

Factors that affect the board conversation

These are the proceeds of an in-person round table of prominent non-executive directors and executives held in London on 26th February 2026.

The discussions focused around the notion that board members behave and talk less openly (and therefore effectively) under certain circumstances:

- 1. In the presence of a shareholder**
- 2. When factions have formed**
- 3. In the presence of a domineering Chair**

As always on our round tables, before each segment of the discussion I shared some highlights from a selection of the latest academic research on each topic. In the event, with time an issue, the group chose up front to focus on just the first two topics although one of the papers on chair behaviour did make it into the conversation!

The presence of a shareholder

Propositions:

- Management and the rest of the board will be less honest and open in the presence of a shareholder NED.
- Board members will often withhold information or at least be choosy about what to divulge for fear of repercussions.
- Most will avoid discussing the power dynamics between the shareholders and the rest of the board.

What the papers said

Honesty Anxiety and Feedback Dynamics

- People overestimate how negatively others will react to honest feedback.
- Those giving negative feedback feel more nervous than those receiving it.
- The anticipation of negative response is worse than the actual outcome.
- This disconnect discourages difficult but necessary conversations.

Power and Trust Influence Dialogue

- Shareholders who show trust first encourage reciprocal trust from executives and non-execs.
- Distrust from powerful individuals amplifies mistrust, limiting open communication.
- Building trust through benevolence and integrity fosters more honest exchanges.

Misunderstandings Block Constructive Confrontation

- People expect more negative reactions to confrontations than actually occur.
- This pessimism leads to avoidance of the important discussions that boards need to have.

What the group said

Maintaining a culture of consistent, clear, and kind communication is key to sustaining confidence and avoiding toxic 'good news' environments.

- Being kind means delivering difficult truths with clarity, not avoiding them in order to be liked.
- Consistent honest feedback builds trust and reduces surprise or confusion.
- Clear, candid communication supports effective decision-making.
- Boards benefit when members are comfortable with uncomfortable conversations.
- Boards often experience a "good news" bias that hides real problems until too late.

- A significant downturn often triggers a culture shift to more openness about issues.
- The 'coffee stain' analogy which suggests small ignored problems can signal bigger issues and if left unresolved can lead to significant problems later on.
- Normalizing discussion of difficulties encourages proactive problem-solving and transparency.
- Clear signposting when switching between wearing the shareholder hat and the board team member hat. This helps fellow board members know where they stand and which perspective the reflection or criticism is coming from.

The existence of factions

Propositions:

- People are drawn to different styles of leadership according to circumstances (and thus may form factions in response to changes in circumstances)
- People may form factions around unofficial leaders by virtue of their expertise, experience or power over rewards (money, budget, advancement).
- The worse you treat a breakaway faction, the stronger it becomes.

What the papers said

Preference for Prestige Leadership Over Dominance

- A 2023 study showed people generally prefer leaders with knowledge and expertise rather than those who lead through assertiveness or intimidation.
- Even during war or conflict, whilst dominant leaders gain some support, prestige-based leaders remain more trusted overall.
- Leadership choices rely on perceived enforcement ability and competence, not just aggression or power displays.

Influence of Experience and Power in Groups

- Research from 2022 revealed group decisions tend to favour members with relevant expertise over those holding reward or decision power.
- Expertise attracts informal influence, even when others control rewards or formal authority.
- Experience is a stronger driver of group adherence and decision-making than positional power.

Group Adherence Strengthens When Power is Threatened

- Studies found that when a group's power is challenged, committed members tend to stick closer and invest more in the group.
- The cohesion effect depends heavily on individuals' identification with the group's values and cause. The stronger the personal, values-driven identification, the greater the tendency of the individual to cleave to the group or faction.
- Marginalizing factions only strengthens their cohesion and resistance.

What the group said

- Drawing from historical and commercial analogies, factions are likened to clans that naturally form and require active leadership.
- Leaders must identify faction influencers and work with them to seed ideas that can spread organically.
- This approach helps unify diverse groups around shared goals without forcing conformity.
- It acknowledges faction power as a resource rather than a threat.
- Experience from Japanese history and corporate settings shows disbanding factions leads to instability.
- Assigning factions areas of responsibility allows coexistence and mitigates conflict.
- Pushing factions out drives them to the periphery, increasing danger.
- Shifting from seeking faction input to employing them in creating solutions fosters ownership.
- When factions own the plan, they defend it more vigorously, increasing commitment.
- Chairs should actively invite dissent by empathically pointing out polite but doubtful responses thus removing the need to form a faction to fight against forced conformity.
- Revealing hidden concerns builds authentic consensus.
- Discussing how discussions went after meetings strengthens commitment to decisions. This meta-conversation helps surface poor conversational practices such as lack of listening, enables the airing of doubts and solidifies support for group decisions.

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Factions

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