



# THE FUTURE-PROOF BOARD

Valcon

 Cordence  
WORLDWIDE MEMBER

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# EXECUTIVE SUMMARY

## INTRODUCTION

Valcon, the Scandinavian management consulting firm, and Board Network, The Danish Professional Directors Association, conducted a Scandinavian survey among corporate board chairs and board members to gain their view on the most significant trends, changes and challenges.

We asked them to tell us how ready their companies and organisations were to act in a world with an unprecedented level of complexity and uncertainty. We also asked them to share with us their views on the board's role in developing a future-proof company, a company ready to handle this complexity and uncertainty.

We furthermore conducted interviews with several leading board members who shared their own perspectives on the challenges and opportunities in establishing a future-proof organisation, not least the challenges of defining the role of the board in such an organisation.

## HERE IS WHAT WE LEARNED

In short, the boards evaluated themselves as ready for the future. 265 Scandinavian board members rated the boards as well as the organisations highly in aspects of what it means to be future-proof.

The board members answered favourably when it came to evaluations of the board's focus on continuous improvement and development of the organisation as well as ongoing adjustments of the organisation.

Overall, the picture painted by the respondents shows that the boards are ready for disruption of their markets and changing customer needs and that they know the importance of continuously developing the strategy and processes to reflect these changing market conditions.

It would also appear that the boards have confidence in their organisations' future-proof state. They rated their organisations almost as highly as themselves in terms of ability to adapt to the changing needs of customers and to have the necessary insights and relevant processes in place.

# METHODOLOGY

In total, we received responses from 265 board members.

The respondents were asked to answer a number of questions regarding both the board and the organisation. The questions outline various aspects of what it means to be a future-proof organisation, loosely inspired by the views of pioneers such as Frederic Laloux and Simon Sinek<sup>1</sup>. The questions also reflect Valcon's view of what constitutes a future-proof organisation.

The questions centre on organisational aspects such as insight into future trends and technologies, future customer needs, empowerment of the organisation, a purpose-driven organisation, employee motivation and well-being as well as continuous development of the company strategy.

The quantitative data were supplemented by in-depth interviews with selected experienced board chairs and members.

## WHO PARTICIPATED IN THE SURVEY

### NUMBER OF RESPONDENTS

265

### COMPANY SIZE (ANNUAL TURNOVER - USD)

0-25m =	48%
25-100m =	21%
100-250 =	10%
250m-1b =	10%

<sup>1</sup> Frederic Laloux, "Reinventing organizations" (2014), Simon Sinek, "Start with why" (2009)

# THE FUTURE-PROOF BOARD



# BE A FUTURE-PROOF ORGANISATION

## WHAT DOES IT MEAN TO BE FUTURE-PROOF?

We are currently facing a reality with unprecedented speed and complexity in changes, speed of information and volume of information, both as individuals and as organisations. This speed and complexity challenge the way we structure and lead our organisations. In one study, 92% of business leaders stated that their organisations had experienced major transformational change in the last few years<sup>2</sup>. Our survey results seem to indicate that this challenge has also become a focus in many boards.

The main point is that there is no clear recipe for preparing your company for a future more complex and unpredictable than ever before, but we will deep dive into three essential aspects that should be in focus in your board.

These three aspects are:

**MOTIVATION, WELL-BEING AND PURPOSE**

**TRENDS AND DEVELOPMENTS**

**STRATEGY DEVELOPMENT**

## WHAT DOES THIS MEAN FOR THE ROLE OF THE BOARD?

So what does all of the above mean for the role of the board as a whole and for the individual board member?

The short answer is that your role will look quite different going forward: You will need to contribute with knowledge on what the company should do now and not only on what the company should aim for in five years.

<sup>2</sup> Microsoft, "When change is the new normal" (2019), p. 6

A future-proof board needs to be quite ambidextrous, and the following sums up Valcon's recommendations:

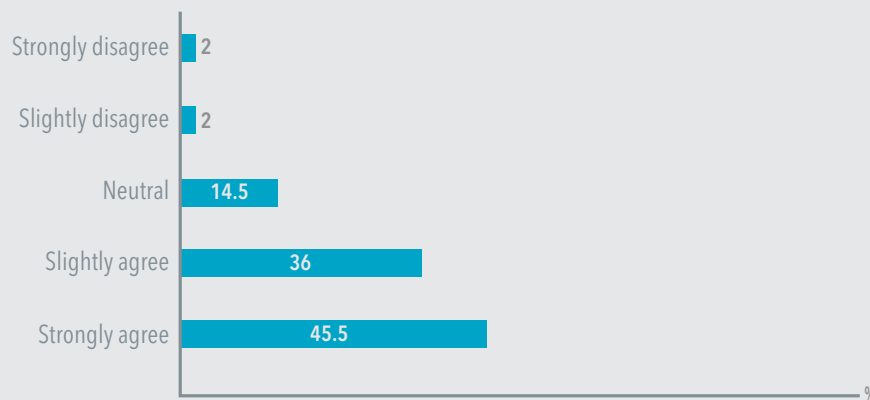
-  Ensure purpose and vision-driven strategy – not three-year plans and balanced scorecards.
-  Secure talent for trendspotting and breakthrough thinking in the boardroom – open up.
-  Ensure dynamics in the boardroom – there are no permanent oracles.
-  Be guardians of the process – not the end state.
-  Free yourself from the yearly annual planning cycles.
-  Ensure financial and risk controlling and the needed corporate governance.

As the above illustrates, being a board member has only become increasingly complex and now includes designing a very different type of organisation than in the past. Our survey results indicate that the individual board members are taking on the increased complexity that comes with establishing a future-proof organisation.

Let us therefore now deep-dive into what our respondents had to say about their future-proof organisations.

# MOTIVATION, WELL-BEING AND PURPOSE

As figure 1 illustrates, the respondents rated the organisation's focus on the motivation and well-being of the individual employee highly (+80%). Only approx 66% stated that the board focused on the motivation and well-being of the individual employee.



*Fig. 1*  
*The organisation focuses on the motivation and well-being of the individual employee.*

While it is positive that there is organisational focus on the motivation and well-being of the employees, you could ask if there is an issue in the lower score for the boards' focus on the same.

The foundation for the future-proof organisation is the people in your organisation, their mindset and behaviour. The most advanced technology, the leanest process or the smartest strategy will have no effect without the people that execute it. Your organisation's capabilities to adopt a culture of continuous learning, customer centricity and innovation will help you balance robustness and adaptivity in your organisation while keeping focus on the core customers and services.

It can be worthwhile for the board to make company culture and purpose a priority. A recent Microsoft study found that "companies with highly innovative cultures are more than twice as likely to expect double-digit growth" and "86% of employees in highly innovative cultures want to stay in their jobs, compared to 57% of employees in lower-innovation workplaces"<sup>3</sup>. Furthermore, studies show that young graduates prioritise employment where they feel that they work for a greater good<sup>4</sup>, which is why it is critical to define and communicate a purpose for your organisation.

<sup>3</sup> Microsoft, "When change is the new normal" (2019), p. 7

<sup>4</sup> 37% of Danish students answered that "to be dedicated to a cause or to feel that I am serving a greater good" was an important career goal, Universum Talent Research 2019

Motivated employees who thrive in the workplace is a prerequisite for establishing a purpose-driven organisation. And more than 70% of the respondents agree that the board focuses on having a purpose-driven organisation. There still seems to be some way to go in this area as employee satisfaction and company culture have traditionally been operational areas outside of the scope of the traditional board.

One interviewed board member stated:

**” IN MY BOARDS, WE MONITOR EMPLOYEE ENGAGEMENT SURVEYS, ETC. BUT NOT CLOSELY. IT IS NOT A FOCUS AREA.**

Interviews with several experienced board members indicated that some boards struggle to find a balance in the board's broader role without taking power away from the CEO and the rest of the executive management team.

As one professional board member stated:

**” IN THE BOARDS, I AM SITTING ON, WE ARE CAREFUL NOT TO BECOME TOO OPERATIONAL IN TERMS OF THE ORGANISATION. THAT IS THE RESPONSIBILITY OF THE EXECUTIVE TEAM.**

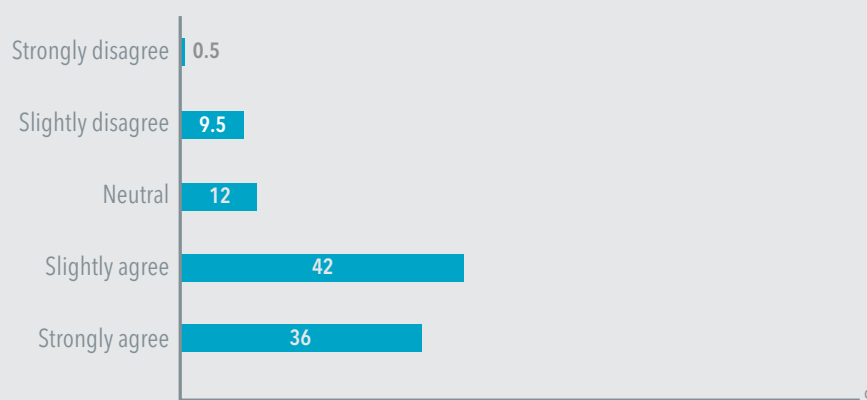
## **FOOD FOR THOUGHT #1**

A number of boards struggle with finding their optimal role in promoting an organisation that prioritises employee motivation and well-being. It is in some respects still uncharted territory for the board but it is increasingly becoming a focus area.

# TRENDS AND DEVELOPMENT

The second cornerstone of a future-proof organisation is the ability to acquire at all times the necessary insight into changing trends and customer needs. A success criterion for practically any market or industry today is a company's ability to quickly adapt to changes in market conditions, which can and will change more quickly than ever before. If your organisation is not able to gain detailed insight into customer needs and preferences, it will be very difficult to anticipate and accommodate future needs.

Judging from the results of our survey, the future looks promising indeed for our respondents' organisations as approx 80% rated their organisation to have "the necessary insight into the changing needs of customers and into the core services needed in the market".



*Fig. 2*  
*The organisation has the necessary insight into the changing needs of customers and into the core services needed in the market.*

Our respondents furthermore rated their boards just as highly (approx. 80% agreed) in terms of having focus on changing customer needs and core services. All in all, the survey results indicate that Scandinavian companies believe themselves to be well on their way to becoming future-proof organisations.

However, the scope of the survey did not allow room for questions that could enable respondents to elaborate on HOW the boards and their organisations were able to keep focus on changing customer needs, etc. But some of our qualitative interviews with professional board members indicated that ways forward

in focus in the boardroom include co-creation with customers. Focus is also on constructive cooperation with the executive management team on how to gain even more detailed understanding and insight into customers and general trends and developments. In other words, the respondents in this survey recognise the need for the organisation to become even more customer-centric, and they recognise their own role in this development.

A professional board member stated:

**” WE DO NOT GET ENOUGH INNOVATION AND STRATEGIC INSIGHT FROM SPEAKING TO OUR CUSTOMERS. THE BOARD NEEDS TO FOCUS ON MEGATRENDS AND UNDERSTAND OUR CUSTOMERS' CUSTOMERS. THAT WAY, WE WILL KNOW WHAT IS COMING DOWN THE ROAD.**

The survey respondents rated their boards and their organisations less highly when it came to detecting trends and development needs in time (e.g. exponential technologies, UN sustainable development goals, societal movements, etc.). The qualitative interviews seemed to indicate that part of the reason could simply be a lack of time and prioritisation of other aspects of the company's development.

Another professional board member said:

**” I RECENTLY PARTICIPATED IN A 12-HOUR BOARD MEETING. WE SPENT 30 MINUTES DISCUSSING TRENDS AND MARKETS. THAT IS WORRYING.**

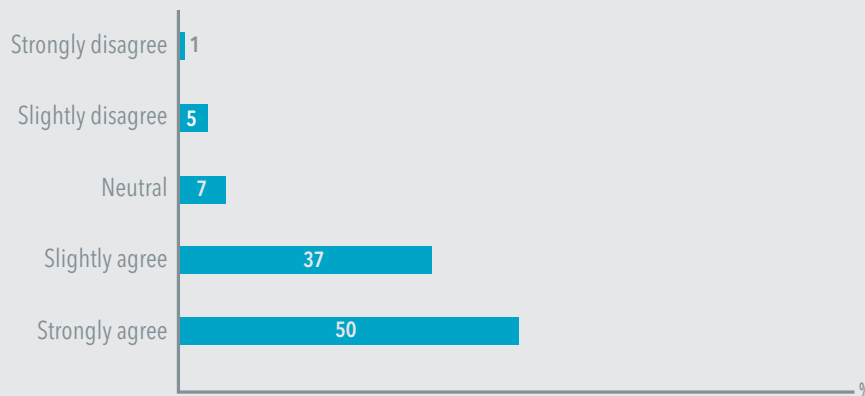
## **FOOD FOR THOUGHT #2**

As the work of the board members has become increasingly complex and diverse, there is perhaps even less time for looking ahead and detecting changes in customer needs as well as coming trends and developments, also outside their own industries. Board members seem to struggle with finding the right balance in the new list of priorities.

# STRATEGY DEVELOPMENT

The third cornerstone in a future-proof organisation is strategy and the approach that the board and executive management team take to its development. As changes in market trends and customer needs pick up pace, it becomes increasingly critical that strategy is regarded as an ongoing and continuous process and not a static product developed five years earlier.

87% of respondents in the survey stated that their board indeed has focus on strategic adjustments on an ongoing basis.



*Fig. 3:  
The board focuses on strategic adjustments on an ongoing basis.*

An almost equally high number of respondents stated that the organisation adjusts the strategy on an ongoing basis.

The qualitative data support these findings as the interviewed board members made it clear that their approach to strategy work is far more continuous and involves a more hands-on approach than just five years ago. Several interviewees stated that their boards are directly involved in breaking down the strategy into specific action plans, a task previously the sole responsibility of the executive management team. In other words, the modern board would appear to be more tactical than previously.

Board members said:

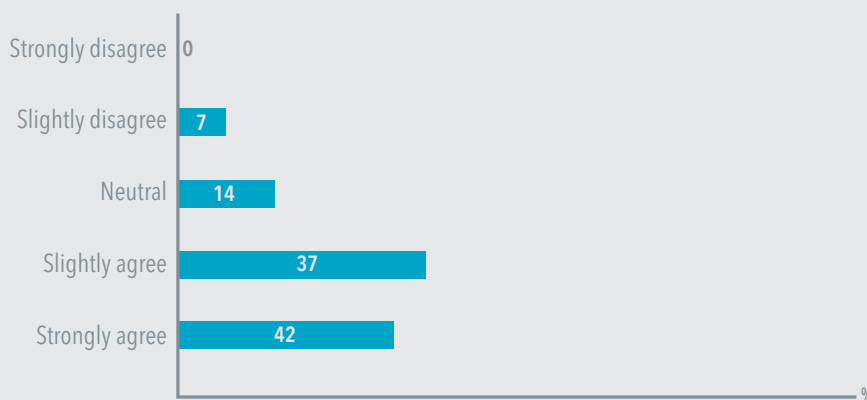
**” WE CONSTANTLY MONITOR THE RELEVANCE OF THE STRATEGY WE HAVE ARTICULATED.**

**” STRATEGISING IS AN ONGOING EXERCISE TODAY. WE DO NOT LOOK FIVE YEARS OUT IN DETAIL. INSTEAD, WE FOCUS ON THE MUST-WIN BATTLES FOR THE COMING 12-18 MONTHS, AND THIS INCLUDES THE BOARD.**

Digitalisation, people and sustainability would also appear to be new topics on the board’s strategic agenda according to the interviewees and with a strong focus on innovation. This is supported by the quantitative data that show that 79% of respondents agreed that they focus on having a company strategy that proactively reflects changing trends and development needs.

A professional board member stated:

**” THE NEW GENERATIONS IN THE BOARDROOM ARE VERY AWARE OF THEIR STRATEGISING RESPONSIBILITIES. AND THEY ARE ACUTELY AWARE OF THE NEED TO DISCUSS INNOVATION.**



*Fig. 4  
The board focuses on having a company strategy that proactively reflects changing trends and development needs.*

### FOOD FOR THOUGHT #3

Scandinavian boards recognise the need for continuous development of a strategy that reflects changing trends and development needs. But how to find the time to identify those trends?

And how to balance the short-term with the long-term view.

# GOING INTO THE FUTURE

Boards are on the move! Ways of operating are changing, and the board's agenda is longer than ever before. But there are still topics to be further developed. The strategic role of identifying future needs and the strategic approach to organisational development and oversight still seem to have room for improvement.

The way strategies are articulated, operationalised and followed up has changed and will continue to change. Purpose and direction combined with medium-term objectives substitute long-term planning. The dilemmas with this approach are many, not least regarding the allocation of roles and responsibilities between the board and the executive management team. The to-do list is long if the Scandinavian boards are to become really future-proof, but our survey results show that they have begun to check off the list.



# CONTACT



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Brian is an expert in transforming public organisations. For more than 20 years, Brian has worked on efficiency improvements and organisational development in both a public and private context in Denmark and the rest of the Nordic countries. He has executed strategy development, efficiency improvement programmes and organisational transitions in both private and public organisations.



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Dorthe has 22 years of experience, six years as a consultant and 16 years as Vice President, CFO and manager at both group and department level respectively. Dorthe's focus is on changes, mergers and large transformations as well as organisational design, efficiency and process optimisation, both in the private and public sectors. Dorthe advises and helps client organisations through complex mergers, transformations and extensive structural changes, and she helps them rethink and set up the optimal organisation with focus on objectives, customers, culture, processes and systems.



## POUL SKADHEDE

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Poul has more than 20 years of consulting and executive experience from industrial companies and the army. He has been directly responsible for some of the most effectful, Scandinavian consulting projects, which have typically been focused on strategy, capital markets, turnarounds and company transformations. He has been responsible for more than 350 projects with more than 120 clients across Scandinavia, Asia and North America. Poul holds several board positions, including chairman of the Copenhagen department of The Confederation of Danish Industry.



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Jakob Stengel is the Managing Partner of Case Rose | InterSearch and Global Head of Board Practice within InterSearch. In addition, he is the founder & chairman of Board Network - The Danish Professional Directors Association.

## ABOUT VALCON

Valcon is the premium operations consulting firm in Europe, aspiring to be the happiest company in the world. We have Scandinavian roots and an international profile designed to create value in increasingly complex markets in constant change.

We are the champions of connecting strategy and operations and making it work. We call this The HOW. Valcon's HOW is our unique value proposition, which ensures alignment between strategy and operations.

We deploy our skills globally for some of the most influential Fortune 100 companies in +40 countries. We help the client make the solution their own. This sense of ownership helps create sustainable solutions that become part of the client's DNA. We call that leaving footprints.

## ABOUT BOARD NETWORK

Board Network is Denmark's most exclusive board network for members of the top management bodies in Danish companies, commercial foundations and organisations. Board Network holds three annual, closed membership meetings as well as the major Danish Board Conference.

Board Network also offers advisory services on e.g. strategy, corporate governance, succession planning, onboarding and board assessments.