



What is a board actually for?

Why the compensation debate keeps missing the point.

Five years on a German board, then a Canadian one. I was wrong about the ten percent.

Move to the Board. Move the Board.

Kirsten Lange | May 2026

BOARD MOVE

I had been on a German Supervisory Board for five years when I was appointed to a Canadian board. Five years of board experience. I knew how it worked. I understood fiduciary duty, committee structures, board dynamics. Maybe ten percent left to learn.

I was wrong about the ten percent.

Not because I lacked the technical knowledge. The legal frameworks, the reporting lines, the procedural mechanics, those were manageable. What I was completely unprepared for was how differently the two boards understood the fundamental question: what is a board actually for?

Compensation was the first sign I was in new territory. The pay structure was very different. I assumed it was a cultural convention: more variable, more entrepreneurial. Only later did I understand it was a symptom.

The debate on compensation we keep having, and why it misses the point

When governance professionals talk about board compensation, the conversation often narrows to one binary: fixed versus variable. Should board members receive a fixed retainer, or should part of their pay be tied to company performance?

Germany largely says fixed. The US largely says variable. And most of the debate treats that as an ideological disagreement about incentives.

But the real question is about the nature of the role itself.

There is not one thing called the board. Across the governance systems I have worked in, I see fundamentally different board logics, each producing a different answer to the compensation question.

The divergence is not cultural. It is structural.

Two poles. And a spectrum

The divergence is encoded in law. In two-tier systems (Germany, the Netherlands, Austria) the supervisory and executive functions are legally separate organs with distinct mandates and distinct legal duties. The Aufsichtsrat oversees; the Vorstand manages. Simultaneous membership in both is prohibited by statute. In one-tier systems (the UK, the US, Canada) executives and non-executives sit within a single legal body, sharing the same directorial standing and the same fiduciary duties. In a two-tier system, the boundary between oversight and management is fixed by law. In a one-tier system, it must be actively maintained.

That legal architecture produces fundamentally different board models.

The Compliance and Control Board

This is the natural expression of the two-tier structure. The focus is oversight, risk containment, and institutional separation from management. The governing logic is trust, but verify. The distance to management is intentional. It is what makes the oversight function credible. Fixed compensation is structurally correct here. Variable pay would create exactly the alignment this model is designed to prevent.

The Strategic Governance Board

This is the natural expression of the one-tier system, most fully developed in North America. Active value creation and strategy contribution at board level, beyond oversight after the fact. The relationship with management is closer. Variable elements in compensation reflect a different underlying theory: that board members are partly accountable for outcomes, not only for process.

The Hybrid Governance Board

Between these two sits a category defined by ambiguity rather than by any specific legal form. It appears most visibly in the less regulated board structures that sit outside the statutory framework: the German Beirat, advisory boards in PE-owned or founder-led companies, where the mandate was never defined with statutory precision. But it also emerges within formally structured boards that have taken on a substantially more strategic role without redesigning their governance architecture to match. The role has moved toward co-responsibility. The structure, the mandate, and the compensation have stayed behind. The board is drawn into strategic discussion, CEO sparring, and transformation decisions. But it is still designed, compensated, and evaluated as if its primary function were control.

Compensation as a derivative

Compensation follows the role. Define the role precisely, and the question of how to pay answers itself.

Fixed compensation fits a control board. It protects the institutional separation that makes the oversight function credible. Variable compensation fits a strategic co-responsibility model. It aligns incentives with a role that is expected to influence outcomes.

Many European boards have shifted their actual role toward strategic co-responsibility while keeping their compensation structure and formal mandate calibrated for a control board. That misalignment creates friction over pay and ambiguity about accountability.

The question worth asking

The overdue governance conversation starts somewhere other than pay levels or pay structure. It starts with responsibility.

What kind of responsibility should this board actually take on? And is the entire system, the mandate, the structure, the culture, the compensation, built consistently around that answer?

Most boards have not had that conversation. They have inherited a model, adjusted it at the margins, and then wondered why the pieces do not quite fit.

That is the conversation European governance is ready for. And it starts with being clear that there is no single thing called a board.

Kirsten Lange is a Non-Executive Director on boards in Germany, the United Kingdom, and Canada.