



Building better board dynamics

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As corporate boards seek to meet an ever-expanding remit in fast-changing conditions, boardrooms have become increasingly complicated places to manage. The traditional board, mainly composed of men with similar backgrounds and little interest in change or questioning (since they created the status quo and were invested in it), has been fading for years. Companies have gained great value as new directors, with new backgrounds, areas of expertise, and perspectives, have joined boards. But new ideas on how to manage board dynamics have not always kept pace. To ensure boards are able to make the best decisions and focus on the right topics while appropriately challenging long-held organizational beliefs, chairs and directors today must prioritize facilitating the right conversations, building cohesive, inclusive teams, and finding common ground to manage conflict.

Facilitating the right conversations

At the core of any board meeting is dialogue, and talking about the right topics has long been an issue. At one time, the biggest barrier was groupthink. A classic example is a story Peter Drucker told about Alfred P. Sloan, who was the chairman of General Motors for 19 years. The company was facing a particularly problematic strategic issue. In front of the committee tasked with developing a response, Sloan said, “Gentlemen, I take it we are all in complete agreement on the decision here.” Drucker narrated: “Everyone around the table nodded assent. ‘Then,’ continued Mr. Sloan, ‘I propose we postpone further discussion of this matter until our next meeting, to give ourselves time to develop disagreement and perhaps gain understanding of what the decision is all about.’”¹

Now, most boards are far more diverse than GM’s under Sloan. Gender, of course, is the most notable way in which boards around the world have become more diverse. In 2020, for example, 41% of the seats filled on Fortune 500 boards went to women, while across the boards of public companies in 14 European countries, the figure was 48%. But diversity in terms of racial or ethnic background, nationality, and range of experience are also all notably increasing on most public company boards around the world, as Heidrick & Struggles’ research shows.²

A diversity of backgrounds and perspectives means that, well-run or not, most boardrooms are now very complicated places, where it can be even harder to have the right conversations on the right topics. In our experience, boards too often fall back on discussing the familiar—often driven by an agenda that doesn’t change meeting to meeting, the short term rather than the long term, or topics within their area of expertise—and however broad their expertise is, it may not necessarily encompass what a board needs to consider at a given meeting.

The first question for chairs and other board members to ask themselves is whether or not any given conversation is the best use of their time, right here, right now. Regularly reassessing the agenda, perhaps quarterly or annually depending on the pace of change for a given company, is one simple process change that can help significantly. Shifting the agenda away from presenting reports—which can be read in advance—to make time for dialogue is also crucial. And when managing that dialogue, the best chairs find a way to walk the line between ensuring that everyone has a chance to speak, and that what they say is additive rather than tangential. That can mean pushing directors out of their comfort zones, particularly when the board is talking about less-familiar topics. Finally, chairs who ask for feedback on each meeting, anonymously and individually, will often find themselves with suggestions for improvement specific to their boards’ unique dynamics. For example, knowing that every other director thinks one person always goes on too long can give the chair additional context for feedback to that director.

Building a cohesive, inclusive team

Once a board is having the right conversations, those conversations need to be constructive. Conflict is inevitable given the complexity of topics and directors’ individual differences. Indeed, conflict is necessary to avoid inertia and groupthink. But it is entirely possible to manage that conflict inclusively so that boards can make the best decisions for the organization.

One issue many chairs need to manage is the mix of traditional and newer board members. More traditional members may not have much knowledge about topics that newer members—and many other stakeholders—are increasingly passionate about, such as digital and artificial intelligence, diversity and inclusion, or sustainability. For boards to work well, all directors need to feel psychologically safe. An important element of this on a board is knowing whether and how it’s acceptable to challenge a colleague and, on many boards, what topics not to bring up—for example, a pet project of another director that failed. New directors in particular are often willing to challenge long-held organizational beliefs but may unwittingly do so in ways that offend long-standing directors, thereby derailing productive dialogue.³

Other elements of board operations that are equally important to ensuring they work as cohesive, inclusive teams are alignment on the company’s purpose and the purpose of the board in supporting it; making decisions transparently, as a full board rather than in side conversations; and having a truly inclusive board culture.⁴

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¹ Peter Drucker, *Management: Tasks, Responsibilities, Practices*, New York: Harper & Row, 1974.

² For more on the composition of public company boards in Europe and the United States, see *Board Monitor Europe 2021*, and *Board Monitor US 2021*, Heidrick & Struggles, on heidrick.com.

³ For our perspective on how new board members can increase their effectiveness, see Alice Breeden and Richard Jolly, “Three steps to finding a voice in the boardroom,” Heidrick & Struggles, on heidrick.com.

⁴ For more on how boards can assess and improve their performance, see Alice Breeden and David Hui, “A board review that accelerates competitiveness,” Heidrick & Struggles on heidrick.com.

All of these steps, taken together, can help ensure the board has constructive conversations rather than arguments or personal conflicts. Cohesive, inclusive teams also create a virtuous cycle: by being able to make good decisions and work together well, boards build the muscle to manage even the most difficult new topics constructively.

Finding common ground to manage conflict

When even the right conversations go off track or directors disengage, finding common ground can refocus the board constructively. The best way we've seen boards do this is by asking a powerful question, something like, "What are we all trying to achieve here?" Board chairs can and should do this, but it doesn't have to be them. New board members also have a unique position, one that can allow them to ask the board to take a step back and give them context. Long-standing board members can take the opportunity to remind others of a shared goal or purpose.

Another way in which boards can lose common ground is a disconnection in language. Some organizations have so much jargon and so many acronyms that it's near impossible for everyone to understand them in the same way. Many organizations see jargon as useful shorthand, but when topics are complex and conversations difficult, clarity is all the more important and yet elusive. Ten different directors, for example, from different industry backgrounds, with different degrees of knowledge about a company's operations and different personal views on sustainability, will almost certainly understand "sustainability" differently. When topics are presented in language specific to a single function or region within a company, board members may miss much of the substance. Whatever the source of jargon, using it can cause decision making to founder quickly. When long-standing directors use jargon to shut newer directors out, the dynamic deteriorates even further.

One counterintuitive solution to finding common ground is instituting term limits. It might seem that common ground would be easier to find with directors who all know each other well, and, to a point, that's true. But the reality is that almost every board is under pressure to add more diverse directors with new areas of expertise, and so it is likely that there will be a reasonably large share of new directors regardless. In that context, board members all learning together—new directors adding new expertise and long-standing directors adding the context and their own knowledge—can in itself be a tactic for finding common ground.

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Boards that take a few straightforward steps to intentionally focus on having the right conversations, being inclusive, and finding common ground will give themselves the best chance of managing the ever-increasing complexity of their remit.

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