



RISKTECH
& ADVISORY



HIGH IMPACT STRATEGIC BOARD RECRUITMENT



Introduction

A few years ago, Amazon came under fire after its Board opposed a shareholder proposal to increase its (the Board’s) diversity. The proposal would require the Board to consider women and minority candidates for director positions. However, the company’s communications representative suggested that using such a policy, similar to the US Rooney Rule¹, might create a “check box” approach to diversity – and not produce real change. Even though Amazon eventually announced that it would adopt the shareholder diversity proposal, the uproar caught global attention, with people wondering what the prerequisites really should be for hiring and maintaining a high-functioning Board of directors.

¹The Rooney Rule is a US National Football League policy that requires league teams to interview ethnic-minority candidates for head coaching and senior football operation jobs

Over the next pages, **you will discover two sides of a coin:**

1 How companies are setting the pace for strategic board recruitment, and establishing effective management practices – in order to achieve competitive differentiation in 2024 and beyond; and



2 What qualities are expected of prospective Board members who, ideally, should be pushing for an inclusive environment that drives superior performance and financial results.

Global Trends



Focus Areas for Boards

For companies and business leaders across the world, 2020 and beyond has been a period for rethinking, restructuring, and repositioning, especially as expectations of stakeholders (regulators, investors, customers, staff, and society at large) have evolved, post Covid-19. Our research highlights five core areas where boards are operating with a new focus:

01


Environmental, **Social and Governance (ESG) Oversight**

Climate change is now firmly on the agenda for Boards, with ESG – a crucial area of Board oversight – being a top issue that shareholders want to discuss with directors². Across Africa, ESG is becoming an important part of clients' business strategy and operations. Banks, Development Finance Institution (DFIs) and Private Equity firms have increasingly embedded the requirements for a clear proven sustainability plan as a key funding pre-requisite³.

02

The Winning Mix: **Board Diversity, and Culture**

On account of economic recession across many nations and the ensuing stimulus packages paid for by public funds, risk management and corporate governance discussions have become a common theme. Regulators across the globe have, among many changes, issued stringent requirements for Board composition, tenure⁴, rotation, refreshment, and evaluation – all in an effort to strengthen corporate governance. Directors see that Board diversity is an issue that needs to be addressed, with diversity considerations being multidimensional in terms of skillsets, industry experience, personality mix and gender balance.



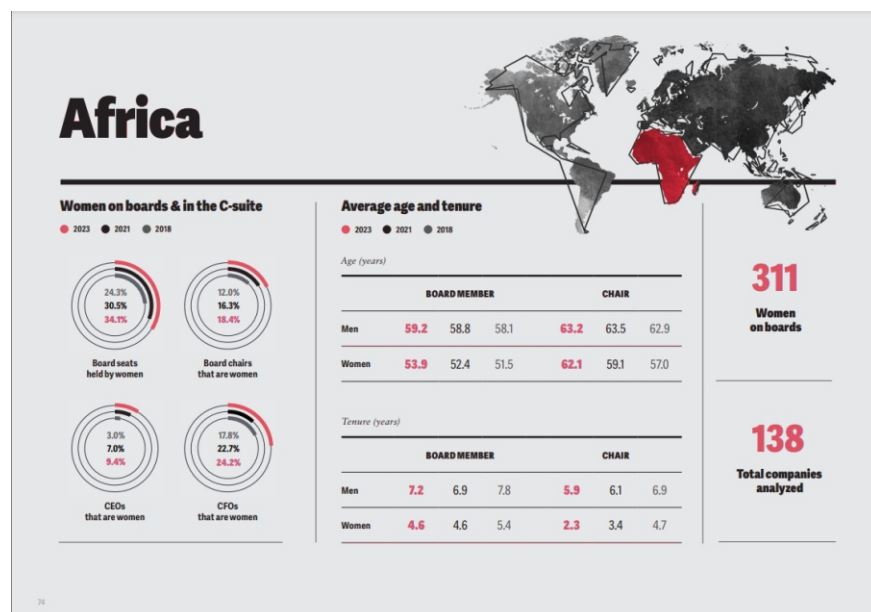
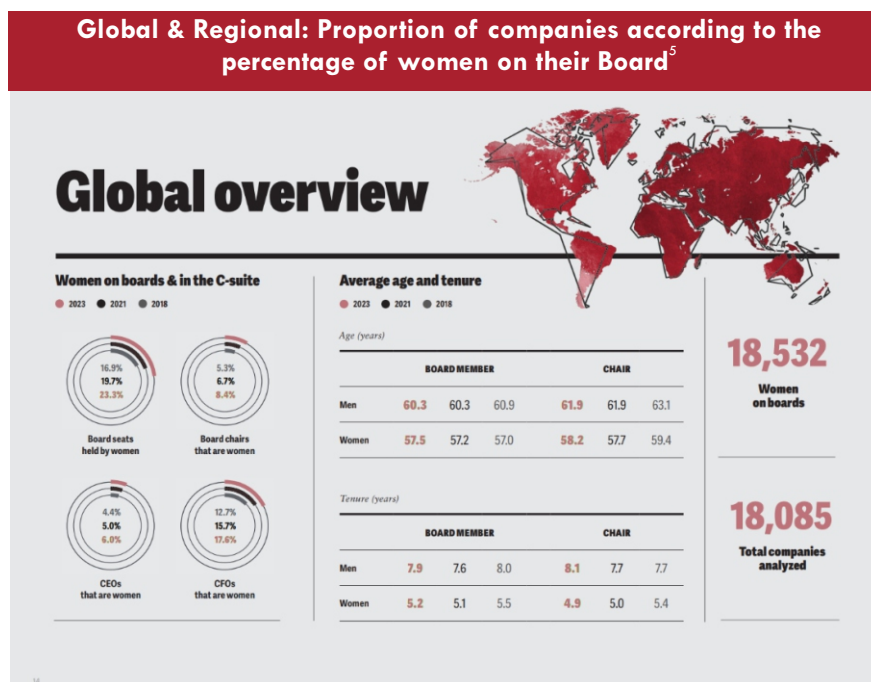
¹10 ways boards can act on sustainability in 2022

²Bank of America in sweet spot as board tenure gets more focus

³Bank of America in sweet spot as board tenure gets more focus

Evidence that Board diversity alone is beneficial to firms is mixed. Researchers interviewed 19 board directors (15 women and four men) to learn whether and how corporate Boards were benefiting from diversity.

Combined, the Board members held seats on 47 corporate Boards in the United States, across a variety of industries. The research found that diversity alone may not necessarily guarantee a better performing Board and company – rather, the culture of the Board⁷ is a larger contributor to how well diverse boards perform their duties and oversee their organisations. A candidate is considered a great cultural fit with the rest of the Board if their motive is to advance the mission of the company, rather than their own personal gain. They will be people who are good listeners and who ask probing, thoughtful questions.



⁵Deloitte Global Report GX Women in the Boardroom Eighth Edition



⁷When and Why Diversity Improves your Boards Performance



03

Prioritising Professional Head-hunting

Regulatory stipulations and enhanced accountabilities facing the Board mean that companies are looking to recruit expert, tested, and experienced directors. A change in the entire board recruitment process is happening. From the searching, interviewing, selection, and on-boarding stages, many companies are moving away from the traditional informal search to a more structured and rigorous approach that is managed by professional headhunters and recruitment agencies – similar to C-Suite recruitment. Many companies, especially those of public interest or operating in regulated industries, are realising they must take concrete steps to establish robust, end-to-end Board recruitment processes to ensure they pass the test of heightened regulatory and investor scrutiny.

These forward-looking organisations depend on executive search companies that use state-of-the-art tools, which objectively analyse the skillsets and necessary blend of talent, attributes, and experience desired. A highly effective approach not only quantifies hard skills (such as audit, investment management, HR, strategic planning, governance, and regulatory affairs), but also balances these criteria with major desired attributes and leadership styles (such as contained, autonomous, realistic, or systematic techniques).

04

Doubling Down on Experts

Board leaders aim to recruit the very best directors, who present an alignment around core competencies, vision, and strategy. They are thinking about what their composition should look like a few years from now and are making weighty improvements such as targeting expert generalists who understand a wide variety of topics and themes, and who know how to apply that knowledge in conjunction with corporate strategy. Having directors with current operative experience is always valuable in adding a blend of perspectives to the Board debate. C-Suite leaders want access to these kinds of divergent opinions, and the open debate it invariably ignites. Directors are there to create the spark!

05

Succession and Sustainable Structures

It is estimated that by 2050, with a total population of nearly 2.5 billion⁸, Africa will have more young people than the rest of the world. The projections are that 40% of the world's youth will be found in Africa. This prediction, in addition to the increasing focus on board succession and sustainability of practices, has Board recruitment implications. Companies are no longer focusing entirely on experienced Board candidates to fill their Board seats when positioning the business for future generations, digital opportunities, and disruption. The searchlight is increasingly being beamed on young candidates⁹ who have the right aptitude and acumen, and can quickly climb the learning curve through interaction with expert and more experienced directors.

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Profiling



The Ideal Board Member

A seat on the Board is no longer a passive perk, but an active responsibility. As companies seek credible and diverse candidates for directorship, the net is being expanded for wider participation to include professionals, academicians, and entrepreneurs.

Potential Board candidates must be able to powerfully articulate what they intend to bring to the table. While there is no such thing as a single board profile, an authoritative one contains many of these five key criteria that would appeal to any hiring Chair or decision-maker: previous governance experience, executive skills, quality of network, demonstrable passion, and cultural fit. Other elements to consider include diversity and industry experience.



A seat on the Board is no longer a passive perk, but an active responsibility.



Conclusion



It's an unmistakable global trend. With employees resigning (or being released from) their employment and corporate cultures shaken up over issues such as remote work, burnout, and diversity and inclusion, boardrooms are opening the door to more directors with actual experience in managing the workforce. The broader, ongoing push to diversify Boards by adding more women and under-represented minorities has had a somewhat predictable effect of widening the Board candidate funnel to include people from more varied functional backgrounds.

In this era of rapid technological change and market disruption, Boards need to refresh themselves continually and seek out directors who can bring in much-needed knowledge, experience, and passion. To remain relevant - and to make impactful contributions to strategy, as well as challenge management effectively - one of the Board's most important tasks is clearly to identify potential new directors and assess their suitability for the role.



About RiskTech & Advisory (RTA)

As trusted advisors in governance, risk management, assurance, and operational excellence, the team at RiskTech & Advisory are committed to supporting organisations on this journey. Our purpose is to redefine how businesses perceive risk and control practices, building more sustainable entities. Through our insights and advisory services, we steer corporate boards and C-suite executives to sound risk management practices and their enabling effects in creating enduring businesses.

BoardSeats by RiskTech & Advisory provides a carefully designed matching system for an efficient and targeted board and executive search process. It delivers a pool of pre-verified executives with the required expertise to drive impactful leadership across industries.

Start building with BoardSeats today to enjoy the following benefits:

- **Diversity:** Access to a diverse pool of candidates
- **Efficiency:** Streamlined recruitment processes
- **Trust:** Pre-vetted candidates

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