



# Shaping Board Culture Amid Structural and Contextual Obstacles

# A practice-informed guide to leading-edge practices for chairs and board members in Germany

## Introduction

The mission of the board is to serve all stakeholders – a responsibility that extends far beyond compliance with formal processes or regulatory requirements. True organizational excellence requires not only a high-performing board, but also recognition that board effectiveness ultimately depends on the culture in which it operates.

Board culture comprises the shared values, behaviors, and norms that shape how directors interact, deliberate, and make decisions in the boardroom. It is the foundational condition for constructive challenge, sound judgment, and sustained high performance.

In today's global environment, board culture is shaped by differing legal frameworks, market practices, and national norms. There is therefore no single model of board excellence; each region presents a distinct context and set of challenges, none of which are insurmountable when approached with intent.

Germany provides a particularly instructive setting. Its governance system combines strong formal structures with deeply embedded cultural norms, creating a structurally robust yet behaviorally demanding environment. It therefore offers a valuable lens through which to examine how board culture can be strengthened amid structural and contextual obstacles.

This paper adopts a practice-informed perspective, drawing on observed board behavior and extensive experience working with and within boards across jurisdictions. It surfaces actionable governance practices grounded in real-world challenges. Addressing the central question – how chairs and directors can shape a board culture that enables high performance – requires clarity on what defines a high-performing board and the central role culture plays in enabling it.

## What does a high-performing board look like, and what is the role of culture?

Stanford's Leading Edge Stewardship framework articulates both an ethos and a set of capabilities that, when cultivated individually and collectively, characterize a high-performing board – one that is purposeful, strategic, adaptive, and committed to long-term, sustainable value creation. Many of these dimensions are enabled or constrained by boardroom culture – the collective mindset, interpersonal dynamics, and behaviors that shape how directors work together and the quality of oversight and insight that emerges.

A high-performing board understands itself as a group of peers whose individual perspectives must cohere into collective impact. Leading Edge Stewardship emphasizes that effective boards convert oversight and insight into a dynamic driver of value for both management and shareholders. Research reinforces this view: best-in-class boards share cultural traits that are cultivated deliberately over time. Russell Reynolds Associates' research similarly identifies trust, openness, and continuous, data-informed learning as foundational to sustained board effectiveness.

Collective insight born of candid discussion and debate is a dynamic driver of value for management and shareholders.

In such environments, board and management operate as two distinct yet high-performing teams – maintaining clear roles while collaborating closely through regular, transparent communication and joint problem-solving. The chair or lead director plays a pivotal role in fostering this culture by encouraging constructive dialogue, open feedback, mutual support, and respectful challenge.

High-performing board cultures also leverage diversity of thought, embrace honest debate, and prioritize psychological safety, enabling directors and executives to express differing views and test assumptions openly. Rooted in mutual respect and shared purpose, these cultures allow boards and management teams to respond effectively to evolving risks and emerging opportunities.

Culture determines whether diverse perspectives become an advantage. Without psychological safety, diversity of thought remains latent.

Where these cultural conditions are absent or weakened, the consequences can be significant. High-profile governance failures, including Wirecard, illustrate how weaknesses in board culture can, in retrospect, contribute to insufficient challenge and oversight. Among multiple contributing factors, constrained information flows and a lack of consistent, rigorous scrutiny limited the board's ability to surface and address emerging risks in a timely manner.

Cultivating high-performing board cultures, however, is rarely straightforward. Even boards that understand the elements of high performance operate within legal, market, and societal environments that can create structural and contextual obstacles shaping how directors interact and make decisions. To understand how board culture can be intentionally shaped, it is therefore necessary to examine these obstacles more closely.

## General structural and contextual obstacles to shaping board culture

Based on our work with leading boards worldwide, we observe **three broad categories of obstacles** that can influence how directors think, collaborate, and make decisions. These obstacles are not abstract. They shape information flows, levels of candor and the board's ability to challenge assumptions.

**Legal frameworks** influence how boards are structured and operate. Regulatory requirements – such as mandated board structures or independence rules – shape board composition and governance practices. In Germany, for example, co-determination laws require employee representation on supervisory boards of up to half the board, embedding multiple stakeholder perspectives that increase both the richness and complexity of boardroom interactions. We explore this in more detail below.

**Market practices and capital-market expectations** also exert strong influence. Established conventions shape how boards set priorities, define risk appetite, and approach governance. In some contexts, these practices reinforce short-term pressures. In the United States, for example, an emphasis on short-term performance can limit the space for deeper strategic debate and a long-term orientation.

**National and regional cultural norms** further shape communication, challenge, and decision-making. Attitudes toward hierarchy, authority, and collaboration influence levels of candor, openness, and willingness to dissent, affecting how effectively boards engage in constructive debate. In several Asian contexts, for example, strong norms of seniority and deference to authority can make open disagreement in board settings less common, requiring deliberate effort to surface alternative perspectives and challenge prevailing views constructively.

To make these dynamics more tangible, the following section examines how legal frameworks, market practices, and cultural norms shape board culture in the German context.

# Structural and contextual obstacles shaping board culture in Germany

Three dynamics interact in Germany: (1) formal legal arrangements; (2) market practices oriented toward stability and stewardship; and (3) cultural norms emphasizing structure and precision. Taken together, they shape not only governance design, but also boardroom behavior, information flows, and the conditions under which constructive challenge can emerge.

## Legal frameworks

Legal frameworks play a defining role in shaping how German boards are structured and how they interact. Central to this is the **two-tier board system**, which legally separates governance and management responsibilities between a management board (Vorstand) and a supervisory board (Aufsichtsrat).

The distinct legal responsibilities of each board also increase the potential for conflicts (and even litigation) between management and supervisory boards – a dynamic more prevalent in Germany than in one-tier systems such as the United States – reinforcing clearer boundary-setting with implications for trust, openness, and collaboration.

The two-tier system establishes clear roles and structured interaction, strengthening oversight and accountability.

At the same time, it can limit flexibility and informal collaboration between the two bodies, making trust-building more difficult unless deliberately cultivated.

A practical implication is that chairs often need to invest more deliberately in structured relationship-building and communication to avoid an overly transactional or adversarial dynamic.

**Co-determination laws (Mitbestimmung)** further shape board dynamics by requiring employee representation of up to half of supervisory board seats in larger companies. This ensures that employee interests are formally represented at the highest level of governance, fostering dialogue and balance in deliberations.

At the same time, it introduces additional complexity, as supervisory boards must integrate a wider range of perspectives and priorities. While employee representatives often contribute valuable operational insight and a multi-perspective lens, differences in background, mandate, and identity can influence participation and discussion dynamics.

Differences in mandate and identity can unintentionally create 'we-they' dynamics unless a shared board purpose is actively cultivated.

Legal requirements also shape **board composition**. Minimum gender diversity thresholds and financial expertise requirements, particularly for the supervisory boards of listed companies, together with the German Corporate Governance Code's emphasis on sustainability expertise, influence how boards are composed.

Legal requirements also affect **refreshment practices**. Statutory term limits cap supervisory board appointments at a maximum of five years for German stock corporations. Against the background of this relatively generous cap, one-year terms are – in contrast to practices in other jurisdictions – rarely used, potentially limiting boards' ability to refresh membership and respond flexibly to emerging challenges. Reflecting this dynamic, newly elected board members at DAX 40 companies serve on average approximately 3.6 years, according to Russell Reynolds Associates' latest DAX 40 supervisory board study.

Finally, **transparency and disclosure obligations** under national and European regulation reinforce accountability, ethical conduct, and stakeholder trust. At the same time, requirements such as detailed reporting on remuneration, sustainability – in particular under the newly enacted Corporate Sustainability Reporting Directive – and risk can increase administrative demands and encourage more formal, process-driven communication, shaping how boards deliberate and interact.

## Market practices and capital market expectations

Market practices in Germany emphasize stability, transparency, and long-term value creation, alongside explicit consideration of stakeholder interests, including employees. As a result, boards often operate with caution, discipline, and a consensus-oriented approach. While these norms support trust and long-term stewardship, they can also slow decision-making and reduce responsiveness to rapid change or innovation. Remuneration practices illustrate this dynamic. The limited use of stock-based compensation for board members – reflected in the German Corporate Governance Code's emphasis on fixed remuneration – can complicate closer alignment with shareholder interests.

## National and cultural norms

National and cultural norms further shape German board culture. A strong emphasis on formality, structure, and precision supports disciplined discussion and meticulous decision-making, but may also reduce receptiveness to challenge or dissent. Communication tends to be respectful and direct, with deference to hierarchy and expertise fostering professionalism while sometimes discouraging newer or less senior members from voicing alternative views. A prevailing orientation toward risk aversion and long-term stability promotes sustainable value creation, yet can also reinforce conservative approaches and resistance to rapid innovation or change. These norms contribute to a board environment characterized by thoroughness and reliability, while requiring deliberate effort to cultivate agility, openness, and adaptability.

Germany's legal frameworks, market practices, and cultural norms collectively create a governance environment that strongly supports stability and accountability, while also reinforcing formality, consensus-seeking, and clearly defined boundaries in board interactions. Board culture in Germany is therefore not merely a matter of individual intent, but the product of a distinctive set of structural and contextual conditions.

Against this backdrop, board leaders – and chairs in particular – retain significant influence over how culture evolves in practice. The critical leadership question is therefore not whether these conditions exist, but how chairs can intentionally shape and steward board culture within them.

Germany's governance environment strongly enables stability and accountability – yet can constrain agility and open challenge unless cultural boardroom leadership is present.

## Leading-edge practices through which chairs shape board culture in Germany in the face of structural and contextual obstacles

The following section constitutes the core contribution of this paper. It translates the German contextual analysis into observed leadership practices, demonstrating how effective chairs intentionally strengthen board culture while navigating the obstacles inherent in Germany's governance system.

## Fostering constructive challenge within formal structures

While German boards are characterized by formality and deference to hierarchy, effective chairs intentionally create space for constructive dissent and robust discussion. This includes explicitly inviting diverse viewpoints – particularly from junior or newly appointed board members – in plenary and committee settings, and modeling openness to challenge within the bounds of respectful, structured debate. Regular one-on-one check-ins with board members – at least annually – help surface fresh perspectives, build trust, and anticipate potential areas of tension.

In highly structured governance systems, constructive challenge does not emerge organically – it must be explicitly invited and consistently modeled by the chair.

## Balancing risk aversion with strategic courage

German boards often display a strong preference for stability and caution. Leading-edge chairs encourage calculated risk-taking by framing discussions around long-term value creation, scenario planning, external benchmarking, and “safe-to-fail” experimentation. Management is encouraged to focus board materials less on compliance and more on strategic uncertainty and risk.

## Bridging the two-tier board divide

Given the legal separation between management and supervisory boards, leading-edge chairs promote regular, transparent communication and collaboration across both bodies – within legal boundaries. Joint strategy sessions or workshops to discuss management-developed scenario planning, as well as shared learning opportunities, help align strategic objectives and build mutual understanding.

## Navigating co-determination with skill

The presence of employee representatives adds both complexity and valuable diversity to board discussions. Leading-edge practices involve engaging all supervisory board members on an equal footing. Building trust and a shared sense of purpose helps reduce “us versus them” dynamics and supports effective collaboration. Practical measures – such as varying seating arrangements during plenary meetings, creating opportunities for informal interaction (including dinners or joint site visits), and adhering to scheduled breaks – further promote inclusivity, informal exchange, and relationship-building.

## Driving roadmap-based composition planning

Beyond formal compliance with diversity and sustainability requirements, leading-edge chairs champion appointments that bring a broad range of skills and perspectives to the board. Multi-year, roadmap-based composition planning anticipates strategic priorities, regulatory developments, and emerging risks, while supporting forward-looking succession planning for committee chair roles.

Board composition is not a compliance exercise – it is a forward-looking, strategic leadership responsibility of the chair.

## Streamlining processes to enable agility

Recognizing that formal processes can slow decision-making, leading-edge practices call for regular reviews of board agendas and committee structures to ensure efficiency, focus, and flexibility. Adopting an integrated approach to meeting schedules and agendas – including committee meetings – together with disciplined time management, can create additional space for strategic dialogue.

## Cultivating external awareness

Effective chairs remain attuned to evolving stakeholder expectations, regulatory developments, and market trends. Periodic board evaluations – including external perspectives – help identify capability gaps and ensure alignment with leading governance practices.

While the chair sets the conditions and tone, board culture is lived through the daily conduct of individual board members – making their role equally decisive.

## Leading-edge practices through which individual board members shape board culture in Germany in the face of structural and contextual obstacles

At the board level, individual members shape culture less through formal authority than through consistent behavior – through how they listen, challenge constructively, build trust, ask probing questions, and exercise sound judgment.

## Clarifying purpose and motivation

Leading-edge practices begin with self-awareness. Within Germany's stakeholder-oriented model, individual board members clarify why they serve and align their personal values with those of the company's long-term purpose.

Clarity of individual and corporate purpose strengthens coherence in a stakeholder-oriented model.

## Demonstrating a learning mindset

Within a rule-bound, risk-aware culture in Germany, continuous learning is essential. Individual board members stay current on legal, market, and technological developments and use structured reflection to translate caution into insight. Systematic before- and after-action reviews ("lessons learned") at board and committee levels support collective learning.

## Exhibiting skillful means

Effectiveness in a two-tier system requires precision in tone, timing, and influence. Board members respect formal boundaries while contributing in ways that sharpen focus and clarity. Questioning techniques seek to understand rather than direct, probing strategic optionality, long-term implications, risk, and stakeholder outcomes. Sensitive topics are sequenced thoughtfully and addressed in appropriate forums.

Questions and observations delivered with the right tone, at the right time, and in the right setting strengthen constructive challenge while preserving role clarity and mutual trust.

Effective onboarding has proven critical, particularly for international board members who may be less familiar with Germany's two-tier board system. Developing a sound understanding of German governance – encompassing both its formal legal foundations and its informal social and cultural dynamics – can be supported through continuous coaching by the corporate office, as well as close alignment with the chair and key stakeholders during onboarding and early board experiences.

## Building trusted relationships

Trust anchors effectiveness in co-determined boards. Individual board members build rapport through consistency, active listening, and discretion across shareholder, employee, and management representatives. Informal interaction – including arriving earlier for board meeting weeks, participating in joint dinners or site visits, and engaging across constituencies – strengthens cohesion and reduces “us versus them” dynamics. For international board members, learning basic German expressions – such as delivering opening remarks in German – can meaningfully enhance interaction and signal respect.

## Practicing effective team play

While German stock corporation law emphasizes the personal mandate of each board member and the absence of binding instructions, leading-edge board members recognize that effectiveness emerges through collective engagement, independence, and influence. Their impact is strengthened by sharing perspectives, constructively challenging assumptions, and contributing to joint insight in their roles as fiduciaries and advisors. Leading-edge practices therefore include proactively supporting and acclimating new board members – even in the absence of formal requests – to foster cohesion, mutual understanding, and effective collaboration.

Proactive peer support strengthens cohesion and board performance, particularly during refreshment cycles.

## Engaging the management team with balance

Individual board members maintain appropriate oversight distance while providing informed challenge and support. Acting as trusted advisors – not alternate executives – they sharpen strategic focus and reinforce accountability within legal boundaries. Respecting subtle role distinctions, such as avoiding permanent office arrangements or overly frequent check-ins, helps preserve trust and clarity.

## Maintaining a future focus

Leading-edge practices encourage individual board members to look beyond current performance and oversight responsibilities to the long-term health and competitiveness of the enterprise. In the face of Germany's structurally lower-growth environment, board members continuously refresh their perspectives and capabilities, deepen their understanding of emerging technologies such as artificial intelligence, and challenge assumptions about future growth, resilience, and value creation. They also help ensure that the Board devotes sufficient attention to the trends, opportunities, and risks most likely to shape the company's future. Through ongoing learning and curiosity, they help ensure that board deliberations remain forward-looking and strategically relevant.

## Fostering candid conversations

In a culture shaped by precision, directness, and respect for hierarchy, effective board members address difficult topics early, factually, and with composure. Germany's norm of direct communication is used to surface tensions constructively and turn them into focused debate that strengthens decision quality and trust.

The German experience underscores that these cultural practices are interdependent: neither chairs nor individual board members can shape board culture alone.

## Board culture as a shared leadership responsibility

The German example illustrates that shaping board culture is inherently a shared endeavor. Structural, legal, and cultural obstacles cannot be addressed by the chair or individual board members in isolation. Only when chairs intentionally create the conditions for effective interaction, and board members consistently reinforce those conditions through their everyday practices, can the constraints of a given governance system be navigated successfully.

Cultural leadership is distributed:  
chairs create the conditions,  
and board members sustain  
them through their  
conduct and engagement.

A chair may skillfully navigate co-determination and create opportunities for informal interaction, yet these efforts have limited effect if individual members do not actively invest in building trusted relationships. Similarly, attempts to bridge the two-tier divide depend not only on the chair's leadership, but also on individual members' ability to exercise skillful means in practice. Board culture therefore emerges not from formal design alone, but from sustained, aligned leadership and membership working in concert.

## Conclusion

This conclusion reinforces the core message of this paper: while governance systems differ, board culture remains a central lever of effectiveness – and it can be shaped intentionally.

Regardless of structure or context, shaping board culture remains a core responsibility of every board member. Serving all stakeholders requires far more than compliance with formal processes or regulatory requirements; it depends fundamentally on the quality of the culture within which boards operate.

While legal frameworks, market practices, and national norms shape board culture in powerful ways, they do not determine it. Culture is actively formed through the aligned, leading-edge practices of chairs and individual board members. By understanding regional characteristics and addressing structural and contextual obstacles with intent, board leaders and members can cultivate cultures that elevate governance effectiveness – turning board culture into a genuine source of long-term, sustainable value creation.

Culture is shaped, not inherited. Context  
matters – but it is not determinative.



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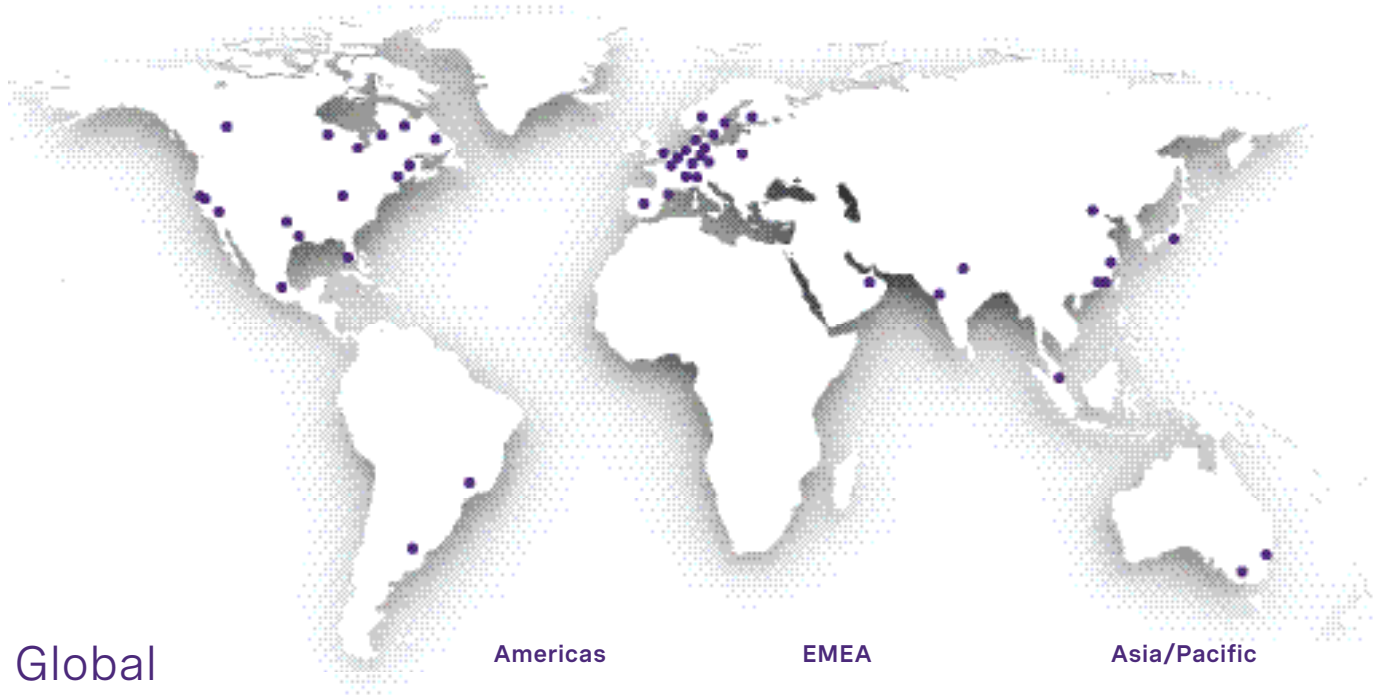
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Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led  
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