



Amrop

Leaders For What's Next

Governance For What's Next

PART 1 | The great reset



Today's boards are navigating in a risk-filled mist.

The geopolitical risks are piling up: the ongoing Russia-Ukraine conflict has required production to be diverted, nearshored and secured (even as the sustainability of supply chains is under scrutiny). A trade war is beckoning. In a literal and metaphorical sense, the planet's temperature is rising.

Meanwhile existing undercurrents persist: global markets have been shifting for some time. Legacy economies such as Germany and the UK are stagnating. The US is entering a recession. China and Japan have lost their earlier momentum. And AI is compounding the insecurity, its outlines obscured by dense fog.

As if these pressures on boards were not enough, share- and stakeholders are scrutinizing their performance, particularly regarding return on investment, ethics, risk management and sustainability.

No question, boards are living in 'interesting times', even as organizations are just recovering from Covid.



Amrop

In this series, the Amrop Board Services Practice delivers insights from the frontlines of boardrooms. How are boards creating clarity today? And where do their priorities lie, given a crowded (and restless) agenda?



Amrop



Insights for board enhancement

1

Even if a board is optional, install one.

“

For a business preparing to go public, it's good to start practicing these systems, even though you don't have to. How will you communicate an equity story for investors if you don't have your house in order?”

2

Expect the unexpected.

“

A board should never think they'll have a steady state... The pattern is a black swan every six to seven years. And they have changed the rules of the game.”

3

Identify your paramedics.

“

When a black swan arrives, who on your board will react constructively and calmly? Do you have somebody who will react appropriately and not freeze? That's how you future proof.”

4

Be a tech participant, not a bystander.

“

There's nothing like a threat to force a board to think more seriously. It's easy to hang back on AI and let everyone else make the mistakes. That can seriously impact your business. So it forces examination.”

5

Maintain ESG gains - and balance.

“

ESG is central, but shouldn't distract. “Focus is being dissolved - boards don't know where to look.” Today's pressures are re-igniting the performance drive “across the broad portfolio of what results mean.”

6

Mitigate risk with diverse thinking.

“

Risk discussions can still be too narrow—focusing on financial or operational risks, rather than interconnected systemic ones such as the climate, social unrest, or regulatory overreach.”

7

Ensure your Chair can tell noise from signals.

“

To say, this is our strategic plan. And yes, there's a lot of static and noise, but we can't draw ourselves off in the boardroom to try and address all of it. The pendulum will swing left and right of you. But business has to course its way through the center.”

8

Avoid over-supervision.

“

Governance is the ticket to the game. Secondly, you are an advisory body to the executives. And only in special circumstances do you supervise.”

The term 'black swan,'
(a phenomenon that
defies belief) was
coined by Roman
satirist Juvenal. Today
it is painfully apt.¹



Juvenal believed that swans could only be white, based on his observations. Then, in 1697, Dutch mariners in Australia were surprised to encounter black specimens. In the following centuries the term became commonplace.



Amrop

1

The context

Do you need a board?

Your board may already be robust. Or re-building. Or questioning its focus and functionality. A private business has no regulatory obligation to have a board at all. Yet there are clear arguments for installing one. Not only does an independent and wise body support performance, exemplary governance secures the next step in a company's life cycle.

"A formal board managed by some independents can navigate and diffuse family politics and ensure the continued success of the business," says this Amrop Board Member. "Control frameworks are useful, even if you're not beholden to the public marketplace. You deploy some of the publicly-agreed systems within your own business." Another Amrop Partner agrees: "For a majority family-owned business preparing to go public, it's good to start practicing these systems, even though you don't have to. How will you communicate an equity story for investors if you don't have your house in order?"

Black swans are a fact of life



The pattern is a black swan every 6 to 7 years."

Amrop Board Member

"You see new things every week, also coming from Europe" says this Amrop Partner. "You might be directly affected as an automotive producer sending a thousand cars to the US, but imagine the effects on the business ecosystem if I'm producing automotive components. And this often affects smaller to medium sized players who lack the luxury of different products or financial muscle. For some, it's a matter of life or death." An Amrop Partner from Asia has similar worries: "The automotive industry is the engine of the Japanese economy. China is a manufacturer for the US and other Asian countries. And Japanese companies have installed factories there. So, tariffs are a major concern for Japanese boards."

But boards should expect the unexpected. "A board should never think they'll have a steady state, says this Amrop Board Member. "We have just endured a global pandemic. We haven't had such an event since the Great Recession, apart from the global financial crisis." The past twenty-five years have delivered four black swans, and the coming twenty-five will herald four more, he predicts. "The pattern is a black swan every six to seven years. And they have changed the rules of the game."

A listed UK organization was obliged to sell all their forestry assets in Russia: "They could never have imagined ten years ago that they would be forced to exit thirty percent of their asset base — trees growing for twenty-five years." What is a board to do? Birdwatching is not an NED's core job, he says. "Your average board member is there to do other things." He invites Chairs to consider: "When a black swan arrives, who on your board will react constructively and calmly? You couldn't prepare for Covid, Y2K, the global financial crisis or any recent events. But do you have somebody who will react appropriately and not freeze? That's how you future proof." He compares such people to ER paramedics working in messy and destabilizing situations. To paraphrase Rudyard Kipling, *keeping their head, when all about them are losing theirs.*²



Amrop



It's easy to say, let's just hang back on AI and let everyone else make the mistakes. Doing that can seriously impact your business. So it forces examination." *Amrop Partner*

From black birds to black boxes

Unlike true black swans, AI has long been anticipated. More notable now is the exponential speed of its evolution, its vast potential and ethical dilemmas. "Everybody's worried," says one Amrop Partner. "CSOs don't know how to approach this game changer. And GDPR is extremely challenging." And boards are equally disoriented. "From the IT, cybersecurity and AI perspective they neither have the skills nor understand the risks." Without remedial action, she foresees "significant corporate governance problems and scandals."

The debate must strike at the root of what we allow AI to do. It must be a tool, not a decision-maker, she argues. The risk of corrupted, biased or infected data fueling AI decisions is a core concern. If a polluted system has decision-making power, the consequences will be monumental. "We need to set clear limits on AI. This is a corporate governance topic."

Is the picture universally grim?

"The most progressive, usually tech based, boards have improved over five years. But not even 5% or 10% in financial services understand cybersecurity, for example."

This Amrop Partner agrees: "A lot of boards are challenged. What will AI mean for our core business, our organization? What transformation? It's big cultural shift." In many listed companies, she still sees suboptimal board literacy, even if the startup or fintech worlds are performing better. She recently conducted a board evaluation for a major agricultural company dealing with industry 4.0 and ERP. "These are the basics. But the board didn't seem to understand how AI could be a part of this." Another Amrop Partner summarizes: "IT governance often remains abstract or overly delegated."

Given the magnitude and speed of change, examples of individual best practice are rare. "That's the difficulty when we are hiring people. We want a good track record, but there are no examples." Even a lateral search strategy cannot solve the problem: "there really has been nothing like AI."

It is hard to set a clear course at the present time. Is AI paralyzing boards? "Absolutely," says an Amrop Board Member. "I've just conducted a board evaluation for a FTSE business. They are taking a wait-and-see approach: 'we're a people business, let's not lose sight of that.' Whilst cybersecurity is an ever-present concern, 'It's a defensive as opposed to an offensive strategy.'"

Another problem is the short shelf life of tech knowledge, surfaced by his recent assessment of a "really smart executive team." Here, technology is being managed by the CEO and two NEDs: "Silicon Valley circa 2002-5. And it's a totally different place today; they haven't had boots on the ground for 10 to fifteen years."

Still, he is confident. "It will just get better. As my kids don't know life without an iPhone, there are executives who ten years ago wouldn't have dreamed of being on LinkedIn, and are now. It infiltrates everyday life. So even board members who weren't tech-literate are forced to understand it by nature of our adoption at every level. It just becomes part of our common language."

As Shakespeare said of a hunted hare, "*danger deviseth shifts, wit waits on fear.*"³ In other words, "There's nothing like a threat to force a board to think more seriously. It's easy to say, let's just hang back on AI and let everyone else make the mistakes. Doing that can seriously impact your business. So it forces examination."

The pendulum is swinging

In the past decade business shifted from 'shareholder primacy' (financial returns at all costs) to the 'holistic' consideration of wider stakeholder groups. To earn operating legitimacy, the sustainability drive has been accelerating. But is the mood shifting?

Boards are suffering from an ever-widening spectrum of topics. "Focus is being dissolved — boards don't know where to look," says this Amrop Board Member. Like a car handbrake, "If you pull it up too many clicks, the car won't go." The new EU CSRD directive is particularly time-consuming, says an Amrop Partner, overwhelming boards with management reporting. "Many are unable to be as strategic as they should, or to challenge what's most important from a business perspective. That causes frustration. Adding more meetings is not feasible — they often have six to eight a year. They may have two full annual strategy days and some extra meetings for interim matters. But they lack the time to discuss other important topics."

Unsurprisingly, many boards are failing in their duty to facilitate results, says this Amrop Board Member. Whilst he fully supports the pursuit of ESG criteria, he invites the question: "Are we delivering against our mandate, or is our investors' money going somewhere else and giving a better return? They've forgotten why they're there." Today's pressures may re-ignite the drive for results across a dashboard, "the broad portfolio of what results mean." That dashboard needs to be clear, relevant, and respected. And narrowing the focus to financials is no solution. "It can be a poor driver of behavior."



"You're seeing huge pressure on businesses that think, OK, we've got to cover all these major areas," says another Amrop Board Member. "But they're getting confused between the traditional business model and the current and future one based on technology and consumer engagement. A lot of time is being spent trying to understand how to explore and have a position on these things, as opposed to the fundamentals of the business."

"Imagine we put a retiree to the test," says this Amrop Board Member. "Would he be happy to sacrifice his returns for sustainability?" The answer is *no*. "Interest groups will continue to drive their own agenda, even if it's disruptive." And the pressure will continue. "Boards had better be skilled at handling that."

Consider the Nordic region, a forerunner in sustainability. An Amrop Partner cites a case in the toy industry: "Lego started to scrub their documents for diversity goals. It's no longer a fixed target, just an ambition. The press asked: *why are you suddenly backing away?* It's probably to align themselves to the global landscape." A cold reality is dawning after the early hype: "Companies are entering a phase where they are challenged on their business model. We have seen some green players going bankrupt over the past four or five months. I'm not saying that a green business is a poor business, but that it needs to be a business."

This Amrop Board Member is unequivocal. "ESG and DEI are moving in the opposite direction to six months ago." Will this fundamentally alter board focus? "It's an excuse, right? Hundreds are removing their DEI quotas. Regulators such as the FRC are starting to question the structure and rigidity of regulation, looking at changing and simplifying it."

But the picture is by no means fixed. This Amrop Partner is pushing back: "Our profession has influence and we need to take responsible decisions on how we continue our work with diversity." She hopes that organizations will maintain their focus. "And if not, we need to challenge them." Another Amrop Partner remains optimistic. "I still meet many CXOs and board members that emphasize the climate, diversity and inclusion. But they need to balance the business."

Fortunately, the avenues are still clear: "It's central to strategy, risk, and reputation. Boards must oversee credible transition plans, ensure regulatory compliance (like CSRD or the EU Taxonomy), and engage meaningfully with stakeholders. There's also rising pressure to link ESG performance to executive remuneration. I truly hope and believe that there is more than just the P&L and the bottom line. That business retains its values and desire to change the world." An Amrop Board Member agrees that the sustainability mindset and progress will not be entirely reversed. "The pendulum will swing back half the other way. But it's going to have to swing hard."

The roar of the crowd – activist shareholders

The power of activist shareholders has grown over ten years, and is increasing. "Everybody has an agenda," says one Amrop Board Member. Furthermore, digital platforms and transparency are increasing the access of interest groups to information, from labor unions and charities, to political green or minority movements.

"Now you have intelligence, insight and an agenda that you can use to disrupt. Meanwhile pension funds mostly just need a return to secure annuity flows."

The pressure on CEO remuneration is mounting, too. "It's a back door for activist shareholders to create dissonance." This is wrong, he says. "The model should be, 'everybody wins'. When the tide comes in and all boats rise, we should reward our executive for our boat going further up the beach. And in economic hardship, when the tide goes out, we should reward our executive for our boat going the least far out to sea."

Activist shareholders are relentlessly taking subcommittees to task. Whilst the Gini coefficient could be improved, the current climate is not sustainable. "Periodically, put the handbrake on if something is very wrong," says the Amrop Board Member. "But it's become a technique. And that's a worrying pattern."

An Amrop Managing Partner from Japan is witnessing an influx of multinational companies and foreign investors to the country. Their activist shareholders are using recent scandals (falsification of data, harassment or accounting problems) to influence governance. "They are asking companies to change NEDs, improve dividends or buy back their shares. C-suite executives who are proficient at shareholder relationships are scattered among 4,000 public companies, so we cannot handle this kind of pressure."



The [ESG] pendulum will swing back half the other way. But it's going to have to swing hard." *Amrop Board Member*



Amrop

“

This is our strategic plan. And yes, there's a lot of static and noise, but we can't draw ourselves off in the boardroom to try and address all of it. We have to understand what we're doing.”



Amrop

2

The reaction

NEDs are not sitting comfortably

Clearly, a company's risk exposure depends on its sector and ownership. But given the universal need for risk management, NEDs are facing high personal stakes. To mitigate these (also for the organization), risk discussions demand diversity of thought, says this Amrop Partner. "They can still be too narrow—focusing on financial or operational risks, rather than interconnected systemic ones such as the climate, social unrest, or regulatory overreach.

The Ukraine invasion is one example. The press attacks on companies who maintained some interests in Russia were merciless, another Amrop Partner recalls. "It also stuck to the board members. Suddenly the company was stigmatized for supporting the war. We saw it as black and white in the press. But being in the room and talking to the people involved showed me so many other nuances. As a board member, you don't sign up for that." Another Amrop Partner observes that attacking companies who have committed errors has become a national sport — affecting stock price, revenues, and employee retention.



Boards have learnt to navigate in a volatile, unstable and chaotic environment, starting with Covid."
Amrop Partner

Shaken, not stirred

How are boards reacting to the current climate? The motto seems to be: *'keep calm and carry on.'* According to this Amrop Partner: "Boards have learnt to navigate in a volatile, unstable and chaotic environment, starting with Covid. They have become more agile, deciding as they go, because you don't know what tomorrow will bring. Adapting is part of their day-to-day life." An Amrop Board Member agrees. "If a black swan like Covid arrives, you need to be agile and have a monthly board meeting because you're making critical decisions such as cutting staff or going remote." What does he think of the current moving targets? "I'm not finding boards struggling. They've got a cadence and can cover the work. And if they don't, a good chairman should adjust it."

Another Amrop Board Member confirms: "Geopolitics and global markets change so quickly. I get the impression that those things are washing over boards — they view it with a four-year timeline. They recognize that the current populist, individual perspective is swimming against the current of long-term, public-serving government. That these kinds of things can be absorbed. I don't think many boards, unless they are directly focused on a conflict zone or a sector particularly affected by tariffs or major geopolitical decisions, really recognize those things."

He does acknowledge that boards risk an attention deficit, given all the current distractions. This sharpens the focus on the role of the Chair. "To say, this is our strategic plan. And yes, there's a lot of static and noise, but we can't draw ourselves off in the boardroom to try and address all of it. We have to understand what we're doing. The pendulum will swing left and right of you as it goes through its motions. But business has to course its way through the center. That's what good boards do.



Amrop

Another Amrop Partner confirms: “The toughest periods for us as trusted advisors are when the curves are changing. As soon as companies understand they’re in a growth or turnaround phase, they start to react. But at the current stage nobody knows where we will be in three months. So, some boards are sitting and waiting. Analyzing, whilst trying to be agile.”

But there is an information vacuum. “To make a major decision, you need data, to understand what’s going on and see how your business model is working now and in the near future. For any board or executive, what are the most important things to understand? Is this temporary noise, or a signal? If it’s a signal, do we need to react? If it’s noise, should we refrain from major decisions?”

“Translating and comprehending that is maybe one of the most important competences for any board or C-level role.” Still, low-hanging fruit need to be picked quickly. “Nobody can sit and wait for a half to a full year. There is still competition out there.”

Calmer waters?

“At the moment a few people are driving events,” says the Amrop Partner. We’re only seeing the beginning. But you can always change a crisis into an opportunity. In Europe, we are suddenly waking up.” One core question concerns the re-configuration of defense and markets: “Have we relied too much on the US?”

“The arc of the moral universe is long, but it bends toward justice,” said Martin Luther King, paraphrasing Theodore Parker, a Unitarian minister⁴. How long will the present turbulence last? A short-term resolution is in the natural order of things, says this Amrop Partner.

“Not many in the world are benefiting right now. I have faith in humanity. I think we will come back to a conversation and strike a good balance. Shareholders expect something from the companies they have invested in, long or short term. So any board or CEO must drive their business in the right direction.” Even if boards might like more signals before embarking on a major acquisition or new factory, “No company can stand still for long.”




For any board or executive, what are the most important things to understand? Is this temporary noise, or a signal?”

Amrop Partner



No company can stand still for long.” *Amrop Partner*



An aerial photograph of a winding road that snakes through a large body of water, connecting several small, forested islands. The road is a two-lane highway with a yellow center line and white edge lines. The islands are covered in dense green trees. The water is a deep blue, and the sky is a clear, bright blue with a few wispy clouds. The perspective is from a high angle, looking down at the road as it curves through the landscape.

The core board role
is to blend external
factors and internal
controllables.



Amrop

3

The role

Traditionally, Boards must perform two over-arching roles: *Control* the activities of the firm's management to protect shareholder wealth, and engage in *service* tasks, such as helping the firm create value (aligning shareholder and societal interests).⁵

What should today's boards pay particular attention to? The core role is to blend external factors and internal controllables, as one Amrop Board Member put it. But all agree that boards must avoid *over-controlling*.

"I define three top-end buckets, especially when I interview NEDs, governance, advisory, and supervisory," says this Amrop Board Member. "In my view governance comes first — it's the ticket to the game. Secondly, you are an advisory body to the executives. And only in special circumstances do you supervise – taking decisions and measuring the results. I would advise any board member who prioritizes supervision to get an executive role."

A board is only a parachute in case the CEO is incapacitated and critical decisions must be made for the company to continue operating. "So, those are the three things you should always be aware of. *In which space are we? Which hat am I wearing?*" Even 'guiding' is too directive, he suggests. 'Partnering' is a more modern, collaborative word.

Could steering clear of that 'supervisory bucket' be one answer to board overload? This Amrop Partner thinks so. "We see in board evaluations that the top is off." She signals insufficient time spent on strategic matters, a focus on operational details versus true partnering. "There are several important factors to avoid getting into that space. Rather than experts, boards need people with the right competences and experience of board work."

The discussion circles back to the hub of the board: "The Chair needs to set the tone and level of discussion, so that people can't go too deeply into the details, as that will greatly impact the relationship between management and board."

The Chair is also the principal channel for supporting the CEO. But the step from executive to chair demands a profound shift in mindset: "Moving into the boardroom, it's not about your personal ego anymore. What gets you to the CEO role is not what will drive you to be a successful Chair or NED. It's about teamwork, how to inspire and challenge so that executives don't leave the boardroom every time with ten pointless new tasks. How do we orchestrate that cooperation?"



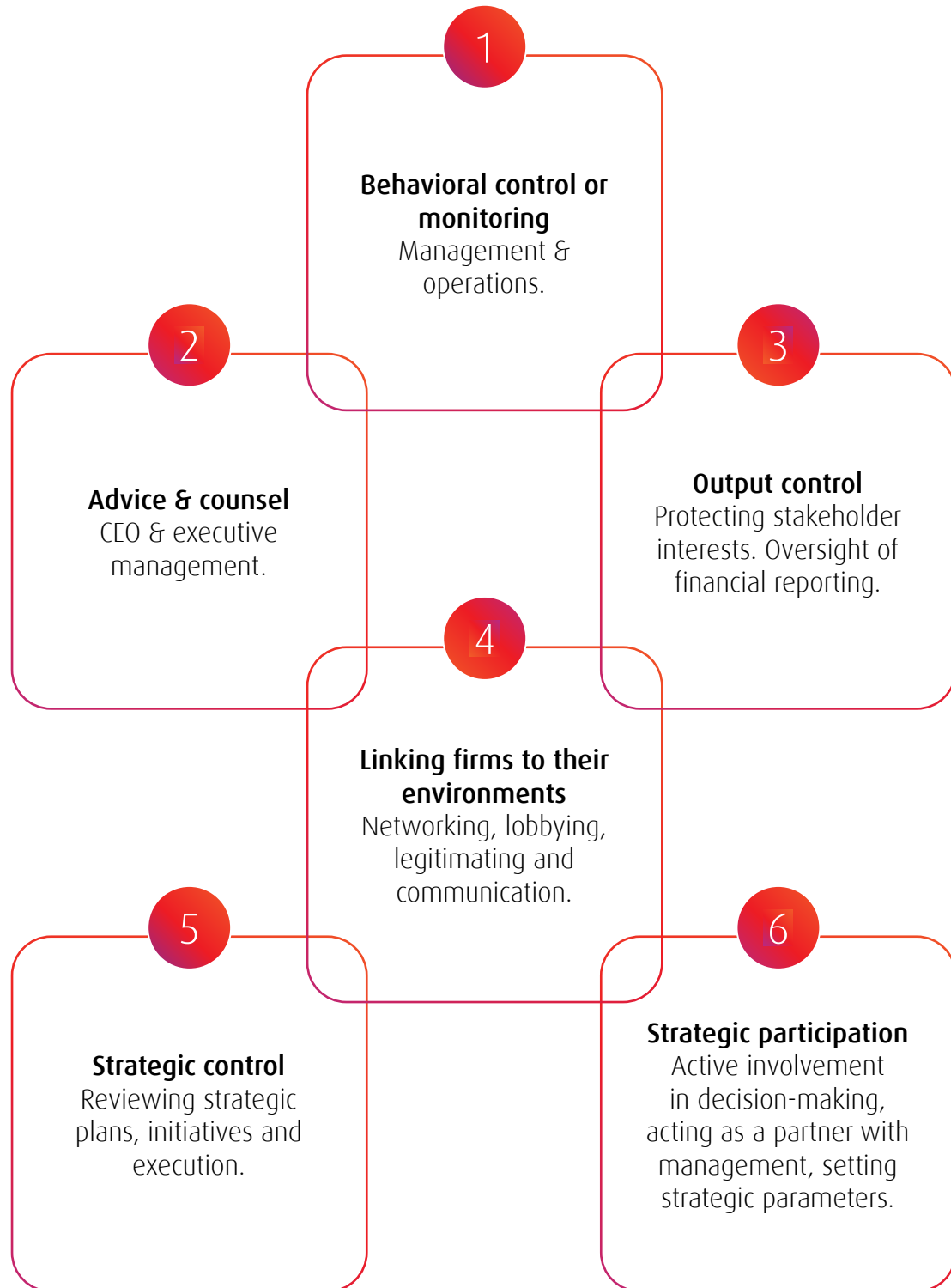
I would advise any board member who prioritizes supervision to get an executive role."

Amrop Board Member



Amrop

6 Roles of boards*



*Adapted from Huse (2005)

Sources

¹ Haworth, D., (2021) 'Friday essay: a rare bird — how Europeans got the black swan so wrong' theconversation.com, June 10, 2021.

² Kipling, R. (1895). 'If..'

³ Shakespeare, W. (1593). 'Venus and Adonis.'

⁴ 1853, Ten Sermons of Religion by Theodore Parker, Of Justice and the Conscience, Start Page 66, Quote Page 84-85, Crosby, Nichols and Company, Boston.

⁵ Caluwe, L., et al. (2024). Board roles required for IT governance to become an integral component of corporate governance. International Journal of Accounting Information Systems 54 (2024) 100694

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





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

