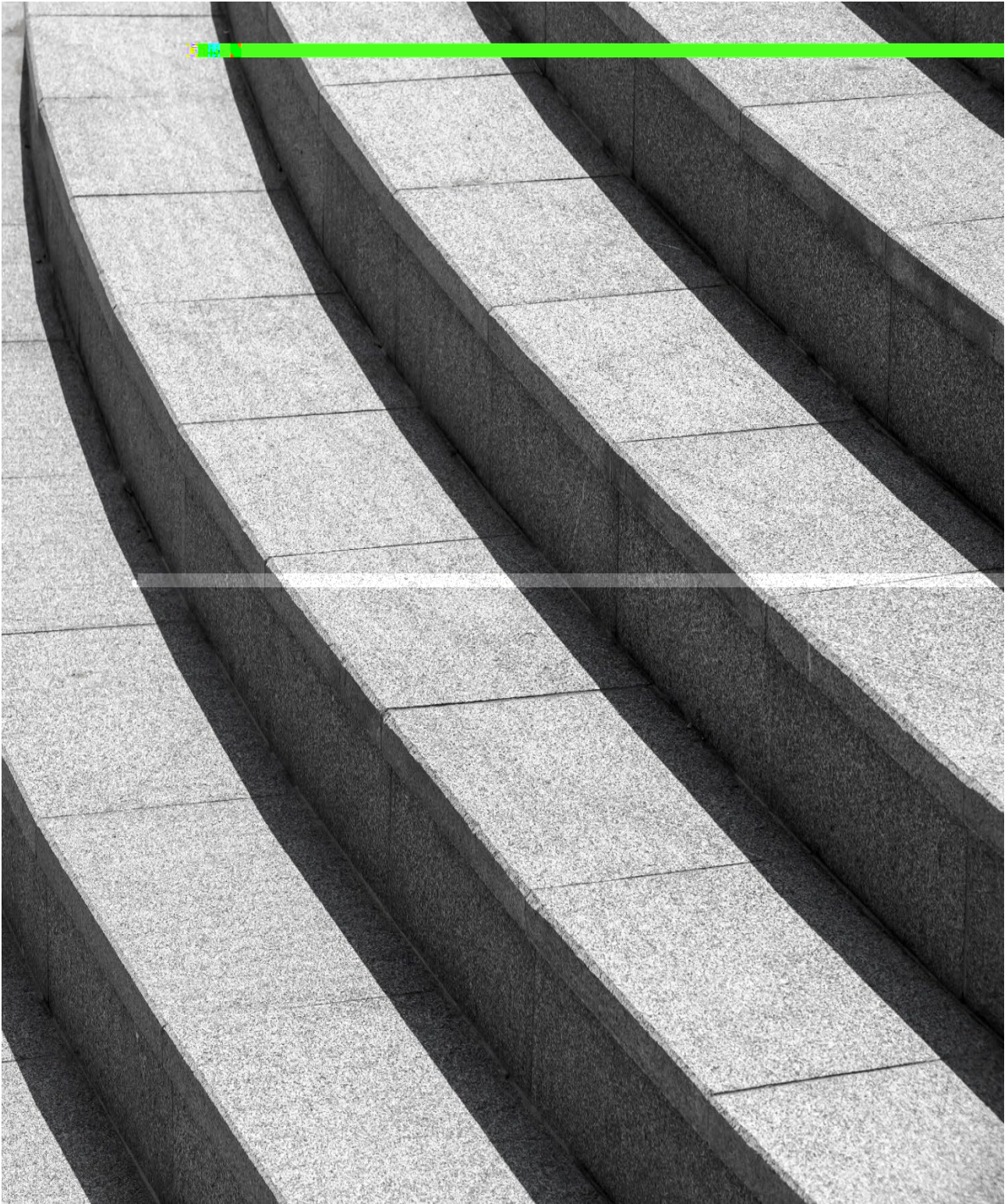


Chair and Non-Executive Director Lunch – July 2023

THE CHANGING ROLE OF THE BOARD, OR JUST ANOTHER DAY IN THE OFFICE!



Hoggett Bowers was delighted to host our first Chair and Non-Executive Director lunch of 2023. The event was well attended by a complementary blend of Chairs and Non-Executive Directors from across travel, energy, utilities, retail, hospitality, financial services and logistics sectors.

'Since 2009, the phrase "the new normal" has repeatedly been overused. During the past 4 years the World has experienced ongoing but differing challenges disrupting business. With the only "normal" being change, both expected and, in many cases, unexpected.

However, many Boards and Executive Leadership teams have gained and honed much of their experience in more benign trading conditions, specifically in times of lower interest rates, less volatile, reduces energy prices and greater levels of geopolitical stability.

Similarly, the pace of technological advancement is forever increasing across a multi-generational workforce which have differing demands. It is therefore unsurprising that around the Board table Executive wellbeing and stakeholder engagement have become a higher profile topic'.

Against the context of the above thesis, we asked our guests on how they are viewing their role as a NED/Chair changing to guide and support Executive teams and Boards to adapt, innovate and inspire in these complex times?

"Boards need to be more robust and inclusive based on diversity of skills and experience".

Opening our discussion, a Non-Executive Director with a consumer and entertainment sector background shared how the relationship with their Executive had changed dramatically during the pandemic. Referring to this crisis as being the catalyst that pulled the whole team closer together. Resulting in switching from monthly to weekly Board meetings in response to the challenges that their Boards faced in running a retail and manufacturing businesses in conjunction with managing the wellbeing of the workforce.

"Boards looking to fill essential knowledge gaps associated with deep tech and ESG".

Furthermore, they considered that the pandemic has changed Board Dynamics for the better and with it increased the support that all fellow Non-Executive Directors provided to their Executive colleagues particularly in areas associated with business prioritisation and scenario planning. Consequently, they considered the compilation of the Boards they currently sit on to be more robust and inclusive based on diversity of skills and experience. This has recently involved promoting and hiring much needed new talent to these Boards to fill essential knowledge gaps associated with deep tech and ESG.

Balancing time allocated to Non-Executive Director work demands and Executive mentoring; our discussion prompted a financial services Non-Executive Director to express their surprise in how they had not thought about this subject in this way before. As part of their mentoring service, they recommended that Executives review David Rock's SCARF Model, a model which considers five domains of human social experience: status, certainty, autonomy, relatedness, and fairness which can be applied and tested in any situation in which people collaborate as part of a group.

They cited recently applying this model to one of their Boards during a prolonged period of change and uncertainty from which they have witnessed a gradual change in Board behaviour, particularly in the Executive cohort. From one of feeling threatened to becoming increasingly more empowered and proactively seeking support from their Non-Executive Directors.

A financial services Non-Executive Director and Chair of a digital development company observed how previously the Board had interpreted risk as a threat and how the Non-Executive Director's had proactively worked with Executive colleagues to support them in reframing risk and focussing more on business opportunities.

"Executives are proactively seeking increased support from their Non-Executive Directors".

They went on to say that in their Non-Executive Director capacity, which involved providing an external lens on digital technology and AI, they had been surprised by the Boards limited understanding of the speed of advancement in this area as well as the increased importance and future impact that technological developments will continue to have on shaping the growth and trajectory of the business.

Citing that colleagues spoke about AI but practically nobody understood how new developments in this area could provide both a competitive advantage combined with the need to fundamentally shift how they conduct business in the future. Currently the Non-Executive Directors are supporting the Executive in looking to bridge this knowledge gap through the appointment of a CTO to the Board.

"Do not believe anyone who tells you they can forecast when the economic situation will get better".

Based on current economic uncertainty, a Non-Executive Director and Chair of the Risk Committee for a Bank explained how they had provided sage advice to their Executive colleagues as the recession ripples began. Their advice being not to believe anyone who tells you they can forecast when the economic situation will get better and as such to continue to stress-test the robustness of the business plan against changing market conditions.

Another Risk Committee Chair and Non-Executive Director shared how they had encouraged his peers to support their CEO to actively network externally to enhance their perspective on how other organisations deal with complexity and uncertainty. Applying this external lens and distilling good practice and good advice has benefitted not only the CEO but also the Board on how they equipped themselves more robustly to deal with internal and external challenges.

The Non-Executive Director of an Insurance business highlighted the challenges of identifying the new normal and how some of their Non-Executive Directors' age and experience enables a counter view, particularly on areas associated with the new normal.

There was agreement that the role of the Non-Executive Director was shifting to one that that was required to be more visible and proactive in how they support their Executive team. There was general consensus that as Non-Executive Directors it was no longer a case of being asked for your opinion there is now a need to be more proactive in sharing value-added counsel and wisdom. They also reminded the audience that in the current climate it is not only the CEO that is in the spotlight but more increasingly the Chair.

“Non-Executive Directors need to be increasingly more proactive in sharing value-added counsel and wisdom”.

One of our guests cited the importance of wellbeing and how they had observed, over recent times, high levels of stress which was particularly evident with Executive board members. Consequently, along with other Non-Executive Director colleagues they are needing to spend more time on a 121-basis counselling the Executive to understand their levels of stress and equally to review likely remedies.

A seasoned portfolio Non-Executive Director shared how they were lucky to have a mature leadership team who have all experienced previous economic crisis which has equipped them well with the necessary 'muscle memory' to act with intensity and immediacy to tackle and navigate the current markets conditions.

The Chairman of a food manufacturing business shared how resilient they feel their Board has become. With the advent of Covid providing the necessary catalyst to accelerate the move towards business automation, and with it the adoption of lean practices aimed at successfully taking cost out of the business.

“A mature leadership Team has the necessary ‘muscle memory’ to act with intensity and immediacy to tackle and navigate the current markets conditions”.

Keeping the voice of the customer front and centre in the decision-making process has become the Board's guiding star, this was the mantra of one of our guests operating in the hospitality sector. It was also broadly agreed that overlaying the demands being set by Regulators in the context of the current business climate are adding to heightened levels of complexity being felt around the Board table.

“Reverse mentoring helps in developing talent, narrowing skill gaps and building bridges across generations”.

A form of greater collaboration mentioned by one of the guests was reverse mentoring an approach that had been deployed successfully in one of their Non-Executive Director businesses. This involved the Non-Executive Director's selecting junior employees to mentor members of the Executive team. The idea being that junior employees can share their expertise (commonly, technology and digital media topics) with senior colleagues, who may be less familiar in these areas. They described the output so far as being positive in developing talent, narrowing skill gaps and building bridges across generations.

Our last contributor highlighted how divergent the priorities can be between private equity and listed businesses and considered therefore that the attributes and skills required by a Non-Executive Director are different. In the case of private equity, a Non-Executive Director typically needs to be more adaptive, innovative, inspiring, comfortable at moving at speed and able to deal with high levels of ambiguity. While the focus for a Non-Executive Director in a listed business are largely around adhering to corporate governance and applying codes of practice.

Summary

There is clearly consensus that the role of the Non-Executive Director has changed to accommodate the array of different challenges that are simultaneously disrupting and impacting on the way business operate. The breadth and immediacy of this challenge has in many cases acted as a catalyst in bringing Boards closer together. Particularly in the support that the Executive team now require from their Non-Executive cohort, especially during prolonged periods of challenge and uncertainty.

Also, with the speed of development in digital technology and AI has left some Boards exposed in understanding what the impact of this is on their business and how they best pivot to optimise competitive advantage while being cognisant of future development in this area.

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