

Illusion of Shared Understanding in the Boardroom

The boardroom hums with strategic intent. Discussions pivot on market share, risk matrices, capital allocation, and CEO succession. Yet, amidst the weighty agendas, a fundamental lever of governance – the clear articulation and embodiment of corporate values – often suffers from dangerous assumptions and fragmented understanding. Directors, seasoned and wise, can fall prey to the illusion of alignment. We nod sagely at words like "Integrity," "Innovation," or "Customer-Centricity," assuming a shared, concrete meaning permeates the room and, by osmosis, the entire organisation. This assumption is more than optimistic—it's a critical governance vulnerability.

The board's paramount responsibility isn't just having values; it's defining them with crystalline clarity, embodying them relentlessly, and ensuring their unequivocal communication throughout the enterprise to set the authentic tone from the very top.

The Power of Language in Board Dynamics

Board effectiveness is not just about individual expertise—it's also about collective dynamics. The language directors use in discussion shapes how decisions are made and how conflicts are navigated.

When directors skip over definitional clarity, they leave room for implicit bias, power dynamics, and political manoeuvring. For instance, a director may appear to support a policy "because it's aligned with our values," while others silently disagree on what that alignment actually looks like.

Without shared language, dissent may remain unvoiced, and groupthink may take root.

Moreover, external stakeholders—investors, employees, regulators—are increasingly scrutinising how boards communicate. They want evidence that the board understands and lives by the values it promotes. If board language is vague or inconsistent, the organisation risks losing credibility.

Words Shape Culture, Actions Shape Behaviour

Boards set the tone at the top, but that tone must be more than rhetorical. Words may shape culture, but only consistent, aligned actions shape sustainable behaviour.

If a board espouses "transparency" yet makes major decisions in silos or shrouded committees, employees learn quickly that the value is negotiable. If "employee well-being" is publicly prioritised, but staff cuts and unrealistic workloads continue, culture fractures.

Sustainable organisational behaviour requires a deliberate alignment between what is said, what is decided, and what is rewarded. That is the board's real work: turning values into behavioural norms that are visible, repeatable, and meaningful.

The Board's Role in Defining Organisational Values

At its core, the board is responsible for setting the tone at the top. This includes establishing the principles that govern behaviour, inform decision-making, and reflect what the organisation stands for – internally and externally. While management may drive day-to-day operations and culture-building, the board is ultimately accountable for ensuring that the business's values are clear, authentic, and embedded.

Values are not simply abstract ideals. They act as moral and strategic compasses, guiding decisions about everything from corporate growth to stakeholder engagement and risk appetite. In high-stakes boardroom discussions – whether debating a market exit, evaluating an acquisition, or assessing executive performance – it's the organisation's core values that should serve as a north star.

But herein lies the risk: what happens when board members interpret those values differently?

The Illusion of Alignment: When Words Become Rorschach Tests¹

When directors operate under the illusion of shared understanding, they unknowingly project their own assumptions onto discussions. They may nod in agreement when values are mentioned but be acting on entirely different interpretations. The result is ambiguity – a dangerous weakness when the organisation relies on the board to be a consistent and credible leadership voice.

In environments with unclear values, culture can become shaped by personalities rather than principles. The most vocal or powerful leaders set the tone, and silence is mistaken for consent.

Consider a common board value: "Excellence." To one director, steeped in manufacturing, it signifies zero defects and Six Sigma precision. To another, from a tech background, it might mean rapid iteration and disruptive breakthroughs, accepting some failures as learning costs. A third, focused on human capital, may interpret it as investing deeply in employee development. While all valid facets, the lack of a unified, board-sanctioned definition creates ambiguity.

¹ A psychological assessment using inkblot images to reveal subjective interpretations. In this context, the term metaphorically describes how *vague corporate values* (e.g., "Excellence,"

"Innovation") function like inkblots—inviting directors to project personal assumptions onto ill-defined concepts, rather than aligning around shared, concrete meanings.

When the board itself lacks consensus on the practical meaning of its core tenets, how can it possibly expect the organisation – from the C-suite to the frontline – to align and act consistently?

This phenomenon extends to almost every value:

- **Integrity:** Is it strictly legal compliance? Or does it encompass ethical grey areas, transparency in setbacks, and fair dealing even when inconvenient?
- **Innovation:** Does it demand radical moonshots, or incremental improvements? Is failure tolerated, celebrated, or penalized?
- **Collaboration:** Does it mean consensus-driven decisions, or healthy debate leading to a single, unified direction? Does it extend beyond internal silos to include partners and even competitors?
- **Sustainability:** Is it purely environmental compliance, a long-term resilience strategy, or a core value driving all product and operational decisions?

Directors, often operating at a high strategic altitude, may take these words for granted, projecting their personal interpretation onto colleagues.

This unspoken divergence isn't philosophical—it's a governance risk

Decisions made without true alignment cascade into strategic confusion, cultural fractures, and reputational exposure. Decisions made around the board table, even with the best intentions, can inadvertently signal conflicting priorities if not explicitly grounded in a shared understanding of what the values mean in action.

Why Values Clarity is the Bedrock of Governance, Not Window Dressing

Articulating values isn't about crafting a feel-good plaque for the lobby. It's the essential bedrock upon which effective governance and sustainable performance are built. Here's why it demands the board's rigorous attention:

1. **Strategic Alignment and Decision-Making:** Values are the litmus test for strategy. A board championing "Long-Term Value Creation" must rigorously evaluate decisions (M&A, R&D spend, capital structure) through that lens, rejecting short-term gambits that jeopardize sustainability. Ambiguous values lead to inconsistent strategic choices and confused resource allocation.
2. **Risk Mitigation:** Unclear values are a breeding ground for ethical lapses and reputational disaster. If "Integrity" isn't explicitly defined to include transparent reporting of near-misses or ethical supply chain practices, compliance becomes a minimum standard, not a

cultural imperative. The board's role in overseeing culture (a key governance mandate) is impossible without clear value definitions.

3. **Talent Attraction and Retention:** Top talent seeks purpose and alignment. A company whose stated values ("Empowerment," "Respect") clash with the lived experience (micromanagement, toxic politics) faces disengagement and exodus. 67% of employees would reconsider their future with an employer over values misalignment (PwC Global Culture Survey 2021). The board sets the true tone; dissonance between stated values and boardroom/executive behaviour is immediately apparent and deeply corrosive.
4. **Crisis Resilience:** When crises hit (and they will), values provide the anchor. Decisions made under pressure reveal the organisation's true character. If values like "Transparency" and "Accountability" are clearly defined and lived by the board, the response will be more coherent, credible, and ultimately, more effective in preserving trust.
5. **Reputation and Stakeholder Trust:** Investors, customers, regulators, and communities increasingly judge companies by their values and actions. A board that actively stewards clear, authentic values builds invaluable trust capital. Ambiguity breeds scepticism and erodes stakeholder confidence.

The Board's Unique Mandate: Defining the "What" and Embodying the "How"

The CEO and management own the operationalization of values – embedding them in processes, performance management, and daily routines. However, the board holds the exclusive and non-delegable responsibility for:

1. **Authoring the Core Narrative:** Defining what the values mean in the specific context of this company. This goes beyond dictionary definitions. It requires deep, sometimes uncomfortable, discussions to forge a shared understanding. What does "Courage" look like in our boardroom? Challenging the CEO? Speaking up on uncomfortable ESG issues? Approving a risky but strategically vital investment?
2. **Precision in Language:** Moving from vague aspirations to observable behaviours. Instead of "Respect," define it as: "We actively listen to diverse viewpoints before deciding. We engage in constructive debate focused on issues, not individuals. We communicate decisions clearly, even to those who advocated differently." This specificity eliminates projection and guesswork.

3. **Embodying the Tone from the Top:**
Values are not proclaimed; they are performed. Board conduct is the most powerful communication. How the board interacts (respectfully or contentiously), its focus (long-term vs. quarterly), its transparency with shareholders, its treatment of management and advisors – all scream the real values louder than any policy document. A board demanding "Innovation" while punishing well-reasoned risks sends a devastatingly clear, albeit unintended, message.
4. **Integrating Values into Governance Processes:** Explicitly reference values in board evaluations (individual and collective), CEO performance reviews, succession planning criteria, risk appetite statements, and committee charters. Ask management how key decisions align with core values. Make values a tangible governance touchpoint.
5. **Championing Clear Communication:**
Mandate that management's communication strategy (internal and external) consistently reflects the board-defined meaning of the values. Ensure values are communicated not just as words, but as stories, expected behaviours, and non-negotiables. The board should periodically assess if the message is landing authentically.

From Assumption to Action: A Framework for Boards

Moving beyond the illusion requires deliberate effort. Here's a roadmap:

1. **Run a "Values Stress Test":** Exercise:
Ask each director to anonymously define one core value with 2–3 concrete behaviours. Compare answers. Gap analysis reveals misalignment.
2. **Embed Precision in 3 Layers**
 - Language: Replace vague terms ("Respect") with observable actions: "We listen before deciding; debate issues not people; explain decisions to dissenters."
 - Process: Mandate that board proposals include a "Values Alignment" section.
 - Accountability: Tie 20% of CEO/executive compensation to values-driven behaviours.
3. **Audit the Echo:** Does the organization experience your values? Sample frontline staff: "How does 'customer-centricity' shape your daily work?" Misalignment signals communication failure.

Values as Your North Star

In an era of heightened scrutiny, complex challenges, and fierce competition for trust and talent, boards cannot afford to treat values as vague aspirations relegated to a website or annual report. The assumption of shared understanding is a perilous shortcut.

True governance leadership demands the courage to confront ambiguity head-on within the boardroom itself. By investing the time and intellectual rigour to define values with unmistakable clarity, embodying them in every action and interaction, and championing their authentic communication, the board fulfils its deepest purpose: setting the unwavering ethical and cultural compass that guides the entire enterprise towards sustainable, principled success. Boards must forge values in the crucible of shared understanding—where lived experience replaces assumption.

The tone you set today determines the organization's trajectory tomorrow.

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