Welcome

Welcome to the latest edition of The Boardroom@PwC newsletter, where we reflect on the topics we have covered in our non-executive directors network in 2018 and early 2019, and look forward to what’s ahead for the remainder of 2019.

In opening our corresponding newsletters reflecting on both 2016 and 2017, we commented on the geopolitical instability. This instability showed no sign of abating throughout 2018, with Brexit continuing to dominate the headlines locally, while rising populism, policy uncertainty and trade conflicts are just some of the issues causing concern on a global level. Our global CEO survey this year showed a record jump in pessimism, with nearly 30% of CEOs projecting a decline in global GDP growth, up from a mere 5% last year. CEOs also reported a noteworthy dip in confidence in their own organisations’ revenue prospects. This ongoing uncertainty continues to put a spotlight on how companies are prepared to both seize opportunities that emerge, and to protect themselves against threats. For their part, boards are reflecting on whether they have the right governance structures to effectively oversee such strategic risks.

The aim of our Boardroom@PwC network is to:

- Keep you up-to-date with developments on governance
- Bring you forward-thinking insights on topics of interest and relevance to NEDs
- Provide a forum for you to debate and discuss these topics with your Boardroom peers.

We achieve this aim primarily through our regular events but also through our communications such as this Newsletter. Please do not hesitate to get in touch if you would like to share feedback, experience or requests with us.

We hope you find this edition of The Boardroom@PwC newsletter useful and look forward to meeting you at our 2019 Boardroom events.

Kind regards

Carmel O'Connor

Damian Byrne
Highlights of our 2018 Boardroom@PwC events

Understanding the impact of new technologies - a Board perspective

We started the year by discussing emerging technologies that are disrupting industry as we know it. PwC analysed more than 130 emerging technologies to identify the ‘Essential Eight’ technologies that we believe every organisation must consider. Our Data & Analytics partner, Darren O’Neill, was joined by Richard Waghorn, Head of Technology in RTE, and Elaine Coughlan co-founder and Managing Partner of Atlantic Bridge Capital which is investing in disruptive tech sectors across Europe, US and China. Richard spoke about operating under budget constraints, and how to be a “smart follower” of emerging technologies. Elaine shared insight from her investment experience in the US and Asia, and the importance of talent in addressing the opportunities from emerging technologies.

Boardroom Behaviours & Board Dynamics

In May, we welcomed Professor Andrew Kakabadse to our Boardroom event, to help us look at how boards can develop a healthy tension that provides their organisation with constructive debate, questioning, and a diverse perspective. Andrew is Professor of Governance and Leadership, Henley Business School at the University of Reading. He discussed the key roles Company Chair, Company Secretary and Senior Independent Director (a role for which there is limited formal guidance). He also looked at the important dynamics of the relationships between the Chair, Board members and the Chief Executive. Damian Byrne and Alan Bigley (PwC Partner) facilitated an interactive discussion which heard some interesting reactions and perspectives from experienced Non-Executives in attendance.

Culture - the role of the Board

Our October Boardroom@PwC event looked at the role of the board in overseeing the culture in their organisation. In recent years, we’ve seen an increased focus on Culture from external authorities, as many corporate failures and scandals can be linked to the culture of the organization in which they arose. Barry Vorster, a Partner in PwC South Africa, led the discussion. Barry is also a member of Global Leadership of The Katzenbach Centre. The Katzenbach Center is a center of excellence in the areas of organizational culture, leadership, informal organization and motivation. PwC Ireland Consulting Partner, David McGee, led an interesting panel discussion which included Josephine Feehily, Chairperson of the Policing Authority and former Chair of the Revenue Commissioners, and Ros O’Shea, a non executive director who is an author, lecturer and consultant in the areas of Governance and Ethics. Some of the issues debated included clarity on the role of the board, should NEDs get out and about in the organisation to assess the culture for themselves, and how to effectively evaluate culture from the board level. In particular, the challenges around evaluating culture as organisations change to being more fluid and less hierarchical were discussed. The board’s role in selecting and overseeing the CEO’s performance with reference to culture was also debated.

Annual Reports and Corporate Governance Update

As we approached the year-end, we hosted a pre financial year end briefing. The accounting, corporate reporting and governance environment continues to change, and keeping updated is very challenging for NEDs. Our event shed some light on recent updates, with PwC expert Fiona Hackett focusing on new accounting standards applicable in 2018 and 2019: IFRS 15 (Revenue), IFRS 9 (Financial Instruments) and IFRS 16 (Leases). We also heard from Mark O’Sullivan and John Patterson from our Corporate Reporting team in PwC London, in relation to the new FRC code. Barry Dixon, Head of Research at Davy, gave an interesting perspective on how the market interprets corporate reporting, with a view to supporting you in discharging your duty as directors when approving the annual financial statements.
The key messages:

Ensure your organisation is fit for growth
CEOs’ focus is turning inward, to things they can control in their businesses. They are planning to invest in organic activities within their organisations they believe will propel them to success. That means they must ensure their organisations’ combination of processes, tools, workforce and culture are fit to cultivate, deliver and sustain growth.

54% of Irish CEOs say their organisation’s growth will be driven by operational efficiencies

Prepare for the Artificial Intelligence revolution
To help unlock internal growth potential in their organisations, CEOs are paying close attention to emerging digital technologies such as Artificial Intelligence (AI). Irish CEOs need to understand how AI can be applied in their businesses, and ensure their businesses have the right talent, data and technology to exploit the opportunities that AI presents.

64% of Irish CEOs believe AI will significantly change the way they do business

Close the information gap
As CEOs look inside their businesses for growth opportunities, they are contending with gaps in their organisation’s data analytics capabilities. Irish CEOs need to ensure they are extracting the maximum value out of their data to allow them to leverage new technologies in sustainable ways.

19% of Irish CEOs say the information they receive is adequate

Invest in key skills
The challenge of finding staff with the right skills is at an all-time high. The majority of Irish CEOs see this as the biggest threat to potential business growth. Irish businesses should look inwards and invest in their workforce to make them fit for the future, providing them with the right training and career development support.

75% of Irish CEOs say that hiring people has become more difficult

Highlights of PwC 22nd Annual Global CEO Survey – Irish Analysis

PwC’s 22nd annual global CEO Survey shows that Irish leaders are cautiously optimistic, looking to find ways to grow their businesses amidst the atmosphere of uncertainty.

While almost 60% of CEOs believe in Ireland’s growth prospects, there is an increase in those who are uncertain about the Irish economy. But when it comes to their own businesses, CEOs are much more optimistic.

They anticipate that the year ahead will be focused on growth by way of things they can control themselves. In light of external uncertainties like Brexit, it is critical that CEOs take charge of their own destiny.
Save the Date
Upcoming Event: Geopolitical update from Eurasia: 6 June 2019
It seems that the majority of client conversations we have recently are prefaced or concluded by a discussion around Brexit, Trump, or other such geopolitical issues. With this in mind, we felt that it’s a great time to bring back Sean West from Eurasia Group, to present his thoughts on the direction some of these issues might take. The link below outlines Eurasia Group’s Top 10 risks in 2019. Sean’s unique insights will help shed light on the impact some of these may have on us.

How Netflix redesigned board meetings
We regularly hear of the challenge faced by directors in accessing the information required to make fully informed decisions about their organisations. In her presentation to our recent Boardroom@PwC event, Dr. Anita Sands referenced this Harvard Business Review article on a novel approach to information sharing at Netflix that provides a model for overcoming this governance shortfall.

Environmental, Social and Governance (ESG) issues
Environmental, social and governance (ESG) issues continue to be a priority for shareholders. Investors are urging companies to build ESG considerations into their long-term strategy, bringing it up during engagements and using shareholder proposals to force companies to take action. But what is ESG, why does it matter and what role should you play as a director? Our US Governance Insights Centre produced this recent paper attempting to answer this.

The 9 questions you need to ask to take your board from good to great
Directors face high expectations from shareholders and others regarding their performance, and so efficiency is critical for a well-functioning board. In another publication from the PwC US Governance Insights Center, we offer insights into leading practices that can maximize board effectiveness.

How will automation impact jobs?
We’ve analysed over 200,000 jobs in 29 countries to explore the economic benefits and potential challenges posed by automation.

Fighting Bias in Artificial Intelligence algorithms
While automation and Artificial Intelligence will inevitably impact ways of working across all industries in the near future, the onset of such advances won’t come without risks, nor without challenges for society to overcome. In her recent Boardroom@PwC presentation, Dr. Anita Sands gave an example of such challenges, describing limitations of facial recognition software which hasn’t been taught to identify a broad range of skin tones and facial structures. The TedTalk at the link below provides a fascinating insight into work being carried out in this area by Joy Buolamwini, an MIT Grad student.

Yes, Digital is Really Disruptive. Here are 5 reasons why.
The role of business leader has never been more interesting or challenging, with cybersecurity threats and digital disruption changing the role of leaders, and challenging us at all levels of business right up to the boardroom. At our recent Boardroom@PwC event, Dr Anita Sands spoke at length about how mindsets need to change to tackle disruption, and how diversity is a critical part of overcoming these challenges. Her recent LinkedIn article continues on some of these themes and provides further fascinating food for thought.

Other Articles of Interest
This section includes a selection of PwC Thought Leadership, and additional articles, which are of particular relevance to our Boardroom@PwC network and which should support you in fulfilling your roles.