Good Conflict Makes a Good Board

by Solange Charas | 1:00 PM May 7, 2013

Anyone who has served on a board of directors can appreciate that each board has its own characteristic rhythm, social rules and level of effectiveness. I've been advising boards and management teams for 25 years as a consultant and C-Suite executive, and have served on several corporate boards, and can attest that it's long been a puzzle to me what exactly makes a board effective.

To try to answer the question, I went back to school. As part of my PhD research, I interviewed directors at 22 small- to medium-sized publicly traded companies about board practices and dynamics. Half the companies had received above-average rankings for governance quality from Governance Metrics International; half had received below-average rankings.

What I found was that there is something powerful about the way directors speak to one another, especially when they disagree. My interviews revealed two kinds of boardroom conflict — cognitive and affective — with very different implications for board performance.

- **Cognitive conflict** is task-oriented, with a focus on how to get things done to achieve optimal results. Cognitive conflict can sound like: "I don't think your idea will work, maybe we need to look at it a different way...have you thought of this?" This kind of conflict is essential in creating value as it stimulates conversation around topics, addresses ideas or points of view with an opening for directors to offer something creative, innovative and positive.
- **Affective conflict**, conversely, is emotionally oriented and focused on personal differences or shortcomings between people. Affective conflict can sound like: "I don't think you have good ideas and you don't understand the issue." This kind of conflict destroys any chance of creating value as it is a personal attack on the capabilities and perspective of the individual director, inhibiting individuals from participating in dialogue.

Boards that recognized affective conflict and addressed it quickly were associated with high governance quality, whereas boards that were less willing to address affective conflict or ignoring it altogether were associated with low governance quality. High governance ratings were also more common for boards that had engaged directors generating high levels of cognitive conflict.

Possibly associated with this are attrition rates — higher on boards that didn't address affective conflict, at 24% attrition, compared with 13% attrition on boards that actively address affective conflict. Given that boards have infrequent face-to-face meetings, stability is critical for effective board   dynamics.

Two distinct recruiting sources

There also appeared to be a relationship between board governance quality and prior personal relationships of directors. High-governance boards cast a wide net when recruiting directors, and often recruit people with whom the other directors did not have a prior relationship. The study showed close to 70% of high-governance-board directors were "strangers" when they joined their board, while only 25% of directors recruited to low-governance boards were unknown quantities.

These different recruiting approaches appeared to affect boardroom dynamics. When directors had a prior relationship with a newly-recruited director, they were driven by their desire to maintain a

congenial relationship — to not "rock the boat" of their extra-board relationship by addressing affective conflict in the boardroom. Conversely, in high-governance-rated boards, where directors only have the boardroom as the context of their relationship, it became even more important to address affective conflict to make sure that the work environment be productive. Directors were not willing to sweep issues under the carpet for the sake of keeping peace when the health of the company was at stake, and tackled affective conflict head-on.

What does this teach us about creating good boards? Recruit the best people you can by casting a wide net beyond your personal network. Screen directors not just for professional capital, but also for behavioral characteristics and "fit" to your boardroom culture. Address affective conflict as soon as it arises — easier done if you don't fear the consequence of damaging a prior relationship. Don't be afraid of cognitive conflict — embrace it as a source of innovation and creativity in problem solving.

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