



A Well Composed Board Is A Necessity, But Not Sufficient

What Defines a Truly Professional Board

by Dr Christian Bühring-Uhle & Dr David Hoeflmayr

A managing shareholder steps back from operational responsibility, hands over to an external CEO, and establishes an advisory board for the first time. It is a classic moment in the history of a family business, and one of the most difficult transitions there is: from operator to overseer.

It is precisely in such moments that it becomes clear how little thought most owners have given to the design of a truly effective board. Names are collected, résumés reviewed, commitments secured. And in the end, a board comes together that may look impressive, but does not necessarily work well.

The mistake usually happens right at the beginning: people think in terms of individuals before they have thought in terms of requirements.

THREE STAGES OF DEVELOPMENT: WHY MANY BOARDS GET STUCK

In our advisory work, we observe that boards typically go through three stages of development. Very few ever reach the third.

The first stage is often what might be called a friends-and-family board. The founder or patriarch surrounds himself with familiar figures, granting them access to his thinking without ever truly assigning them serious responsibility. Membership is treated as a mark of esteem or a social obligation. The desire for harmony prevails. Independent views are rarely formed, and even more rarely voiced.

In a second phase, the board opens itself to external figures selected for their standing or reputation. Such trophy boards can look impressive from the outside. Yet their members often lack the time, the specific understanding of the company, or the mindset required to make a real contribution to safeguarding the business for its future. In the less favorable cases, ego and vanity take over: members who are used to being heard and are less interested in listening.

Only at the third stage does what we would regard as a professional board emerge: a board made up of capable, committed, and insightful individuals who exercise independent judgement, complement one another, and are fully devoted to the task of helping lead the company into the future. Such a board sees itself as a team that arrives at judgements and decisions collectively.

What distinguishes this kind of professional board in practice? Papers are read before the meeting begins. Discussion takes the place of presentation. And at least seventy per cent of the board's shared time is devoted to the future: questions of strategy, technological developments, and risks that have not yet materialized.



DIGITAL COMPETENCE: INDISPENSABLE, AND MULTI-LAYERED

Digital transformation is a stress test for boards. Anyone observing it closely will notice that many boards are nowhere near as well prepared as they believe. The debate often revolves around whether a board has sufficient digital expertise, whether individual members are familiar with technology trends, AI, or digital business models. That is too narrow a view.

Digital issues affect business models, organizational structures, investment decisions, people matters, risk assessments, and capital allocation across the company as a whole. They cannot be delegated to a single individual. What is needed is a board that can collectively interpret these developments and translate them into responsible decisions.

This means that every member should possess a basic level of digital competence, in other words an understanding of how digital technologies work, the logic of data-driven business models, and the strategic significance of issues such as cybersecurity or AI. In addition, the board needs members with deeper expertise in specific areas. What matters, however, is that this distribution of competence is not seen as an end in itself. Digital expertise comes to nothing if the board does not know how to make use of it.

THE BOARD AS AN ARCHITECTURAL PROJECT

Anyone who assembles a board based on résumés ends up with a showcase rather than a team. That may sound harsh, but it describes a constellation we encounter regularly in practice. The individual appointment decisions appear plausible, yet the overall result does not. Why? Because no one has asked: what combination of perspectives, experience, and temperaments does this company need in its specific situation?

In this sense, board design is an architectural project. No architect starts by asking about individual materials, but about the building to be created. Only from that overall conception does it become clear what is needed and in what relationship the individual parts must stand to one another.

For a board, this means that the starting point is the business context. A company in a phase of active international expansion needs different insights from one undergoing a fundamental business model transformation. A family-influenced business with a strong values foundation poses different requirements from a company with a fragmented ownership structure. A board expected to accompany a succession process must be configured differently from one whose primary task is to support the next phase of growth.

Only with this clarity of context does it make sense to ask what competencies and personalities are needed, with the aim of creating a board in which individual strengths combine to form collective wisdom.

COMPLEMENTARITY IS MORE THAN DIVERSITY ON PAPER

Much is said in the debate on board quality about diversity, frequently with a focus on demographic characteristics such as gender, age, or nationality. That is justified. But for the actual performance of a board, this perspective falls far short. Much more important is genuine diversity of thought: experiences, styles of judgement, and perspectives that complement one another in a way that reduces blind spots and makes discussion more substantive. A board made up of individuals shaped by similar backgrounds may appear harmonious, but in critical situations it tends towards predictable judgements. A board made up of very strong individualists may be intellectually stimulating, but fragmented in decision-making. Professional boards combine differences with a shared seriousness of purpose.

Alongside diversity of thought, it is the inner attitude of the members that determines the quality of a board. A good board needs members who understand their role as service to the company, who are willing to disagree, and who have the discipline to direct debate towards insight. The maturity of a board therefore often becomes visible in the way its members arrive at judgements and decisions together.

THE PATH TO A PROFESSIONAL BOARD: PROCESS AND EVALUATION

Building a truly professional board requires a structured process. It does not begin with the search for candidates, but with the concept: what kind of board does this company need in its current situation? What combination of competencies and personalities is required for the board to become effective as a team?

On that basis, requirement profiles can be developed, candidates identified, and approached in a careful and discreet process. The objective is always the same: to assemble a complementary team, not a collection of individually suitable personalities.

Yet even careful selection does not guarantee lasting effectiveness. Boards change, and the corporate environment changes with them. That is why a professional board also requires a willingness to undergo regular evaluation, through an interplay of self-assessment and, at certain intervals, the involvement of external experts. Only in this way can the necessary independence and analytical depth be ensured.

THE UNDERESTIMATED LEADERSHIP RESPONSIBILITY ON THE OWNERSHIP SIDE

Anyone seeking to secure a company's long-term future should not look only at management quality and strategic processes. Equally important is the question of whether the board is equipped for what lies ahead. Owners and board chairs still tend to underestimate this question, perhaps because its effects are less immediately visible than management decisions. Yet a well-composed and well-functioning board strengthens management's judgement and sure-footedness, improves the quality of strategic decisions, and increases the resilience of the company in demanding phases. A weak board, by contrast, creates exactly the kind of ambiguity that does the greatest damage in critical moments: too much agreement, too little depth, and corrective action that comes too late.

When a company's future viability is discussed, the quality of the board is rarely among the answers offered. Market position, technological capabilities, operational leadership: these are the usual candidates. Yet board quality should rank at the top of the list. A professional board does not emerge by accident. It is deliberately designed, carefully composed, and repeatedly tested for effectiveness. Where this succeeds, the company gains more than a board that is merely formally correct in its composition; it gains a sparring partner for management that can provide orientation, support development, and help shape the future responsibly.



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