Chartered Governance Institute UK & Ireland

Centre for Synchronous Leadership (CSL)

Mindful Exclusion (Part I: Agenda)

New findings on effective governance for a post-pandemic world

Contents

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Foreword

The Chartered Governance Institute UK & Ireland believes that diverse viewpoints make for better boards. However, persuading boards to accept candidates from non-traditional backgrounds can be a struggle. We often hear that there are concerns about whether they are 'board ready' or 'promotion ready' or 'senior enough'. Likewise, we see advertisements that require non-executive director candidates to have been CEO or CFO of a FTSE company, or state that a role has a 'competitive salary' but then ask what candidates are currently paid. Both scenarios merely perpetuate whatever biases candidates may have previously faced.

It was in the context of our work on diversity that our journey with Justine Lutterodt and the Centre for Synchronous Leadership (CSL) began in summer 2019. We saw companies grappling with the desire to improve diversity without compromising performance and were drawn to the concept of Mindful Exclusion. The notion of 'excluding better' struck a chord.

We soon realised, however, that Mindful Exclusion addressed a wider range of issues relating to good governance, beyond boardroom and workforce diversity. It provided a deeper systemic lens for examining our criteria for decision making and aligning them with our ultimate objectives. Grounded in insights from social psychology, Mindful Exclusion was less about understanding the nuances of specific issues, and more about understanding ourselves as human beings and the influences that drive us.

We embarked on a journey of exploring how the principles of Mindful Exclusion, with which CSL was so familiar, applied to governance. This involved qualitative interviews conducted by CSL, three roundtables with a mixture of Institute members and senior leaders from CSL's network, and a number of fruitful bilateral discussions. Both Justine and I were taken aback by the level of overlap between the issues that Mindful Exclusion naturally surfaced and key trends that we believed were (and still are) shaping the future of governance. For instance:

- A developing focus on Section 172 of the Companies Act 2006 was pushing companies to consider how they had regard to the interests of a broader set of stakeholders and giving new momentum to the conversation about environmental, social and governance (ESG) issues. Organisations needed to be more proactive about their role in addressing these issues to avoid being required to do so by regulation, which was likely to be more onerous, or suffering the reputational consequences of being out of step with public sentiment.

- Investors were now more willing to vote against directors responsible for homogenous boards, not least because this was seen as a proxy for having an insular culture within the organisation. Similarly, investors were also more willing to vote against directors who were perceived as not taking sustainability or climate change issues seriously enough. These ESG factors were increasingly being seen as part of an organisation's licence to operate.
- Strategic succession planning – and the need to link current board composition with future composition – was an important issue for our members. Board evaluation was a key component of this discussion, as was the cultivation of talent further down the pipeline and the removal of obstacles that prevented the progression of diverse candidates within the organisation.
- The range of issues with which boards were now grappling – from climate change to pay disparity, from boardroom and workforce diversity through to the growing use of AI – and the increased scrutiny from regulators and the wider public meant that boards were facing new levels of pressure as part of their strategy setting and, in some cases, feeling overloaded.

In 2020, CSL conducted a quantitative survey using the Mindful Exclusion framework to explore these issues, and to understand what distinguished those who were coping well from those who were struggling with the volume and pace of change.

During this same period, we found ourselves in the grip of the COVID-19 pandemic which has, of course, affected many of these trends. A dramatic shift was required in a short space of time – in some cases accelerating change, in other cases causing delays. The survey was designed to capture the impact of this shift, given the implications for mindful decision making.

The results of this survey – which was completed by 310 company secretaries, board directors, and C-suite executives – have shaped this report. The coincidental timing of COVID-19 has given the findings an extra level of significance, as the future of governance is being actively shaped in response to our new circumstances.

This report provokes us all to get out of our bubbles (and avoid being 'Bubble Bound'), notice our instinctive responses and reconsider whether the criteria that we use to make decisions are fit for purpose. In doing so, it makes an important contribution to the field of governance, supported by data and psychological insight, with practical implications.

I do hope that you find the report useful. I have certainly enjoyed the stimulating discussions that have brought it thus far, but now it is over to you, our readers, to think about what it means for your own approach to decision making.

Having considered the criteria on which we base our decisions, we should not be afraid to make them, provided we are doing so mindfully. As Justine Lulerodt says, 'being mindful of exclusion forces us to acknowledge that there is a universe of options that we are not selecting, and in some cases do not even see.'

Peter Swabey FCG
Policy & Research Director
The Chartered Governance Institute UK & Ireland

Note from the author

At the Centre for Synchronous Leadership, we have been on a journey with Mindful Exclusion since 2015 – when 100 senior executives, HR leaders and employee network chairs gathered at a bank in central London to discuss 'under what conditions they would be happy to be excluded'. A year later, the first article on Mindful Exclusion was published in the World Economic Forum's leadership magazine, Developing Leaders.[1] Since then, the concept has taken us from the London School of Economics to Guildhall and sparked an exciting conversation amongst seemingly disparate stakeholders.

Our partnership with The Chartered Governance Institute UK & Ireland (CGIUKI) has been a great example of the principles of Mindful Exclusion in action. Having conducted an in-depth study on what Mindful Exclusion means for belonging amongst grassroots changemakers, we were keen to explore what it meant for decision making at the top of organisations. We were also ready to expand our horizons and take our expertise from working with senior leaders and their teams to the next level. And so, we set out to find an organisation to partner with that had the credibility and network to facilitate a synergistic journey.

It has been rewarding to collaborate with CGIUKI in bringing the vision of this report to life. I would like to particularly thank Peter Swabey, Saqib Lal Saleem, Kristen Harding, Maria Brookes, and Charis Evans for their openness in 'engaging with the unfamiliar' and their sponsorship in ensuring that these results reach a wider audience. In addition to the Institute, a few other organisations have supported us in establishing the necessary momentum for this study. I would like to thank the Financial Times, the Confederation of British Industry, the Worshipful Company of Chartered Secretaries and Administrators, the Middle East Institute of Directors, and Tyzack Partners. Finally, I would like to acknowledge and thank my colleague Elias Westerdahl as well as our newest team member Kristina Skybova, who have contributed to the research, analysis and production that led to this report; my mother and editor-in-chief Sarah Lutterodt, who has always inspired me to look beyond my own bubble; my writing coach; our inspiring brand ambassadors – Anthony Corriette, David Dunckley, Justina Naik, Michelle Nettles, Neil Carberry, and Penny Scott-Bayfield; along with Henrietta Jowitt, John Kundert, Caroline Mair, Chris Bird, Dawid Konotey-Ahulu, Marcus Ryder, Perry Burton, Rachel Rees, Susan Bright, the CSL Changemakers, and everyone else who has offered up their time and energy to bring this report to fruition.

We hope that you find this report useful and that it encourages you to pause, self-reflect, and start a new dialogue within your own organisation. Please bear in mind that it is not designed to offer simplistic answers. Nor is it meant to present ideas or suggestions that you have never considered. Rather, our intention is to equip you with the insight required to more accurately recognise patterns of behaviour that inhibit or encourage effective governance, take ownership for your role in perpetuating them, and experiment with practices and strategies that will help to position your organisation on the front foot for many years to come.

This involves destigmatising what it means to be human – hence a mindful approach is required.

Justine Lutterodt
Managing Director
Centre for Synchronous Leadership

Why this report matters

John Kundert

Chief Product Officer, Financial Times

In 2019 the Financial Times declared that it was time for capitalism to be reset. The argument was that more inclusive ways of doing business had to be found, for the good of business and society. Then the pandemic struck and challenged businesses and business practices in more ways, and faster, than could have ever been imagined. This report underlines the danger of blind spots (like an unexpected pandemic) and the benefits of synergistic leadership – where psychological safety and diversity of lived experience result in better decision making for everyone. Moreover, it reminds us of the opportunity that disruption presents and how quickly change is possible.

We all need to be more mindful of how we exclude. This involves a journey of being willing to look beyond our own bubble, and it is one that as a leader I embrace.

Justina Naik

Liveryman, Worshipful Company of Chartered Secretaries and Administrators

When seeking to position an ambitious organisation for scale, reputation is as critical for success as financial standing. Being on the back foot when it comes to 'moral' issues can harm business credibility, particularly in due diligence considerations. Within financial services, I see this as an important and evolving dynamic, and recognise the challenge of giving precedence to moral matters when faced with competing short-term priorities. However, if companies wait too long before giving them adequate attention, it can be difficult to catch up.

This report makes a convincing case for getting on the 'front foot' with emerging trends and issues. The mindful practices that it outlines will see businesses create greater resilience through a proactive approach and a broader frame of reference.

Anthony Corriette
Company Secretary, BBC Studios

The need for a range of diverse voices in the pursuit of robust decision making is self-evident. The best leaders enthusiastically challenge the status quo and groupthink and are open to other points of view. However, this has to be an active endeavour.

This compelling study provides a deep understanding of the systemic issues and blind spots that impede directors and executives in their role. If boards and executive committees could be a 'safe space' for diverse and apparently dissenting views, this would have a beneficial impact on their organisation's leadership. But if this openness to difference – and more mindful approach to leadership – was allowed to permeate the wider organisation, I believe that it could positively impact the culture of UK businesses.

Henrietta Jowitt
Deputy Director General, CBI

How do boards and senior teams move beyond uneven or dysfunctional power dynamics to become powerful, diverse teams with purpose? Selecting for specific skills and different work-related experiences is obvious when putting the top team together. However, I believe the real power that drives performance comes from two things. First, diverse lived experiences, and therefore more challenging perspectives around that table. Second, the space and safety to be heard, so that those perspectives can shape the business.

This report offers data-driven insight into why power balance and psychological safety are so important, how our natural tendencies as human beings can undermine our best intentions and how we fix it. It comes at an opportune moment as business leaders reconsider their models and behaviours in light of the pandemic and the pressing ESG agenda.

Introduction

Mindful Exclusion[2]

Exclusion matters. It is an inevitable consequence of decision making, regardless of whether we notice it. In the context of running an organisation, it can be easy to overlook what issues are not getting prioritised, what messages are not being conveyed, and which people are not being invited to contribute. Being mindful of exclusion forces us to acknowledge that there is a universe of options that we are not selecting, and in some cases do not even see.

In the business sector, we have not always wanted to see. 'Externalities' – or rather, the unintended consequences of our decisions that do not affect the immediate bottom line – have traditionally been considered a distraction. A wilful blindness has been cultivated to produce financial results without worrying about our impact on wider society or the next generation. And, with the ethical boundaries of business defined by regulation, there has not been a need to understand the broader context in order to be successful. Instead, we have been encouraged to operate within our own insular bubbles, with a strategic disregard for our ripple effects.

The inclination to operate within a bubble is not unique to the business sector. It is a fundamental part of how we are wired as human beings. We have a limited amount of time and attention to process an unlimited amount of data. Cognitive shortcuts are essential tools for navigating our environment at pace. We are also social creatures, conditioned to associate group membership with survival. The people and norms within our bubble anchor our identity – providing a sense of familiarity, comfort, and status. And the more powerful our bubble is, the more insular it would seem that we can afford to be.

However, this inclination can lead even the most purposeful amongst us astray. A classic illustration of this comes from a famous experiment in social psychology known as the 'Good Samaritan' study. The date was 1970 and the subjects were students at Princeton Theological Seminary, studying to be priests. On their way to deliver a sermon, they encountered a man slumped in a doorway – coughing, groaning, and looking ill. He was in a narrow alley, so they literally had to step over him in order to pass by. Their bubble was defined by the task at hand (delivering the sermon) which they were intently focussed on. But their larger objective, and thus the equivalent of their 'bottom line', was defined by serving those in need. Ironically, many of these students had been asked to prepare a sermon on the Good Samaritan that mirrored this exact scenario.

So, what percentage of students stopped to help? 45% – if they were not in a hurry. In other words, less than half were able to break out of their bubble, process this new information, and pivot to stay aligned with their larger objective. If the subjects were running late, only 10% stopped to help. The remaining 90% noticed the man but excluded this data from their decision making – quite literally tripping over their values in pursuit of the task at hand.[3]

For organisational leaders, the cost of being 'bubble bound' is growing, as the world becomes more interdependent. Thanks to social media, our externalities now have a voice. Every stakeholder who has been a casualty or beneficiary of our ripple effects can now influence all of our stakeholders and our organisation's reputation at large. In the business sector, how we treat employees, those in our supply chain, or even the environment increasingly has an impact on our brand with consumers. With the general public growing more concerned about the actual cost of business, regulators are under more pressure to hold companies to account, and investors have stepped up in assessing companies' ESG impact.

In the business sector, these trends were evident before COVID-19. At the start of 2020, 92% of the general public felt that CEOs should speak out on issues relevant to society, with 74% expecting CEOs to take the lead in driving positive change rather than wait for government.[4] In the UK, new reporting requirements for Section 172 of the 2006 Companies Act had recently forced large companies to demonstrate how they were taking a broader set of stakeholders into account.[5] In the US, the Business Roundtable had just issued a statement – signed by 181 top CEOs – declaring that companies were accountable to a broader set of stakeholders.[6] And in his annual letter to the business community, Larry Fink, CEO of the world's largest asset manager, had threatened to vote against management that failed to make sufficient progress in managing climate risk.[7]

COVID-19 has increased the public's awareness of interdependence and appetite for a better society. 61% of the general public are now more concerned about climate change than they were in 2019, 58% are more interested in closing the economic and social divide, and 53% are more concerned about racism. Alongside this concern has come a greater sense of empowerment. 68% of the general public now believe that consumers can force corporations to change, and 62% believe that employees can do the same. Moreover 50% of employees are now more likely to voice their objections to management or engage in workplace protest.[8]

In addition to these trends, the global landscape of business is rapidly evolving. To sustain financial performance, businesses must look beyond their immediate competitors to shifts in the wider marketplace. They must anticipate trends and make bold moves before their business model is under threat – or otherwise risk following in the footsteps of Blockbuster, Kodak, and Borders. As businesses explore new frontiers, beyond the realm of regulation, they must be proactive in holding themselves to account in order to preserve public trust. Those that ignore stakeholder feedback and wait for regulators to intervene may face crippling consequences or even lose their licence to operate.

Nonprofits and the public sector have always been held accountable to broader societal interests. Nonetheless, these organisations are also capable of operating in a bubble. They too are likely to have made calculations about which stakeholders they can afford to ignore based on their biases and social norms. These calculations may need to be updated to ensure that the values they proclaim to stand for align with their actions. As we saw with the Good Samaritan study, having a sense of purpose does not protect us from human nature. Like the business sector, these organisations also face the challenge of responding to the needs of a rapidly evolving world. Whether their mandate is education, poverty, or global health, they must get on the front foot when it comes to forces shaping the future of society (such as digital or AI) or risk becoming obsolete.

To avoid tripping over our own values, we must learn to exclude more effectively. We must be receptive to the limitations of our bubble and willing to explore whether what we are excluding actually aligns with our larger objectives. This requires the muscle of mindfulness – i.e., the ability to observe our thoughts and behaviours without judgment. Our bubbles are by default invisible to us. We will be unable to identify the biases and norms that distort our decision making unless we are prepared to accept that we have them. We can then cultivate practices and strategies to help us counter their effects.

In this age of dynamic interdependency, how we exclude matters more than ever before. It influences our brand, shapes how we engage with risks and opportunities and, ultimately, determines our performance. Organisations which adopt a more mindful approach have a clear strategic advantage.

About this study

In this study, we sought to understand how exclusion was occurring in the context of organisational governance. We focused on three processes of decision making at the board and executive committee level – **what** was decided on, **how** these decisions were made and **who** was making them.

In practical terms this translated into looking at:

I. What issues were or were not making it onto the **agenda**?
II. What conversations were or were not occurring as part of group **dynamics**?
III. Which people were or were not being selected to join? (**composition**)

Like three layers of an onion, we expected these processes to be interrelated. We decided to start with agenda since it was the most superficial layer and thus the easiest to change. From there, we worked our way in to dynamics and then composition. These three areas are reflected in the three parts of this report.

For each area, we examined the following questions:

A. **Is there evidence of mindless exclusion** – i.e., are some things getting excluded that appear to be important for decision making?
B. **If so, what distorting factors are at play** – i.e., is there an underlying pattern that we can link to cognitive biases or social norms – the natural limitations of one's bubble?
C. **What 'mindful' practices can potentially be used to counter this effect?**
D. **Do these practices lead to more effective governance?**

In addressing these questions, we conducted **two rounds of research**. Round 1 took place between Autumn 2019 and February 2020, prior to COVID-19 being declared a global pandemic. Round 2 took place between Autumn 2020 and February 2021.

In Round 1, we conducted **20 semi-structured interviews** with company secretaries and a handful of senior executives. This included two senior leaders from The Chartered Governance Institute UK & Ireland with years of experience looking across the governance sector. We supplemented these efforts with **secondary research – scanning a range of large-scale industry studies** that contained further insight into the experience of board directors and C-suite executives. As a result of these efforts, we were able to form an initial picture of what mindless exclusion looked like in relation to each of the three areas. We were also able to form hypotheses about the distorting factors at play as well as the mindful practices that could counter them. We played back these findings to company secretaries and senior executives in a series of **three roundtable discussions**, which helped us to further interpret the findings.

In Round 2, we designed a **quantitative survey** to test our hypotheses. By this point, COVID-19 had taken the world by storm, demanding sharp organisational pivots and accelerating the feedback loop associated with decision making. This provided fertile soil for exploring whether the mindful practices that we had identified were associated with more effective governance. Following the survey, we conducted **three additional roundtable discussions** to validate the results.

In analysing survey data, **we grouped participant responses into four segments** based on their board or executive committee's adherence to mindful practices. We called the first segment the **Bubble Bound**. This segment failed to employ basic practices that would challenge the biases and norms of their bubble and were thus the most insular. The second segment was composed of **Bubble Breakers**, who were less insular but only willing to engage in mindful practices that were congruent with traditional norms. Thirdly, there were the **Mindful Managers**, who were intentional about going beyond the boundaries of their bubble in response to signals from their environment. Last but not least, there were the **Mindful Movers**, who were similar to Mindful Managers but more proactive in anticipating and responding to external signals and reshaping their bubble to align with their larger objectives.

The properties of each segment are summarised in the figure below.

Bubble Bound	**Bubble Breaker**	**Mindful Manager**	**Mindful Mover**
• most insular • exclusion most distorted by biases/norms of bubble	• willing to go beyond the bubble • constrained by traditional social norms	• intentionally goes beyond the bubble • unconstrained by traditional social norms	• most proactive • re-shapes bubble to align with values/ larger objectives

Our definition of these segments changes in each part of this report, based on the mindful practices that we have identified to be most relevant. However, the theoretical construct underlying the segments remains the same.

In comparing these segments, **we used subjective measures to assess effective governance** for each of the three areas. This was intentional given that our primary concern was mindful decision making. We wanted to know what differentiated organisations that were tripping over their own values from those that, with the benefit of reflection, felt they were operating at their best. Nonetheless, **many of the practices we landed on have clear links to organisational performance that have already been established through prior research.** We made a point of documenting some of these links in Round 1.

This report has been divided into **three separate documents** – agenda, dynamics, and composition – each with a parallel structure. As we explore these three areas, we will be addressing the research questions outlined above. In addition, we will examine the implications of COVID-19 and discuss initial ideas for translating these insights into action. **Towards the end of each section, you will also find a summary of key points**, that should serve as a useful reference as you consider the implications of this report for your own organisation.

Mindful agenda – from back foot to front foot

This study suggests that prior to COVID-19, many boards and executive committees were mindlessly excluding less familiar issues from the agenda, regardless of their level of importance. Issues that were psychologically distant (and therefore required more of a cognitive leap) had difficulty making it onto the agenda until they became urgent. This was exacerbated by the volume of immediate issues that boards and executive committees were grappling with, as well as time pressure and inflexible agendas. The resulting cycle left many organisations on the back foot. Meanwhile, organisations that were more mindful and proactively engaged with the unfamiliar found themselves in a virtuous cycle that allowed them to be more strategic in managing risk and disrupting norms. COVID-19 has exposed these patterns of behaviour, forcing all organisations to reassess their priorities and highlighting the importance of mindfulness for staying on the front foot.

A. Evidence of mindless exclusion

In qualitative interviews (pre-COVID-19), many company secretaries noted that **issues of a holistic nature – concerning employees, a broader set of stakeholders or the environment – struggled to make it onto the agenda** in a meaningful way.

'Areas that impact employees more than the shareholder are not necessarily debated or discussed as rigorously as they ought to be.'

'ESG definitely comes up, but it gets dealt with at a lower level. It is not considered a topic that should have the board's attention. Diversity & inclusion has not been discussed in the time that I've been around.'

'There's less focus on the softer side of things like HR, people – the bit that makes the business work!'

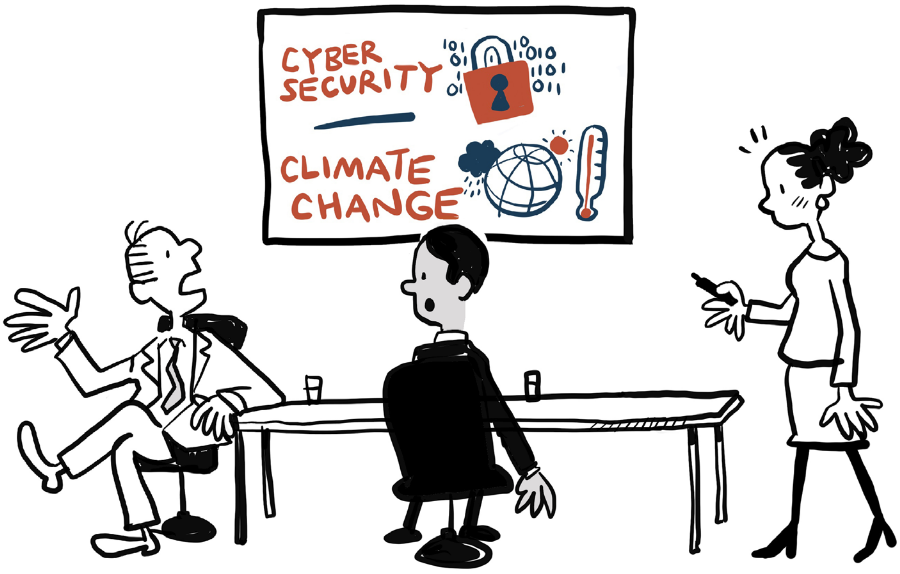
Our scan of industry studies published before COVID-19 confirms that this was not an isolated phenomenon. It seems that a majority of boards were failing to put holistic issues on the agenda in a consistent manner. This included organisational culture, talent management, diversity & inclusion, sustainability, broader social impact and other issues covered under the category of ESG (environmental, social and corporate governance).[9,10]

And yet, the importance of these issues was increasingly recognised at the top of organisations. In one large-scale study, CEOs ranked 'modernising the workforce' as their number one strategy for developing a future-fit organisation, with a majority stating that it was difficult to find the workers they needed. The same study identified climate change as the number one threat to growth.[11] Other studies found that board directors were also concerned about people issues, including talent management, workforce diversity and the needs of wider stakeholders.[12,13]

This disconnect – between whether issues were recognised as important and whether they were prioritised – was not limited to holistic issues. **A surprisingly similar story emerged in relation to technology.** In 2019, directors and CEOs ranked technological change as the number one strategic opportunity for their business as well as the third greatest risk.[14] And yet, less than a fifth of public company boards seemed to have discussed technology strategy more than twice a year.[15]

> **'There is evidence to show that cyber risk is significant. But – because it is a rapidly evolving area – I don't think it is given adequate attention.'**

Our qualitative interviews offered insight into what might be causing this disconnect. Several company secretaries implied that **their boards' prioritisation process was heavily influenced by the experience of board members**, leading them to exclude important issues from the agenda that they did not understand.



"I'VE BEEN IN THIS INDUSTRY FORTY YEARS & THESE HAVE NEVER BEEN AN ISSUE IN MY EXPERIENCE"

Two industry studies provide further evidence. One found a correlation between how much a board understood an issue and how likely it was to appear on their agenda.[16] In another, directors and CEOs expressed much more confidence in their board's management of traditional risks than those which were atypical or emerging. The latter study emphasised the importance of relevant talent and external advisors for addressing this gap.[17]

In interviews, company secretaries also implied that **operational and urgent issues had a gravitational pull**, which was further exacerbated by time pressure. This could make it difficult for their board to be strategic.

'It's such a highly-regulated environment right now. There's a tendency to feel like there isn't sufficient time… We just need to take care of business, that's first and foremost. Diversity, culture and CSR tend to get put on the backburner.'

'The board is very reactive to things. If there's a new reporting requirement, they are now interested in it – there are duties to comply and penalties otherwise. In terms of being proactive – I haven't really seen that.'

'If there's an hour left, do we talk about M&A or talent management? We'll talk about M&A.'

A 2017 study by The Chartered Governance Institute UK & Ireland and Board Intelligence provides additional validation of this phenomenon. In the study, governance professionals reported that most board packs were too focused on operational issues at the expense of strategic ones and not sufficiently forward-looking. The majority also stated that board packs were focused on internal developments at the expense of external ones.[18]

Both explanations indicate that boards had an **unconscious preference for issues that they felt closer to** – based on prior experience, established norms or the immediacy of the feedback loop.

B. The bubble of familiarity

Based on our qualitative research and review of industry reports (Round 1), we suspected that **familiarity** was distorting how boards and executive committees prioritised. More specifically, our hypothesis was that they were **mindlessly excluding issues based on psychological distance rather than importance**, thus contributing to an **insular bubble**.

Psychological distance[19] is an academic term that refers to **the cognitive leap required to emotionally connect with a topic**. There are different forms of psychological distance. 'Experiential distance' refers to the cognitive leap required to connect with situations that we have less experience with. 'Temporal distance' refers to the leap required to connect across time with future versions of reality. And 'social distance' refers to the leap required to connect with people we do not know as well or identify with. The more psychologically distant an issue feels, the more conscious effort we require to prioritise it. The point at which we label an issue a 'crisis' is an example of this. Often circumstances have not changed dramatically from the prior moment when we did not consider the issue a crisis, but our sense of proximity has. In some cases, this is due to stakeholders escalating their concerns and thus reducing our social distance to the issue at hand.

Scientific research has shown that **the different forms of psychological distance are interchangeable** and that one can be used to influence the other. In one study[20], the brain activity of subjects changed when they switched from describing their current selves to themselves ten years from now (temporal distance), as if they were talking about a different person (social distance). However, after being introduced to a virtual avatar of their future selves, this change in their brain activity went away. Moreover, their prioritisation behaviour shifted to reflect a greater awareness of their future needs. Reducing social distance influenced their perception of temporal distance.

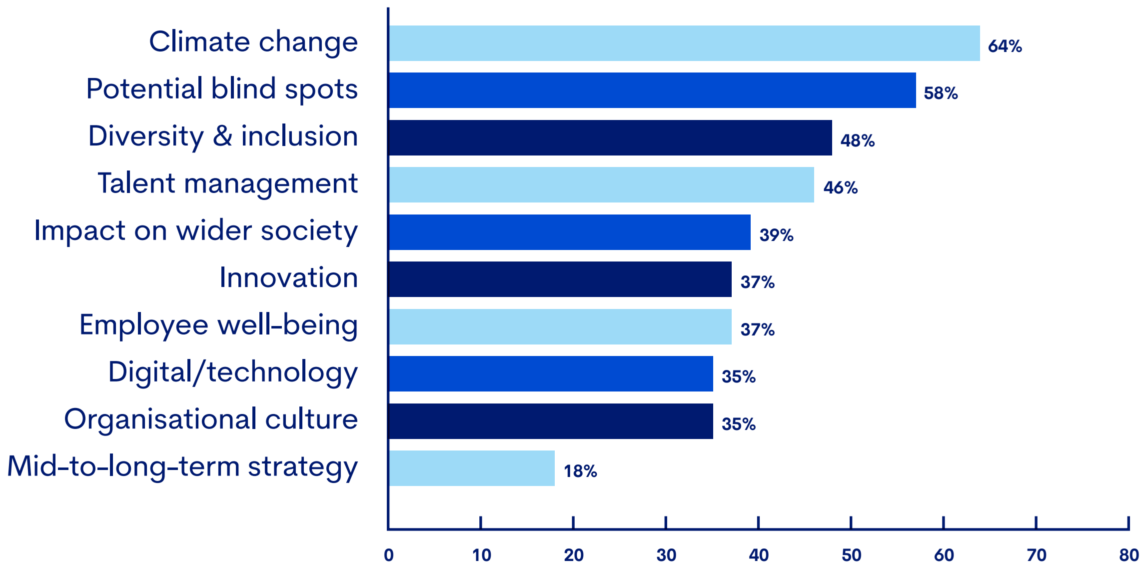
Other studies have demonstrated that **when we perceive people to be socially distant from us, we also perceive them to be spatially and temporally distant**[21] and may be less sensitive to time delays in addressing their needs.[22] Additionally, **the more hypothetical we perceive a scenario to be (experiential distance), the more we expect it to occur further in the future and to distant stakeholders**.[23] This interchangeability is a distinguishing feature of psychological distance and explains why issues that we are used to tackling and those which feel time-sensitive have a similar gravitational pull.

In Round 2 of this study, we tested our hypothesis about psychological distance. We started by identifying **ten issues from Round 1 (see chart below)** that boards and executive committees were **struggling to prioritise despite their importance**. We first sought to understand the extent to which these issues had been excluded[24] from the agenda prior to COVID-19.

We intentionally set the bar low, focusing on whether issues made it onto the agenda at all rather than their level of prioritisation. We recognised that organisations might have valid reasons for prioritising differently – based on their sector, strategy, financial health, etc. However, we reasoned that all of these issues warranted some level of attention from boards and executive committees.

Which issues were excluded from your agenda prior to COVID-19?

% Indicating issue was never or rarely on the agenda



Given the low bar, **we were surprised by the levels of exclusion**. Over a third of respondents indicated that issues relating to digital/technology and innovation had never or rarely made it onto the agenda. Over a third reported the same for organisational culture, employee well-being and impact on wider society. And almost half indicated that talent management and diversity & inclusion were never or rarely included on the agenda.

We noted that the relative prevalence of exclusion was consistent with psychological distance playing a role. Climate change, for instance, is an issue that one would expect to require the greatest cognitive leap. It is more holistic, outside the traditional domain of governance (particularly in business), and its impact will be most felt by societal stakeholders of the future. Accordingly, climate change was the most likely topic to be excluded. Despite being identified by CEOs in 2019 as the number one threat to growth, almost two-thirds of respondents reported that it was unlikely to make it onto their agenda. Meanwhile mid-to-long-term strategy, a topic that is unquestionably within the traditional scope of governance but requires thinking ahead, was the least likely to be excluded.

C. Engaging with the unfamiliar

To explore our hypothesis further, we identified **three practices that could help boards and executive committees to bridge psychological distance**. We used these practices to segment respondents based on their skill in breaking free from the bubble of familiarity.

The **first practice** was **looking ahead** into the future and thus bridging temporal distance. The challenges and norms associated with this practice tend to vary by sector. Public companies, for example, face ongoing pressure from the market to produce short-term returns,[25,26] and certain sectors (such as energy) require longer time horizons for planning. Nonetheless, we would expect all organisations to have their own future needs **somewhere** on the agenda to ensure their ongoing survival. This is also a basic requirement for strategy and risk management.

As a proxy for looking ahead, we used the focus on **mid-to-long-term strategy prior to COVID-19**. Once again, we set the bar low to neutralise the effect of sectoral differences – isolating organisations that never or rarely had this topic on their agenda. We identified this segment as the **'Bubble Bound'** to signal that they were the most insular. This accounted for one-fifth of our sample.

Unsurprisingly, the most dramatic differences between Bubble Bound organisations and their counterparts related to innovation and talent management. 73% of the Bubble Bound never or rarely had innovation on the agenda prior to COVID-19 versus 30% of their counterparts; likewise 79% had excluded talent management versus 39% of their counterparts. Also, 90% of Bubble Bound organisations had failed to prioritise industry trends outside their area of expertise or comfort zone prior to COVID-19 versus 50% of their counterparts. All three of these datapoints supported our premise that this segment struggled to prioritise the survival needs of its future self.

Interestingly, the Bubble Bound were more likely to exclude **all** of the issues that we had identified in Round 1 as important but less familiar. Among these were diversity & inclusion and impact on wider society, two issues that are inherently related to social and experiential distance and have no direct link to temporal distance. This is an indication that psychological distance was an underlying factor guiding this segment's decision making.

	Bubble Bound N=43	Everyone else N-201
% indicating issue was never or rarely on the agenda (pre-COVID-19)		
Climate change	83%	60%
Diversity & inclusion	71%	43%
Talent management	79%	39%
Impact on wider society	61%	35%
Innovation	73%	30%
Employee well-being	63%	32%
Digital/technology	62%	29%
Organisational culture	60%	30%

The **second practice** was that of **looking beyond** one's realm of experience and known survival needs. Historically, public companies have been explicitly discouraged from taking responsibility for their wider impact, given the singular focus on financial performance. More recently, the movement of responsible capitalism and the awareness that businesses require a 'license to operate' has created a growing shift in ideology. In the UK, Section 172 of the Companies Act now requires businesses to have regard for their wider impact on stakeholders. In the US, three-quarters of directors felt that companies should have a social purpose as of 2019.[27]

As a proxy for looking beyond, we used **the inclusion of potential blind spots on the agenda prior to COVID-19**. Two-fifths of respondents reported that their organisation looked ahead but never or rarely had blind spots on the agenda. We designated these organisations as the **'Bubble Breakers'** to indicate that they were guided by established norms, but not completely insular. Once again, this segment stood out from its counterparts in relation to all issues that we had identified from Round 1. These differences were particularly large when it came to issues reflecting organisational values – i.e., diversity & inclusion, impact on wider society, organisational culture and climate change.

	Bubble Bound N=43	Bubble Breaker N=106	Everyone else N-95
% indicating issue was never rarely on the agenda (pre-COVID-19)			
Climate change	83%	73%	46%
Diversity & inclusion	71%	62%	21%
Talent management	79%	53%	24%
Impact on wider society	61%	50%	16%
Innovation	73%	39%	19%
Employee well-being	63%	43%	19%
Digital/technology	62%	38%	19%
Organisational culture	60%	43%	14%

The **third practice** was **preparing to pivot**. Prior to COVID-19, there was growing awareness amongst senior leaders of the need to be agile and get on the disruptive front foot.[28] Hence, this practice was meant to capture the importance of translating insight (from looking ahead and beyond) to action. We used **agenda flexibility** as a proxy, given that it had been highlighted in qualitative interviews.

Most survey respondents reported that their agenda was flexible, so we set the bar high – using extreme flexibility to distinguish **'Mindful Movers'** (the most mindful segment) from **'Mindful Managers'** (their less flexible counterpart).[29] Although we found differences in what these two segments excluded from the agenda, they were much more subtle.

'There is an element of inflexibility to our agenda. As things develop – especially at pace – it's important to make enough room to adapt. However, because our agenda has a fairly rigid structure, adding new things is a struggle.'

	Bubble Bound	Bubble Breaker	Mindful Manager	Mindful Mover
	N=43	N=106	N=47	N=48
% indicating issue was never or rarely on the agenda (pre-COVID-19)				
Climate change	83%	73%	48%	44%
Diversity & inclusion	71%	62%	24%	17%
Talent management	79%	53%	28%	19%
Impact on wider society	61%	50%	20%	13%
Innovation	73%	39%	26%	13%
Employee well-being	63%	43%	26%	13%
Digital/technology	62%	38%	22%	17%
Organisational culture	60%	43%	13%	15%

Here is a summary of the resulting segmentation:

	Bubble Bound	Bubble Breaker	Mindful Manager	Mindful Mover
	N=43	N=106	N=47	N=48
Segment definition (based on practice pre-COVID-19)				
Practice 1: Look ahead	✗	✓	✓	✓
Practice 2: Look beyond		✗	✓	✓
Practice 3: Prepare to pivot			✗	✓

D. Bubble Bound versus Mindful Movers

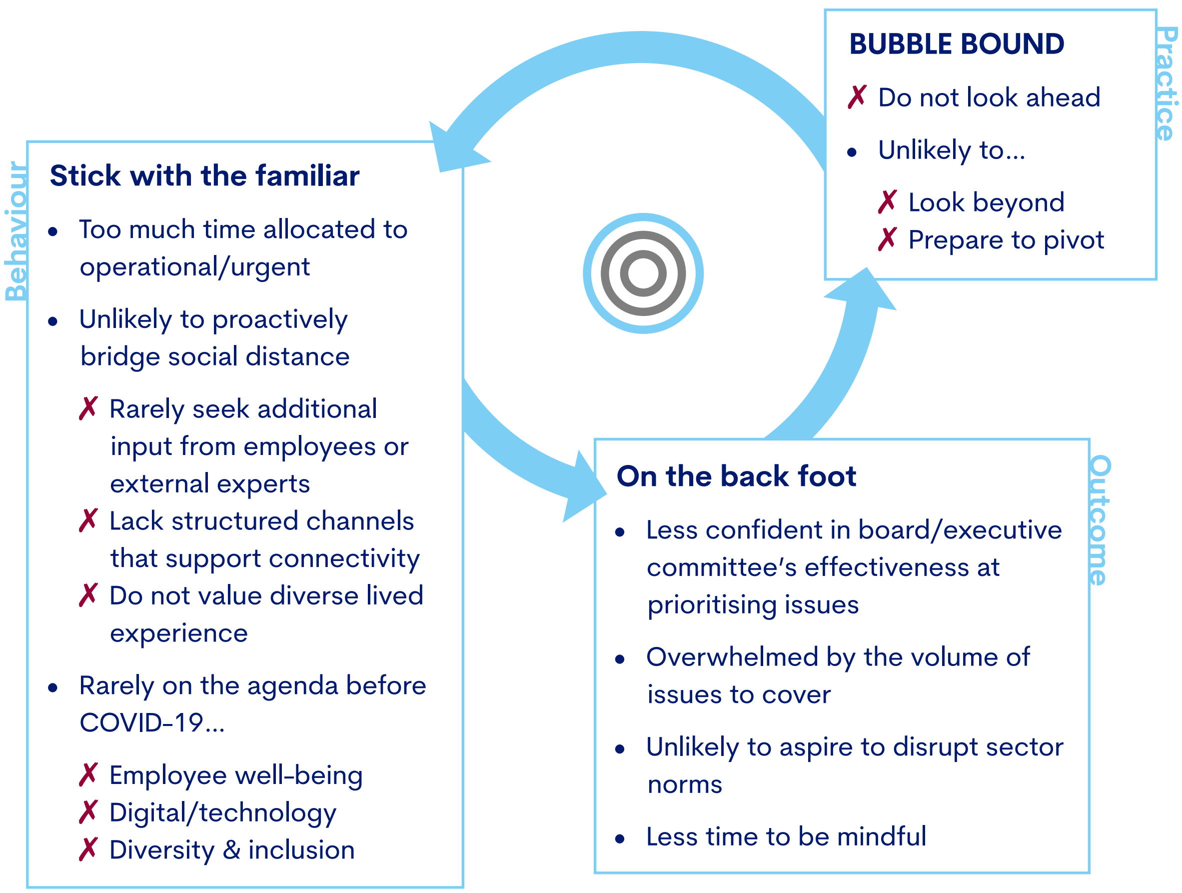
We defined the Bubble Bound and Mindful Mover segments **based on their skill in engaging with the unfamiliar** – i.e. bridging the gap posed by psychological distance and reprioritising accordingly. But does this matter for governance?

Our survey results suggest that it does. 77% of respondents from the **Bubble Bound** segment report that their board or executive committee **allocates too much time to operational/urgent issues, signalling a recognition that 'mindless' prioritisation is occurring**. Moreover, this segment's behaviour before COVID-19 appears to have left them particularly vulnerable to disruption. 63% excluded employee well-being, 62% excluded digital/technology and 71% excluded diversity & inclusion from the agenda. As a result, the majority would have been unprepared for the sudden pivot in relation to these specific issues that 2020 required.

Mindful Exclusion – Part I: Agenda

		Bubble Bound	Bubble Breaker	Mindful Manager	Mindful Mover
		N=43	N=106	N=47	N=48
Behaviour – Exclusion					
Too much time allocated to operational and/or urgent issues		77%	59%	45%	44%
Pre-COVID-19	Employee well-being never or rarely on the agenda	63%	43%	26%	13%
Pre-COVID-19	Digital/technology never or rarely on the agenda	62%	38%	22%	17%
Pre-COVID-19	Diversity & inclusion never or rarely on the agenda	71%	62%	24%	17%
Outcome					
Effective at prioritising issues for the agenda (moderately agree)		53%	57%	79%	92%
Overwhelmed by the volume of issues to cover		57%	44%	36%	35%
Aspires to disrupt sector norms		40%	45%	55%	67%

Figure 1: The mindless cycle



Most of the Bubble Bound now have these issues on the agenda. However, they are more likely to be overwhelmed with the volume of issues they must cover. This leaves them on the back foot with less capacity to anticipate and respond to the next emergency. And so, the **mindless cycle** continues (see Figure 1). Perhaps this is why only 53% of respondents from the Bubble Bound segment are confident that their organisation is effective at prioritising issues for the agenda, with 37% stating that it is ineffective.

The data reveals a starkly different story about **Mindful Movers**. This segment is much less likely to 'mindlessly' prioritise the operational and urgent than those who are Bubble Bound. Prior to COVID-19, over four-fifths of Mindful Movers had employee well-being, digital/technology and diversity & inclusion somewhere on their agenda. Now, virtually all of them do.

COVID-19 has prompted a shift in the extent to which these issues are prioritised on the agenda, but it is less likely to have been an overwhelming one. Rather, Mindful Movers appear to be on the front foot, with 67% seeking to disrupt sector norms rather than be disrupted. And so, the **mindful cycle** (as shown in Figure 2) continues, with 92% of respondents from this segment feeling confident that their organisation is effective at prioritising issues for the agenda.

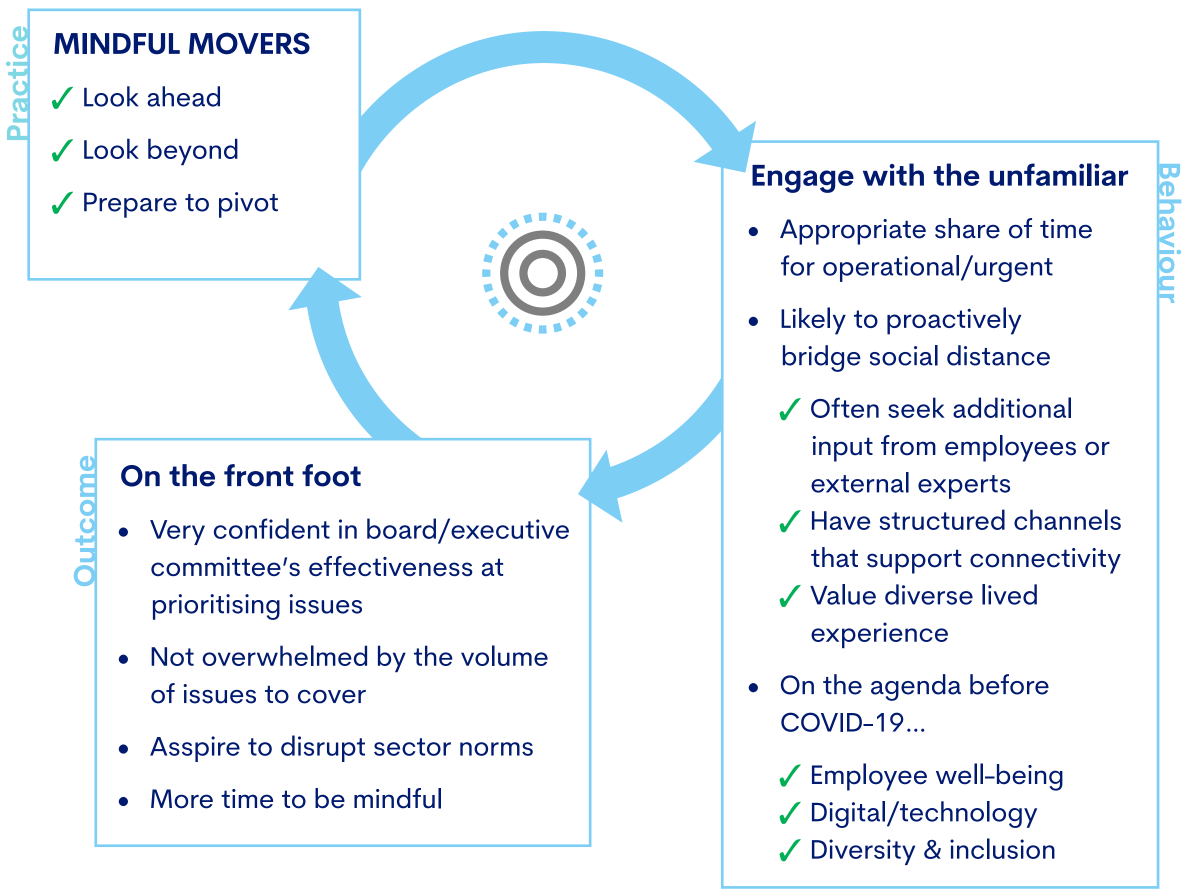
Interestingly, the difference in **how these two segments engage with the unfamiliar extend to people**. 98% of Mindful Movers report that their organisation regularly captures and acts on ideas of staff at all levels, with 78% asserting this more confidently. 31% of respondents from Bubble Bound organisations say the same. For Mindful Movers, connecting with those further down the hierarchy is nothing new. Prior to COVID-19, 77% regularly invited employees to contribute at meetings versus 34% of the Bubble Bound. When it came to engaging beyond the organisation, this difference was even more pronounced. 75% of Mindful Movers regularly sought out external expertise before COVID-19 versus a mere 14% of the Bubble Bound.

Mindful Movers are also more likely to have structured channels that can help them to connect with the experiences of employees facing challenges. Their organisations are more than twice as likely to have employee networks and to use an Ombudsman service than those from the Bubble Bound segment. Additionally, members of the board or executive committee are more likely to get involved as employee network sponsors and to engage in reverse mentoring schemes.

Mindful Exclusion – Part I: Agenda

		Bubble Bound	Bubble Breaker	Mindful Manager	Mindful Mover
		N=43	N=106	N=47	N=48
Behaviour – Social distance					
Organisation regularly captures/ acts on ideas of staff at all levels (moderately agree)		31%	40%	53%	78%
Pre-COVID-19	Employees were often invited to meetings to provide a different view	34%	59%	53%	77%
Pre-COVID-19	Colleagues often sought out external data/ knowledge/expertise	14%	37%	54%	75%
Pre-COVID-19	Board/ExCo behaved as though diversity of lived experience was sometimes a priority	28%	46%	65%	88%
100+ Employees	Organisation has employee networks	31%	51%	58%	69%
100+ Employees	Has employee network sponsors on Board/ExCo	16%	19%	25%	31%
100+ Employees	Organisation has an Ombudsman service	13%	24%	28%	31%

Figure 2: The mindful cycle



It would appear that Mindful Movers were, and still are, **inclined to proactively bridge social distance** with relevant stakeholders. The dramatic difference in how this segment values diverse lived experiences versus the Bubble Bound suggests that this is intentional. Perhaps it reflects a deeper posture of curiosity and openness. In either case, this approach is likely to make it easier for Mindful Movers to mitigate the distorting effects of temporal and experiential distance when prioritising issues for the agenda.

Bubble Bound

"WE DON'T HAVE TIME FOR THAT RIGHT NOW"

Mindful Movers

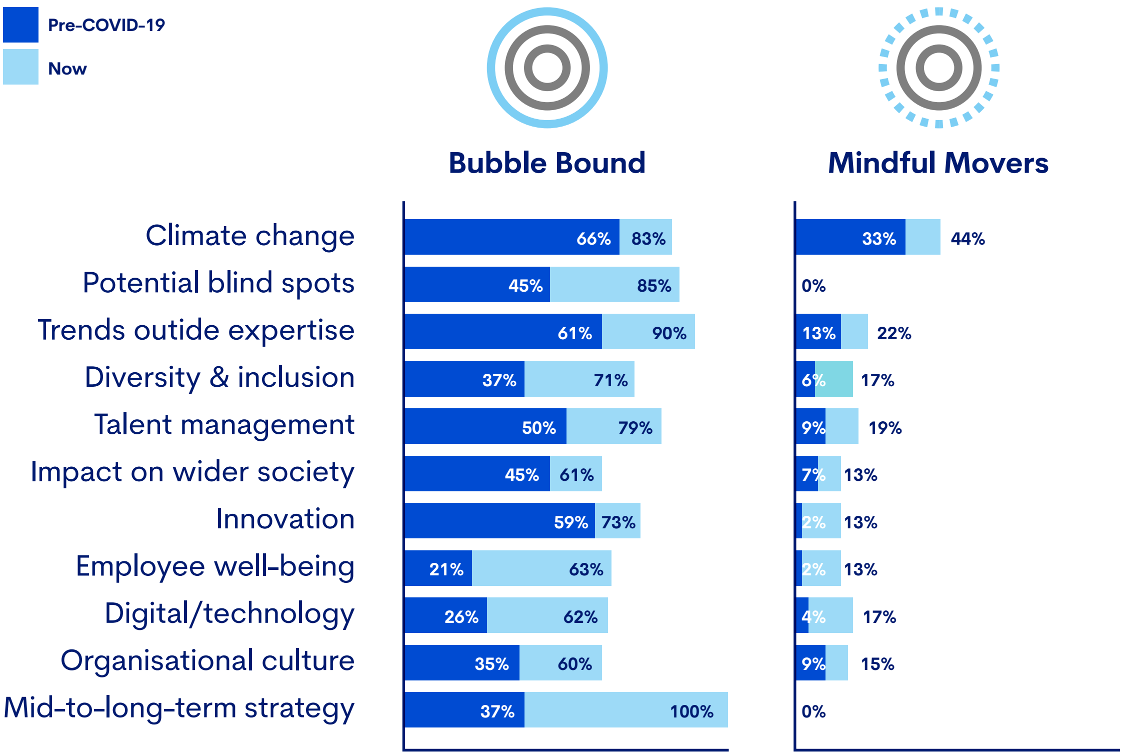
"WHAT ELSE MIGHT WE BE MISSING?"

E. Implications of COVID-19

COVID-19 has affected what issues make it on the board and executive committee's agenda for all segments. However, **this impact has been particularly acute for the Bubble Bound**. They are now much less likely to exclude issues from their agenda that required an urgent response in 2020 – i.e. employee well-being, digital/technology and diversity & inclusion. These shifts are not surprising. Nonetheless, they have been dramatic.

Which issues were excluded from your agenda before COVID-19? And now?

% Indicating issue was/is never or rarely on the agenda



What is more striking, however, is that **all ten issues which were identified in Round 1** (as important issues that organisations struggle to prioritise) **are now more likely to land on the Bubble Bound's agenda**. This implies that COVID-19 has cracked the insular bubble and created a fundamental shift in posture. One company secretary remarked before COVID-19 that crisis could be a useful catalyst for breaking the mindless cycle:

> **'The companies that are best at this are the ones that have seen issues in the past – like Rolls Royce. They have had cultural problems and talk a lot about it – almost have employee general meetings. They are now the best at understanding culture and having a line from the board into the organisation.'**

Indeed **many from the Bubble Bound segment are now starting to look more mindful, with 63% now looking ahead and 55% now looking beyond**.

This is a **promising moment for organisations to rethink business as usual**. What is unclear is whether this new level of awareness will remain as the pandemic subsides and prior norms become more accessible.

	% Bubble Bound engaging in practice		**% Mindful Movers** engaging in practive	
	Pre-COVID-19	**Now**	**Pre-COVID-19**	**Now**
Practice 1: Look ahead	**0%**	**63%**	**100%**	**100%**
Practice 2: Look beyond	**15%**	**55%**	**100%**	**100%**
Practice 3: Prepare to pivot	**N/A**	**33%**	**N/A**	**100%**

F. Summary points for Part I: Agenda

A. Is there evidence of mindless exclusion?

- Yes, important holistic and forward-looking issues were failing to make it onto the agenda at many organisations before COVID-19.

B. What is the distorting factor at play?

- The bubble of familiarity, based on psychological distance.

C. What mindful practice(s) can help to counter this?

- Engage with the unfamiliar by bridging psychological distance.
- I.e., look ahead, look beyond, and prepare to pivot.

D. How do these practices impact governance?

- 92% of boards and executive committees that look ahead, look beyond, and prepare to pivot (Mindful Movers) are confident that they are effective at prioritising issues for the agenda versus 53% of those that fail to even look ahead (Bubble Bound).
- The Bubble Bound appear to be caught up in a mindless cycle of overwhelm that leaves them on the back foot. Mindful Movers are on the front foot and therefore able to disrupt and plan their next move.
- Additionally, Mindful Movers actively reduce the social distance of relevant stakeholders by seeking input and creating formal channels of connectivity. This may also help them to reduce other forms of psychological distance, and thus serve as a key strategy for engaging with the unfamiliar.

E. What has been the impact of COVID-19?

- The Bubble Bound were caught off guard and have had to go to great lengths to catch up – particularly in terms of employee well-being, digital/technology and diversity & inclusion. Mindful Movers also increased their prioritisation of these issues, but most already had them on the agenda.
- The Bubble Bound have made a massive shift. Many are now proactively engaging with unfamiliar issues – beyond those issues which became urgent in 2020. Hence, almost two thirds of them are no longer Bubble Bound. Will this change remain when the pandemic subsides?

G. Discussion

COVID-19 has caused many organisational leaders to acknowledge the limitations of their experience and become more proactive in engaging with unfamiliar issues. **There is now a window of opportunity to cultivate habits that embed the practices of looking ahead, looking beyond, and preparing to pivot** into a board or executive committee's 'new normal'.

Doing this well is likely to require experimentation. In qualitative interviews, one company secretary explained that he required all papers submitted to the board to spell out their impact on a broader set of stakeholders before he would accept them. Another recommended having a standing agenda item for discussing Section 172. Additionally, in one of the roundtables, we discussed the power of asking 'what might we be missing?' at the end of every board/executive committee meeting. Regardless of which tactics they adopt, boards and executive committees are encouraged to evaluate the mechanisms by which potentially important issues that are not currently on their radar can get onto their radar, and whether these are adequate.

In breaking free from the bubble of familiarity, it would be wise for boards and executive committees to consider their social distance to relevant stakeholders. Several company secretaries mentioned the benefit of having directors and executives plugged in to diverse groups. NEDs who sat on multiple boards were more proactive in engaging with sector trends. Executives who spent time with customers had sharper instincts when it came to commercial success. Likewise, those who got involved with employee networks (e.g., as a sponsor or reverse mentor) were more plugged in to both employee and societal issues and more skilled at translating these insights into every aspect of organisational decision making. For instance, executives who had been genuinely involved with their racial diversity network prior to the murder of George Floyd were more skilled at leading an authentic organisational response. In assessing stakeholder relevance, boards and executive committees will need to be strategic whilst using a holistic lens.

Given the interchangeability of social distance with temporal distance, it would be useful for boards and executives to also examine whether they are sufficiently plugged in to age diversity. This was a huge point of differentiation amongst the segments, with only 18% of respondents from the Bubble Bound segment reporting that age diversity was 'sometimes' treated as a priority versus 77% of Mindful Movers. A 2018 study by The Chartered Governance Institute UK & Ireland entitled, 'Next Generation Governance', offers further support for the unique perspective that the younger generation has to offer. The study demonstrated that while millennial and established governance practitioners generally agree on which topics are most relevant to the future of governance, millennials are more likely to view the impact of these topics as significant.

Regardless of which strategy boards and executive committees adopt, they will need to strike a balance between broadening their horizons and managing their time for it to be sustainable. A more focused investment of time up front will make it easier for them land on the right strategy and assimilate it into the 'new normal', thus saving them time in the long run.

If there is one lesson to be learnt from the Mindful Movers, it is this: **the willingness to proactively and strategically disrupt your organisation on a small scale safeguards it from much larger disruptions outside of your control, and is essential for positioning your organisation ahead of the curve.** In these times of COVID-19, this is the ultimate form of vaccination and the secret to staying on the front foot.

H. A preview of Part II: Dynamics

If bridging social distance is a key strategy for getting on the front foot, one would think that having a healthy approach to dynamics would also be relevant. Indeed, 79% of Mindful Movers are confident that their board/executive committee dynamics are ideal for governance versus 35% of the Bubble Bound.

Having peeled away the first layer of the onion, this datapoint stirs up similar questions about a different form of exclusion:

A. Is there evidence of mindless exclusion when it comes to board and executive committee dynamics?
B. If so, what distorting factors are at play?
C. What 'mindful' practices can potentially be used to counter this effect?
D. Do these practices lead to more effective governance?
E. And, how have boardroom dynamics changed in response to COVID-19?

These questions will all be addressed in the next section, 'Mindful Exclusion – Part II: Dynamics'. This report will be released June 2021 on The Chartered Governance Institute UK & Ireland's website.

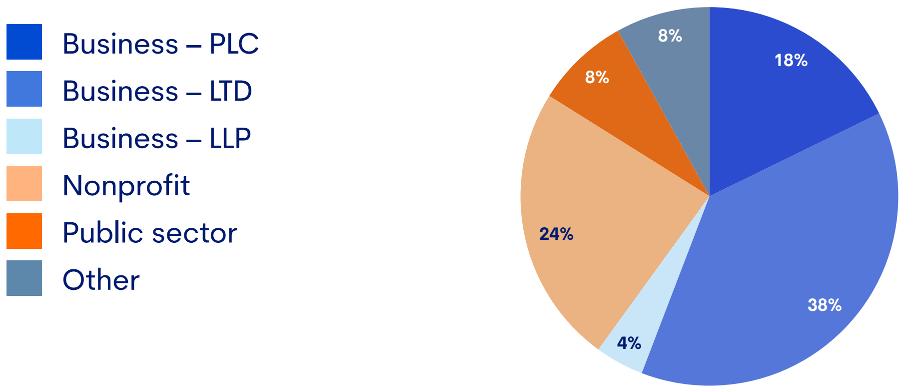
Appendix

General survey statistics

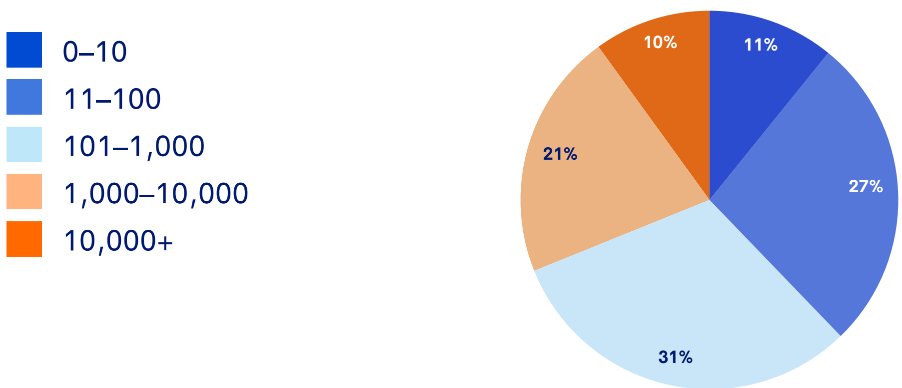
The Mindful Exclusion Governance survey was fielded from December 2020 to February 2021. 310 company secretaries, board directors and C-suite executives completed the survey during this time. After data cleaning, this left us with a sample of 297 responses.

Survey respondents included representatives from organisations of different sizes in the business, nonprofit, and public sectors.

Breakdown by sector

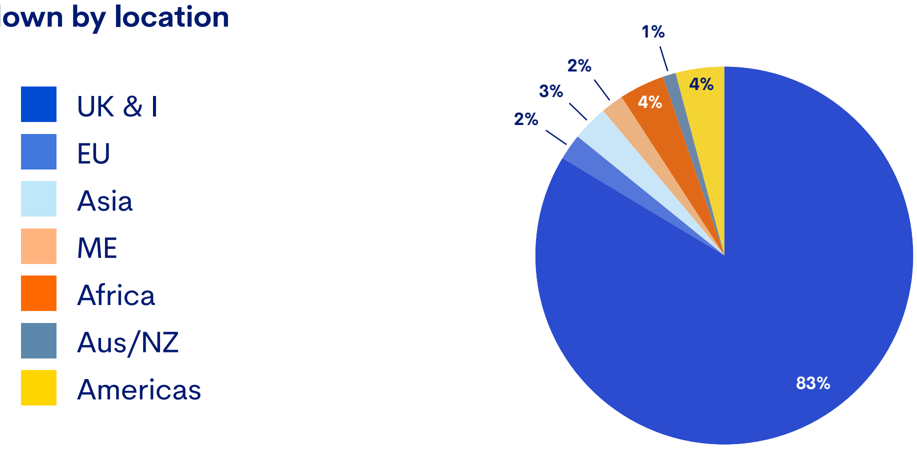


Breakdown by size



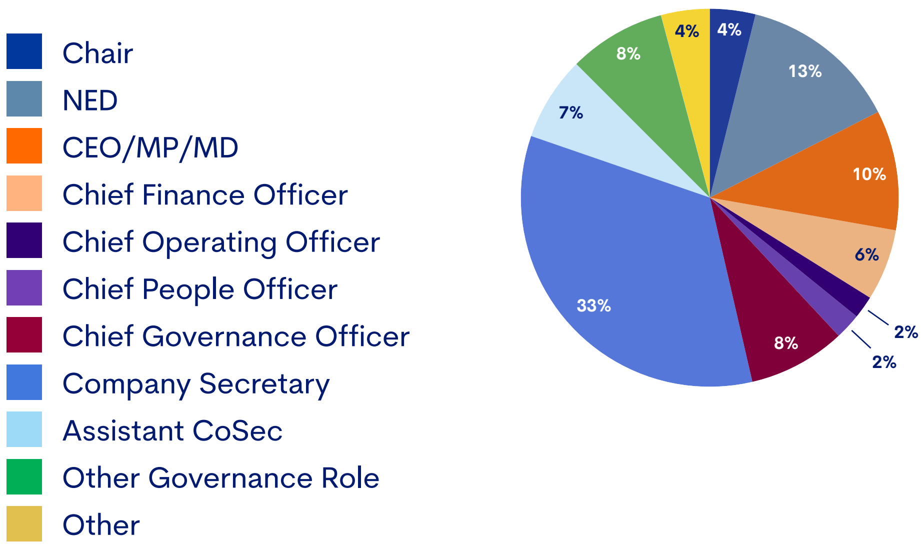
Although this survey was fielded internationally, most respondents were based in the UK & Ireland.

Breakdown by location



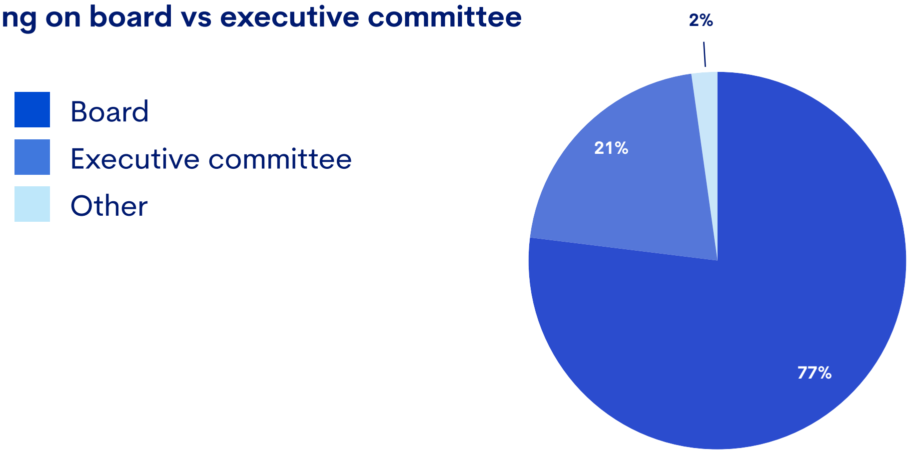
The sample included a large proportion of company secretaries and other governance professionals.

Breakdown by position



The majority of respondents filled out the survey in relation to their board; one fifth did so in relation to their executive committee..

Reporting on board vs executive committee



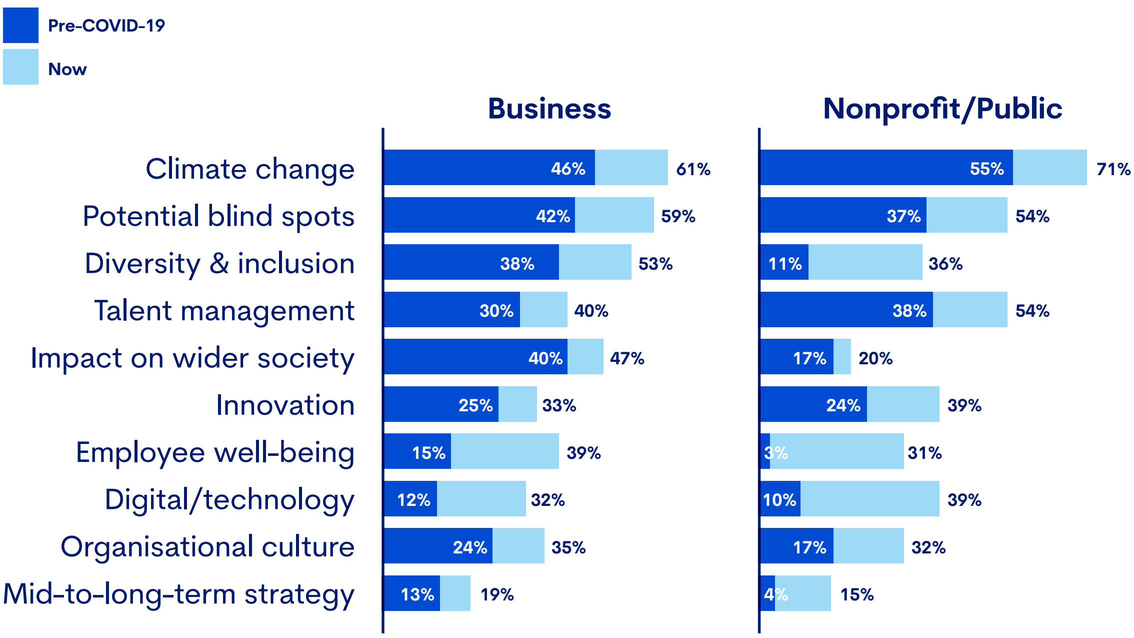
Agenda-specific statistics

In conducting analysis for Part I: Agenda, we removed responses of individuals at organisations with 10 or fewer employees from the sample, as we believed this would have a distorting effect on the issues that were relevant for them. We also removed those who indicated NA in relation to our segmentation variables. This left us with a sample of 244.

Here is a chart similar to the one presented earlier in this report, which breaks out the differences between the business sector versus the nonprofit/public sectors when it comes to prioritisation. You can see that there are some meaningful differences when it comes to diversity & inclusion and impact on wider society. However, the impact of COVID-19 on both groups was similar, with employee well-being, digital/technology and diversity & inclusion being amongst the largest shifts, and all issues showing some movement.

Which issues were excluded from your agenda before COVID-19? And now?

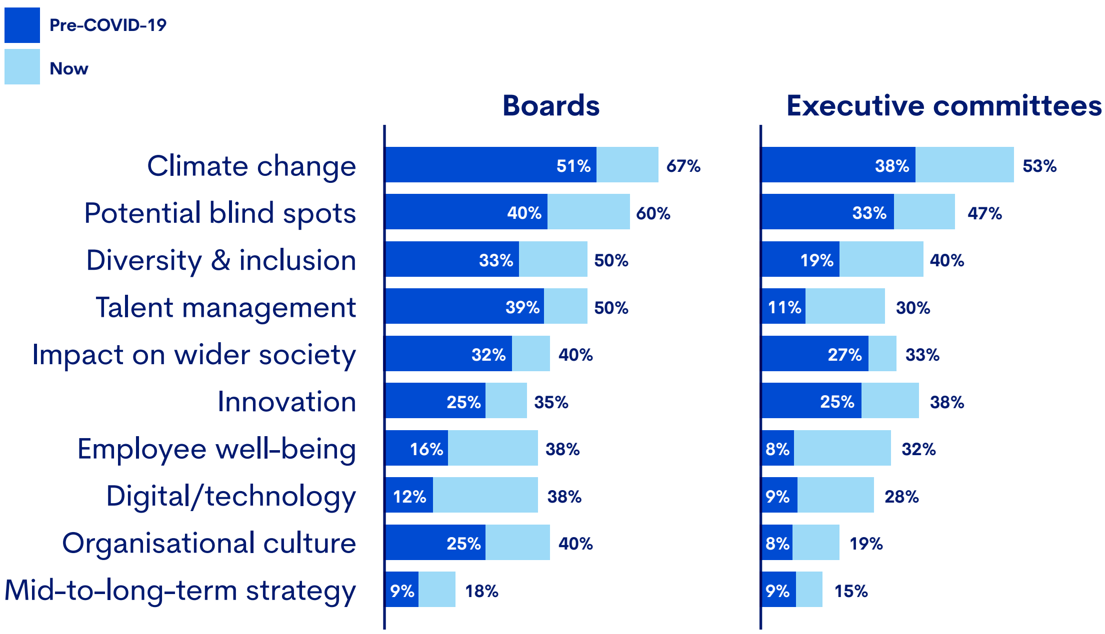
% Indicating issue was/is never or rarely on the agenda



In this version, the breakdown is of boards versus executive committees. Once again there are some meaningful differences – this time when it comes to organisational culture and talent management. However, employee well-being, digital/technology and diversity & inclusion were again amongst the largest shifts for both groups and there was movement across the board.

Which issues were excluded from your agenda before COVID-19? And now?

% Indicating issue was/is never or rarely on the agenda



Endnotes

1 Lutterodt, J. (2016). Mindful Exclusion. Developing Leaders (World Economic Forum Issue). https://www.developingleadersquarterly.com/fb/Developing-Leaders-issue-22-2016/34/

2 Lutterodt, J. (2019). Mindful Exclusion. Governance and Compliance Magazine. https://www.cgi.org.uk/knowledge/governance-and-compliance/features/mindful-exclusion

3 Darley, J.M. & Batson, C.D. (1973). "From Jerusalem to Jericho" – A Study of Situational and Dispositional Variables in Helping Behaviour. Journal of Personality and Social Psychology, 27(1): 100-108. http://web.missouri.edu/~segerti/capstone/GoodSmaritan.pdf

4 These datapoints come from Edelman Trust Barometer's 2020 Global Report and were based on a global online survey of 34,000+ respondents across 28 markets between October and November 2019.

5 From the start of 2019, all large companies in the UK were required to include a separate statement in their strategic report outlining how they adhered to Section 172(1) of the Companies Act 2006, which states the following:

"A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term
b) The interests of the company's employees
c) The need to foster the company's business relationships with suppliers, customers and others
d) The impact of the com
pany's operations on the community and the environment
e) The desirability of the company maintaining a reputation for high standards of business conduct, and
f) The need to act fairly as between members of the company."

6 This statement was issued in August 2019 in an open letter by the Business Roundtable entitled "Statement on the Purpose of a Corporation". The letter stated that in addition to shareholders, companies are also accountable to their customers, employees, suppliers and the communities in which they operate.

7 This letter can be found on Blackrock's website: https://www.blackrock.com/corporate/investor-relations/2020-larry-fink-ceo-letter

8 These datapoints come from Edelman Trust Barometer's 2021 Global Report and were based on a global online survey of 33,000+ respondents across 28 countries between October and November 2020.

9 PwC's 2019 Annual Corporate Directors Survey of 700 public company directors found that only one third of boards included ESG as a regular part of the agenda.

10 Deloitte's 2019 Board Practices Survey spanning 102 public companies found that only 16% of boards discussed corporate culture more than once a year and 19% discussed workforce matters, such as talent trends or diversity & inclusion. The proportion discussing CSR, sustainability, or social impact more than once a year was even lower – 11%.

11 These datapoints come from KPMG's 2019 Global CEO Outlook and were based on input from 1,300 CEOs. Additionally, 59% of these CEOs indicated that it was challenging to find the workers they need, and 76% indicated that their company's growth would depend on its ability to navigate the shift to low-carbon, clean-tech economy.

12 In EY's 2019 Global Board Risk Survey, 42% of the 500 board members and CEOs who participated indicated that they expected 'people issues' – such as talent shortages or a failure to upskill – to have a strong impact on their business in the next 12 months. This was their fourth most commonly cited risk to the business.

13 In PwC's 2019 Directors Survey, 83% of directors stated that their company should do more to promote gender/racial diversity in the workforce. Also, a slight majority (58%) of directors say companies should prioritise broader set of stakeholders (beyond shareholders).

14 This datapoint is from EY's 2019 Global Board Risk Survey. Additionally, 39% selected technology disruption as their 1st or 2nd choice in representing the greatest strategic opportunity for their organisation.

15 Deloitte's 2019 Board Practices Survey reported that only 17% of boards discussed their technology strategy on a quarterly basis, whereas 46% discussed regulation, 45% discussed capital allocation, and 38% discussed mergers and acquisitions.

16 McKinsey's 2018 A Time to Act study noted a correlation between topics that directors say boards understand and topics that appear on the agenda (p.6). This was a global survey of over 1,100 board directors.

17 In EY's 2019 Global Board Risk Survey, 73% of respondents rated the effectiveness of their boards' risk management to be a 4 or 5 (on a 5-pt scale, where 5 = 'highly effective') when it came to traditional risks versus 40% for atypical or emerging risks. 48% indicated that lack of talent and skills was 'more than a moderate' obstacle for managing risk outside their organisation's control, and external advice was the top-ranked strategy for staying up to date on megatrends, emerging risks and potential strategic inflection points.

18 Challenges to Effective Board Reporting was published in 2017 by The Chartered Governance Institute UK & Ireland and Board Intelligence and included survey responses from 80 governance professionals. 68% indicated that their board packs were too focussed on operational rather than strategic issues and 59% said that they were not sufficiently forward-looking. Additionally, 56% stated that board packs were too focussed on internal rather than external developments.

19 Trope, Y., & Liberman, N. (2010). Construal-level theory of psychological distance. Psychological Review, 117(2), 440–463. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3152826/

20 Hershfield, H. (2013). You make better decisions if you 'see' your future self. Harvard Business Review. https://hbr.org/2013/06/you-make-better-decisions-if-you-see-your-senior-self

21 Stephan, E. & Liberman, N. (2010). Politeness and Psychological Distance: A Construal Level Perspective. Journal of Personality and Social Psychology, 98(2): 268–280. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3193988.

22 Magio, S., Trope, Y. & Liberman, N. (2013). Distance From a Distance: Psychological Distance Reduces Sensitivity to Any Further Psychological Distance. Journal of Experimental Psychology. 142(3): 644–657.

23 Wakslak CJ, Trope Y. (2008). The who, where, and when of low and high probability events: Probability as distance and everyday decision making. Unpublished manuscript. New York University.

24 The specific question asked was: To what extent did/does your Board or Executive Management Committee (ExCo) consistently prioritise discussing the following issues? where 1 star = NEVER on the agenda, 5 stars = ALWAYS on the agenda in a meaningful way. We have interpreted 1 or 2 stars to mean that the issue was never or rarely on the agenda, and thus 'excluded' from the agenda.

25 According to NACD's 2017-2018 Public Company Governance Survey, 74% of respondents (from 587 public companies) reported that 'short-term pressure from external sources compromised management's focus on long-term strategic goals'.

26 FCLT Global (Focussing Capital on the Long-term) McKinsey Partnership's 2017 Report entitled Rising to the Challenge of Short-termism is based on a survey of >1,000 C-level executives and board directors from across the world. 65% of these respondents reported that the pressure on senior executives to deliver short-term results has increased in the past 5 years.

27 PwC's 2019 Directors Survey

28 According to KPMG's 2019 Global CEO Outlook, 71% of CEOs reported that their ability to challenge and disrupt norms is vital for their organisation's growth. 67% said that 'acting with agility is the new currency'.

29 Survey respondents were asked to rate their agreement with the following statement on a 6-point scale where 1 = strongly disagree and 6 = strongly agree: 'It is easy to flex the agenda to accommodate new or unexpected priorities'. We used strong agreement with this statement as a proxy for the third practice – Prepare to Pivot.

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