Transcript – Belinda Loke on building board acumen outside of the AICD

Helga Svendsen 0:00

Today on the take on board podcast, I'm speaking with Belinda Loke about her recent participation in a McKinsey board program. First, let me tell you about Belinda. Belinda is a non Executive Director and Board Secretary of Kids Hope Australia, Australia's largest early intervention schools based one on one mentoring program, formerly part of World Vision Australia and established in 2004. Kids Hope Australia has been impacting the lives of over 20,000 disadvantaged children in primary schools across Australia. Welcome to the take on board podcast, Belinda.

Belinda Loke 0:37

Thanks for inviting me on your podcast.

Helga Svendsen 0:39

It is so awesome to have you here. And indeed, just before we hit record we were reflecting on I was like, how did this happen? We first met maybe 10 years ago. And through shout out to Cra Gleason for introducing us all those years ago when you did the company directors course. So it's amazing how these things, you know, just come around in the background. And here we are 10 years later recording a podcast. So we will talk about this McKinsey program in a moment because I'm really interested to hear some of your reflections around that. But as always, before we do that, let's dig a little bit deeper about you. So can you tell me tell me a little bit about you?

Belinda Loke 1:22

Sure. I began my career at a top tier law firm specialising in banking and finance law over a decade, and I advise clients including major banks and ASX listed companies and worked at overseas acting for ExxonMobil in Papua New Guinea, and in Vietnam for Japanese and Kuwaiti clients investing in petrochemicals. I've also held senior legal in house roles, including as Chief Legal Officer at various financial institutions. And currently, I'm the founder and principal lawyer of Legalexa, which is a

digital law firm, specialising in providing innovative legal solutions for health practitioners and business owners. I'm also a non Executive Director and board secretary, as you mentioned, have kids hope Australia, and I joined the Kids Hope board to combine my legal and corporate governance skills and interest in social impact. So it's a great honor to also have Tim Costello as our patron of Kids Hope.

Helga Svendsen 2:23

Oh, that is amazing. Belinda, you've got such interesting experience in there. And your digital law firm. You founded that, right?

Belinda Loke 2:31

Yes, that's right. So the catalyst for that was I facilitated my husband's 11, dental chair practice with me stuff. So I was his financial advisor, business broker, legal adviser. And I found that there was really a gap in the market for professional services in the health industry. And so that was the catalyst and motivation for me launching my own business to help and guide other aspiring business owners and health practitioners to navigate the complexity of the market to their own their own business.

Helga Svendsen 3:05

How amazing that not everybody sees a gap in the market, and then does something about it. But that's exactly what you did. So I'm interested is that just something that comes naturally to you, it's just like, oh, there's a gap, I better do something about it. Talk us through how that happened.

Belinda Loke 3:21

I think it was more that I had an interest in health and also in law, and then to be able to keep my eye on those interests. And even though I was working on clients, billion dollar transactions, to be able to work directly with and seeing the reaction of business owners and dentists were originally started being so relieved, and being able to purchase their own practice and to guide them, I think, was something that interests me. And that's where I pivoted and made the move and develop that niche market. And I've got all the connections and strategic alliance partners, because I've been in the client's shoes myself, and being able to then guide other people and navigate what we had to go through when we purchased into that 11 shift into practice.

Helga Svendsen 4:11

Amazing, okay, well, already, I think people will be getting a picture of you, as somebody, you know, takes those opportunities and just runs with them really, and being able to share your wisdom, which is exactly why we've got you here today to have a chat too. So then let's turn to our topic for today. So you participated in this program with McKinsey and Company around board stuff? How did you come to the program? What was the program? And then we'll dive into some of the topics that they covered. But yeah, just tell us broadly about what it was about and how you ended up there.

Belinda Loke 4:47

So I ended up there because I saw one of your links and posts on LinkedIn earlier, which is always very informative and resourceful. And I thought, Oh, that looks really interesting. I'll get onto it and then apply directly on the me Kinzie and I was then selected by McKinsey and Company to join the board effectiveness program. And that covered four modules. So firstly, the role of value adding boards. Secondly, shaping purpose and strategy, which covered strategic direction and when and how boards can make the most difference. And thirdly, psychological safety. So to foster innovation and learning, and how the board can establish conditions and culture within the boardroom, that allow for psychological safety and diversity of thought. And then lastly, are sharing practices. So being able to collaborate and share experiences with over 100 board directors,

Helga Svendsen 5:45

How many people were involved in the program?

Belinda Loke 5:47

they were 100 of the boardroom.

Helga Svendsen 5:49

Oh incredible. Okay, and just out of interest, I want to dive into some of the topics in a moment. But I'm always interested in community and network. So I'm wondering of those people in the program, do you still keep in touch with any of them?

Belinda Loke 6:03

Yes, I do. So one of the great things about the program is the opportunity to network and then establish relationships with others, not just in Victoria, but nationally. So you might have a virtual

coffee. So I had a virtual coffee, with the chairman of another organization in Brisbane. And so these are the other ways to connect with the board members.

Helga Svendsen 6:28

Can I check? So how often do they run this program? And is it open to? Who's it open to? And how were you successful in getting your place? Sure.

Belinda Loke 6:37

I think it runs, it changes each year. But in the past, it's run twice a year, over two days, in the most recent cohort, I think they introduced a additional module where to provide more of those networking opportunities. And it was more of a CEO roundtable as well, so that you had that mix of the board perspectives, but then also there was one on with three leading CEOs, so you could hear their diverse opinions, and also from the other side, then an application process where that's submitted directly to McKinsey. And then they have their application process internally. And then they just let you know if you've been successful. So there's different chairs and boards from a diverse array of industries and organisations.

Helga Svendsen 7:26

So it's only open to people who are already on board. It's not a get on board program. It's a develop board expertise program. Fantastic.

Belinda Loke 7:36

And that's right. And I think the beauty of that is that then when we delve into the sharing practices, it's really about the real world problems, what people experiencing in their boardroom, and new people can bring in their war stories. And that's where we can collaborate on things, I think, different from the AICD course that I've done years ago, but I know for example, even psychological safety wasn't touched on when I joined the AICD course a number of years ago. And then it's more about the real life practical experiences, McKinsey program.

Helga Svendsen 8:09

Now we know the nuts and bolts, let's delve into some of that content. There was four topics valuating boards, kind of strategy, psychological safety and sharing practices. So let's start with evaluating boards, shall we? What were some of the key takeaways from your learning in that area?

Belinda Loke 8:26

So McKinsey described four different types of boards. So there's firstly a bit complacent board, which is a board that spends much of its time rubber stamping, strategies and decisions. Secondly, they talked about the compliance board, where the board is seen as controllers with their main focus on managing risk. And thirdly, the independent perspective board where the board increases independence to ensure effective checks and balances. And then they focused on challenges to management. So that, for example, when board members, we challenge or you know, the CEO report, so you get to that level of independent perspective. And then finally, there's the value enhancing board, which is where the majority of boards aspire to reach at this stage. And this is where the board ensures its accountabilities are fulfilled, but also performs more forward looking value enhancing activities. So from my experience as a lawyer director, I tend to identify more legal and risk issues, and raise this with the board and recommend solutions to mitigate that risk. And this helps move boards from that complacent board to a more compliant one. And then once I'm satisfied that the key legal risks are complied with, and I can sleep at night, then we can spend more time and focus on the value enhancing activities. So that was kind of the various boards.

Helga Svendsen 9:57

And so boards are aspiring to be the value enhancing board rather than inverted commas just compliant. Although being compliant is also a good thing. It allows you to sleep at night. What are those characteristics of these value enhancing board? For those those of us on boards? What should we be doing to get to that level? What are the characteristics? Or what are the things we can do to encourage that?

Belinda Loke 10:21

Direction setting, being more visionary looking at things from a strategic perspective and just adding value enhancing activities? I think really setting that tone and that strategy.

Helga Svendsen 10:34

So it's might be a bit of a cheeky ask, but I'm going to ask anyway, for your board kids hope board, if you're able to answer where would you say your board operates at. And since during the program, I'm wondering what you took back to your board to really encourage it to get to this value enhancing stage.

Belinda Loke 10:53

It depends on you know, the time that's spent on the board, which identifies you as the complacent, compliant or value enhancing board. I think we moved from the compliance side, because I was able

to identify risks. And while I secured over $30,000 worth of pro bono legal work, I should actually say to King and Wood Mallesons. So they were great to provide us with that pro bono legal work. And then now we're more able to focus on value enhancing activities. So for example, last year, we launched our first community fundraising event, which involves a national helicopter tour around Australia to raise funds for vulnerable children with COVID. Unfortunately, that set us back a little bit. But luckily, Queensland was still open at the time. But given the restraints on fundraising, the helicopter tour was one way that could still go forward. And they raised over $100,000. So we're able to focus then on more value enhancing activities. And also more recently, the strategic focus, we've evolved in a to expand to corporate fundraising and sponsorship. So creating an innovative corporate pitch deck and partnering with other corporates. So that's where now we can focus on more value enhancing activities, because we've got other checks and balances in place.

Helga Svendsen 12:15

And it's even interesting. King Wood Mallesons, were your pro bono lawyers, or are your pro bono lawyers, just out of interest? Because I know that this could be of interest are also a range of organizations. How did you make that happen?

Belinda Loke 12:27

Through my networks being having worked in top tier law, but in a top tier law? So yeah, my networks who an ask and then they've arranged it.

Helga Svendsen 12:39

Those of you who are on not for profit boards, or even work within not for profit organizations. Ironically, Allen's were you used to work with a pro bono lawyers of an organization where I used to be the CEO. And as you say, it just having that in place frees you up so much to do other work. Rather than having to delve through every clause in the contract. Or think about the IP or think about these relationships, you've got somebody who can provide you with that advice. So frees you up, even as a CEO to do more valuating work rather than that as well.

Belinda Loke 13:13

Yeah, that's right. So I think it's being able to then free up those resources. And then they also have the time to focus the CEA can focus on other value added activities like ESA.

Helga Svendsen 13:25

Okay, so that it might be an interesting framework for those in the take on board community who are listening in about your board, where do you think your board might be at is that the complacent or compliant or bringing in independent perspectives or the Nirvana value enhancing board and, and it might be different stages, even at different parts of, you know, I think a board can operate at all of those different levels at the same time, sometimes as well around different topics or whatever it may be. So it's a really useful framework, I think, for people to think through. You also talked in there that one of the topics that was covered was around psychological safety, which is increasingly I think, becoming a topic in thinking about boards. We 10 years ago, I don't think anybody talks psychological safety, but now people do. In fact, I remember the very first time somebody mentioned psychological safety, and I'm like, What are they talking about? When looked it up and went, Ah, right. You know, that stuff I get, I totally get what it was. I just hadn't heard the actual term before. And for me, it made it actually sound a little bit more mysterious than it actually is. But now it's part of common parlance. What did you talk about in terms of psychological safety?

Belinda Loke 14:39

So McKinsey kicked off their discussions with a study by Harvard researcher, Amy Edmondson and she examined do better hospital teams make fewer medication errors. So how are you you're on the board of Rural Women's hospitals? I was interested in your thoughts on what you think.

Helga Svendsen 14:57

Yeah, we nowadays I mean, I joined the board. Would seven years ago, I think there. And again, I've ever noticed that that board would talk much more psychological safety. Now we, we start all of our board meetings and all of our committee meetings and indeed all the meetings throughout the hospital, start with a safe to speak up statement. I can't remember off the top my head, but it's a it's a statement about this is a meeting where people need to feel safe to speak up, we encourage you to speak up. And it's just inverted commas a statement, but I think it sets the tone at the start of all meetings. Not only that there is a being safe to speak up. And psychological safety is absolutely part of the strategy that people strategy and about our quality strategy and about the culture of the organization overall. So we're focused in the last couple of years quite a bit on that area. I don't think we're perfect. I don't think any organization is perfect in these things. But we are certainly focusing on it. Because in the health sector, it is key, it's key to good quality care.

Belinda Loke 16:03

So in that study, do better hospital teams make fewer medication errors, the study was expecting to find that higher performing teams made fewer mistakes. But what was found instead was the opposite. So better teams reported higher error rates, not lower ones. And not because they made more mistakes, but the culture and the environment made them more willing and able to talk about

them. And the studies show that the highest performing teams cultivated an interpersonal culture, or climate in which everyone from the lowest ranking employee to the highest felt empowered to speak up. So exactly what you were mentioning with your board opening statement that everyone's safe to speak up. And that's how Amy then returned this climate, psychological safety.

Helga Svendsen 16:52

I think it's an interesting thing for boards to think about in terms of measures of success, and so on. Because often, no matter what we're looking at, you know, we're looking at less medication errors, we're looking at less bullying claims, we want less mistakes reported. But in fact, putting the emphasis on the less mistakes reported just means you have less mistakes reported, not less mistakes happening. And sometimes I've certainly had this conversation at a number of boards that I've been on, sometimes an increase in those reporting is a good thing. Because we know what's happening. So we need to know about it. So it's a really good thing for boards to think about in those measures of success is, you know, what do we really want here? And is just wanting, you know, a downward trajectory in terms of whatever it is being reported a good thing, or does it just mean, you're not hearing about it anymore?

Belinda Loke 17:47

Yeah, that's right. And I think even from an organisational perspective, or the psychological safety, just reflecting on that, and the dental practice, which has over 40 staff, you really want the people at the front level and the operation level to tell you if there's an issue. Or if things like for example, we found that there was a decrease in foot traffic or patients. And then when we dug into it, because we do a lot of data analytics, and other dental practice had used the same name. So obviously, the during dental clinic is trademarked, but they were using that on their website. So patients will inadvertently go into another practice. It's interesting. You do want your front level staff to be involved in you know, to speak up and tell you that there's less foot traffic or such identify any issues so that you can manage that risk. I think you're right you want even though you do have more incidences, you want that environment where people feel safe to speak up. And I think interestingly, Google launched a project to determine what a high performing team what determines a high performing team. And they named the project project Aristotle, after the philosopher's famous quote, the whole is greater than the sum of its parts. So Google spent two years analyzing hundreds of teams in data, different datasets, and the result of Google's project was that psychological safety ranked number one in order of importance. And to get back to your question and being a lawyer, I have to give you a definition. So psychological safety is a shared belief that the team is safe for interpersonal risk taking. So speaking up with ideas, questions, concerns, or that mistakes will be will be welcomed and valued by others.

Helga Svendsen 19:36

So in in your discussions as part of the program, like I think psychological safety is important at so many different levels. It's important in the boardroom, so you can have in fact linking it back to the first conversation. Evaluating board will only be evaluating if there are psychological safety in the boardroom for people to really be able to contribute, and an organization will only be strong and healthy. In all of those things, if there's psychological safety in the boardroom, so did you talk about what might be some of the measures for boards to look at either for their own performance or for the organization's performance around psychological safety? Because, as we've just explored, some of the metrics can sometimes be counterproductive to psychological safety. So what what should boards Be on the lookout for?

Belinda Loke 20:23

It was interesting, because some of the commentary at The McKinsey course did mention that sometimes people don't even know that it's there. And so it's difficult in that sense to measure because people aren't aware of it. I guess indicators could be meetings after the meeting, which then indicates that people aren't comfortable speaking up. And you're causing meetings after the board meeting.

Helga Svendsen 20:54

Interesting. Yeah. So that that's a Yeah, an indication that things aren't being said in the moment. Interesting. Ah, Belinda, so much in here already. Was there anything else in the program that really stood out for you?

Belinda Loke 21:10

Sure, I think the two key things I would say would be why psychological safety is important. Because as McKinsey did mention, some boards or board members don't know whether it's there or not. So just to emphasize to your listeners, why it is important. And a recent Harvard Business Review article tells us that the highest performing teams have one thing in common and its psychological safety. So it's the belief that you won't be punished when you make a mistake. And that the boards that function effectively as a team have 800% greater impact on firm profitability. And that more than any one well qualified board director. So if you know the lack of psychological and safety in the boardroom, it can create barriers to innovation. So for example, when a board member interrupts the CEO, or another board member in a disrespectful manner, then it causes others to feel uncomfortable speaking up, or another example of a groupthink culture. So that can deter team members from sharing their concerns, challenging the status quo, and suggesting those innovative ideas. So when board members know that they won't be penalized for asking those challenging questions, then they can really focus on the work that can move the organisation forward, which as you mentioned, ties in with the value enhancing activities of the board.

Helga Svendsen 22:38

Psychological safety, you've talked about how it's important. How do we create that in the boardroom? What did you learn there that might be useful for people?

Belinda Loke 22:46

So firstly, by approaching conflict as a collaborator, not anniversary. So when conflicts come up, avoid triggering a fight or flight reaction by asking how could we achieve a mutually desirable outcome, and adopt a learning mindset where you're truly curious to hear the other person's point of view. So the conversations are collaborative and not disrespectful. So if you funds foster this sense of psychological safety, it creates higher levels of engagement, increased motivation to tackle difficult problems, and better performance. And so McKinsey discussed a three step framework to create psychological safety. They provided a dialogue toolkit with suggested language to use in board meetings to foster a psychological Lee safe environment. So the first step involve framing meetings as opportunities for information sharing. So they suggested language like we are likely to have different perspectives going into this meeting, which will help us arrive at a fuller understanding of the issues in this health decision decision, which is great to hear that your health hospital was already doing that. And in this example, that McKinsey provided the chairs welcoming differences as a source of value. So they're setting the scene. And then the second step is inviting participation. They're systematically inviting people to join the conversation, one by one, and listen to and capture what they have to say, before moving on to consider the implications of the different perspectives. And the suggested language by the chair maybe what are people's views versus who has a really good question. If framed in in the ladders manner, there's a risk that people don't share their opinion, because I think, not a really good question, though they don't speak up. And other phrases that don't foster psychological safety will be who disagrees. Looks like we're in violent disagreement, any final words? And so again, the risk in a group think culture is that the person who speaks up their neck is on the line at McKinsey again, their recommended language to create that psychologically safe environment would be to ask In what ways might we be wrong about this? What would someone who disagreed with us say right now? So that subtlety in the language. And then thirdly, responding productively. So a thoughtful chair or leader would proactively invite input with good questions that signal that they're genuinely interested in what people have to say.

Helga Svendsen 25:26

What are the key things you want people to take away from the conversation that we've had today?

Belinda Loke 25:31

I think firstly, creating psychological safety is important for boards, as we mentioned, because it's the provides that 800% greater impact on family stability. And then secondly, to excel diverse boards

as we see increasingly more diverse boards. And the number one theme there is that effective teams have psychological safety and effective diverse boards have psychological safety. So one that values the different perspectives, integrates those contrasting insights, and then welcomes those conversations about diversity of thought. And I think the final takeaway is that a lack of psychological safety in the boardroom can create barriers to innovation. So when board members know that they won't be penalized, then you can move the organization forward.

Helga Svendsen 26:20

Is there a resource you would like to share with the take on board community?

Belinda Loke 26:24

Yes, so there was a TED talk on psychological safety by the Harvard researcher, Amy Edmondson. And she's the one that coined the term psychological safety. And also the McKinsey and Company insights. So psychological safety and liquidity cool role of leadership development.

Helga Svendsen 26:43

So Belinda, before we close out, I just need to check. Are you looking for board roles at the moment?

Belinda Loke 26:50

I'm always open to expanding the board portfolio.

Helga Svendsen 26:55

Well, let's not waste this opportunity with you in the years of the take on board community, just out of interest, what would you say your top three skills are that you would lend to the boardroom? And secondly, what sort of boards might you be looking for to build your board portfolio?

Belinda Loke 27:13

So the three key areas would be the legal corporate governance, and also bringing to the table diversity of thought. And having been to different programs like the McKinsey program, being able to weave that into the boardroom diversity of thought and psychological safety to then produce and be part of an effective team. My interests are in health, but also open to corporate and health sector roles.

Helga Svendsen 27:41

Fantastic. Oh, all right. Well, you know, never miss an opportunity. I say, Okay, folks, so if you're listening, and you know, of a board that might need some has a gap on their skills matrix around legal or corporate governance or diversity, it's almost diversity and inclusion are here in that last one. I mean, psychological safety is around inclusion. So it might be around diversity and inclusion. Belinda might be your person. And if it's, you know, a corporate or health board or something along those lines, she might be your person. So we'll make sure her contact details are also in the shownotes. And feel free to reach out to her. Thank you so much for sharing some of your wisdom about the McKinsey program. We will also make sure that there is a link to that in the show notes so that others that are listening might want to participate in the program as well. If you would like to know more about those topics that we've touched on here today. So thank you so much for taking the time to share your wisdom and experience with take on board community today.

Belinda Loke 28:46

Thank you. My pleasure. Thanks for having me.

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