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Company Project Report

ESG& the board´s impact on company performance – How do the established agency and resource dependency theory fit into a modern understanding of diversity?

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Preface

Launching Your Career (LYCar) is the last course at Hotelschool The Hague that students complete before finalizing their bachelor. The Company Project Report (CPR) is next to the Career Portfolio and managerial internship the main deliverable within the scope of the course. Through applying the Design-Based Research (DBR) cycle, students learn to find an evidence-based solution to a relevant and current problem. By following the steps of Problem Definition, Analysis& Diagnosis, Solution Design, Implementation and Evaluation the students add value to the industry and advise the client in a real-life project context.

This project has been commissioned by Sassen Research& Consultancy and supervised by Ms Rachael Govender and Mr PhD Praneschen Govender.

In context of increasing impact and importance of ESG on business, the aim of this research is to identify how a task-diverse board set up can impact board- and company performance, ultimately leading to competitive advantage. After defining and describing the problem from different angles by means of Main and Sub- Research Questions, literature is being consulted and reviewed. After outlining the methodology, the collection and analysis of primary data was performed. Its implications combined with the literature findings are concluded to form an actionable solution. An implementation and evaluation plan ensure success and aid in measuring the impact of the created solution.

The final outcome of the research will be of use to Sassen Research& Consulting by creating a foundation to advise boards of companies on a diverse board set up that supports present and future company performance. The research will be presented and distributed to all remaining stakeholders and integrated into the Hotelschool The Hague research database, adding value to the ecosystem.

Thank you very much for taking the time to read through this Company Project, I will remain at disposal for any questions and concerns as well as the future development of this research

Luca Lang

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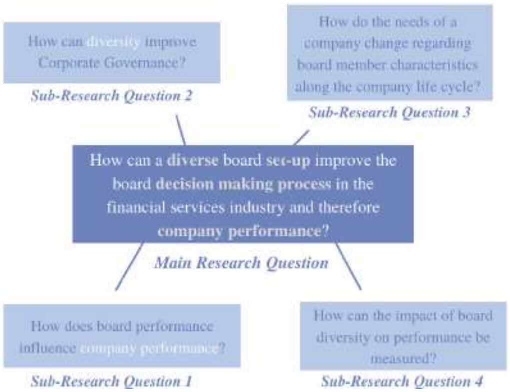
Executive Summary

ESG becoming a more and more prominent topic in the business environment, the impact of Governance is often overseen. Corporate Governance determines a company´s ability to capitalize on opportunities and mitigate threats. The most influential factor of Corporate Governance is the board which advises, monitors, and makes policies. The performance towards fulfilling those responsibilities is directly linked to the board´s decision making process and efficiency. This leads to the Main Research Question and Sub-Research questions:



In an aim to gain a deeper understanding and answer the research questions, literature diving into the topics of board-set up, diversity, company life cycle and ESG scoring was reviewed. Followed by a qualitative data-collection encompassing semi-structured interviews with experts such as consultants, academia, current and past board members, its findings were collated, leading to conclusions on the research questions: Occupation-, network- and market-diversity can enhance the board-decision making process by providing and combining a multitude of perspectives. A maximum of resources, skills and knowledge increase the ability to identify and capitalize on new business opportunities alongside foreseeing and overcoming obstacles.

To translate all findings into a practical solution benefiting the stakeholders involved, a 6-month consulting-plan was created. It involves 5 stages of assessing, interpreting, and improving a board´s set-up in regard to characteristics serving it´s individual situation. An implementation plan influenced by multiple Change Management methodologies will ensure successful implementation of the solution and maximize long-term impact. Evaluation through before-and-after assessment and focus groups will help the researcher and executer gain insight into strengths and weaknesses of the practices and provide opportunity for incremental improvement.

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1. Introduction

ESG – determinant of future company success

“From 30 June 2026 large companies operating in the EU will have to ensure a share of 40% […] women among non-executive directors” (Rankin, 2022). This and other regulations put on the economy show that next to an increasing bank of cyber security and privacy regulations, **E**nvironmental, **S**ocial and **G**overnance (ESG) issues are taking center stage (Deloitte Insights, 2021) (Schiavone et al., 2021). The two most distributed issues across industries are Corporate Governance and Human Capital (Sustainalytics, 2021) (MSCI, 2022). The Non-Financial Reporting Directive (NFRD) currently obliges public-interest companies with more than 500 employees to disclose information about environmental and social matters alongside “diversity on company boards” (European Commission, 2022). In April 2021 this got extended through the Corporate Sustainability Reporting Directive (CSRD), which extends those requirements to all large and listed companies (ibid). Those new rules on disclosure and taxonomy will increase compliance risk (Laidlaw, 2021). Additionally, these changes will influence how and in which sectors capital will be allocated. Investors will consider whether a particular asset fits within the taxonomy or ESG strategy and what stakeholders and shareholders think (Schiavone et al., 2021).

Boards - the navigator of Corporate Governance

Managing the new risks stated above by building necessary knowledge, understanding and skills is putting companies under performance pressure. When not addressed, social stigma is quick to arise, resulting in restricting the talent pool and interfering with successful attraction and retention of quality employees (Raluca-Ioana and Tiliuta, 2021). Therefore, proper decision-making abilities are required in order to fulfill the responsibility of navigating potential future shocks (O´Reilly and Eckenrode, 2021). Corporate Governance, executed through the board design, controls the future of a company by making effective decisions and placing an internal system of practices, controls and procedures to steer (Henisz et al., 2019) (Hindasah and Harsono, 2021). This leverages the importance of Governance since it directly influences ESG risk rating scores as one of three factors, and concomitantly shapes company performance. Consequently, a deeper look into the set-up of a company´s board and its impact on performance becomes relevant (Zulkafli et al., 2020) (Bolourian et al., 2021) (Ning et al., 2022).

A distinction needs to be made between one-tier and two-tier boards. In the US, companies are commonly found to have a one-tier board which encapsulates both managerial and supervisory functions (Block and Gerstner, 2016). In contrast, European companies may choose between a one- and two-tier system or are obliged to a one-tier system (Belot et al., 2014) . The two tier system employs a management-board and a supervisory board (Bohing, 2011). Whilst the management board is involved in the company objectives and measurement-implementation, the supervisory board monitors those decisions “on behalf of other parties” (Block and Gerstner, 2016). For scoping-reasons, this paper will mainly focus on the setup of the management board. So, if not stated otherwise, the

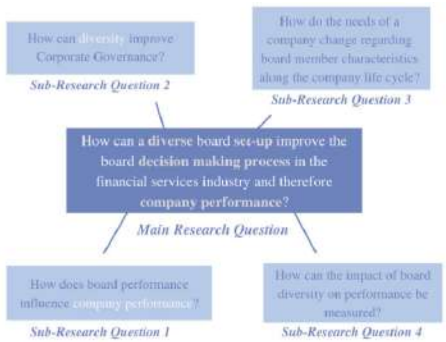
researcher will use the term “board” in the following referring to the management board, if not stated otherwise.

Board diversity - a performance mediator

In its function of supervisory, advisory and policy provision, the boards success is mediated by various aspects, just as board independence and heterogeneity (Bhatia and Gulati, 2021) (Zulkafli et al., 2020). The board set-up needs to match the company´s needs to support the achievement of goals and act in the best interest of shareholders and other stakeholders (Ozdemir et al., 2021) (Kanakriyah, 2021). Diversity can be classified into relation-oriented (gender and age) and task-oriented (tenure and expertise) when looking to optimize the board´s constellation according to the firm´s situational needs (Aggarwal et al., 2019) (Jebran et al., 2020). Furthermore, the topic of diversity is gaining significant power over a company’s reputation according to the level of attention paid to this matter (Value Reporting Foundation, 2022) (ESG The Report, 2022). No specific definition for the complex concept of diversity embroils measurement, goal setting and research consensus (Kanakriyah, 2021) (Aggarwal et al., 2019) (Tasheva and Hillman, 2019). However, it is an accepted suggestion that a variety of capabilities and diversity in terms of a heterogenous board positively impact corporate performance through a multiplicity of viewpoints, functional expertise and great range of perspectives. This leads to new solutions for problems faced by the companies, better oversight on corporate investment activities helping to minimize suboptimal investments, overall lower risk and better performance (Kanakriyah, 2021) (Ozdemir et al., 2021).

Problem Statement

The public eye as well as governmental ESG regulations will increasingly put pressure on corporations to deal with ESG issues and provide transparency about organizational practices. Companies need to know how and to which extent efforts regarding Corporate Governance actually influence performance. A lack of diversity in perspectives, resources and expertise hinders boards in fulfilling their supervisory, advisory and policy making role. In consequence of the board not catering to the specific needs of the firm, company performance and competitive advantage are negatively affected.

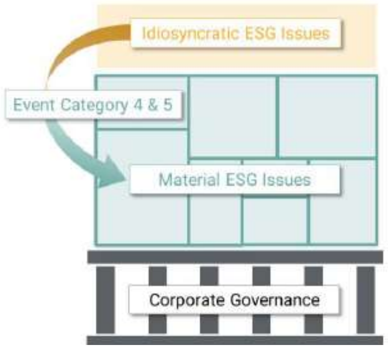


2. Literature Review

2.1 ESG risk rating

ESG risk ratings directed by the exposure of a company to material issues and the management of this exposure suggest that having a clear understanding of the specific issues that are material help firms focus their time, energy and resources on the most impactful issues (PwC, 2022) (Sustainalytics, 2022). Creating a comparable rating across industries, the ESG Risk Ratings measure to which extend a company´s economic value is at risk due to unmanaged ESG factors (Sustainalytics, 2022). It comprises of a quantitative score describing the volume of unmanaged risk and a resulting risk category (negligible, low, medium, high, severe). Issues are considered relevant to the rating if its presence or absence is likely to influence the decision-making of a reasonable investor and therefore have a potentially substantial impact on the financial risk- and return profile and consequently the value of a company. The three building blocks of the ESG risk rating are Corporate Governance, material ESG issues and idiosyncratic ESG issues.

Exhibit 1: The three building blocks of the ESG Risk Ratings



(Sustainalytics, 2022)

Poor Corporate Governance considerably entails material risk for companies, hence unmanaged Corporate Governance risk contributes on average 20% to the unmanaged risk score of a company *(Refer to Appendix 1 for description of material and idiosyncratic ESG issues)*. The risk rating score is calculated through "the sum of the individual material ESG issues´ unmanaged risk scores" as illustrated below (ibid).

Exhibit 2: ESG risk rating- scoring structure

(Sustainalytics, 2022)

This illustrates how specific issues are to companies and industries which makes it hard to draw general conclusions on the importance of matters. However, the company board sits not only on top of all Corporate Governance issues, but overarches everything that happens within a company, also regarding decisions and policies regarding social and environmental matters. This repeatedly highlights the importance of putting focus on supporting boards in their decision-making process, since this will have a leveraged effect on all business areas.

2.2 Resource dependency theory- board size and independence

Alongside the agency theory, resource dependency theory is the most supported board perspective interpreting its purpose and the importance of its set-up (Hillman et al., 2009) (Zahra and Pearce, 1989) (Johnson et al., 1996). It proposes that organizations are not autonomous but constrained by its network and interdependence with other organizations. Therefore, the aim of a firm should always be to minimize its dependencies; The board is one of the crucial means to do so (Pfeffer and Salancikk, 1978). Furthermore, the theory discusses the following as roles that effective boards should fulfill:

- advice& counsel
- legitimacy
- access to resources
- channels of communication

(ibid) (Hillman et al., 2009). This adds to the idea that boards carry responsibility of policymaking, supervision, and monitoring by highlighting the importance of the network board members bring to a firm. Primarily adding linkage to the environment, this implicates that the larger the board, the more resources, knowledge and skills are being added by the directors (Bhatia and Gulati, 2021). Eventually, this gain in resources helps companies to minimize dependency (Pfeffer and Salancikk, 1978). However, it should be considered at which point the disadvantages outweigh the advantages of a large-numbered team in terms of effectiveness and efficiency in decision-making.

Board size

Pfeffer finds that board size relates to the firm´s environmental needs as a dynamic response to the change in conditions of the external environment (Hillman et al., 2009). The greater the need of a company for effective external linkages, the larger the board should be (Bhatia and Gulati, 2021). Especially in times of uncertainty, a large board can bring more information to the board and help decrease volatility (Dalton et al., 1999). However, beyond seven or eight people, efficiency in decision-making decreases. Too many board members can also result in slower and lower-quality decision making through *social loafing* and *herd preference* phenomena (Yan et al., 2021) *(refer to Appendix 2 for explanation).* In an odd-numbered board, the opinions of other even-numbered directors balance each other on average. This leads to higher-quality decision-making and effectiveness in maximizing shareholder wealth and boosting company performance (Yan et al., 2021).

Inside vs Outside directors

To optimize the diversity of perspectives across the board, Pfeffer and Salancikk suggest that the proportion of inside directors should be lower the larger the corporation and the higher the proportion of debt to increase relation to the firms environment (Soni, 2014). Especially in regulated industries, more inside directors are advantageous due to their relevant experience (Luoma and Goodstein, 1999). The expertise and resources brought to the board by those directors can then be classified as *business experts*, *support specialists* and *community influential* (Hillman et al., 2009). This classification can help identify the needs of a company when choosing for a new board member and setting priorities of which competencies and resources are needed to support the company in its current and future development. Prestige power and investor´s reputation can leverage the value of the company´s network, assisting with attraction of the most capable board members when setting up a board with favorable balance in power with a high ratio of outside directors (Lynall et al., 2003). Successful attraction of powerful community members supports firms in acquisition of critical resources from the environment, gaining competitive advantage (Provan et al., 1980). Suggesting, that *resource rich* directors should be the focus of board composition, Boyd argues that the type of directors brought on board is crucial for maximizing the positive impact of so-called *board interlocks*, the number of other directorships each director holds, when aiming to increase a company´s interlinkages with its environment (Boyd, 1990) (Hillman et al., 2009).

Advocating for as many members as possible, with as different expertise and network as possible and as much outside knowledge as possible, the resource-dependency theory does not regard possible restrictions that come with such a high level of diversity, such as time-efficiency and group dynamics. Therefore, a different perspective should be considered when looking to optimize board set-ups.

2.3 Agency theory

The central suggestion of the agency theory developed by Jensen and Meckling is that the different interests of the ownership and management of a company create so-called agency problems, such as decreased financial performance, and associated agency costs. Those can be mitigated through enforcement of corporate governance, namely a non-executive board mediating the alignment of the ownership and management priorities (Hindasah and Harsono, 2021) (Jensen and Meckling, 1976). Management generally strives for current company value maximization whereas shareholders are focused on the long-term economic health and value of the firm (Healy and Palepu, 2001). The resulting conflict of interests decreases the valuation of the economic capital of the firm. The costs incurred when mitigating and managing those conflicts are *agency costs*, categorizable in monitoring, bonding and residual loss (Vitolla et al., 2020) *(Appendix 3).*

Board advisory to decrease agency costs

Corporate governance structure is executed through the board design and its effectiveness is determined by its ability to decrease agency problems and costs (Hindasah and Harsono, 2021). Daily, Dalton and Cannella conclude that instead of putting importance on directors’ willingness and ability to control the executives, it is more productive to focus on the support and assistance directors provide by bringing resources to the company and providing counsel for CEOs (Hillman et al., 2009) (Daily et al., 2003). In agreement with the resource dependency theory, agency theory suggests that larger boards can be more effective in achieving this due to a larger pool of expertise, opinion, and more deliberation on decisions in contrast to a smaller one (Guping et al., 2020). However, it may also be less effective due to higher agency costs induced by higher coordination and communication needs (Yan et al., 2021). This balances out the strong opinion represented by the resource-dependency theory by considering the possible downsides of ultimate diversity and amount of different perspectives.

Gender diversity and non-executives to decrease agency costs

Agency problems can be prevented by board gender diversity and a high ratio of non-executive and independent directors. Non-executive directors are advantageous to the board performance assuming they are less biased and independent (Guping et al., 2020). Having interest in promoting ethical behavior on behalf of the shareholders, non-executive directors discourage unethical issues such as fraud, improve relationships between managers and stakeholders. This results in improvement and sustainability of financial and non-financial company performance. With their reputation being one of their most valuable assets, non-executive directors are motivated to perform their duties diligently in order to keep up their reputation which positively impacts their future in the labor market, portraying a positive picture of their character, integrity and skills (ibid). Gender diverse boards are able to decrease agency costs through women generally being less self-interested, having a strengthened sense of responsibility and being more risk averse (Kanakriyah, 2021). This favors relationship building and maintenance, protection of shareholder wealth and boosting financial performance through moderating risky strategic decisions (Vitolla et al., 2020). Consequently, agency costs decrease and transparency of decision making increases alongside improved reputation of the company with different stakeholders (Guping et al., 2020).

The agency theory perspective on boards highlights the mediating role of the directors to reduce information asymmetry induced by different interests of owners and managers resulting in lower agency costs and therefore a financially and non-financially stable business. The efficiency in supervising the managers on behalf of the shareholders is dependent on the composition and qualities of board members (Jensen and Meckling, 1976). Success measures can include Return on Assets measuring a company´s efficiency in generating earnings from its resources and Return on Equity describing how efficiently the company handles the shareholders money contributed (Harjoto et al., 2018) (Kanakriyah, 2021).

2.4 Diversity of board members

Why consider diversity? - homogeneous vs heterogeneous boards

In the short-term, homogeneous groups are more efficient at problem solving by avoiding the so-called similarity-attraction paradigm describing individuals categorizing dissimilar others as outgroup members. This can evoke communication difficulties, conflict and lower satisfaction through lower cohesion (Treichler, 1995) (Zhu et al., 2014). Homogeneous teams work well together by virtue of shared characteristics, increasing team cohesion and consequently performance (Horwitz and Horwitz, 2007). However, this categorization tendency is temporary. With more interaction, the different groups become more familiar and exchange perspectives which decreases conflict (Ozdemir et al., 2021). This implies that in the long-run, diverse groups perform better through a larger pool of perspectives and alternatives generated (Treichler, 1995) (Hillman et al., 2007). Variety in director experiences, demographic attributes and social networks lead to an increase in information, knowledge and perspectives. This enhances the board´s information processing and decision-making (Zhu et al., 2014) (Horwitz and Horwitz, 2007). Therefore, whether the focus of a firm lies on short-term or long-term prosperity, a rather homogeneous or heterogeneous board set up is desirable (Jebran et al., 2020) (Poletti-Hughes and Briano-Turrent, 2019).

How does diversity look like? - task-related vs relational diversity

Which aspects should be considered when looking to create a diverse board? Horwitz and Horwitz found that task-related diversity (e.g. education, function, tenure) has a positive impact on team effectiveness, whereas demographic, surface-level or relational diversity (e.g. ender, race, ethnicity, nationality, age) does not (Horwitz and Horwitz, 2007) (Tasheva and Hillman, 2019). Within the scope of this paper, task-oriented diversity is understood as cognitive diversity shaped by life experiences and leading to different heuristics (Page, 2007) (Bell and Berry, 2007). Of course, they are not mutually exclusive, since e.g., one´s heuristics are shaped by values which can be connected to culture and race. A high level of relation-oriented diversity may bring a large pool of resources through the inclusion of out-group experience and contacts, supporting the board´s advisory practices. Regarding monitoring function, relation-oriented characteristics may improve the board´s risk taking

propensity (Harjoto et al., 2018). Considering that the determination of appropriate levels of risk depicts the core competency of a board succeeding in investment oversight, relation-oriented diversity can be an aim after being evidenced as reducing firm risk (Treichler, 1995) (Ozdemir et al., 2021) (Kanakriyah, 2021) (Bhatia and Gulati, 2021). However, relation-oriented diversity attributes and their influence on group performance are statistical averages and not guaranteed. Different age, ethnicity and gender groups may in general be more or less risk averse, but it may be more effective to strive directly for the individual characteristic sought after (Harjoto et al., 2018). Cognitive diversity, describing group members that think differently, is most effective in decreasing decision errors whilst increasing task and process effectiveness (Kanakriyah, 2021). The pool of cognitive resources to perform monitoring tasks increases through task-oriented diversity. Identifying each director´s expertise and experience facilitates the group to infer about the underlying knowledge, skills and abilities. This enables utilization of the member´s cognitive resources to process complex information, thus enhancing the board decision-making process through increased problem-solving ability (Harjoto et al., 2018).

2.5 The firm life cycle

Zahra and Peace were the first to suggest an influence of the firm life cycle stage on the importance of the board´s role (Zahra and Pearce, 1989). The priorities of the board are path dependent due to the dynamic nature of a company and its varying needs throughout a changing environment (Hillman et al., 2009). With a plethora of models generated, many of them describe a variation of a firm emerging, growing, maturing and declining (Habib and Hasan, 2019) (Martin, 2020) (Sundus, 2020) (Lynall et al., 2003).

In the early stages and adolescence of a company where seed-funding might be of interest for investors, management is mainly occupied with operational decisions and reaction to market feedback. Little processes are in place and minimal planning and coordination is taking stage (Lynall et al., 2003). Therefore, monitoring functions are less vital than resource provision and advice in this stage. Due to high risk and uncertainty, a high degree of trust is necessary between the CEO and board, wherethrough the board likely is to represent the CEO´s network (Hillman et al., 2009).

When sales and number of employees grow, coordination and communication gain importance whilst levels in management multiply and jobs become more interrelated. Hence, more structure such as procedures and rules are sought after in order to maintain efficiency of the business (Lynall et al., 2003). Upon expansion, the strategic and controlling role of the board increases in relevance owed to the company´s newly gained focus on expansion. Supporting the resource dependency theory, board members preferably expand the company´s network and resources in aim to position the organization in the investment community whilst diminishing uncertainties (Martin, 2020).

When maturing through successful processes and operations, the input of outside and independent directors becomes more vital to the business development considering management still relies on established routines and mindsets (Bhatia and Gulati, 2021) (Martin, 2020). Here, greater external perspectives on the board support further expansion by moving away from day-to-day operations and seeking linkages to the environment (Lynall et al., 2003). Having the lowest proportion of advisory complement the highest proportion of monitoring directors, the organization can excel in governance practices compared to its immature phase and focus on CSR practices (Sundus, 2020) (Dickinson, 2011). This supports the firm in differentiating itself from competitors, therethrough building customer loyalty, attracting and retaining high quality employees (Sundus, 2020) (Habib and Hasan, 2019).

In the shake-out or decline of a company, the strategic advisory function is essential to enable a renewal (Martin, 2020). A number of new perspectives is brought to the board by independent and external directors to enable a successful recovery (Hillman et al., 2009)

2.6 Synthesis and conclusion

Corporate Governance is crucial for a company to put attention towards, since its set-up determines ESG scores, company performance and reputation. Capturing the essence of agency and resource dependency theory, the main purpose of a board should be reducing agency costs through effective monitoring& controlling; Furthermore, providing linkage to the firm´s environment and a broad social network to decrease company dependency. Success in fulfilling those roles is determined by the appropriate board constellation, consequently leading to increased company performance.

The company´s needs and resulting opportune director characteristics depend on the company path, hence the firm´s stage in the life cycle needs to be taken into account when assessing the board´s effectiveness. In early development, a trust-basis with the CEO and network resources to position are of highest interest. When processes and operations are established, this is followed by the importance of increased monitoring and more outside independents. In maturity and decline strategic advisory from outside and independent directors become vital to the company's development and recovery.

Diversity being controversially discussed regarding actual impact on company performance, it can be concluded that only when the board team went through stages of group development (forming, storming, norming, performing) the benefits can outweigh the efficiency-problems associated with heterogeneity (Treichler, 1995). Task-oriented diversity´s positive impact on company performance is more agreed upon than relation-oriented diversity, however the two may not be mutually exclusive. In the instance of aiming for a board with a reasonably balanced risk-taking approach, gender diversity can be a more time-efficient measure than exploring an individual´s characteristics.

In closing, the increase of diversity on boards is not only merely motivated by the competitive ESG scoring system and pressure of the public eye, but hereby highlighted to be effective internally to sustainably boost company financial and non-financial performance through supporting board effectiveness.

Research gap

Where the literature on the impact of diversity on board performance is not conclusive, research on task-related diversity especially regarding board set ups is still very new. Therefore, this paper aims to add to the research by taking first steps to understanding how task-oriented diversity affects board performance and will therefore not concentrate on relation-oriented diversity.

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3. Methodology

Data collection

This study aimed to investigate how a diverse board set-up can impact the board and company performance, ultimately leading to competitive advantage. A qualitative approach was chosen to gather in-depth insights into the complex relationship between diversity and company performance. Additionally, underlying reasons and examples provided by practitioners helped to create a deeper understanding of the situation. Semi-structured interviews were chosen as a data collection method. This left space next to the general interview guideline to explore different components of the topic according to the respondents answers, enabling in-depth exploration and understanding (Adams, 2015). To ensure alignment of purpose and design of the research, the interview guide was designed *(Appendix 4).* Due to geographical dispersion, the interviews were held via videoconferencing to aim for the closest resemblance of face-to-face interviews and increase time efficiency by eliminating travel time.

The population consisted of consultants, board members and institutional investors. Non-probability sampling was chosen for this research. More specifically, falling under the category of purposive sampling, judgement sampling was performed to help chose "subjects who are most advantageously placed or in the best position to provide the information required" (Sekaran and Bougie, 2016). The sample included opinion leaders such as institutional investors who are knowledgeable and provided experience-rich views on board set-up and its impact on company performance. With non-randomized sampling, chances of biases affecting the research process are increasing, therefore, the interviewer prioritized expertise relevance towards the research questions whilst selecting respondents in aim to mitigate selection bias (Salmons, 2015). After 8 interviews, data saturation was reached, and the researcher progressed with the analysis of the collected data

Data Analysis

The first step to exploring the results obtained through the data collection process was transcription of the interviews held. This was done in a selective way, rather than verbatim in order to increase readability (Azevedo et al., 2017). A primary systematic analysis of the content collected was done to get a first understanding of the content collected and a first coding (Appendix 5). In the coding process, a "to foresee" strategy was adapted, meaning the researcher prioritized data relevant to answering the research questions (Saldaña, 2014). In a second round of coding, the codes of each interview were compared, bundled and adjusted to create the final code and theme whilst ensuring that no content of the interviews was overlooked (Adams, 2015) (Appendix 6). Relationships between codes were identified and recorded by assigning codes and their corresponding ideas to the sub-research questions (Galletta, 2013). Themes were then identified and ideas under codes centralized to findings (Appendix 7).

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Limitations

The general nature of judgement sampling may disable the researcher from generalizing findings to the entire population. However, the study will aim to investigate and determine characteristics that will enable cross-case comparison and therefore increase general applicability to boards in various situations (Yin, 2015). Non-anonymous interviews may leave space for biases such as social desirability when answering certain questions. This will be mitigated through formulating non-suggestive questions and handling the information obtained with integrity (Sekaran and Bougie, 2016). Network restrictions and selection bias affected the geographical range of respondents selected (Adams, 2015). To mitigate the impact of those biases, experts with possibly opposing views were selected: board members, consultants, analysts, ESG experts as well as Investment Analysts. In general, qualitative data analysis is victim to the personal and subjective judgement of the researcher, however this can also benefit to identify underlying relevant ideas that might add to the research (Yin, 2015).

Addressing Ethical Issues

The interviews will be conducted undersigned *Data Consent* protecting the research participants. The content of the research will be shared upfront with the respondents in form of an overview over the asked questions highlighting that the participation on the research project is voluntary and the participant may withdraw at any time without obligation to explanation. The complete data collected will be stored on the researcher's hard drive and only excerpts relevant to the research will be included in the final *Company Project Report*. All information shared is of confidential nature and will be treated accordingly.

4. Findings

Interconnection

Upon analysis of the collected data, high interrelation between the codes and findings were identified and visualized in a flow diagram (Appendix 7). This will make answering the research questions and design of a solution equally harder and easier; Different variables of a board´s set-up will have a positive effect on each other when improved, however it is also hard to identify which steps should be taken first to improve a board´s set up and therefore increase its performance.

Full transcripts of all interviews as well as an overview over the codes can be found in Appendix 5.

ESG – Corporate Governance RQ 2 RQ 4

ESG is a future problem, that most boards are aware off, but lack the tools to start working on it, since "expertise on ESG is quite scarce" (3). Even though companies acknowledge the importance of the matter, strategies and reporting is often not yet in place and therefore the first step ESG consultants make in the process of supporting companies on their ESG journey (2). Creating a broad base of companies with written commitment on what to "do differently tomorrow in order to achieve a target in 8 years" (3) will help construct a database of "concrete examples" (3) on the impact of ESG strategy building.

A lack of uneven disclosure and data gaps toughen the ability to perform ESG cross- company comparison and benchmarking (1) (Sustainalytics, 2021). The smaller the company and the earlier the stage of strategy creation and reporting, the more qualitative rather than quantitative company data is available to analyze (2). This often diminishes the value of aiming to "score each company and […] compare them to each other" (ibid). Therefore, comparison should happen company-internal rather than seeking external benchmarking.

Beyond that, another company-intrinsic motivation factor to regard ESG issues is the investor´s perspective. Showing that your Governance structures enable capitalization on opportunities as well as stretching a safety net for adversity and challenges translates into an optimized risk score and company valuation: "I want to have proper company, or at least a high probability that the management or the whole company can react adequately to new challenges and new risks. […] That's what good governance means" (8).

Role of the board RQ 1 RQ 4

To assess a boards performance, its role needs to be defined first. Through supervisory, advisory and policy making actions, the board's agenda is to create and ensure long-term value of the company (3, 5, 6, 7). Through removing personal agendas, the board members should act in the interest of the company goals and "now prepare the results for 5 years from now" (7). A positive example for this can be the decision-making heuristics of family businesses, whose highest priority always remains long-term business vitality: "they are willing to take a short-term lower profit in order to create long term value" (3). Problems occur when board members are not concerned with the company´s goals and therefore are not "engaged" (6) in the board discussions to push forward.

Something to be careful about is board members tendencies to fall into executive actions rather than staying in their advisory and supervisory role: "There's sometimes big issues that board members or boards believe that they run the company, they don't" (7). Through sharing relevant experience, the board members specific expertise should be available in a rather ad hoc manner, creating a "lower threshold to bubble things up to the board" (2) and seek counsel (7).

Characteristics needed RQ 3

Resulting from the role of the board to be available in a rather ad hoc manner, it is apparent that this is more so possible in young and small companies. Especially in early-stage Ventures the board is focused on its advisory role through high approachability by the Management team (2). Either the investors themselves or senior employees of the investment firm are on the board to support the business through their network: "it's not like a quarterly: tell me how it's going, it's: Hey this relationship didn't go anywhere, is there someone else you can introduce me to?" (ibid). Capitalizing on the board member networks in the company´s interest is restricted to the overlap in networks of the board members (4) (5) (6) (8). Often, new roles are filled through connections of the board chair or other board members (ibid).

One of the most crucial traits for a board member to possess is "to see opportunities" (7), stay fresh and innovative (4) (5). When the board members are aware of the core business of the company but have the ability to think beyond the limits of that, new business areas can be identified. An example for this is introducing sleep programs in the insurance business, since "If someone sleeps badly today, maybe they have psychic problems? If you analyze that, then you recognize the people who are on the way to burnout" (7). This prevents higher potential future costs for the insurance company as well as strengthens the relationship with clients through communicating their purpose of "We want to be there for people when they're healthy, help keep them healthy, and when they get sick, what can we do to help them get better?" (ibid). Family businesses are generally very good in keeping the entrepreneurial spirit and open mind to new opportunities also throughout later stages of the company and along generations: "family-owned companies are also characterized by the fact that there's so entrepreneurial they just try new things. Just start doing things and that's that part of their success as well." (3). This enables them to continuously think outside the box, identify new business areas and stay innovative by capitalizing on developments such as digitalization and ESG (ibid).

A characteristic playing into the supervisory role of boards, is to hold each other accountable. By removing personal politics within the team and holding each other accountable to the boards purpose and tasks, the board members prevent deviation from the company´s goals (5) (7). Therethrough, inefficient behaviors and bottlenecks within the team can be identified and corrected as fast as possible. In Venture boards, this is practiced by having junior employees as board observers without a vote in discussions. This does not only help this person to gain insight and experience regarding board practices, but also holding the board members accountable by expressing their opinion (2).

A last and obvious skill that is sought after in board members, is ESG expertise. In line with the above identified future relevance of the ESG topics, also within people that qualify for becoming a board member ESG expertise is "quite scarce" (3). People with relevant experience and knowledge could help accelerate the process of boards and companies to implement ESG related changes and make adaptions to the company strategy (7).

Factors holding board performance back RQ 1 RQ 2 RQ 3

Throughout the data collection process, it was found that many problems in boards stem from the same destructive patterns, which are experienced in many boards independent from their stage in the company life cycle, industry and size.

The first and most prominent one is the often-found Ego of board members. Through many years of industry experience and success, often the sight of board members can be narrowed to their expertise (5). This can limit their acceptance of different views and make the board members less open to new approaches and overall momentum (4). This brings up the struggle of finding a balance of having members with a relevant amount of experience in crucial business areas but touchpoints with different fields to maintain openness towards different perspectives. Therefore, one should look for relevant knowledge when filling board positions regarding risk management and compliance whereas positions regarding the overall business strategy and HR can be balanced with people from other industries to keep pushing the board´s envelope (4).

Egocentric behavior and thinking patterns can lead to board members becoming comfortable and passive (1) (4) (5) (6) (7). This is often induced by not being held accountable, already being in a certain position for a long time, feeling detached from the business and its interest as well as only associating with people of similar views and opinions (ibid). Therefore, "positive tension" (6) is crucial to develop within a board dynamic to prevent passiveness and simultaneously maintain constructive conflict. This detachment from the companies interests and pushing other agendas comes when people are placed into board positions because of networks instead of having relevant experience to help with the company´s development. For example, in Germany it is still common practice that politicians sit on company´s boards whilst not having relevant experience or business understanding (8).

Group dynamics RQ 1 RQ 2 RQ 4

A rather unexpected finding in such a highly professional and business-oriented environment that a board represents, was that the intragroup dynamics have a significant impact on the board´s performance. It was identified by experts such as consultants as well as board chairs and members representative of practitioners that many concerns of boards come down to relationships.

A big part of business decisions and discussions take place outside of the official board meetings (5) (6); The state of the company comes up as a topic during a lunch or coffee and CEO´s are not being

appointed after applying but after getting noticed in the network of one or multiple board members and asked to come on board (6). One board member therefore described the board meetings as follows: "The board meetings should be more validation in a certain way" (6). This implies the difficulty in keeping the decisions of boards professional, since outside of official meetings, the environment is harder to control and personal as well as company interests might get mixed. A possible solution to this is transparency about outside meetings to keep communication going within the board and towards the chair in order to maintain trust (5). Because with trust comes collaboration and therethrough high quality decisions can be achieved (6).

Chair RQ 1 RQ 2

Connected to the importance of group dynamics stated above is the importance of the board´s chairman. Independent from the interview questions, consultants equally to board members pointed out the importance of the chairman´s qualities within the interviews (2) (5) (6) (7).

Especially the role of steering the just discussed group dynamics is a challenge to be faced by the chairman. Establishing trust and an environment where everyone feels respected and safe to voice their opinion will lead to a decrease in politics which often hinder open expression of deviating perspectives (6). Open and frank communication about the board matters and own opinions enable a constructive discussion and need to be steered by a person with good communication skills and ability to bring together the different communication styles of the individual members. It is not necessarily only on the board members to align their communication styles, but the chairman should be able to manage and bring them together (5) (6).

Summarizing, next to an overview over compliance, the chair is responsible for prioritizing the fostering of intra-team relationships next to the relationship with the Management team whilst keeping the company goals in mind and maintaining integrity and momentum for the progression towards them (5) (7) (8). Resulting from this trust, the chairman can encourage positive friction within the team to foster constructive discussion where different perspectives are being expressed, taken into account and merged into a decision taking a step towards the company´s goals.

Efficiency RQ 1 RQ 4

Already being touched on in the paragraphs above, it can be suggested that the board´s efficiency is connected to the group dynamics, chair performance and more. Moreover, it was found that efficiency is related to and tends to decrease with company size, regulation, maturity and group politics (4) (5) (6) (8). Also those factors are interrelated, for example increased board size increases the likelihood of personal politics which then leads to a milder expression of views and opinions due to a fear of friction. This decrease in transparency and honesty negatively affects the quality and speed of the board´s decision making process (ibid). Therefore, a board set up should always be aim to mitigate those factors in favor of efficiency.

Frequency of change RQ 3

Although very specific to the individual company´s situation, the majority of interviewees have stated that the regular 2-6 year rhythm of changing board members seems to be an agreeable average. The longer the time a member is onboard, the more consistency and therefore efficiency can be created, and long-term focus can be encouraged (3) (6). However, the risk for a loss in momentum and innovation is also higher (6). Small companies might require more frequent change due to them reaching different stages more quickly and for larger corporations it might make sense to stay longer due to decreased speed of change (5) (7).

Diversity RQ 2 RQ 4

The above stated challenges to desired board performance can be mitigated by including different forms of diversity in the board´s set up. 7 out of 8 interviewees agreed that task-related diversity, meaning relevant skills and knowledge to the company´s goals are to be sought after in board members; "It should be diverse but with a focus towards the needs of your company in order to move forward that to support your vision" (5). This implies that even though boards are mostly not actively seeking the discomfort of onboarding different people, they are aware of the benefits it brings (4) (5) (7). Aiming for inclusion of board members with connections to the newer generations of consumers and workers can help connect to those generations through deep understanding (5). The same applies to expansion into new markets and building new skills as a business: "We have to be more proactive in selling products. Banks are not good at selling" (4). Aiming to fill a team with people one might not agree with due to differences in perspectives, skills, opinion, communication style and knowledge will lead to constructive discussions outside the box bringing the company forward (3) (7) (8). Maximizing the chances of discovering differences and mitigating personal network and therefore selection bias can be external recruiters (7). Through "fishing in different ponds" (7), the envelope of the chair and company can be pushed in aim to make steps towards long-term company vitality.

5. Discussion

The data collection process confirmed the in the literature identified importance of Corporate Governance within the ESG framework and the impact of the boards decision-making process on all business areas, including ESG scoring (Sustainalytics, 2022) (1) (2) (3). Additionally, the interviews revealed how scarce ESG expertise still is in general and within board members (3). Building on the specificity of ESG matters to companies found by creating an understanding of the ESG scoring structure, the data collected took this even further; ESG matters and their weight in priorities of a business are so situational that one should not immediately aim to compare their business to others in terms of ESG performance, but reflect inward: Where is the company at regarding setting up a strategy and goals regarding ESG? After building a solid foundation of collection qualitative data and transforming them into measurable goals, one can start focusing on quantitative data reporting, analysis, and benchmarking (1) (2).

Regarding the role of the board, the core ideas of literature and findings are aligned; alongside policymaking, supervision and advisory functions the network a board brings is of high importance to the company (Hillman et al., 2009) (Zahra and Pearce, 1989) (Johnson et al., 1996) (2) (5) (7) (8). Especially the idea of the agency theory that advisory functions should be prioritized over monitoring was highlighted again during interviews, regarding the idolized function of young boards, where there is a "lower threshold to bubble things up to the board" (2) and seek counsel which should be strived after also in larger boards of more mature companies to increase approachability and momentum (7). However, the interviews opposed the views of the resource dependency theory that the more board members the better due to always expanding network and expertise. This does not take communication- and other bottlenecks into consideration, where the interviews showed that the board should aim to be as small as possible but as big as needed to comply to regulations to keep decision-making efficient.

Moving to the setup of the board, the interviews showed more so the importance of group dynamics within the team and therefore characteristics needed to support them. In the literature desired board member characteristics were only found in relation to fulfilling the desired overarching board function. Surprisingly, the interviews revealed how much personal agenda and egocentric thinking and behavior patterns are holding back the integrity for the company interests (1) (4) (5) (6) (7). Often it is not the characteristics and expertise per se that are lacking, but the right skills to capitalize on them. Here, a new factor was discovered as well; The importance of the chairman creating an environment for constructive conflict through his communication and relationship building skills (5) (7) (8). Through him ensuring momentum towards the company goals whilst fostering intra-team relationships, the board members do not necessarily have to have the same communication style but can be steered and managed by the chairman.

Moreover, the literature and interviewees agree on the fact that it is not always advantageous to strive for as many outside members as possible, just for the sake of bringing outside perspectives into play.

Where the literature states that there should be a lower ratio of inside directors the larger the corporation and the higher the proportion of debt, interviewees detached it from the company size (Soni, 2014). It was more so found that insiders should be placed in positions such as risk and compliance whilst outsiders are of advantage in the future-focused positions (4) (5) (7). Regarding diversity within the board members, where the literature still identified possible advantages of gender diversity, most interviewees valued the approach of "the real diversity" (5) in terms of company-relevant expertise and skills over surface level diversity such as gender diversity (Kanakriyah, 2021) (Vitolla et al., 2020).

6. Conclusions

How does board performance influence company performance?

Sub-Research Question 1

The board performance is primarily linked to the quality of decisions since they impact and steer the company´s future. A board's actions today determine its success in 5 and more years from now. However, when assessing the quality of decisions made by the board, the efficiency should be taken into consideration; There is a trade-off between the ease of coming to decisions and their quality achieved through thorough discussion.

This is where the chairman comes in: It is in the chairman´s responsibility to create an environment where different opinions are voiced, discussed and brought together to conclude the best possible decisions for the company´s future prosperity. This honest discourse can only happen when trust is established within the team by fostering the relationships whilst maintaining professionality and integrity towards the company interest. The chair brings everyone together, manages different communication styles and opinions on the team whilst embracing and encouraging them. A chair with those qualities will enable and navigate discussions leading to value-creating decisions.

How can diversity improve Corporate Governance?

Sub-Research Question 2

Diversity can improve Corporate Governance by enabling the board to push its own and the company´s envelope. When board members with company relevant knowledge and skills from different networks, industries and experience come together, the chances for identifying new potential and opportunities increase. Not only the company´s future will be more promising, but also present problems can be relativized or handled more efficiently (7). The diversity of people from one network is restricted by the similarity-attraction paradigm, wherethrough external recruiters or consciously seeking differences can help to "fish in different ponds" (7). The above-mentioned constructive discussions can only take place when significantly different opinions and views are being combined, rather than already agreeing people giving each other confirmation. Because boards tend to "not push hard enough" (5), seeking as much task-related diversity in board members as possible can help the board to get out of its comfort zone and adapt new dynamics through inducing "positive tension" (6).

How do the needs of a company change regarding board member characteristics along the company life cycle?

Sub-Research Question 3

Where young businesses develop faster and might require more frequent board member changes on the advised 2-6 year spectrum, it is beneficial for larger companies to keep board members on the longer end due to longer implementation and decision cycles. In early company stages, ad hoc approachability and counsel should be the main focus of the board alongside a solid trust basis with the CEO and management team. This dynamic should ideally be carried over to later business stages, even though more structure and monitoring functions are required. The more complex and regulated businesses are, the more important are insiders with industry expertise on risk and compliance. This should however not take away a board´s strive

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to stay fresh, innovative and approachable. Along the company life cycle and in different business situations, it should remain the biggest focus to continuously get outside advice and perspective through the board members. This will continuously enable "thinking outside the box" and unleashing the company´s future potential by identifying opportunities and mitigating threats.

The biggest challenge to this integrity towards the company interest are the personal egos of the board members. A lack of open mindedness towards new and different opinions and approaches hinders constructive conflict and induces a lack of active listening skills. Therefore, the efficiency and quality of decisions made by the board decrease. Intra-accountability within the board through the chair but also individual members is crucial to mitigate those risks. When constantly keeping each other to the company´s interest and role as board members, potential bottlenecks and egocentric behavior patterns can be identified and dealt with in an ad hoc manner. This makes awareness and integrity of the company needs a prerequisite for a board to function as desired and proposed.

How can the impact of board diversity on performance be measured?

Sub-Research Question 4

Even though not the most satisfying conclusion, it was found that initial steps in the ESG space should not include benchmarking and quantitative measurement. Even though this can and should be an end goal to strive for, many companies still need to start with the foundations of understanding their business ESG material issues, develop and communicate a strategy and goals. This will often and initially be based on rather qualitative than quantitative data due to data and measurement gaps.

However, internally and on a more qualitative basis businesses can assess their decision-making efficiency and quality as a result of a more diverse board set up as well as their hiring power. Being proactive in ESG issues especially at board level can have an effect of showing lead by example and therefore making one a more attractive employer. This can especially be helpful in industries with skilled-staff shortage and a competitive employment market.

How can a diverse board set-up improve the board decision making process in the financial services industry and therefore company performance?	**Main Research Question** Occupation-, network- and market-diversity can enhance the board-decision making process by providing and combining a multitude of perspectives. A maximum of resources, skills and knowledge increase the ability to identify and capitalize on new business opportunities alongside foreseeing and overcoming obstacles.

7. Solution Design

After considering the theoretical implications of the research, a practical solution for the industry is sought after to build on the insights attained and translate them into action. From the research, the barriers discovered fell within the set-up of the board. Even though acknowledging the benefits a task-diverse set-up brings, many boards are not seeking the own discomfort of onboarding from as far away from their own network as possible (8).

To address this problem, a board-level consultancy plan to assess and improve the board set-up according to the company´s needs was developed. As an independent source of information and advice, a consultant as an outsider can provide more detailed scrutiny of management- and board-provided information as individual board members or the chair might be able and willing to perform (Werther et al., 1995). Even tough board members might be honest and open in their communication about what there is to improve, an independent consultant will have an unbiased view on the company and board situation. The responsibility to identify and report the board´s weaknesses, potential and need for change whilst disregarding possible politics will therefore act as a catalyst to initiate incremental board development and provide the company with the tools to self-dependently foster continuous improvement (Slack et al., 2013) (Nave, 2002). To capitalize on those advantages, the consultant needs access to confidential company information and handle them with appropriate discretion and integrity (Werther et al., 1995).

A consulting plan was designed according to the core principles of change management, in order to maximize the chances of successful implementation. A 6-month consulting plan including 5 stages will create an understanding of the company situation and board requirements, assess, and evaluate the board-setup and introduce steps to improve in integrity towards the shareholder´s and company´s needs:

1. Observation/ initial assessment
2. Assessment
3. Analysis
4. Training& personal development plan for board members
5. Evaluation

In the first stage, the consultant will observe the board movements, meetings and members in their behaviors whilst getting to know the company in-depth. Alongside conversations with the Board chair

and Management team about the company situation, observations will help create an unbiased analysis of the company (Brissett et al., 2020) (for the template of step one, please refer to App. 12). A template was created for an external analysis according to the Porter´s Five Forces model to create a deep understanding of the industry and its developments as well as a framework for an internal analysis. Those insights will be then combined into a final SWOT table creating a holistic view on the environment in which the board is acting (Rice, 2022).

The second stage will translate the findings of the theoretical research implications into practice. A 3-part board assessment form encompassing Board Administrative, Board Diversity and Board Member Competence data creates an in-depth understanding of the board set-up, dynamics and efficiency (Appendix 10). In the first part about General Administrative information, key data about the board member positions, responsibilities and contracts as well as meetings is collected. The second part sheds light on the board composition itself through assessing the ratio between inside and outside board members, the team's occupation diversity, market diversity and network diversity (An, 2022). Hereby, concise explanation and context are given on the variables to support the consultant in understanding the implications of the research on the board set-up. See an impression on the form below and refer to Appendix 10 for all forms:

2. Board diversity

Variable/ *measurement*	**Company/ Board Status**	**Desired/ recommended**	**Deviation**
Ratio inside vs outside directors *Active in the company´s industry within the last 3 years* *(An, 2022)*	( ) members outside ( ) members inside (/) ratio outside/ inside Chairman ( )outside ( )inside	Look back to positions and who they are filled with Generally, aim for 80/20 – 60/40: ⇨ "Business maintenance" positions (e.g., compliance& risk) Present oriented *inside* ⇨ "Business innovation/ development" positions Future oriented *outside* Chairman: inside In regulated industries: - Compliance/Law inside Entrepreneurial/ Growth: ⇨ Experts in main business/ growth areas Maturity/ Decline: ⇨ Innovation position from outside industry	
Occupation diversity *For each board member:* - *Industry for majority of career* - *Industry last 5 years before joining the board* *(An, 2022)*		Based on above parameters: current challenges/ goals of company ⇨ Innovation needed: special focus on outside/ related industry knowledge to innovate ⇨ Internal problems to solve: Focus on insider industry expertise	

In the third form, the individual board member´s competences regarding firm-specific knowledge, general business& functional knowledge, board process knowledge, relational knowledge, competence related to personality, negotiation skills& integrity, accountability, approachability and ESG expertise are assessed (Huse, 2007). For an in-depth understanding of competences related to personality, creative thinking (Karwowski and Kaufman, 2017) (Oliveira et al., 2009), analytical thinking (Groothoff et al., 2008), critical thinking (Butler, 2012), energy mobilizing abilities, egocentrism (Frankenberger, 2000) (Scheier and Carver, 1985) (Enright et al., 1980) (Davis, 1983) (Davis, 1994) and growth mindset (Dweck, 2016) (Rammstedt et al., 2022) (Dweck et al., 1995) are assessed to understand the interpersonal relations and intra-team dynamics.

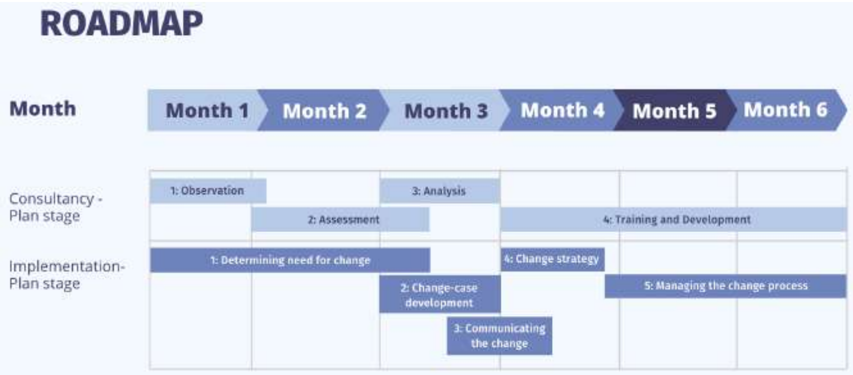
In the third stage, the consultant will analyze the findings of the assessment and set it into the in step 1 found context of the board to identify strengths and weaknesses within the set-up of the board. In this step, a ´template´ for which characteristics are to be prioritized among board members throughout the different stages is provided (Haney and Daly, 2014) (Appendix 9). Encapsulating the whole research story will present the research findings in an accessible and comprehensive way (Veitch et al., 2020). Here through, the consultant will discover gaps between the desired and current situation of the board and move on to step 4.

In step 4 the found gaps in board member characteristics are filled. Being company and situation specific, this can vary from advising the chair on a board-member change or replacement to training and development for individual members (Im et al., 2015). The consultant decides, whether the deficits to treat lie at knowledge, interpersonal/personality skills, or overall board diversity. Accordingly, a training/ change plan will be created and executed. For possible scenarios, please refer to App 12.

In step 5, the Change Management and Research cycle is concluded by measuring and evaluating the impact of the interventions. Please refer to Chapter 9 for a detailed description.

8. Implementation

In awareness of "many change initiatives fail[ing] to deliver" (Oakland and Tanner, 2007), in aim for successful implementation, execution and impact of the consulting plan change management theories have been taken into account to shape the implementation process mapping. Hereby an integrated approach has been taken, combining the ideas of the Change Management toolkit of the University of St Bath, the Procsi ADKAR model, and the Kotter 8 steps (University of Bath, 2022b) (University of Bath, 2022a) (Prosci Inc, 2022) (Kotter Inc., 2021).



The first step described by the St Barth framework is "Determining the need for change" (University of Bath, 2022b). This phase is covered by the first two steps of the consulting plan, where through a business and board analysis, the consultant gains a deep understanding of where in the board set-up is a need for change and why. This will create a sense of urgency and awareness for change (Prosci Inc, 2022) (Kotter Inc., 2021). In this stage, the consultant is preparing clear communication towards the stakeholders involved in the change, which will be involved from step 3 onwards.

The third phase of the consulting plan covers the second stage of St Barth´s toolkit where a case for change is created that includes opportunities and risks. In this step, through the analysis of assessments the scope of the change can be estimated (University of Bath, 2022b). The change management plan will be created, including the vision for the change, description of the guiding coalition and roadmap in preparation for the communication and introduction to the board members (Kotter, 2022).

Moving on to "communicating the vision for change" (University of Bath, 2022a), the board members will be informed about the change vision and roadmap in a focus group setting (Massey, 2011). Here through, the members will not only feel the urgency and desire for the change, but feel engaged and empowered to participate by contributing their ideas to the change plan (McKinsey, 2016). Intentionally, this will happen before the creation of the final plan and start of implementation to

facilitate feedback implementation and increase the sense of ownership for the change (University of Bath, 2022c).

In step four, the clear strategy and plan for change are created (ibid). The created trainings, development plans etc will be concisely assigned to a timeframe and roadmap. It is clearly defined why and how the changes will improve the board situation for each intervention. This will "foster understanding and conviction" (McKinsey, 2016) and create short-term wins along the way (Kotter, 1995). With conclusion of this stage, a successful implementation will be fully prepared and as many barriers diminishing success as possible will be removed (Kotter, 2022).

The last step described by St Barth as "managing the change process" (University of Bath, 2022c) encompasses full execution of the change plan. Being the most time intensive stage, it will provide the board members with the Knowledge and Ability to why and how the changes will contribute positively to the board performance (Prosci Inc, 2022). Close guidance, monitoring and reporting of the consultant in this stage will be crucial to keep accountability towards the plan ensure successful implementation (University of Bath, 2022c).

The last step of the consultancy plan, evaluation, will aim for internalizing and reinforcing change (Kotter Inc., 2021). Measurement of actual impact will prevent the guiding coalition to declare "victory too soon" (Kotter, 1995). The board members giving feedback on their personal experience with the interventions will strengthen the sense of ownership over the change. In combination with celebrating achievements in improvement of the board efficiency, this will create positive association with the change process and reinforce it (Cameron and Green, 2019).

9. Evaluation

As already elaborated above, the main source of evaluation will be a before and after assessment as well as focus groups (Barends and Rousseau, 2018). For the before and after assessment, all the previous assessment are performed again after 8-12 months. This will show, to which extent the interventions have impacted the board set-up. The results will be discussed in focus-groups with the board members to gain insight on their experience (McKinsey, 2016). Even though group-conformity bias will be a limiting factor, this method was chosen over individual interviews with the board members to strengthen the group bond and engage the board as a whole into the change process (Barends and Rousseau, 2018). Achievements can be celebrated and opportunities for further improvement discovered (Prosci Inc, 2022). Furthermore, the focus groups will provide further feedback on the intervention-quality and enable the consultant to make incremental improvements on the consultancy practices and handle client-satisfaction.

10. Stakeholders & Dissemination

The solution and implementation will cover all stakeholder groups differently:

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The research commissioner will be the executive of the consultancy plan and therefore receive the Company Project Report as in-depth background knowledge on the why and how of the plan. The encompassing materials visualizing the theoretical research implications will provide another means to look back at a compressed version of the research. The researcher will remain in close contact with the commissioner to update the materials for future use.

Institutional Investors

Institutional investors that contributed to the research will be provided with the supporting materials (visual presentation of the research findings) via e-mail and if desired a 20min virtual meeting will be hosted where the results of the research and action points are being explained in-depth by the researcher. This will enable the investors to make more informed investment decisions by assessing the set-up of company´s boards and its impact on ESG and overall firm performance.

Publicly listed companies

Multiple channels will reach publicly listed companies. Through either consulting practices of Sassen Consulting or information provided by institutional investors, companies may already get in touch with the research findings through the supporting materials. However, to make a conscious effort towards providing the research findings with as many companies as possible, a LinkedIn post will be created embedding the background and main outcomes of the study. This will enable a large spread of companies and individuals to be exposed to the research findings.

11. Reflection& Recommendations

Reporting is shaped by regulators and their definition of diversity remains the main determinant of company´s measures and actions regarding ESG. This study aimed to shift the focus from the surface-level and visible aspects of diversity to more sub-level nuances that make a team holistically diverse, supporting a multitude of perspectives that lead to improved decision-making. Acknowledging the importance of board behavior and the impact of task-diversity make a start to closing the research-gap on the benefits of sub-level diversity. The qualitative research method heavily relies on the honesty and expertise of interviewees. The solution implementation was given out of the researcher's hands and is dependent on the willingness of boards to employ the consultancy-services, decreasing the potential reach and impact of the research on stakeholders. Quantitative data collection on board member characteristics and observation of board-dynamics can validate the importance and impact of particular competences in different contexts. Especially industry-specific investigation on board needs and member characteristics can provide more specific guidance in optimizing a set-up. The long-term impact of a task-diverse board set up is still to be monitored and evaluated. Additionally, closer investigation of the relation between surface- and sublevel diversity could open up further opportunities to optimize board capabilities and range of perspectives.

Appendices

Appendix 1: ESG scoring structure

- **Material ESG issues** revolve around a topic or set of related topics, such as Human Capital, assessed on a subindustry level. Those include concerns that will influence the value of a company in a particular subindustry in a rather predictable manner based on the typical business model and environment.
- In contrast, **Idiosyncratic ESG Issues** are unrelated to the subindustry and mostly event-driven *´black swans´* that become Material issues specific to the company, not subindustry, when passing the threshold of Category 4 or 5

The two dimensions Exposure and Management assess the extent to which a company is exposed to the previously described material ESG risks and how well this exposure is managed. After determining unmanaged risk as the difference between a company´s exposure and its managed risk, the final risk rating score is calculated through "the sum of the individual material ESG issues´ unmanaged risk scores" (Sustainalytics, 2022).

Appendix 2: Social Loafing, Herd Preference

Social Loafing refers to decreased effort contributed by an individual, inhibiting the ability to initiate strategic action and resulting in a slower decision-making process (Dalton et al., 1999). Inefficiency and low-quality of decision-making can also stem from ***herd preference***, meaning that the directors´ opinions influence one another.

Appendix 3: Agency costs

- Monitoring costs are incurred by monitoring tools, such as incentives, preventing divergence of interests
- Bonding costs are those incited when preventing the agent from taking action against the principal´s interests
- Residual loss refers to the agent´s deviation from the welfare maximization goal

The total of those three costs represent the total agency costs (Vitolla et al., 2020).

Appendix 4: Interview Guidelines

Propositions:

1. Adequate corporate governance will not only have a direct positive impact on the governance score of a firm, but indirectly influence Sustainability and Social scores through adjusted company practices
2. Appropriate director turnover according to the company´s state and needs positively contributes to the company´s development
3. Long-term positive impact of diverse boards on company performance and development outweigh the agency costs induced

4. When directors possess strong communication and collaboration skills, group conflict and cohesion problems can be mitigated whilst advantages of diverse perspectives& resources can be utilized

Introduction

1. Thank interviewee for collaboration and help
2. Ask for permission to record
3. Short introduction about myself, background and purpose of research
4. Explain structure of the interview
    - Duration: ca 45 minutes
    - Background of interviewee
    - Their perception of current importance of board diversity& justification

Main Body

5. Go through content of interview
    - Get in-depth insights into
        - background of interviewee
        - ESG scoring
        - diverse board set ups
    - Semi-structured, thus be prepared to explore different angles than anticipated

Round-off

6. Summarize findings and invite interviewee to add any last points/perspectives
7. Ask for new contacts for possible further interviews
8. Offer to provide research findings once completed
9. Thank for taking the time
10. Greet goodbye

Appendix 5: Interview transcripts & Initial Coding

Trancript Interview 1:

Luca 0:00
Okay, great. So I also just send you the document with the questions. I don't know if you saw it already, but then you can maybe if it's more convenient for you simultaneously look at the questions as well. So maybe just for me to get like an understanding and maybe funnel the questions more down, you can tell me a little bit more about what you actually do across all the years of your experience, how your job has changed, and what you actually do with ESG?

Kellie 0:38
Hold on, let me open up your file. I'm going to close outlook just in case because sometimes the connectivity gets not great if I have too many things open. So now I have your folder. Yep. So, do you want background?

Luca 1:15
Yes, so for background just maybe where you come from and what you're doing at the moment with ESG.

Kellie 1:59
All right, my background is in terms of governance, and ESG. I started at a proxy advisory firm many, many years ago. And so, I've covered the broad range of governance and ESG topics through the shareholder voting perspective, primarily, but also company analysis. Prior to that, I was in corporate finance. So, I married those two components. I've spent most of my career on data research and advisory work, covering the broad range of topics. And that includes about eight and a half years at EY, Senator Center for Board matters, as well as to about two years at NASDAQ. And I joined Capital Group in January 2021.

Luca 2:56
Okay, and if you're, let's say your advisory actions is that more, let's say for EY or Capital Group for the companies they acquire and work with, or for the group's board itself?

Kellie 3:14
It's primarily for the board of corporate issuers. And in various select cases, it's also for institutional investors, including at the board level.

Luca 3:26
Okay. Oh, that's very interesting, because then it goes really more into what I'm also researching. So what over the years, maybe you can give me a quick insight, how you feel like or how do you experience that the ESG matters have changed and the importance of it? Because of course, it's getting more and more attention, and which topics maybe you find yourself working on a daily basis the most with because, of course, we hear, you know, especially us in university, it's a lot about sustainability. But for example, the governance part often kind of falls under the table. So, can you maybe give me a little bit of background about what you know what companies deal with in real life actually the most?

Kellie 4:20
Let me come to your question. You have a lot of questions there. Let me answer a couple. The first is the biggest change that I've seen over the last 15 to 20 years is that ESG has become more rich in terms of data use of data, use of benchmarking, it's become much more technical. It's always been very multidisciplinary, so lots of different specializations and disciplines are part of that. It's always covered a broad range of topics and one of the things I think is interesting about what you said is, there's depending on where you start in ESG, what kind of role or what specialization area, you might have this like this, this triangle, so we're from where I started it governance is at the top, and everything falls under that. And that includes other governance practices, but environmental and social considerations. So, for example, what a company does on climate is the responsibility of both the

board and the senior executives, right? Diversity is responsibility of the board and senior executives. So, everything comes from the top. If you start off in specialising in climate, climate math, climate terminology, identification of footprints, then that's the top of the triangle. And then G, the governance component is one of many different elements that you consider. And it's the governance of how a company manages climate, as opposed to governance at the top, covering everything. So, it's a little bit different. So, it's almost like your triangle start here. And then there's like other triangles below that, if you were to diagram it.

Luca 6:34
Yeah, that's very interesting, because that's actually also one of the reasons why I went for the G for governance in ESG. Because that was my train of thought: I was like, Well, yeah, of course, you have sustainability and social aspects. But it all kind of starts with the board, right? It's the board's responsibility. So however your company is set up, and how the decision making process of your company is set up, that will affect everything else naturally, right? So, if for me, it also just makes sense to start with, with the governance aspect there.

Kellie 7:10
If something good happens, it starts, the credit should be there, as well as the whole company. And if something bad happens, certainly the responsibility goes there as well. About your question about what areas or topics I focus on daily, I would say, daily changes all the time. But it really is everything. One of the things? Actually, if I didn't answer an earlier question some more. One of the things that's also changed over the years is that in connection with the increasing use of data, what I'm saying is historically separate E S and G considerations are increasingly converging. So, some examples would be traditionally compensation is a separate thing. You talk about TSR, connect that with the payouts, bonus structure, timing. But increasingly, we're starting to see use of ESG metrics and compensation. So that's one example of where the different pieces blend. Even within E and S, a lot of people will group those together. There also is a mix and a blend. One of my favorite examples, is the human right to clean water. Is that S? Or is that E? I think it's about 50-50 right? Because you need two components to make that work. So that is a blend. There are increasing questions in Europe, for example, about the auditor’s responsibility with respect to ESG related risks and assessments in terms of how they're looking at companies. That's another blend that is historically different. So, there's a lot of shifts that's happening. Now to go back to your question of what is my day to day job? Like, what do I tend to focus on? It really is everything, whether it's board composition, or compensation, various ESG considerations as well. It could be m&a it could be it's, it's, it feels like it's everything, but it also feels like everything is interconnected and related.

Luca 9:33
Yeah, for sure. Okay, thank you very much for giving me a little bit more insight into that. And then maybe, if we could go a little bit deeper into the board structure, because that is actually what I'm researching about. And I can give you a short background of what my standpoint with the research is. I started off with kind of board equality diversity that sort of topic and just wanted to read myself into it.

And then I quickly found, which was inspired by my commissioner Mr. Sassen. Because he's very good at asking why and why Okay, and why, but why do you hire women? Why should we hire women, you know, like a typical male finance guy, but I think it's great to push the boundaries as well and to force yourself to have have the proof there. And then I quickly realized as well, yeah, well, we do, it seems like we want to hire more women, because of certain attributes they have. And so should then the focus be on getting an equal spread of different beneficial characteristics into the board, rather than just focusing on male or female, because you could get, of course, maybe, let's say you want to hire a woman, because women are usually more risk averse, and to balance the risk taking in the decision making process. But you could, you could have bad luck, right and catch up. That's really risk taking and loves risk. So now, I kind of got to the stage of where I'm trying to figure out the perfect or somewhat perfect board setup, in relation to the characteristics needed by the board members. And I apply that to the company lifecycle, because of course, then you quickly very quickly come to the to the challenge? Well, it depends, you know, every company needs something else in every kind of situation. So, then I'm trying to apply to the company lifecycle to say, Okay, if a company's in this life stage, then probably, you know, if you're just about just about to start up, then you're you probably need board members that are maybe closer to the CEO, because they represent a lot of trust, that then goes away once a company grows, stuff like that. But that's why I very quickly got away from those relation oriented diversity topics, to more the underlying characteristics of diversity. So, I wanted to ask you how you see that in proportion to the typical ESG topics? Because at the end of the day, I guess you would still get the ESG score, not based on how, you know, characteristically diverse your board is, but do you have enough women and other minorities in your board or not? Right? So maybe the question, whether my research is kind of irrelevant? Because it's not applicable to ESG? If you know what I mean, because the scoring in the end? Well, if it doesn't take it into account, you know, then then it's also kind of useless, maybe.

Kellie 13:08
One question I have is, what literature and data are you currently using?

Luca 13:14
So, I've been just rounding off my literature review and now I'm going into interviews. So for the literature. I mainly or I focus on three topics, which is first trying to figure out the ESG ratings, the scoring, which was a little bit hard to be honest, to find examples there. So that's more generic. And then I went into two big, two big theories, which is the agency theory and the resource dependency theory, if you if you know that. So that was kind of my literature background. And then I tried to fit that to the modern picture of diversity and the firm lifecycle. So, it's kind of the firm lifecycle ESG rating, resource dependency theory and agency theory, which I've been trying to combine.

Kellie 14:10
I think it's really interesting. And where, I don't know if you've tried looking at certain data providers and asking what they might have available. The reason why I ask is, if you're talking about skills, which is what I which is how I think about task focused or task related diversity. You probably either

you yourself and a team would need to review lots of different boards and the biographies of each director and create your own matrix, or you would need to purchase that. You know, and I don't know folks might, companies might provide it for free given the academic research element, but third parties might be able to do that for you at scale, which can be also really helpful. The I think that one of the things, it's hard to figure out, I'm really interested in what you're doing. It's, as you say, very difficult to tell a clean story. Part of the challenge is aggregated ESG scores are generally not very useful. You need the under you need the underlying data. Because the composite reflects not just the mix of data, but also the weighting that is assigned to it. And that tends to be very organization specific based on what their preferences are. And that may or may not be adjusted for sector specific nuances of that would be important. Or, if you're looking specifically at diversity, you would probably want a different weighting of the different underlying components. So that is something I would recommend caution about. To your point about the different characteristic related. Diversity, one of the things that's very difficult, as you know, is disclosure is very, very uneven. The best or perhaps only available information is gender. And even that is communicated as a very binary approach in general. I don't know if you're focusing on specific markets, but in general, it's binary. And, in general, that's very limited.

Luca 17:12
If I might give a little question towards the ESG scoring, because you've just talked about it, and go a little bit deeper into that. Because exactly what I found is the weighting, you know, that across industries, across firms, wherever their focus lies, the focus or the weight of the ESG topics go as well. And then an assumption I made, because I didn't find enough data on it was that ,well, coming back to our triangle: For everyone Governance is important, right? So, it doesn't matter where whether you're in which industry you are working, but the governance structure and therefore, probably board setup, board structure board diversity will be of most relevance across the board kind of right?

Kellie 18:52
It I think it really depends on which organization you're getting the data from. For an example, of one organization may weigh diversity, quite high importance. Another might weigh independent board chairs. Really how I see more of the percentage of independence on the board. And for the US, it's a single board. It's not the management supervisory board they have in Germany. So, like, it can quite vary, or it might be some groups might have like 20 different. You know, they'll board tenure, auditor tenure compensation level of pay, like they might have 20 may have 50 may have many, many more data points. So, I think it's even more granular than that, in terms of how they might weigh specific topics. So, the short answer is, it depends. I don't know if there is a consistent way, my recommendation would be to go a layer or two down in terms of available data, and to use that as a key point of what your inputs are versus the score. So as an example, maybe, maybe you would look at percentage and number of women on a board, because you would need both because of the and then you even if you use that as a way to compare against task related diversity, one of the considerations you would need to take in is the depending on what market you're looking at, whether it's voluntary, or it's a hard rule, or it's a guidance, like is there a target? Is there a floor? Is there a quota, is there? Is it

voluntary? Or is it or is it compliant or x or explain because that will cause distortionary effects in what the research results are. If you stick cleat if you stick if you decide to progress, your research to stick to focus on task related diversity, one of the things I again depending on how you construct your data. One of the things I think you will find is that that certain companies where there are certain companies that are for so speaking for the US market, companies where there is more disclosure about skills tend to be companies that also have more diversity in terms of personal characteristics. These companies also will tend to have a greater focus on task related diversity. If I say in contrast, let's say 30 years ago, governance in the US, they tended to have to be predominantly male, they were predominantly older individuals like retired folks. They also tended to be former CEOs. What we've been seeing over the last two decades or so, definitely last 10 years, definitely last five or so, and more recent is a focus on more skills. So not the title, but the skills. So, A, if you consider a multinational, a huge, huge global multinational company. And if you look at their regional head of something, something business, that regional head is not as high up as the CEO, right. But they basically have CEO level experience. So, it depends. So, research firms and companies and boards are starting, I want to say about 5-10 years ago have started to pay more attention to functional task X skills, expertise. And so you're going to see that for the biggest companies focus on sales, marketing, customer engagement, operational supply chain, manufacturing, digitalization, things like that. So, you're going to see more of that. The more traditional companies you'll. Okay. I hope this is helpful in terms of how you're thinking about your project and designing it. But I am also I want to apologize, I think I'm not quite answering your question. It's on your list.

Luca 25:01
Oh, no, it's good, because it's, uh, I intended all my interviews to be semi structured anyways. But that was actually a very nice and helpful point that you made, because I was talking to a woman from Malaysia who advised the government actually on the board structures and board diversity. And she kind of said the same that on board level, when it comes to all the candidates, they're all so experienced that like everyone has, you know, 20 plus whatever years of, of experience, so then the small differences that will, you know, kind of set a character apart from everyone else, that is going to be the more nitty gritty skill level, instead of just the title, because everyone will have the title. And so that's very nice that you confirm kind of that line of thinking, and I think, personally makes the, the topic just even more important to tackle., But maybe if we can dive a little bit more into the board setup itself. So of course, again, generic, but it depends on every company. But in general, with your work, specifically, when you advise boards on the structure, what are most common, maybe not mistakes that are being made, but aspects that are being overseen or things that just continuously go wrong, where you kind of always have to fix and always have to consult on?

Kellie 26:50
So, I should, I probably neglected to focus on this in my introduction, which is that Capital Group, by work has a couple of components. One is proxy voting. One is engagement with companies, and the third is research. And so, it's kind of like similar work. The audience is slightly different. The functions are slightly different, but it's very similar. So, speaking to what I see here in this role, but

also in my previous roles, I think that boards are often challenged to stay fresh. It's on them to provide for a pipeline of us to do succession planning for the CEO, but also for themselves. And what I think, what a so most companies seem to be doing a pretty good job of changing, adding new people adding new perspectives. Or let me rephrase Most seem to be doing a good job of adding more people. So, there is always the right number of people to be meet certain regulatory requirements. The question I think, that the world has been trying to understand, especially over the last 10-12 years, is the extent to which a board can stay fresh. So, there's a difference between boards succession planning, like replacement, like one by one, versus refreshment as in pulling in new different ideas that will help a company continue to navigate change. So, what was the world like before Uber? What was the world like before? Airbnb before Facebook before Google? Like, do you remember that world? What happened was search engines? Like? That seems like a very small question, but that changes the whole work of a company. Right? Before cybersecurity threats, that changes the whole work of a big chunk of the company. So, our are Amazon is a great example, too, with a lot of the with a lot of retail moving online, that really changed the dynamics of consumer retail companies, the brick and mortar stores, right. So, the question is, are boards refreshing, as needed to help be valuable in terms of providing strategic oversight and guidance to management is I think a big question that is harder.

Luca 29:03
That is a very nice last word, thank you so much for your input.

Interview 2:

Luca 0:02

Welcome to the interview. First of all, again, thank you so much for taking the time. It's going to be around 30 minutes. I would just first quickly introduce my research for you and give a little bit of background to understand the context of our interview a little bit more. And then I'd like to ask you a little bit about your experience with Rizoma Ventures. Which experiences you've gained, and then go a little bit more specific into ESG and board diversity. So yeah, before we start, do you still have any questions? Did you have a look at the documents I sent you? Is everything clear?

Claire 0:52

Yes, I did. Yeah. I'm just wondering if you received the ethics form I signed. I sent it to you via HelloSign, which is just like online signing software. I think it wouldn't have come from me. It would come from like hello and hello sign or something like that I just did it like an hour ago so you might not have had the chance to see it

Luca 1:14

Okay well I'll check it later and if not I'll get back to you that's definitely not urgent. Okay well then great let's just start I'd say and jump right in. I'm basically researching about how a diverse board setup in financial services It can impact the board and company performance and ultimately lead to competitive advantage. And my goal with the research is to create an infographic about characteristics needed in the board throughout the company lifecycle so I'm going to go differentiate the different stages there. And provide that to institutional investors or investors in general to make more informed decisions about their investments. So, therefore the purpose of our interview would be that I get a little bit more insight into the early stages I would say of the company life cycle. Because you're working with VCs. So if you could specify and give some more insight into who your clients are?

Claire 2:20

I work a little bit with middle market private equity also but there's actually a surprising a lot of overlap with early stage VC so I'll try to be clear in my comments with today I'm speaking to you and I'd be very curious to hear how you've kind of categorized stages of the company life cycle.

Luca 2:40

Definitely we can jump into that later. Maybe to start with you can just give me a little bit of a background of who mainly are your clients? And also, yeah, with especially with VC, how early the stage are the clients you are working with?

Claire 3:06

Sure. Yeah. So, I work with private equity and venture capital, mostly early stage private equity. And then middle market. Sorry, early stage venture capital and middle market private equity. Early stage venture tends to be either very early, so like pre seed and seed yield on investors at the same time, see, but mostly series A and occasional, I think, early B. I have a like, pending project with a Series C

Company, but most of my work is like a prior on the private equity side, it's I used to think of it isn't a little bit more linear way. But I think they're kind of different types of companies. And the stages don't all line up in the same way. Or at least it's not all like all enter and then be public. Like there's even more overlap there. Which I hadn't realized before getting into this middle market private equity. And I don't know if there are words for the stages there other than middle market or lower middle market, they tend to be companies that are like 20, 30, 40, 50 employees; Maybe up to 100 but usually kind of several 10s different from venture capital, they tend to have been around for a longer time, right? They're like 10 or 20 year old company, but they're still pretty small and often led by the person who founded them. So, in that sense, there's actually quite a lot of similarity.

Luca 4:34

Okay. So then with those very small early stage companies, have you worked with the setting of boards then as well and supporting companies in doing so?

Claire 4:47

Somewhat, but actually for both of these stages the board is often very small so in venture attended to be at least one founder sometimes more or like an early exec or prior exec who maybe has rolled off and then a one or two, or maybe three investors. So, they're often a very small board. It's rare to see a board more than kind of five people and it's actually the same with the private equity firms I've worked with. So, it's often a founder to maybe a prior founder and then like two, often two people from the private equity firms. The difference being in venture there's often one or two investors from different firms and with the Private Equity in companies, because they take a control position, they take more seats. It is usually just one. The difference is that VC tends to have a broader kind of advisory board which is not a formal board but they're more a sort of ad hoc, sort of for specific things, connections. And I haven't seen that on the private equity side. They might have it but they don't like give it a name or so.

Luca 5:59

Okay, and then when you consult those clients or if you even help building those small boards, what are main characteristics? What is it that they need in order to survive those first stages which are super dynamic right? Setting up a company and kind of kick-starting everything. So, maybe you want to tell me a little bit about what you found?

Claire 6:38

I'd say that I have not been very involved with building boards. It's more part of the company review: I'll ask about how they put a board together, but I'm generally not asked to help build the board or to really help them think about how to change their board. So, it's much more observational and the folks are not looking for my help with that. Neither on the private equity side or the venture side. It has been a little bit more on like data collection and what your board already looks like and then yeah you know they can use that data how they want but um I´m generally not asked specifically to help change boards. So have a big caveat there like that's often done elsewhere, not with a consultant, it's probably

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done like with the investors and the founders directly or maybe the yeah, probably in that kind of interaction. What have I found on the private equity side, there is, in my experience like zero interest or not zero interest, but like zero consideration for diversity, right? It's, they're putting on a couple of people from the PE firm. Yeah, usually at least two and it's kind of like a senior partner, and then a more junior active person who can be on a day to day, it's often the senior person who has a lot of relevant industry experience. And then the junior person who again is sort of more operational day to day maybe is building that industry experience. So, for example, the private equity firm I work with, they have a pretty broad range of investments, they do a lot of kind of tech enabled consulting. But they also have a little bit of manufacturing. Like they have a couple of food companies. And they have one really senior guy who like ran a food company for a long time. So, he's on all those boards, but there's often, there's always like an associate or someone else from the PE firm on the board with him, if the associate happens to be female or whatever, great, but like that's not the primary consideration in any stretch. In the venture firm, I think they've been a little bit more, at least the firm I'm working with, Yaletown, has been more thoughtful and also because they're, their body of employees is a bit more diverse. So, it's often similar, right? So, you'll have like, the, what they call the deal lead in this in this company or whoever, like most senior person at the venture firm will often sit on the board, but then they'll have a board observer so someone who may not get a formal vote but who is there for all the discussions, participates in the discussions and will probably make their opinion clear even if they don't vote whenever things come to a vote. That is often sort of a like a junior partner or principal or kind of the next level down. I've seen so with the firm I work with, but they've also commented on the other investors who are also present on the boards right at the same companies because they're all generally minority investors. I've done similar things and it often happens that that second person might be a woman or someone who's basically not an older white guy or an older white person white male. I don't know how conscious that is I think it's also those firms like seeking to diversify their own body of employees. Who's sort of up for it when they are looking to kind of add an additional presence to the board or the shadow board as an observer.

Luca 10:16
So, if I understand correctly this senior-junior-dynamic is quite common. Have you experienced or do you observe any thresholds there might be because of like a perceived hierarchy? That you know for example the junior would always kind of commit to what the senior says which hinders effective decision making?

Claire 11:00
So again with the important caveat that I am not in those board meetings so I haven't observed them directly. From what I've seen or heard secondhand you know through emails or talking to one of those parties, uhm financial service in general is very hierarchical. So, I think the hierarchical nature of it I don't think is related to whether or not the person is female or a person of color or whatever. I think it's that's just how it is. And it really depends probably on the firm culture right and then like individual relationship between those two people. So, I'd say, yes, quite hierarchical but it's hard you know. They know each other, often these are small firms. Yaletown is like I don't know, maybe 25 people. But

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probably day to day more like under 20. So these folks know each other really well. They have like daily working relationships. So, you know, they're interacting with each other based on a whole host of previous interactions, not just like: Oh yeah, you're an older white guy I've never met before. Like, they know each other really well. So, it sounds functional, but I'm also not close enough to all of it for them to tell me everything.

Luca 12:09
Yeah, of course, I understand that. But actually, that's a very interesting point you brought up with the whole personal relationships that go on in between the boards. Because, especially I believe, the more you mature as a company, right, the more you're going to lose that. And the more maybe unpersonal and formal things will get compared to the earlier stages. So, maybe if we can dive a little bit deeper into that: Within those more personal teams, what kind of skills or characteristics would you say are still important for the individuals to have in order not to, you know, that let that be kind of a hurdle to them? So that, let's say if for example, everyone knows each other super well, then they might get hesitant to being open with each other about their decision making or their opinions because they, you know, don't want to offend anyone or something like that.

Claire 13:25
Yeah. So my understanding with these, certainly in the venture side, and probably on the PE side as well. It's not like a public company where it's extremely formal, right? There are long meetings, there's a lot of preparation before and like a lot of public disclosure etc. These are often monthly meetings and things, and like people will jump on the phone a lot faster if something happens because there isn't a requirement to disclose all of this because you don't have public shareholders but also the company moves a lot faster. There's a lower threshold to bubble things up to the board because the whole organization is much smaller and because part of the point having this kind of active, involved investor is for them to help you in the day to day businesses. They're not going to make sales for you, but hopefully they would make an introduction to someone who could be a great prospect or that kind of thing. So it's not like a quarterly tell me how it's going right it's "Hey this relationship didn't go anywhere, is there someone else you can introduce me to?" It's more, much more operational. Yeah, all this to say; I mean I think what kind of qualifies you to be on the board is like you're an employee at the investor firm. It's not separate from that right. I think if you're kind of senior enough for it to make sense like, they're not going to put an associate on it but they certainly could have been a principal on the board. I think in many firms, you have folks who have some sort of sector specialty.. SoSo, other venture firms will have: This is the partner who leads all the FinTech deals; This is a partner who leads all the GOV tech deals; This is the partner who leads all the health tech deals. And on those boards there's also a little bit of regional elements; So, Yaletown for example was spread across all of Canada. Another firm I'm thinking of also has people through the US. They're both pretty small firms they're like I said probably under 20 People. So there's a combination of like the sector expertise plus the regional elements, if it's a Vancouver company that the right partner is based in Montreal, like, maybe they'll have the Vancouver partner sit on the board. Yeah. No, honestly, with COVID, and how the pandemic pushed everything online, maybe that's changed, and that regional

considerations are much less relevant. And I wouldn't be surprised if that either was already the case before or like was confirmed in the last three years. Yeah, but I think it's, you know, same with private equity. I think there's a, there's a preference, like I said, the PE firm I work with has a couple of folks who are really investors, the folks who started at early investors, but the senior people they brought on are generally industry executives, right, who've run one or several big companies in a particular sector. So, like the manufacturing guy, or the food guy that I mentioned, he's kind of qualified to be on the board, because he's running big food companies, or you know, buying a small food company. And then the junior person is like, because they're the junior person, not the majority investor. And that's, I mean, the junior person, like the senior, the senior most junior person on the investment team and like, they need experience running, you know, sitting on boards, and this is how you get them that experience you like put them on the board for with guidance or whatever from a senior partner. So they figure it out.

Luca 17:11
That's very interesting. So maybe to just to close this off correctly. It is much more important to have really like hands on people in the in the high executive levels, maybe even board levels, to bring industry experience. And to have a team that is more tightly knit and can be more sort of ad hoc and on call, rather than for example, prioritizing a lot of outside members that can bring different perspectives and kind of outside experience but it's more about really compounding on your inside knowledge.

Claire 18:04
Yeah, yeah. An additional element to this is: So, this private equity firm has people in a number of categories. So, there's like the core team who's on folks who are on the investment team and some of those people have a history as investors and sometimes as executive. But they're on the core team. They´re employees full time. They also have a kind of floating network of like 10 or 20 or 40 People who are often prior executives and are essentially looking for the right company to buy to like make that person the CEO. Because they're like: Look, this person knows how to run this kind of company really well. We're interested in investing this company. Once we find one let´s see if this person wants to fit in. So I think there's space there for folks like those are technically outside people but they essentially already have been cited by the PE firm as like an executive to have run a company. But the industry experience is never optional, especially for those people, right? I think for folks, it's a little broader. And you're, you're not expecting them to necessarily have run a food company before, but to understand the financials too, like, to be learning that that part. But if you're bringing someone in to lead a company, then they essentially have to have an executive, corporate experience. Of course, on the venture side, I think you could be like, I think many of these senior partners are probably some combination. I'm thinking at Yaletown, it's a bit of a mix, you have folks who've always been investors, but maybe they've always been, again, health tech investors. So, they don't really like they've never run a health care company. But they've always invested in health care companies. So, they do have data and their experience as investors, even if it's not operational. And then you have a

couple of seniors, like some partners who are coming from industry, right, who did run a couple of companies and have become investors sort of later in their career.

Luca 20:08
Yeah, makes total sense. Then maybe we can use like five more minutes, just to quickly talk about ESG scoring, because I suppose with Rizoma Ventures, when you assess the ESG baseline of a portfolio, for example, maybe you can tell me a little bit more specifics about how you do that. How do you quantify those ESG aspects? Because, for example, I've been reading about the Yaletown questionnaire that you described on your website a little bit, if you can maybe give some more background on that, that would be great.

Claire 20:47
Sure. So, the questionnaire actually does not involve scoring. It's really, we have pushed it towards asking more questions that look for more quantitative data. But the aim is not necessarily to score every company and like compare them to each other. It's more to figure out in this like, where are you on this? Do you even know what ESG is? Are you open to it? Do you need help? Where do you need help?

Luca
I see.

Claire:
So, it was very qualitative, essentially trying to figure out where the founders or the executives, like if they were even open to a conversation and then if so, had they already done some work or do they need help? Or you know are they thinking about it in the product or more in their recruitment or like something else. Yeah, it's like very a true base line right it's not like what your performance baseline is it's like your mental baseline on ESG. This year it's changing because it's now the third or fourth time we run it and it changes a little bit every time to kind of follow like as Yaletown´s understanding of ESG progresses. But also the portfolio changes. Because since they made an investment in this company they also mature. So we're still not scoring but we have asked for more quantitative data which is a little bit less qualitative. More around like policy. You know we decided to ask for green house gas emissions numbers instead of trying to ask for the underlying data. So initially we said: “Well can you show us your utility bills” for example and we'll calculate some sort of rough estimate of your greenhouse gas emissions. But a lot of folks actually didn't have access to their utility bills because it's baked into the rent right, they rent a space. There's actually very few of the companies could give us that data. I´m getting off-track for your question. I'll just say that most of these do not have scoring. There is an assessment tool I developed. It's kind of for the private equity firm, it's actually for one of their portfolio companies. It is to do assessments of lower middle market companies so it's like they're both a target. So, they both sell into private equity but they're also owned by private equity and their whole product and service is essentially doing assessments for companies to see if they're a good fit for private equity investments. Most of our assessments have been around

software architecture or security operations. And there, we're essentially building out an ESG module because it's become part of what PE is looking for. So, there's a scoring system built in, but we essentially adapted the framework they already have. So, I didn't come up with a new scoring system. We said, okay, well, here are all the issues that matter. Depending on the company we are assessing, some of these are relevant, and some of them are not relevant. So don't score them. And then the system kind of spits out a score, like I've given weight to the underlying elements, but I wouldn't say that I like designed the system from scratch, we sort of adapted the one they have.

Luca 24:25
Yeah, makes sense. And because the Yaletown questionnaire sounded super interesting: What were broad kind of takeaways? Where do most companies maybe need the most help with? Maybe you want to share some of the results you noticed? Yeah, just some of your research findings there.

Claire 25:01
Yeah, we were both encouraged and discouraged to see that many companies are like, and this is, again, a little bit over a year old. I think we ran it in like the summer of 2021. Many companies were thinking about environmental and social impact, but didn't have anything formal happening, you know, kind of makes sense. Like some of these companies are five or eight people. Some of them were a couple of 100. So there, you'd expect a little bit more but so they all like really believed in it, if you will, right. Everyone thought that they were running like the right kind of ethical business, or certainly that was the aspiration. But they didn't have any way to prove it, and they couldn't show how they weren't gonna do it in any way. Right. It's very much like you know, it's just how we do business you're like, Oh, that's great. What if you get hit by a bus tomorrow? Like who's gonna know how you do business? Which, uh, you know, again, like priorities if you're eight people in a room and maybe you don't need to write everything down, but that's kind of the state right in which the PE firms were. The PE firms were really only just a step ahead of that. They were like 20, 30 people. They're like: Okay, well now we took in this private equity investment so we have cash to hire a lot more people were coming to. So, we need to have an employee handbook we can't just have this like email that we forward around to people so maybe the employee handbook needs to be a bit more formal. But they were also in that phase of like formalizing things and we need to think about like what is our ethos here? What is our culture and how do we write it down so the findings were similar in the sense like people are aligned you know most people didn't think it was bullshit, but they didn't have anything to show for it. So if we haven´t asked them… Yeah it's very much a data gap, but not necessarily like an intention or practice gap. You kind of have to take people at their word which is tough right and it's fine in the beginning, but you're like: you know it's relatively cheap to write things down so I would just write things down.

Luca 26:58
Right okay, so if I understand correctly it's more really about the kind of initial, fundamental Things of building a strategy establishing this you revision and writing it down and starting to make those first steps.

Claire:
Exactly.

Luca:
One last question quickly, I'm just looking at the time, I don't want steal too much from you. About the diversity aspect of ESG, which metrics and quantitative data did you request to assess the diversity, the governance aspect?

Claire 27:52
So, I put them in racial, gender and other forms of diversity. On the board and on the executive team. So racial and ethnic diversity and considerations will change from place to place, right? Canada has a different kind of, like attendee list. And if you fill out a list in Canada, the list is slightly different for what it looks like in the US and actually within the US it is also very different. If you look at like, federal data versus California has like 15 options. And then, you know, federal data has like five or six, and they don't always map to each other. So, you're like: What can I take more than one? Often you can take more than one, but then it makes the data complicated. So ethnic diversity, gender. And gender is usually more straightforward. But if once you get into the like things outside of male and female, it could actually be a longer list. So, you have to choose: Are you saying, Okay, well, non binary, which is like everyone other than male female? Or do you list all the like options under non binary? You want someone who's trans or like not that you want someone, but you want people to have the option to take this specific thing that they identify as. And then we also asked about other forms of diversity. So, like, if you're a veteran, from the armed forces in the US is kind of a relevant thing, because it's a specific type of experience. If you have a disability. We also put in an option for folks to tell us if they have people who self identify as like neurodiversity. So ,and that, again, is a very broad sort of stretchy term that's still gaining definition. So, it could be autism or ADHD, ADHD or like something else. And, and honestly, the data we got there was like, like there was almost nothing. It doesn't mean that there isn't anyone who thinks of themselves that way. But they didn't disclose it or the people they were working with don't know. So we kind of asked for a couple of like as many facets as we could think of understanding that like people may not want to share this information and it's not necessarily any of our business but if they're happy to share then we will collect it.

Luca:
Okay, considering the time, I will thank you very much for your answers and insights. It was really interesting to get to know more about your ESG consulting work with early stage businesses.

Claire:
Of course, no worries. I am excited to see the results of your research.

Interview 3:

Luca Lang 0:00
So really good. And then just to start off, maybe you can give me a little bit more background about your role specifically and who your clients are and how you help them with the ESG issues?

Renate 0:14
Yeah, well, I'm almost 26 years within PwC as a tax advisor primarily. Working with the family and businesses and wealthy families for many years as a tax advisor was part of the management board from 2018 up to this summer and I stepped into the global EEG leadership team, where we focus on how we can help our clients to transform to a more sustainable world. That's basically what it is about. What I do now with my clients is basically help them to preserve long term value of their company and their assets because it's most of the time family wealth, and to bring it from one generation to another in the most conscious way you can think of that's about tax but it's also about a lot of other things to be honest.

Luca Lang 1:22
Okay, and then in within the context of ESG there how does your How do ESG issues play a role there because I could now just think of maybe more sustainable investment strategies.

Renate 1:40
Yeah, I think that's right. But I think in principle family-owned companies are in their core purpose led values driven more than the more corporate organizations. So, you see that family owned businesses are predominantly focusing on long term value creation and really passing companies from one generation to another taking care of the people within the company that's most of the time and more about social currency than in listed companies. But they also take responsibility for the environment around this company. So you see that in the past, they funded that all kinds of charities around it, they funded the churches they funded the sport clubs. They also offer a lot of learning possibilities for young people to build skills, so they're quite blended in the environment where the company is from traditional, and I think now with all that's happening on the ESG landscape, that's the things they weren't doing become perhaps more and more formalized, more visible, because they are going to report at the end more about their impact than they did in the past. I think that's what's happening. But I think most of them are in their core purpose so you can take care of environments of people which are close by to those companies.

Luca Lang 3:21
And what size of companies are we are we talking about then which are your main clients?

Unknown Speaker 3:28
Is it a client's is really the high end of the market, so okay, if you can think of a big family run company that could be my client. So really high end, the top 100 family owned companies. Those are our clients and also the below that. My clients are really high in the market.

Luca Lang 3:56
okay. Meaning on their boards, and mostly it's the boards are family members, or how are those set up?

Unknown Speaker 4:07
You see, especially when you have that the second or the third generation there used to be a lot of times still family members within the board. When you see that the family company is more generations on their way. So 7,8,9 you see more and more non family members into the board. And so the role of the family will or might differ over years, as sometimes they go into the supervisory board or sometimes they even go back to being just shareholder. And a lot of the time the combination of this so you have family members who are in the board, you have family members who are working within the organization, that being in the board family members who might be a part of the supervisory boards, family members who are just shareholders and family members who are just nothing except family members.

Luca Lang 5:05
And throughout your experience, have you come to conclusion or experience something what is the ideal situation, for example, that you there should always be someone from the family at least involved with a company in order to really keep the connection there with the company?

Renate 5:25
I think it's great when there's someone from the family because he will breathe, family values. He is quite close connected to the rest of the family. Can build a bridge. But at the same time you have responsibility for a company, for your employees, for your suppliers, etc, etc. So the capability of leadership is important as well. So I need to choose between a family member non capable or non family member capable I would choose the last one. Actually you have a mix where you have people from the family capable with non family members capable as well but if complimentary, inclusivity that's the best.

Luca Lang 6:19
Okay. And then within this team that's very capable of bringing the company forward. Which characteristics would you see in in family members? I have heard a little bit about tradition and values and what then outsiders should bring into the board in terms of I guess, maybe innovation?

Renate 6:43
Yeah, that's the difference. Perhaps it's interesting yesterday, I had an interesting conversation: You have entrepreneurs and you have managers and I think that most of the time perhaps the family members are more entrepreneurial than professional management. But at the same time you need to balance especially the complex worlds we live today. Just entrepreneurial perhaps is not good enough anymore. So if you have a complementary team with entrepreneur skills people who try to dare to do

new things, but at the same time managing risk, drive more professionalism within your organization. So I think it shouldn't be complimentary. But I think most of the time the family brings the values, the culture, the entrepreneurial mindset, and management perhaps brings professionalism, professionalism, new capabilities, sector knowledge, etc. But to be complimentary, but I think I'm not sure whether the external members are also always so entrepreneurial. I think most of them are more managing that than entrepreneurs. And it's family owned companies are also characterized by the fact that there's so entrepreneurial they just try new things. Just start doing things and that's that part of their success as well.

Luca Lang 8:15
Oh, that's very interesting to hear, because you might as well think that because family businesses tried to keep the long term, you know, kind of get profitability of the company, that they would be a little bit more traditional and resistant to try new things. But that it's actually the other way around is very interesting.

Renate 8:36
What you see is that they've been conservative when it comes to lending money. So, they normally have a better balance than non-family run companies because they in the past they hate it to go to the bank to ask for money now that's for balance. So, they are taking care of that long term value but they are not so afraid. When the result is less than a year knowing when they invest in long term profitability, long term and short term value. But I think also that we did some research to innovation that you see that family owned companies are quite innovative. But it's not so formal in its processes, they just think okay, we can do this better. So they just thought, Okay, we need to electrify this vehicle so they just start to build an electrified vehicle but when you can do that within a list of property processes and procedures, you need to have a budget, it's all formalized, it's recorded about etcetera, etcetera, if you will, in the family, environment, people just do they take calculated risks. And perhaps it's not completely out of the box. So, there is risk conservativism and it's perhaps more product innovation. They're really disruptive innovation, but within that, they I think, I think they are more brave because they feel they are entrepreneurial they know how to market and they are willing to take a short term lower profit in order to create long term value.

Luca Lang 10:21
Okay. That's very interesting. It does make sense and then I'm on the board. When we are talking about having family members and outside members, how would you see the balance there because we talked about capabilities now. But let's say if we really break it down to numbers, if we have, let's say a board of six people, would you keep it relatively equal? 50-50. If you could choose, would you have

Renate 10:54
I don't have a pre opinion but I think it's good to have a group which is manageable. So the question is, okay, how big is the company? What are the dilemmas on the table and how big sheet of Derby to manage the company while at the same time being a team? I think it's about different capabilities, but

it's also about balancing between family and non family members. You only have an inclusive board if the family balance is not weighing out the wrong way. So for example, you saw that a lot of time in supervisory board that you have for family members in the supervisory board and to non family members. There is to basically have nothing to say because the four others decided or they don't feel free to say what they think. So you should have a more or less balanced environment where every voice matters,

Luca Lang 11:52
and probably even if the family members are less so let's say you would have two family members and four outsiders.

Luca Lang 12:45
And you already touched on the more managerial function of someone from outside so my next question would be, which characteristics and capabilities usually those family board members like then you need someone from outside to bring in would that be this more controlling managerial role? That is really strong in for example, legal compliance and, and those things?

Renate 13:15
Yeah, I think and now we make it quite black and white. These companies became great companies because they were quite entrepreneurial. They have a great network. They tried to do new things, but when being quite entrepreneurial that doesn't perceive me that you're actually the best. In setting the safeguard, maybe control, do the right reporting, etc. Normally you see that when you have quite a creative outgoing people it good to surround those people with people are more from structure, processes, governance, etc, etc. I think if you have any entrepreneurial family members in the board, they you will see that it's most of the time it's good to surround them with people bring more governance, structure control finance, to increase professionalism and to have those calculated risk really being calculated. So no surprises so say that you come in security I think this is such a big risk only we have we add new and it is perhaps more in control but it might also be new capability that which is not there in the family yet because it innovation whatever but I think that that entrepreneurial part, most time comes out of the family.

Luca Lang 14:48
Yeah. Makes sense. And so maybe if we can close the topic of the characteristics, and I could just ask you, one more question about when you initially scan or analyze a business that you're going to consult and help with, how do you measure the level where they're at in their ESG journey to have kind of the starting point?

Renate 15:17
Yeah, we what we tried to do here we have some methodology but you see, you look in how where they are their strategy and vision. Did they include something? Are they in the reporting because there you get a sense on how real it is? And then you have a conversation and then you can plot them okay,

but where are you and then you can benchmark them with others as well. Most companies are not so far yet, to be honest. And that's the family environment. I think in the corporate environment. This is saying, you see a lot of sbti commitment, but the question is okay, what did they really do differently this year than last year? Mitigating the carbon emissions. They will do some things of fuel but really transforming into a carbon free economy or understanding what the impact of climate change is on the resilience of your company. Most of the companies are far away from that yet and making different decisions than they would have done a year ago because an athlete's compensation yesterday or the day before, where you say okay, let's be to target in 2030. But for most of us, 8 years is a hell of a way, long time away. So what are you going to do differently tomorrow in order to achieve a target in 8 years? And it's not your personal target a basic more complex, but it's the target of your organization and basically you need to make every decision which you make in an organization should be put to that same. I said that same question. Okay. I just contributed forward to carbon emission economy. We're not there yet. To be honest, and I think a lot of organizations are not there yet. I think we should bring this ESG more into the core of the business and better understand what's the real impact on my long term value creation in my organization. And, yes, I think that family and companies are moving in that direction. We have some great examples in front of me and business are really moving forward. But at the same time, what you also see in order to report, in order to understand these centers in order to grab the data you need to understand where you are and then you need expertise. Expertise on ESG is quite scarce. So that's not available most of the time for family companies. That was a conversation I had as well earlier. This year. I was in the webinar of Brussels and so we talk a lot about what's needed. But we should talk more on how to achieve it together. And how we could help these companies to move in that direction,

Luca Lang 18:48
Bringing in that entrepreneurial spirit and yet to think about okay, what can what can we do and how can you start now to actually make it happen.

Unknown Speaker 18:55
Yes, need to help them in that way of thinking, Okay, what do we could restart? What kind of expertise do you need? Yeah.

Luca Lang 19:03
And how would you then I incentivize kind of this or help companies and your clients understand that there is the urgency to do something, maybe especially in the in the social and then a governance, let's say diversity aspect, because sustainability, climate wise is probably quite easy to put into numbers and make tangible right but those more soft sided shows opponent, truly agree.

Renate 19:32
If you look at it, for example, I think it's a business case to have an inclusive team. But in order to have people appreciate that, you need to give them live examples where you are showing the difference when you have a more inclusive team are exempt from a climate inspector when he

perspective you see in the meantime, good companies perform better when they are more ESG proofed. The first proof is over there. I also think of some great examples of the way you work with an inclusive team, the outcome you receive as a team is better than when you have not an inclusivity, but you need to make you need to show them quite concrete examples of what it might offer them. And what I also think in this, I think more appreciation with a lot of companies in the world for talent we are today. The more inclusive the organization is the more aware your organization is on their impacts on the environment on people and be transparent on your success but also transparent where it's difficult. That makes you a more attractive employer. And I think that family owned companies really are more attractive employers compared to a lot of corporates until a certain level because what you see at the end currently, a lot of time you're not able to really grow to a certain ceiling due to the fact that our family members in the board, but up to that certain level family owned company is based on its culture based on the values is a really attractive employer. Yeah. So, but they need to talk a little bit more and tell better what they do and show how they try to be as inclusive as possible.

Luca Lang 21:29
And because you told me about which it, the research you've done that shows that actually as an inclusive company, you will perform better. What were the measures and variables for inclusivity there?

Renate 21:46
Once we have done in the beginning of the COVID periods we wanted or basically before the COVID spirit he wants to develop a personal province with desperate for all our people because we said okay if you need to have six times people every day make a different decision. This is about traveling we need to give them insight of the impact of the travel decisions. So when I came with my car today, I have carbon emission. Well, if I would have stayed at home, there was less carbon emissions and that decision has an impact. And it's the beginning of the period. We wanted to develop the tool but it was never visibility within the organization. We just said okay, let's open a call like this with eight people across the organization different capabilities from Board of Management up to the youngest employee, but where I felt okay, perhaps you could contribute and we said okay, this is what we aim for. How can you contribute and we had that conversation every week. Okay, but you think we need this capability, okay, then we invite that girl or that boy to report and we just went along. And after a few months, we had a personal carbon footprint dashboard. So everybody would be of significance. Now you can see it quite attractive way the impact of the travel decisions and compared to last year compared to the whole organization but also on an engagement level for clients so we can work with clients. Okay, last time the carbon footprint of our assignments was A and we measured this year again. But the way we build that made me realize that because of the fact we brought people together, who would normally not work together in a different setting in a culture where every voice matters, we developed something we would never been able to develop in the time and cetera, et cetera, like we did today. So we try to copy a skill that and then every time you saw when you bring people together with different backgrounds with different expertise with different levels of experience within an organization, you give them a clear Northstar. Something really beautiful happens and that's only the

outcome is interesting. But also the working experience for the people is really interesting because they work in a different way together and that's what me make believe that includes 15 So basically invite people are not a copy of myself but are different from myself make the things I do better, because they are complementary to what I might enter this and there's one interesting conversation as well that I think, Okay, I'm quite yellow so I always need to be surrounded with blue people can build structure process etc. around me. And if I have 20 copies of myself, you will have a lot of fun, but there will be no structure and I think but it's good to have examples and show what it would mean to be inclusive but we don't have enough to be honest, because it's not so easy to build a real inclusive team where it's okay to be yourself.

Luca Lang 25:09
Yeah, this is beautiful because it's actually the also the approach I'd take with my research. I started from a diversity aspect and then quite quickly came to the conclusion Well, if we only strive for the relation oriented diversity, which is age, gender, etc then you will probably not get to the result where we want to get. So let's take another approach and look at the underlying layer of what are your strengths characteristics, what can you do well, where are you not so good at and then bring those people together?

Renate 25:50
Let me put something extra to it because also interesting and that's the thing is that we said okay, but what's beyond your LinkedIn profile because your LinkedIn profile you see where your go where they are to your education is etc, etc. Then you find sometimes some of your capabilities, but what's also interesting, for example, in a consulting firm like ours is when I work on a project on biodiversity spread interest for me to work with people who love to be in the nature in the weekends, who really love birds, etc, etc. If I work on the change management project, I need people who know all kinds of gamification skills. So then I need that guy who's playing on the PlayStation all weekend. I can't see that in his LinkedIn profile most of the time, I don't know. And when I work on the side for in a hospital where we work on the quality of care as medicine, I need that guy who is firmly terminally ill and can tell me how important it is to be taken care of in the hospital. So the higher the back package you bring from a personal experience and the personal your history and everything you have been through in life. Give something unique to the team. That's really building an inclusive organization and unlock that potential that victory, right?

Luca Lang 27:14
Yeah, this is an amazing different conversation. About okay, and how can we achieve that now? How can you even faster try to get to know your people because probably that's something you want to achieve within the hiring process, right?

Renate 27:29
We are testing that, currently. We say, okay, it's best here, perhaps working as a kind of Facebook, but then within your organization, where you've tried to come beyond that LinkedIn profile to connect

people. So when you're in a department where you have the same capabilities, but different personal interests there, you might be alone as well, and how to connect with someone who has the same personal interest but this within a different department and the different capabilities, but also getting better insight where that personal interest is we hope to come beyond that LinkedIn profile and also just be interesting, the people in your team.

Interview 4:
Luca Lang 0:00
Are there any other factors than the company life cycle, which you consider important variables?

Franz 0:03
Actually, I served on probably the most extreme ones. Württembergische is a very traditional german company, right. But also other ones I served. But basically the differences between corporations, large corporations and smaller companies or startup. Then there's another differentiator. That is, is it a regulated small company or startup or is it not regulated. Let´s touch on that later, because before joining SEBA, I've worked in a company also a Swiss company is four times the size of SEBA but only two executive executive committee members. And you raise the question, why are we so many? It is because of regulation.

Luca Lang 0:57
Okay, Does that have to do as well with the banking license? Do the regulations increase some of that?

Franz 1:09
That is what I mean with regulation. If you receive a financial services license, you have to have certain roles. Okay. Okay. That's the extreme case like last year I had two, for a relatively midsize company. And at the moment I have ten.

Luca Lang 1:39
Thank you so much. That's already a good variable. I will take into consideration for the future for my research because my goal is actually with my research commissioner. He's a consultant. And my goal is to create an infographic along the lifecycle of a company and how the board characteristics should change in order to cater to the needs to enable investors to make more informed investment decisions in the future. So, I think the regulation part is a very interesting aspect to take into consideration there as well because that will change everything as well. But yeah, okay, then let me just come to my first questions and also a little bit more of the context of the interview. After four years of operations now in SEBA, where is it? Where are you in the company development because I read about that the level C funding is complete, that you're scaling up quite quickly and so what are what are the next business steps? Where would you put SEBA in the company lifecycle or journey development.

Franz 2:52
So, the big next step will be to scale the company on a global level as we started in Switzerland, very Swiss oriented as received the Swiss license. As well, there's a very simple logic in those companies. If you're a regulated player that you are faced with a certain complexity and costs, because you have to imagine we are 120 people, but we are treated like UBS does not make a lot of right or differences, a few but not a lot. That means the company has to fulfill everything. And therefore we have to create like structures and also people are the answer. That means companies are faced with a high cost. Yeah, so regulated companies are just faced with a very high cost. In not regulated startups, you're trying to

become lean, being slim, etc. and we can't in certain positions because we have such a high cost. The launch I guess it's always the same. I did it three times, right. It's you know, you have to grow like crazy. Yeah. And then it's about growth. Where can you go in estimate business in Switzerland, but obviously around the world, because you need a lot of revenues to compensate the cost to face. Very simple logic again. Global scale.

Luca 4:52
That's been very interesting. Okay, so then let's dive deeper into the board setup because going hand in hand with that, are going along with the fact that you're now rapidly expanding. Does that change the dynamic of the board and the challenges the board is facing and how?

Franz 5:48
Yes. So, this new phase of the company will definitely lead to changes in the board. We also have developed a new board. This has already led to first change in the board, but more to come here. One simple thing is if you want to scale globally, our focus is Asia. Somebody from Asia shouldn't be part of the boards. Because otherwise you're not becoming a truly global company. This is one step we're making within the next weeks or months. Okay, my board what you can see on the internet will change over time on chain change has already been formed others will come within the next four months.

Luca 6:41
And is the focus there on growing the board or exchanging members of the board?

Franz 6:48
No, the size is already big enough that comes with the regulation because in banking, you have first level positions at second and third level. And for example, you of course have the CFO but you have to have a head of risk management, legal and compliance etc. So those functions are set in stone right? And then our first level, what we want to do is you know, divide our world into Asia and also India, Europe, Middle East and Africa. These are the two main regions and we have like two I call them chief client offices, those regions, because, as I said before, we don't grow on a local basis and the other thing is detected we are not just not good enough around products. That we will soon introduce. Product chief.

Luca 7:53
So, you're trying to adapt the product there in order to get to global expansion. That's makes sense.

Franz 8:01
There's also based on our new strategy, right? We have to be more proactive. In selling products. Banks re not good at selling. To develop the right products, of course, sounds simple, but we were just not good enough. And the global expansion.

Luca 8:24
That actually would have been a more personal question of interest from my side as well. Because you are taking such a new and innovative approach with SEBA which, by the way, congratulations. I think it's an amazing concept. And how you want to bring that to the new generation because probably banks are generally, I would say, bad at selling to young people. But also, this the new generation and the younger generation is probably more attracted to the whole web three thing and more open to it. So how you would in your strategy include targeting exactly this market?

Franz 9:13
You know, you have to understand that we are an institutional player. We're not doing any retail business. Yeah. Our customers are high net worth individuals upwards. Okay. Differentiated customer groups, the more traditional financial customer, but actually investor has made a lot of money, probably has a couple of 100 Millions and wants to invest. One, two 3% into crypto. Yeah, those guys are very often not that young.

Luca 9:47
Yeah. I see.

Franz 9:49
And on the other side, it's the crypto natives. Here we have to deal with young people because there are some people are in their late 20s or early 30s. Who started crypto 10 years ago, have now a billion, crazy cool guys, and therefore we need to do this, too. Very different targets. But no retail. So probably the second target because the crypto natives they know everything around that symbol but further investment. Especially because we are only doing like people institutional retail business.

Luca 10:42
Okay. So more the other way around the you are not trying to catch people with the with the idea of web three and crypto but for the people that basically just need to invest their money you're bringing this new idea into it and bringing it to the people that are not used to it yet.

Franz 11:02
Yeah, that first target financial investors Yeah. Like insights and research have a lot of questions. Of course. We do quite some research for them, explain, etc. The second time does not need that at all. Yeah, they know everything and probably even better than us.

Luca 11:24
Okay, but coming back to the board then how much is with this specific board? How high would you value the industry experience on the board?

Franz 12:23

Industry experience. What I found when I started six months ago, it is a story that's ever has been built by bankers if you could, and now you can say they have like tons of industry experience decades right. And probably that helped to get this license because only two companies in the world have to its license. We are just that was probably very helpful to start the whole thing. Everybody believes that they know everything around banking, right? And they are very trustworthy. However, over time, this has become a challenge because they created is a more of a private bank, but SEBA needs to become a FinTech company. And what we need this probably less industry experience, but the right talents more tech capabilities for more product development capabilities. And actually, I'm looking for people outside of the industry. That just with the other way around. Younger people with a diverse experience. I'm not hiring people with 30 years in banking anymore. Just the other way. For example, by use the CTO that chat just started last week is based experiences in media and motorbike racing. The right the big, you know, global companies, some banking, startup experience, and a lot of other companies that he's from Spain.

Luca 14:27
That makes also a lot of sense. So that brings me to my next question. How should the ratio of industry insiders and outsiders be an independent members. If I understand correctly, what you said now, it is very important to bring in this outside perspective in order to think outside the box and bring the company forward. In this crucial state where it's at.

Franz 15:11
Let me answer your question. It really depends. I told you about first time and symptoms, right, etc functions, right? What do you need? For example, if you take a CFO, chief risk officer and head of compliance, you definitely need tons of banking experience. Yeah. That second line, right. First line is the other way or in other functions. As I said, CTO, I really need the right talent. tech guy I don't know if somebody can find them in Becky, right, because they just decided to go for a more young guy with a lot of experience in different industries. Same for example, in sales, you know, banking is truly that in most areas pretty bad in selling different to insurance for us. So, on the service side, we're looking for what we call hunters, and we have a discussion. If we can find better hunters outside backings. So ,it really depends in certain functions you definitely need like top banking experts.

Luca 16:43
So to answer the question, more specifically, how the ratio should be of industry insiders and outsiders, it the majority should come from inside because there's just so many things but then to bring in this this little bit of perspective and push towards innovation, it is also helpful to have someone more talent focused from outside industries.

Franz 17:14
Maybe 20-80. Do you belong in banking? No. Yeah. But I welcome everybody has some experience outside banking. Bring that fresh perspective.

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Luca 17:28
How has that changed now, in comparison to the Württembergische, for example, to the insurance business? Is it they're also helpful to have a people from the outside or is insurance as a business just so traditional? That basically you just need people with tons of industry experience on the board?

Franz 17:57
It's not so different. Certain functions definitely require industry experts. But more client facing function don´t. I will not have a problem with bringing in talent that will actually help us.

Luca 18:22
Okay, and then have you either in the Württembergische or the SEBA experience with characteristics within the board members that actually hindered the innovation and bringing the company forward?

Franz 18:56
Probably age. It is always a combination of age and corporate culture. That people had like a career in a certain big corporation, the insurance company or bank. I consider that as a problem, right? Because they only understand how corporations are doing that. They are kind of tight to the you know, the things they've ever done in a certain way. So, I think this is my expectation that baking is an insurance banking they are used to spending more money. And I'm thinking though, you know, if you transfer people into also smaller companies that just used to spend a lot of money to get the things by the smaller companies, you have to just find your way yourself. In a limited production. But those guys, corporates per year are sometimes not for free innovation.

Luca 20:15
And can that then let's say in a stage where innovation is not per se needed, but it's about maintaining the cash cow, for example, of the company, that then this would change and you would kind of accept that flaw of a person, but just because they have this ton of experience. They know how things are used to be done, that you would still keep them because they know how it's done and they can maintain quite well.

Franz 20:47
It really depends. You mentioned the cash cow. This is a problem we are facing very often. If you have a certain element in the company that is a cash cow, then it's a very big decision what to do just know prevent what you have in the cash cow or in parallel setting up new structures from it. And what we've experienced, obviously, what you can do is, you know, have your experience people working with in the traditional areas, you know, working with the cash cows of the state, but if you want to set up new structures or new business models that's about outside of the corporate structures. Otherwise, how would that work?

Luca 21:37

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That is of course not. Yeah, okay. That is, of course, no more foundational discussion to say, Well, is there ever a place in a company where you do not need innovation?

Franz 21:57
Yeah, that's that's a big discussion, actually, you know, think of insurance companies. There's not much innovation right? Because the customer of the insurance company, you know, this product is difficult to get the customer does not really understand it. It is too complex, is logic not like an Apple iPhone. We just learned to live with it. And he's super lazy and just basically takes whatever is offered. There's just so much pressure on the insurance company today, especially in Switzerland a bit more intuitive where we have certain like price challenges. But it's Switzerland. It's crazy, right? It's just yeah, it's just an environment where insurance companies do can afford to be not as crazy as that.

Luca 23:05
Yeah. The question is for how long so I'm maybe that will change.

Franz 23:11
You know, that discussion started 30 years ago. It McKinsey in the 80s that told every insurance manager to be careful. Insurance companies from abroad will enter the market and you´re dead. Nothing happened, and they are you know, referencing them all the time. I hear that today, you know, so they're pretty resistance, resistant to change and they can kind of afford it. There's no real disruptions and yeah, it just interesting.

Luca 23:48
Let´s just come to the last question. How does frequent renewal or change of board members help with that innovation process? And what would you of course, it depends, it always depends, but on average, like a like a rule of thumb, how frequently would you would you change Exchange Board members or bring new people on board?

Franz 24:17
I am not a big fan of frequently changing the team. The recruiting process is kind of artificial process. In both sides of behaving differently. Yeah, it's hard to find people, but hopefully after I found the right people, that didn't work for quite some time I think of yours. changes all the time in boards that does not make sense. A couple of years, and therefore the contracts in Germany are for 5 years.

Luca 25:08
Yeah. Yeah, and then probably with the if you get more frequent kind of the costs of building a new team getting into the dynamic, gaining this experience you've just stated outweigh the benefit of having your perspectives and your talent. So, it certainly does make sense to kind of keep watch there.

Franz
Exactly.

Interview 5:
Luca Lang 0:58
Okay, so just to start, maybe you can give me a little bit of a background on in your career. So far, in which context you've had touchpoints with company boards, you know, for example, I don't know I'm at Westbridge are HG

Joep 1:15
With Westbridge I had most interaction with boards, obviously I had my West Bridge board which was quarterly that we met are relatively small board with three people from my committee and three people from representing shareholders, investors. And then at the same time, I was also chairing a board to EMEA IHG Owners Association, where I chaired. I was the chairman of the board and then I was for that was for two years. And for six years, I was a member of the global board of the Owners Association, which had quarterly meetings, some others as well, but basically quarterly board meetings. And then twice a year we also met with the IHG board. Basically the IHG executive committee and the chairman of the board during those years so I have relatively large experience with boards over those eight years it was in the reason. Recently with Radisson less, because I deal with the executive committee. Basically, we have Chinese board owners and that's done on CEO and CFO level. So we provide information but otherwise, that's also relatively well for Chinese firms. Small board.

Luca Lang 2:39
Okay, yeah, that would be my next question. How big were the boards the individual boards that you were on?

Joep 2:46
So the Westbridge board, we have like I said was six people in total. Although we must say that if you take it as a board it was four people because my CFO and CMO when not a CCO, were not board members as such, but word every board meeting with their management team. So it depends how you add the numbers up with the IHG Owners Association board I think about 10 people each board roughly Yeah. Yeah, something like that. Around 10 people do up maybe a little bit. No, 10 roughly 10 because it's a good representation of the chairman of each region. So we have DACH region we had UK we have Italy so that was around 10. And in the global boards we were six plus the past chairman 8 board members are in that one. And then Admin staff.

Luca Lang 3:52
And how was your experience with the different sizes? Did you notice that for example, in the in the larger board, so decision making process was a little bit longer because you had to, you know, get more perspectives into the discussion?

Joep 4:08

The very significant difference because one was a corporate board. So the Westbridge business model p&l, the other one is an association. Yeah, so any association they also have a p&l but it's nobody really cares. Yeah, as long as the budget is not overwritten, but you're not creating revenues, you know, there to make a profit. It´s all about do you get the memberships and then does it work with the cost, but it was about influencing the brand, in that case IHG and getting more owners on board to interact with. So you have totally different so the association board was a lot slower. Because you have more people, but also because it's an association. I see a lot more: What do you think? What do you think? Oh, nice to each other. That isn't a normal board. You could sometimes say shut up on the chair. That's a little bit more difficult with an association. It depends on the board members on the speed of execution or advice. A board shouldn't execute, a board should advise. The board is not the Management Committee. There's sometimes big issues that board members or boards believe that they run the company, they don't. The CEO and team run a company. The board advises and controls and that's a nuance that there is now the Westbridge board was very much so but it was we were basically like I said four people or six at the meeting. Things go fast. And if you don't really change it for eight years, and I think only the CFO changed. Once it's very consistent, you know each other. Everything depends on results, blah, blah, blah, but basically we didn't get fired. So the results were good, let's put it like that. Or they're just like my face, whatever. But the point is, if you don't have big issues, and consistency is great. And then you get faster decision because there's trust.

Luca Lang 6:06
I see. So, if I understood correctly, you said that there is also sometimes the misconception or that board members jump into the managing role a little bit more rather than staying outside and having a more objective view maybe on things. So what will you say then is crucial for board members to not fall into that behavior?

Joep 6:51
I don't think it's really relates to the industry you're in. I think that's one of the reasons why you see quite a high number of executives also being in boards of other companies. It is understanding how a board should function. And if you are a CEO, and you have a board which is really hands on when you become a board member somewhere else. That's not what you are. Yeah, so let's say you learn. But it's a difficult element because you also want people in a board that challenge you. Of course, that's where you have the board, but also to where you can go and counsel. And who can give you some advice from their experiences would have been or will give you least in their network. They had to get businesses in so there is a high level of personal engagement. As they sometimes say you cannot, as a CEO, you get asked by board members if you are interested. It's not something you can apply for. It's very much on relationship basis. It also depends very much on the person. I've worked with board members really fantastic in getting involved when necessary. You had board members where you thought this gonna be a great person and they were so micromanaging, you go like what what are you doing here? But then it's up to the chairman to take that board member outside and inform him you have to change or you need to move on.

Luca Lang 8:35
Okay, maybe if we can dive deeper into that board, change up and exchange and kind of the frequency of changing board members and the team because you already touched on that. In which cases would you still think it's valuable to change board members and keep up the momentum?

Joep 9:11
I think it's good because it has like with the Owners Association, you have two year terms. If I remember at the time, it was the maximum of six years. You had to move out. You were first of all, yeah, that was awesome. There was no way escaping that which is good. Yeah. So you had some consistency. Every year you got somebody new and because every year it was a new board member coming in because of what was going on. So that keeps things fresh. Not with 20 people but on eight people, that's fine. And the other part was in that association, the chairman changed every year. That's not good. That's way too short, because then every Chairman wanted to do something within that one year. Oh, I need to make an impact. Yeah, so they started to make like a CEO sometimes depending who it was. So you get that where the short term is not so good. Whereas at Westwing it was eight years. It worked very well. The good thing was it depends on the quality of the people on the board. So if you keep the board meeting because like okay, we're not a board meeting, okay, we have an hour and a half let's make a finish and go for dinner. If that starts to go into your mindset as a CEO or the chairman: Yeah, then you need to change. So, in suppose I'm actually in favor if there's a regular change doesn't have to be every year somebody new but let's say every four years, that should be momentum. Also to give you another look again, because you do get stuck in certain things are going in a certain way and the same people, it's, it's just human. So, somebody coming in and say Hey, why are you not thinking about this? What is called Instagram? What is that?

Luca Lang 11:08
Yeah, of course. And then within that board, let's say to create the positive tension and friction to make decisions more effectively. Which differences Did you notice in within the boards that you worked with? And that were very helpful with that? Let's say for example, risk taking that you had interesting dynamics of people that were willing to take a lot more risk than others or which characteristics would you say create this positive tension?

Joep 11:46
That depends on the person's maybe the mixture if you have only risk takers on the board, it's wrong. Yeah, you could have one but I could also be the CEO to be it was a mistake. Yeah, when the board members when it is important is come to a shared vision, where you want to go over a period of time. For that you need different characteristics. And that's where a chairman of a board to me is crucial. The Chairman of the Board should be the person who is the most open minded. That shouldn't be the risk taker, shouldn't be the cautious person should be the person that is the most open minded to listen to various opinions and by then managing the process bringing out the best way that let's say, makes everybody happy. Not always possible, but in essence comes to the point where everybody's okay, yeah, I might not be 100% happy with it, but I can follow the logic and go that way. And leave a door

open for tweaking. That you can still adjust your plan. Okay. We go that way. We want to take 50% of risk, but if it's not really working, we might actually bring the risk up to 70% or we scale down to 30%. So everybody feels comfortable in that kind of situation. So the chairman to me is crucial in the process.

Luca Lang 13:10
Yeah. I had a very interesting conversation with another interview about this, because he also really emphasized the importance of the of the board chair and to manage all of that. To which extent do you think that apply, so to which extent can the chair you know, create this good environment for constructive discussion? And at which point for example, do the board members itself have to have you know, good communication skills to know how to convey their perspective and come to a to a conclusion together?

Joep 13:49
I think the chairman or the chairperson, and the CEO needs to be very strong in communication. And obviously, the CEO and Chairman should meet regularly and regularly can be coffees or lunches doesn't have to be meetings shouldn't be meetings. The meeting should be the quarterly or whatever, monthly board meetings that are out there. They should meet regularly. And so should the chairman and the CEO meets with board members from time to time now to seek their opinion also outside of formal process or to seek support for certain things, or to convince somebody and say, look, you were really harsh on that the last time can you motivate a bit or we're not so sure about the CEO. What do you think because there are a lot of things you cannot discuss in the board meeting. The board meetings should be more validation in a certain way. But a lot of it the most of it happens outside of the board meeting. Yep, that's the whole point. And that's why the chairman and the CEO play the most crucial role. And obviously then you have dominant board members or less dominant. Yeah, board members that want to become the chair then the larger the company. You get more politics also in the board. Bigger the boards. Yeah, you look at banking, the boards are sometimes 20 people or you can just imagine what goes on there. It's all about politics.

Luca Lang 15:04
Yeah. When do you think that those board politics and therefore also, the personal relationships kind of hinder the open communication and effective decision making?

Joep 15:22
Whether it's only friends, or when you become enemies actually the two extremes Yeah. So when these are my buddies, and they when my board don't like that or in a board I really don't like him or her. That's also problem. So when it gets personal, let's put it in one word, the moment it gets personal involved and that can be a liking or not, that's not a story yet, but it's my friend. It's my sister is my enemy. Yeah. Then you have a problem. Because it gets personal. And then decisions are not the right ones. Never.

Luca Lang 15:58
How often did or do you see that happening in boards?

Joep 16:05
Depends on the type of company so if you have a family business, let's say Aldi, or something like that, look at how to split K ones long time ago, but it still happens a family businesses, especially when it needs to move on from one generation to another, that those are usually problems and when the companies are so large that the real multinational shell, Siemens, BMW, they are big boys. Yeah, there's a lot of money involved, don't forget that as well. Renumerations are nice, but the stock options they're getting are a lot nicer yet so that also plays a role and then and there's nothing different but in Germany is very much or the same in many countries, by the way in Holland too. It's like boats are often filled with people they know very well. Yeah. Socialize with all the time in the major companies and it's an honor to be asked to search a board but it's also very much come back to my friends that I asked you to do so you need to support me. I see. Yeah. Okay. So that's all politics. So it depends a little bit.

Luca Lang 17:14
So you would say in that case, it's it may be an important factor for then the chair for example, or when setting up the board to think of about getting enough people from outside actually into the board as well to create this positive tension even though it's sometimes hard but then to add that value of not being buddies and always agreeing on everything.

Joep 17:40
Yeah, the chairman should consult board members for new board members and he needs to speak with the CEO about possible candidates. Yeah, they should watch the overall momentum and what is best for the company.

Luca Lang 17:53
Coming to the hospitality industry now because you're in that How well do you perceive the boards of hospitality companies equipped for you know, this fast innovation and change? That's going on in the moment at the moment because hospitality is sometimes a little bit more reactive, right. So how well do you perceive boards set up to keep up this momentum and go with the change?

Joep 18:35
Hospitality businesses is traditional. So the fact that automation in our business isn't still highly existing proves that the boards are not pushing hard enough. I mean, looking at the major ones I met Marriott, Hilton, us, Accor, IHG, Best Western. The younger ones, the Doby hotels, for example, they're more dynamic but that's obviously a one man band. And that's it's a startup type of business in a way. They wake us up, as I call it. When CitizenM started with self-check-in, basically turn the terminal the other way around. And then everybody starts doing it. So that was the last latest revolution we had in hotel business that the guest checking in himself I think there is very few, but I

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don't know about on the board, of course, but there's very few people with a background in Google, Facebook, Apple data in hospitality boards. What you see a lot is a lot of traditional industries, in hotel boards. So if it's traditional industries, yeah, you stay traditional in most ways, even if they can be very innovative, like oil industry, BP shells, but they're not rocking the boat. And I think there's a lack and our job is to move faster. Do you check the chairpersons of Marriott for example, Hilton, how long are they there? The CEOs and the boards. been with us for the week was already five, six years in position. We don't have an external board. We have an internal board as well because we only have two shareholders. But basically, I don't see I was a Chinese and they're pushing more technology. So yes, we are advancing a lot faster than we did in the past 10 years. So that's good, because that's the nationality. What do you mean the credit card? Where's your app? Yeah, in China, nobody has a credit card but it's all on the phone. Yeah. But it doesn't work like that in Europe. But if you take like Mark Zuckerberg, those kind of people, they would walk away and say: What do you mean you want to check a mock up room? Just go in there with your VR glasses.

Luca 21:17
And which role would you say does then age play there? Because I could imagine as well that let's say you know, people that are more in the digital world now that you would want to have on the board would be of a way younger generation at this point. So what would that change in the dynamics? Do you think that there would be a lot of hierarchy then within the board?

Joep 21:57
I don't think it has anything to do with age or with race or gender. You need to look at what is needed in your boards. So let's say you need a feminine touch, you have two options. You either get board members that are female or gay. Because you want a feminine touch and you don't take the macho. That's not a feminine touch. If that is a focus area similar to saying you want to improve technology, well, maybe it's better get somebody for Facebook. And if you go in that sector, we will find out that usually they are around 30/35. Because you want to interact more with generation whatever they are called. Yeah, well, don't take me to connect with your generation. Yeah, it doesn't make sense because I don't do TikTok. Yeah, I know what it is, but I have no clue how to influence on it. So get somebody who knows that means more or less same generation maybe a little bit older because it had some work experience but connect to so that is what you'd want the consistency of a board and slash also a management committee. it's similar. Yeah. It should be diverse but with a focus towards the needs of your company in order to move forward that to support your vision.

Luca Lang 23:31
How good would you consider board chairs in that case, then? capable and willing to do that to go this extra mile and not fall into the comfort of just getting another person on the board that they know and that they're buddies with and they go play golf with and but you know, go outside and look for someone that is completely different, but would actually meet the needs of the company board?

Joep 24:05

They should do it. That's their job. How good they are at this I cannot judge. I mean, I think many of them try to do so to find that diversity and supporting their needs. Yeah, it depends a lot on attitudes, personality of the chairperson. I mean, look generally at grandparents just to put a comparison you have grandparents so switched on. They have an iPad and watch Netflix movies. I have grandparents who still read the newspaper every day and don't want to touch anything that's digital in an extreme way. When you have the same chairpersons Yeah, and various aspects. So, it depends very much on personality, how far out they will go. The only thing and again, it also depends on the CEO and other board members influencing. Yeah, if you have a big technology change and the CEO says it would really help we ever had somebody with a tech pack on the board to support me with my CIO. Then the chairman should help.

Luca Lang 25:27
Okay. And one last question to round off the conversation: Within the board to create the different perspectives. How valuable do you think it is to have industry insiders? And industry outsiders? Because you've mentioned that on hospitality boards, often what you see right that there, there is barely anyone from the hospitality industry actually, but there are a lot of people I can imagine for example, from the finance industry, or industry outsiders does that create this positive dynamic intention and fresh view on things?

Joep 26:14
You would need to be at the board meetings in order to understand in such a case so how are they all interact. I think it's important that there's an understanding of the industry if you become a board member. And not like Oh, but I stay in hotels a lot. That's not an understanding of an industry. Because you're a board member of IHG hotels you're staying in Continental, they're not called Holiday Inn Express. But the majority of your hotel are Holiday Inn Express so yeah, you need to understand that business model as well. I think that is key that there is some sort of a connection. And that can be something you've been doing as work that is in a different way different sector would vary related to let's say the Express setup the click 1234 as simple an airline, Ryanair could be compared to a budget or tablet in a way so there are similarities or in the car rental. There are similarities. So, I think that is good. It helps if there's also a board member that has a hospitality background. On the other hand, those tend to be very often the ones that become a little bit too dominant, because: I know how to do this Mr. CEO. So that's why they often don't like it. CEOs also like it too much. Don't forget CEOs have big egos, otherwise they wouldn't be CEO. And so, again, it's all about the balance finding. In addition, but the same as should not only be people with a finance background, it should be a mixture. So you could have somebody in the marketing background. Somebody with a branding background, something with this background does this again, it's about the real diversity.

Luca Lang 28:07
Yeah. Yeah. There again, then follow up. Question How well balanced do you experience or perceive boards to be set up?

Joep 28:19
So, they´re more related because that is like who we know is coming from our network. And it could be more focused on really being an advisory board.

Luca Lang 28:34
So still room for improvement?

Joep 28:37
Oh, yes. Yes, I think.

Luca Lang 28:40
Okay, thank you so much for your insights. It was very, very helpful. I'm just quickly going to stop the recording.

Interview 6:

Luca 1:22

Then maybe just to start, you can give me an idea of what your work context has been for with ESG. For example, because I've seen that at Reptrak. You've done something with ESG or the board context as well if you have consulted for example boards or helped build them and venture capitals.

Gabriel

I have experience with boards in the context of companies and foundations, nonprofits. So, in the context of companies indeed, with Reptrak was my biggest experience working closely with the board of the company. And currently, at ZetaAlpha as well. And as a consultant, I also advised some boards, but it's completely outside. I was a member of the board of a NGO here in Amsterdam. I think I'm bringing that up because it was a really diverse board, and I was serving as a board member there. And I think in terms I saw that being a member of the board, even though it was the foundation, the impact of an importance of a diverse board, but also the challenges that come with it right. So it's not all roses but still, I'm being given more context right. So, I'm 37 years old. So it's not super senior and not on my 50's or 60´s such as other board members. So I'm on my way, but it's a little bit of context, right. So where am I? So really beginning my career, but also not that senior. I think that's fair to say.

Luca 3:28

Yeah. Through your consultant work for example, you probably have a very objective and outside view on boards. Have you observed kind of their decision-making process?

Gabriel 4:01

You have two types of boards right. So, I have the board that actually is responsible for the helping set the direction of the company in a way and then how are you trying to see your leadership and have a supervisory board. It often doesn't have such power. But it's more like advisory I think I'm struggling because I never saw a board. In my experience. I can say yes, that works well. So for me, it's always an environment of some tension. Right? So I don't feel any board is a group of people that sit around a table and like, Let's hang out. With good tension. Good tension and bad tension in terms of typically these people are very experienced with strong fields aligned by a company goal or whatever is aligned by something but I think they have often more things that things are moving in directions then on the contrary, so is always an exercise all of them to find common ground and to do your decisions. And as in any group anytime have more than to any group with other people. There's politics involved in this important to that. So that's to me, every board I saw always tension involved. But I think it's good. As long as you have some ground rules, right? It's respectful and it's well intentioned, then there's no personal agenda. So, it's intended to help the organization I think that's helpful.

Luca 6:06

Also, the context of using the different perspectives to come to the best possible decision.

Gabriel 6:14

That's super important. That's why diversity is important. Right, so in terms of skills and where I come from, and experiences. I am from the industry, for the organization or from the industry. In terms of my technical background, or legal background, whatever finance background, so it's important to have someone who knows well, at least one of these kind of core competencies, so it's important to run an organization. Also to the demographics, right. So, demographics are everything around it, including gender, and that's, of course now it's very prominent to the gender discussion. But I'd say also based on where you kind of also almost like where it comes from, especially large organization, large corporate, large, large corporations. tend to see if you see them on the board of Philips or the board of shall be mostly Dutch and English. At Shell Americans have to have some lawyer for the US involved.

Luca 7:42

That may be as a just quick kind of context question. With which boards or what kind of companies have you seen boards in the most so is it more young companies like in the venture capital area or more mature, like for example, Shell, Phillips, and what have you observed most?

Gabriel 8:04

At Shell I was not involved in the board. So, it's extremely even if you do your career, there's very rare that you get to get that consequence. Yeah. Phillips I had opportunity to engage with the CEO. Phillips so usually have one CEO but have this other CEO, which I'd have which business unit. So at the time I was at Philips we were doing the three industries healthcare, consumer lifestyle, lighting. I joined the board of this use network, all kinds of events and to organize events and h2 connectors. At the time Frans Van Houten, now they changed the CEO. I learned a little bit from him, and also the CEO of Philips Lighting that. But with that, it's nice because he coached me so I had like five coaching sessions. We didn't talk necessarily about board but the message that he shared with me like what stayed with me that it's a very lonely place. Everyone wants to do his job. And basically everyone else is judging right? So the board is has to report often to the board and it's just there alone. So that was a bit of the feeling that he shared. But then it's mostly my experience, and it's mostly with smaller companies. Reptrak is a company in terms of annual revenue smalls, but not me. That's not a startup. 20 year old company, revenue in the range now you're gonna range from 50 to 100 million per year that means size company and also tensioning the board, right so it is confidential information, but it's there's some other dynamic in the board spectrum with smaller companies is that for some people might be they might have multiple hats, so they might be the founder of the company. They might be an executive at the company and the board member. And these can conflict. This is my baby. I founded this how many years ago and I'm also happened to I also happen to be I don't know, the CEO or the director of x. And by the way, I'm about waiting myself. Because yeah, right. So not replacing me.

Luca 10:43

Yeah, this is one of the interesting insights I've gotten so far. Is that the earlier the stage of a company, the more important it is to have people on the management team or board that actually have a personal relationship with the founder. Yeah, because you have exactly this dynamic of, oh, this is my like, I found this I put everything into it. So that you have to slowly build kind of this not hierarchy, but the power dynamic that the founder needs time to adjust to that.

Gabriel 11:19
Yeah, exactly. And then you add investors bought from US companies and investors. And growth rates and but we often have a seat or two seats so often that company into different stages and become more material. That's some point they want to replace the CEO right and by people out, so it's always patient, right. So it's very few, but I think it's part of rolling terror, right? So it's never very pleasant. So

Luca 11:53
Maybe going deeper into that tension part. Although, where do you think is kind of the Golden middle? is how much diversity how much different characters should you have on the board in order to get this, this dynamic of innovation, different perspectives and positive tension in the sense of coming to the best possible decision? And where it becomes maybe disruptive where, you know, decisions just take so much longer because you can't come to consensus?

Gabriel 12:26
Yeah. I think what is the first thing that becomes destructive or causes bad tension is when you have a board member who is nodding, engaged, the person doesn't care. Really see the person doesn't know what they're talking about. Maybe they represent their legal obligation, right, but they don't know. So people get very frustrated and sometimes they are really outspoken without knowing what they're talking about. Sometimes you just feel entitled because you might be very senior may perhaps the most senior big table. They're right sometimes away. I think the dynamics that work well is an open discussion and kind of reaching consensus, in a way so it's not a louder voice. We need willingness to go beyond as well. So there's a cadence to board meetings, right. So up to certain, certain frequency it's good to keep them sharp. But there might be cases where you have responsibility to learn more as well, your transparency, as I said, so as soon as you start filling that in groups form rights, but disk groups are forming and it's a lot of this another thing, a lot of the things that are discussed and holding the board meetings have already been agreed, right? Because we're having a coffee here. And we are already talking mainly about stuff that we'll be discussing. It's natural, right? So what's your take on whatever company's doing right? Kind of get a feel.
So as long as there's transparency, in terms of you have to have this: we can discuss, but let's inform the board that we are having this meeting. So it doesn't come across as a secret meeting. It's been intentional. But even with my limited experience, so that every board to have just groups, sometimes you just connect with someone that happened to hang out and you talk about all these things.

Luca 15:08
That's interesting. Because you might think that people are indeed so senior maybe sit in multiple boards, and it's a little bit more detached. And people just come together for the purpose of, you know, talking about the company, the future, and so on, but that there indeed still are those personal and

interpersonal dynamics. And also maybe how about how that impacts the decision making of the board?

Gabriel 15:42
Yeah, it does. So you have this for some time, I think you can just tell because that's what happens when there's something to be decided. Until then I'm pretty favorable. I think it's rare actually, this way. It's rare that there's this board decision it was completely unexpected. So I don't think it's almost that you have something clearly there is often maybe just momentum, but this continuity certainly isn't my version of the change. It's just that it's not part of the board to be disruptive. It is more likely to be gentle. So it's rare that it's actually will be something very disruptive unless something really bad has happened. But in something important, these all should also I saw that in the foundation argument but be mindful in trying to preserve that they first see this this is really nice because otherwise it becomes your own club right.

Luca 17:11
This dynamic also restricts board boards maybe coming there but impossible to decisions that at some point, people know each other people know which decisions are going to happen.

Gabriel 17:40
Yes I think so. I think so. I think at some point if you lose this freshness feeling you get the point you just don't care. Yeah. That's really dangerous.

Luca 17:55
And how would you say that changing the board helps with that?

Gabriel 18:35
Okay, to also because depending on your own company, sometimes you're forever shareholder because of family business. Yeah, but first when there's a new person in the board or when you're taking the board or kind of refreshing the board? My opinion is that, yeah, as long as this person joins, doesn't matter if you join today or 10 years ago, just do your job, right. So just your opinion or your thoughts or as much as everyone else's. And it's almost like you worry less and you want to ask something and you don't dare you wait to for our ask at the end and you never asked the question. At the beginning, just throw in a fire that go right start working. Otherwise, you always have the sense of one up one down and you're always the last one, right. So I don't like that. In terms of time. It's really interesting. The foundation we had this one year rotation, which is not nice. Yeah, it's so it's always a mess. It's always like this is nothing new. You have to do everything and you cannot do anything and it's not good at all. What is going on is four or five years cycles, right? So that's where we started to see this organizations there's this what is called the Phillips in show example, every four years by show that this thing that every four years actually you had to essentially change right so roles move somewhere else in the corner. For very large companies, this may also be too short, right? So if you're talking about a company where the CEO because they see with large companies, the CEO starts to be

more productive, but again, in the eleventh year, if you're talking about to share with Philips, so you see they have this DBT kind of their productivity increases in the first five years or so. Then it goes down. And then it really kind of reaches a top at the eleventh year. And then slowly right then stay there stay here. So, we go down, and even different 15 years, like cooperation, so they leave or so. For smaller companies, especially startups scale up reaching maybe mid sized company has to be faster it reaches different stages. So the board the initial team, or the initial board do not stay there. I think you always have to then bring the next the person who has experience with or knows the place where you're going to, I can help you take you there. So you need to do but I'm curious before they ask you a question. What do you think about these, I think, I don't know for better diversity on those boards, right. So there's the female boards. What's your opinion on this?

Luca 22:20
I'm taking the approach with my thesis of taking this step away from relational diversity. So talking about age, gender, and going more to the task related diversity. I´m saying, Well okay, why do we want diversity? We want different perspectives. Okay, but why? Why do I then have to take the detour over gender to get to that if I can just directly investigate? Okay, who has an opinion on this who has a different opinion? I'm gonna bring those people together. So that's why I think often the intention is right, but the discussion is, in brief, not to say indifferent or doesn't matter, but I don't think we're going to come very far with with metrics like my age or gender. More about experience and, and those sorts of things.

Gabriel 23:34
I like that. That's cool.

Luca 23:39
That would have been one of my next questions. Talking about this, right, what you said with it with the rotation, you've touched a little bit on the hierarchy, that someone that's new might feel like, Oh, I can't voice my opinion. What is necessary to create this environment where that can happen? Because I can just imagine what if you have a lot of very senior people on the board? Yeah, they might have tons of experience. But maybe you lack a little bit the dial dynamic or innovation part. So if you would bring in a younger person, how hard is that?

Gabriel 24:20
When you have this kind of dynamics, where the chair and the Secretary almost like the good cop and bad cop, not both nice but not both not nice. It comes a lot from the culture right? Why do you think these guys have been barbecued together? Yeah, right to another country things. People? Yeah. So comes a lot more I think generalizing will come about from the five set by by the chair Secretary together but it's but the board is so crazy complex is not only that, right? Because if people are not also happy with the way the chair is conducting the board, they can find a way to get rid of the person. In our case, there was the president or the chair. He was extremely open and inclusive and it just got to you're here. See what you want to say. Right? So, no right or wrong or everything to be considering.

People will look at him like: Oh, I don't like that. Hey, that's what I started with right is always tension. So you can make it lighter, right by being transparent. I think that's maybe the formula if you like, an inclusive transparent, kind of inviting chair in a more I will tweak to a more organized secret theory or second person who's really making sure that this will be followed right. So there again, having the power dynamic. So can be as simple as this person is like the from the timekeeper to the agenda agenda keeper, right? So we have to cover these points today. Guys, we have to move on.

Gabriel 27:07
I had situations in the foundation where it was in the board that just hates the way this person communicates right. Just people sometimes only two after a few months when they´re not at the board become friends.

Luca 28:01
Talking about the communication skills that you just touched on. Do you have the feeling that in a lot of boards that lacks that people, they have the experiences and the valuable experiences develop both opinions available perspectives, but lack communication skills?

Gabriel 28:40
If that happens is because the chair is one of those facilitator. Okay, so I think it's normal that everyone has very different communication styles, right? So, people just go around and talk about stuff. But the chair has to have this capacity of making everyone speak to everyone. Right and yeah, so ideally, the Chair will be the good facilitator. I think it's good to have different communication styles, right? So starting from the point that they're able to communicate.

Luca 29:36
So not necessarily that the senior board members need to have like the sensitivity of knowing how to convey an opinion but that it should be shaped by the chair.

Gabriel 29:53
I think needs to be shaped by the chair. Yeah, by the chair. And as soon as you join or you're sitting in a chair it's because you deserve it. Right. So yeah, I agree with you. Let's share your point. So I think eventually that's how we get respect. Otherwise, what are you doing here?

Interview 7:

Luca [00:00:36] Okay, yes, briefly just once again Introduction What it's about, I've already given the context. And that's why maybe you can just give me the context at the beginning, in which context you have had contact with corporate boards, what your history of it is, so to speak.

R.K. [00:00:55] Yeah, I'm 30 years now, but now they have just 16, so 62, at 20 years I was a board member.

R.K. [00:01:20] State. Therefore, I can also be our father Board of Directors and for seven years at SDK Chairman of the Board.

Luca [00:01:32] Okay.

R.K. [00:01:33] Such a corporate board, in my opinion, is simply no longer on the board of smoking, exuberant plants.

Luca [00:01:50] And even though it's all in the yes in the same industry in the insurance industry. What were the differences or their different experiences between the boards?

R.K. [00:02:08] That depends, of course. If I'm in sales, of course, it has a different content than what I'm doing now as chairman. I do a lot of the governance and stuff now. I have a lot to do with regulators. You don't really have that in sales. Even if you are responsible for the areas, of course you have to pay attention to things. But that's very, very different. In sales, it's all about getting the insurance to the man. Here in regulation. I have the whole legal department here. I have the audit, compliance, information security. I'm very responsible for making sure that we get through the laws well here.

Luca [00:02:56] Yeah, how many board members, if you don't mind me asking, do they have at SDK now?

R.K. [00:03:03] There are four of us.

Luca [00:03:06] And how often do they rotate through, when do, how quickly do new people join? Old people leave?

R.K. [00:03:13] As I said, I've been here for ten years now, now the change comes at the end of the year. The new colleague is coming now then he will also be here for 10 years. My colleague came in 2016. He will now stop at the end of next year. My other colleague, who has completed a period and is now being extended, will also be here for 10 years. That's a relatively long average for us. The average when you look at DAX companies... You've seen it now, he was chairman at VW for three years. The rates may also be much shorter, depending on the legal form.

Luca [00:04:22] Yes, that would have been my next question, these ten years that you have been there, is that normal for the insurance industry or even within the insurance industry you have been there for a very long time?

R.K. [00:04:37] I would say we've been at it for a long time.

Luca [00:04:47] And what do you find comparative differences between frequent and less frequent changes?

R.K. [00:05:12] Well, with the exception of this function, which was extremely long at 10 years, I did something new every 3 to 4 years. For me, that has had the charm that I have done different functions. As a general manager, in particular, I was able to build up a broad range of expertise. I didn't just do sales, I did governance, operations. I've done almost all functions, except now pure mathematics, I haven't done pure product costing. It's an advantage when you have your foot in the door and you can get into it. Here you have already done all the topics and have a view on it. If you now do a function for years, then you have such a chimney. You know your subject, but you don't have a view of the other areas, which is very important.

Luca [00:06:38] Okay, and for the team itself, so for the for the functionality of the board itself. Do you think it's better there to have the teams longer because you get to know each other better. At some point, you understand how the other people function and think and through that, you can come to new decisions much more effectively. Or, on the other hand, do you think it's more helpful to have quick and frequent changes in order to keep bringing in new and fresh views?

R.K. [00:07:13] In general, you can't answer that with yes or no. It has good opportunities and risks, one thing you mentioned, if you know each other, of course, then it has the advantage that you simply have short distances. And because you simply already know how you have to talk to the other person, how you have to come to decisions. Yes, when you get up in the morning, you probably don't even think about how you got to the bathroom. There are such automatisms, and if you have automatisms, of course you have the advantage that it is highly efficient. On the other hand, it can happen, of course it depends on the person, that the environment changes. That is then insanely important that the people on the board also all develop further. Yes, what I have often experienced and what I have seen: over time, the position develops, but it may be that the employees do not develop. That's not noticeable at the beginning, but if you have someone in a position for 20 years and he's still 55, then you know you actually need 5 years to bring him up to speed. So that means that when I have a team like that, I have to be very careful that they stay up to date. And not say, okay, I did that last year, we'll do it the same way this year. You always have to question yourself. And that's a risk. Then the world outside simply passes you by.

Luca [00:09:12] Yeah, sure, sure.

Luca [00:09:13] And if I understand correctly, this is a problem that you have seen more often. How can you manage to find exactly that balance? A long-lasting, well-functioning team, but at the same time moving with the times and growing. Do you think that's also part of the CEO's responsibility to keep an eye on it?

R.K. [00:09:50] Yes, everyone on the team can do that, ultimately keep questioning themselves. When I came here that's exactly what happened: I always said, the management, they're sitting on the Titanic and they're still sitting on the sun deck. They didn't even notice that the ship was sinking, and that's exactly what happened. Then they said, "You're trying to convince us that the ship is sinking. Well, it is not sinking, it has sunk. The bow is already under water. Then they said: No, I see the sun here and there is beautiful music playing. That happens because you are too much in your mechanisms. That happens to me, too, of course. I also have to question myself. My successor, who is coming now, will do things anew.

Luca [00:10:47] Yes.

R.K. [00:10:52] There will also be new impetus and I hope that will release new energy and make SDK even better.

Luca [00:11:00] And have you noticed that personallyl in the last ten years that they have become comfortable in ideas or where it has sometimes then helped to bring in new, new energy from the outside?

R.K. [00:11:25] With us, culture development, organizational development was even much stronger with us. But here we are in insurance, we are very sluggish. Daimler has a 20% drop in sales, and then the hammer comes down on them. Then there really is a 20% drop in sales. We have permanent conditions. We may not get as many new customers as usual. That means that if we make the wrong decisions, it's like a vein getting torn. You don't even notice it, after ten years you suddenly keel over. And that's why the question is how do we deal with it culturally now? We want to develop further. I wouldn't have initiated that now, but it's good for us. We have now also moved into new buildings, we no longer have individual offices. We have team areas.

Luca [00:13:21] So you also actively then just initiated that, bringing new people on board?

R.K. [00:13:38] Yes, you just have to have good people in the team as well. Always see what happens. I'm at events a lot, yesterday I was at a meeting in Düsseldorf and then you get to know 3, 4, 5 people. And you chat with them and hear what they are doing. That's how you get new impulses. Of course I am happy about the results we have today. But that is the result of what we did the day before yesterday. I am now preparing the results for 5 years from now. I have to set the course for that today.

R.K. [00:14:49] Organizations need a driver.

Luca [00:15:14] If you don't get feedback directly from the numbers, do you think it's even more important to have people on the board who are maybe a little bit hypersensitive to risk because then they overreact in a positive sense and really push for change?

R.K. [00:15:46] You have to see opportunities. For example, we were discussing now: Who actually cares that we insure people? At the core, what are we doing? At the core, we do health insurance. It's about the health of the customers. What do our mission have to be on? We want to be there for people when they're healthy, help keep them healthy, and when they get sick, what can we do to help them get better? So WI can make good rates, that they can get good treatment and get good doctors. But we can also do second opinion programs, a lot around that. And this could also lead to new business areas, for example. When Corona was two years ago, we offered Corona vaccinations to companies. We had a service provider and organized that. And for medium-sized companies it was not possible to organize through a works council. So we did that. We offer sleep programs. If someone sleeps badly today, maybe they have phsychic problems? If you analyze that, then you recognize the people who are on the way to burnout. Such things result from this. Then there was the discussion of whether we actually only do business through insurance premiums or whether we open up new areas of business. Selling services that are not insurance, but health services.

Luca [00:17:29] Sure.

R.K. [00:17:30] And these are opportunities. Then you have to look at what's going on in the market or care area. A well-known company of ours they also have life insurance, but what do they offer? They have funeral homes and funeral directors. But things like that. So you can do new things around your business area. Or now with ESG: where is that going? Or the whole digitalization, where is that going? You have to see what opportunities arise, but keep the risks under control.

Luca [00:18:16] Yes, and to get out of the box, so to speak, and to broaden the horizon. How important do you think it is to strive to bring people from other industries on board? And how much is that already the norm or not yet the norm in the insurance industry? Not just having people with backgrounds in insurance on the board.

R.K. [00:18:45] That's very helpful, we have staff development right now with an employee, she comes from the pharmaceutical industry.

R.K. [00:18:56] That's a bright enthusiasm. That comes with completely different ideas, but also a sense of self. But that's different. If I say now, in the legal field, someone has to learn the ropes, he can also come from somewhere else. In accounting, there are areas that can come from completely different areas. Whereas in classical areas, it's of course good to have someone who understands insurance.

Luca [00:19:46] Yes, of course.

R.K. [00:19:48] I once had a boss who came from the metal industry, came to Volksfürsorge at a young age and there came the and he became labor director from the metal industry, had a very, very different relationship to strikes. When did we ever see a strike in insurance? The works council came and grumbled a bit, then he started yawning, that didn't bother him at all. He spent days in the factory because he couldn't get out because of strikes. He was totally relaxed and told us: So that's how things work somewhere else. You dream of other things, the roasted pigeons that fly around.

Luca [00:20:45] Yes, that's interesting. And how much do you feel like that's succeeding? Pulling the correct amount of these new impulses in to the company, to the board? If you're always pulling people back from your own network?

R.K. [00:21:29] It depends on how you recruit. When we recruit at management level, we usually have personnel consultants. And they sometimes look left and right and then you get a candidate who has done something completely different. They simply fished in other ponds. I had a candidate from Daimler here. So from completely different industries. If you only rely on your network, then you're right, you're only fishing in your own pond. For me, it was simply clear that I needed someone else. I had a human resources manager, but I needed a human resources developer. And I also made a conscious decision to just have a consultant so that we could get somebody who could work with him but who was different. I had that, I had. The first round I gave him that, but to fill it, a second HR manager came out. And then I did a different way to get out of that exact loop.

Luca [00:22:54] Like I just find it very interesting to hear that you then jumped on recruitment consulting of course. Makes an extreme amount of sense. How normal is that to bring in recruitment consultancy to help you recruit board members?

R.K. [00:23:15] Often. If not internally, then you actually always get recruiters.

Luca [00:23:21] Okay. How many boards are filled internally or externally?

R.K. [00:23:42] For example, an alliance that has access to a large pool of employees. They have a lot of internal staffing. When they want people, they bring in assistants. Deliberately put people in certain management positions. And they have a clear career path for how people develop. And that's where good people come out. If you're as small as we are, it's more difficult because we don't have the breadth. Our four board members are all external.

Luca [00:24:21] Okay, so in that sense it also internal not related to the internal network, but really just internal company people.

R.K. [00:24:31] Yes.

Luca [00:24:32] Okay, so that means you haven't often had the chance or been in the situation to bring in new people from your or your colleagues' networks?

R.K. [00:24:44] The members of the Board of Management are appointed by the Supervisory Board. The Supervisory Board is also responsible for the search process. But he also works with personnel consultants.

Luca [00:25:02] Okay, thank you very much. That's actually it in terms of questions from my side. You've helped me a lot.

R.K. [00:25:11] No problem. Glad to meet you. I look forward to your work

Interview 8:

Luca Lang 0:30
So just to just to get an overview, maybe you can tell me just about your touch points so far with boards in your career, because I saw you so you sat on the CFA board, but now you're consulting a little bit more, so maybe you can give me more insight about that.

Matthias Meitner 1:04
Yeah, both true. But my main insight into corporate governance and analysis of corporate governance topics comes from us stems from my time in Allianz Global Investors. So I was there from 2004 to 2015. Sort of a portfolio manager but it was a very concentrated portfolio. So not a lot of different shares, which means we follow the very deep fundamental analysis approach. And the long term approach and long term approach means you always have to look also at the framework of the company. That's very important. I think we come back to this later, and then you automatically get to a topic like ESG corporate governance, and to be honest, I think, we had a look at these topics. I think long before many others had a look at it simply because of this long term focus that we had and you know, yes, many of the ESG topics are long term in nature.

Luca Lang 2:06
So if I understand correctly, that you discovered the sort of importance of governance way, way before it became part of ESG and got so popular, and that maybe leads me to the next question. And on how you think that setting focus on corporate governance and improving the structure of the company will have impact on long term valuation of the company?

Unknown Speaker 2:35
Yeah, a lot. I did want to say that we were the first one and nobody has looked at it, but at least we looked at corporate governance ESG long before it became so popular as it is today. But the point is corporate governance. You mentioned that big framework. Well, it's some sort of risk management, but not in a negative sense, that is only when something goes wrong. The corporate governance is important also, when things go well, and the problem is if you have a long term view, you build expectations about where the company goes. You setup an evaluation model, you come to a conclusion whether it's a good investment or not, but the problem is, even if you do a very good a deep analysis, the road will develop in the other direction you have no clue where it goes to. And that's the reality. So, in particular, if you look at in a long-term perspective, you have to admit that things can develop a different direction and what you want from a company is that the company is able to react adequately and appropriately on things. That's what good governance means. Perhaps there is a crisis perhaps there's even some opportunities which come up which you have not seen at the time of investment. But what I want to have proper company, or at least a high probability that the management or the whole company can react adequately to new challenges and new risks. And that's something I could observe good governance comes along with such good reactions.

Luca Lang 4:33

And would you correlate good governance to good boards and good board setup and structure because in my eyes, for example, you know, everything would come from the top right, so the board is responsible for the for setting up the governance and that that's why I went for the importance of boards because for me, that's kind of a given the connection, but maybe you have some other aspects that are important?

Unknown Speaker 5:02
no boards are very important. Absolutely. Perhaps one of the bigger points of corporate governance, but there is also the renumeration system of the company, where you can now also say, hey, this also is somehow related to the board or also the activity of shareholders. For me still the most important governance factor is corporate culture. How does not only from top to company work from top but how does the company work? Particularly big systems? How can they work and interact? That's a that's also a very important factor. Of course, boards is something we look very deeply into.

Luca Lang 5:50
Yeah. And the corporate culture, maybe we can take a quick detour there. Because one of my concerns is as well, how you can sort of incentivize boards to look more into ESG. And things like company culture, for example, that's hard to measure, right? Yeah. And the long term you can look back and kind of see the impact it has, but how would you create a positive incentive for boards to you know, set more importance maybe on the company culture?

Unknown Speaker 6:30
You're right that's a tricky point. But it has also some hard benchmarks. So, for example, the degree of fluctuation in a company is usually a good measure of the happiness of employees. I mean, you have to always have to set it in the context of the of the same of the peers. So, a consulting company or consulting agency usually has a higher degree of fluctuation depends on industrial company, by nature. But nevertheless, if you compare it to peers, that's a good indicator also of happiness of employees. You can use your own big companies or most of the stockless companies today. To some engagement surveys once a year where they track weather about what their employees think, although I know they are some sort of what you always get a bit of biased results. There are some frustrated ones who always click very bad, very bad, and some super happy words to always click very good, very good, but nevertheless, you can read a lot from it. Also from outside as an investor yet, websites like Glassdoor or Google know where these can get you an impression of what the corporate culture so there are some hard facts but that's probably the best way to incentivize wants to look better into corporate governance. It's a very holistic topic of corporate culture. And I'm not sure because I didn't think that way, how to incentivize board members, not to foster good corporate culture. Interesting question, except for the hard benchmarks. For my experiences, also, it's a very sticky thing, corporate culture. So, if you have a bad corporate culture, then you have bad corporate culture, it's extremely tricky to get out of it. If you have a good corporate culture, it's fragile. You have to take care of it but you can keep it if you really take care on every level. I could give a real-world example but you know that it's impossible to get rid of this bad corporate culture. You would have to change the basically the

whole staff in order to have a better corporate culture. And then you always run into problems, one after the other. And that's, that's extremely tricky, but that's the big system, corporate culture is, again, so it's the most important corporate governance factor because that's if this works well, then the company is well prepared for whatever happens. So just to give you an example, what we regularly observe is that's downside look, in times of crisis companies with a good corporate culture, they fight against it. Okay, then employees say hey, for example, like the COVID-19 effect. Hey, too bad, but let's fight against it. Whether they are successful or not, that's something different but this makes good culture. Then you have companies with a bad corporate culture for these companies… Usually, the first thing that happens is that the good employees leave a company that do not feel connected to the company. The bad employees stay within the company. And nobody is really motivated to fight against it. If you do not feel connected to the company then things are as they are another example is also the way you live your working time. So if you are if you're not happy with your job, you come at 9 and you leave at six or whatever. But if you're happy you stay perhaps half an hour longer to finish doing your product project and this makes a lot if you sum it up. It's also the same not only fluctuations, also the base as a half inch microcopy base of absence of employees. It's always if you're sick, you stay at home if you're healthy, you go to work. But there's something between reps. Stay at home but could also go to work and then makes a huge difference whether you are a good culture or a bad culture.

Luca Lang 10:59
Yeah, totally. And then maybe we can, from here, go to the corporate culture within the board or the culture within the board and how important that is. Because it's this interesting trade off right where you want to have this tension within a board in order to foster innovation and make decisions and to get the different perspectives in. But you also want to effectively come to a decision, you know, and you don't want to have too much friction. So it takes a lot of time to get to the decision. So how do you experience that?

Unknown Speaker 11:41
It is better to fight a bit within the board, so this usually makes better decisions. A lot of harmony is fantastic, good old German style and perhaps also the Dutch sparkle. I don't know it's not too much different. I think the typical German style is that you have in the box 10 times the same person. You do not really fight, you do not have different opinions, you easily get quickly to decisions, but this doesn't make good decisions within the board you could find but then also ask, perhaps what is an optimum board size, so that's true. If you want to really interact members then better not to have two big boards. supervisory procedure. So once you have added on 15 16 people then it really tricky to get high quality decisions.

Luca Lang 12:49
Maybe I can quickly jump in here. My conclusion right now would be to stick that to keep the size as small as possible. So go with a minimum regulated amount of board members kind of to still take the box but have as little members as possible. Would you agree with that?

Unknown Speaker 13:33
Yeah. But I think for industrial companies, it's also certain but it's a very broad range. I'm not sure but I would agree. Yeah, keep it at least balanced, not as low as possible. But it's also important is that you have different opinions and for different business models you need, sometimes less sometimes more different opinions. That's important that you really have covered all necessary prospect or relevant perspectives. And then keep it if you have done so.

Luca Lang 14:21
And the boards you've been talking about, maybe I could ask which sort of companies which kind of companies you looked into. And then also if I understood correctly, that you experienced a lot then actually the board members, the board members were not diverse in terms of perspective and, and opinions and that sometimes it's hard to foster this, this kind of discussion within the board.

Unknown Speaker 14:51
Yeah, that's true. So usually I looked a bit at banks and insurance companies, but mainly a non confidential wrap up where I looked at it's true, but it has also changed over the years now, but the good old style was really all male or 55 plus all manager type guys it's tricky to break such structures. Now you have the discussion with female quota in other management levels, then people say hey, this is stupid. You should take the best person but that's female or male. But on the other hand, you have to make efforts to break into these structures. Otherwise, if you say, Hey, we take the best ones. That's also what people hear the good old German companies. Always say we take the best part. It is a man. So it's not this case, that this was the excuse always, I think, why not breaking it up, sent in some diversity not only in terms of gender, but also in other terms. And then let's start from the event. Once you have to put the you can leave it and say, hey, now you can make your efficient decisions and pick whoever you want now. Yeah, I think that's a good way.

Luca Lang 16:29
okay. Yeah, that's really interesting, because the inspiration behind my research was actually the female quota. And but then I quickly when starting to look into diversity, I quickly came to the conclusion well, okay, we want diversity in terms of gender, because we search for the underlying characteristics, right? So I'm trying to find a way to go straight to the underlying characteristics and bringing diversity there. And but of course, it's super tricky to achieve that. But yeah, because you were saying you were looked at boards in more than the non financial sector, which size of the companies are we talking how old were those companies?

Unknown Speaker 17:12
Everything, stock-listed mainly. But we have also large companies which are not stockless but really every size from very small to very big from very young. Just in terms of diversity, but it's also with a couple of points not centered on gender. Then you have in more technical companies like I don't know a pharmaceutical company or chemical company. So, when a business model is not a business proceed

like a fruit retailer, that's Business Administration, but chemical companies, for example, or a pharmaceutical company, and you always are some technological companies. Always the question, how much should be the technological ones and how much should be the business one, so find a balance there? That's not a problem again, for Arabia or india? I would say, but for some companies, really it's important to fight by the structure also in terms of internationality. It depends on the company. So we also see companies which are mainly operating in Germany so you do not need a Fourth International member if you're mainly doing business here at the Munich area. It must fit.

Luca Lang 18:38
Yeah. And then within those boards, would you say the problem of finding diverse members am lies within the network of the people that you just source new people? From your own network who you know who you feel comfortable with already? Or would you say through for example, personell consultants, that that is being broken up a little bit more?

Unknown Speaker 19:07
Yeah, hopefully. I mean, still, it's the Annual General Meeting versus voting for the board members, Supervisory Board members. And their supervisory board then sits in the management board, hopefully not with their personal tie. So that's absolutely right so that's how it worked for a long time. But when I talk to students here, and tell them that usually, if I perceive the CEO, that's always that they behave like children, if a CEO has the possibility to vote for, to bring in his opinion about a good head of the supervisory board, he always will send in a friend, and so not to get controlled. If you look for a supervisor for your master thesis, you would also look for a supervisor who's not the toughest one, it's nature, it's human nature. And so, you have to find ways how it's not necessarily that one hates the CEO but at least it's not necessary that they are friends so that there must be a distance and coming back to your questions or better to make a selection independent of what existing board members think.

Luca Lang 20:37
Yeah, yeah. How aware do you experience the board members being of the needs of the company? Because that is of course, where everything starts right when you once you know, what we need in the company where we want to go then you can also get new members accordingly to say if we want to expand innovation that we maybe need to find a tech person and those sorts of things.

Unknown Speaker 21:07
Yeah, no, absolutely. It should be the case that members of the board know what the needs of the company are but it's also not so obvious. You still have politicians being member of the board. The idea is perhaps they can open doors, but that's usually not a good idea. So, today the requirements for supervisory boards are quite high. So, you really have to deeply understand also accounting topics. You have a high liability as a member of supervisory board, you have to understand the business model, and I'm very sure none of the politicians understand what these companies do in terms of

accounting. It's tricky whether or not they really understand business. It's not that they are sent in because they are experts, they are sent in only because they are a politician.

Luca Lang 22:08
So, it's kind of about how to break up those structures and really act in the interest of the company at the end of the day?

Unknown Speaker
Yeah.

Luca Lang
And then, within the board, maybe that's also a topic for Germany, in particular how much is effective decision making, being affected by politics where we are with politicians, but politics within the board so how often are you know the person so well, you go golfing together, you don't really want to offend them by saying that your opinion differs, or is there really this professionalism present, actually, that you have this distance towards each other?

Unknown Speaker 22:57
It has changed, I think to the better. So, I think today, there's a lot more professionalism that we had, perhaps 10 or 15 years ago. I was one case was I can't tell you the companies but what case was that the CEO of one company was also sitting in the Supervisory Board of another company. And head of the Supervisory Board of the other company was also sitting in the Supervisory Board of the one company, the first company. Now you can imagine how hard the questions were. Not at all, so I always read the notes of these board meetings, and none of them ask hard questions. Because they knew hey, perhaps they liked each other could be but perhaps also they knew I asked a tough question. He will also ask that question. And that's something we look at as investors. How sure can you be that these guys can make independent decisions to the board. And that's important, but it has changed. But it does not mean that it's still does not exist anymore, that people do bad decisions because they know the other person.

Luca Lang 24:26
Yeah, yeah. Okay, thank you so much, then maybe just as an end question, what is one of the first aspects maybe you would try and start to change in order to achieve this change for the better within the board?

Unknown Speaker 24:54
I think the diversity, looking at both diversity and diversity topic is something where there's still some room for making it better. That's always a big discussion, discussion about independence, but that's a tricky one. That's so you're the chairman style, so if you compare the German style wage, common way of supervisory boards, it's the two tier board where you really try to find independent people in the supervisory board and American ways rather than just one tier board where there's not a lot of

independence, but the risk of the German style is that members of the supervisory board are independent, but also far away from the company. So that's also a scandal chairman. Quality is always none of the board members really knew what's going on. Scandal, American Way is always everybody new and every popping doesn't make the iterate tricky. So I cannot say which one is better? Absolutely, not. But I think anyway, diversity and the ability to have tough discussion within the bar. That's usually what makes brings up liability for decisions and brings out decisions. Okay.

Luca Lang 26:12
That's a good way to end I'll just stop the recording already.

Appendix 6: Final Coding

RSQ	Code	Ideas	Implications
2/4	ESG Governance importance	Interview1: depending on where you start in ESG, what kind of role or what specialization area, you might have this like this, this triangle, so we're from where I started it governance is at the top, and everything falls under that. And that includes other governance practices, but environmental and social considerations. So, for example, what a company does on climate is the responsibility of both the board and the senior executives, right? Diversity is responsibility of the board and senior executives. So, everything comes from the top. If you start off in specialising in climate, climate math, climate terminology, identification of footprints, then that's the top of the triangle. And then G, the governance component is one of many different elements that you consider. And it's the governance of how a company manages climate, as opposed to governance at the top, covering everything. So, it's a little bit different. So, it's almost like your triangle start here. And then there's like other triangles below that, if you were to diagram it. One of the things that's also changed over the years is that in connection with the increasing use of data, what I'm saying is historically separate E S and G considerations are increasingly converging. So, some examples would be traditionally compensation is a separate thing. You talk about TSR, connect that with the payouts, bonus structure, timing. But increasingly, we're starting to see use of ESG metrics and compensation. So that's one example of where the different pieces blend. Even within E and S, a lot of people will group those together. There also is a mix and a blend. One of my favorite examples, is the human right to clean water. Is that S? Or is that E? I think it's about 50-50 right? Interview3: - We're not there yet. To be honest, and I think a lot of organizations are not there yet. I think we should being this ESG more into the core of the business and better understand what's the real impact on my long term value creation in my organization. - And what I also think in this, I think more appreciation with a lot of companies in the world for talent we are today. The more inclusive the organization is the more aware your organization is on their impacts on the environment on people and be transparent on your success but also transparent - And, yes, I think that family and companies are moving in that direction. We have some great examples in front of me and business are really moving forward. But at the same time, what you also see in order to report, in order to understand these centers in order to grab the data you need to understand where you are and then you need expertise. Interview8: - You mentioned that big framework. Well, it's some sort of risk management, but not in a negative sense, that is only when something goes wrong. The corporate governance is important also, when things go well, and the problem is if you have a long term view, you build expectations about where the company goes. You setup an evaluation model, you come to a conclusion whether it's a good investment or not, but the problem is, even if you do a very good a deep analysis, the road will develop in the other direction you have no clue where it goes to. And that's the reality. So, in particular, if you look at in a long-term perspective, you have to admit that things can develop a different direction and what you want from a company is that the company is able to react adequately and appropriately on things. That's what a good governance means.	All three parts are interconnected Important for investors: how is a company able to handle adversities?
1/4	Purpose/role of the board	Interview1: - slightly different. The functions are slightly different, but it's very similar. So, speaking to what I see here in this role, but also in my previous roles, I think that boards are often challenged to stay fresh. It's on them to provide for a pipeline of us to do succession planning for the CEO, but also for themselves - And what I think, what also most companies seem to be doing a pretty good job of changing, adding new people adding new perspectives. Or let me rephrase Most seem to be doing a good job of adding more people. So, there is always the right number of people to be meet certain regulatory requirements. The question I think, that the world has been trying to understand, especially over the last 10-12 years, is the extent to which a board can stay fresh. Interview5:	challenges: stay fresh just advise, not execute
		- It depends on the board members on the speed of execution or advice. A board shouldn't execute, a board should advise. The board is not the Management Committee. There's sometimes big issues that board members or boards believe that they run the company, they don't. The CEO and team run a company. The board advises and controls and that's a nuance that there - Of course, that's where you have the board, but also to where you can go and counsel. And who can give you some advice from their experiences would have been or will give you least in their network - So the fact that automation in our business isn't still highly existing proves that the boards are not pushing hard enough - It should be diverse but with a focus towards the needs of your company in order to move forward that to support your vision. - So, they're more related because that is like who we know is coming from our network. And it could be more focused on really being an advisory board. Interview6: - You have two types of boards right. So, I have the board that actually is responsible for the helping set the direction of the company in a way and then how are you trying to see your leadership and have a supervisory board. It often doesn't have such power. But it's more like advisory I think I'm struggling because I never saw a board. In my experience. I can say yes, that works well. Interview4: - There's also based on our new strategy, right? We have to be more proactive. In selling products. Banks are not good at selling. To develop the right products, of course, sounds simple, but we were just not good enough. And the global expansion. - You know, that discussion started 30 years ago. It McKinsey in the 80s that told every insurance manager to be careful. Insurance companies from abroad will enter the market and you're dead. Nothing happened, and they are you know, referencing them all the time. I hear that today, you know, so they're pretty resistance, resistant to change and they can kind of afford it. There's no real disruptions and yeah, it just interesting. Interview3: - Yeah, I think that's right. But I think in principle family-owned companies are in their core purpose led values driven more than the more corporate organizations. So, you see that family owned businesses are predominantly focusing on long term value creation and really passing companies from one generation to another taking care of the people within the company that's most of the time and more about social currency than in listed companies. But they also take responsibility for the environment around this company. So you see that in the past, they funded that all kinds of charities around it, they funded the churches they funded the sport clubs. They also offer a lot of learning possibilities for young people to build skills, so they're quite blended in the environment where the company is from traditional, and I think now with all that's happening on the ESG landscape, that's the things they were doing become perhaps more and more formalized, more visible, because they are going to report at the end more about their impact than they did in the past. I think that's what's happening. But I think most of them are in their core purpose so you can take care of environments of people which are close by to those companies. - So, there is risk conservativism and it's perhaps more product innovation. They're not really disruptive innovation, but within that, I think they are more brave because they feel they are entrepreneurial, they know how to market and they are willing to take a short term lower profit in order to create long term value. - So the question is, okay, how big is the company? What are the dilemmas on the table and how big sheet of Derby to manage the company while at the same time being a team? - And it's not your personal target a basic more complex, but it's the target of your organization and basically you need to make every decision which you make in an organization should be put to that same. I said that same question. Okay. I just contributed forward to carbon emission economy. - But we should talk more on how to achieve it together. And how we could help these companies to move in that direction. Interview2: - The difference being in venture there's often one or two investors from different firms and with the Private Equity in companies, because they take a control position, they take more seats. It is usually just one. The difference is that VC tends to have a broader kind of advisory board which is not a formal board but they're more a sort of ad hoc, sort of for specific things, connections. And I haven't seen that on the private equity side. Interview7: - Of course I am happy about the results we have today. But that is the result of what we did the day before yesterday. I now prepare the results for 5 years from now. I have to set the course for that today.	offer different networks (if people are recruited from same networks) focus on long term value creation [depending on how long board members stay) => vs/bild family companies be ad hoc to maximize use purposes: advice through experience identify needs of the company do not think about personal goals but company goals look into the future & be the trendsetter Kraft
2,4	ESG assessment	Interview1: - you need two components to make that work. So that is a blend. There are increasing questions in Europe, for example, about the auditor's responsibility with respect to ESG related risks and assessments in terms of how they're looking at companies. That's another blend that is historically different. So, there's a lot of shifts that's happening. - talking about skills, which is what I which is how I think about task focused or task related diversity. You probably either you yourself and a team would need to review lots of different boards and the biographies of each director and create your own matrix, or you would need to purchase that. You know, and I don't know folks might, companies might provide it for free given the academic research element, but third parties might be able to do that for you at scale, which can be also really helpful. The I think that one of the things, it's hard to figure out, I'm really interested in what you're doing. It's, as you say, very difficult to tell a clean story. Part of the challenge is aggregated ESG scores are generally not very useful. You need the under you need the underlying data. Because the composite reflects not	Assessment hard to quantify, but also not really needed. More "soft" topic which is very company specific ESG in such early stages, that baseline strategy

		just the mix of data, but also the weighting that is assigned to it. And that tends to be very organization specific based on what their preferences are. And that may or may not be adjusted for sector specific nuances of that would be important. Or, if you're looking specifically at diversity, you would probably want a different weighting of the different underlying components. So that is something I would recommend caution about. To your point about the different characteristic related. Diversity, one of the things that's very difficult, as you know, is disclosure is very, very uneven. The best or perhaps only available information is gender. And even that is communicated as a very binary approach in general. I don't know if you're - example, of one organization may weigh diversity, quite high importance. Another might weigh independent board chairs. Really how I see more of the percentage of independence on the board. And for the US, it's a single board. It's not the management supervisory board they have in Germany. So, like, it can quite vary, or it might be some groups might have like 20 different. You know, they'll board tenure, auditor tenure compensation level of pay, like they might have 20 may have 50 may have many, many more data points. So, I think it's even more granular than that, in terms of how they might weigh specific topics - terms of available data, and to use that as a key point of what your inputs are versus the score. So as an example, maybe, maybe you would look at percentage and number of women on a board, because you would need both because of the and then you even if you use that as a way to compare against task related diversity, one of the considerations you would need to take in is the depending on what market you're looking at, whether it's voluntary, or it's a hard rule, or it's a guidance, like is there a target? Is there a floor? Is there a quota, is there? Is it voluntary? Or is it or is it compliant or x or explain because that will cause distortionary effects in what the research results are. If you stick clear if you stick if you decide to progress, your research to stick to focus on task related diversity, one of the things I again depending on how you construct your data Interview3: - Yeah, we what we tried to do here we have some methodology but you see, you look in how where they are their strategy and vision. Did they include something? Are they in the reporting because there you get a sense on how real it is? And then you have a conversation and then you can plot them okay, but where are you and then you can benchmark them with others as well. Most companies are not so far yet, to be honest. And that's the family environment. I think in the corporate environment. This is saying, you see a lot of sbti commitment, but the question is okay, what did they really do differently this year than last year? Mitigating the carbon emissions. They will do some things of fuel but really transforming into a carbon free economy or understanding what the impact of climate change is on the resilience of your company. Most of the companies are far away from that yet and making different decisions than they would have done a year ago because an athlete's compensation yesterday or the day before, where you say okay, let's be to target in 2030. But for most of us, 8 years is a hell of a way, long time away. So what are you going to do differently tomorrow in order to achieve a target in 8 years? - If you look at it, for example, I think it's a business case to have an inclusive team. But in order to have people appreciate that, you need to give them live examples where you are showing the difference when you have a more inclusive team are exempt from a climate inspector when he perspective you see in the meantime, good companies perform better when they are more ESG proofed. The first proof is over there. I also think of some great examples of the way you work with an inclusive team, the outcome you receive as a team is better than when you have not an inclusivity, but you need to make you need to show them quite concrete examples of what it might offer them Interview2: - Sure. So, the questionnaire actually does not involve scoring. It's really, we have pushed it towards asking more questions that look for more quantitative data. But the aim is not necessarily to score every company and like compare them to each other. It's more to figure out in this like, where are you on this? Do you even know what ESG is? Are you open to it? Do you need help? Where do you need help? - So, it was very qualitative, essentially trying to figure out where the founders or the executives, like if they were even open to a conversation and then if so, had they already done some work or do they need help? Or you know are they thinking about it in the product or more in their recruitment or like something else. Yeah, it's like very a true base line right it's not like what your performance baseline is it's like your mental baseline on ESG. This year it's changing because it's now the third or fourth time we run it and it changes a little bit every time to kind of follow like as Yaletown's understanding of ESG progresses. But also the portfolio changes. Because since they made an investment in this company they also mature. So we're still not scoring but we have asked for more quantitative data which is a little bit less qualitative. More around like policy. You know we decided to ask for green house gas emissions numbers instead of trying to ask for the underlying data. So initially we said: "Well can you show us your utility bills" for example and we'll calculate some sort of rough estimate of your greenhouse gas emissions. But a lot of folks actually didn't have access to their utility bills because it's baked into the rent right, they rent a space. There's actually very few of the companies could give us that data - Most of our assessments have been around software architecture or security operations. And there, we're essentially building out an ESG module because it's become part of what PE is looking for. So, there's a scoring system built in, but we essentially adapted the framework they already have. So, I didn't come up with a new scoring system. We said, okay, well, here are all the issues that matter. Depending on the company we are assessing, some of these are relevant, and some of them are not relevant. So don't score them. And then the system kind of spits out a score,	assessment and development is enough Need for concrete examples You can make it quantitative, but goal is not comparison
4	Need for diversity	Interview1 - task related diversity. If I say in contrast, let's say 30 years ago, governance in the US, they tended to have to be predominantly male, they were predominantly older individuals like retired folks. They also tended to be former CEOs. What we've been seeing over the last two decades or so, definitely last 10 years, definitely last five or so, and more recent is a focus on more skills. So not the title, but the skills. So, A, if you consider a multinational, a huge, huge global multinational company. And if you look at their regional head of something, something business, that regional head is not as high up as the CEO, right. But they basically have CEO level experience. So, it depends. So, research firms and companies and boards are starting, I want to say about 5-10 years ago have started to pay more attention to functional task X skills, expertise. And so you're going to see that for the biggest companies focus on sales, marketing, customer engagement, operational supply chain, manufacturing, digitalization, things like that.	
3	Characteristics needed	Interview4: - What I found when I started six months ago, it is a story that's ever has been built by bankers if you could, and now you can say they have like tons of industry experience decades right. And probably that helped to get this license because only two companies in the world have to its license. We are just that was probably very helpful to start the whole thing. Everybody believes that they know everything around banking, right? And they are very trustworthy. However, over time, this has become a challenge because they created is a more of a private bank, but SEBA needs to become a FinTech company. And what we need this probably less industry experience, but the right talents more tech capabilities for more product development capabilities. And actually, I'm looking for people outside of the industry. That just with the other way around. Younger people with a diverse experience. I'm not hiring people with 30 years in banking anymore. Just the other way. For example, by use the CTO that chat just started last week is based experiences in media and motorbike racing. The right the big, you know, global companies, some banking, startup experience, and a lot of other companies that he's from Spain. - Let me answer your question. It really depends. I told you about first time and symptoms, right, etc functions, right? What do you need? For example, if you take a CFO, chief risk officer and head of compliance, you definitely need tons of banking experience. Yeah. That second line, right. First line is the other way or in other functions. As I said, CTO, I really need the right talent. tech guy I don't know if somebody can find them in Becky, right, because they just decided to go for a more young guy with a lot of experience in different industries. Same for example, in sales, you know, banking is truly that in most areas pretty bad in selling different to insurance for us. So, on the service side, we're looking for what we call hunters, and we have a discussion. If we can find better hunters outside backings. So it really depends in certain functions you definitely need like top banking experts. - Maybe 20-80. Do you belong in banking? No. Yeah. But I welcome everybody has some experience outside banking. Bring that fresh perspective. Interview3: - So if you have a complementary team with entrepreneur skills people who try to dare to do new things - I think it's about different capabilities, but it's also about balancing between family and non family members. - In setting the safeguard, maybe control, do the right reporting, etc. Normally you see that when you have quite a creative outgoing people it good to surround these people with people are more from structure, processes, governance, etc. etc. I think if you have any entrepreneurial family members in the business, then you will see that it's most of the time it's good to surround them with people bring more governance, structure control finance, to increase professionalism and to have those calculated risk really being calculated. So no surprises so say that you come in security I think this is such a big risk only we have we add new and it is perhaps more in control but it might also be new capability that which is not there in the family yet because it innovation whatever but I think that that entrepreneurial part, most time comes out of the family. - Expertise on ESG is quite scarce. - Okay, I'm quite yellow so I always need to be surrounded with blue people can build structure process etc. around me. And if I have 20 copies of myself, you will have a lot of fun, but there will be no structure and I think but it's good to have examples and show what it would mean to be inclusive but we don't have enough to be honest, because it's not so easy to build a real inclusive team where it's okay to be yourself. - Let me put something extra to it because also interesting and that's the thing is that we said okay, but what's beyond your LinkedIn profile because your LinkedIn profile you see where your go where they are to your education is etc. etc. Then you find sometimes some of your capabilities, but what's also interesting, for example, in a consulting firm like ours is when I work on a project on biodiversity spread interest for me to work with people who love to be in the nature in the weekends, who really love birds, etc. etc. If I work on the change management project, I need people who know all kinds of gamification skills. So then I need the guy who's playing on the PlayStation all weekend. - You have entrepreneurs and you have managers and I think that most of the time perhaps the family members are more entrepreneurial than professional management. But at the same time you need to balance especially the complex worlds we live today. Just entrepreneurial perhaps is not good enough anymore - but at the same time managing risk, drive more professionalism within your organization. So I think it shouldn't be complimentary. But I think most of the time the family brings the values, the culture, the entrepreneurial mindset, and management perhaps brings professionalism, professionalism, new capabilities, sector knowledge, etc. But to be complimentary, but I think I'm not sure whether the external members are also always so entrepreneurial - We are testing that, currently. We say, okay, it's best here, perhaps working as a kind of Facebook, but then within your organization, where you've tried to come beyond that LinkedIn profile to connect people. So when you're in a department where you have the same capabilities, but different personal interests there, you might be alone as well, and how to connect with someone who has the same personal interest but this within a different department and the different capabilities, but also getting better insight where that personal interest is we hope to come beyond that LinkedIn profile and also just be interesting, the people in your team. Interview2: - It's, they're putting on a couple of people from the PE firm. Yeah, usually at least two and it's kind of like a senior partner, and then a more junior active person who can be on a day to day, it's often the senior person who has a lot of relevant industry experience. And then the junior person who again is sort of more	To stay innovative => less industry experience Chief Risk Officer, Head of compliance: industry experience CTO: outsider Entrepreneurial skills to dare new things Find balance in characteristics ESG expertise, even though scarce Look beyond the LinkedIn profile (people with similar experience can have different personal interests which add value) Board observer Sector expertise+ regional relevance Innovation& identify new business areas

		operational day to day maybe is building that industry experience. So, for example, the private equity firm I work with, they have a pretty broad range of investments, they do a lot of kind of tech enabled consulting. But they also have a little bit of manufacturing. Like they have a couple of food companies. And they have one really senior guy who like run a food company for a long time. So, he's on all those boards, but there's often, there's always like an associate or someone else from the PE firm on the board with him, if the associate happens to be female or whatever, great, but like that's not the primary consideration in any stretch. - So, you'll have like, the, what they call the deal lead in this in this company or whoever, like most senior person at the venture firm will often sit on the board, but then they'll have a board observer so someone who may not get a formal vote but who is there for all the discussions, participates in the discussions and will probably make their opinion clear even if they don't vote whenever things come to a vote. That is often sort of a like a junior partner or principal or kind of the next level down. I've seen so with the firm I work with, but they've also commented on the other investors who are also present on the boards right at the same companies because they're all generally minority investors - So, other venture firms will have: This is the partner who leads all the FinTech deals; This is a partner who leads all the GOV tech deals; This is the partner who leads all the health tech deals. And on those boards there's also a little bit of regional elements; So, Yaletown for example was spread across all of Canada. Another firm I'm thinking of also has people through the US. They're both pretty small firms they're like I said probably under 20 People. So there's a combination of like the sector expertise plus the regional elements, if it's a Vancouver company that the right partner is based in Montreal, like, maybe they'll have the Vancouver partner sit on the board. - the folks who started at early investors, but the senior people they brought on are generally industry executives, right, who've run one or several big companies in a particular sector. So, like the manufacturing guy, or the food guy that I mentioned, he's kind of qualified to be on the board, because he's running big food companies, or you know, buying a small food company. And then the junior person is like, because they're the junior person, not the majority investor. And that's, I mean, the junior person, like the senior, the senior most junior person on the investment team and like, they need experience running, you know, sitting on boards, and this is how you get them that experience you like put them on the board for with guidance or whatever from a senior partner. So they figure it out. - So, there's like the core team who's on folks who are on the investment team and some of those people have a history as investors and sometimes as executive. But they're on the core team. They're employees full time - And you're, you're not expecting them to necessarily have run a food company before, but to understand the financials too, like, to be learning that part. But if you're bringing someone in to lead a company, then they essentially have to have an executive, corporate experience. Of course, on the venture side, I think you could be like, I think many of these senior partners are probably some combination. I'm thinking at Yaletown, it's a bit of a mix, you have folks who've always been investors, but maybe they've always been, again, health tech investors. So, they don't really like they've never run a health care company. But they've always invested in health care companies. So, they do have data and their experience as investors, even if it's not operational. And then you have a couple of seniors, like some partners who are coming from industry, right, who did run a couple of companies and have become investors sort of later in their career. Interview 7: - You have to see opportunities - What do our mission have to be on? We want to be there for people when they're healthy, help keep them healthy, and when they get sick, what can we do to help them get better? So WI can make good rates, that they can get good treatment and get good doctors. But we can also do second opinion programs, a lot around that. And this could also lead to new business areas, for example. When Corona was two years ago, we offered Corona vaccinations to companies. We had a service provider and organized that. And for medium-sized companies it was not possible to organize through a weeks council. So we did that. We offer sleep programs. If someone sleeps badly today, maybe they have phsychic problems? If you analyze that, then you recognize the people who are on the way to burnout. Such things result from this. Then there was the discussion of whether we actually only do business through insurance premiums or whether we open up new areas of business: Selling services that are not insurance, but health services. - And these are opportunities. Then you have to look at what's going on in the market or care area. A well-known company of ours they also have life insurance, but what do they offer? They have funeral homes and funeral directors. But things like that. So you can do new things around your business area. Or now with ESG: where is that going? Or the whole digitalization, where is that going? You have to see what opportunities ariae, but keep the risks under control. Interview8: - But what I want to have proper company, or at least a high probability that the management or the whole company can react adequately to new challenges and new risks.	
1/4	Board efficiency	Interview5: - I see a lot more: What do you think? What do you think? Oh, nice to each other. That isn't a normal board. You could sometimes say shut up on the chair. That's a little bit more difficult with an association - I said four people or six at the meeting. Things go fast - So the fact that automation in our business isn't still highly existing proves that the boards are not pushing hard enough	Efficiency decreases with size, regulation, politics & maturity => [illegible]?
		- And obviously then you have dominant board members or less dominant. Yeah, board members that want to become the chair then the larger the company. You get more politics also in the board. Bigger the boards. Yeah, you look at banking, the boards are sometimes 20 people or you can just imagine what goes on there. It's all about politics. Interview6: - but it's there's some other dynamic in the board spectrum with smaller companies is that for some people might be they might have multiple hats, so they might be the founder of the company - Yeah. I think what is the first thing that becomes destructive or causes bad tension is when you have a board member who is nodding, engaged, the person doesn't care. Really see the person doesn't know what they're talking about. Maybe they represent their legal obligation, right, but they don't know. So people get very frustrated and sometimes they are really outspoken without knowing what they're talking about. Sometimes you just feel entitled because you might be very senior may perhaps the most senior big table. They're right sometimes away. I think the dynamics that work well is an open discussion and kind of reaching consensus, in a way so it's not a louder voice. We need willingness to go beyond as well. So there's a cadence to board meetings, right. So up to certain, certain frequency it's good to keep them sharp. But there might be cases where you have responsibility to learn more as well, your transparency - I think you always have to then bring the next the person who has experience with or knows the place where you're going to, I can help you take you there. So you need to do but I'm curious before they ask you a question. Interview4: - In not regulated startups, you're trying to become lean, being slim, etc. and we can't in certain positions because we have such a high cost. The launch I guess it's always the same. I did it three times, right. It's you know, you have to grow like crazy. Yeah. And then it's about growth. Where can you go in estimate business in Switzerland, but obviously around the world, because you need a lot of revenues to compensate the cost to face. Very simple logic again. Global scale. - There are long meetings, there's a lot of preparation before and like a lot of public disclosure etc. These are often monthly meetings and things, and like people will jump on the phone a lot faster if something happens because there isn't a requirement to disclose all of this because you don't have public shareholders but also the company moves a lot faster Interview8: - If you want to really interact members then better not to have two big boards. supervisory procedure. So once you have added on 15 16 people then it really tricky to get high quality decisions.	
3	Trust	Interview5: - Once it's very consistent, you know each other. - But the point is, if you don't have big issues, and consistency is great. And then you get faster decisions because there's trust.	Trust enhances efficiency
1,2,4	Group dynamics	Interview5: - high level of personal engagement. As they sometimes say you cannot, as a CEO, you get asked by board members if you are interested. It's not something you can apply for. It's very much on relationship basis. It also depends very much on the person. I've worked with board members really fantastic in getting involved when necessary. You had board members where you thought this gonna be a great person and they were so micromanaging, you go like what are you doing here? - The good thing was it depends on the quality of the people on the board. So if you keep the board meeting because like okay, we're not a board meeting, okay, we have an hour and a half let's make a finish and go for dinner. If that starts to go into your mindset as a CEO or the chairman: Yeah, then you need to change. - What do you think because there are a lot of things you cannot discuss in the board meeting. The board meetings should be more validation in a certain way. But a lot of it the most of it happens outside of the board meeting. Yep, that's the whole point. And that's why the chairman and the CEO play the most crucial role. And obviously then you have dominant board members or less dominant. Yeah, board members that want to become the chair then the larger the company. You get more politics also in the board. Bigger the boards. Yeah, you look at banking, the boards are sometimes 20 people or you can just imagine what goes on there. It's all about politics. - Whether it's only friends, or when you become enemies actually the two extremes Yeah. So when these are my buddies, and they when my board don't like that or in a board I really don't like him or her. That's also problem. So when it gets personal, let's put it in one word, the moment it gets personal involved and that can be a liking or not, that's not a story yet, but it's my friend. It's my sister is my enemy. Yeah. Then you have a problem. Because it gets personal. And then decisions are not the right ones. Never. - It's like boats are often filled with people they know very well. Yeah. Socialize with all the time in the major companies and it's an honor to be asked to search a board but it's also very much come back to my friends that I asked you to do so you need to support me. I see. Yeah. Okay. So that's all politics. So it depends a little bit. - When you have the same chairpersons Yeah, and various aspects. So, it depends very much on personality, how far out they will go. The only thing and again, it also depends on the CEO and other board members influencing. Yeah, if you have a big technology change and the CEO says it would really help we ever had somebody with a tech pack on the board to support me with my CIO. Then the chairman should help. - On the other hand, those tend to be very often the ones that become a little bit too dominant, because: I know how to do this Mr. CEO. So that's why they often don't like it. CEOs also like it too much. Don't forget CEOs have big egos, otherwise they wouldn't be CEO.	All about relationships But even when knowing people well, it doesn't mean that you'll work well together Integrity on efficiency and company interest Within own networks Trust in the chairman Delete hierarchy (except for chairman) => remove egos Inclusive transparent Chairman giving structure and transparency (time& agenda keeper)

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		Interview6: - So for me, it's always an environment of some tension. Right? So I don't feel any board is a group of people that sit around a table and like, Let's hang out. With good tension. Good tension and bad tension in terms of typically these people are very experienced with strong fields aligned by a company goal or whatever is aligned by something but I think they have often more things that things are moving in directions then on the contrary, so is always an exercise all of them to find common ground and to do your decisions. And as in any group anytime have more than to any group with other people. There's politics involved in this important to that. So that's to me, every board I saw always tension involved. But I think it's good. As long as you have some ground rules, right? It's respectful and it's well intentioned, then there's no personal agenda. So, it's intended to help the organization I think that's helpful. - They might be an executive at the company and the board member. And these can conflict. This is my baby. I founded this how many years ago and I'm also happened to I also happen to be I don't know, the CEO or the director of x. And by the way, I'm about waiting myself. Because yeah, right. So not replacing me. - so as soon as you start filling that in groups form rights, but disk groups are forming and it's a lot of this another thing, a lot of the things that are discussed and holding the board meetings have already been agreed, right? Because we're having a coffee here. And we ready talking mainly about stuff that we'll be discussing. It's natural, right? So what's your take on whatever company's doing right? Kind of get a feel. - So as long as there's transparency, in terms of you have to have this: we can discuss, but let's inform the board that we are having this meeting. So it doesn't come across as a secret meeting. It's been intentional. But even with my limited experience, so that every board to have just groups, sometimes you just connect with someone that happened to hang out and you talk about all these things. - So you have this for some time, I think you can just tell because that's what happens when there's something to be decided. Until then I'm pretty favorable. I think it's rare actually, this way. It's rare that there's this board decision it was completely unexpected. So I don't think it's almost that you have something clearly there is often maybe just momentum, but this continuity certainly isn't my version of the change. It's just that it's not part of the board to be disruptive. It is more likely to be gentle. So it's rare that it's actually will be something very disruptive unless something really bad has happened. But in something important, these all should also I saw that in the foundation argument but be mindful in trying to preserve that they first see this is really nice because otherwise it becomes your own club right. - Okay, to also because depending on your own company, sometimes you're forever shareholder because of family business. Yeah, but first when there's a new person in the board or when you're taking the board or kind of refreshing the board? My opinion is that, yeah, as long as this person joins, doesn't matter if you join today or 10 years ago, just do your job, right. So just your opinion or your thoughts or as much as everyone else's. And it's almost like you worry less and you want to ask something and you don't dare you wait to for our ask at the end and you never asked the question. - In our case, there was the president or the chair. He was extremely open and inclusive and it just got to you're here. See what you want to say. Right? So, no right or wrong or everything to be considering. People will look at him like: Oh, I don't like that. Hey, that's what I started with right is always tension. So you can make it lighter, right by being transparent. I think that's maybe the formula if you like, an inclusive transparent, kind of inviting chair in a more I will tweak to a more organized secret theory or second person who's really making sure that this will be followed right. So there again, having the power dynamic. So can be as simple as this person is like the from the timekeeper to the agenda keeper, right? So we have to cover these points today. Guys, we have to move on. - I had situations in the foundation where it was in the board that just hates the way this person communicates right. Just people sometimes only two after a few months when they´re not at the board become friends. Interview4: - It really depends. You mentioned the cash cow. This is a problem we are facing very often. If you have a certain element in the company that is a cash cow, then it's a very big decision what to do just know prevent what you have in the cash cow or in parallel setting up new structures from it. And what we've experienced, obviously, what you can do is, you know, have your experience people working with in the traditional areas, you know, working with the cash cows of the state, but if you want to set up new structures or new business models that's about outside of the corporate structures. Otherwise, how would that work? Interview3: - You see, especially when you have that the second or the third generation there used to be a lot of times still family members within the board. When you see that the family company is more generations on their way. So 7,8,9 you see more and more non family members into the board. And so the role of the family will or might differ over years, as sometimes they go into the supervisory board or sometimes they even go back to being just shareholder. And a lot of the time the combination of this so you have family members who are in the board, you have family members who are working within the organization, that being in the board family members who might be a part of the supervisory boards, family members who are just shareholders and family members who are just nothing except family members. - I think it's great when there's someone from the family because he will breathe, family values. He is quite close connected to the rest of the family. Can build a bridge. But at the same time you have responsibility for a company, for your employees, for your suppliers, etc, etc. So the capability of leadership is important as well. So I need to choose between a family member non capable or non family member capable I would choose the last one. - I think most of them are more managing that than entrepreneurs. And it's family owned companies are also characterized by the fact that there's so entrepreneurial they just try new things. Just start doing things and that's that part of their success as well.	Create sense of responsibility for company culture, etc. In general boards can be more risk taking (because tendency to be too stagnant/ careful/ managing rather than entrepreneurial) => safe in balance/ lending money but visionary and risk taking Find space to make everyone feel heard (especially when family members/ CEOs are involved) Take out hierarchy => maybe easier through difference because then less space for personal comp? Connections: people placed in wrong positions because of networks
		- What you see is that they've been conservative when it comes to lending money. So, they normally have a better balance than non-family run companies because they in the past they hate it to go to the bank to ask for money now that's for balance. So, they are taking care of that long term value but they are not so afraid - You only have an inclusive board if the family balance is not weighing out the wrong way. So for example, you saw that a lot of time in supervisory board that you have four family members in the supervisory board and two non family members. There is to basically have nothing to say because the four others decided or they don't feel free to say what they think. So you should have a more or less balanced environment where every voice matters. Interview2: - Somewhat, but actually for both of these stages the board is often very small so in venture there tends to be at least one founder sometimes more or like an early exec or prior exec who maybe has rolled off and then one or two, or maybe three investors. So, they're often a very small board. It's rare to see a board more than kind of five people and it's actually the same with the private equity firms I've worked with. So, it's often a founder to maybe a prior founder and then like two, often two people from the private equity firms. - From what I've seen or heard secondhand you know through emails or talking to one of those parties, uhm financial service in general is very hierarchical. So, I think the hierarchical nature of it I don't think is related to whether or not the person is female or a person of color or whatever. I think it's that's just how it is. And it really depends probably on the firm culture right and then like individual relationship between those two people. So, I'd say, yes, quite hierarchical but it's hard you know. They know each other, often these are small firms. Yaletown is like I don't know, maybe 25 people. But probably day to day more like under 20. So these folks know each other really well. They have like daily working relationships. So, you know, they're interacting with each other based on a whole host of previous interactions, not just like: Oh yeah, you're an older white guy I've never met before. Like, they know each other really well. So, it sounds functional, but I'm also not close enough to all of it for them to tell me everything. - So my understanding with these, certainly in the venture side, and probably on the PE side as well. It's not like a public company where it's extremely formal. - There's a lower threshold to bubble things up to the board because the whole organization is much smaller and because part of the point having this kind of active, involved investor is for them to help you in the day to day businesses. They're not going to make sales for you, but hopefully they would make an introduction to someone who could be a great prospect or that kind of thing. So it's not like a quarterly tell me how it's going right it's "Hey this relationship didn't go anywhere, is there someone else you can introduce me to?" It's more, much more operational. Yeah, all this to say; I mean I think what kind of qualifies you to be on the board is like you're an employee at the investor firm. It's not separate from that right. - They also have a kind of floating network of like 10 or 20 or 40 People who are often prior executives and are essentially looking for the right company to buy to like make that person the CEO. Because they're like: Look, this person knows how to run this kind of company really well. We're interested in investing this company. Once we find one let´s see if this person wants to fit in - already have been cited by the PE firm as like an executive to have run a company. But the industry experience is never optional, especially for those people, right? I think for folks, it's a little broader. Interview8: - So just to give you an example, what we regularly observe is that's downside look, in times of crisis companies with a good corporate culture, they fight against it. Okay, then employees say hey, for example, like the COVID-19 effect. Hey, too bad, but let's fight against it. Whether they are successful or not, that's something different but this makes good culture. Then you have companies with a bad corporate culture for these companies… Usually, the first thing that happens is that the good employees leave a company that do not feel connected to the company. The bad employees stay within the company. And nobody is really motivated to fight against it - It is better to fight a bit within the board, so this usually makes better decisions. A lot of harmony is fantastic, good old German style and perhaps also the Dutch sparkle. I don't know it's not too much different. I think the typical German style is that you have in the box 10 times the same person. You do not really fight, you do not have different opinions, you easily get quickly to decisions, but this doesn't make good decisions - if I perceive the CEO, that's always that they behave like children, if a CEO has the possibility to vote for, to bring in his opinion about a good head of the supervisory board, he always will send in a friend, and so not to get controlled. If you look for a supervisor for your master thesis, you would also look for a supervisor who's not the toughest one, it's nature, it's human nature. And so, you have to find ways how it's not necessarily that one hates the CEO but at least it's not necessary that they are friends so that there must be a distance and coming back to your questions or better to make a selection independent of what existing board members think. - So, you really have to deeply understand also accounting topics. You have a high liability as a member of supervisory board, you have to understand the business model, and I'm very sure none of the politicians understand what these companies do in terms of accounting. It's tricky whether or not they really understand business. It's not that they are sent in because they are experts, they are sent in only because they are a politician. - I was one case was I can't tell you the companies but what case was that the CEO of one company was also sitting in the Supervisory Board of another company. And head of the Supervisory Board of the other company was also sitting in the Supervisory Board of the one company, the first company. Now you can imagine how hard the questions were. Not at all, so I always read the notes of these board meetings, and none of them ask hard questions. Because they knew hey, perhaps they liked each other could be but perhaps also they knew I asked a tough question. He will also ask that question. And that's something we look at as investors.	

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		How sure can you be that these guys can make independent decisions to the board. And that's important, but it has changed. But it does not mean that it's still does not exist anymore, that people do bad decisions because they know the other person. -	
1,2	Importance of chairman	Interview5: - But then it's up to the chairman to take that board member outside and inform him you have to change or you need to move on. - And that's where a chairman of a board to me is crucial. The Chairman of the Board should be the person who is the most open minded. That shouldn't be the risk taker, shouldn't be the cautious person should be the person that is the most open minded to listen to various opinions and by then managing the process bringing out the best way that let's say, makes everybody happy. Not always possible, but in essence comes to the point where everybody's okay, yeah, I might not be 100% happy with it, but I can follow the logic and go that way. And leave a door open for tweaking. That you can still adjust your plan. Okay. We go that way. We want to take 50% of risk, but if it's not really working, we might actually bring the risk up to 70% or we scale down to 30%. So everybody feels comfortable in that kind of situation. So the chairman to me is crucial in the process. - I think the chairman or the chairperson, and the CEO needs to be very strong in communication. And obviously, the CEO and Chairman should meet regularly and regularly can be coffees or lunches doesn't have to be meetings shouldn't be meetings. The meeting should be the quarterly or whatever, monthly board meetings that are out there. They should meet regularly. And so should the chairman and the CEO meets with board members from time to time now to seek their opinion also outside of formal process or to seek support for certain things, or to convince somebody and say, look, you were really harsh on that the last time can you motivate a bit or we're not so sure about the CEO - Yeah, the chairman should consult board members for new board members and he needs to speak with the CEO about possible candidates. Yeah, they should watch the overall momentum and what is best for the company. Interview6: - When you have this kind of dynamics, where the chair and the Secretary almost like the good cop and bad cop, not both nice but not both not nice. It comes a lot from the culture right? Why do you think these guys have been barbecued together? Yeah, right to another country things. People? Yeah. So comes a lot more I think generalizing will come about from the five set by the chair Secretary together but it's but the board is so crazy complex is not only that, right? Because if people are not also happy with the way the chair is conducting the board, they can find a way to get rid of the person. - If that happens is because the chair is one of those facilitator. Okay, so I think it's normal that everyone has very different communication styles, right? So, people just go around and talk about stuff. But the chair has to have this capacity of making everyone speak to everyone. Right and yeah, so ideally, the Chair will be the good facilitator. I think it's good to have different communication styles, right? So starting from the point that they're able to communicate. - I think needs to be shaped by the chair. Yeah, by the chair. And as soon as you join or you're sitting in a chair it's because you deserve it. Right. So yeah, I agree with you. Let's share your point. So I think eventually that's how we get respect. Otherwise, what are you doing here? Interview 7: - If I'm in sales, of course, it has a different content than what I'm doing now as chairman. I do a lot of the governance and stuff now. I have a lot to do with regulators. You don't really have that in sales. Even if you are responsible for the areas, of course you have to pay attention to things. But that's very, very different. In sales, it's all about getting the insurance to the man. Here in regulation. I have the whole legal department here. I have the audit, compliance, information security. I'm very responsible for making sure that we get through the laws well here.	Chairman as mediator with best communication skills: prioritize relationships but with company goals in mind Good to have different communication styles => chairman needs to be able to manage it Chairman is there to have the overview over compliance as well
3	Frequency of change	Interview5: - I think it's good because it has like with the Owners Association, you have two year terms. If I remember at the time, it was the maximum of six years. You had to move out. You were first of all, yeah, that was awesome. There was no way escaping that which is good. Yeah. So you had some consistency. Every year you got somebody new and because every year it was a new board member coming in because of what was going on. So that keeps things fresh. Not with 20 people but on eight people, that's fine. And the other part was in that association, the chairman changed every year. That's not good. That's way too short, because then every Chairman wanted to do something within that one year. Oh, I need to make an impact. Yeah, so they started to make like a CEO sometimes depending who it was. So you get that where the short term is not so good. Whereas at Westering it was eight years. It worked very well. - So, in suppose I'm actually in favor if there's a regular change doesn't have to be every year somebody new but let's say every four years, that should be momentum Interview6: - At the beginning, just throw in a fire that go right start working. Otherwise, you always have the sense of one up one down and you're always the last one, right. So I don't like that. In terms of time. It's really interesting. The foundation we had this one year rotation, which is not nice. Yeah, it's so it's always a mess. It's always like this is nothing new. You have to do everything and you cannot do anything and it's not good at all. What is going on is four or five years cycles, right? So that's where we started to see this organizations there's this what is called the Phillips in show example, every four years by show that this thing that every four years actually you had to essentially change right so roles move somewhere else in the corner. For very large companies, this may also be too short, right? So if you're talking about a company where the CEO because they see with large companies, the CEO starts to be more productive, but again, in the eleventh year, if you're talking about to share with Philips, so you see they have this DBT kind of their productivity increases in the first five years or so. Then it goes down. And	Positives longer contracts: "no escape"/ have to create consistency Everyone needs time to adjust Too short: might create CEO-behavior The larger the company the longer the cycle should be (small companies reach different stages way faster)
		then it really kind of reaches a top at the eleventh year. And then slowly right then stay there stay here. So, we go down, and even different 15 years, like cooperation, so they leave or so. For smaller companies, especially startups scale up reaching maybe mid sized company has to be faster it reaches different stages. So the board the initial team, or the initial board do not stay there. Interview4: - Yes. So, this new phase of the company will definitely lead to changes in the board. We also have developed a new board. This has already led to first change in the board, but more to come here. One simple thing is if you want to scale globally, our focus is Asia. Somebody from Asia shouldn't be part of the boards. Because otherwise you're not becoming a truly global company. This is one step we're making within the next weeks or months. Okay, my board what you can see on the internet will change over time on chain change has already been formed others will come within the next four months. - I am not a big fan of frequently changing the team. The recruiting process is kind of artificial process. In both sides of behaving differently. Yeah, it's hard to find people, but hopefully after I found the right people, that didn't work for quite some time I think of yours, changes all the time in boards that does not make sense. A couple of years, and therefore the contracts in Germany are for 5 years. Interview7: - As I said, I've been here for ten years now, now the change comes at the end of the year. The new colleague is coming now then he will also be here for 10 years. My colleague came in 2016. He will now stop at the end of next year. My other colleague, who has completed a period and is now being extended, will also be here for 10 years. That's a relatively long average for us. The average when you look at DAX companies… You've seen it now, he was chairman at VW for three years. - with the exception of this function, which was extremely long at 10 years, I did something new every 3 to 4 years. For me, that has had the charm that I have done different functions. As a general manager, in particular, I was able to build up a broad range of expertise. I didn't just do sales, I did governance, operations. I've done almost all functions, except now pure mathematics, I haven't done pure product costing. It's an advantage when you have your foot in the door and you can get into it. Here you have already done all the topics and have a view on it. If you now do a function for years, then you have such a chimney. You know your subject, but you don't have a view of the other areas, which is very important. - if you know each other, of course, then it has the advantage that you simply have short distances. And because you simply already know how you have to talk to the other person, how you have to come to decisions. - That's not noticeable at the beginning, but if you have someone in a position for 20 years and he's still 55, then you know you actually need 5 years to bring him up to speed. So that means that when I have a team like that, I have to be very careful that they stay up to date. And not say, okay, I did that last year, we'll do it the same way this year. You always have to question yourself. And that's a risk. Then the world outside simply passes you by.	Average of 3-5 years seems to be a healthy medium Long can be better efficiency wise but compromises in innovation
2,4	Advantages of diversity	Interview5: - Also to give you another look again, because you do get stuck in certain things are going in a certain way and the same people, it's just human. So, somebody coming in and say Hey, why are you not thinking about this? What is called Instagram? What is that? - Yeah, when the board members when it is important is come to a shared vision, where you want to go over a period of time. For that you need different characteristics. - We have an internal board as well because we only have two shareholders. But basically, I don't see I was a Chinese and they're pushing more technology. So yes, we are advancing a lot faster than we did in the past 10 years. So that's good, because that's the nationality. What do you mean the credit card? Where's your app? Yeah, in China, nobody has a credit card but it's all on the phone. Yeah. But it doesn't work like that in Europe. But if you take like Mark Zuckerberg, those kind of people, they would walk away and say: What do you mean you want to check a mock up room? Just go in there with your VR glasses. - So let's say you need a feminine touch, you have two options. You either get board members that are female or gay. Because you want a feminine touch and you don't take the macho. That's not a feminine touch. If that is a focus area similar to saying you want to improve technology, well, maybe it's better get somebody for Facebook. And if you go in that sector, we will find out that usually they are around 30/35. Because you want to interact more with generation whatever they are called. Yeah, well, don't take me to connect with your generation. Yeah, it doesn't make sense because I don't do TikTok. Yeah, I know what it is, but I have no clue how to influence on it. So get somebody who knows that means more or less same generation maybe a little bit older because it had some work experience but connect to so that is what you'd want the consistency of a board and slash also a management committee. it's similar. Yeah. It should be diverse but with a focus towards the needs of your company in order to move forward that to support your vision. - When you have the same chairpersons Yeah, and various aspects. So, it depends very much on personality, how far out they will go. The only thing and again, it also depends on the CEO and other board members influencing. Yeah, if you have a big technology change and the CEO says it would really help we ever had somebody with a tech puck on the board to support me with my CIO. Then the chairman should help. - And so, again, it's all about the balance finding. In addition, but the same as should not only be people with a finance background, it should be a mixture. So you could have somebody in the marketing background. Somebody with a branding background, something with this background does this again, it's about the real diversity. Interview6:	Diversity according to needs of company (connect to generation, expand to new markets/locations) => support vision of company Inclusivity etc. Vorbildfunktion => employee demand, need to become attractive employer Intentionally seek the discomfort of surrounding yourself with people different from yourself Data gap

		- That's why diversity is important. Right, so in terms of skills and where I come from, and experiences I am from the industry, for the organization or from the industry. In terms of my technical background, or legal background, whatever finance background, so it's important to have someone who knows well, at least one of these kind of core competencies, so it's important to run an organization. Also to the demographics, right. So, demographics are everything around it, including gender, and that's, of course now it's very prominent to the gender discussion. But I'd say also based on where you kind of also almost like where it comes from, especially large organization, large corporate, large, large corporations, tend to see if you see them on the board of Philips or the board of shall be mostly Dutch and English. At Shell Americans have to have some lawyer for the US involved. Interview4: - And then our first level, what we want to do is you know, divide our world into Asia and also India, Europe, Middle East and Africa. These are the two main regions and we have like two I call them chief client offices, these regions, because, as I said before, we don't grow on a local basis and the other thing is detected we are not just not good enough around products. That we will soon introduce. Product chief Interview3: - Actually you have a mix where you have people from the family capable with non family members capable as well but if complimentary, inclusivity that's the best. - When the result is less than a year knowing when they invest in long term profitability, long term and short term value. But I think also that we did some research to innovation that you see that family owned companies are quite innovative. But it's not so formal in its processes, they just think okay, we can do this better. So they just thought, Okay, we need to electrify this vehicle so they just start to build an electrified vehicle but when you can do that within a list of property processes and procedures, you need to have a budget, it's all formalized, it's recorded about etcetera, etcetera, if you will, in the family, environment, people just do they take calculated risks. And perhaps it's not completely out of the box. - And I think that family owned companies really are more attractive employers compared to a lot of corporates until a certain level because what you see at the end currently, a lot of time you're not able to really grow to a certain ceiling due to the fact that our family members in the board, but up to that certain level family owned company is based on its culture based on the values is a really attractive employer. Yeah. So, but they need to talk a little bit more and tell better what they do and show how they try to be as inclusive as possible. - We just said okay, let's open a call like this with eight people across the organization different capabilities from Board of Management up to the youngest employee, but where I felt okay, perhaps you could contribute and we said okay, this is what we aim for. How can you contribute and we had that conversation every week. Okay, but you think we need this capability, okay, then we invite that girl or that boy to report and we just went along. And after a few months, we had a personal carbon footprint dashboard. So everybody would be of significance. - So we try to copy a skill that and then every time you saw when you bring people together with different backgrounds with different expertise with different levels of experience within an organization, you give them a clear Northstar. Something really beautiful happens and that's only the outcome is interesting. But also the working experience for the people is really interesting because they work in a different way together and that's what me make believe that includes 15 So basically invite people are not a copy of myself but are different from myself make the things I do better, because they are complementary to what I might enter this and there's one interesting conversation as well that I think, Interview2: - What have I found on the private equity side, there is, in my experience like zero interest or not zero interest, but like zero consideration for diversity, right? - I've done similar things and it often happens that that second person might be a woman or someone who's basically not an older white guy or an older white person white male. I don't know how conscious that is I think it's also those firms like seeking to diversify their own body of employees. Who's sort of up for it when they are looking to kind of add an additional presence to the board or the shadow board as an observer. - is also very different. If you look at like, federal data versus California has like 15 options. And then, you know, federal data has like five or six, and they don't always map to each other. So, you're like: What can I take more than one? Often you can take more than one, but then it makes the data complicated. So ethnic diversity, gender. And gender is usually more straightforward. But if once you get into the like things outside of male and female, it could actually be a longer list. So, you have to choose: Are you saying, Okay, well, non binary, which is like everyone other than male female? Or do you list all the like options under non binary? You want someone who's trans or like not that you want someone, but you want people to have the option to take this specific thing that they identify as. And then we also asked about other forms of diversity. So, like, if you're a veteran, from the armed forces in the US is kind of a relevant thing, because it's a specific type of experience. If you have a disability. We also put in an option for folks to tell us if they have people who self identify as like neurodiversity. So ,and that, again, is a very broad sort of stretchy term that's still gaining definition. So, it could be autism or ADHD, ADHD or like something else. And, and honestly, the data we got there was like, like there was almost nothing. It doesn't mean that there isn't anyone who thinks of themselves that way. But they didn't disclose it or the people they were working with don't know. So we kind of asked for a couple of like as many facets as we could think of understanding that like people may not want to share this information and it's not necessarily any of our business but if they're happy to share then we will	
3,4,1	Outside vs inside	Interview5: - You would need to be at the board meetings in order to understand in such a case so how are they all interact. I think it's important that there's an understanding of the industry if you become a board member. And not like Oh, but I stay in hotels a lot. That's not an understanding of an industry. Because you're a board member of IHG hotels you're staying in Continental, they're not called Holiday Inn Express. But the majority of your hotel are Holiday Inn Express so yeah, you need to understand that business model as well. I think that is key that there is some sort of a connection. And that can be something you've been doing as work that is in a different way different sector would vary related to let's say the Express setup the click 1234 as simple an airline. Ryanair could be compared to a budget or tablet in a way so there are similarities or in the car rental. There are similarities. So, I think that is good. It helps if there's also a board member that has a hospitality background. Interview7: - I'm at events a lot, yesterday I was at a meeting in Düsseldorf and then you get to know 3, 4, 5 people. And you chat with them and hear what they are doing. That's how you get new impulses. - That's very helpful, we have staff development right now with an employee, she comes from the pharmaceutical industry. - That's a bright enthusiasm. That comes with completely different ideas, but also a sense of self. But that's different. If I say now, in the legal field, someone has to learn the ropes, he can also come from somewhere else. In accounting, there are areas that can come from completely different areas. Whereas in classical areas, it's of course good to have someone who understands insurance. - I once had a boss who came from the metal industry, came to Volksfürsorge at a young age and there came the and he became labor director from the metal industry, had a very, very different relationship to strikes. When did we ever see a strike in insurance? The works council came and grumbled a bit, then he started yawning, that didn't bother him at all. He spent days in the factory because he couldn't get out because of strikes. He was totally relaxed and told us: So that's how things work somewhere else. You dream of other things, the roasted pigeons that fly around - When we recruit at management level, we usually have personnel consultants. And they sometimes look left and right and then you get a candidate who has done something completely different. They simply fished in other ponds. I had a candidate from Daimler here. So from completely different industries. If you only rely on your network, then you're right, you're only fishing in your own pond. For me, it was simply clear that I needed someone else. I had a human resources manager, but I needed a human resources developer. Interview8: - Just in terms of diversity, but it's also with a couple of points not centered on gender. Then you have in more technical companies like I don't know a pharmaceutical company or chemical company. So, when a business model is not a business proceed like a fruit retailer, that's Business Administration, but chemical companies, for example, or a pharmaceutical company, and you always are some technological companies. Always the question, how much should be the technological ones and how much should be the business one, so find a balance there? That's not a problem again, for Arabia or India? I would say, but for some companies, really it's important to fight by the structure also in terms of internationality. It depends on the company. So we also see companies which are mainly operating in Germany so you do not need a Fourth International member if you're mainly doing business here at the Munich area. It must fit.	New impulses through outside people Need to be aware of what you need to make decisions Personalberatung
3	Regulation	Interview4: - That is, is it a regulated small company or startup or is it not regulated. Let's touch on that later, because before joining SEBA, I've worked in a company also a Swiss company is four times the size of SEBA but only two executive executive committee members. And you raise the question, why are we so many? It is because of regulation. - That is what I mean with regulation. If you receive a financial services license, you have to have certain roles. Okay. Okay. That's the extreme case like last year I had two, for a relatively midsize company. And at the moment I have ten. - . If you're a regulated player that you are faced with a certain complexity and costs, because you have to imagine we are 120 people, but we are treated like UBS does not make a lot of sight or differences, a few but not a lot. That means the company has to fulfill everything. And therefore we have to create like structures and also people are the answer. That means companies are faced with a high cost. Yeah, so regulated companies are just faced with a very high cost. - the size is already big enough that comes with the regulation because in banking, you have first level positions at second and third level. And for example, you of course have the CFO but you have to have a head of risk management, legal and compliance etc. So those functions are set in stone right? Interview7: - The rates may also be much shorter, depending on the legal form.	Need to take regulation into account Frequency of change is also regulated
1,3	Characteristics of disadvantage	Interview4: - Probably age. It is always a combination of age and corporate culture. That people had like a career in a certain big corporation, the insurance company or bank. I consider that as a problem, right? Because they only understand how corporations are doing that. They are kind of tight to the you know, the things they've ever done in a certain way. So, I think this is my expectation that baking is an insurance banking they are used to spending more money. And I'm thinking though, you know, if you transfer people into also smaller companies that just used to spend a lot of money to get the things by the smaller companies, you have to just find your way yourself. In a limited production! But these guys, corporates per year are sometimes not for free innovation. Interview3: - These companies became great companies because they were quite entrepreneurial. They have a great network. They tried to do new things, but when being quite entrepreneurial that doesn't perceive me that you're actually the best.	

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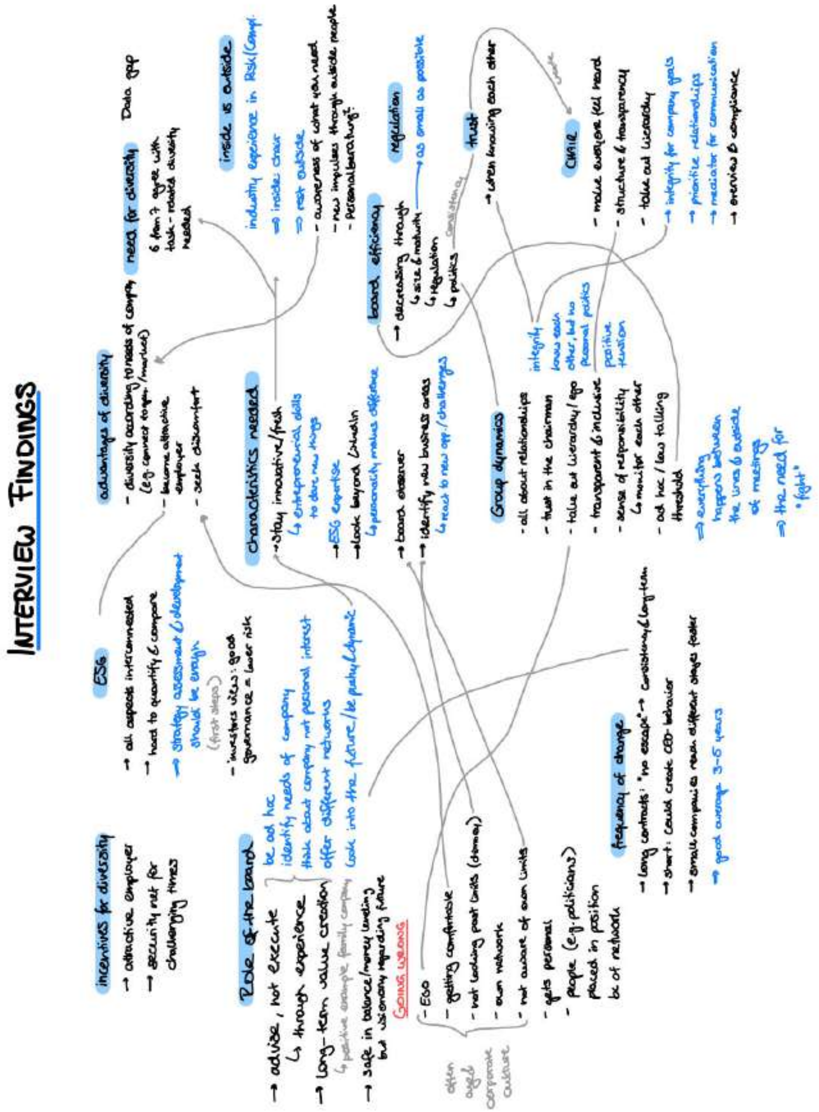
3	Company life cycle	Interview2: - Sorry, early stage venture capital and middle market private equity. Early stage venture tends to be either very early, so like pre seed and seed yield on investors at the same time, see, but mostly series A and occasional, I think, early B. I have a like, pending project with a Series C Company, but most of my work is like a prior on the private equity side, it's I used to think of it isn't a little bit more linear way. But I think they're kind of different types of companies. And the stages don't all line up in the same way. Or at least it's not all like all enter and then be public. Like there's even more overlap there. Which I hadn't realized before getting into this middle market private equity. And I don't know if there are words for the stages there other than middle market or lower middle market, they tend to be companies that are like 20, 30, 40, 50 employees. Maybe up to 100 but usually kind of several 10s different from venture capital, they tend to have been around for a longer time, right? They're like 10 or 20 year old company, but they're still pretty small and often led by the person who founded them. So, in that sense, there's actually, quite a lot of similarity.	Nothing is easy to put into categories
1	To be improved	Interview2: - Like some of these companies are five or eight people. Some of them were a couple of 100. So there, you'd expect a little bit more but so they all like really believed in it, if you will, right. Everyone thought that they were running like the right kind of ethical business, or certainly that was the aspiration. But they didn't have any way to prove it, and they couldn't show how they weren't gonna do it in any way. Right. It's very much like you know, it's just how we do business you're like, Oh, that's great. What if you get hit by a bus tomorrow? - But they were also in that phase of like formalizing things and we need to think about like what is our ethos here? What is our culture and how do we write it down so the findings were similar in the sense like people are aligned you know most people didn't think it was bullshit, but they didn't have anything to show for it. So if we haven't asked them… Yeah it's very much a data gap, but not necessarily like an intention or practice gap. You kind of have to take people at their word which is tough right and it's fine in the beginning, but you're like: you know it's relatively cheap to write things down so I would just write things down.	Write things down => first initial steps

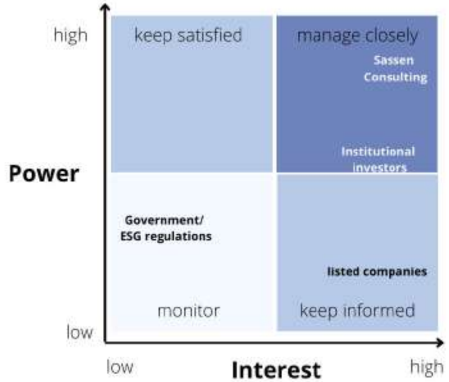
Summary:

ESG Governance importance: - All three parts are interconnected	**Purpose/role of the board:** - challenges: o stay fresh o just advise, not execute o offer different networks (if people are recruited from same networks) o focus on long term value creation (depending on how long board members stay) => vorbild family companies o be ad hoc to maximise use - purposes: o advice through experience o identify needs of the company o do not think about personal goals but company goals o look into the future & be the treibende Kraft	**ESG assessment:** - Assessment hard to quantify, but also not really needed. More "soft" topic which is very company specific - ESG in such early stages, that baseline strategy assessment and development is enough - Need for concrete examples - You can make it quantitative, but goal is not comparison	**Regulation** - Need to take regulation into account - Frequency of change is also regulated
Need for diversity: - The more contact and experience with boards: everyone sees task-related diversity as desirable compared (agreeance) (6 out of 7) ⇨ How to make that happen?	**Characteristics needed:** - To stay innovative => less industry experience - Chief Risk Officer, Head of compliance: industry experience - CTO: outsider - Entrepreneurial skills to dare new things - Find balance in characteristics - ESG expertise, even though scarce - Look beyond the LinkedIn profile (people with similar experience can have different personal interests which add value) - Board observer - Sector expertise+ regional relevance - Innovation& identify new business areas - You have to see opportunities	**Board efficiency** - Efficiency decreases with size, regulation, politics & maturity => gegensteuern? ⇨ The larger the board becomes, the less they should be allowed to get comfortable (change more frequently, more outsiders etc) to keep up momentum	**Characteristics of disadvantage** - Age => corporate culture kills innovation ("endless" budget)
Group dynamics: - All about relationships - But even when knowing people well, it doesn't mean that you'll work well together - Integrity on efficiency and company interest - Within own networks - Trust in the chairman - Delete hierarchy (except for chairman) => remove egos - Inclusive transparent - Chairman giving structure and transparency (time& agenda keeper) - Create sense of responsibility for company culture, etc. - In general boards can be more risk taking (because tendency to be too stagnant/ careful/ managing rather than entrepreneurial) => safe in balance/ lending money but visionary and risk taking - Find space to make everyone feel heard (especially when family members/ CEOs are involved) - Take out hierarchy => maybe easier through difference because then less space for personal comp? - Good company culture is needed for bad times - Need the fight for good decisions	**Trust** Trust enhances efficiency	**Importance of chairman** - Chairman as mediator with best communication skills: prioritize relationships but with company goals in mind - Good to have different communication styles => chairman needs to be able to manage it - Chairman is there to have the overview over compliance as well	**Company life cycle** - Nothing is easy to put into categories
Frequency of change: - Positives longer contracts: o "no escape"/ have to create consistency o Everyone needs time to adjust - Too short: might create CEO-behavior - The larger the company the longer the cycle should be (small companies reach different stages way faster) - Average of 3-5 years seems to be a healthy medium - Long can be better efficiency wise but compromises in innovation	**Advantages of diversity:** - Diversity according to needs of company (connect to generation, expand to new markets/locations) => support vision of company - Inclusivity als Vorbildfunktion => employee demand, need to become attractive employer - Intentionally seek the discomfort of surrounding yourself with people different from yourself - Data gap	**Outside vs inside** - New impulses through outside people - Need to be aware of what you need to make decisions - Personalberatung - More outside the less it is about the actual job knowledge (e.g. pharma,…)	**To be improved** - Write things down => first initial steps

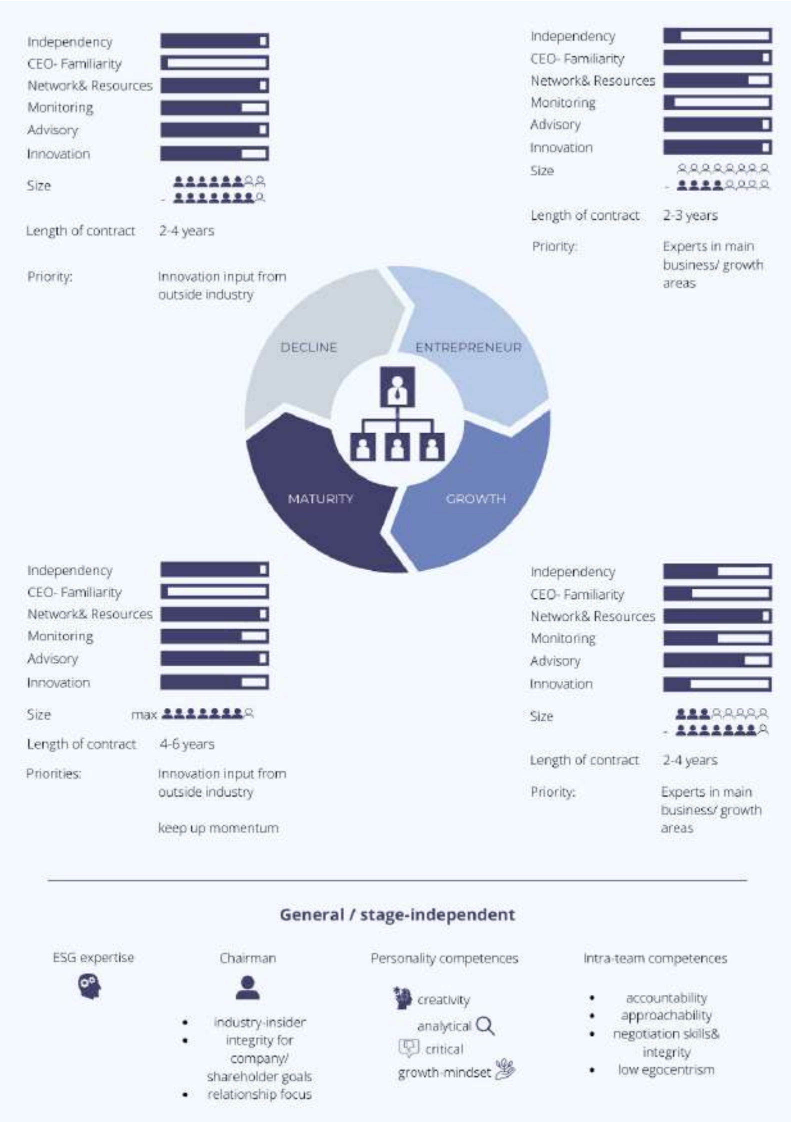
Appendix 7: Code Relationships



Appendix 8: Stakeholder Analysis



Appendix 9: Consultancy template



Appendix 10: Board assessment forms

<u>Board assessment forms</u>

1. General data

Variable	Company/ Board Status	Desired/ recommended	Deviation
Industry		n.a.	
Company Age		n.a.	
Company Size (employees)		n.a.	
Company Size (annual revenue)		n.a.	
Operating countries& markets		n.a.	
Main customer group		n.a.	
Positions of board members *e.g. compliance, risk, operations, HR etc*		Responsibilities clearly defined In regulated industries: - Compliance/Law with industry experience Entrepreneurial/ Growth: ⇨ Experts in main business/ growth areas Maturity/ Decline: ⇨ Innovation position from outside industry	
Board size (number of board member)		Check industry regulations: - Stick to minimum recommended number Entrepreneurial stage: ⇨ 0-4 members (including CEO) Growth: ⇨ 3-7 members Maturity: ⇨ Max 7 members Decline: ⇨ 6-7 members	
Length of board member contract	( ) years	Entrepreneurial stage: ⇨ 2-3 years Growth: ⇨ 2-4 years Maturity& large/ multinational corporations: ⇨ 4-6 years Decline: ⇨ 2-4 years	
Frequency of board meetings	( ) times a year		
Length of board meetings	( ) minutes		

2. Board diversity

Variable/ *measurement*	Company/ Board Status	Desired/ recommended	Deviation
Ratio inside vs outside directors *Active in the company's industry within the last 3 years* *(An, 2022)*	( ) members outside ( ) members inside (/) ratio outside/ inside Chairman ( )outside ( )inside	Look back to positions and who they are filled with Generally aim for 80/20 – 60/40: ⇨ "Business maintenance" positions (e.g. compliance& risk) Present oriented *inside* ⇨ "Business innovation/ development" positions Future oriented *outside* Chairman: inside In regulated industries: - Compliance/Law inside Entrepreneurial/ Growth: ⇨ Experts in main business/ growth areas Maturity/ Decline: ⇨ Innovation position from outside industry	
Occupation diversity *For each board member:* - *Industry for majority of career* - *Industry last 5 years before joining the board* *(An, 2022)*		Based on above parameters: current challenges/ goals of company ⇨ Innovation needed: special focus on outside/ related industry knowledge to innovate ⇨ Internal problems to solve: Focus on insider industry expertise	
Market diversity *members representing major target market/ location group*		Ideally members covering all target market/interest groups => indicators may be country/culture of origin, demographics, but more importantly significant experience and exposure	
Network diversity *Members recruited from different networks* ⇨ *How did the individual members get into the board?*		If not in Entrepreneurial stage: - Weak to no personal relation to CEO - Relevant arguments what purpose of joining the board was/is => expected added value clear How was person onboarded? => refer to next assessment 3. for implication of relevant competences	

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3. Board member competences
⇨ Per board member
(Morten Huse, 2007)

Competence	Assessment	Lack of competences/ comments
Firm-specific knowledge	Main activities/products/services: critical technology: core competencies: weaknesses: development of customers/ markets/ products/ services: bargaining power of suppliers/customers: threat of new entries: current topics of importance/ issues/ problems: company strategy/ goals:	
General business& functional knowledge *Important for advisory functions e.g. work-experience*	Accounting Finance Law Marketing HR Organizational behavior Strategy Management	
Board process knowledge *How to run a board*	Formal requirements (law knowledge)	
Relational knowledge *'sum of actual and potential resources embedded within, available through*	network, access to resources Communication with firm and environment Personal rapport between CEO and board members (stewardship theory: how much time willing to spend with CEO)	

and derived from the network of relation- ships possessed by an individual or social unit'. (Nahapiet and Ghoshal, 1998) (Hillman and Dalziel, 2003)		
Competence related to personality	Creative thinking ⇨ TTCT results: Analytical thinking Critical thinking Energy mobilizing (create board atmosphere for cohesiveness and contributions) & Opportunistic Growth mindset Egocentrism	Energy mobilizing is especially important as chair
Negotiation skills& integrity *board members are agents of outside principals (shareholders)*	Way of controlling and monitoring management to make decisions according to objectives of external principals Relationship to CEO (ideally not overly close)	
Accountability *(Oneself and others)*	Observation (e.g. time-keeping and agenda-keeping actions during meetings; conciseness) Anonymous peer-assessment results:	Driving self and others to make decisions in efficient manner towards company/ shareholder interest
Approachability	Observation:	Ad hoc availability & willingness to counsel where needed ⇨ Stewardship theory (Wan and Wan, 2012) (Glinkowska and Kaczmarek, 2015)
ESG expertise	Present involvement in ESG (self-) education: Previous work experience/ touchpoints with ESG:	

Creativity: Torrance Test of Creative Thinking (Karwowski and Kaufman, 2017) (Oliveira et al., 2009)

Analytical thinking: MATCH test (Groothoff et al., 2008)

Critical thinking: Halpern Critical thinking test (Butler, 2012)

Growth mindset: Dweck 3-item measure (Dweck, 2016) (Rammstedt et al., 2022) (Dweck et al., 1995)

Egocentrism: (Frankenberger, 2000) (Scheier and Carver, 1985) (Enright et al., 1980) (Davis, 1983) (Davis, 1994)

Appendix 11: Intervention Scenarios

Intervention Scenarios

Scenario – assessment outcomes	Recommended Intervention
- Overall board diversity not balanced - lack of relevant knowledge	Board member exchange: 1. Look back at needs of the company/board 2. Which expertise is lacking 3. Which expertise is superfluous 4. Which expertise closes the gap 5. Communicate to Chairman 6. Cooperation with outside recruiter on new member search
Lack of general structure	Establish structures in cooperation with the board members: - Definition of positions and responsibilities - Meeting structure (frequency, agenda keeping, time keeping, …) - Communication structures
Personality competence deficits of members	Training and development - Deficit-specific training to develop creative, critical, analytical thinking, growth mindset - Re-assessments to measure impact
Egocentrism	Assess root cause: - Problem of chairman: insufficient prioritization of intra-team relationships/ enforcement ⇨ Chairman-development - Problem on individual level ⇨ Board member exchange or training depending on intensity and contract-timing
Lack of firm-specific knowledge	Streamline communication: - With chairman create "handbook" for key data - Implement assessment of knowledge for future board members pre-joining
Lack of involvement	CEO- duality to engage the members in service role (Knockaert et al., 2015)

Appendix 12: Company Analysis Template

Company Analysis

External:

- Main stakeholders
  - interests/ priorities
  - bargaining power of suppliers
  - bargaining power of buyers
  - relationship management
  - development
- Market competitiveness (Porters Five forces)
  - Threat of new entries
  - Market competitiveness
  - Threat of substitutes
- Trends & forces driving change

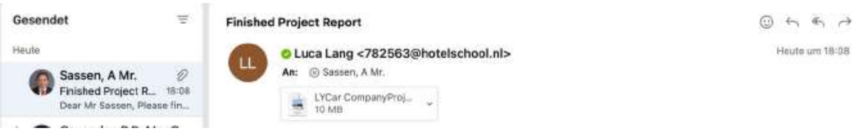
Internal:

- Main activities/products/services
  - Core competencies
  - USPs
- critical technology
- Current topics of importance/ issues/ problems
- company strategy/ goals

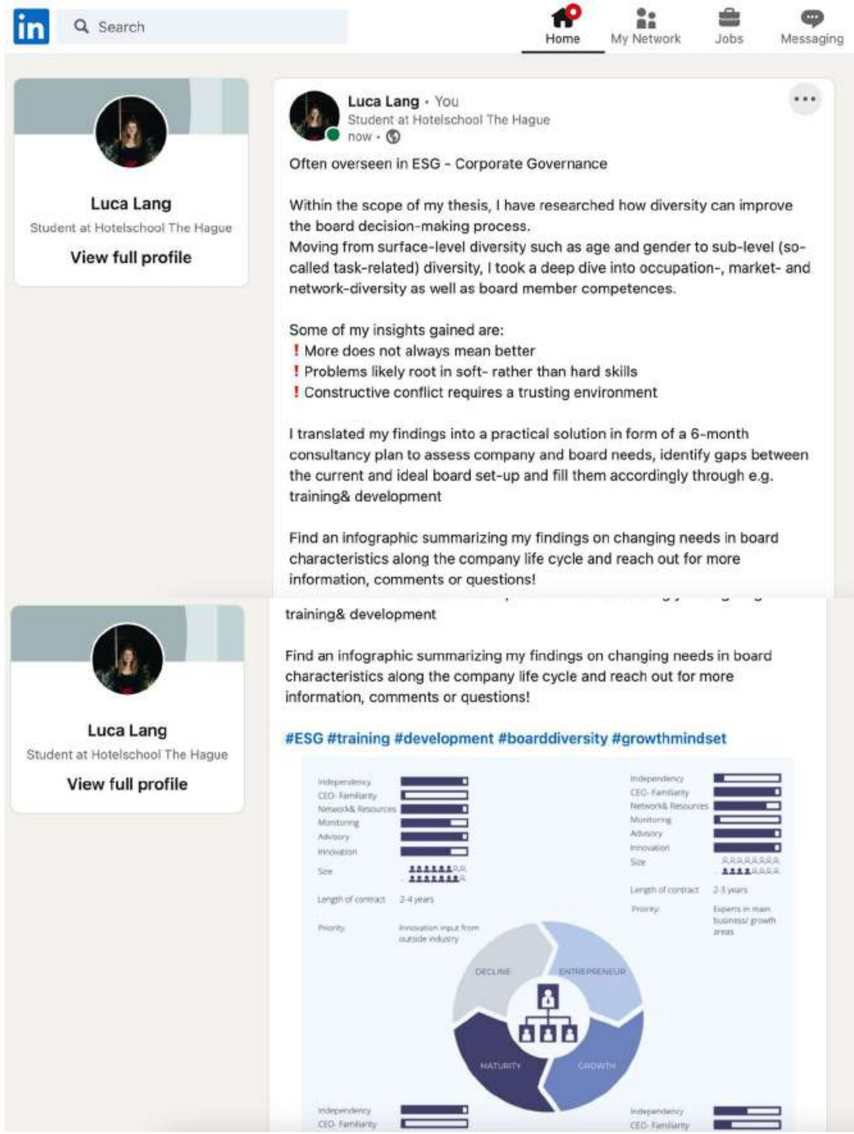
⇨ SWOT

Appendix 13: Proof of Dissemination

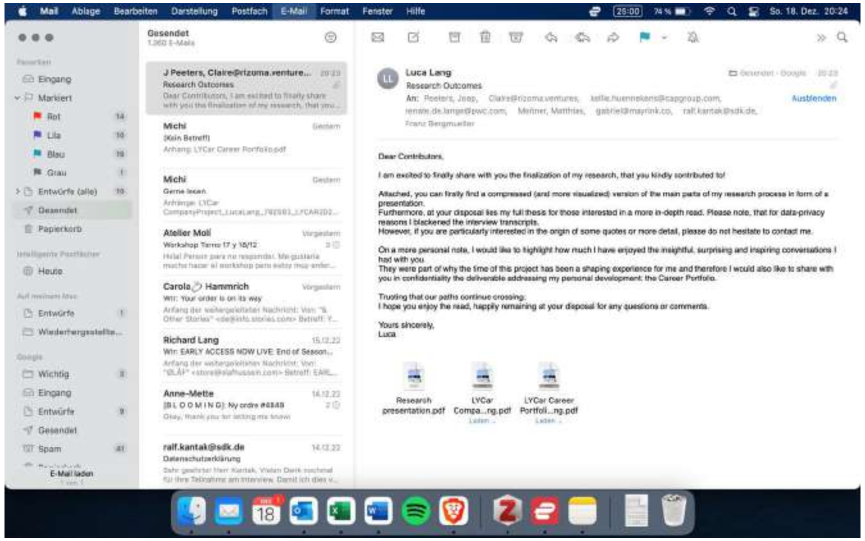
Commissioner:

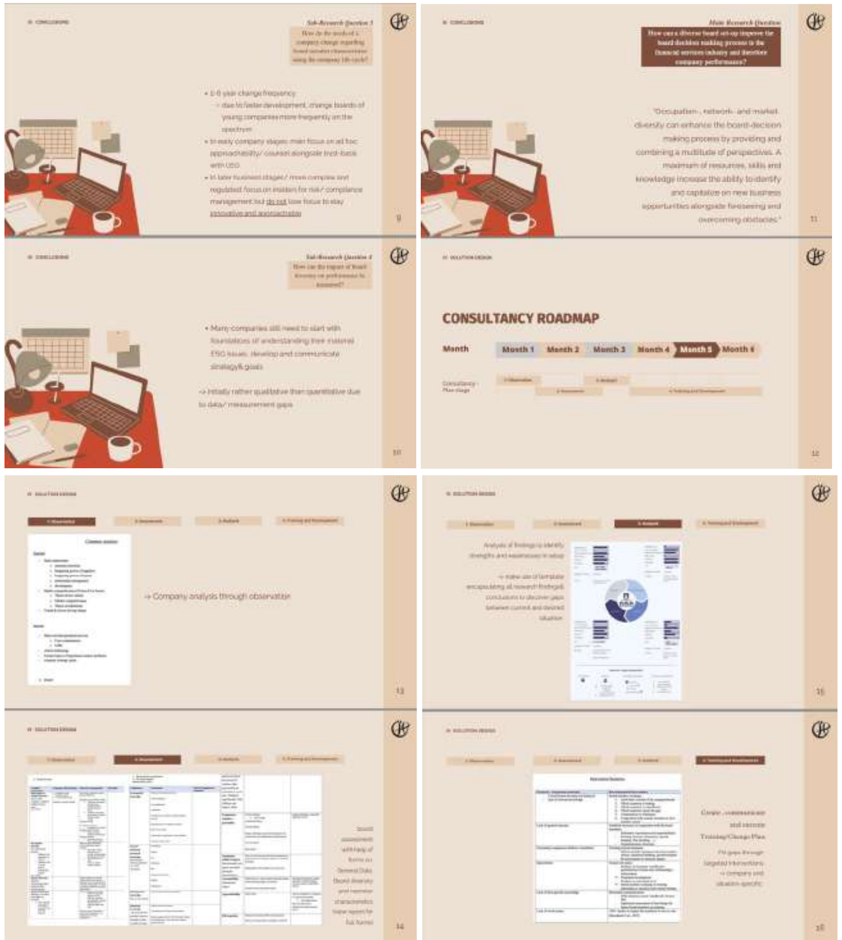


Public:



Institutional Investors





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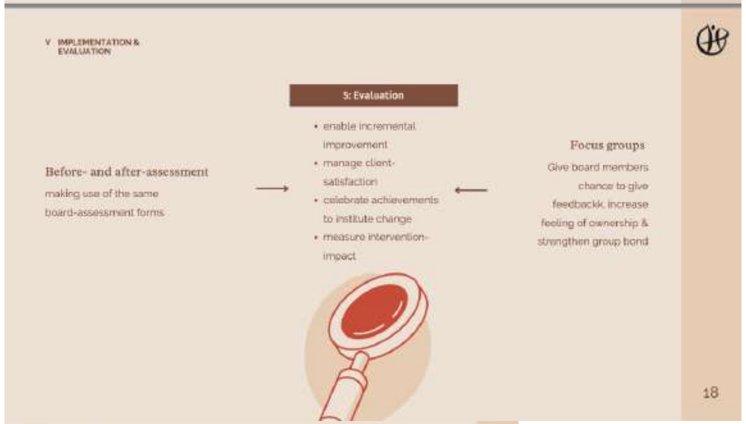

Appendix 14: Client Evaluation

Archivieren   Verschieben   ···

commissioner evaluation

Sassen, A Mr. <a.sassen@hotelschool.nl>
Mittwoch, 14. Dezember 2022 um 18:05
An: Luca Lang

Deliverable Client Ev...
106,3 KB

Alle herunterladen · Vorschau für alle

See attch

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Evaluation Form Company Project

Name of student:	Luca Lang	**Student number:**	782563
Name of company/organisation:	Sassen Research & Consultancy Company	**Department:**	
Name of company tutor/research commissioner:		**Position of company tutor/commissioner (if applicable):**	
Project and/or Deliverable: (please specify)	Project Report, including visual materials to include in consulting practices		

During the first (unofficial) evaluation the set-up for the project and end deliverable(s) is discussed. For this final evaluation the project has been delivered by the student and is thus evaluated. This is taken into consideration for the final assessment of the student.

CATEGORY 1: EXPERTISE/KNOWLEDGE OF THE FIELD

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Rating	Excellent	Good	Room for improvement	Comments
	In-depth use of relevant literature and knowledge of the field. The deliverable shows excellent thinking capacity of the student (considering all significant factors and looking from all different perspectives).	Use of relevant literature and knowledge of the field. The deliverable shows mostly intellectual depth (considering significant factors and looking from different perspectives).	No or incorrect use of literature and knowledge of the field. The deliverable lacks intellectual depth.	Impressive use of different research sources in order to cover the different angles of the problemess

CATEGORY 2: KNOWLEDGE APPLICATION/SOLVING PROBLEMS

Rating	Excellent	Good	Room for improvement	Comments
	The theories and models are skilfully applied and the student can translate this in a unique solution and implementation. The student can relate situations to concepts that results into a solution that adds great value to the company's overall strategy. The creative solution is/can be implemented and evaluated and is solving the problem.	The student uses theory, models, and shows understanding of the issues at hand. The solution is realistic and implementable for the company. The solution is/can be implemented and evaluated.	Mentioning theory and models, but not using them in the correct way. The student cannot convince of the possibilities to implement and evaluate. It is not solving the problem.	Very good way of using and where necessary transforming the research to help answer the MRQ and SRQ.

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CATEGORY 3: INFORMED JUDGEMENTS

Rating	Excellent	Good	Room for improvement	Comments
	The research process is done and explained in an excellent way. All statements, conclusions and recommendations are underpinned with the data collected by the students and/or referencing. The analysis is very substantial.	The research process is done and explained well. Most statements, conclusions and recommendations are underpinned with the data collected by the student and/or referencing. The analysis is substantial.	Weak problem analysis, research question not clear enough. Data collection and/or methodology is insufficient. Weak analysis, use of data from one dimension and not backed up.	The scope of the subject is quite expansive. Luca did a good job in putting the most relevant in the main body and rest in appendices. Of course books can be written about the subject, so a Lycar paper can never cover everything; but in the space allowed by Lycar, she did a hell of a job.

CATEGORY 4: COMMUNICATION AND SHARING KNOWLEDGE

Rating	Excellent	Good	Room for improvement	Comments
	Excellent ability to communicate information, ideas, problems and solutions to all stakeholders involved. The deliverable adds great value to the main stakeholders. Initial and creative channels have been actively used to share outputs and knowledge.	Good ability to communicate information, ideas, problems and solutions to stakeholders. The deliverable adds value to the company. Existing channels have been used to share knowledge	The deliverable could have been better delivered to the stakeholders. The deliverable could have added more value; if better delivered. No active communication of outputs and knowledge.	Perhaps there are way more venues where Luca can spread the knowledge gotten from het research.

CATEGORY 5: INTERCULTURAL HOSPITALITY LEADERSHIP

Rating	Excellent	Good	Room for improvement	Comments
	Student can lead the project by themselves. Student is self-critical towards improvement and takes feedback to heart. Student deals with a diversity of stakeholders in an intercultural competent way. Hospitality mindset is seen in project or work in a very distinct way.	Student can lead the project with little help. Student is critical towards improvement and listens to feedback. Student deals with different stakeholders. Hospitality mindset can be seen.	Tasks performed are described and not critically analyzed. Student is not too critical towards own learning and can listen better to feedback. Student does not know how to deal with differences in stakeholders. Hospitality can be improved.	Self guiding misile, is Luca. Strong in that one is the Force

OVERALL COMMENTS:

Very well done and useful for my firm, as I can use the material in advising on what kinds of diversity are best and how to go about it.

STUDENTS' COMMENTS:

Comments on evaluation:	

DATE & STUDENT'S SIGNATURE:	COMPANY SUPERVISOR'S/RESEARCH COMMISSIONER'S SIGNATURE:

THE COMPLETED FORMS (ON ALL DELIVERABLES AND PERFORMANCE) NEED TO BE EMAILED TO THE LYCAR COACH AND PUT IN THE APPENDICES OF THE CAREER PORTFOLIO

Page 3 of 3

Appendix 15: Research Proposal Grading Rubric

LYCar Proposal Grading Rubric

v.1.1 *(Version LYCar 2020; 16 February, 2021)*

Student Name:	Luca Lang	LYCar Coach:	tbd
Student Number:	782563	Primary PLO:	9
Date Submitted:	28.08.22	Secondary PLO(s):	3

Note: All boxes with red border to be filled by student

Preconditions (required for assessment)	***Yes***	***No***	***Comments***
Checks content and completeness			
Executive Summary is present, concise, can be read independently, contains information about process and content, focuses on results and outcomes	✔		executive summary informs reader about content of the proposal, current state of research and provides a future outlook on execution
LYCar Proposal meets formal reporting criteria (according to e.g., LYCar Reading & Writing Guide)			
LYCar Proposal is written in English and is professional, including common basic components such as Intro, ToC, Conclusion etc.- see Reading & Writing Guide	✔		product complies with HTH writing guide and is written in professional Business English
LYCar Proposal is max. **5.000 words** (counting after Table of Content, incl. text in tables) - visual proof of wordcount is included in Appendices.	✔		total wordcount of 4905 including text, tables, illustrations; visual proof is provided
Harvard Referencing Style is used consistently, referencing to primary sources only, List of References is well presented	✔		HTH Harvard referencing style is used, referencing to primary sources
Check (technical) formalities and submissions			
Ephorus upload	✔		
LYCar Proposal incl. Appendices are uploaded in Osiris	✔		
Ethics and data management			
Ethical, integrity and data management requirements	✔		
Entitled to assessment? (All yes above required):	✔		

DD1: The student has demonstrated knowledge and understanding in a field of study that builds upon their general secondary education, and is typically at a level that is supported by advanced textbooks

	Excellent	Pass	No Go
1.1 Use of literature and knowledge of the field	Student uses in-depth literature and knowledge of the field throughout the report. The report contains no mistakes and factual incorrectness.	Student uses in most cases literature and knowledge of the field in the report. The report contains some mistakes and factual incorrectness in a limited part of the report.	No sufficient or correct use of literature and knowledge of the field in the report. The report contains mistakes and factual incorrectness.
1.2 Intellectual depth and abstract thinking	Student takes all significant factors into account and looks from different perspectives, sees patterns, relates situations to concepts in order to solve larger problems. The reports show excellent thinking capacity of the student. New unique insights presented in the topic and depth of understanding displayed. Excellent linking between the elements and the underlying issues within the case situation.	Student takes different perspectives into account. The report shows intellectual depth (taking into account all significant factors and looking from different perspectives) in most parts of the report. Some patterns are clear. Some links have been made.	The report lacks intellectual depth (superficial and merely descriptive) in some parts of the report. Patterns are not sufficiently made clear.

Student Feedback:	Pass ✔ Not Yet	different theories are being used to look at problem from different perspectives; resource dependency theory, agency theory and company life cycle are being investigated, supported by in-depth academic literature, and combined to form an actionable solution. taking the different approach on diversity moving away from realation-oriented towards task-oriented diversity presents a unique insight into ESG discussions.
Assessor Feedback:	Pass ✔ Not Yet	Problem definition clearly stated however your MRQ can be narrowed down more to industry or organisation to be more specific and have a more focused question. Literature review is more descriptive than critical and need to define key concepts more clearly. Would be good to have also identified a gap in the literature.

DD2: The student can apply their knowledge and understanding in a manner that indicates a professional approach to their work or vocation, and has competences typically demonstrated through devising and sustaining feedback and solving problems within their field of study

	Excellent	Pass	No Go
2.1 Application of theories/models to situations at hand	Student uses a range of theories/models appropriate to the problems in the case skilfully and able to add their own unique perspective and insight. They own the model(s).	Student mentions a range of theories/models appropriate to the problems in the case and applying some of them in the correct way.	Mentioning models and theories but not using them in a correct way.
2.2 Possible impact and meaning of own work - dissemination of research	Student plans evaluation of impact and meaning of own work in relation to business and industry with sound underpinning. Identification of all stakeholders and acts of dissemination. Plan on how to effectively disseminate knowledge through different channels fitted for a variety of audiences is also presented.	Student formulates criteria for evaluation. Student describes possible impact and meaning of own work. Identification of stakeholders and planning of dissemination through at least one valuable channel with an audience is presented.	Student fails to describe criteria how to evaluate impact. No identification of stakeholders or realistic plan on dissemination of knowledge through at least one valuable channel with an audience.

Student Feedback:	Pass ✔ Not Yet	2.1: models are not only being analysed, but merged into own solution-creating model that will bundle all prior research and create a new, value adding model discussion diversity on boards. 2.2: all stakeholders in discussion are being identified and priorities towards managing them are being set. effective conveying of final product is planned to effectively add value to the ecosystem.
Assessor Feedback:	Pass ✔ Not Yet	A variety of theories were provided to situate the concepts. Stakeholders and relevant acts of dissemination were identified.

DD3: the student has the ability to devise data gathering events, gather and interpret relevant data (usually within their field of study) to inform judgements that include reflection on relevant social, scientific or ethical issues

	Excellent	Pass	No Go
3.1 The Design Based Research Process	Student sets the research process up in a systematic and well organised way. Student makes sense of a problem mess, analyses a (complex) problem and formulates feasible solutions by using a design-based research approach. Logical flow from Problem definition to Analysis to Solutions Design/methods are well chosen and motivated,	Student analyses the problem, and formulates possible solutions underpinned by literature using a design-based research approach. Methods motivated and mostly logically chosen	Insufficient problem analysis and methodology, research cycle not used.
3.2 Analysis and evaluation of data	Student plans analysis and evaluation of data/information well using appropriate (digital) tools and makes data-driven decisions. All statements are underpinned with facts and figures and/or referencing. The appropriate tools are used in all steps. Analysis is sufficiently complex with use of information from more than 2 different dimensions (practioners, scientific literature, the organization and stakeholders).	Student plans analysis and evaluation of solutions clearly, with some flaws or unclarities. Some statements are underpinned with facts and figures and/or referencing, some lacking underpinning. Analysis is sufficiently complex using data from at least one dimension and sufficiently backed up with literature.	Plan of analysis and evaluation of solutions is not clear. Statements are mostly not underpinned with facts and figures and/or referencing; some are contradicting. No tools are used. Lacking or no analysis and not backed up with literature.

Student Feedback:	Pass ☑ Not Yet ☐	problem is analysed and given scope by formulating research and sub-questions. using a design based research approach, the problem is being analysed, underpinned by literature. methodology of data collection, solution design, implementation and evaluation are outlined using appropriate tools.
Assessor Feedback:	Pass ☑ Not Yet ☐	Clear and systematic methodology provided with suitable data collection tools, analysis and discussion of ethics. Solution design seems to be a rather basic solution to the problem, would be good to critically discuss workable alternatives.

DD4: the student can communicate information, ideas, problems and solutions to both specialist and non-specialist audiences

	Excellent	Pass	No Go
4.1 Communication to audience making use of professional (business) English	Student divides information effectively in paragraphs/chapters. No noticeable errors in English usage and mechanics. Use of language enhances the argument and avoids abbreviations. Sentence structures are well varied, and voice and tone are highly suitable for the specific audience/s. Style and content complement each other into an appealing, high quality story. Highly skilful organisational strategy. The logical sequence of ideas increases the effectiveness of the argument and transitions between paragraphs strengthen the relationship between ideas. Sub-headings are employed effectively and the links between different sections are reinforced through linking expressions. Shows attention to detail in all parts of the report.	Student divides information in paragraphs/chapters. Errors in English usage and mechanics are present, but they rarely impede understanding. Use of language supports the argument. Sentence structures are varied, and voice and tone are generally appropriate for the intended audience/s. Generally, a clear organisational strategy. The sequence of ideas in most cases supports the argument and transitions between paragraphs clarify the relationship between ideas. The report is mainly comprehensively written and lacks some attention to detail in some parts of the report.	Distracting errors in English usage are present and they impede understanding. Use of language is basic, only somewhat clear and does not support the argument. Word choice is general and imprecise. Voice and tone are not always appropriate for the intended audience/s. Basic organisational strategy, with most ideas logically grouped. Transitions between paragraphs sometimes clarify the relationship among ideas. The report is not comprehensively written and lacks attention to detail in most parts of the report.

Student Feedback:	Pass ☑ Not Yet ☐	chapters 1-5, paragraphs and sub-headings support the set-up of the design based research cycle and line of argumentation. conclusion after the literature review helps connect dots and prepare to introduce methodology and solution design. linking words are used throughout the report to create a seamless reading experience.
Assessor Feedback:	Pass ☑ Not Yet ☐	Professional academic writing style, with logical sequencing and narrative flow.

DD5: the student has developed those learning skills necessary to continue to undertake further study with a high degree of autonomy

	Excellent	Pass	No Go
5.1 Plan on IQ development in PLO: Reflection on product(s)	Student has clear plans on what will be delivered and uses different relevant theory to underpin own work and reflect on it.	Student has a plan on what will be delivered and uses theory to underpin planned own work and reflect on it.	No clear deliverables mentioned and almost no theory to underpin own work and reflection.
5.2 Plan on AQ & EQ Self development	Student devises excellent ability to critically reflect on own developmental goals and demonstrates real growth mindset for life-long learning. Student proposes a demonstration of being able to self-direct, taking initiative in unpredictable situations. Student shows different metrics that can demonstrate development in terms of their EQ/AQ.	Student shows developmental goals and demonstrates growth mindset. There is a plan on how to reflect on values, attitudes and behaviour. Starting levels and desired end levels are described and measurements are provided.	Developmental goals are not concrete, there is no demonstration of growth mindset. Plan on how to reflect is vague and does not give enough substantiation to show growth.
5.3 Plan on EQ Social development	Student provides a plan on how to construct a multitude of proof that shows development as an Intercultural Hospitality Leader. Excellent ability to contribute to the global society/local community as a responsible citizen. Excellent analysis of diversity of people the student will deal with. Possible effective collaboration with all stakeholders in different cultural settings. Hospitality is key to the project or work the student does.	Student provides a plan on how to prove development as an Intercultural Hospitality Leader. Plan on how to contribute to the global society/local community as a responsible citizen. Proposing ideas on how to collaborate with different stakeholders in different cultural settings. Hospitality is a differentiator in the students' project or work.	No clear plan on development as an Intercultural Hospitality Leader. Plan on how to contribute to global society/local community is missing. Ideas proposed on collaboration or hospitality are not sufficient.

Student Feedback:	Pass ☑ Not Yet ☐	goals are stated, underpinned by EQ, AQ, GMM test results and action plans presented to ensure successful completion.
Assessor Feedback:	Excellent ☐ Pass ☑ Not Yet ☐	EQ and AQ scores provided together with development goals and methods to address EQ and ICL. Critical reflection provided.

Overall Assessor Feedback

Well-written proposal with sound understanding of methodology, however the solution design does not seem adequate to achieve the objective. In addition, your ROI evaluation takes place over 3 years which seems too far into the future i.e. how did you arrive at this time period and who will be around to analyse? More immediate KPIs needed.

LYCar Proposal Outcome

Pass	☑	All qualitative criteria awarded a "Pass". "P" registered in Osiris. Student can continue with LYCar execution.
No Go	☐	One or more qualitative criteria graded as "Not Yet". "F" registered in Osiris. Student re-writes LYCar Proposal with incorporated feedback.
Pre-Condition NY	☐	Pre-conditions not met. Student resubmits LYCar Proposal. No grade or feedback provided to the student.

Appendix 16: Proof of ECs

L.R. Lang

Study Progress Overview

Student number	782563
Date	18 December 2022
Degree programme	B Hospitality Management - Full-time
Cohort	2018
Study programme	PP-HTH-C08-18 - Post-Propaedeutic curr.2008 version 2015

European Credits (EC)

Study programme	Minimum credits to be obtained	Credits obtained	Passed
Basic Programme	180.0	150.0	No
Others		0.0	
Total	**180.0**	**150.0**	**No**

Programme

Study programme component	Type	Minimum credits to be obtained	Credits obtained	Passed
all of the parts below				
1 Compulsory courses phase 2	Mandatory	84.0	84.0	Yes
2 Business other language		6.0	6.0	Yes
one of the parts below				
2.1 Business other language: Dutch	Restricted choice	6.0		
2.2 Business other language: French	Restricted choice	6.0		
2.3 Business other language: Spanish	Restricted choice	6.0	6.0	Yes
2.4 Business other language: German	Restricted choice	6.0		
2.5 Business other language: Russian	Restricted choice	6.0		
2.6 Business other language:Mandarin Chinese	Restricted choice	6.0		
3 Compulsory courses phase 3	Mandatory	30.0	30.0	Yes
4 Minor	Minor or electives	12.0	12.0	Yes
5 Compulsory Graduation courses	Mandatory	48.0	18.0	No
Total		**180.0**	**150.0**	**No**

Minor Minor Future of Business Development

Study programme component	Type	Minimum credits to be obtained	Credits obtained	Passed
all of the parts below				
1 Mandatory minor courses	Mandatory	12.0	12.0	Yes
Total		**12.0**	**12.0**	**Yes**

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Grades - Study programme

Component	Course			Credits	Date	Grade
Compulsory courses phase 2	PP-19	Practical Placement		30.0	11-09-2020	85
		Portfolio	*weighting 1*		*11-09-2020*	*85*
	IQM-17	Quality Management		6.0	29-01-2021	70
		Final Product	*weighting 30*		*29-01-2021*	*71*
		Final Presentation	*weighting 70*		*29-01-2021*	*69*
	IABI-17	Aligning Business and Information		6.0	23-06-2021	75
		Final Product 1	*weighting 40*		*16-06-2021*	*58*
		Final Product 2	*weighting 60*		*23-06-2021*	*86*
	EDMO-18	Designing and Managing the Operation		6.0	26-10-2021	79
		Final Assignment OPERATIONS 1	*weighting 25*		*26-10-2021*	*74*
		Final Assignment OPERATIONS 2	*weighting 40*		*26-10-2021*	*74*
		Final Assignment RESEARCH	*weighting 35*		*25-06-2021*	*88*
	ERM-08	Revenue Management		6.0	21-01-2021	66
		Final Assignment	*weighting 1*		*21-01-2021*	*66*
	EMFD-17	Making Financial Decisions		6.0	12-04-2021	90
		Final Assignment 1	*weighting 1*		*09-03-2021*	*84*
		Final Assignment 2	*weighting 1*		*12-04-2021*	*96*
	IAPC-17	Annual Planning Cycle		6.0	29-06-2021	71
		Final Product	*weighting 50*		*25-06-2021*	*67*
		Final Assignment	*weighting 50*		*29-06-2021*	*75*
	MO-18	Managing an Outlet		15.0	01-11-2020	81
		outlet planning	*weighting 8*		*29-10-2020*	*81*
		outlet directing	*weighting 8*		*29-10-2020*	*75*
		outlet controlling	*weighting 8*		*29-10-2020*	*75*
		outlet professional attitude	*weighting 8*		*29-10-2020*	*81*
		Assessment interview TMS	*weighting 15*		*12-10-2020*	*80*
		PR TMS (personal reflection)	*weighting 14*		*01-11-2020*	*80*
		Presentation and Q&A TMS	*weighting 14*		*30-10-2020*	*80*
		Hotel assignment (F&B/RD)	*weighting 25*		*29-10-2020*	*86*
	LEN2-08	Business English Level 2		3.0	04-07-2021	80
		English 2 Oral Assessment	*weighting 1*		*08-06-2021*	*83*
		English 2 Written Assignment	*weighting 1*		*04-07-2021*	*76*
Business other language: Spanish	L2INTSPB-19	Spanish Intermediate B		3.0	26-01-2021	82
		Spanish Intermediate B OralAssessment	*weighting 1*		*26-01-2021*	*92*
		Spanish Intermediate B WrittenAssignment	*weighting 1*		*20-01-2021*	*72*
	L2INTSPC-19	Spanish Intermediate C		3.0	09-04-2021	76
		Spanish Intermediate C OralAssessment	*weighting 1*		*08-04-2021*	*80*
		Spanish Intermediate C WrittenAssignment	*weighting 1*		*09-04-2021*	*71*

Component	Course			Credits	Date	Grade
Compulsory courses phase 3	ISDV-17	Strategy Development - Making Things Happen		9.0	28-01-2022	79
		Intermediate Assignment	*weighting 20*		*29-10-2021*	*84*
		Final product	*weighting 40*		*28-01-2022*	*75*
		Final presentation	*weighting 40*		*28-01-2022*	*80*
	IBMI-18	Business Model Innovation - Dealing with Stakeholders		9.0	02-02-2022	77
		Individual assignment	*weighting 50*		*29-11-2021*	*84*
		Group assignment	*weighting 50*		*02-02-2022*	*69*
	IMCH-17	Managing Change - A New Beginning		9.0	02-11-2021	85
		Final Product 1	*weighting 25*		*02-11-2021*	*76*
		Final Product 2	*weighting 75*		*02-11-2021*	*88*
	LEN3-08	Business English Level 3		3.0	23-04-2022	77
		English 3 Oral Assessment	*weighting 1*		*28-03-2022*	*80*
		English 3 Written Assignment	*weighting 1*		*23-04-2022*	*74*
Minor	**Minor: Minor Future of Business Development** *Study programme component Mandatory minor courses*			**12.0**		
	DBR-20	Design Based Research		3.0	11-04-2022	78
		Final Assignment	*weighting 1*		*11-04-2022*	*78*
	FOBD-20	Minor Future of Business Development		9.0	15-04-2022	81
		Final Product	*weighting 50*		*16-03-2022*	*90*
		Portfolio	*weighting 50*		*15-04-2022*	*72*
Compulsory Graduation courses	LYCAR1-20	Thesis Management Placement - Launching your Career Proposal		15.0	27-10-2022	P
		Final Product	*weighting 100*		*27-10-2022*	*P*
	LYCAR2-20	Thesis Management Placement - Launching your Career Execution		(30.0)		
		Final Product	*weighting 100*		*registered for: 2022/BlockB-LYCAR*	
	PRD-PMC-19	Professional Development - Preparing My Career		3.0	13-04-2022	P
		Career Launching Plan	*weighting 66*		*16-03-2022*	*P*
		Career Launching Tools	*weighting 34*		*13-04-2022*	*P*

No rights can be derived from this information.

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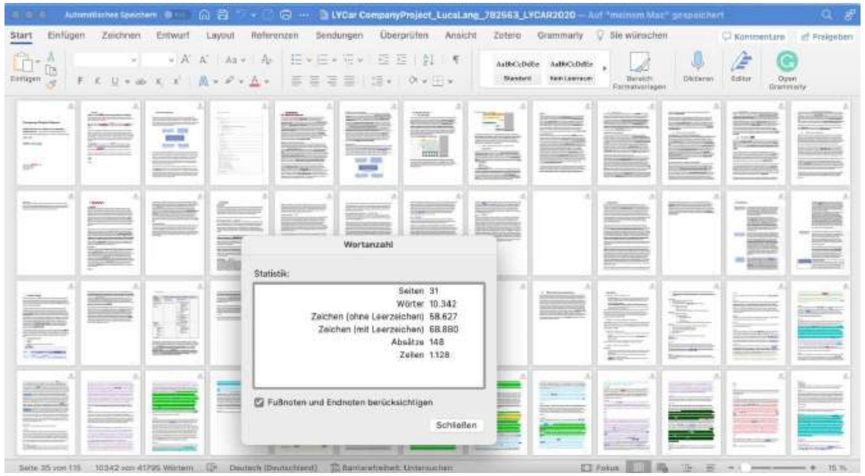

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