety and accountability).

Just as trust is essential to encourage truthful reporting and deep insights, board members have to establish an environment in which searching questions, genuine challenge and the rigorous testing of information is normal and expected. Board meetings should be demanding explorations of strategy, risks, performance, conduct and talent. The absence of trust is problematic, but insufficient challenge leads to a variety of problems all of which can be characterised as forms of complacency, including: a lack of urgency; poorly defined priorities and a lack of focus; absence of due diligence and risk management; lack of preparation for meetings; poor performance being explained away. Conversely, too much challenge can stifle debate and creativity, foster the development of covert alliances or factions, and lead to executives feeling attacked, stressed and exhausted, and ultimately problems with retention and recruitment.
Building an environment of trust

Whether or not a board environment feels safe starts with, and is largely dependent on, the extent to which board directors, including the chair, exhibit three personal qualities.

The first is business credibility. In our work with boards over the years – including many family-enterprise boards – we have found that senior leaders, investors, and regulators, often describe the value of a board director by citing their relevant skills, experiences, networks, and ability to apply these effectively in practice. But to be impactful in the boardroom goes well beyond having the right type of background.

The second and perhaps most intuitive is personal style. That is, having board members who are of good character and emotionally intelligent. Yet, even with the right style and background, we have seen board directors fail to deliver the value expected of them in the boardroom. While this can be due to several factors, it is often simply because they have not invested sufficient time in getting to know the enterprise and the context within which it operates. This can lead to their contributions falling flat with management because they are not grounded in the reality of the business. So, there is a third quality that is important, understanding the organization and the context in which it operates.

Together, these three qualities help to determine a board member’s capacity to build an environment of trust and to add real value – both in the boardroom and beyond.

We have developed a practical checklist that examines the composition of each of these qualities. Using this checklist, chairs and individual board members can reflect on how well they match-up and where they should focus improvement efforts in the environment of trust that underpins high-impact family boards.

Diagram adapted from the work of Professor Amy Edmondson on psychological safety. For further information please see Building a psychologically safe workplace | Amy Edmondson | TEDxHGSE
We hope you find this board-member checklist useful in exploring desirable attributes and behavior of board members. Please let us know your experiences of using it and how it might be improved. In subsequent pieces, we will explore the role of the chair within family enterprises.
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