

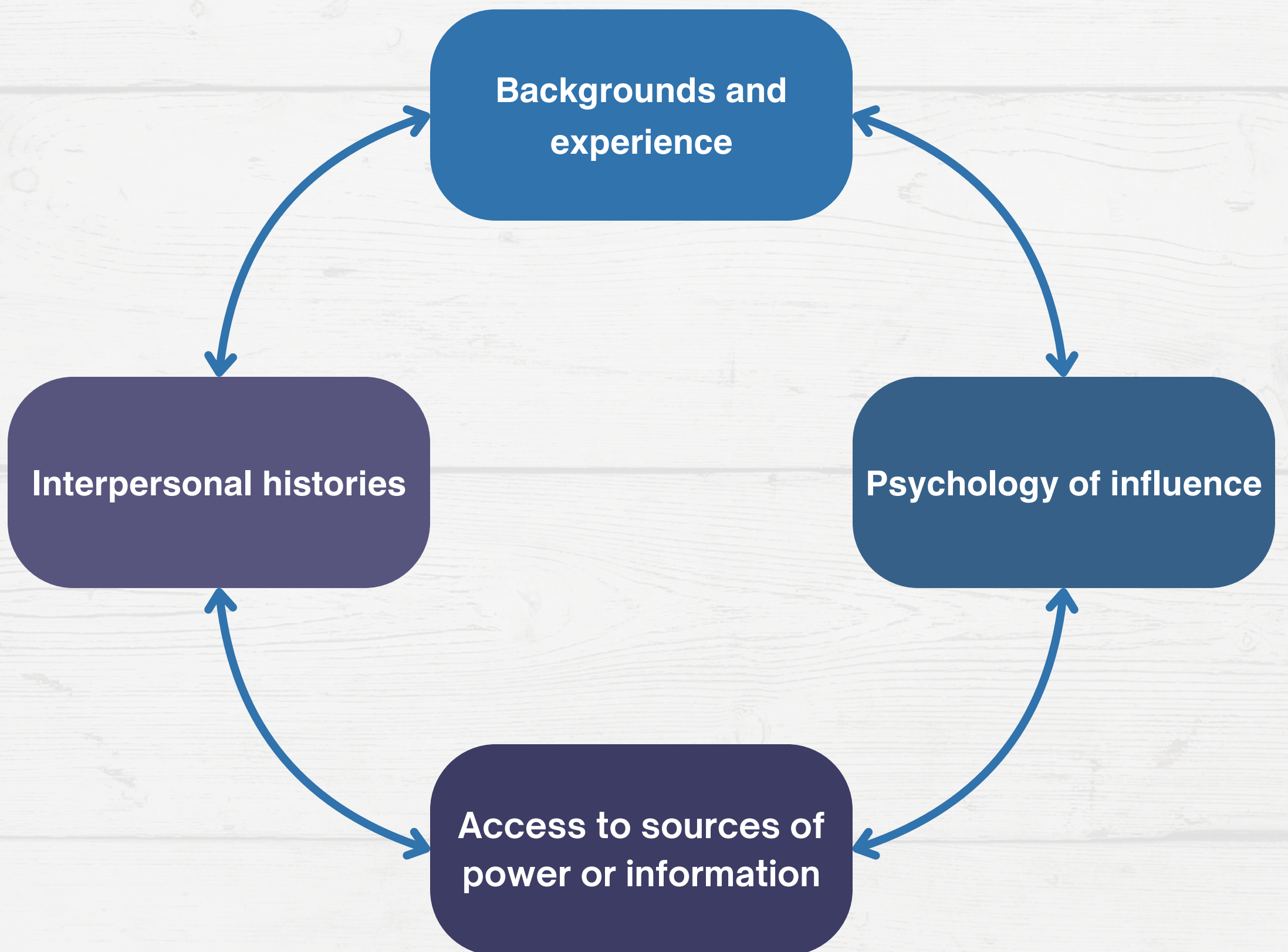
# Board Dynamics and its Influence on Performance

Since boards exert strategic control over how a company is run, the dynamics that dictate its running are critical in determining outcomes



# Drivers of Relationship Dynamics and Optimal Outcomes

A company's board of directors manages and guides business growth and protects stakeholder interests

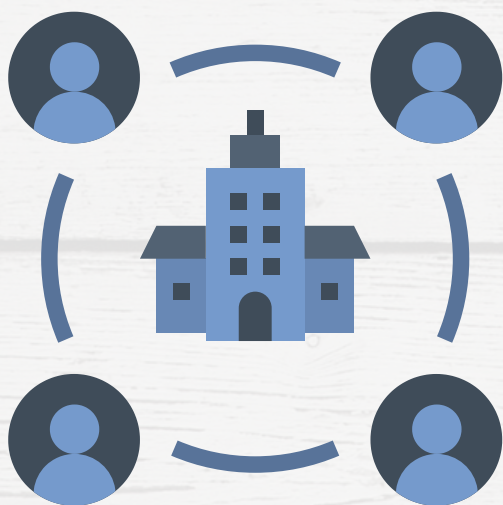


# Additional Influences on the Relationship Dynamics

The set of issues that dominate board discussions is complex



Contentious decisions are decided by voting, which creates a ripe ground for interpersonal relationships and the psychology of influencing.



In organisations with a strong culture, a significant part of this dynamic is influenced by how things have been done in the past and cultural influences.



In others with strong promoter influence, a deferential approach dominates.

# The Variety of Dynamics

## Between directors



which can be further broken down into subsets



Between independent directors



Within executives



Between independent directors and company

# Company Boards Also Help Drive ‘Performance Culture’

## Google’s Board-driven performance management system

- a culture of continuous improvement
- frequent and informal feedback between employees and their managers
- clear and ambitious performance goals
- employee independence in setting these goals



## Amazon’s Board-mandated openness

- open and honest communication between managers and employees
- culture of candid feedback that aligns individual goals with the company’s larger mission
- reliance on data to develop and assign KPIs

## Microsoft’s holistic focus on performance

- regular check-ins replace traditional annual employee performance reviews
- coaching mentality drives manager-employee interactions



## Apple’s focus on values

- focus on nurturing leadership skills at all levels is for continued organisational success
- creativity, innovation, and attention to detail drive all aspects of performance

# Drivers for Achieving Impact

For organisations genuinely interested in optimising the role of the board, diversity in composition is a key enabler

## Diversity in composition of boards

Besides a healthy balance of independent and non-independent directors, there also needs to be a good mix of:



**Expertise**



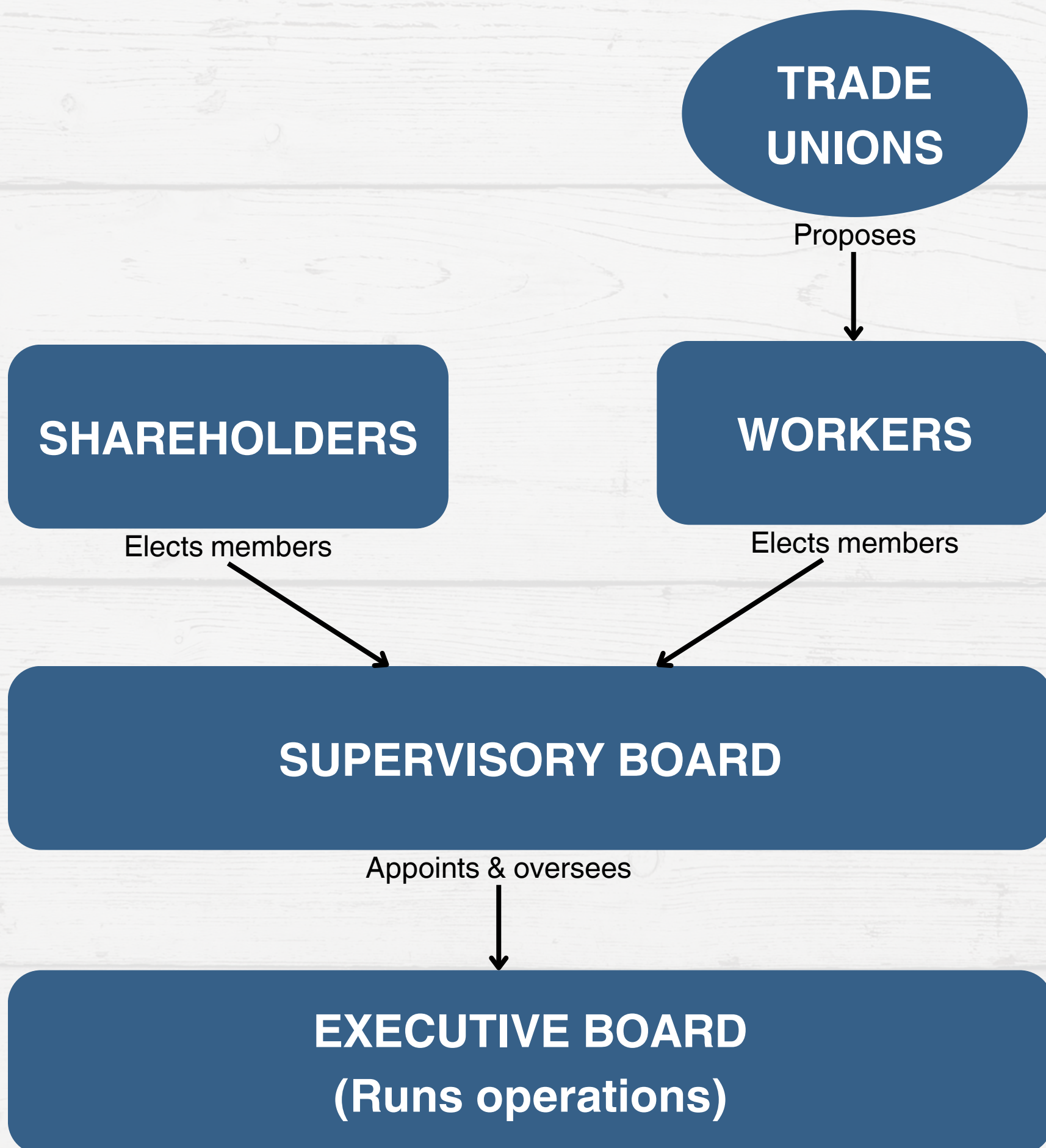
**Voices**

To be effective, the board needs to have a healthy mix of operational, financial, and strategic expertise, besides independence.



# The German Model of Inclusion

Germany offers a gold standard in driving inclusion at the board level. German company law give employees of companies with 500 or more employees the right to elect one-third of the members of the supervisory board:



# The German Model of Inclusion

Average number of board members:



in the U.S.



in the UK



in Germany

17.1 from the supervisory board  
5.6 members from the management board



The supervisory board is more effective in changing the management when the performance of a company is low, having closer contact with workers, while having a larger board can result in better suggestions and advice, improving the performance of the company.

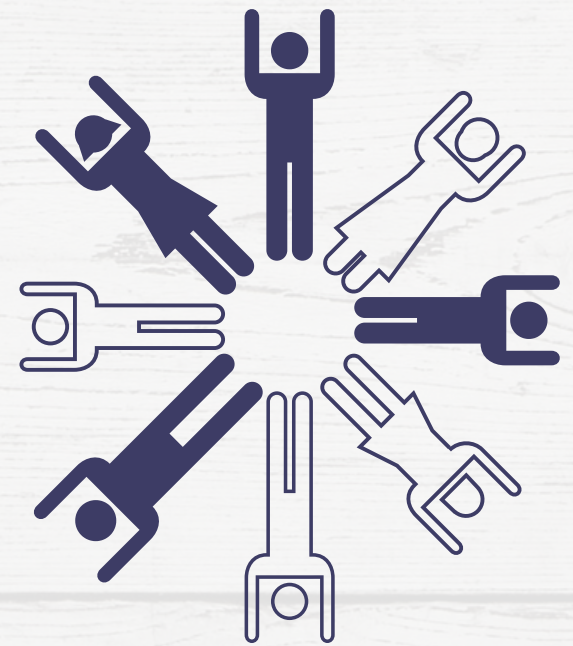
Research shows that having a majority of worker participation in company activity increases the productivity, while German works councils – that represent workers interests and welfare – help raise productivity.





# Emerging Imperatives in Board Dynamics

One key responsibility of board members is their contribution to furthering diversity and inclusion, including within the composition of the board itself.



Prevention of sexual harassment and dealing with complaints is also a sensitive area in which board members have to take the lead.

Another critical task is encouraging and safeguarding whistleblowers who threaten the interests of entrenched executives.



# Key Takeaways

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Dynamic boards drive performance with diverse compositions, backgrounds, expertise, and voices. Essential elements include prioritizing P.O.S.H., ensuring gender diversity, and safeguarding whistleblowers. These imperatives, independent of specific models, propel boards towards impactful governance, fostering sustained success in today's evolving corporate landscape.

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**- N.V. Ramanan**  
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