

# BOARD/MANAGEMENT COMMUNICATION:

BUILDING GENERATIVE CONFLICT - BY MARK HAEUSSLER

**DDJMyers**  
Advancing Leadership Success

## SURVIVABILITY & THRIVABILITY

The link between a board of directors and professional management is one of the most challenging relationships in the business of credit unions. A successful relationship is critical to a credit union's survivability and thriving. We all know of stories within and outside our industry where the breakdown in board/management communication caused a major issue and major headlines. We all have heard examples from colleagues of being surprised by results, of priorities not being attended to, or of dissatisfaction in how a core value is being modeled.

A successful relationship between management and the board has the potential of being generative and innovative. To work well, they need to bring together diverse experiences, skills, and perspectives in a productive way. There are two key issues that boards and managers need to attend. The first is understanding what "truths" or assumptions each are bringing to the relationship. The second is increasing the capacity for creative conflict. The two are related, and knowing the first helps build the second.

The relationship between the board and management is not clearly defined. By comparison, the roles within management are defined and most often have position descriptions which delineate specific responsibilities, duties, and accountabilities (and even with position descriptions, consider how hard management relationships are!). How the two entities, board and management, relate is often the result of *assumptions* each side brings, the history of the relationship, or other previous experiences that each person has brought.

### What Are Our Truths?

Frank Lloyd Wright said, "The truth is more important than the facts." Our assumptions form what we perceive is the truth. Thus we might call them "truth-assumptions". The first thing a board member or executive can do is to become clear about what their "truth-assumptions" are. The trick is that we forget what our underlying assumptions are. What might be called the background of obvious, the unspoken ways in which we all agree to coordinate and prioritize, can drift into the background of oblivious, where we are no longer aware of the assumptions.

Assumptions can take any form, including what are the organizational priorities, what is my role in success (or failure), what is fair compensation, or the level of risk appropriate for a non-profit operating in a free market system. Even success can induce a whole new set of assumptions, which, unknowingly,

can breed an assumption of arrogance. Jeffrey Kingston, director of Asian studies at Temple University Japan, said this in Time magazine about Toyota's current quality issues: "Toyota is famous for having an arrogant culture. They're so used to dealing with successes that when they have a problem, they're not sure how to respond."

If we do not see and challenge our assumptions, then those invisible assumptions become arrogance. For a credit union, this assumption of arrogance can take many forms such as becoming certain that our strategy is a successful one, which each of us knows what we need to know, or that business as usual and waiting for the economic tide to come in will rescue our organization or industry. The free-market landscape is littered with casualties that could not see their own assumptions clear enough to challenge them. Consider the Cunard Steamship Lines whose truth assumption about themselves was as the premier in trans-Atlantic *ocean* travel. Then came Boeing, who, after shifting from a wartime assumption in the 1940s, generated a different assumption about travel, and invented the 707, an intercontinental jet aircraft. A key shift in assumptions from an ocean-liner to an air-liner or even a transportation company could have opened a whole new possibility for Cunard. Consider the very different assumption held by successful cruise ship companies now, wherein it is not about getting from point A to B, but to provide a certain experience.

Once we know our assumptions, we can challenge them in ourselves and be open to be challenged by others. In conversation, it sounds this simple: "I am assuming that we are not willing to sacrifice our customer service scores as they are currently measured, but what I am hearing you suggest is that our customers have changed their preferences where they value faster service more than personal service. Can you tell me more about that?" This move is seeking to highlight the assumptions each party might be bringing to the table to open the dialog toward a different future.

Once a group sits down in the conversation about assumptions and identifies them, they can breathe into conversations more readily. As the individuals understand how each person is organized for entering the conversation or issue, the group is able to respect and challenge the differing perspectives more readily.

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## ONCE A YEAR, PEEL BACK YOUR ASSUMPTIONS AND HAVE A COURAGEOUS CONVERSATION

### **The Role of Diplomacy**

One place where boards can look to explore their assumptions is Diplomacy. Many boards and management assume that diplomacy should be a core operating principle and that the opposite of diplomacy is rudeness. Behind this is a fundamental conundrum in operating a business: we need to challenge each other in order to improve the business model in changing environments *and* we need to get along in a way where we have deep trust that includes speaking disagreements and being open to challenge. Diplomacy can address only half of this – supporting that we get along, but it may fall short in building capacity to be challenged and to challenge ideas.

Sometimes we need to be loud and even insufferable because the message is too important or too uncomfortable to be treated any other way. Yet the challenge for many leaders is that there are different background assumptions about how to “get along.” For some, the ethics and diplomacy of management dictate that if you are loud and insufferable, we cannot get along. That is, in order to be a part of the “pack”, you must behave within specific (and rarely clearly defined) rules of engagement. Go outside of these rules of engagement and you are tuned-out.

Over time, the risk of emphasizing diplomacy is that harmony becomes the truth-assumption about how to operate in the relationship. Interviewed in Time magazine about the Toyota quality recalls, Steven Spear of MIT says this: “The big deal is this question, Does an organization know how to hear and respond to weak signals, which are the problems, or does it have to hear strong signals? You have to listen to weak signals. By the time you get to strong signals, it’s too late.” Sounds just like what we all have heard in the financial industry.

### **Building a Different Relationship**

At least once a year, a board and its top management, any of the executives who regularly interact with the board, should have a courageous conversation about what are the assumptions they want to make about how they will be in creative conflict. This conversation does not have to be a difficult one – courageous has the same root word as “heart” in French -- by courageous, I mean that we talk about what should be close to the heart.

In this conversation, the parties peel back their assumptions in two areas: what do they assume about how a board and management should operate and what do they assume about the underlying business model.

The first priority of the conversation is to discuss how the parties want to be with each other. What core values will be useful in the coming year in the relationships (while still holding the organizational values)? What does each person need in a meeting (such as amount of detail, support from experts, information prior to sessions)? What are the “rules” that we can agree to safely operate when we disagree? How can we be “loud”, that is, say and be heard on something that is a real concern to us, while still being in dignity? What does each party need so that conflict is seen about the issue and not with the people? How will we manage when mistakes are made in the relationship to rebuild trust?

The second part of the conversation is to discuss what the assumptions are about the business model in terms of financial success, customer service, business processes, and ongoing learning. The financial model often is the result of the budget process, yet typically the budget’s starting point is the previous year’s budget, thus perpetuating some truth assumptions. Customer service expectations often are outmoded or a reflection of what we wish the world was instead of what it is; electronic banking expectations are a great example of this. Business processes are designed as an innovation years ago and then become rewarded for being consistent and replicated; the assumptions behind the established ways of delivery can be very difficult to dissect and change. Lastly, is being in a conversation about what new learning and development assumptions are being held. What does management need to become better at? What does the board need to become better at?

An effective board-management relationship should be a premier debating club, one where the parties are devoted to agreement *and* dispute and where assumptions are challenged to determine their validity and relevance to the strategic initiatives. A board meeting is about peeling back the “truths”, that Frank Lloyd Wright elegantly says can be more critical than the facts, for the sake of being more generative.

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