

# Building a board to face the future.

A survey by Odgers Berndtson and  
The Governance Company.



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# Introduction

Corporate governance is attracting unprecedented levels of scrutiny due to changes in the economic, technological and political landscapes.

There is a heightened interest in ethical business practices and associated behaviours, backed by tougher regulatory frameworks.

There is also an increased focus on cyber security and innovative business models as organisations respond to the opportunities that technology provides. At the same time, companies are realising the value that diversity brings to the boardroom. Given all these changes, it is clear that the way boards look, function and work together – their basic DNA – must evolve as well.

## Beyond skills and experience

The renewal process for most boards today focuses on bringing in the skills and experience the board needs to support its future strategic ambition. But boards should also consider their more basic genetic make-up and the synergies and behaviours required to mould the board into an effective and collective group. After all, a board that works well together is greater than the sum of its parts and this will translate into better performance.

## What are the most crucial competencies, behaviours and soft skills for future directors to ensure boardroom effectiveness?

To answer that question, Odgers Berndtson Ireland, in partnership with The Governance Company, surveyed over 200 directors to ask them what they considered to be the most crucial competencies, behaviours and soft skills for future directors to ensure boardroom effectiveness.

Their responses indicate that boards of the future – and how they are assembled – will have to adapt in fundamental ways to meet the challenges of a fast-changing and unpredictable world.

## Who we surveyed

We distributed an online survey to current board directors of international and Irish companies in early 2019 to get a sense of how they see boards and the role of the director evolving. The responses from this group of directors, who have had experience across a range of industries, provide a fascinating picture of how the DNA of the director and board of the future are likely to evolve.

Survey responses were collected from

**205** current directors,  
**80%**

were from Ireland and

**28%** were female.

Most held board positions:

**21%** Chair

**27%** CEO

**32%** non-executive director.

They were split

**30/30/30**

between serving for either

**3** years, between

**4** and **6** years, and more than

**9** years.

**1/3** sit on only one board while  
just over

**1/4** hold **4** directorships or more.

# The director of the future

## Evolving key competencies

According to the survey respondents, the director of the future will be more focused on developing sustainable business models and using insights from technology to drive innovation.

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“The value of a really effective non-executive director is one who is agnostic to industry, but has skills and experience relevant to all companies.”

The consensus among respondents was that the top five competencies that boards will seek to cultivate in the future will be digital media, new technologies, climate change, geo-political insight, and innovation. For non-executive directors, especially, these competencies will be in demand and may even be more useful than industry-specific experience.

“The value of a really effective non-executive director is one who is agnostic to industry, but has skills and experience relevant to all companies.”

### Tech savvy

Markets are evolving such that every organisation has to have some form of digital media presence. For example, online sales are having a devastating impact on the UK high street where brick and mortar chains are grappling with the relentless rise of lower cost, digital retailers.

Beyond just being digital and social media savvy, the director of the future will need to understand how to leverage new technology. Technological innovations like Robotic Process Automation, Artificial Intelligence, Machine Learning, Data Analytics and Blockchain will play an integral role in future business models.

### Sustainability

Climate change and sustainability are at the forefront of government policy in many

countries. Institutional investors like the Norwegian Sovereign Wealth Fund, BlackRock, Vanguard and Fidelity have changed their investment and voting policies in response to changing public sector and private investor sentiment on this topic. In addition, directors will need to embrace environmental, social and governance factors, which are used by many investors to measure the sustainability and ethical impact of a business.

### Wider risks

Geo-political insight will also be important. Political volatility will continue to influence the corporate governance landscape and businesses need to be able to navigate geopolitical risks to be sustainable and competitive. Risks will include those related to changes in trade and tax policies, regulation and compliance, and shifts in political power. Managing these risks and charting the appropriate strategy will require embedding geo-political insights into boardroom decision-making.

### Innovation first

Finally, in addition to market share, innovation will be an important key metric for measuring an organisation's success. Being innovative and implementing new business models will greatly influence a company's value and, as such, innovation in all its forms should be a constant item on the boardroom agenda.



### Long-term thinking and future forecasting

The survey also collected respondents' views on the importance of focusing on the longer term or the big picture and on leading, rather than lagging, KPIs.

“Every board should ideally have one or two directors who are more comfortable watching the sea, rather than watching the waves.”

Almost all respondents slightly agreed, agreed or strongly agreed that a director's focus should be on the long term rather than the short term.

Likewise, an overwhelming majority agreed that a director should focus his or her attention on leading data, like the sales pipeline, rather than lagging data like last quarter's sales, and almost all said boards should have foresight, rather than a hindsight, bias. Similarly, 69% of respondents slightly agreed, agreed, or strongly agreed that boards should be opportunity, rather than risk, focused, and this increased by 20% for respondents serving on five or more boards.

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“Every board should ideally have one or two directors who are more comfortable watching the sea, rather than watching the waves.”



# The director of the future

## Evolving key competencies *(continued)*

### Deep understanding

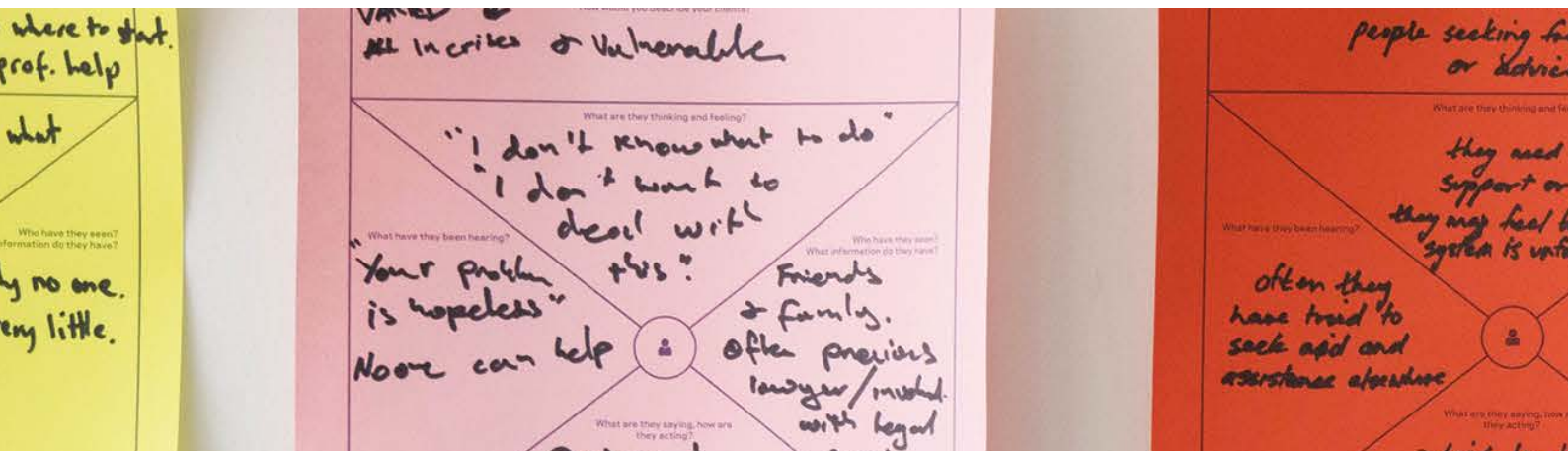
Almost everyone said the director of the future would be required to really understand the operations of the business. More than half of all respondents slightly agreed, agreed or strongly agreed that the director of the future should spend more time understanding the business than being in the boardroom. This rose to 68% for respondents serving on five or more boards.

In terms of alignment between the executive directors and other members of the board, almost everyone said that efforts should definitely be made to ensure that their ambitions for the business are aligned. In addition, 63% strongly agreed (and over 99% agreed in some form) that a director needs to understand his or her specific role and identify where he or she can add real value to the organisation.

### Mixed messages

There was more diversity in the responses about what type of relationship a non-executive director should have with company executives. Over 70% of respondents slightly agreed, agreed or strongly agreed that the non-executive director of the future will have a partnering rather than monitoring relationship with company executives. This dropped to 57% amongst those with one or two directorships compared to just under half of respondents that are currently sitting on more than five boards.

Interestingly, 62% of international respondents saw partnering as key, compared to just under half of Irish respondents.



# Ethos and values

According to our survey, in the future, directors will take a more proactive role in shaping the ethos, values and culture of the organisation on whose board they sit.

One respondent shared, “All directors should have an accurate ‘moral compass’. In the absence of (business) morality all qualifications are worthless.”

“New directors should be forthright, curious, ethical.”

An overwhelming majority agreed or strongly agreed that the board has to set the tone from the top when it comes to the ethos and values of the organisation. Under 10% strongly disagreed with this sentiment. In addition, 91% of respondents agreed or strongly agreed that it was the board’s responsibility to articulate and oversee the operationalisation of an organisation’s ethics and values.

## Curiosity and emotional intelligence

Directors of the future will need to combine their innate curiosity with the ability to listen to others and then imagine and articulate future business scenarios for the benefit of

the organisation. Almost all respondents slightly agreed, agreed or strongly agreed that directors of the future will need to have and apply greater levels of emotional and social intelligence to their advisory role. A number of respondents agreed that being a good listener is an important behavioural skill for directors, while emotional intelligence was also mentioned. Over 80% of respondents agreed or strongly agreed that being creative and possessing an innate curiosity will be a key requirement for directors in the future.

In addition, the vast majority agreed that critical thinking skills and being able to identify the “unknown unknowns” were important skills. 85% saw that demonstrating greater adaptability and being solution-oriented were important as well.

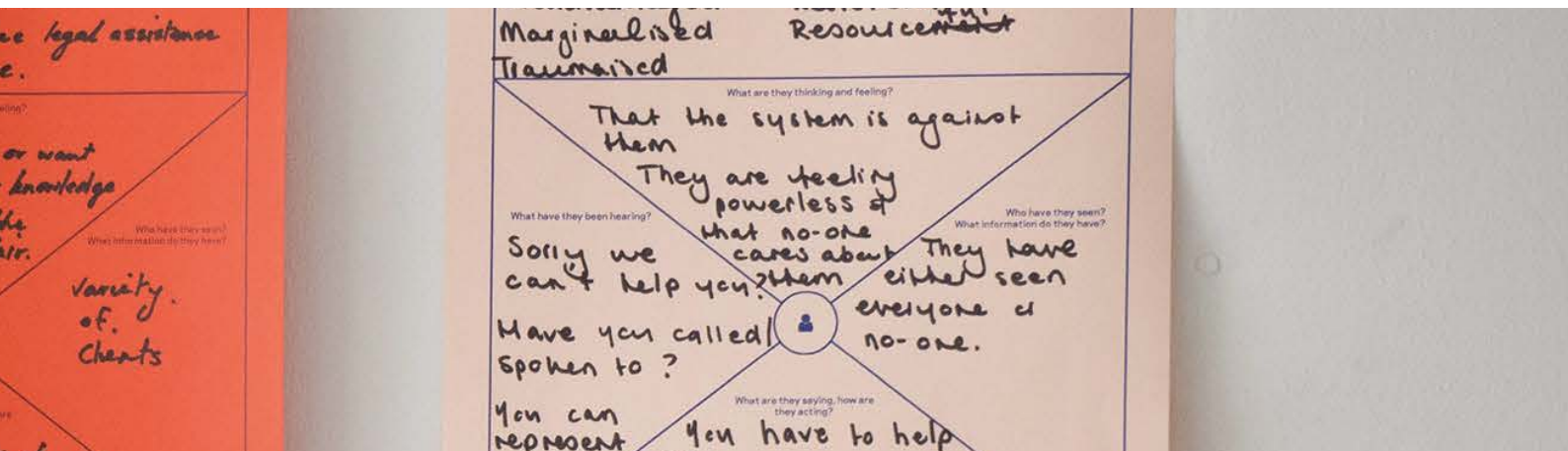
“The capacity to tolerate ambiguity [is important] – there is more than one viewpoint and it’s not a knockout contest.”

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# The board of the future

## Widening diversity

We discovered that the boards of the future will need to be more diverse, not only in their makeup, but in how they think and act.

As one director said, “Boards will need to find a way to encourage [a] diversity of views and complementary skills, rather than defaulting to easy-to-measure [director] profiles such as ethnicity [and] gender.”

Almost everyone said boards should enhance diversity in all its forms. All but two of the respondents agreed with the statement that it will be important for future boards to cultivate greater diversity in how they think. Women almost unanimously agreed or strongly agreed here, versus 79% of men. Those with one or two current directorships tended to agree more in cultivating greater diversity than if they had five or more directorships.

Along the same lines, pretty much everyone agreed that boards should avoid group think. Enhancing diversity in all its forms is essential for preventing and overcoming problematic group think. This means the contributions of individual directors and independent views aren't lost.

### How long should directors serve for?

We found that current directors see a trend towards shorter terms in any particular board seat. This is due to the impact of stricter governance codes, greater investor scrutiny, compliance requirements and the need to ensure there is ‘fresh air’ in the boardroom.

“Directors should stay long enough to add new ideas, but not [so] long to be adding old ideas.”

### Shorter tenure

75% of respondents slightly agreed or agreed that the tenure of a director will decrease in the future. A small minority disagreed.

Not surprisingly, directors with longer tenures tended to agree less strongly.

Only about half of directors with more than six years of board experience agreed or strongly agreed that the tenure of directors will decrease in the future. There was also a split between Irish and international respondents: 60% of Irish directors agreed or strongly agreed versus only 35% of international respondents.

Board renewal and rotation is important for maintaining independence, otherwise directors may become complacent, lack perspective and cease to add value. Most corporate governance codes suggest two terms of three years each, with perhaps a third three-year term, subject to performance.

### Cultivating mindfulness and constructive debate

We discovered that the boardroom of the future will encourage independent thinking and organisational mindfulness, and create an environment where constructive challenge is considered the norm.

“The ideal director of the future will have the ability to operate in ‘the grey zone’ where optimal solutions rarely arise and complex trade-offs require soft political skills.”

Directors in the future will need to demonstrate more independence in their thinking, according to the survey. Almost everyone agreed on the need to display greater independence and objectivity in their thinking.

The more directorships they had, the more respondents agreed with this.

### Counteracting conformity

How many agreed that listening, observing and constructively challenging board colleagues and executives will be a key requirement for directors in the future? Nearly everyone. Also, directors should strive to engage, influence, challenge and communicate concisely with boardroom colleagues. And there was an expectation that directors should demonstrate more resilience in defending their points of view.

To counteract conformity, 89% of respondents agreed that boards should encourage organisational mindfulness. Demonstrating how vital it is to encourage constructive challenge, over 90% agreed that having it improves board dynamics.



# Assembling the board of the future

Having collected their views on what they expect from successful directors and boards of the future, we asked survey respondents about how they thought boards should be assembled and assessed on an on-going basis.

Many of those surveyed agreed that implementing personality testing for directors and aligning recruiting with a board's strategic competency requirements would make for more effective corporate boards. But one director cautioned, the "key issue [for] a board is collective responsibility" and the "trend towards [recruiting for] specialist skills may conflict with this goal."

Almost everyone agreed that strategic board renewal is vital for ensuring that a board has

the skills to support the future direction of the organisation. A strong majority agreed that recruiting new directors using personality trait analysis to assess how they would complement and enhance the current board personality profile would be worthwhile. Personality trait analysis can assist in recruiting directors who complement the other personalities in the room. The shorter the board tenure, the more agreement there was with this.

There was strong agreement that to become a board director, you should have to pass a basic competency test. Fewer respondents agreed that directors should have to take a competency test every three years as part of their continuing professional development.

Interestingly, while only 22% of all respondents disagreed with the need for the test, that doubled for international respondents.

## Conclusion

A rapidly-changing corporate governance, economic, technological and political landscape will continue to challenge and change the way directors and boards manage risks and opportunities.

According to 200 current directors, the director of the future will bring his or her curiosity and imagination into the board room and will be more focused on long term, sustainable business models, innovative approaches, and leading KPIs.

In turn, corporate boards of the future will be more diverse, will encourage more director turnover, and will foster an environment

of organisational mindfulness and constructive challenge.

For a board to be effective, all directors need to bring their individual competencies to bear and work together as a team to overcome the risks and challenges that will arise. High performing boards of the future will have to be talent and skill-centric to have a strategic impact.

Achieving the right balance between recruiting for individual director's skills and competencies and creating an overall board that works effectively as a group will remain a challenge. The survey results highlight that companies that can achieve and maintain this balance will be best-placed to tackle the challenges to come.

# About our survey partner

This survey was produced in partnership with The Governance Company, a global provider of online corporate governance programmes which assist in developing and testing the competency of the directors of boards, supported by insightful performance analytics.



Its target markets include the boards of business membership based organisations, subsidiaries of multinational companies, and the boards of organisations funded by state agencies.

It also provides online board evaluations and governance support services, governance advisory services and governance related research. The mission of the company is to make the topic of corporate governance stimulating, engaging and fun. Users can learn what they want, when they want, cost effectively.

Founder and CEO David W Duffy is a recognised authority on corporate governance. He is the author of a number of practical books on corporate governance, including two published by Chartered Accountants Ireland:

- **“A Practical Guide to Corporate Governance”**
- **“A Practical Guide for Company Directors”**

David has extensive experience in advising on corporate governance in Ireland, UK and Europe in most industry sectors and types of organisations. He is also a frequent speaker on governance at conferences and a contributor on all media platforms.

[dwduffy@governance-company.com](mailto:dwduffy@governance-company.com)  
**+353 87 2423046**



## ABOUT ODGERS BERNDTSON

For over 50 years, Odgers Berndtson has helped some of the world's biggest and best organisations find the senior talent to drive their agendas.

We deliver executive search, assessment and development to businesses and organisations varying in size, structure and maturity. We do that across over 50 sectors, whether commercial, public or not-for-profit, and draw on the experience of more than 250 Partners and their teams in 29 countries.



### Siobhan Walsh

*Research Partner - Dublin*

Siobhan is Research Partner at Odgers Berndtson in Ireland. Siobhan leads the Research function. Siobhan joined the business in 1991 and progressed to Director of Research in

1998, a role she managed until 2014 when she became Research Partner.

She personally manages a wide range of international assignments across a broad spectrum of industries and functions. Recently she has worked with clients in banking / financial services, professional services, telecoms, M&E contracting, real estate and public sector. Siobhan has a particular expertise in CEO and CFO functions and also in the Non-Executive space.

[siobhan.walsh@odgersberndtson.com](mailto:siobhan.walsh@odgersberndtson.com)

+353 1 71 9651826



### Damian Ringwood

*Managing Partner - Dublin*

Damian leads the Board Practice in Ireland and has a demonstrable track record of success in appointing non-executives across a broad range of sectors, including, banking and finance, semi-state, and public sector. His technical expertise lies in his ability to assess talent through in-depth interviewing and be a trusted adviser to the clients in all aspects of the search. A qualified Company Secretary, he also has a strong background in strategy, finance and business transformation. He is well positioned to contextualise senior roles for candidates and evaluate their potential and fit. Damian has previously held senior strategy consulting positions with EY London, Prospectus Strategy Consultants and BearingPoint. He began his career with the Smurfit Kappa Group. Damian holds a first class Masters in Business Strategy from NUIG and a BSc (Hons) in Management from Trinity College, Dublin.

[damian.ringwood@odgersberndtson.com](mailto:damian.ringwood@odgersberndtson.com)

+353 1 6697314



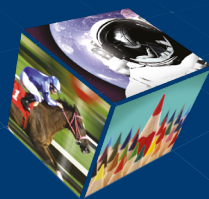
### Rowan Hills

*Principal Researcher - Dublin*

Rowan is a Principal Researcher and member of the Board Practice in Ireland. She focuses on identifying high calibre talent within the Irish marketplace for current and future appointments. She began her executive search career with Odgers, Ray and Berndtson in 2002, spending five years in the Glasgow office, before relocating to Ireland and completing her PhD, which examined the role of board members within the public sector. She returned to executive search in 2015, where she focuses on board appointments and is actively involved in developing the Odgers Berndtson Emerging Female Leaders Community of Practice in Ireland. She has a PhD from the University of Strathclyde and a first class honours degree from the University of Surrey.

[rowan.hills@odgersberndtson.com](mailto:rowan.hills@odgersberndtson.com)

+353 1 6697315



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