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How to prevent conflicts in the boardroom?

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Supervisory board members and directors are generally unaware of how ambiguous the term *governance* truly is. There are two complementary but contradictory views or paradigms regarding governance:
the *agency* paradigm and
the *stewardship* paradigm. Both are necessary for high-quality decision-making. However, conflicts in the boardroom often arise from differences in these underlying paradigms.

Marilieke Engbers discusses the types of conflicts that may emerge and offers guidance on how to prevent these clashes between board members and executives.

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HOE VOORKOM JE CONFLICTEN IN DE BOARDROOM?

"The way Jan (fellow board member) asks questions to the director is disrespectful. We really need to address it."

Conflicts in the boardroom often arise from differences in underlying paradigms. To prevent these conflicts, it is essential that directors and board members: a) become aware of the governance paradigm from which they operate, b) jointly determine what is needed in the boardroom at the moment, and c) explicitly discuss the differences between mistrust and trust, good and bad intentions, pitfalls, and blind spots. Only by consciously discussing governance paradigms can these conflicts be bridged.

Ambiguity in Governance

Governance deals with managing and supervising, responsibility, and accountability. On the surface, most supervisory boards seem to operate similarly, with members sharing a common understanding of governance. However, research on decision-making in boards reveals that governance is more ambiguous than it appears, with substantial differences in how supervisory boards approach dilemmas and conflicts in practice. The practical interpretation of governance can vary greatly depending on the board members' perspectives, making it crucial for board members and executives to develop a shared understanding of their roles and responsibilities.

Two Complementary but Conflicting Paradigms

In tense situations where oversight is crucial, board members and executives often have unconscious differences in how they view governance, which hinders reaching consensus. Reaching consensus is hindered because board members are often unaware of their differing perspectives on the governance role and, consequently, the situation they are dealing with.

Sundaramurthy and Lewis (2003) distinguish two complementary yet conflicting governance paradigms: the agency paradigm and the stewardship paradigm. The agency paradigm assumes that the board's role is to ensure compliance and monitor the director, as the director’s interests may not always align with shareholders. This paradigm emphasizes a critical, vigilant approach to leadership.

Strategic Differences Between Boards

Do board members and stakeholders meet without the executive, or is the executive always present?

Is there informal communication or gossip, or are all topics discussed openly?

Does the chair set the agenda with the executive, or do all board members participate actively?

Are new board members invited to apply, or is recruitment outsourced?
Is decision-making explicit or more implicit?

Do board members stick to their roles, or intervene

"Supervisory board members and executives often act unconsciously in accordance with one of the two governance paradigms."

The stewardship paradigm, on the other hand, assumes that directors are trustworthy, their interests align with those of the stakeholders, and that the board should therefore collaborate with the director. As organizations become more complex and the challenges increase, this perspective is considered to become more important. The director needs the support, sounding board, and network of the board members. They should work together on defining, establishing, and approving strategies, annual reports, and large investments.

Board members and directors often unconsciously act in line with one of the two governance paradigms. The role, task, expertise, experience, personality, and status influence the paradigm of the board member and the director. Without generalizing, the chairperson is more likely to act from the stewardship paradigm because he or she develops a closer relationship with the director than the other board members. A financial expert is usually more trained in monitoring in an objective and more detached manner (agency) than an HR expert, who approaches processes more from a psychological perspective (stewardship). When responsibilities are allocated per role, a governance paradigm is automatically activated to some extent.

When things go well, it is more logical for all board members to act from the stewardship paradigm than when problems arise. Enforcing laws or monitoring the director requires acting from the agency perspective, while advising and supporting each other requires the stewardship perspective. It is impossible to operate from both trust and distrust simultaneously. If it is unclear why and when one paradigm (and thus from trust or distrust) is being applied, it can easily lead to tension.

When a board member or director operates too unconsciously and self-assuredly from one of the two governance paradigms and becomes “attached” to it, miscommunication, silent reproach, conflict, and mutual loss of trust can arise, especially if another board member or director is equally attached to the other paradigm. This creates a hot moment, which is felt by everyone. Hot moments are moments that trigger an emotional response and can lead to defensive action and reaction patterns (Edmondson & Smith, 2006). Defensive reactions include responses such as “yes, but,” mentally withdrawing (silence), emotional outbursts, and/or wanting to be right through arguments and rationalizations (Argyris, 2003). When someone reacts defensively, others quickly follow, creating defensive action and reaction patterns. In other words, defensiveness is contagious.

Klaas (supervisory board member): "We have to merge because..."
Hans (executive): "I don't agree because..."
Klaas (irritated): "What you're saying is not correct, it's actually like this and that...!"
Robine (supervisory board member), glances at her phone, tunes out and thinks: here we go again.
Rob (chairman) sees what's coming and says: "Let's discuss this in a different way."

When people are stuck in a governance paradigm, and things also go differently than desired, they will (unconsciously) tend to explain this by attributing it to the other's character traits or wrong motives. This cognitive error always goes hand in hand with another cognitive error: the naive realism bias (Ross & Ward, 1996). This bias means that people are convinced that their truth is objective, rational, and therefore "true." This also makes it possible to keep doing the same thing over and over again. Self-assured individuals will then, for example, think: what I believe is logical, even self-evident, and the other person simply doesn't want to cooperate.

When two people in a conflict think they are right, they are likely suffering from a blind spot. As a result, they do not trust the other person and both think that the other does not want to cooperate or is not meeting expectations. However, both may very well have the right intentions but are unaware of how the other perceives the situation and then experiences their behavior.

Investigating blind spots

Explicitly investigating the difference between intentions and observed behavior, or the blind spot, can prevent trust from turning into distrust. At the same time, it can also reveal what behavior is desired and why. However, this requires explicitly discussing each other's performance, even though such a conversation may create tension.
When supervisory board members and executives experience a heated conflict, they are inclined to blame the other's performance. As a result, a more fundamental discussion about what the current situation actually requires remains invisible. This conversation is difficult to have because the underlying paradigms are often seen as self-evident truths. The practice of governance, therefore, requires that supervisory board members regularly and openly share their assessment of the situation and discuss what intervention is needed.

This conversation can be guided by the matrix. On the vertical axis is the extent to which the supervisory board members assess the risks regarding the functioning of the organization and the executive. On the horizontal axis is the paradigm from which the supervisory board members assess that a response is needed.

All goes well	Servicing (non-binding)	Monitoring
There are serious concerns	Employer: compelling advice	Employer: intervention
	Stewardship	Agency

"When someone responds defensively, this is quickly picked up by others, leading to defensive action and reaction patterns."

This matrix can be used by the supervisory board members among themselves, simultaneously or subsequently with the executive, to explicitly engage in a conversation about how the situation is assessed and to determine what everyone believes is necessary and why.

Monitoring:
If the assessment is that the risks are low, a distinction can be made between what, despite this satisfaction, they want to continue monitoring (from the agency paradigm), as the situation could deteriorate (quickly) again. These matters can be described in the top-right quadrant. The supervisory board members can inform the executive about which matters (KPIs) they want to be kept informed about, so they can continue to fulfill their oversight role critically.

Advising/Non-binding:
When supervisory board members believe that things are going well, they can discuss with the executive what knowledge or information they can provide to support them (stewardship). This strengthens cooperation and trust. Without this explicit conversation, the supervisory board members risk advising the executive, even where advice is not needed. Especially if several supervisory board members provide contradictory advice, this can easily lead to irritation on the part of the executive and disrupt the relationship. These topics can be noted in the top-left quadrant.

Employer role/Compelling advice:
If the supervisory board members receive signals that the organization and the executive are underperforming, this may be a reason to thoroughly investigate the meaning of this among themselves. Even if only one supervisory board member has concerns, while the others believe everything is going well, it is worth exploring this. This usually works best if the conversation takes place without the executive. If one of the supervisory board members tends to be quickly dissatisfied

or concerned and therefore acts from the agency paradigm, the other supervisory board members can manage this sensitivity — once it has been properly explored — without burdening the executive with it. If, however, the concern appears justified, the supervisory board members can deliberate on their next step before informing the executive.
If the executive is trusted — both in terms of intentions and competencies — but it is still assessed that help or coaching is needed for a particular pitfall, the supervisory board can decide to give the executive a strong recommendation. The supervisory board members would then, in principle, be acting from the stewardship principle: they help the executive address their pitfalls.

Employer role/Intervention:
If the problems and concerns are too great, and the trust in the executive's qualities is insufficient, the supervisory board must consider intervening. This intervention then takes place from the employer role and from the agency paradigm. Especially when the executive believes that everything is going well enough, it is the responsibility of the supervisory board members to make a decision about this intervention. The interests of the supervisory board members then diverge from those of the executive.

The Strategic Agenda

By having this conversation within the board about how things are going and what is needed, the supervisory board members and the executive prevent misunderstandings that arise when their assessments are communicated implicitly, through non-verbal means.
Moreover, by discussing this matrix, the core of governance is explicitly placed on the agenda: jointly deciding whether the organization and the executive are performing sufficiently, and if not, what is needed to guide the organization toward the right performance. Unfortunately, this conversation is not simple. How things are going and what is needed are subjective assessments, based on governance paradigms that have often developed over a long period and cannot easily be discarded. Reaching consensus on these questions can take a lot of time, with possibly only an "agree to disagree" as the best achievable outcome. With a curious attitude, openness to being wrong, and by asking "dumb questions," this conversation can lead to rich decision-making that benefits the organization. Hopefully, this perspective is inviting.

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