



Amrop

Leaders For What's Next

Governance For What's Next

PART 2 | Balancing design

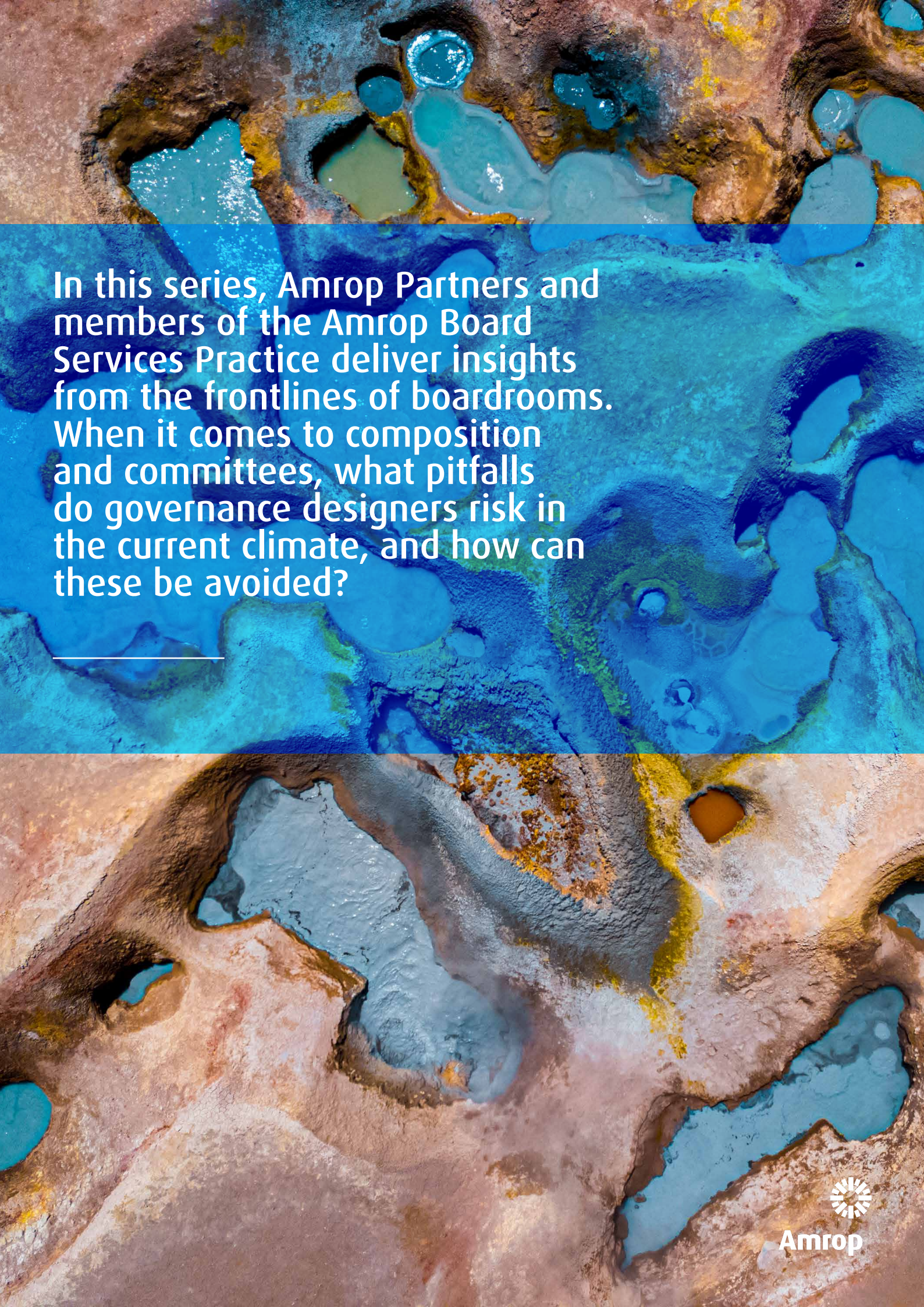
Balanced governance has never been more critical. But the challenges are multiplying.

Your organization is changing its status, and regulation compels you to build your first board. Or you have freely chosen to install one in preparation for the next step in your lifecycle. Whatever the scenario, your governance must be fit to weather today's storms and reach tomorrow's new shores.

Today more than ever, boards and committees need even-handed architects. This 'virtuous mean' balances protectionism and exploration, diversity and compactness, depth and general oversight, experience and freshness.

How can board design dive into complexity without drowning? How are boards dealing with new questions surrounding diversity, technical literacy and M&A strategy? And how can board design mitigate the personal risk faced by overloaded NEDs?





In this series, Amrop Partners and members of the Amrop Board Services Practice deliver insights from the frontlines of boardrooms. When it comes to composition and committees, what pitfalls do governance designers risk in the current climate, and how can these be avoided?



Amrop



Insights for balanced board and committee design

1

Resist the panic room.

Balance risk-averse members with innovative thinkers. Over-protectiveness can harm growth.



You must be very careful that your entire board is not defensive.”

2

Take a ‘+ one’ approach.

An odd number of NEDs protects against deadlock. The Chair acts as tiebreaker.



It’s the Chair’s job to consolidate the arguments and present his or her view as the casting vote.”

3

Rethink your NED profiling.

There is still an unconscious selection bias towards male-dominated NED profiles.



We have to question the competencies asked for.”

4

Consider NED neurodiversity.

Holistic diversity is quietly replacing quotas. This can protect against ‘groupthink.’



A room of perspectives in tension with each other, with a chair who allows the voices to be heard and balanced.”

5

Consider tech-savviness as a form of NED protection.

AI and cybersecurity are compounding NED’s risk exposure.



You don’t know what you don’t know, so you need a trusted board member with professional expertise.”

6

Integrate 3 routes to board tech capability.

Appoint a savvy NED. Create a Tech & Innovation Committee. Educate via briefings, external speakers & immersion sessions.



The most effective boards do all three.”

7

Install the 3 core committees.

Audit, Compensation (or Remuneration) & Nominating/Governance remain essential.



Most boards still need the classic three committees — regardless of sector or ownership model.”

8

Base new committees on topics’ lifespan & reach.

Is the topic your core business, systemic, or a shift (digital rollout, changes in operating model/expansion)?



If your business is cows, you may need a Tech Committee. This is a ring fenced, progressive, innovative portion of your business. Unless you highlight it, you won’t get action.”



“

Much of our work is reminding boards of what their strategy is.



Amrop

1

Board composition

The big design lines

On the face of it, modern boards have come a long way from their homogenous and somewhat dysfunctional origins. A day in the boardroom should be an inspiring experience; positive confrontation, stimulated by diversity of demographics and thought. A jazz improv with an underlying logic, rather than a military march or a kindergarten cacophony. One that expertly and reliably weaves its way towards a harmonious conclusion.

Certainly, this is the case for today's best boards. An Amrop Partner describes how one board diversified not just in terms of gender or nationality, but by "bringing in members with startup, sustainability, research and data backgrounds. This injected fresh thinking. It improved strategy conversations and alignment on risk appetite."

Many boards, however, will admit that they still have a road to travel. This is unsurprising, given that they are still human constructs — at least for the time being. And humans are vulnerable to bias and groupthink, operating under stress in a world still influenced by stale paradigms. Yet unconventional voices and fresh perspectives protect boards from the thinking shortcuts that not only skew decisions, but compromise their very composition.

This is why an independent advisor has the responsibility to raise core design questions, says this Amrop Board Member. "What kind of culture does your board have? What is your strategic agenda for the next 5 to 10 years? Do you need a finance or strategy expert? A consumer or legal expert?"

The questions go even deeper. In these volatile times it is tempting for a board to favor protectiveness. But this can harm a firm's growth. To avoid stagnation, boards must balance conservative, risk-averse members with innovative forward-thinkers. "You must be very careful that your entire board is not defensive," says this Amrop Board Member. The Chair should maintain the equilibrium, facilitating debates with executives. "Being able to listen to both sides and make a high-quality decision together."

Boards should clearly recruit members on the basis of the organization's strategy. But how? "The easiest way is to look at the business and think about market products or functions," an Amrop Board Member advises. "Are we going to populate our board with skills and experience from a committee perspective? With geographic experts based on our territories? Based on sectoral experience?" However, he adds, "Much of our work is reminding boards what their strategy is."

Safety in numbers

More than regulatory compliance, well-chosen Independent Directors bring objective, constructive perspectives and experience to the room. Boards should maintain a majority of NEDs to preserve balance. Common practice places the CEO and CFO alongside them.

This is all very well in theory, but how big should your board be in practice? "Size depends on the organization's complexity," says this Amrop Partner. "However, in most cases, six to nine members strike the balance between agility and diversity. Too small a board and you lack range. Too big, and decision-making becomes diluted."

As a starting point, every board needs at least two NEDs, one of whom chairs, says another Amrop Partner. This allows members to share risk, support each other, and better influence decision-making. "They should exchange mutually interesting experiences. When you have a certain situation on a board, you can call another NED for advice. So you can be allies and change the course of action together."

An Amrop Board Member goes a step further, prescribing an odd number of Board Members as a safeguard against deadlock. Four plus one or six plus one models are ideal for smaller businesses, he says. The Chair can act as a tiebreaker if opinions are evenly split and consensus elusive. "It's the Chair's job to consolidate the arguments and present his or her view as the casting vote. I'm a big fan of an even number, plus one."

This Amrop Partner agrees that an overload of board members can dilute decision-making. "Often there are too many people in the room." But surely the complexity of business demands more perspectives? "You can use experts as consultants. Sometimes boards want to find everything in a new board member, and that isn't the right approach."



Often there are too many people in the room."
Amrop Partner



Amrop



I told both candidates that I never had a client who appointed an incompetent woman over a competent man.” *Amrop Partner*

Brilliant women

As debates around the demographic aspects of DEI take a new turn, gender diversity in particular is facing interrogation. Some Amrop Partners suggest that the answer lies in the problem; true meritocracy must never be sacrificed on the altar of quotas.

One is seeing pushback from men. “They say: *I cannot get a mandate because I’m a man over 50. They will always choose the women over me.*” Recently, two female NED candidates told her that their gender was their Unique Value Proposition. Her response was uncompromising: “I informed both candidates that I never had a client who appointed an incompetent woman over a competent man.” Selection on the pure basis of gender is now showing its shortfalls. “It is dangerous for the company and uncomfortable for the woman.” It leads to questions of legitimacy. This Amrop Board Member agrees: “Appoint brilliant people. If you want a woman, she should be a brilliant woman, not just a woman. The world needs to beware of discarding merit in the interests of DEI.”

But companies seeking brilliant board-ready women face persistent legacy problems, says this Amrop Partner. These include male-biased profile design, historic imbalances in the top echelons of business, and women’s educational choices. A process of natural (or perhaps unnatural) selection is at play. Leadership assessments in the construction industry are a prime example: “I see personality traits that make women suitable for those roles, that’s why they were appointed. But they may have adjusted to a ‘male’ industry, forced to become more strict and confrontational than some men.”

Executive search consultants must take a firm stance towards hiring organizations. “We have to question the competencies asked for.” Another Amrop Partner also observes the unconscious preference for tried and tested, male-dominated profiles, as well narrow talent pipelines. This is especially the case in industrial sectors or founder-led companies.

Japan is an interesting example of societal homogeneity. “Board members are Japanese males in their late sixties, promoted internally,” says a Tokyo-based Amrop Partner. However, “market pressure is changing governance in a good way.” Meanwhile in the Nordics an Amrop Partner observes that the rising power of shareholder and customer voices is giving Chairs pause before they announce the appointment of yet another senior, white and male NED. “He might be a great candidate, but it sends a signal.”

A push and pull dynamic is at play. Even if some Japanese companies and their subsidiaries in Europe and Asia are resisting the global movement against gender diversity, the American subsidiaries of others have stalled their policy, says the Amrop Partner from the region.

Nonetheless, the Amrop Partner from the Nordics believes that gender diversity, at least, will remain a firm aspiration. “It is now seen as both a governance issue and a competitiveness enabler.”

Once in the boardroom, do women get a proper hearing? It all depends on why they were hired, says this Amrop Partner. “Sometimes they are sought for a technical shift such as AI or digital marketing. You recruit the female from Spotify, put her on the board of an industrial company and expect her to be a good sparring partner.” Box-ticking, rather than a genuine commitment to inclusion, can create frustration or disagreement, representation without influence. “It doesn’t move the needle. As a search firm we have a responsibility to guide our clients to take a long term perspective.” Another Amrop Partner agrees. “To bring out the best in female board members, the culture must be fully inclusive. That means ensuring airtime, psychological safety, and not overloading them with the ‘ESG seat’ or stereotypical roles.”

Holistic diversity

An Amrop Board Member proposes a whole new face of DEI. “Covid raised our awareness of neurodiversity, our acceptance of the ways in which people interpret the world. Like a PowerPoint color wheel, I don’t believe in ‘atypical’. When you meet someone who thinks differently, you say, *that’s so interesting. I never thought of that.* You arrive at a perspective that you wouldn’t have come up with on your own.” This is an antidote to groupthink. “When a topic comes up, you want both ends of the thought spectrum. The Chair’s role is to surface the opinions, encourage an awareness of the risks inherent in different perspectives, leading to a litigation of opinions.”

On the surface, clients tend to dismiss any suggestion of neurodiversity on boards. Still, he believes a deeper, holistic understanding is unconsciously taking root. Rather than being caught up in numerical representation or quotas: “we try to provide a business with a room of perspectives in tension with each other, chaired by an individual who allows the voices to be heard and balanced. Holistic diversity is the answer.”

“Diversity is not a fix in itself—it’s a source of potential,” concludes this Amrop Partner. “That potential only becomes value if it’s coupled with inclusion, structure, and shared purpose.”



Asleep at the wheel?

Given the importance of objectivity on a board, how long should NED tenure last? “After two mandates of three years, you are no longer independent,” says this Amrop Partner. Whilst it is only human to be ‘absorbed’ by a group, “a good independent director will automatically retire from the board and go to another one.”

Should time frames be set, then? We should not be dogmatic, says another Amrop Partner. Just as one never steps into the same river twice, “a company can be on a journey where it has acquired other companies. And it’s somewhere totally different today. Then it can be beneficial to have a person in the room who understands.” This is the go-to, longstanding member. But as ever, perspectives need managing. “Of course there’s a balance.” Longstanding members may fall prey to anchoring bias based on past experience: *“I’ve been around the block a few times, and this won’t work.”*



A board has to understand how it defines technology.”
Amrop Board Member

Technical questions

Achieving a diverse yet compact board is a tricky formula. Even so, technical literacy needs securing. AI is set to be the biggest corporate governance challenge, as one Amrop Partner reminds us. “The situation hasn’t really improved over the past five years,” says another, echoing the common view. “There have been so many other hot topics.” Furthermore, the time investment of NEDs is already ballooning, making it difficult to take on yet another domain: “They have so much on their plates.”

How can boards improve technical oversight without overstretching their existing NEDs or taking on more? One Amrop Partner notes that literacy will not only protect the business, it will protect the board. AI is compounding members’ personal risk exposure. “You don’t know what you don’t know, so you need a trusted board member. One with professional expertise, who can explain and help you make an educated judgment.” Thanks to this trust and understanding, “you can take your responsibility to sign.”

An Amrop Board Member has another solution. A board was facing a confusing tangle of tech challenges, from modernizing infrastructure integration, to managing cyber risk and leveraging automation. So he prescribed an integrated, three-point form of tech governance.

The first axis was to unpack the problem. “A board has to understand how it defines technology.” A two-day session was devoted to a deep dive, involving executive teams. The second was to create three tech ‘buckets’, each overseen by a board member. “Align the right behavioral types — rigorous or imaginative, creative or prudent. Then build executive task forces to support understanding.”

The third was to take a helicopter view. “Look at technology’s role across your market. What are your competitors doing? How do they play with technology? What are their products? Conduct autopsies and postmortems.”

This Amrop Partner also proposes three ways to build IT capability: “Bring a tech-savvy NED onto the board. Create a Technology and Innovation Committee to absorb complexity and dive deep. Provide ongoing board education—tech briefings, external speakers, immersion sessions. The most effective boards do all three.”

An Amrop Board Member warns boards against delegating tech responsibility to an expert. This is difficult to resist, he says. “Companies have skill metrics. They want to fulfil the promise of digital or AI to bring more insight to board discussions.” So they install a CIO or CDO and (presumably with some relief) step away from the fire. “They don’t consider that they *all* need to know about it. They push it down.”

Nor will technical expertise solve the philosophical questions raised by AI, or address its multi-faceted business impact. “It’s not just technical — it’s ethical,” says one Amrop Partner. “It should be one of our hottest topics, on the same level as finance.” Integrated solutions are the name of the game.





“

Boards are not good at looking at their own succession — it's too close to home.



Amrop

2

Committees

The basics for what's now

"Most boards still need the classic three committees—regardless of sector or ownership model," says this Amrop Partner. "Audit, for financial integrity, internal controls, risk oversight, and increasingly, ESG assurance. Compensation (or Remuneration) to oversee pay structures, incentives, and alignment with long-term value creation. Nominating and Governance are critical for board composition, succession, evaluation, and maintaining governance standards."

Risk and financial security are core concerns for any business. Dedicated committees are the easiest way to measure consistently, bring up red flags and interrogate, says this Amrop Board Member. For a non-executive board, distanced from operations, an independent Audit Committee is a must-have.

What of a Nomination Committee? "Boards are not good at looking at their own succession — it's too close to home," says this Amrop Partner. "A separate Nominating Committee is a good system. The Board Chair is often a member."

Can committees be combined? Nominations, Governance and Risk may form one body (dependent upon a company's listing status). Risk should be split off if the business is especially exposed (in financial services and energy, for example). "I'm seeing a trend in some markets towards a single Nominations and Remuneration Committee, and in others, a separate Remuneration Committee," says an Amrop Board Member. He sees remuneration as the "Achilles heel for activist shareholders." When frameworks are shot down at AGMs, "everything collapses, because the CEO says, 'what am I going to get paid? What's going on with my short-term incentive? Do I get my share scheme?'"



You must avoid swamping the agenda [with ad hoc committees]. It can lead to the board becoming too detailed and operationally involved in too many issues."
Amrop Partner

Planning for what's next

ESG, AI, CSRD, DEI. The acronyms are accumulating. Do they deserve dedicated committees? One Amrop Board Member urges the interrogation: "Are we overstretching ourselves? Focusing away from the core?" One thing is clear, the role of subcommittees depends on what phase the firm is in.

Technical (or even AI) Committees can compensate for board shortfalls in technical fluency, says this Amrop Partner. Or shore up board oversight of digital transformation, AI governance, data ethics, and emerging tech.

But in the quest for relevance, how can boards determine whether a dedicated committee is actually needed? An Amrop Board Member has three further check questions for boards: is technology your *business*, *systemic*, or a *shift*?

"Some say they don't need a Technology Committee, and I ask why. The answers are fascinating." For example, a mobile phone company argues that their business is intrinsically technological. "Why would we have a ring-fenced Tech Committee? Everything relies on our network, switches, data management, cyber security. Everything we talk about is technology." An agricultural company might have another view. "If your business is cows, you may need a Tech Committee. This is a ring fenced, progressive, innovative portion of your business. And unless you highlight it, you're not going to get action."

In a similar vein, the Amrop Partner observes the creation of Transformation or Strategy Committees, "during major shifts—digital rollouts, changes in the operating model, market expansions. They allow closer oversight and cross-functional input without burdening the full board."

In another article in this series, ('The Great Reset') Amrop Partners report that the pendulum is swinging away from responsible business. Despite this, Sustainability, ESG and Climate committees are also on the rise, he says. This is particularly the case in sectors under pressure from regulation, investors, and public opinion. "They can own CSRD/ESG reporting, transition plans, and stakeholder engagement strategy." He also observes some growth in Stakeholder or Public Affairs Committees, "emerging in foundation-owned, public-interest, or highly regulated sectors—focusing on legitimacy, transparency, and societal engagement."



Amrop

Investment committees are a further option, says an Amrop Board Member, as companies transit between centralization and decentralization, divestment and growth, and embark upon M&As. “They perform the due diligence, recommend what to pay and how to manage it on the balance sheet.” Like a Tech Committee, the Investco can be compensatory mechanism for boards. “The board asks about ROI, the CFO gives a random number and nobody knows any better. We see that many of those initiatives fail. The acquirers don’t get the multiplier value they promised.” Investment Committees are still a young discipline, he says. “You’ll have corporate finance people on an Investco, potentially ex private equity who have bought many firms and know what happens afterwards. But the committee hasn’t yet a mature approach on integration and ROI.”

What profiles should populate such committees? “On the Investco or Tech Committee I’m after futurists,” he says. “People who say, look, we must take a small step early, as opposed to a big step later. And if you put both on the board, plus an executive that makes proposals and a Chair to balance all of this out, you should get high quality decisions.”



A committee should be established within the governance framework if there’s a systemic need.
Amrop Board Member

Temporary solutions

Today, ‘business agility’ is a cliché. Given the potential weight of governance machinery, could temporary committees help firms to be more fleet of foot? Opinions differ.

This Amrop Board Member prefers that boards have a select group of project-oriented members on tap. “I prefer task forces to ad hoc committees.” Another Amrop Board Member agrees. “Deep dives are an option.” These can be dedicated to topics such as well-being, culture, people and values.

“A committee should be established within the governance framework if there’s a systemic need,” says the first Amrop Board Member. “But a one-off flag such as implementing SAP globally can be facilitated and managed by the Audit and Risk Committee. It will start and end.” A material change to the business is another story. “Imagine you were Kodak during the transition from film to digital. Had you made a digital subcommittee, my guess is that you’d still be in the digital imaging race.” When transformation plays a fundamental role to future-proof a business, a temporary committee will not cut it.

This Amrop Partner has a similar view. A Ukraine bank installed multiple committees, including IT, to shepherd operational issues and spare the board from overload. It had the opposite effect. “How do you ensure that the board has effective oversight? You need to balance the board making decisions, and proposals from committees on various issues.” Ad hoc committees may even create more work for NEDs; extra preparation and meetings. “You must avoid swamping the agenda. It can lead to the board becoming too detailed and operationally involved in too many issues.”

When it comes to short-term work, however, ad hoc committees can have some value. “Especially if some risk has occurred. You may need an Investment Committee if you’re doing a lot of investigation on M&A opportunities, for example.” And there is a proviso: “It’s important to use them sparingly and in short clear mandates, timelines and communication back to the board to maintain good governance.”

This Amrop Partner agrees, also stressing the need for intention. “I’ve seen success in CEO succession or crisis management, major M&A or divestiture processes, regulatory investigations or ESG controversies, digital or operational transformations. They allow a small group of board members to deep-dive into an issue, often with external support, without bogging down the full board or overloading standing committees. The key is to define their scope clearly, sunset them when appropriate, and maintain transparency with the full board.”



Amrop

The power of 3

3 essential committees

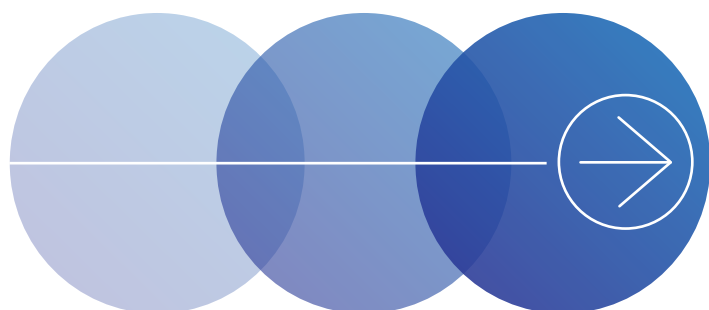
1. Audit, for financial integrity, controls, risk oversight, and ESG assurance.
 2. Compensation (or Remuneration) for pay, incentives, and alignment with long-term value.
 3. Nominating and Governance for board composition, succession, evaluation, and governance.
-

3 routes to innovative or tech capability

1. Appoint a domain-savvy, 'deep generalist' NED.
 2. Create a dedicated committee to absorb complexity and dive deep.
 3. Educate the board via domain briefings, external speakers and immersion sessions.
-

3-point solution for tech governance.

1. Unpack the problem. Ask, is technology your core business, systemic within it, or a ringfenced shift? Devote a 2-day session to a deep dive, involving executive teams.
 2. Create tech 'buckets'. Each should be overseen by a board member with the right behavioral type (rigorous or imaginative, creative or prudent.) Then build executive task forces to support understanding.
 3. Take an elevated view. Assess the role of tech across your market. Examine competitor activity and approach, products. Conduct autopsies and postmortems.
-



About the contributors

This series has been based on in-person interviews with the following Amrop Partners.



Naohiro Furuta

Managing Partner, Japan and
Amrop Board Member



Kenneth V. Mortensen

Partner and Co-Founder
Amrop Denmark



Gabriela Nguyen-Groza

Managing Partner, Luxembourg
and Amrop Board Services
Practice Member



Adam Saunders

Managing Partner, UK and
Co-Leader, Amrop Board
Services Practice



Andrew Woodburn

Managing Director, South Africa
and Amrop Board Member



Elin Wrammerfors

Partner, Sweden and Co-Leader,
Amrop Board Services Practice

Meet Amrop's full Board Services team here:

<https://www.amrop.com/what-we-do/board-services/>

Further reading

Aberg, C., Bankewitz, M., Knockaert, M. (2019). Service tasks of board of directors: A literature review and research agenda in an era of new governance practices. *European Management Journal* 37, 648-663

Arninful, R., et al. (2024). Board governance and ESG performance in Tokyo stock exchange-listed automobile companies: An empirical analysis. *Asia Pacific Management Review* 29 (2024) 397-414

Cossin D., Saito Y. (2025). 'Four Areas Where Boards Fall Short'. *European Business Review*

Garcia, R. (2025). Trends shaping corporate governance in 2025. *Governance Insights Center, PwC US*

Gelter, M., Siems, M. (2024). Elective corporate governance: Does board choice matter? *International Review of Law & Economics* 78 (2024) 106190

Haider, Z., Huber, C., Huntsman, J. (2024). Helping boards manage geopolitical risk with Jon Huntsman Jr. *McKinsey Podcast*, July 10, 2024

How to achieve enduring board effectiveness. (2022). *EY Center for Board Matters*

Lipton, M., et al. (2025). Thoughts for boards: Key issues in corporate governance for 2025. *Harvard Law School Forum on Corporate Governance*.

Mehmood, A., De Luca, F., Quach, H. (2023). Investigating how board gender diversity affects environmental, social and governance performance: Evidence from the utilities sector. *Utilities Policy* 83 (2023) 101588

On the 2025 Board Agenda. (2025). *KPMG Board Leadership Centre*

The 2025 Governance Outlook, Interview with Friso van der Oord, senior vice president of content, NACD. *Directors & Boards*, January 31, 2025



Amrop



About Amrop

The Amrop Partnership is a premium leadership and executive search consultancy with 70 offices in 57 countries and a global team of more than 550 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

www.amrop.com