

# Cogitare et volvere

## Thoughts & Reflections

### Building Effective Third-Teams: Human Capital Igniting Intellectual Capital (Part 2)

**In Part 1** of my [Cogitare et volvere series](#), discussing Intellectual Capital. We explored the critical role of structural capital within the Third-Team. This invisible framework – your organisation's processes, systems, and knowledge base – empowers your people and fuels success. But a strong foundation is just the beginning.

**In Part 2** we explore human capital – the tacit and explicit knowledge, that each director brings to the table, and how within the mix of intellectual capitals this individual and collective tacit and explicit knowledge and its power to transform is often overlooked. We will briefly explore how human capital acts as the driving force within intellectual capital, enabling a Third-Team to become the most influential team in an organisation.

#### Human Capital: The Foundation of Innovation

Human capital represents the innate and learned abilities, knowledge, skills, and experience of individuals within the Third-Team. A powerful Third-Team comprises members with diverse expertise, a growth mindset, and a commitment to learning among other individual and collective characteristics and attributes. This foundation fosters a culture of continuous improvement, experimentation, and knowledge sharing. Which when combined with structural capital facilitates this team efficiently capturing, analysing, and utilising knowledge for innovative solutions.

It is human capital that is unlocked through the exchange of knowledge between the board and executives in the Third-Team. It is this exchanged knowledge that can then be **adapted, innovated and or replicated (AIR)** by the executive for use in the organisation. In agreeing with this statement, it must be remembered that director capabilities can only be a starting point, as action shapes relationships with others, these relationships being dynamic rather than additive. A Third- Team (board), like any team, is capable of being either greater or lesser than the sum of its parts (Nicholson & Kiel, 2003) <sup>1</sup>.

#### Unlocking the Power of Intellectual Capital: Synergy, Trust, and Confidence

While human capital provides the raw potential, it is through interaction with the other capitals contained within intellectual capital and the cultivation of **synergy, trust, and confidence** that facilitates the emergence and use of Human Capital. Here's how human capital unlocks the power of intellectual capital:

- **Social Capital:** Strong human capital facilitates strengthening social capital. Individuals with diverse expertise **leverage their network** to access additional knowledge, resources, and perspectives. However, for this collaborative environment to truly flourish, **synergy** is key. This means the team must go beyond simply adding individual strengths. By building trust and confidence in each other's abilities, the team can **generate a combined effect that is greater than the sum of its parts**.

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<sup>1</sup> Nicholson, G., & Kiel, G. (2003). *A framework for diagnosing board effectiveness*. Corporate Governance and Board Leadership Conference. Henley Management College, London.

#### **Behavioural Governance - Rethinking Boardroom Dynamics for Peak Performance**

**Intrigued?** Dr. Mowbray's insights can help your organisation achieve new heights. Learn more about his work and the "Third Team" concept at [www.gryphonmanagement.com](http://www.gryphonmanagement.com) or contact him directly at [denis@gryphonmanagement.com](mailto:denis@gryphonmanagement.com)

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- **Trust:** Trust allows for open and honest communication. Third-Team members feel comfortable sharing ideas, even if they seem unconventional, without fear of judgment. This fosters a safe space for creativity and risk-taking, crucial for innovation.
- **Confidence:** When Third-Team members have confidence in each other's skills and knowledge, they are more likely to collaborate seamlessly. This allows the team to leverage the full potential of each member's human capital.
- **Cultural Capital:** Human capital shapes a positive and innovative cultural capital. Third-Team members with strong skills and knowledge can champion innovative ideas (AIR) while being respectful of existing norms. Building trust and confidence further strengthens this positive culture. Individuals feel comfortable voicing their opinions and advocating for change, knowing that their ideas will be heard respectfully.
- **Structural Capital:** Human capital fuels the effective use of structural capital. Team members with strong critical thinking skills can **leverage existing processes and knowledge bases** to identify gaps and optimise workflows. Alongside championing the development of new tools and systems to better support knowledge creation and utilisation. However, this requires confidence in their own abilities to analyse and suggest improvements. Trust within the Third-Team allows for constructive criticism and open discussions about how to best utilise the organisation's structural capital.

### Diversity

Just a quick point on the word “diversity” as used here. When used by many today, the meaning has been reduced to a proxy for identifying the gender diversity of boards. But diversity has a far wider meaning than this single myopic use, it includes diversity across a broad range of characteristics and attributes, e.g., cognitive, of human capital that must be considered when discussing the desirability of constructing a diverse board. Diversity across a broad range of characteristics, attributes, etc., within a Third-Team is critical to achieving performance outcomes.

### The Takeaway

Human capital is not simply another component of intellectual capital; it is the **engine that drives its creation and utilisation**. By building a powerful Third-Team with diverse, highly skilled individuals, organisations can unlock the full potential of their intellectual capital, fostering innovation via adaptation, innovation, and replication (AIR) and achieving superior performance. Furthermore, cultivating **synergy, trust, and confidence** within this team is both an outcome of human capital and creates an environment where human capital can truly thrive.

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In conclusion, understanding the existing human capital of your board is not a luxury, but a critical requirement for effective director recruitment, aligning perfectly with the principles of behavioural governance. Behavioural governance emphasises the importance of director conduct and dynamics beyond just qualifications. Through a thorough board review process that utilises a behavioural performance lens, organisations can glean valuable insights into the current board's strengths and weaknesses.

This includes assessing individual and collective communication styles, cognitive preferences, collaboration effectiveness, decision-making processes, and risk-tolerance. By analysing these and other behaviours, the organisation can identify gaps in the Third-Teams human capital and intellectual capital combined with insights into possible deficiencies in team dynamics.

This behavioural assessment then becomes the foundation for targeted recruitment. Imagine the boardroom as a high-performance orchestra. Each director, with their unique strengths and behavioural traits, contributing to a powerful collective harmony. Understanding your existing human capital allows you to recruit the missing violin section, not just another flutist (apologies to any flutists), while ensuring the new director fosters and has an additive effect on trust, open communication, and a growth mindset within the Third-Team. This targeted approach, informed by behavioural governance principles, ensures the newly recruited director complements, rather than replicates, existing expertise, and behavioural styles. The result? A board that plays a symphony of innovation (AIR), driven by a diverse and collaborative human capital engine, ultimately propelling the organisation to exceptional performance.

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