



# Providing Future Board Leadership

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The agenda of IOD's 2019 Annual Directors' Conclave and 29<sup>th</sup> Annual Day raises a variety of questions relating to the nature of the leadership that should be provided by future boards and how this might differ from that provided by CEOs, other executives and managers. Related to the theme of leading strategy to embrace sustainability, there will be discussions of what directors will need to be concerned with and to do to be considered a 'strategic board' and the corporate governance and sustainability capability

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and competency required. The conclave will discuss board strategies for navigating risk in a volatile world and for leveraging emerging technologies. It will touch upon areas about which directors might ostensibly know far less than many other people in a company. Independent directors may also be able to devote much less time to them than full time employees.

## **Boards and Leadership**

Boards should provide strategic direction, but what about leadership? Shouldn't the CEO lead the executive team in the implementation of an agreed purpose, vision and direction and related values, goals, objectives, strategies and policies? A unitary board may be composed of both executive directors and independent or non-executive directors. Executive directors are likely to have departmental or other teams to lead, but what about individual non-executive directors and the nature of the collective leadership that should be provided by a board? Do

productive responses to a challenge such as climate change require multiple forms and levels of collaborative leadership?

What should the contribution of the board be in ensuring that effective, required and responsible board and executive leadership occurs within a company and across its various networks of relationships? A board should support the development of corporate and local leaders and operate in such a way as to encourage rather than undermine leadership aspirations and qualities in others. There are particular dimensions of leadership that should be the collective concern of board members. For example, do they understand the leadership concerns and requirements of stakeholders? What leadership qualities should directors themselves and others possess and exercise? What should their roles be in relation to arenas such as ethical, moral, environmental and thought leadership? Should it be catalytic, exclusive, primary or shared?

A board should ensure that the different types, styles and levels of leadership exercised within and across a company are appropriate to its purpose, aspirations, values and the people involved. Should ethical and moral leadership be absolute and universal or contextual? Effective

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leadership at any level should not be assumed. There are questions relating to leadership that directors should ask. Leadership and management requirements can evolve as people develop and situations and circumstances change. Top down and directive approaches are still found where more listening, participative and bottom up ones might be preferable. Leadership development sometimes reflects where a company has been rather than where it needs next to go. The aims, concerns and objectives of different levels of leadership and different generations of leader are not always aligned.

### Leadership and Followership

The influence of a leader can reflect factors such as formal position, authority, knowledge and initiative. Certain boards are more evident, assertive and influential than others. Some remain largely hidden behind a strong chief executive, or have the appearance of being a rubber stamp, whereas others seem to take the key strategic decisions and 'call the shots'. Directors and senior executives should be able to distinguish between strategic issues that a board should address and operational matters that can and should be delegated to management. Understanding the distinction between direction and management, and knowing when to stand back and support and/or when to intervene and get involved are key directorial skills. A CEO and board should have a shared interest in ensuring people are aware of the leadership and management qualities being sought within an organization and that they are properly supported in acquiring them.

In order to support and not undermine, board members need to reflect on the nature of executive and corporate leadership required, and whether there are areas that may need to be strengthened or in which a vacuum is starting to appear. Where is 'leadership' going within an organization and is the direction the right one? The requirement could be for strategic, situational or entrepreneurial leadership. Listening or servant leadership might be needed. Certain requirements might be best met by recruitment and/or development, while in other situations a board might feel it necessary to intervene to review a policy, exercise a strategic choice, make a statement, issue guidance or determine the framework of values and principles within which executives should act.

Within a particular board, certain directors may be inclined to lead while others follow. The members of a board may have taken different routes to their current positions and may vary in the extent to which they possess individual qualities such as authenticity, persistence

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and openness to new information or ideas. The collective influence of a board can depend upon whether across its membership there is sufficient engagement, energy, integrity, fairness, flexibility, persistence and resilience. Board members should care and be realistic, balanced, willing to be accountable and focused on outcomes for the company concerned. When required, a board should be decisive if it wishes to be respected. Inspiring creativity, enabling innovation and supporting entrepreneurship can lead to positive influence. Competent and selfless contributions may be welcomed, but conflicts of interest may result in 'leadership' being resented and its legitimacy questioned. Boards should be sufficiently self-aware to identify where they are deficient and need to be strengthened.

### Executive and Board Leadership

Executive leaders often lead by example. They are doers and visible. They may like to get involved in activities they lead. They usually operate within a framework of policies and values and there are often specific objectives that they and their teams need to achieve if a wider organization is to accomplish its goals. In comparison, boards are usually much less visible. They meet intermittently. They are concerned with the whole of an organization, the challenges and opportunities it faces and its purpose and progress. They have certain legal duties and responsibilities and there are likely to be regulatory, reporting and other requirements they might wish to comply with. However, they often have greater freedom than self-imposed constraints might imply.

Most of the work required to implement the strategic direction provided by a board is likely to be undertaken by others. While directors may point them in the right direction, they should try not to get in their way. Where appropriate, responsibilities may be delegated to a competent management team. As a company grows and recruits more staff, a board may entrust additional matters to others. Rather than determine a strategy itself, a board could invite an executive team to suggest options or a proposed way ahead that it could then question, discuss and form a view on. Even when it is accountable, a board might involve executives in certain processes so that their contributions are incorporated and they have a sense of ownership of what emerges. Sometimes a weak board interferes and second-guesses, where a more confident one would work with executives and govern with a lighter touch.

Where a purpose and vision is shared and a board is respected, directors should not need to rely upon their formal positions to make things happen. They should empathize, show that they care and endeavor to build mutually beneficial relationships. An aspiration could be turned into a cause, so that others comply not because they are ordered to, but because they think it is the right thing to do to achieve an end which they also believe in. A

board that respects rather than uses others and is authentic is more likely to be trusted than one perceived as playing games, taking advantage and self-interested. Effective directors give reasons for their decisions and requests so that people know why a change is needed. They also explain what people can do to help to bring it about.

### **Exerting Board Influence**

Asking the right questions can be the key to changing direction. Are there other alternatives? What might happen if a certain situation arose? Confrontation and instant rejection can cause resentment and close down thinking, whereas considered challenge might trigger further investigation and the formulation of a better solution. Some directors hope for the best, while others make things happen. They might give a lead in ensuring a focus upon particular areas, such as action to grasp a nettle and/or avoid procrastination, address an area of deficiency or seize what they perceive to be an opportunity. They set agendas. They might read the road ahead and conclude that an executive team needs to think longer-term. Executive colleagues are invariably busy. Directors may feel that insufficient attention is given to certain financial or other risks, alternative business models or possibilities being created by disruptive or enabling technologies.

Boards sometimes give a lead in pressing for more attention to be given to an issue like climate change, a company's contribution to sustainable development goals (SDGs) or the interests of particular stakeholders. For example, are the people of an organization engaged, inspired, committed and fulfilled? Are they remaining current, learning while they work and growing in confidence and capability? Is management supporting people and helping them to excel at key tasks? Do senior executives recognize the differing aspirations of younger generations? Is sufficient stress put upon creativity, innovation and entrepreneurship? Not all boards are risk-averse and wet blankets. Sometimes it is executives who lack imagination and play it safe, and boards may need to review risk appetite and encourage more adventurous approaches.

Where there is a vacuum or deficiency, a board might have to exert moral and thought leadership. This may involve intervention, calling to account, setting an example and/or instigating fresh guidance on what is acceptable and expected. At the same time, boards need to ensure they are addressing root causes and building internal capability to make the right ethical calls and think. Directors should be worried if creative and strategic thinking only occurs in the boardroom, or if corporate environmental leadership is only of concern to the board. Whether through development, communications, new recruitment, reallocating responsibilities or alternative models of operation, a board should take steps to ensure that the requirement for it to intervene is reduced.

### **Board and Management Perspectives**

Compared with directors, many executives are concerned with a relatively narrow range of issues from the perspective of a particular department and stakeholders most affected by the function concerned. One executive might consider financial aspects, while others may be more concerned with legal, risk, moral, communication or other considerations. In contrast, the perspective of directors should enable them to see the inter-relationships between issues from the viewpoint of an organization as a whole. They should be aware of what is happening in the business and market environment and take the interests and requirements of various stakeholders and all relevant factors into account. The inter-dependence of issues and different considerations is increasingly apparent in the agendas of IOD conferences, which is why attendance at them and participation in them is so conducive of building a directorial perspective.

The thinking and questioning of a board should be done in a way that does not discourage the thinking and questioning of others. Thought leadership should not be the exclusive concern of directors. Good ideas sometimes emerge from the most unlikely of sources. Management sometimes acts as a barrier between boards and stakeholders. They act as enforcers of compliance with board policies and discourage challenge, suggestions and the exploration of alternative approaches and models. Confident boards are humble rather than arrogant. They do not assume they have a monopoly of wisdom or look for blind obedience. They are alert and listen. They are open to new possibilities. They may prefer contributing business partners to compliant dependents.

A board's concern for a company's future prospects should be reflected in the extent to which it encourages others to look ahead and explore different scenarios and options. Existing operations and activities can result in vested interests, but the scope for further improvement may be limited. Alternative business models might offer clear advantages. In healthy and vibrant corporate cultures active debates about better alternatives and beneficial changes occur throughout an organization and not just in the boardroom. Barriers to an upward flow of ideas, initiative and suggestions should be tackled. Rather than controlling or limiting their flow and monopolizing inspiration, some boards and senior managers should devote more effort to removing obstacles to them.

### **Responsible Board Leadership**

The distinct duties, responsibilities and liabilities of directors are set out in applicable company law and other legislation. Some directors use the legal position to justify a form of involvement that might seem to management and others as unnecessary intervention or unwelcome interference. In practice, whether an issue is "strategic" or "operational" may be a matter of judgement. As events

unfold, a scheme of delegation that has not been recently updated may not provide easy answers. Confident directors may see themselves as different from senior management rather than as superior to them. They recognize that corporate purpose, vision, objectives and priorities should be shared and that board and management should complement and support each other. Relationships between them should be built on mutual respect. They should work collaboratively for the best long-term interests of a company and its stakeholders.

There should be a shared understanding of what is important and what should be reported to the board and considered by it. This is particularly important in uncertain times when unexpected and disruptive developments, dramatic events, scientific and technological breakthroughs, new ideas and transformational innovation might occur at any moment. They frequently arise at inconvenient times between board meetings or just after an annual plan or budget has been agreed. Today's companies need to be intelligently steered. Their stakeholders should not take governance for granted. People at all levels should be encouraged to be alert to new possibilities and to think through the implications of events

and developments. Opinions can shift. Staff and stakeholders might usefully be involved in working parties and reviews of assumptions and practices.

Boards should pay particular attention to the views of younger stakeholders and ensure they are not blocked, ignored, misunderstood or misrepresented by older generations. When were customers, staff and other stakeholders last asked for their views on SDGs or an issue such as reducing the use of plastic packaging? In relation to more inclusive development, protecting the environment and addressing climate change, there may be more support for radical action than some boards imagine. Directors need to ensure that the concerns of certain groups are not overlooked. Opinionated directors can alienate, but listening and thoughtful ones that are respected can play an important role in bridging divisions, arbitrating between contending interests and building consensus, relationships and trust. Future boards will influence all our tomorrows.

**Prof. Colin Coulson-Thomas** holds a portfolio of leadership roles and is IOD India's Director General, UK and Europe. He has advised directors and boards in over 40 countries.

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