Cogitare et volvere Thoughts & Reflections

Anticipatory Obedience - Boards, Government and Governance

As I watched the recent United States election results unfold, I reflected on boards and governance and how this election, possibly more than any other, may alter the moral, ethical, and values-based compass of corporate boards. But then I thought, will it really? Would corporate boards really alter their moral, ethical, and values-based compass of governance, and seek to gain favour with a new President Elect by pre-emptively altering their actions to reflect the new direction of the elected leader? Even if there had been no direct request, regulation, directive to do so, only statements of intent, desire, wishes?

In an article for the <u>Directors and Boards</u> magazine, I discussed how ethical organisations are powered by ethical boards. I referenced Bob Garratt and his seminal work "The Fish Rots from The Head." With these questions in mind, I posed myself this thought project.

If, as proposed in my article, a corporate board's ethical, moral, and values-based decisionmaking influences organisational performance. Then would the moral, ethical, and valuesbased statements, election promises, and proposed policies of President Elect Trump have a similar effect or no effect on the performance (decision making) of boards in corporate USA. Does the metaphor "The Fish Rots from The Head" equally apply to the government – corporate board relationship and the corporation's subsequent performance as it does to the corporate board – organisational performance outcomes?

In this article, I won't revisit the constructs of "*Permission to Act,*" and "Social Proof" discussed in the <u>Directors and Boards</u> article. But I will briefly touch on "Obedience to Authority," but only in relation to the focus of this article, **"Anticipatory Obedience."** At first glance, the constructs of "Obedience to Authority," and "Anticipatory Obedience" may appear similar, but they are from it. Let me briefly identify the differences.

Obedience to Authority, primarily studied by Stanley Milgram, refers to how individuals comply with direct commands or orders from perceived authority figures, even when these orders conflict with personal values or moral judgments. This was demonstrated in Milgram's famous experiments, where participants administered what they believed were electric shocks to others under the direction of an authority figure. For reflection, we might also consider another question: would directors/boards of corporates abandon their moral, ethical, and values-based compass if asked/ordered to do by an authority figure? Just as the participants in Milgram's experiments did?

Whereas "*Anticipatory Obedience*," (from historian Ian Kershaw), describes a different phenomenon where individuals (directors and or boards) attempt to interpret and act upon what they believe authority figures want, without explicit orders.

Author: Dr D Mowbray FCG FGNZ

"Denis consults in the field of Behavioural Governance, is a director, sits on the Editorial Board of "Advances in Corporate Governance" (acgjournal.org) and is an award-winning contributor to Mondaq, the world's largest legal article syndication network. Denis is a Fellow of 'The Chartered Governance Institute (Global)' and 'CGI-NZ.' To learn more, contact denis@gryphonmanagement.com or visit www.gryphonmanagement.com. This concept is evident in the actions of loyalists, where they take the initiative and implement what they think a leader wants them to do without ever receiving explicit orders/directions to do so. The riots in Washington on Jan 6th, 2021, that followed President Elect Trump's speech may be a good example of "Anticipatory Obedience."

In a political leadership to corporate board context anticipatory obedience would be evident in:

- *"Power Dynamics,"* influencing behaviour even without direct commands, policy, regulation.
- *"Social Psychology,"* corporate boards may try to please those in power by anticipating their wishes.
- *"Institutional Behaviour,"* boards reshape their policies, positions based on perceived political winds.
- *"Self-Censorship,"* boards/directors modify their behaviour and speech to avoid potential conflict.

Complicating this further is the "special relationship" existing between government and corporations, which represents a complex web of mutual dependencies and reciprocal influences. Governments rely on corporations for economic growth, employment, tax revenue, and service delivery, while corporations depend on the government for regulatory frameworks, market stability, and resource access. This interdependence manifests through both formal mechanisms (like public-private partnerships, regulatory engagement) and informal channels (such as network relationships, privileged information flows, and strategic alignments and more).

This relationship creates a distinct operating environment where both parties gain significant benefits, but also introduces systemic risks. The corporate sector gains privileged access to policy-making, early regulatory signals, and market opportunities, while governments benefit from technical expertise, implementation capacity, and economic stability. However, this symbiosis can lead to concerning outcomes, including reduced market competition, compromised oversight, policy capture, and a "*potential democratic deficit*" where public interest becomes secondary to maintaining these special relationships and the quality of democratic governance suffers.

When considering the risks associated with the normal government to business contexts and the behaviours and or conduct that may occur because of their "special relationship." If this "special relationship" were to become conflated with the behaviours and conduct that occur from "anticipatory obedience." The result is a hyper version of "anticipatory obedience."

Possibly leading to board behaviours/conduct that are instrumental in decisions and actions, becoming incongruent with their previous ethical, moral, or values-based decision-making approaches. All of which is made even more vulnerable if obedience to authority becomes a factor. Especially given many leaders desire to have loyalists, compliant followers in positions of power.

The following are examples highlight how this "hyper anticipatory obedience" may be exhibited:

- *"Reinforced Feedback Loops,"* benefits flowing both ways reinforcing behaviour, political leaders reward compliance (contracts, funding, favours, etc.) encouraging deeper alignment, corporate success from anticipating political leaders' wishes leads to more and more anticipatory decision making.
- *"Intensified Power Dynamics,"* multiple compliance points reinforce compliance pressure, fear of losing "insider" status drives behaviour, conduct and compliance.
- *"Risk Amplification,"* more to lose from misalignment, increased risk from dependence and maintenance of relationships, risk increase as the relationship deepens, fear of disrupting the symbiotic relationship, complexity in managing multiple stakeholders (government, shareholders, etc).
- *"Resource Dependencies,"* mutual reliance on outcomes, intertwined financial relationships (subsidies, funding, etc.).
- *"Cultural Alignment"* common world view and priorities, aligned risk profiles, synchronistic decision-making.

If we now review one specific example of how "hyper anticipatory obedience," be it perceived or real, may alter the moral, ethical and values-based decision-making compass of the corporation, and then how this altered decision-making compass may cause iatrogenic outcomes which may alter the functional efficiency, profitability and heighten concerns for stakeholders regarding the corporate/organisation concerned.

• Democratic Health:

There may be an erosion of the clear boundaries between public and private power. Decisions taken which are not specifically asked for, but protection and maintenance of a rewarding relationship (past or future) become more important than abiding by corporates moral, ethical and values-based compass of governance that normally guides business decisions.

Example: The Washington Post's decision not to endorse Presidential Candidate Harris was roundly criticised by many, including Susan Rice, the former US ambassador to the United Nations. Who called the decision "... the most hypocritical, chicken-shit move from a publication that is supposed to hold people in power to account¹."

Bezos the owner of the Washington flatly denied that there was a "quid pro quo of any kind" with Harris or former President Donald Trump, adding that neither "campaign nor candidate was consulted or informed at any level or in any way about this decision." They have reportedly lost 200,000+ subscribers because of their decision ² (an unforeseen outcome).

¹ <u>https://www.theguardian.com/media/2024/oct/25/washington-post-will-not-endorse-presidential-candidate</u>

² https://www.nbcnews.com/news/us-news/jeff-bezos-defends-washington-post-endorsement-decision-rcna177742

But that is the way *hyper anticipatory obedience* works. No one actually asks or directs any particular action, but the organisation anticipates and actions, without reference to their moral, ethical, and values-based compass of governance decision making.

As this example highlights, the cost may not only be reputational but also financial as communities reflect on what you say you stand for as opposed to what you do: The Posts byline is "Democracy Dies in Darkness."

To be clear, while I reference President Elect Trump. "Hyper anticipatory obedience" is applicable in both authoritarian and democratic systems of government and their leaders, regardless of political ideology. This phenomenon, while easily identified in countries like Russia, China, North Korea, is equally applicable in democratic examples: Brazil, France, Norway, NZ, UK (chosen at random). The key difference is not in how hyper anticipatory obedience manifests itself in any of these contexts but that while authoritarian systems have more visible and direct forms of anticipatory obedience, democratic systems are equally vulnerable because democratic legitimacy is better at masking it, making it harder to identify and critique.