5
The Importance of Knowledge

Throughout this book, we have stressed the importance of knowledge and how it is one of the constituent parts of independence. There are two kinds of relevant knowledge. The first is requisite knowledge, the knowledge and experience that a director needs in order to be qualified and fit to hold the post in the first place. The second we call evidence, the knowledge of the organisation and its people, culture and environment that are needed in order to effectively discharge those roles monitoring, stewardship and resource provision that we talked about in the previous chapter. This chapter will deal with pre-requisite knowledge, while the next will look at evidence and how to gather it.

What kinds of knowledge do independent directors need in order to be effective and make impact? They need basic professional skills, of course, and as cases like London Ambulance Service shows, they need experience and the ability to make change happen. Importantly too, they need a broad range of knowledge, including knowledge of things happening outside of their sectors, including events and trends in the broader environment. Ignorance, wilful or otherwise, played a major role in lack of preparedness for coronavirus because people mistakenly believed that major pandemics were no longer likely to happen. Board knowledge needs to be broad as well as deep.

Two examples will illustrate this. University boards are very much focused on what is happening in universities, and pay too little attention to what is happening in the wider world. As a result (and they are by no means alone in this), they are increasingly behind the curve when it comes to the digital revolution and its ability to transform their operations. The NHS has a vast and complicated supply chain which has largely evolved rather than been strategically designed, and the service lacks up-to-date knowledge of logistics and
supply chain management. Bringing in more knowledge on these issues could have a transformational effect. Let us look at both these examples in more detail, starting with a thoughtful study by Richard Sergeant on technology and governance in universities.

**University Technology and Governance: Is an Avalanche Coming?**

‘For the last three years I have been on the University of Exeter governing body, the Council.’ Unusually for most higher education governing boards, independent members of Council hold a specific portfolio of responsibility alongside an executive lead, in my case, for digital and technology.

During that time, I have worked with the council and executive to identify and respond to a rapidly changing technology landscape that has influenced pedagogy, research and administration. This year, the university will embark on the biggest programme of digital change ever undertaken. A hundred million pounds of capital has been allocated for investment among many other competing calls, including international expansion and the improvement of the existing physical infrastructure on campus. The expectations for ‘digital’ are that it will be a core enabling element of the effective provision of education services in the years to come.

And yet, higher education still stands out as one of the few sectors of human endeavour that has been changed little by the digital revolution sweeping retail, publishing, banking, transport and so many other sectors of the economy. Over the last thirty years, the internet has fundamentally changed the accessibility of knowledge, but the Victorians would still recognise our classrooms. More recently, real world artificial intelligence techniques offer the ability to automate and personalise assessment and pedagogy, yet tutors and lecturers still spend hours laboriously marking student scripts and providing written feedback.

The value of a degree has been falling for years, even as the cost to students has risen. Yet it is still the default choice and destination for half of those aged 17–30, with participation reaching record highs in recent years. In 2013, Michael Barber, the Chair of the Office for Students, promised that ‘An Avalanche Is Coming’ for higher education. Yet six years later, despite gathering clouds, the resorts, instructors and skiers of higher education look much the same as they ever did.
Here, I want to address how a governing body should think about digital in the context of a university. What the strategic place of technology is among competing priorities. And how a university council can best equip their university’s executive to succeed in an uncertain future.

There are well-understood reasons why the university sector is conservative by nature. Three reasons stand out. First, the choice to study is often influenced, if not funded, by parents who will tend to gravitate towards replicating their own youthful experiences. The continuing ubiquity of the degree means that for many, university is still more an unquestioned assumption than a choice. Second, while information is more accessible, the availability of knowledge is not the predominant attraction of universities which provide, in addition, a ritualised gateway to adulthood and independent living, a social environment to develop friendships and networks, an accredited qualification that may be worth as much or more as the skills students acquire. And third, in the UK at least, the prestige of the institution, and the signalling value of a degree is strongly correlated with the age of the HE institution, not the quality of the tuition. Moreover, the lack of differentiation in degree outcome (most students end up with either a 2.1 or a first) means that there is little to set them apart aside from the reputation of the institution that they went to. This both makes it difficult for new entrants like NMITE and LIS to compete, and reduces the incentive for students to complain about teaching even as many universities use tuition fees to cross-subsidise research activity. The London School of Economics was poorly ranked in the 2018 teaching excellence framework, but it still managed to top the table for graduate earnings.4

In that context, and amid other such pressing concerns as resolving staff pension disputes, growing physical campus capacity and access to EU research funding under Brexit, a university’s digital activity might be seen to be more a matter of hygiene than strategy. Does the Wi-Fi across campus work? Is there reasonable information on the university website for new applicants? Can students view recordings of lectures and access course notes digitally? Are we reasonably well protected from cyber-crime? The answer to all of these questions should be an emphatic ‘yes’! But any university council should set a higher bar for mere adequacy, let alone competitive success.

Digital and technology now means more than the provision of infrastructure and hardware for students and staff. More also, than merely the efficient administration and automation of routine and manual tasks. Almost every service the university offers: admissions, enrolments, timetabling, lectures, assessments and student feedback, student counselling, research grant applications, performance management processes and expense claims are significantly enabled or inhibited by the quality of the digital service that surrounds
them. Furthermore, any ambitions to add distance learning as part of the university service offer will succeed as much because of the quality of the platform students have to use, as the effectiveness of the course materials and tuition.

How should boards target and measure the effectiveness of university digital transformation programmes? The National Student Survey (NSS), and the Cubane functional benchmarking of efficiency for university professional services provide two core sources of data to derive programme performance indicators. Nevertheless, separation of the influence of digital is not straightforward, with several factors including digital plausibly driving the answers to questions such as ‘feedback on my work has been timely’, or ‘the course is well organised and is running smoothly.’

There is no space to go into detail with an explanation of how boards should work with a university executive to drive a digital transformation, but I would suggest the following elements as a summary:

1. Appoint senior digital leadership reporting directly to the registrar of vice-chancellor
2. Focus on user needs, not technological requirements
3. Do the hard work to make digital services simple for their users
4. Allocate sufficient capital and resource funding
5. Ensure competitive compensation for digital staff
6. Establish the in-house capability to build as well as buy your digital services
7. Drive ownership for digital services from the academic faculty, not the IT function.
8. Consider incubating disruptive services in a separate company away from the university
9. Visibly reward academic staff that generate or promote effective digital innovations
10. Accept the necessity of funding and administering continuous iteration of digital services.

Will an avalanche come eventually? I believe the inexorable advance of change upon the HE sector is indeed coming, but that is likely to come at the speed of a giant snail rather than as a cataclysmic fall of snow and ice. Nevertheless, given the pace of change possible within such a large and conservative institution as a university, transformation should start today. Organisations such as Kodak, Blockbuster and Borders could all see transformation coming when it was years away, and still couldn’t move fast enough to
avoid being overtaken. I believe over the next decade we will see higher education institutions going bust, and student satisfaction gradually falling. Alternatives to university education such as apprenticeships will gradually become more credible for more students. Policy changes such as lowering tuition fees; breaking the link between tuition and degree accreditation; or offering student loans to pay for apprenticeships would further accelerate change.

Digital is neither a singular source of salvation for the sector, nor a nemesis to dwarf other challenges such as Brexit, pensions and strengthening international HE competition. But Digital services are now pervasively important and strongly linked to quality. Digital has traditionally been overlooked because of the lack of familiarity that university boards have with technology. Boards in retail, publishing and financial services sectors have long grappled with the meaning of digital transformation for their own organisations. Higher education now has the chance to do the same.

Reading Richard’s report, it is hard to escape the conclusion that university board, and boards in many other sectors, need to address this issue as a matter of urgency. Boards need to think about how to upskill their members so they can understand the digital age, take advantage of the many opportunities it offers and avoid the equally numerous pitfalls that await the ill-informed. Cost overruns and outright collapses of information systems projects are not uncommon, especially in the public sector. With proper oversight from trained and skilled board members these problems could have been avoided.

Supply Chain Optimisation in the NHS

Changes to the demographics of the UK population will result in an additional 1.1 million people over the age of sixty-five between 2015 and 2020 (a growth rate of 12% p.a.), increasing demand for health care services. More older people are and will be living with two or more chronic health conditions for a number of years.

The need to be able to care for patients in the community either in their own homes or through community care centres and GP services will present significant logistical challenges. Patients may need their homes adapting for reduced mobility, nursing care may need to be scheduled, medical consumables, devices and pharmaceutical products will be required for their care and comfort. The need to make life easier and more comfortable for the patient in a cost-effective way will require considerable logistics planning and flawless execution.
Within the hospital setting it has been identified in previous NHS studies that too much variation exists across the NHS organisation of 200 plus trusts. There are too many suppliers, too many products, too many people being able to order products, facilitated by a fragmented delivery system where significant volume still comes direct from suppliers. In addition, high levels of inventory spread across multiple stock locations within the hospital (often with little visibility of what is actually held), consignment stock for some high-value product areas and sometimes manual demand management results in high stock levels, waste and obsolescence. Hospitals often have an element of warehousing and transport within their estate which may put in additional handling or add time delay and transport costs, with little value added to the system.

Can a Professional Supply Chain Management Approach Make a Significant Contribution to This Challenge?

Retailers, automotive companies and technology companies have long recognised the importance the supply chain plays in reducing costs (10–20% is achievable) and also in improving customer service. Most of this has been driven centrally by companies with a clear supply chain strategy and a main board member responsible for the strategy and its execution in support of the wider business strategy. Our interviews with the NHS organisations show an absence of professional supply chain management capability at board level within NHS organisations. This is not surprising considering all the other priorities that exist in the system today.

The start of any good supply chain strategy is to support the NHS strategic plan which is currently being reviewed in the light of the increase in government funding committed to in 2018. From this a vision should be created to describe how the supply chain will look in ten years’ time, and importantly, how it will support NHS plans. Having this vision will help the NHS decide what the building blocks might need to be, for example, how to design the supply chain into the community, how to leverage IT and technological innovation including bar code capability, demand forecasting and so on. Utilising industry experts and NHS knowledge should generate workable solutions, but will require local collaboration between several NHS organisations and local authorities who today provide different parts of the patient pathway. Perhaps the first step should be to take a region and produce a plan to quantify the benefits in cash terms and importantly how patients can benefit.
How Big Could the Prize Be?

Better patient experience and lower costs should be the output of a focused supply chain approach and an ability to meet the future needs of patients in the community. There is little transparency on what supply chain costs are today, but based on experience in other sectors it should be possible to get at a 10–20% improvement in costs along with better service levels. In an organisation the size of the NHS the prize likely to be worth hundreds of millions of pounds.

Knowledge and Experience

But for the NHS, the ‘prize’ is about more than money; it is also about lives. It is not yet clear whether or how supply chain bottlenecks directly contributed to the shortage of PPE and ventilators in the NHS, but logic suggests that more efficient supply chain management could have increased the speed with which vital equipment flowed to the front line. This issue too must surely be part of the remit of any future inquiry.

The point of both these examples is clear: boards need to broaden their knowledge base and bring in requisite knowledge from outside. That means recruiting people with different and diverse experience and skills sets.

Requisite knowledge stems from what the independent director has already done and learned in their career so far. In his book *The Independent Director*, Gerry Brown described how he drew on his experience as an executive in international logistics firms to carry out his duties as a director, even in firms that had no direct connection with the world of logistics. In Gerry’s words, ‘it is the expertise, the contacts, the networks and the professional and personal experience that independent directors have that makes them valuable.’

Gerry went on to break requisite knowledge down into several different types, *personal knowledge, professional knowledge* and *entrepreneurial knowledge*.

Personal knowledge and skills include things that are inherent in individuals: how to lead and motivate people, how to communicate and, especially, how to listen, and the all-important skills of empathy and sensitivity to others which are essential to good communication and relationship building. In terms of leadership, in particular, independent directors will often serve as leaders, of sub-committees and task forces and action groups, and they are also part of leadership of the organisation more broadly; day-to-day leadership is the province of the executive, but independent directors help to guide
and steer the organisation, set its goals and determine its culture. All of these things are important tasks of leadership.

Professional and managerial skills come from a mixture of training and experience. How to determine strategy, how to structure and manage an organisation, how to analyse and solve problems are skills that can be acquired through a mixture of formal learning and practice. The same applies to board-specific skills like chairing meetings and managing sub-committees. Board members need to know how to chair meetings, even if they are not the chair; if they understand the functions and role of the chair, they will be able to work with their own chair much more effectively. Finally, entrepreneurial knowledge and skills include things such as vision, judgement and the ability to make decisions and take action, propelling the organisation forward (Table 5.1).

From this, it is clear that the independent director needs to be a person of considerable experience. This brings us to an apparent paradox. One of the problems of the current independent director landscape is its lack of diversity, and that lack of diversity is particularly apparent when it comes to age. According to the Financial Times, the average age of male non-executive directors in the UK in 2019 was 61.5; the average female age was 57.6 The Wall Street Journal recorded that the average age of directors in US companies in

### Table 5.1 Types of knowledge and skills required by independent directors

| Personal knowledge and skills |
|------------------------------|
| How to lead                  |
| How to motivate people       |
| How to communicate          |
| Interpersonal sensitivity    |
| How to listen               |

| Professional and managerial knowledge and skills |
|--------------------------------------------------|
| How to make and implement strategy              |
| Technical knowledge                             |
| How organisations are structured and function   |
| How to analyse                                  |
| How to solve problems                           |
| How to chair meetings (important even if you are not the chair) |
| How board committees are constituted and how they function |

| Entrepreneurial knowledge and skills |
|-------------------------------------|
| Vision                              |
| Judgement                           |
| Conviction                          |
| Decisiveness                        |
| Commercial acumen                   |

Source: Adapted from Gerry Brown, *The Independent Director*, Basingstoke: Palgrave Macmillan, 2015
2018 was 64, and like the FT, noted that the average age was rising with the passage of time.\textsuperscript{7} The average age of independent corporate director in Australia in 2009 was 60, and that figure too has probably risen.\textsuperscript{8} In India, legislation has been enacted to allow independent directors serve to the age of 75, and indeed longer if the board passes a special resolution to allow them to continue.\textsuperscript{9}

We argue that to achieve greater diversity, more younger people need to be included on boards. But, runs the counter-argument, how can young people be expected to have the necessary experience and accumulated wisdom to serve as a non-executive director? To our view, this is a fallacious way of thinking. Wisdom and longevity do not necessarily correlate. In Gerry Brown’s words again, ‘no one is good at everything, and experience levels will always vary … Depth and breadth of experience changes from person to person.’\textsuperscript{10}

Further to this, we would argue that what kind of experience is just as important as how much. In terms of appointing younger directors, it is precisely their experience of being young that gives them fresh perspectives and new ideas that boards need if they are to avoid groupthink. Exactly the same applies to women, disabled people, and members of ethnic minorities. In other words, there are many different kinds of experience, and not all of them are the product of time. Indeed, when it comes to digital skills, it is likely that young people who have grown up in the digital age are more likely to have a broader range of skills than older people who came to the digital world later in life.

Assessing the importance of age can be clearly seen in the list of requisite knowledge and experience that came out of our research at Henley. Table 5.2 shows some of the most important of these.

Of these, only experience of complex organisations and environment is time-dependent, and even here, some people learn more quickly than others and have had different experiences of complexity. Anecdotally, we know of examples of highly effective independent directors in charities who are less than thirty years old, but who have had particular work and life experiences that make them comfortable with complexity. The rest are rooted in interpersonal skills and attributes such as empathy, flexibility of thinking, having a strong moral compass and so on which can be found in people at any stage of life. When it comes to recruiting independent directors, youth should be no barrier.

While the research identified key types of knowledge that independent directors should have, it also found that reality does not always correspond to this ideal picture. While independent directors generally have a strong sense of duty and are aware of the challenges facing their organisation, they are less
certain about what their own role is, and lack experience of complexity, leading to doubts about how effectively they can discharge their duties. There is a striking lack of capability to build relationships across all four sectors we studied, and, as Table 5.3 shows, charities are weak in many dimensions.

These are issues that urgently need to be addressed. Many independent directors are struggling to carry out their duties because they lack the necessary experience and knowledge. Let us look at each of these dimensions in a little more detail and try to identify its key features and also its wellsprings, how this knowledge is gained and gathered in the first place. Doing so should help us to understand more clearly the needs of organisations and boards in terms of recruitment, selection and training in order to make sure they have independent directors with the right range of requisite knowledge.

### Understanding the Role

The lack of understanding of what the role of independent director entails is both understandable and unforgivable. Here is how one interviewee described the situation in her sector:

> As far as I’m aware there’s no formal induction process. It’s just a case of, right, you’re on the board, that’s it, off you go.

We found that most organisations do have induction programmes—although around one-quarter of charities do not—but even in those organisations that do have inductions, anecdotal evidence suggests that quality varies. Induction programmes are good at imparting what the organisation does and how it works, but they often fail to explain what the independent director’s duties are.

| Table 5.2 | Independent director knowledge and experience |
|-----------|---------------------------------------------|
| • A clear understanding of what the role requires |
| • The capacity to be effective in the role |
| • Knowledge and understanding of ethics, in order to fulfil the duty of seeing things are done in an ethical and moral manner |
| • Experience of complex organisations and environments |
| • Knowing the challenges facing the organisation |
| • Knowing how to build relationships with other people and organisations |
| • Knowing how to adapt to working with people from other, diverse backgrounds |
| • Knowing how to adapt to changing needs and priorities |
| • Knowing how to put forward a well-articulated case for debate |
| • A diverse range of skills that adds value to the board and to the organisation |
It could be argued, of course, that induction programmes are the wrong place for doing this. It would be better, surely, if independent directors already knew what the role entailed before they joined the organisation, or even better, before they applied for the role in the first place. As we mentioned in Chap. 1, there is a wider ignorance about what independent directors do, particularly in the press. The Kakabadse Report on civil service effectiveness suggested that some cabinet ministers are not entirely clear about the role of their own departmental boards and, as a result, tend to ignore them.  

Clearly something needs to be done to inform independent directors more clearly of what is expected of them before they take up their posts, because

| Director qualities                                    | Sports  (n = 129) | Universities  (n = 135) | NHS  (n = 203) | Charities  (n = 156) |
|------------------------------------------------------|-------------------|-------------------------|----------------|---------------------|
| Have a sense of duty to see things done both ethically and morally | 97                | 98                      | 98             | 97                  |
| Are experienced enough and comfortable with organisational complexity | 95                | 92                      | 92             | 78                  |
| Are aware of the challenges facing the organisation | 98                | 95                      | 94             | 88                  |
| Clearly understand what is required of them in the role | 94                | 85                      | 88             | 80                  |
| Have the capacity to be effective in the role | 93                | 90                      | 90             | 81                  |
| Are effective in building relationships | 91                | 88                      | 88             | 79                  |
| Have a diverse range of skills that adds value | 95                | 95                      | 95             | 87                  |
| Are effective in putting forward a well-articulated case for debate | 95                | 88                      | 90             | 81                  |
| Are adaptable/flexible to changing needs/priorities | 89                | 86                      | 88             | 73                  |
| Can easily adapt to working with people from different cultures/backgrounds | 88                | 84                      | 85             | 74                  |
| Effectively use their experience and expertise from working in other sectors | 95                | 91                      | 92             | 88                  |
| Have the necessary commercial acumen | 81                | 84                      | 82             | 63                  |
| Communicate effectively | 94                | 91                      | 94             | 84                  |
| Are truly independent | 96                | 93                      | 94             | 83                  |
| **Total**                                                     | **93**            | **90**                  | **91**         | **81**             |
throwing them into the deep end of the pool to see if they sink or swim is not working. Many do learn to swim, very quickly and sometimes quite brilliantly. But in other cases the independent directors are left to tread water until the company sinks, taking them down as well.

Effectiveness

It used to be said that leaders were born and not made. A wealth of research into leadership (and a healthy dose of common sense) tells us this is not so. Yes, some people are naturally better at leading than others, but personal ability to lead can also be enabled through coaching, mentoring and confidence building. Experience plays a role also; in theory at least, the more experience one has of leadership, the more effective they are at leading.

The same is true of the independent director. There is no magic spark that makes a good director, nor is there any mathematical formula that can be calculated or framework into which prospective directors can be put to measure their suitability. The needs of every organisation are different. What is more, given the nature of change and evolution, the same organisation may need different kinds of directors at different times in its lifespan. We need to forget about trying to find the perfect directors for organisation, and find instead the ones who can be effective.

That diversity of organisations also means that the nature of what ‘effectiveness’ is will change across time and space. We will come back to the nature of impact in Chap. 8, but the moment, it is important that independent directors know how to make an impact, and should go into the role in the first instance with a view to having impact and being effective. That can mean helping the board and the CEO with strategy, conducting reviews of operational frameworks, coming up with ideas for new markets or new fundraising channels, or a host of other things based on their own experience and knowledge.

A lot of this comes back to value alignment. ‘I’ve chosen the organisations [where I am a director] on the basis of my own value alignment’, said one of our interviewees. ‘The organisation must mean something to me, so I have chosen an organisation relating to young people and to the environment. But I have also chosen organisations where I feel I can be helpful to the CEO.’

Values are a starting point, but there is more to it than that. Everyone is unique; everyone has their own set of experiences, their own learning and accumulated knowledge and beliefs, their own point of view. Being effective means matching your own personal experience and knowledge to the
organisation and then working out what impact they could have and how they would go about making it.

Knowledge and Understanding of Ethics

In Chap. 4 we noted that a strong sense of ethical and moral behaviour is an important quality of an independent director. Knowledge and experience come into play here in two ways. First, there is the knowledge of what exactly constitutes moral and ethical behaviour, and this, as our interviewees often pointed out, is not always easy.

There are no utilitarian rules that will tell you exactly how to deal with every ethical situation. There are always grey areas. The best way of dealing with them is to surface them, debate them.

This particular interviewee raises an important point. Most people have an innate sense of right and wrong imparted through family background, education and experience, and this is usually good enough to get them through, most of the time. Most, but not always. Many ethical dilemmas have no clear dimension of right or wrong.

That brings us to the second reason why knowledge and experience are important. Prior experience of having dealt with similar ethical issues is a valuable resource to any board, but so also is good practical knowledge of ethics including some key concepts like deontology, utilitarianism and virtue ethics. All of these give independent directors a useful set of tools for analysing and breaking down these grey areas and charting a course of action.

Experience of Complex Organisations and Environments

In Chap. 4 we also mentioned familiarity with complexity as being an important quality of an independent director. This too is largely a matter of knowledge and experience. To the outsider, complex environments often appear confusing and intimidating. However, experience brings the ability to understand why these environments are complex and what makes them work. For example, to someone coming onto an NHS board for the first time, the health service is a frighteningly complex organisation working in even more complex environment, facing multiple stakeholders including the Department for
Health and local authorities. But to an insider, the organisation of the health service may make sense (after a fashion).

Of course, plenty of insiders complain about the complexity of the health service too, and we noted that in their responses they often used two different adjectives, *complex* and *complicated*. The two do not necessarily mean the same thing.

According to complexity theory, some things—organisations, environments, technology and so on—are *complex* because they need many different parts and elements in order to function effectively. A computer or a smartphone are complex because the many different relays and codes are what gives them their processing power, enabling them to perform so many different tasks, often at once. Things which are *complicated*, on the other hand, have too many different elements for their function which are actually harming performance. For example, complex bureaucratic organisations can be simplified by taking out layers of structure and making them simpler, thereby also enabling them to be more effective. Knowledge and understanding of what complexity really means and how organisations work enables directors to distinguish the rightfully complex from the needlessly complicated.

**Knowing the Challenges**

It is important that organisations have people on their boards who have broad sector experience. There is no substitute for having worked at the coal face and understanding the sector from the inside. Some of our respondents, particularly from health care and sports organisations, made this point strongly. In health care, it was noted important to have knowledge of technical and medical issues on the board, while in sports there was criticism of directors who, although passionate about the sport itself, have lost touch with the grass roots and the people who volunteer and play the sport.

In business, too, sector experience is vitally important. Lack of experience and knowledge by the board has led more than one company to disaster. Earlier we mentioned Lehman Brothers, which had only two trustees with previous banking experience on its board, but in other cases too, like Nortel, the Canadian telecoms company which overexpanded and then collapsed in 2009, there was a fatal lack of experience. Many of Nortel’s non-executive directors came from legal and political backgrounds and little experience of the sector.

That said, boards do need other perspectives. A banking board of directors composed entirely of bankers will lose something in terms of diversity, as will
a health care board composed entirely of health care professionals. Board urgently needs those different perspectives and fresh ideas, and should be humble enough to admit that outsiders are capable of understanding their business and can provide important views and advice. A balance must be struck between deep sector experience and broad experience of the wider world.

The requisite knowledge lies in knowing how to translate one’s own experience and perspectives and turn them into something that the rest of the organisation can understand and use. Every sector, every organisation is different, but at the same time, many of the challenges organisations face have common elements, or at least common roots. The same problems tend to crop up over and over again. By applying their experience, independent directors can offer new ideas about how to analyse challenges and solve problems.

A good example is England Hockey, the sporting organisation established in 2003 to replace the English Hockey Association which had been wound up after incurring substantial debts. England Hockey has gone from strength to strength under two chairmen, Phillip Kimberley and Royston Hoggarth, both of whom come from commercial backgrounds (Kimberley was in the oil industry, Hoggarth sat on the board of a software company). Both were able to apply lessons from their commercial experience to running a sporting organisation. Recruiting business people to serve as independent directors on boards in the public and third sectors is not uncommon. We argue that the benefits could also flow the other way, and businesses should look seriously at recruiting experienced people from the public and third sectors onto their boards.

Knowing How to Build Relationships

Everything turns on relationships, everything turns on cooperation, everything turns on tolerance. You must be tolerant of your eccentric professionals, so long as their eccentricity isn’t dangerous.

As this interviewee points out, building relationships within and outside the organisation is a key task of the independent director. Knowing how to build and maintain these relationships is an important part of requisite knowledge. Networking experience in some form is very important, but again, there is no especial need for that experience to come from a particular sector. Although there are variations in how networks function, these are as much as anything a matter of cultural differences; some sectors will be more formal than others, some already have established networking channels, others are
more ad hoc. The task of the independent director is to find out how networks function in that sector and then apply previous experience and knowledge of network building to creating a new set of relationships.

Too often, we get it wrong. One interviewee described a particularly toxic situation:

Relationships at all levels were poor. One organisation had taken the commissioning organisation to arbitration five times in the last four years. There had been a competition, so relationships were really poor, and in some organisations the boards had become tribal. Rather than taking a step back, they were so wedded to their organisation being right and their responsibilities to their part of the population, not the whole, that they lost sight of the purpose of health and social care on a population basis.

The same respondent described the difference good relationship management can make:

In terms of building relationships, building networks, building trust we had to allow people the safe places to have difficult conversations and challenge, because any of the changes we wanted to make had to get through a public consultation. The health service the local authority would scrutinise these changes and possibly refer them to the Secretary of State.

But good relationships with these stakeholders meant higher levels of trust and thereby less of a chance of challenge.

Often, independent directors can bring their own previous networks from different sectors into play. For example, business leaders moving into other sectors as independent directors can call on their old colleagues to provide information and knowledge about common issues such as financial management, marketing, technology or data management. Health care professionals and academics often have access to scientific networks which technology company boards in particular could benefit from. Social media has contributed greatly towards wider and broader network building, and directors with good social networks can access many different sources of knowledge and wisdom.

It might also be worth looking at the recommendations for relationship management contained in the Kakabadse Report on civil service effectiveness, which looked particularly at the relationship between ministers and permanent secretaries, the chief civil servant in each department. The relationship is not exactly like-for-like, but the report made the point that the effectiveness
of government departments is highly dependent on how well that relationship functions. The report mentioned several important aspects of relationship management:

• Deliberation, careful thinking and analysis about what ministers want and ‘how to get onto the Secretary of States’s wavelength’;
• Investing in relationships, and very often making relationship building and maintenance the first priority;
• Offering challenge, but also being calm and ‘creating a sense of meaningful consideration of the issues at hand especially when under pressure’;
• Behaving in an authentic manner, and with integrity.

All of these are very useful pieces of advice for independent directors in any field of endeavour.14

Working with Other People

For all the talk of diversity, it is clear that boards only function well if people from diverse backgrounds recruited onto boards are made to feel part of the team. Whether they can work well in a board context depends in large part on how well the other board members are able to work with them.

Working with people from other cultures and backgrounds is not always easy if one has no prior experience. It is easy to fall into the trap of believing that other people think and reason in the same way as oneself, and that their life experiences have also been the same. Of course they have not; one of the reasons for recruiting people from different backgrounds onto boards in the first place is to take advantage of that diversity of experience. Good independent directors have the ability to understand and empathise with people from different cultures and backgrounds, and to learn from their experience and listen to their views without judgement or prejudice.

How can this knowledge be acquired? The best and simplest way is through exposure; living and working with different cultures, for example, or working with disabled people or people from disadvantaged backgrounds, or even working in organisations with a good ethnic and cultural mix. On top of experience, there are human traits such as emotional intelligence, empathy and the ability to listen impartially which can be cultivated.
Adapting to Changing Needs and Priorities

We live in times of change and flux, and knowing how and when to adapt is important. Experience plays a major role here. People who live and work in chaotic conditions are often very good at adaptation, because they must be in order to do their work well and prosper. An ability to analyse a situation and know when the current strategy is not working or practices need changing is also important, and again experience is essential in helping directors recognise when change has to happen; if you have been there before, then you are likely to recognise the signs.

Here again a mixture of sector experience and outside points of view are important. The outsider who comes from a completely different background may nevertheless recognise signs of impending crisis, based on their own experience, that the sector experts might have missed.

Putting Forward a Case for Debate

We have already discussed how important it is for independent directors to challenge the status quo and stimulate debate, but we also noted that you cannot win every battle. Independent directors need to learn to choose their fights. Knowing how to prioritise issues and pick the ones on which to take a stand is important. So too is knowing how to gather evidence to back up one’s case, and how to present that case to board colleagues. As one of our interviewees says:

Understanding some of the tactics of meetings and when you should intervene and all those things makes a big difference. These are skills you can learn, but almost nobody teaches them.

Failing formal instruction, independent directors need to fall back on common sense and on their ability to empathise with other people and work with them in a collegiate setting. Arguments need to be made firmly but diplomatically, and respect has to be shown for the views of others, even when dissenting with them. Once again, experience is important; the more one engages in board debates, the easier it is to know what to say and when.
Notes

1. Our thanks to Richard Sergeant for contributing this study of university technology and governance.
2. DfE HE Participation Rates (2017).
3. http://www.avalancheiscoming.com/.
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5. Brown, The Independent Director, p. 20.
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8. https://ro.uow.edu.au/cgi/viewcontent.cgi?article=1554&context=commpapers.
9. https://indiacorplaw.in/2018/06/age-limit-criteria-non-executive-directors-amended-sebi-listing-regulations-prospective-retrospective.html.
10. Brown, The Independent Director, pp. 20–21.
11. ‘Kakabadse Report on Civil Service Effectiveness’, 2018.
12. Kurt A. Richardson (ed.), Managing Organizational Complexity: Philosophy, Theory and Application, New York: Information Age Publishing, 2005.
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14. ‘Kakabadse Report’, 2018.