Back from the future: what might boards look like in 2036?

"Housing Horizons – the vision for 2036" is to be launched at CHC Annual Conference 2017

#TheNextChapter

Some thoughts in some order...

> Dystopia – hubris and anti hubris

> Core principles don't change

> Today's trends tomorrow

> Diversity, skills based boards & distinguishing between recruitment and selection

> Innovation

> What makes a great board great?

> What do great boards do?

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#TheNextChapter

> **People:** Who will we house in 2036?

> **Services:** What services will we provide?

> **Community:** What is our offer to the communities in which we operate?

> **Workforce:** What will the workforce look like and what skills will they need?

> **Leadership:** What will the leadership look and behave like?

> **State:** What will our relationships be like with Welsh and UK Government?

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The antidote to hubris?

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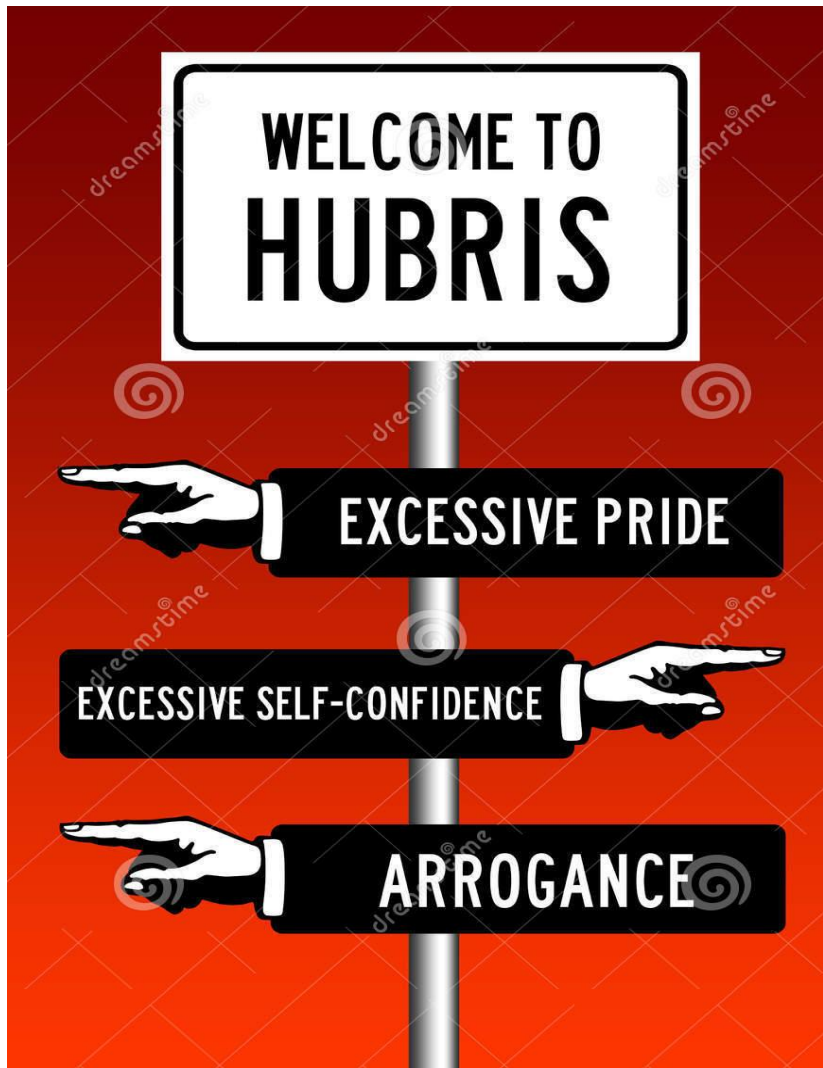
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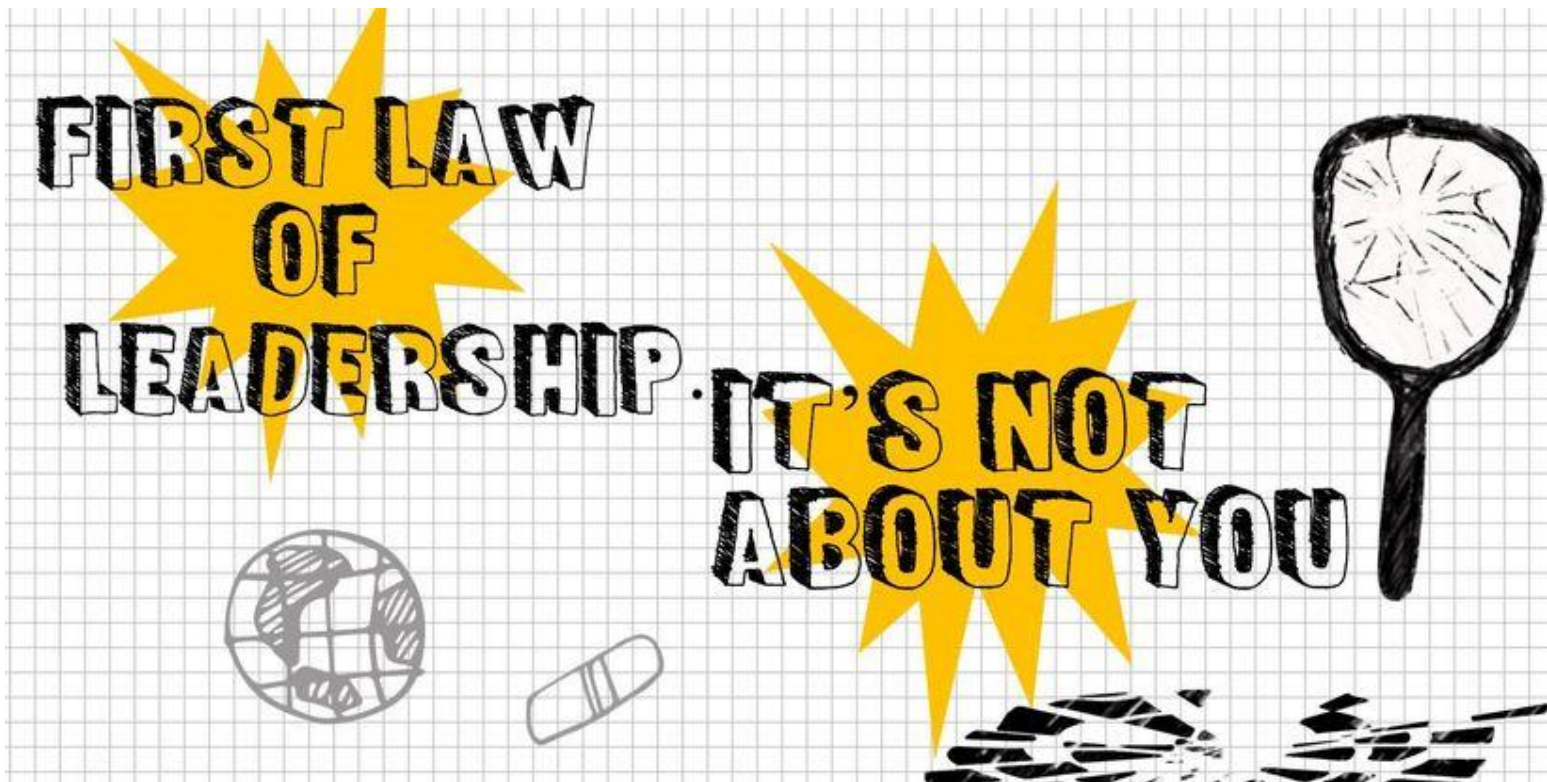
The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts.

-Bertrand Russell

What should a board be focusing on today and tomorrow?

Going back to First Principles

> **Values** - do they still serve us?

> **Vision and Purpose** - is it clear, does it offer direction?

> **Roles** - do we understand our responsibilities and the roles and responsibilities of others?

> **Accountability** - how do we answer to stakeholders, internal and external?

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Sharpening the board's focus

> Consciously made decisions – serving our purpose

> Set own, clear direction – and plans to get there

- Do our actions fit our plans? If not why doing it?

> Articulate strategy, understand risks, assets & liabilities

> Clear thinking processes with evidence to support

> Understanding our own organisation

- Costs and benefits

- Where we are going – and how this contributes

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Sharpening the board's focus

> Understand markets we operate in and what is right for this area – social mission, cross subsidise

> Risk (match between risk profile and quality of governance)

> Skills, culture, grip

> The ability to hold ourselves accountable – including skills & knowledge to do so

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Today's trends tomorrow

> Beyond compliance

> Smaller – every member adds value

> Simpler (structures)

> Unitary

> Remunerated

> Skills based

> Senior Independent Director (SID)

> Company Secretary

> Virtual

> Diverse

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Back to the future?

Parker Review 2016

> "The Boardrooms of Britain's leading companies do not reflect the ethnic diversity of either the UK or the stakeholders that they seek to engage and represent. Ethnic minority representation in the Boardrooms across the FTSE 100 and 250 is disproportionately low"

> "I trust Boards will see our recommendations as business friendly, reminding us of our need to continue to earn our licence to operate in society, and as an initiative to help UK companies to remain global leaders over the long-term." Sir John Parker
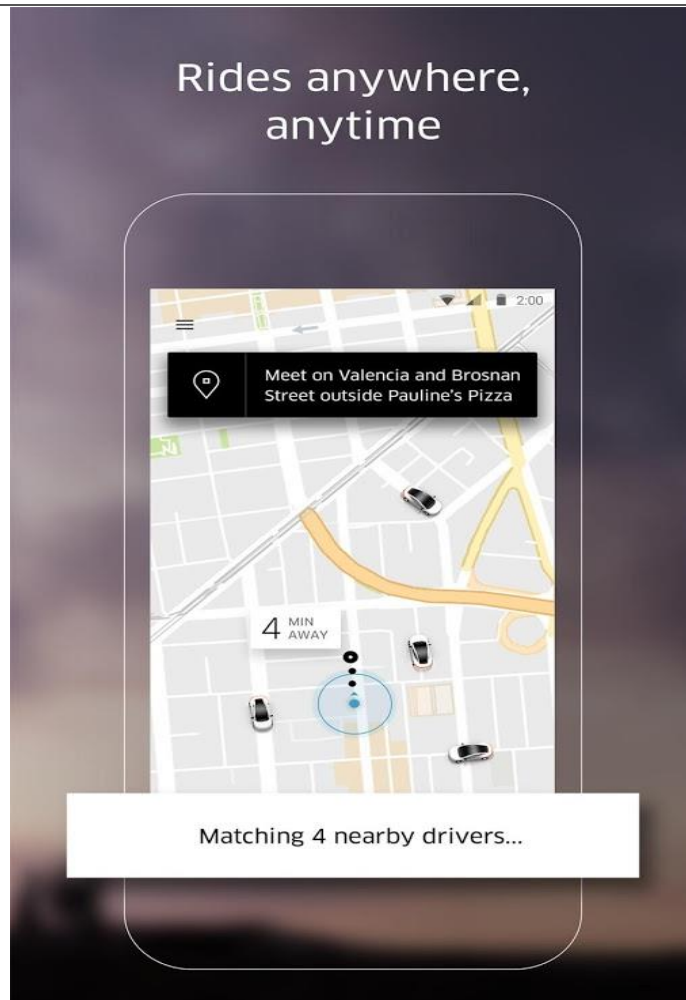
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Recommendations

> Each FTSE 100 Board have at least one director of colour by 2021, and each FTSE 250 Board by 2024.

> Nomination committees should require HR / search firms to identify and present qualified people of colour to be considered for Board appointment

> Pipeline, sponsorship…

> Companies encourage and support staff to take on Board roles internally (e.g. subsidiaries) as well as Board and trustee roles with external organisations (charities, NFPs)

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Recommendations

> A description of policy on diversity should be set out in annual report, including company's efforts to increase ethnic diversity within its own organisation, including at Board level.

> Companies that do not meet Board composition recommendations by the relevant date should disclose in their annual report why they have not been able to achieve compliance.

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Recruitment vs selection

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Innovation

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Science fiction?

> Wearable technology

> Virtual reality

> Drones

> Internet of things

> Gamification

> Gig economy

> What is your organisation doing differently to reduce costs in relation to squeeze on incomes from e.g. welfare reform?

> How to adapt, alter or improve services?

> Transformation plans
   • Processes 69%
   • Digitalisation 66%
   • Culture 61%

What was the last governance related innovation your RSL adopted?

And how do you encourage innovation deeper in
the organisation?

Which are you?

> Digirati - understand how to drive value with digital transformation, invested in digital initiatives **29%**

> Digital fashionista - have implemented or experimented with digital applications. Not all have created value **24%**

> Digital beginner - done very little, investigating options **34%**

> Digital conservatives - tend to favour prudence over innovation, typically sceptical of the value of new digital trends **3%**

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> Do you have a digital strategy?

> Lead from the top?

> Skills gap at Board (& Executive) levels?

> Are your CEO / Directors active champions / sponsors

> What does self service governance look like?

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"Stress testing has established an ability to cope with the known unknowns. But the unknown unknowns are lurking in a new generation of derivatives or the opaque Chinese financial system. I don't normally hang out with hedge fund managers, but a group I was with this week thought there were so many "black swans" that it was easier to ignore them than try to evaluate the risks. All agreed though that we are in for an uncomfortable period when financial storms are all too plausible."

Vince Cable 2015

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"WHAT REALLY MATTERS IS WHAT YOU DO WITH WHAT YOU HAVE."

H. G. Wells

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What makes a great board great?

"Contentiousness and independent thinking characterise all great boards, as does the ability not to allow intellectual disagreement to disintegrate into disharmony and factiousness"

Jeffrey Sonnenfeld Yale School of Management

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What makes a great board great?

> Reliance on the integrity and competence of other Board Members and of the information received from Senior Management

> An atmosphere of openness and tolerance of disagreement

> Great leadership

> Key element = social systems not structures

> Robust debate with many viewpoints and examination of many contingencies

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What makes a great board great?

> Ways of discussing before becoming a crisis

> Early warning systems

> Seeking assurance not information – better not more

> Focus on what really matters

  - key risks and controls

> Clarity on levels and sources of assurance

> Great Audit Committees!

Constructive Challenge

> Constructive challenge in the Boardroom describes a particular kind of conversation and interaction among Board Members that requires the interplay of three types of behaviours (Dr Jay Bevington)

- Asking penetrating questions
- Actively listening
- Asserting a position until it has been satisfactorily answered

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Trust

> Naïve trust: exclusively positive answer – competence, authenticity and positive intention taken as given

> Reflexive mistrust: negative answer – regard positive intention with suspicion, believe incompetence is rife

> Informed trust: based on evidence and experience

(Paul Stanton Director Board Development Team NHS)

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Constructive Challenge and Trust

> Superficially uncomfortable bedfellows

- Board Members uncomfortable with direct challenge believing questioning of colleagues is disloyal or counter-intuitive to getting along

- Board Members wary of fostering trust believing that in order for the Board to challenge effectively and minimize the risk of collusion a safe distance must be maintained between executive and non-executive

Getting the right balance between trust and challenge

Constructive
Challenge
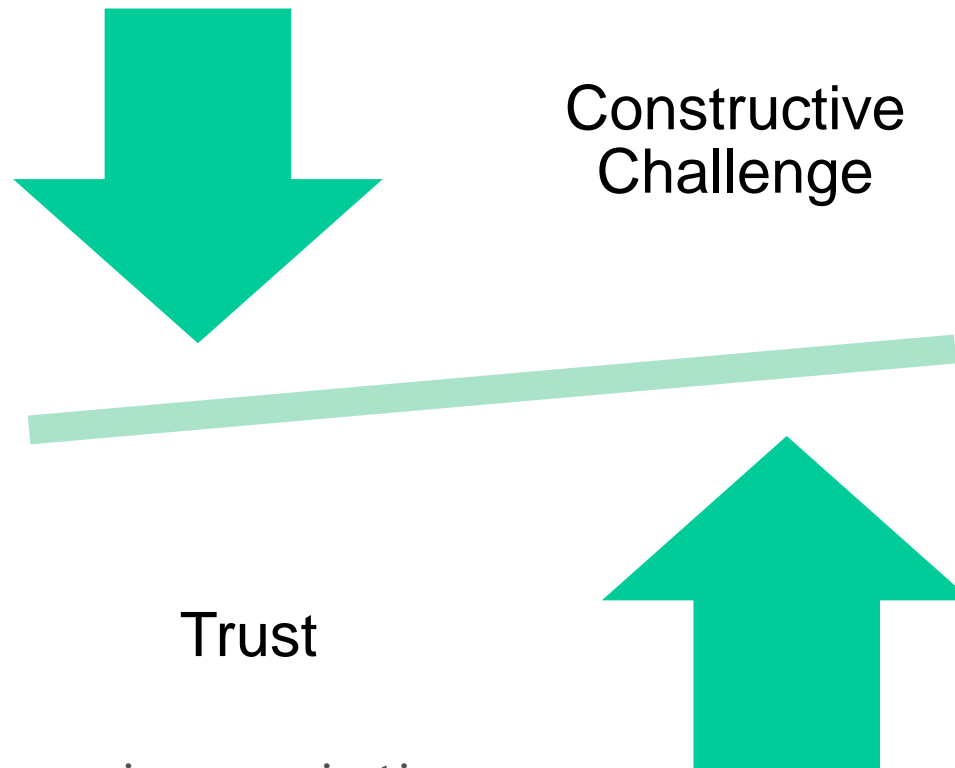
Trust

Constructive Challenge and Trust

> Rarely happens by chance - absent where not discussed

> Needs to be openly talked about, actively nurtured and deliberately protected

> Good quality information underpins effective challenge

> Can take time to develop but can be destroyed in an instant

> Getting the balance right is easier said than done – Board Etiquette

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Walls or Bridges?

"The most important question
human beings can ask themselves
is whether the world is a friendly
or an unfriendly place,
for their answer to that question
determines whether they spend their lives
building bridges or building walls." (Einstein)

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