

Originally published in Tijdschrift Goed Bestuur & Toezicht, nr. 2 2024 (in Dutch):

Omarm het ‘ondertussen’, Pelle Engel en Marlène Jans.

See <https://goedbestuurentoezicht.nl/artikel/omarm-het-ondertussen/>

Embracing the intermediate phase in the board

Pelle Engel and Marlène Jans¹

Summary

In the boardroom, directors and supervisors must find their way in the current societal context of increasing complexity, intrusive uncertainty and continuous change. In this setting, boards constantly aim to realize a new form of stability. However, the period in which the ‘old status’ has not yet been completed, and the ‘new situation’ has not yet begun - the ‘intermediate phase’ - poses specific challenges to boards, both in internal dynamics and in dealing with external pressure. These challenges can be dealt with more effectively in the board by 1) recognizing the existence and added value of this intermediate phase, 2) developing qualities that help to manage the dynamics in the board and 3) using the time in this intermediate phase to sharpen guiding practices.

Setting the scene: the ‘now’

The last decades have been characterized by a steady increase in economic and political uncertainty². This contributes to a reality that is experienced as complicated, complex, emergent and unpredictable. In the boardroom of organizations, teams must also find their way in the context of increasing complexity, intrusive uncertainty and continuous change. In this reality, many boards feel challenged to remain in control as much as possible. The feeling of control ebbs away, while people, also in their role as supervisor or director, have such a great need for control right now. After all, most people have not learned to deal with uncertainty structurally.

“One doesn’t discover new lands without consenting to lose sight of the shore for a very long time.”

André Gide

The need for control becomes stronger in a period of change; the period in which one phase ends and a new form and phase of stability is worked towards. The period between these two phases, the so-called intermediate phase, is a phase of ‘not knowing’. In corporate anthropology, this is also called the ‘liminal phase’. We will use the term intermediate phase hereafter. The old has not yet been completed and the new has not yet begun. This intermediate phase should not be confused with a crisis, an emergency in which the functioning of a system (of whatever nature) is seriously disrupted. The feeling of ‘chaos’ is lurking. However, research shows that this

¹ Pelle is advisor and executive coach at Phyleon leadership & governance in Amsterdam, where he amongst others supports self-evaluations of boards and guides change processes. Marlène is an independent boardroom consultant in the areas of governance, culture and compliance.

² World Uncertainty Index. GDP Weighted of 140+ Countries.

intermediate phase is not only a period in which much is restless, unclear and uncertain, but also a period in which real change or transition takes place. This phase can pose a major challenge for directors and supervisors in organizations that are at the heart of society. They realize that traditional ways of working ('business as usual') are probably no longer sufficient, but what does work is still unclear. Employees in the organization must deal with uncertainty but expect a clear course and decision-making from the board, especially in this phase.

In our view, the experience of people in the intermediate phase of the board is an underexposed theme. In this article, we discuss how the uncertainty of this intermediate phase can impact the functioning of people in the board, and we pay attention to specific tools that boards and members in the board can use to remain effective in this challenging phase.

Mapping the uncertainty of the intermediate phase

Uncertainty stands for the great unknown. Not knowing what is coming your way, what you should pay attention to, what the consequences of your actions are or can be, being and navigating in uncharted territory. What previously seemed to be set in stone, no longer appears to be as fixed as was previously assumed.

We humans are especially afraid of the dark sides of uncertainty. We seem to forget that progress, transition and innovation largely exist by the grace of uncertainty and the feeling of chaos. According to Jan Rotmans, chaos – which means 'birth' in Greek – shows that we are getting to the core of the transition³. Chaos and uncertainty force us to change our behavior. That shaky feeling creates space to look for a new approach. Vulnerabilities become visible more quickly and strongly during this period, and it is a psychological challenge for those involved. But – and this may feel counterintuitive – it is also a dormant phase, in which the acceptance of change and human resilience are optimal. This period has proven to be a valuable breeding ground for creativity and dialogue.⁴

The crisis consists precisely in the fact that the old is dying and the new cannot be born. In this interregnum, a great variety of morbid symptoms appear."

Antonio Gramsci

However, not everyone experiences this space as an opportunity. Where one person flourishes in times of uncertainty or change, another can become paralyzed or 'freeze'. Saying goodbye to the familiar environment without a view of something new can lead to feelings of mourning. Mourning occurs in several phases, and the duration of these phases differs for everyone. So, we are not collectively in the (same) space.

Where uncertainty of the intermediary phase in the board can lead to

The challenge for the board is to allow the intermediary phase between 'old' and 'new' to exist, to guide it and to use it for growth and change. However, the human reflex is to do exactly the opposite. This contrary movement leads to a spiral of fear and uncertainty,

³ Rotmans, J. (2023). *De perfecte storm. Over transitiepijn, radicale keuzes en een nieuw bewustzijn* (The perfect storm. About transition pain, radical choices and a new conscience).

⁴ Braun, D., & Kramer, J. (2015). *De corporate tribe: organisatielessen uit de antropologie* (The corporate tribe: organizational lessons from anthropology). Deventer: Vakmedianet.

and possibly to a board that goes 'off task' or even 'anti-task'. Then the board no longer gets around to the primary task⁵, namely the real work that directors and supervisors must do in their joint interaction to fulfill the organization's mission in the long term. What exactly is happening here, and where and why does it go wrong?

Internal dynamics

As mentioned, in the intermediary phase people's fear increases because of increasing uncertainty. The need for a structured approach (grip) and a sense of 'progress' ('we are doing well') is great, but grip and progress are lacking in many cases. Board members can start to feel disoriented, become insecure and lose intrinsic motivation. The energy level drops and strategies (defense mechanisms) are used to deal with rising emotions. Rationalization of behavior or denial of problems are well-known examples of social defense mechanisms. Some on the board want to move forward quickly, while others cling more firmly to a way of working from the past. While some keep a sharp eye on the long-term objectives, others are in danger of succumbing to the hectic pace and intensity of the phase of change, and therefore focus on the short term. Board members are no longer automatically on the same page. Even if board members do manage to recognize what is happening, it is not yet self-evident that they will succeed in discussing this. Functioning as a team becomes increasingly difficult and the chance of conflict increases.

Dealing with external pressure

Meanwhile, board members feel the responsibility to provide clarity both internally and externally. Stakeholders want to see and recognize from board members what they stand for individually and as a collective. Considering the perceived responsibility and liability as individuals and collectively, 'not acting' is not an obvious option for many board members⁶. As a rule, they start working harder, holding more meetings, asking for more information, calling in even more 'experts', taking a more explicit position, making decisions to show that they can (still) decide, etc. The dynamics in the board are rapidly exceeding the board's ability to maintain control. Fault lines - differences between (groups of) people - suddenly become very clearly visible and tangible. As a primary reaction, these differences are magnified (polarization) instead of being bridged. The system is stuck. Intense uncertainty has taken hold of the situation. The effectiveness of management and supervision has been paralyzed.

Tools for dealing with the intermediate phase in the board

Dealing with the uncertainty of the intermediary phase, preventing dysfunctionality of the board and using this phase as a source of change and innovation is not easy. Nevertheless, there are tools to be given. Several tools with which we work in the

⁵ The primary task of the board almost always involves dealing with the most significant dilemmas of the organization. This task must be performed by the board because it cannot be done elsewhere in the organization. For more information, see also Winter, J.W. (2022), *Boardwerk is mensenwerk* (Board work is people work), in the Corporate Governance Handbook, Peij, S. C., (2022).

⁶ Also called action bias: the tendency to choose action over inaction, often to our own advantage. At times we feel compelled to act, even when there is no evidence that doing so will lead to a better outcome than doing nothing.

practice of board effectiveness - and which we have divided into three categories for this article - are explained below.

1. Create awareness

- The first and most important step is to collectively **acknowledge** and **frame the situation**, whereby the uncertainty is seen as an opportunity to gain something new instead of the fear of losing something⁷. Formulating a good response to this situation will simply take more time, this investment is needed. There is no easy way out, the only way to get out of this is to really experience the situation. How does this acknowledgement feel for the board members? Can everyone accept this, and does it fit into their personal frameworks? The recognition and acknowledgement of this phase is an important starting point. This also makes it clear that changing this intermediate phase for the good is going to require more from the individuals in terms of time, effort, behavior and focus. And let's be realistic and not make it more difficult than it is: the only real constant element in our lives is that everything is constantly changing, right?
- Create **collective awareness** of what the board now has to do. Focus on the real work – the **primary task** – that needs to be done by the board in the context of uncertainty because it cannot be done elsewhere. Organize time to be able to perform this primary task and use the primary task as a compass in navigating (maintaining focus) in uncertainty.
- In this intermediate phase, it may require a new awareness of **working methods and roles** within the board, for example for the role of the chair(s). Recalibration of working methods and (psychological) 'recontracting' of roles can contribute to calm and focus within the uncertainty of the intermediate phase. What contributes to good interaction between the board and the non-executive board in this phase of great uncertainty? What behavior is required of the chair, and how does this differ from before? More informal consultation? More time for reflection and discussing dilemmas on the agenda? More experimentation? Less analysis?

2. Develop quality to control dynamics

- Develop **reflexivity**, a group quality that enables the board to take ownership of its own dynamics and behavioral patterns, so that it can effectively perform the actual primary task⁸. Core elements of reflexivity are 1) being explicit about conflicting interests, concerns and dilemmas (= real, honest information), 2) not only taking positions, but effectively asking about the interests, concerns and dilemmas of the other and testing assumptions (= real dialogue), and 3) being curious about the image, assessment and vision of the other, because this can add something to one's own insight (= learning ability). The fourth core element of reflexivity - safety to be able to share concerns and not knowing - will be discussed separately below.

⁷ Furr, N. (2022). *The Upside of Uncertainty: A Guide to Finding Possibility in the Unknown*. Harvard Business Press.

⁸ Winter, J.W. (2022), *Boardwerk is mensenwerk* (Board work is people work), in the Corporate Governance Handbook, Peij, S. C., (2022).

- Develop an environment of **containment**: a psychologically safe environment in which one's own doubts, uncertainties, fears, anger and sadness can find a place⁹. Have and keep an eye on other board members, and how they individually and collectively - also in an emotional sense - deal with uncertainty. This ability to tolerate each other in boards is the skill to be able to handle emotions - both one's own emotions and those of the other - in the light of the primary task, but also to use these emotions as information to understand and act with each other. So, both tolerating and giving meaning. Psychological safety therefore provides space to be able to release excess pressure, to spar and to be nourished¹⁰.

'Admitting doubt in the face of uncertainty demonstrates strength rather than weakness.'

Amy Edmondson

- Develop alertness to **identifying and handling biases**. In times of uncertainty and perceived pressure to act – such as in the intermediate phase – errors in thinking (biases) are more likely to occur. For example, think of the loss aversion bias, the tendency to attach more importance to preventing ourselves from losing something than to winning something of the same value. Or the substitution bias: the unconscious tendency to replace complex issues in our minds with simpler ones to come to an answer or solution. The quality of board members to handle biases develops on the one hand by being aware of these biases, and on the other hand by taking measures that concern realizing time for reflection, critical self-evaluations and organizing diversity. But also think of processes before, during and after meetings that help to handle biases (information checklists, the role of devil's advocate during a meeting, etc.).

3. Working on guiding practices

- Building and working on a **compass** gives a board something to hold on to in the uncertain time of the intermediate phase. A compass – the movement and direction we stand for – helps in the intermediate phase to make choices instead of decisions. A decision is mainly influenced by the cognitive brain and is guided by information. A choice, on the other hand, is more influenced by the heart, the gut and the moral conscience. Choices are driven by identity and not by information and make us who we are¹¹. The intermediate phase is extremely suitable for working on the compass because of the characteristic 'not knowing' to be able to make choices that one would otherwise not have been able or dared to make. With a jointly developed compass in hand, board members can still feel 'lost' in the intermediate phase, but at least in the right direction. And with these choices in the right direction, the board will eventually 'automatically' come to making the 'right' decision.
- Developing and experiencing **scenarios**. This instrument is not only helpful in mapping complex playing fields and uncertainty, but it also contributes to the human need of board members to jointly 'fantasize and wonder' about the future in the intermediate phase. The 'other side' that is not yet in sight in the intermediate phase,

⁹ Winter, J.W, & van de Loo, E.L.H.M. (2020), *De rol van de raad van commissarissen ten tijde van nood*. Tijdschrift voor Ondernemingsrecht (The role of the Supervisory Board in situations of need), 2020(7), 377-380. Article 69.

¹⁰ Edmondson, A.C. (2023). *Right Kind of Wrong: The Science of Failing Well*. Simon and Schuster.

¹¹ Rangan, Subramanian. (2018). *Capitalism Beyond Mutuality?: Perspectives Integrating Philosophy and Social Science*: Vol. First edition. OUP Oxford, 1-21.

but we as a board can talk about with each other via metaphors and a simplified reality. In the intermediate phase, analysis, experience and planning of possible scenarios therefore provide direction. On the other hand, it stimulates the creative side of people that presents itself precisely in this intermediate phase.

Conclusion

The intermediate phase in the board is the phase that is known as ‘a nowhere between two somewheres’, and because as long as you are in it, progress seems to stop, you are hanging between what was and what will be¹². How do I, as a member of the board, relate to this typical phase full of uncertainty?

- By being aware as a member of the board of the existence and the added value of this phase.
- By developing qualities that help to control the dynamics in the board in this uncomfortable phase.
- By using the time in this intermediate phase to sharpen guiding practices.

These tools help to embrace the intermediate phase in the board and to use it effectively for future-oriented change and professional growth. In a world of continuous change and uncertainty, it is therefore an indispensable tool in the ever-expanding toolbox of directors and supervisors.

**_*_*

¹² Bridges, W., & Bridges, S. (2017). Managing transitions: making the most of change (4th ed.). Nicholas Brealey Publishing.