
THE MODERN BOARD DIRECTOR:

Three director
competencies to
navigate an evolving
business landscape

MASSEY HENRY TALENT NEWSLETTER
OCTOBER 2023



WWW.MASSEYHENRY.COM



PREFACE

In this article, we examine:

- *How incumbent and prospective directors can **prepare for the leadership challenges ahead**, many of which organizations have never experienced before.*
- ***Three critical competencies** that are essential for directors to be effective in the workforce of the future.*
- *The role of **psychometric testing and behavioural interviewing** in assessing these critical competencies.*

As with all Massey Henry thought leadership, this work is independent, reflects our own views, and has not been commissioned by any business, government, or other institution.

Massey Henry is a leading Canadian executive search and advisory firm, offering solutions to today's complex executive recruitment challenges, with a focus on the financial services sector.

FOR MORE INFORMATION,
PLEASE CONTACT:



Michael Henry
Managing Partner
michael.henry@masseyhenry.com

FROM OUR NETWORK



In today's evolving business, economic, and social climate, the importance of assessing board directors for forward-thinking competencies such as judgement, learning agility, and numeracy cannot be understated. Whether managing global complexities, capital markets, or adapting to shifting regulatory environments, there is significant value for boards in assessing for these key skills to help address the unprecedented leadership challenges ahead.



Vivian Abdelmessih

Board Chair
Export Development Canada

INTRODUCTION

The coming decade will produce unprecedented and complex challenges for financial services companies and boards to navigate.

In anticipation of these challenges, much has been written in recent years about the rapid shift in Board Director (“director”) competencies. This has given rise to many companion checklists and guidelines, accompanied by a growing list of focus areas.

The magnitude and speed of changes resulting from COVID-19, technological advancements, and evolving geopolitical considerations are all key catalysts for this reimagining of core director competencies.

In this article, we will explore **how incumbent and prospective directors can prepare for the leadership challenges ahead** — many of which organizations have never experienced before.



Defining the Challenges

While boards face many concurrent challenges, factors such as artificial intelligence, the normalization of the cost of money, and a reordering of economic structure all present complex strategic challenges for governance and organizational stewardship.

A combination of these powerful forces will shift the required competency sets and profiles for directors. The relative stability and prosperity of the post-war era has shaped societal expectations and economic relationship between organizations, employees, and customers.

However, as we move forward, functional skills will be less critical for most directors. Rather, there will be a premium on the ability to make crucial decisions based on complex and ambiguous information within fundamentally different social and economic constructs.

Given these conditions, **three competencies will be essential for directors to be effective in the workforce of the future: learning agility, judgement, and numeracy.**



As we move forward, functional skills will be less critical for most directors. Rather, there will be a premium on the ability to make crucial decisions based on complex and ambiguous information.

1) LEARNING AGILITY

Learning agility refers to learning from previous experiences and applying that knowledge to provide clarity and context in novel decision-making situations. Essentially, it is the skill of knowing how to act on ideas quickly while being open to new approaches with the confidence to experiment and take appropriate risks.

In the coming years, the ability to make key decisions without comparative reference points, or having to lead based on ambiguous information (e.g., Artificial Intelligence), will further emphasize the need for this competency.



2) JUDGEMENT

Judgement refers to combining one's capabilities and experiences with knowledge and facts to determine optimal solutions and decisions. In this regard, the emphasis is on 'optimal' — not 'perfect'.

While judgement is a complex competency to assess, predicting its impact on time-sensitive and critical decision-making is even more difficult. Despite the inherent challenges in evaluating a candidate's judgement, it remains one of the most valuable governance skill sets.

To support the assessment of this competency, **Massey Henry often leverages external psychometric tools, such as the Hogan Assessment suite, through our Leadership Practice** to measure both cognitive ability and the personality characteristics that drive decision-making.

“

Understanding a leader's unique personality profile and decision making style — particularly when the stakes are high and the pressure is on — allows us to better understand and predict a leader's judgement and, most importantly, when and how that judgement might falter.



Alex Bunyan, CPCC, PCC

Partner & Head,
Leadership Practice
Massey Henry

3) NUMERACY & ANALYSIS

In the coming decade, the volume of the quantitative information and analysis provided to directors from internal and external resources will increase exponentially.

As such, **analytical skills can no longer be considered a key requirement solely for the Audit or Risk Committee within a board.**

The rapid adoption of machine learning and artificial intelligence will continue to generate vast amounts of data and information. The volume and complexity of information will require directors to capture digestible and applicable information from a plethora of 'noise'.



REFINING THE DIRECTOR SELECTION PROCESS



Psychometric Testing and Behavioural Interviews

Given the nature and significance of the competencies highlighted above, traditional approaches to director selection will need to be amended to better assess such qualifications.

Candidate reputation and profile are essential aspects of a director's assessment, but they should not be given disproportionate weight in the selection process. Rather, boards will benefit from placing emphasis on complementary approaches such as psychometric testing and behavioural interviewing.

As noted, these evaluative approaches provide deeper insights into a candidate's judgement and learning agility; they also offer a comparative framework for candidate assessment.

A structured interview process should be supplemented with an interactive session where the candidate provides commentary and recommendations regarding decision-making scenarios. These case studies and hypotheticals should enable the candidate to demonstrate the depth of their judgement, learning agility, and numeracy competencies.

THE BOTTOM LINE

Nomination and governance committees may believe the candidate evaluation steps we have described are not necessary at this time.

However, the need for these competencies will only continue to increase given the complexity of business issues and heightened stakeholder advocacy facing for-profit and not-for-profit enterprises.

As the world enters a profoundly altered economic and social reality, the approach used by organizations and boards to determine key skillsets and competencies to provide strong governance in this new era must also evolve accordingly.



About Massey Henry

Massey Henry is one of North America's leading executive search and board advisory firms focused exclusively on the financial services sector. With an experienced team of industry leaders and executive recruitment specialists, the firm combines innovative technology with sector expertise to provide clients with full-scope talent assessment, coaching, succession planning, and executive search services.

What Makes Us Different?

Financial Services clients are our only priority.

Unlike traditional search firms, we are not generalists. Whether corporate and commercial banking, insurance, asset management, or FinTech, we are a specialized firm that understands the nuances within the financial services sector, allowing us to build a deep network of vetted candidates from coast to coast.

Financial Services Expertise

We have led executive searches across the spectrum of the financial services industry, including:

- Retail and Commercial Banking
- Insurance and Reinsurance
- Asset & Wealth Management
- Capital Markets
- Family Offices
- Credit Unions
- Private Equity
- FinTech
- Payments
- Corporate and Investment Banking

Some of the roles we have supported include:

- Board Chair and Directors
- Chief Executive Officer
- Chief Risk Officer
- Chief Product Officer
- Chief Human Resources Officer
- Chief Financial Officer
- Chief Compliance Officer
- Chief Client Experience Officer
- Chief Payments Officer
- Chief Investment Officer
- Chief Operating Officer
- Executive Vice President, Digital & Strategy
- Vice President, Cybersecurity
- Vice President, Finance



OUR TEAM



Michael Henry
Managing Partner



John Sanders
Senior Partner,
Board and CEO Services



Elaine Lajeunesse
Partner and Co-Head,
Leadership Practice



Alex Bunyan
Partner and Co-Head,
Leadership Practice



Charlotte Berry
Partner



Linda Mundt
Engagement Manager



Gaurav Pokharel
Head of
Communications



Sue Mahon
Director, Search
Delivery and
Operations



Darlene Botman
Project Coordinator



Want to read more
insights unique to
financial services
executives?



VISIT:
WWW.MASSEYHENRY.COM



FOLLOW US ON LINKEDIN:
@ MASSEY HENRY