The rise of the virtual boardroom
Challenges, opportunities and the way forward in the 'new normal'

Executive summary

This round table discussion, chaired by James Sayer of Sayer Haworth and led by Martin Stewart, consultant and ex-regulator, provided banking INEDs and Chairs the opportunity to discuss boardroom best practice during this time of upheaval and resultant switch to remote working.

Shared challenges were felt across the panel, from the difficulty of maintaining relationships between members when not meeting physically and the subsequent impact on board meetings, to the intensity and strain from conducting them online and knock-on effects such as the loss of contributing guests from elsewhere in the business.

Positives do also exist, such as increased productivity as a result of reduced or eliminated travel and the slightly more formal setting an online meeting affords encouraging more active listening. When good relationships were already established this was echoed in the virtual boardroom, resulting in smooth-running meetings. It's important to note that not all delegates experienced negatives in the virtual boardroom.

It was generally agreed that solid relationships are the lynchpin of successful remote boards, coupled with strong leadership from the Chair and further strengthened by a commitment to and awareness of the challenges and subsequent impact on wellbeing, and supportive functions such as advisory members and the role of SIDs.

These discussions are key during this time and will continue to be. For many delegates present there is no immediate timeline to return to 'normality', and when a return to the office is more clearly defined there is expectation that it will not be business as once was, but likely a combination of remote and office-based working.

Introduction

While lockdown may be easing in the coming months many delegates had no defined timeline in place for a return to the office, so how to conduct board meetings well remains a prescient issue. Not only that, many also shared the belief that remote working will continue to some degree even after businesses are able to operate normally, understanding how to work optimally in these conditions therefore remains imperative.

Understanding what works in board meetings requires some examination of the reality of the virtual boardroom: what presents challenges, what aspects work well or are even conducive to better board meetings? Consideration must also be given to future operations: if a hybrid working model is likely, how do we navigate the half-physical, half-virtual world and combine the best of both? What can we apply from a physical meeting to a virtual one, and vice versa?

Adapting to the virtual boardroom

While there were unique experiences among different boards and their members, there were many shared challenges, positives and examples of good practice.

Challenges

Seemingly minor but nevertheless important elements experienced in a physical meeting are lost online, such as the ability to infer meaning or feeling from non-verbal communication. Small talk, friendly gestures (even reading and responding to facial expressions) are hampered in a virtual world, and this can make proceedings more serious, or potentially contentious if there is a difficult subject to discuss.

"the real hard work happens outside the boardroom"

Perhaps a greater loss is the contact outside the boardroom that develops and builds on relationships between members, both in business and social settings.

These losses can cause problems for board members with existing relationships but can be yet more challenging for those who have met for the first time virtually, although this is not to say all those with new relationships have suffered as a result of meeting online.

Virtual board meetings tend to be more intensive than physical ones, and can be especially mentally laborious and tiring for Chairs, who have to put in a great deal more work to manage them virtually. Potential flare-ups must be navigated, technical issues resolved swiftly and assessment made on who needs to speak, all while making sure they are contributing effectively themselves.

Many delegates agreed virtual board meetings may also hamper the chances for rising stars within the business to be introduced at board level; those not currently on the board but who in ordinary circumstances may have been given an opportunity to join as a guest. This is a missed opportunity not just for those individuals but also for the business.

Any conflict and/or personality clashes that arise can be much harder to assuage in a virtual setting, given the lack of additional contact outside the meeting and the nuance more easily detectable in a physical room. This is hard for those involved but is especially so for the Chair, who has to navigate and manage.

Opportunities

Working virtually, although harder in many ways, is not entirely devoid of positive, even desirable, outcomes.

Numbers of employees and board members alike have expressed a preference for remote working, at least to some degree, with cited benefits such as reduced travelling time (and increased productive working hours) and a better work-life balance.

In some ways, and this was evidenced in particular for one board member who had joined a board virtually (in some instances doing so had proved to be harder), there was a feeling that people are more polite in remote meetings – the mute button generally used in virtual meetings makes talking over one another harder, and as a result lends itself to more meaningful listening.

Role of the Regulator

What impact has the regulator had on virtual board meetings and have remote operations with them been a challenge or straightforward?

Virtual operations do present some difficulties for regulators. Although many delegates experienced positive interactions with regulators, a lack of physical contact with the business is a sub-optimal way of working with the regulators themselves. Virtual supervision has in some instances worked well however physical visits do offer a clear insight into the day-to-day running of a business that might otherwise be hard to capture online.

Regulators who are data-driven and relatively comfortable working remotely may nevertheless miss nuanced aspects not so easily spotted or defined by data alone.

Despite this, no one on the panel experienced direct issues resulting from having to navigate the board-regulator relationship remotely, with some managing video conference calls despite some regulator operations being restricted to telephone contact (given the level of security set up within the PRA and FCA).

Although we are operating in unusual times with some anticipated allowances, it's important to remember that board members are still personally responsible and accountable under the Senior Manager's Regime, and regulators aren't expected to allow exceptions for this.

What does 'good' look like?

What is clearly felt among all delegates is the need for both strong relationships and leadership from the Chair. Issues arise often as a result of relationship or communication breakdown, so efforts to build and maintain these are key to ensuring the board is able to run effectively and efficiently. INEDs will benefit from maintaining relationships outside the virtual boardroom, both with their fellow INEDs and the executive.

An effective virtual board requires the commitment of the Chair, who is likely to need to work harder and have the soft skills required for virtual operations. This includes both within the meeting and beyond. An effective Chair will ensure regular contact with board members, both with themselves and among each other. They will carefully plan meetings so that members have an opportunity to voice any concerns; understanding potential issues prior to meeting is crucial to achieving this.

"there's nowhere to hide in remote meetings for the Chair who hasn't done their homework"

Both the Chair and board members must pay attention to the style of questioning in online meetings – diplomacy may be harder but is arguably more important virtually, where a lack of physical presence inhibits social cues such as expression and body language. What can feel a 'testing' yet fairly innocuous question in a physical setting may come across differently under the arguably less 'soft' conditions of the virtual boardroom.

Virtual boards are also likely to benefit from strong, supportive functions. The role of the SID could really be crucial here – they have the opportunity to support and assist an over-loaded Chair and to help facilitate communication between members beyond the boardroom, encouraging stronger relationships. Advisory panels have the potential to help support the board function and to alleviate some of the pressure as a result of virtual operations.

'Deep dives' at board meetings should not be neglected during this time, when it might be tempting to think such examinations are less crucial or manageable in non-physical settings. Strategy should remain the key driver of meetings, but these occasional deeper investigations will mean a better understanding of the state of the business, allowing greater ability to recall detail when needed.

Boards that remain inquisitive and honest about the fact that we are all operating in unfamiliar territory are likelier to remain agile and therefore more effective.

Along similar lines is the need for boards to make Covid-specific discussions and decisions based on fact rather than opinion. Although well-meant, opinions that steer business decisions run the risk of negative outcomes for the business, if such assumptions turn out to be wrong.

Technology can prove to be a challenge, sparking the more general question – why do we not see more technical people on boards? Although this may in part be answered by the utilisation of an advisory element to the board, in a world increasingly reliant on digitisation it's perhaps a consideration for the future, virtual or otherwise.

Sayer Haworth Executive Search has seen in increasing trend of Boards looking to add a technology expert on the Board to fill the skills gap in this area.

Understanding that this way of working can take its toll is important. 'Wellness' check-ins from the Chair, or SID for example, can be as important as business-related meetings outside the boardroom. Wellbeing should also be acknowledged within board meetings, given many delegates feel online meetings are far more tiring and intense than their physical counterparts. One delegate suggested their own practice of offering members 10-minute breaks after specific sections, a simple yet effective solution to counter the strain of online meetings.

Practical steps that can be taken by boards not already doing so:

-       Advisory members/panels available for boards
-       1-1 scheduled calls with Chair and board members, and between members themselves
-       Scheduled breaks during the meetings themselves
-       Informal/social meetings regularly scheduled

Conclusion

There are tangible shared challenges felt among delegates but also some positive experiences resulting from this new way of working. Furthermore, many boards are taking proactive steps to ameliorate the potential drawbacks of virtual board meetings.

As has been discussed throughout this report, maintaining solid relationships between board members is vital - good communication minimises the potential for disruption and conflict and makes common ground and positive outcomes more likely. Much of this will be achieved outside the boardroom, so members must take proactive steps to arrange additional contact, albeit virtually.

Strong leadership from the Chair is also key - it takes a great deal more work to manage meetings online, and makes careful planning essential. Strong supportive functions can help.

These questions are prescient now but are likely to remain, while many organisations anticipate some degree of mixed remote and office-based work. A combination of physical and online meetings helps answer some of the challenges presented by wholly working remotely, such as the opportunity to see new talent, for current board members to feel 'seen' themselves and for physical socialising with other members, an important aspect of relationship-building regardless of the number of video or phone calls one can achieve.

The lessons learnt for how to conduct virtual board meetings well will remain however, making a flexible way of working and attending meetings both virtually and physically not just feasible but also desirable.

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