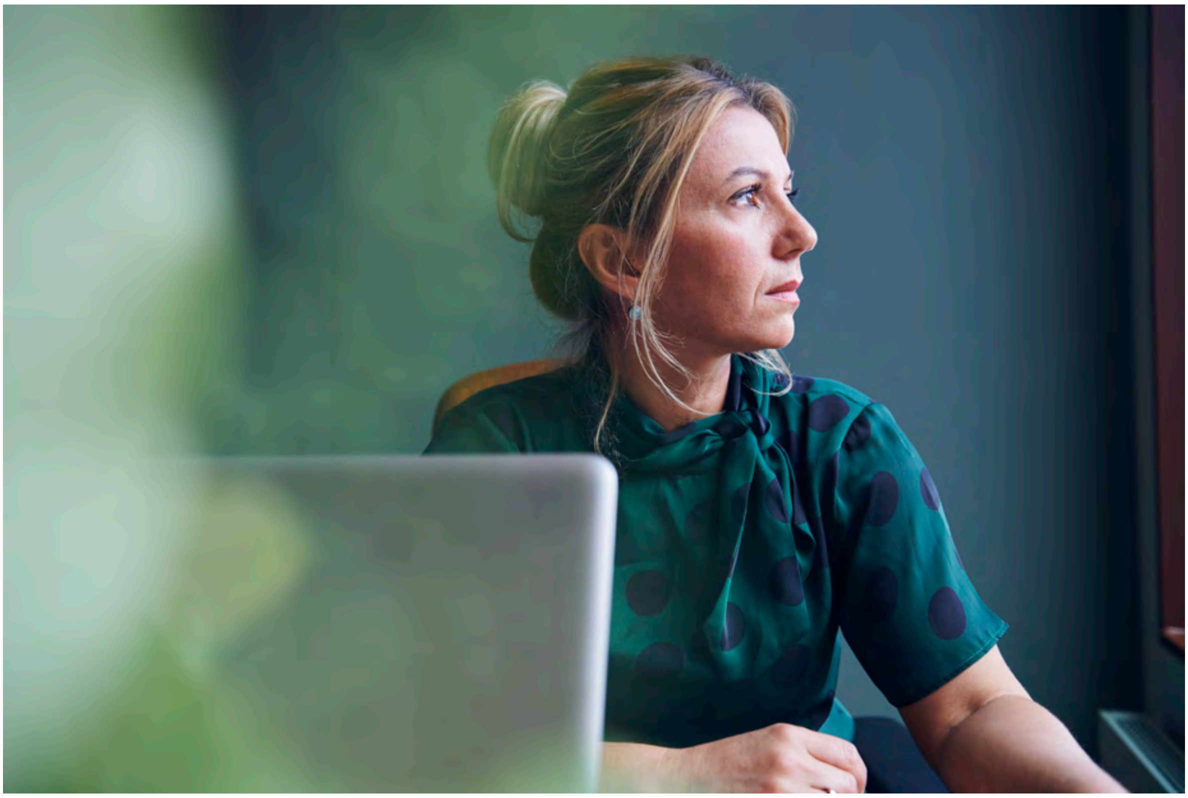

Role of the board as a lighthouse for the CEO

"Boards need to look further out than anyone else in the company" commented the chairman of a leading energy company. "there are times when the CEOs are the last ones to see changes coming". When I saw this quote, it really struck me as very prescient in a time of incredible disruption and change in virtually every sector. As long-term economic, technological and demographic trends are radically re-shaping the global economy, it is genuinely increasingly more complex to run an international business. As CEOs and executive teams grapple with the immediate monthly & quarterly challenges of delivering performance in volatile, un-predictable and rapidly changing markets, a strong board is on its toes at the top of its game in understanding what's coming over the horizon!

For the chairman and non-executive board members to genuinely man the lighthouse and help the CEO to understand & chart the waves of disruption as well as avoid crashing onto the rocks, it requires a lot of hard work, curiosity and genuine commitment to continually scan and understand the landscape the organization is operating in.

Whether it's reading a particular article in the FT about a competitor or seeing an extract from an analyst reporting predicting significant disruption in a market segment, a high calibre non-executive board director is continually engaged between board meetings in looking at the market environment. This also helps the board member build their own market understanding independent of the CEO & executive team.

This is important in enabling the non-executive board directors to critically challenge the CEO. In the majority of cases, non-executive board members will not have as deep an understanding of a market segment as the CEO & executive team but strong non-executive directors will compensate for this by their independence of the day-to-day running of the organization, their willingness to look at the market reality for themselves and confidence to ask the challenging questions about the risks posed to this organization by for example a significant shift in a competitor's business model.

So what exactly are the areas the non-execs on the boards are scanning the horizon for ? Key areas include ;

Competitive landscape – even the strongest and battle-hardened CEOs & executive teams are prone to becoming complacent over time in terms of their competitors. Often a CEO can developed a fixed-mindset around their competitors and be very close-minded to the potential of a competitor dramatically improving their market position through innovation, new business model, re-vamped sales team, substantial new investment, M&A activity etc.

Business model disruption – many CEOs in the aviation and retail industries for example are now looking back over recent years and scratching their heads as to why they did not take more seriously the impact of new entrants with radically different business models. The pace of business model change in practically every industry is picking up and there is no shortage of Davids getting ready to challenge the Goliaths of established industries !

Technology disruption – no industry sector has been left un-touched by the relentless wave of technology disruption and it shows no sign of diminishing anytime soon. In a number of sectors, technology disruption poses a fundamental threat to in particular the established players and if you look at the emergence of the fintech sector, one of the last traditional sectors, banking, is facing an existential threat to its long-established paradigm.

Macro-economic disruption – even the most seasoned of economic experts are looking at areas at present such as currency volatility, Brexit, pending trade wars etc and are really struggling to provide guidance on where the global economy is going and the potential impact of continued geo-political shocks.

Regulatory landscape – in many sectors such as healthcare and the financial industry, there are waves of new and modified regulation coming down the track which will have profound implications for companies operating in these sectors. CEOs can be very prone to overly focusing on this quarter's results while under-estimating the impact of changes like this which can have serious medium to longer-term consequences for the organization.

Sharp CEOs have long recognized the value of a high-calibre board who are genuinely on their toes, scanning the horizon, actively forming their own independent view on the market & competitive landscape and highlighting critical trends & disruption that the CEO & executive team may have not have spotted or under-estimated. This also significantly strengthens the risk management capability of the board and the ability of the non-exec board members to help the CEO & executive team avoid a serious group-think or complacency problem.

Many CEOs have often remarked to me that they feel their non-execs are not bringing sufficient value to the table in terms of sector expertise and a genuine capacity to look at the market independently. This is a key issue for the chairman to ensure that there is genuine depth in the non-execs in terms of industry expertise and independent thinking. This also places a key responsibility of the shoulders of a non-executive board member to put in the hard yards of building your own market expertise but for a non-executive board member to truly add value to an organization there really is no other way.

Kieran Moynihan is the managing partner of **Board Excellence** (**www.board-excellence.com**) – supporting boards & directors in Ireland, the UK and internationally, excel in effectiveness, performance and corporate governance.