

# Power Dynamics on Boards

BY ALVIN CHIANG and ARABELLA STEEL



**The interplay of power and social influence among board directors impacts how decisions are made. Understanding how power runs through boardrooms and managing power dynamics is vital for good governance and sound decision-making.**

In a corporate setting, every professional relationship is a delicate dance of power and influence.

On boards, power dynamics present a specific challenge. Pockets of power impact effective decision-making and governance. Understanding the psychology of power, or how the balance of power dynamics plays out on your board, is a vital skill for non-executive directors.

Power is the capacity of someone to control the actions or resources of another and is accrued through social influence. In a professional context, power and influence can be shown through control of strategy knowledge, finances or networks. The greater one's social influence, the more likely peers and reports will award them power. This may present as hierarchy and responsibilities, or through an ability to direct decision-making, as shown in the box, "Psychology of Power".

### Impact on governance

How does understanding power dynamics impact decision-making at the board level and thus on organisational performance? Consider the following:

- **Agenda setting:** Individuals with greater influence or power may be able to drive agendas, prioritise issues, or detract from essential topics. While power often sits with the chair through the legitimacy of title (legitimate power), directors with alternate forms of influence, such as social networks, can exert greater influence and shape decision-making.
- **Decision control:** Individuals or subgroups with more influence or power may sway the decision-making process to align with personal interests. In turn, decisions reflecting the perspectives of those with dominant power may silence dissenting voices, risking groupthink or poor strategic outcomes.
- **Information access:** Leveraging resources by retaining critical knowledge is a power mechanism. Information flows through boards in a "T"-like formation. It is both drawn up through the executive body and shared laterally between non-executive director peers. The unequal distribution of disclosed information hampers directors' ability to effectively challenge decisions or provide meaningful input, thereby diminishing the effectiveness and influence of non-executive directors.

## Psychology of Power

French and Raven's (1959) *Five Bases of Power* are often used by consultants and psychologists when decoding how power presents in workplaces. These forms of power – legitimate, reward, coercive, referent and expert – are typically divided into formal and informal power types.

### Formal

- **Legitimate power:** Derived from a formal position or authority, it supports the belief that certain individuals have the right to make decisions and exert influence due to their rank or title.
- **Reward power:** The ability to offer rewards, incentives or benefits, leveraging control over valued resources (e.g. promotions and recognition) to influence and motivate others.
- **Coercive power:** With a capacity to administer punishment, some may use disciplinary actions or withdrawal of privileges to influence others through fear or apprehension.

### Informal

- **Referent power:** Influence stemming from admiration, respect or a sense of identification with an individual, often due to their personal qualities, characteristics or charisma. Colleagues with referent power are typically influential because they are likeable and inspire others to emulate or support them.
- **Expert power:** Authority derived from the perception that someone has specialised knowledge or skills, establishing them as credible and trustworthy sources of information or guidance.

While some directors or executives strategically seek to accrue power (legitimate, reward, coercive), others are awarded power by peers in recognition of their perceived qualities (referent, expert).

- **Resource allocation:** Control over resources is a classic avenue for influence. For example, reward power may be utilised through remuneration committees, impacting the retention and calibre of talent. An ability to mobilise and allocate key resources builds influence, power and control.
- **Group dynamics:** Interpersonal dynamics (referent power) influence process. Strong power differentials seen in coercive, reward, legitimate or expert power discourage open dialogue and alternative viewpoints. Non-executive directors may feel pressured to align with the more powerful members.
- **Network dynamics:** Interconnectivity between board members is a key consideration in any risk culture review. Dissection of social connectivity and appointment processes can shed light on power dynamics and potential risk within the group. Network dynamics are fluid and may change rapidly depending on the circumstance.

## Managing power dynamics on boards

When reviewing power dynamics on your board, the following imbalances could be red flags.

First, a pattern of conformity or suppression of dissenting opinions in cohesive groups could be an indication of groupthink. It may be unintentional, and board members may fail to critically analyse alternate views, especially if high-power individuals take an early position and close deliberation processes. Groupthink can result in limited options being discussed, resulting in sub-optimal outcomes. If pockets of mastery on key topics exist, consider having all directors come to meetings with a range of thoughts on topics outside their scope, presenting from least specialised to most. Encourage everyone to have a view.

Second, people behave differently depending on their social or professional roles. Boards are designed to be flat hierarchies of accomplished and connected peers.

A push-pull effect between personal and professional identities can create decision-making tension, particularly in circumstances where board dynamics can be influenced by expert, legitimate or referent power. Boards can consider appointing a member with high referent power to play devil's advocate and encourage challenge.

Third, emotional quotient (EQ) is an ability to recognise, understand, manage and influence your own emotions and the emotions of others. Board members with well-developed EQ may be more aware of interpersonal power dynamics, and skilled at navigating social complexities. Boards can leverage psychometric assessments, performance appraisals, 360 interviews and reference checks to understand the EQ of their members in their evaluation process.

Fourth, cognitive diversity enhances decision-making processes. Board diversity is achieved by intentionally selecting members who bring a point of difference through their experience, skill sets, gender, socioeconomic status, ethnicity, education, profession, age, sexuality, religion, or disability. The board composition should be reviewed to meet the desired skills matrix for the intended strategy of the company.

Finally, the concept of trust is a tricky one for boards. Directors need to be able to balance trust and professional scepticism. Disclosure, therefore, becomes a key tool to manage this. A robust disclosure regime supports the necessary information flow between management, the board and stakeholders, and to an extent helps equalise information asymmetry. From an ethical perspective, this transparency also allows for recognising and subsequently managing conflicts of interest.

Undercurrents of power have a critical effect on the psychological safety of board directors. Psychological safety is the belief that an individual can express an opinion or take a risk without fear of negative personal consequences. It is a faith in the ability to share ideas, ask probing questions, raise concerns, make errors and seek honest feedback without consequence.

Boards which are psychologically safe are more likely to pre-empt and adapt to industry changes, respond positively to challenges, encourage innovation from their executives, and have more complete oversight of operations as executives are less inclined to gloss over or omit negative outcomes.

Understanding and managing power dynamics on boards is crucial for good governance and effective decision-making. Good governance is more than transactional or strategic skills. The ability to influence, understand the unsaid and read between the lines is vital to effective and ethical corporate governance.

The interplay of power and social influence among board directors impacts where attention is focused, how decisions are made, and ultimately the priorities of the management team. The psychology of power, including the different bases of power (legitimate, reward, coercive, referent and expert), plays a significant role in shaping board dynamics.

Power imbalances can impact agenda setting, decision control, information access, resource allocation, group dynamics and network dynamics, affecting the overall governance of an organisation. To manage power dynamics effectively, directors will need to address issues such as groupthink, personal-professional identity conflicts, emotional intelligence, board diversity, transparency, accountability, disclosure and psychosocial safety.

Ultimately, good governance is the ability to navigate with ethical integrity through the shadows cast by power interplays. By recognising and mitigating power imbalances, boards can foster a culture of trust, psychological safety and inclusive decision-making, leading to improved organisational performance and resilience. ●

Alvin Chiang is a consultant at Russell Reynolds Associates and Arabella Steel is a leadership and culture specialist.