



Impactful board members

How to add value as a member of
a family enterprise board

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.

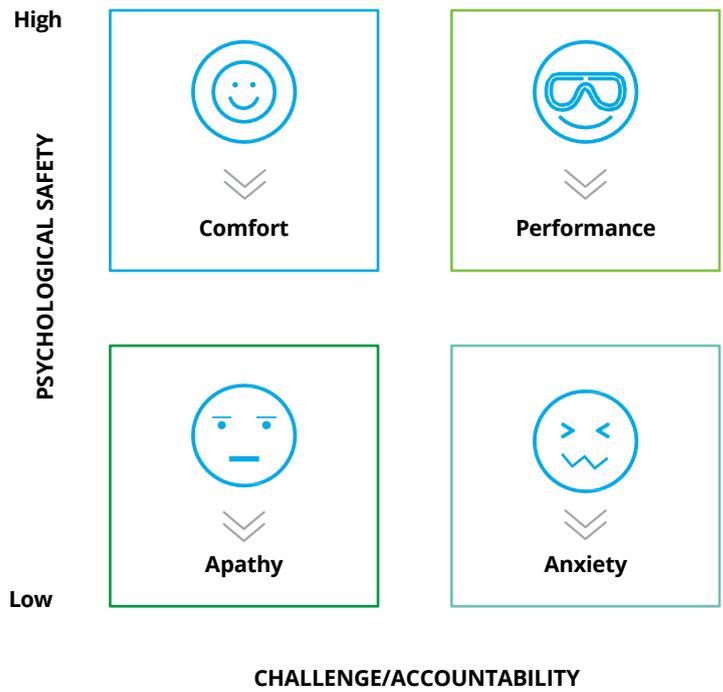


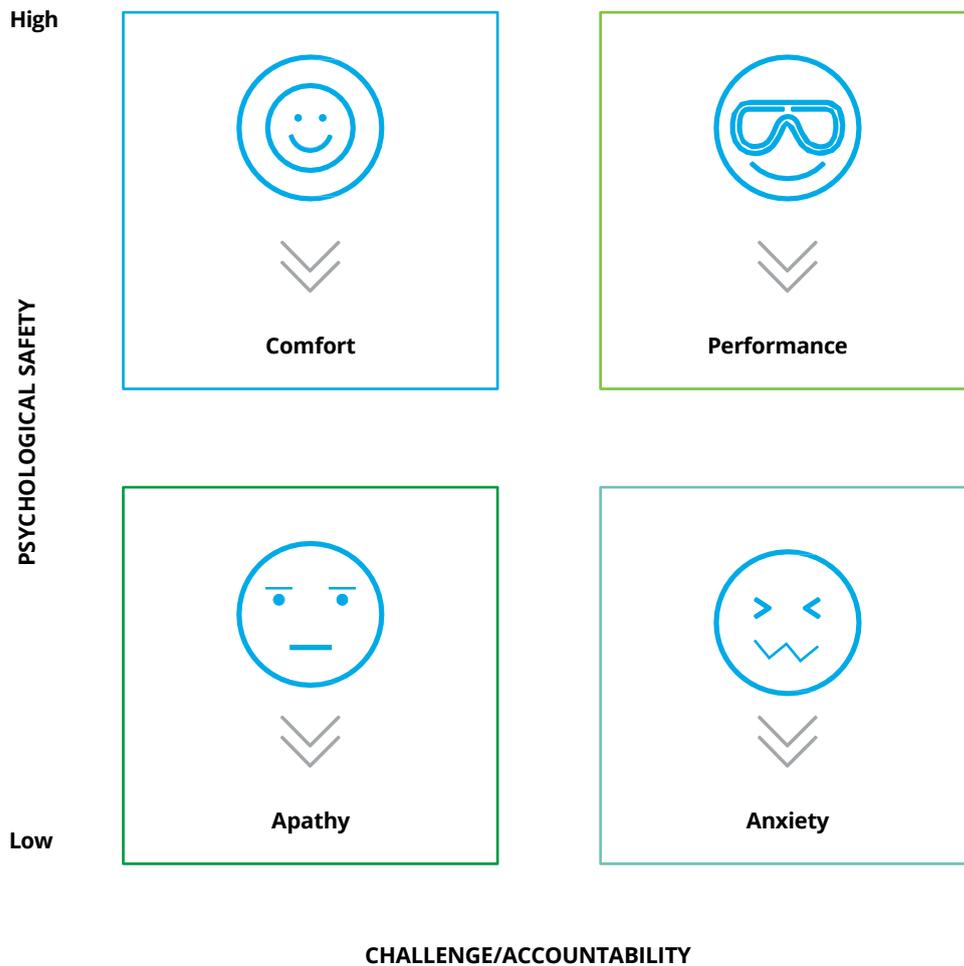
Getting the balance right

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

Business credibility

The board member is highly competent and credible. They...

- Have expertise in an area that is aligned to the purpose and vision of the enterprise, as well as the opportunities and risks that it faces.
- Understand the principles of corporate governance, the role of family shareholders, the role of a board, their responsibilities as a board member and how to discharge these effectively.
- Are forward-looking and do not delve into operational detail without justification.
- Engage positively and actively across the entire spectrum of board business, not just their own area of expertise or private concern.
- Have a strong network and can draw on their network when needed for the good of the organization.

Personal style

The board member has the right character and is emotionally intelligent. They...

- Are approachable, visible, and civil.
- Embody the values of the enterprise and are passionate about their role and the business.
- Operate with humility, high integrity, and authenticity, including having the courage to challenge or speak out even if they are the only dissenting voice.
- Are objective, impartial, selfless and are not overly concerned with how decisions affect their own personal wealth or reputation.
- Actively listen to what is being said and ask questions rather than make statements or tell people what to do.
- Communicate concisely and clearly using minimal jargon.
- Know when to trust and support management and when to challenge and hold them to account.
- Regard failure as an opportunity to learn and do not seek to blame people.
- Are appropriately persistent and determined until they find assurance or agreement to pursue a matter.
- Consider what they are going to say before speaking and do not feel the need to comment on every subject or repeat/summarize what others have already said just to be seen to have contributed.
- Support collective responsibility and actively champion board decisions, including decisions with which they do not entirely agree.

Contextual understanding

The board member has a good understanding of the family enterprise and the context within which they govern. They...

- Understand and are supportive to the vision, values and purpose of the family enterprise and its history.
- Invest sufficient time getting to know the enterprise, the people in it, and the sector or sectors it operates in.
- Are knowledgeable about the core business, including the key products and services offered, and its sustainable and competitive positioning.
- Understand how the business is structured and operates, and have a good sense of the heritage, culture, and leadership style the family wants to see.
- Work from a realistic understanding of where the business and market are now rather than from where they believe the business should be based on their preconceptions, their understanding of 'the family story', or their experience.
- They understand, and are sensitive to, the national culture, local customs, and family dynamics.
- Have a broad understanding of the regulatory, legislative, and geopolitical environment within which the family business operates.
- Know and understand the family governance structure and who the key family stakeholders are and consider them appropriately in decision making, particularly with regards to legacy.

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.

Contact



Martijn van Rensch

Partner

mvanrensch@deloitte.nl

www.Deloitte.nl/Familiebedrijven

Deloitte. Private

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular

circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte & Touche (M.E.) LLP ("DME") is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL").

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 300,000 people make an impact that matters at www.deloitte.com.

DME would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. DME accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides audit and assurance, consulting, financial advisory, risk advisory and tax, services through 27 offices in 15 countries with more than 5,000 partners, directors and staff.

© 2023 Deloitte & Touche (M.E.). All rights reserved
Designed by CoRe Creative Services, RITM1556858