Why Boards Need to Care

16.11.2025 17:10:39 | Management Insights, Lukas Michel | 0 Comments | Boards, Governance

A Dialogue on Management, Failure, and the Board's Role in Restoring Mastery

1. Opening the Conversation

It has become almost banal to state that good management matters. Few contest that well-run organizations outperform their peers on profitability, growth, innovation, and productivity. And yet—despite this consensus—many boards quietly admit that management in their organizations is not where it should be. Some confess to persistent leadership issues. Others acknowledge that management systems have become sluggish, outdated, or strangely disconnected from how work is actually done.

In the background sits an uncomfortable truth: the world's challenges have intensified, while management—arguably the most important social technology for coordinated human effort—has stagnated. We see climate emergencies, disrupted supply chains, revolutions in technology, new expectations from employees, and geopolitical instability. What we don't see is management keeping pace.

Boards sense the tension, even if they rarely name it out loud. Management is failing; leaders are failing; organizations are muddling through. And as long as results look acceptable in the short term, boards often hesitate to intervene. But the signs accumulate. A project runs over budget. A team disengages. A competitor gains ground. A scandal breaks. And suddenly the board must act.

In this article, we explore why boards must care about

management—deeply, actively, and earlier than they typically do. We examine how unmanaged states emerge, why management failure is more structural than personal, and how tools such as the Global Executive Survey and Organization Twins now allow boards to see what once remained hidden for months or years.

2. Failure as a Silent Companion

Every day brings new stories of failed leaders and collapsing organizations. Some failures are spectacular enough to make headlines. Most, however, go unreported: silent breakdowns in decision-making, frictions in collaboration, cultures turning toxic under pressure, and teams quietly disengaging.

From the outside, these events look like isolated incidents. From the inside, they reveal something systematic: management is not working as intended.

The term “unmanaged”—simply *not managed*, the cousin of *mismanaged*—is a useful descriptor here. Unmanaged states are not the norm, but they are far from uncommon. They occur when work proceeds without coordination, when leadership becomes inconsistent, and when systems silently erode. Organizations continue to function, but not flourish. They get by—until they don’t.

The paradox is clear.

Wrong leaders undermine management. Weak management undermines leaders.

The two reinforce each other in a chicken-and-egg cycle that silently degrades organizational capabilities.
Boards often enter the scene when the damage becomes visible—when numbers decline, customers leave, or regulatory scrutiny escalates. But by then the root causes have long matured. A board’s challenge is that results are *lagging indicators*. By the time they show, the deterioration is already deep. Boards need leading indicators—direct insights into management quality before outcomes suffer.

3. The Leadership Problem Boards

Cannot Ignore

Fixing leadership failures sounds straightforward: hire better leaders. And in theory, this is indeed a board's primary responsibility. But selecting leaders is far from trivial.

Harvard's Raffaella Sadun (2022) provides a helpful framework for evaluating leaders across three dimensions:

1. Cognitive and strategic abilities – being smart, knowledgeable, and able to think ahead.
2. Contextual fit – possessing the skills and experience needed for a specific situation, industry, or organizational stage.
3. Interpersonal influence – the ability to bring others along, generate followership, and shape culture.

These three capabilities form a practical checklist for boards. Yet many boards continue to focus disproportionately on the first dimension—intellect, track record, charisma—while underestimating contextual fit and interpersonal influence. Brilliant leaders can fail when the context requires something different. Influential leaders can fail when the culture resists.

In unmanaged states, even competent leaders are overwhelmed by the inertia of broken systems. Without supportive management structures, the strongest leaders cannot lead effectively. This is where boards frequently misdiagnose: they replace the leader without repairing the environment. The cycle then repeats.

4. Why Good Management Is Rarely Adopted

One might assume that organizations naturally gravitate toward good management. After all, who would oppose better coordination, higher performance, or more engaged employees?

But decades of research—including our work with more than 500 organizations—tell a different story. The adoption of good management practices remains surprisingly low and highly uneven.

Why? Because modern management still carries the DNA of the

industrial era. The familiar toolkit—top-down strategies, annual budgeting, command-and-control structures, KPI target setting, incentive pay—was designed for stable environments. These mechanisms remain embedded in most organizations despite decades of evidence that they stifle innovation, reduce adaptability, and disengage employees.

Boards see the symptoms:

- strategy disconnected from implementation
- bureaucratic budgets that lag behind reality
- inefficient performance management practices
- cultures defined more by compliance than creativity
- talent leaving for more meaningful environments

But they often attribute these symptoms to individual leaders rather than structural inertia.
In contrast, mastery in management—the state of good management—looks very different. It is:

- human rather than mechanistic
- holistic rather than fragmented
- unique rather than generic
- emergent rather than predefined
- diagnostic rather than prescriptive
- interactive rather than top-down
- systemic rather than isolated

These qualities correspond to nine attributes of better management that our research identifies as essential for modern organizations. They also explain why adoption is low: such management requires more than new tools—it demands new mindsets, new learning, and new governance.

Boards rarely intervene here, not because they oppose better management, but because they *assume* that good management already exists. They want to believe their leaders know what they are doing. They want to believe that new frameworks are automatically translated into new behaviors.

The reality is sobering: good management is not adopted simply

because it is good. It must be actively chosen, learned, and consistently reinforced. Boards that underestimate this requirement inadvertently underinvest.

5. Muddling Through Is Not a Strategy

In many organizations, muddling through has become a survival strategy. Leaders make minor adjustments, reorganize teams, issue new priorities, or adopt fashionable management trends. None of these address the structural decay.

To exit unmanaged states, organizations must:

1. Adopt the principles of good management.
2. Adapt them to their people, context, and industry.
3. Sustain them long enough for capabilities to take root.

This process is demanding—but it is also one of the last remaining sources of competitive advantage. In an age when technology diffuses quickly and markets shift unpredictably, management quality becomes decisive.

The difference between a well-managed and poorly managed organization is not subtle. It shows up in faster decisions, higher agility, more intelligent risk-taking, better use of data, more motivated teams, and improved stakeholder relationships. Boards that fail to protect this advantage risk presiding over slow but inevitable decline.

6. Why Boards Struggle to See Management Decay

Boards have both a fiduciary duty and a strategic interest in monitoring leadership and management. Yet this monitoring is one of the most delicate aspects of governance.

Why?

Because questioning management can be perceived as interference.

And questioning leaders touches on trust, competence, and legitimacy.

For a CEO, board inquiries into management quality may feel like early signals of doubt. For a board, hesitation to ask tough questions may feel like prudence. The result is often an unspoken conspiracy of silence.

The greatest barrier, however, is informational:

Boards see results, not management.

But results are lagging indicators. They reflect decisions and behaviors from months or years prior.

By the time problems appear in financial or operational data, unmanaged states have already taken root. Culture has drifted. Capabilities have eroded. High performers have left.

Boards are often the *last* to smell the smoke.

This is no longer acceptable. Boards need ways to see management directly—neither filtered through narrative nor delayed through results. They need instruments that reveal what is happening inside the organization, not just what reaches the boardroom.

7. Lead Indicators for Management: What Boards Can Now See

The Global Executive Survey provides precisely such visibility. It allows boards to assess management quality through lead indicators:

- strategic clarity
- leadership consistency
- dynamic capabilities
- collaboration patterns
- cultural markers
- decision velocity
- alignment between strategy and execution
- human potential and psychological safety

Within days—not months—boards gain a high-resolution picture of where the organization stands. No more guessing. No more waiting for quarterly reports. No more relying solely on

anecdotes, intuition, or selective data.

Building on this foundation, Organization Twins offer an even more comprehensive view. Like digital twins in engineering, they simulate and visualize the organization’s management maturity, strengths, weaknesses, and future potential. Boards can see, side by side:

- where the organization is strong
- where decay has begun
- where capabilities lag competitors
- where risks accumulate
- where opportunities for mastery lie

This shifts governance from reactive oversight to proactive stewardship.

A CEO who certifies their organization for better management takes a bold step. It demonstrates commitment to performance, competitiveness, and stakeholder value. For boards, it provides clarity. For CEOs, it strengthens legitimacy. For organizations, it accelerates transformation.

8. The Larger Case: Why the World Needs Better Management

Beyond fiduciary responsibility, boards now confront a deeper question:

What kind of organizations does the world need?

Better management is not a luxury. It has become a societal necessity.

Organizations play central roles in:

- innovation
- sustainability
- employment
- community resilience
- global cooperation

If management fails, societies feel the consequences.

If management flourishes, societies benefit.

The stakes are too high for boards to overlook unmanaged states or hope that problems resolve themselves. The old belief—that organizations can muddle through indefinitely—no longer holds in a world of systemic shocks and accelerating change.

Boards must become champions of better management. Not micromanagers. Not shadow executives. But stewards of organizational integrity, capability, and performance. And they now have tools to fulfil that role with precision.

9. Closing Reflection: Why Guess If You Can Know?

Boards face a simple yet profound choice.

Continue acting on lagging indicators—results that arrive too late.

Or begin acting on lead indicators—insights grounded in real data, real behavior, and real management capability.

The difference determines whether boards intervene at the moment of crisis or long before problems escalate. Whether they manage leadership transitions reactively or strategically. Whether they support CEOs in building mastery or inadvertently allow unmanaged states to persist.

The world needs better management. Organizations need better management. And boards—more than ever—must care.

Because when it comes to leadership and management, the question is not Can we know?

Today, that is entirely possible.

The real question is:

Why guess if you can know?

About Management Insights

Founded by Lukas Michel, Management Insights draws on more than 25 years of research and practice to help people understand how their organizations work. The Organization Twin brings

organizational patterns into view for reflection, dialogue, and informed choice.

BEGIN REFLECTION

Private · Free of charge · Approximately 15 minutes

- Version zum Drucken
- Per E-Mail versenden
- Newsletter abonnieren

- Twittern

No comments yet.