



**Prof. Colin Coulson-Thomas*

Refreshing Directorship and Corporate Direction for a New Era

2020 was a frustrating year for many directors used to providing strategic direction and then monitoring and reporting on progress made with the goals and objectives they had set. Proactive directors who were intent on the pursuit of their aims and moving forward found themselves reacting to the impacts of Covid-19 and steps taken by Governments to control it. Agendas were hijacked by pandemic related items. Budgets and plans had to be modified. Initiatives were put on hold. Directors who were used to having the final say found themselves expected to comply with Government imposed restrictions. There were extra meetings to attend, but often little time for deliberation before taking momentous decisions.

The start of a new calendar year is often a good time for reflection. With recent progress in the development of vaccines and their deployment, many directors may feel they are at a watershed in terms of which way to turn and what to focus upon in 2021 and beyond. This year's reflection occurs against the background of recession in many markets, historically massive and in some countries record levels of public indebtedness and the prospect of a dampening impact of measures for debt repayment. Longer-term challenges such as environmental damage, reducing biodiversity, global warming and climate change remain. For many

directors and boards, whatever journey they decide to undertake might need to start from a new departure point. They may also encounter a different landscape on route.

The nature of boards and business in a future era will depend upon a number of factors, including the speed with which legislators, regulators and directors keep pace with the changing nature of organisations and the requirements for successfully creating and/or seizing opportunities and confronting challenges. Will laws, regulations, standards and codes and compliance and risk management practices be sufficiently flexible to ensure they are enablers of innovation rather than constraints and barriers to progress? Will boards create more flexible, responsive and resilient organisations that can expand, contract or mutate as aspirations, priorities and business prospects change? Will networks of relationships, inter-related projects and local, national and international collaborations be effectively governed?

Acceleration, Discontinuity and Uncertainty

During 2020 a number of previous trends accelerated. More people were required to operate virtually and work from home. Different business models were adopted. On-line activity increased. Many supply chains were interrupted. Digital technologies were

quickly embraced. When certain options were no longer available, people looked elsewhere or reviewed their requirements. Individuals as well as organisations were required to adapt and be resilient. During lockdowns and restrictions, family and the immediate neighbourhood became more important. There was time for reflection on life, livelihoods, work-life balance and lifestyles. The aspirations, priorities and perspectives of certain stakeholders may have changed.

Some directors may have concluded that their organisations cannot continue as before with activities that degrade the environment, reduce biodiversity and contribute to global warming. Changes might be needed. Many companies could be repurposed, renewed and revitalised. Transition and transformation possibilities, new models of business, operation and service, and alternative ways of working, learning and living abound. Some directors may also feel the need to review their own priorities in the light of changing expectations of stakeholders and the professionalism required of a competent director. Individual and collective assumptions, aspirations, goals and priorities may have to be reviewed and re-thought.

The reimagining, reshaping and revision of desired and shared futures to be more inclusive, responsible and sustainable requires caring creativity and commitment, but also inspiration, innovation and invention. Together, these interrelated activities represent exciting opportunities for directors to engage and connect. They offer unprecedented scope for collaboration, enterprise and social entrepreneurship. They can also be demanding of time and stretching for many directors and members of executive teams. They may involve hard choices, the balancing of different interests, trade-offs, and difficult issues and conversations. Interdependent reviews and their implementation might need to be undertaken in parallel.

Handling Difficult Issues

This year's reviews and reflections on the future and may be particularly challenging. Some directors are comfortable when handling issues sequentially and in relative isolation across an annual calendar of meetings, but find it difficult to deal simultaneously with a number of pressing matters, when action taken in respect of any one of them might impact differently on others. Time and resource constraints and uncertainty relating to external dependencies such as upon vaccine roll-outs or the status of imposed restrictions can add to pressures. Certain immediate priorities may seem to conflict with future requirements. Enablers such as digital technologies can be misused as well as deployed. Various

arenas of decision can create ethical issues, pose moral dilemmas and strain the professionalism of directors.

In many current situations and contexts, determining the timing of action and speed of movement can be as important as deciding which way to jump. In relation to global warming, the burden of corrective action needed might increase exponentially with further delay. The implementation of a strategic decision such as the repatriation of overseas suppliers and the timing of what would need to be done could impact and/or involve dependencies upon many external parties. These may vary in their ability and willingness to move quickly, depending upon how they might be affected and their other priorities. Directors might need to be both realistic and pragmatic when distinguishing between what can and should be done by a company and what steps will either require collaboration or benefit from collective action.

Some reviews may have been avoided or be long overdue. The consideration of difficult issues sometimes reveals differences of perspective among the people and personalities serving on a board. For example, on a spectrum from individualism to collectivism, some directors might be instinctively individualist, while others are closer to the collectivist end of the continuum. Such differences could influence views on areas as diverse as the desirability of collective action or the allocation of responsibilities. Views may also differ on the lessons of lockdown experience, such as whether or not virtual operation and working from home should be the norm for those for whom it is suitable, and the extent of contracting out.

Use and Misuse of Digital Technologies

Whether or not one is at an individualist or collectivist end of a spectrum could also influence one's views on the respective contributions of individual specialists and teams, and priorities for the adoption and use of digital technologies for connectivity, sharing and support. An individualist might favour personalised performance support for individuals and particular workgroups, while a collectivist might put greater emphasis upon more general and standard applications across an enterprise. Whatever approach and applications of technology are prioritised may also raise issues and pose choices that directors might need to consider. For example, they may need to weigh the benefits of greater connectivity and sharing against the risks of more misuse of information, theft of intellectual property and exposure to hacking.

A recent presentation on Huawei's views on the future utilization of various technologies suggested a wide range of possible applications. Certain uses of many possible innovations that were identified could be regarded as potentially beneficial for the public and the people of an

organisation. However, in some cases there were also more controversial possible uses to which they could be put. While monitoring systems can be used to protect, they can also be employed to check up on particular individuals for various purposes, not all of which might be benign. For example, information collected from the intelligent monitoring of health could be misused. A number of the possible applications portrayed as helpful could also be used for the practices of a surveillance state, to encourage or enforce compliance and enable control.

Given that technologies can often be used for multiple purposes, some directors may be faced with policy choices that could influence behaviours, impact their relationships with particular groups of stakeholder and have implications for reputation and trust. Thought may need to be given to the behaviours and relationships that will best enable a company to achieve what a board is setting out to do. For example, there might be a choice between using technology to enable individual creativity and foster the diversity of thought that can be conducive of innovation, and other applications that encourage conformance and uniformity. Directors who do not think through the possible consequences of their determinations should not be allowed to plead ignorance when unanticipated outcomes result from technology and other decisions.

Horses for Courses

The future may be particularly challenging for directors who have entrenched views on their roles and how companies should be governed, based upon their past experience and laws, regulations and practices from a previous age. Innovation and a greater diversity of approaches and governance arrangements may be required that evolve to suit changing situations, contexts, economic conditions, ambitions, possibilities and stages of development. For many boards, annual planning cycles and calendars of meetings with predetermined agendas may need to be replaced or complemented with arrangements for acting and reacting more quickly, monitoring transitions and intelligently steering adapting enterprises. Support systems will need to ensure directors and executives are current as and when decisions need to be taken and engagement and interaction with stakeholders is required.

Directors with a portfolio of board positions should be sensitive to their differing demands. Past assumptions, positions and views may vary in their relevance and implications for a current situation and context. Some might need to be revised. Directors may need to think long and hard about what to focus upon and what capabilities and resources are relevant to a changed

purpose, goals and direction resulting from reassessments undertaken during periods of lockdown and/or restricted operation. Gaps in capability might be identified. Implications of a re-purposing may need to be addressed. This could require difficult choices when trade-offs have to be made. Sudden changes of direction rarely affect all groups in the same way.

As a revised direction works through an organisation, individual directors and the board might be asked through a CEO to clarify, make further decisions and/or establish policies. For example, to what extent should the present be sacrificed to achieve a better future and for whom? Guidance could be sought where it is thought that a particular development might conflict with corporate values, or impede the achievement of a corporate objective or one or more of the UN's Sustainable Development Goals that a board supports. Consultation with stakeholders might be required on some issues. A responsible board might weigh the interests of current stakeholders against those of future generations who do not currently have a voice.

Initiating Difficult Conversations

Aspects of the future may depend upon whether or not some directors initiate discussion on issues that board colleagues and others might prefer to ignore. For example, there may be areas a director feels should be probed to protect a corporate reputation and/or avoid possible harm or allegations of hypocrisy. More than bland responses and references to policies may be required. Too often corporate statements of values and codes of conduct are just words on a website. Values might need to be operationalised in particular contexts and when certain decisions are taken. If an order, contract, inside track or other advantage is at stake, on occasion people may overlook or ignore them. Corruption, nepotism and favouritism abound in some jurisdictions, sectors and activities. Both the direct cost of corruption and its indirect costs as a result of the multiplier effect reach eye wateringly high levels in some countries.

Whole populations can suffer a lower standard of living as a result of corrupt practices that may be endemic. Abuse can range from individual citizens bribing local officials to obtain a permit to large companies funding the election campaigns of politicians and/or employing their wives in soft roles in the hope of securing public sector contracts. Where local institutions and regulators seem powerless to confront malpractice, and commercial rivals collude with wrong doing rather than confront it, the temptation may be to do likewise. The extent of corrupt activity in some contexts suggests local infringements of policies are being condoned or senior management and compliance teams are purposely looking

elsewhere.

Past inaction may have been rationalised. It might have been argued that taking the initiative is really the responsibility of Governments and public authorities, even though some of these may themselves be compromised. Some elements of local law enforcement agencies might also be corrupt. Do more directors need to step up and confront malpractice in all its forms? Should attempts be made to organise collective action? Might rooting out malpractice be a business opportunity and an arena for establishing new relationships? Have some boards become too complacent? Opinions on the prospects of success may vary, but is it time to start conversations that have been avoided for too long and shine a light in dark places?

Personal Directorial Priorities

The behaviour and conduct of directors could be significant factors in determining our futures. Depending upon the situation, circumstances and context, some directors might wish to reassess their own directorial motivations and commitment, and revisit why they sought or agreed to join a board and their personal purpose and priorities. Directors should periodically review where they feel they and colleagues could make the most impact and/or could or should increase their contribution. Where and when should one take the initiative in grasping a nettle, probing, encouraging or starting a difficult conversation? Could one become more of an advocate or enabler? Are colleagues doing enough to question, challenge or support?

Directors should be alert to changes, developments and trends and think through their implications and consequences. They should be prepared to investigate to uncover the root causes of symptoms they detect. They should look for the reasons and drivers of what they observe. The Covid-19 pandemic has put many people under more pressure. Stress can result in mental illness and impact decision making. When they are under pressure or duress, some people may be more likely to break related rules. Boards should be alert to whether 'getting away with it' is taking priority over doing the right thing. The content of some reports, assessment criteria and indicators might need to change in the light of certain reviews.

Individuals who aspire to becoming directors should be mindful of the roles that innovation and enterprise need to play if certain pressing challenges facing mankind are to be successfully addressed. They should reflect on the meaning of professionalism, commitment and responsibility in a directorial context and the implications for their personal development requirements. The expectations of directors and

their duties and responsibilities to a company and its stakeholders are set out in legislation in most jurisdictions, various codes of practice and, where applicable, listing requirements. Every decision is a chance to make a difference, have an impact and build confidence and trust. Every challenge encountered by a director is an opportunity to learn and become more experienced, competent and accountable. Every difficult issue handled is an arena for individual and collective board development.

**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.*