Rewiring the Board

Lessons from the IoD's Review of Independent Directors in the United Kingdom

Watson
Board Advisors

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In Canada, public company boards are under increasing pressure to demonstrate that independent directors are doing more than fulfilling oversight obligations. They are expected to contribute insight, challenge constructively, and support long-term value creation, without blurring the line into management.

The UK Institute of Directors' (IoD) report, NEDs Reimagined, enters this conversation at a moment when nearly half of organizations in the US and UK believe their boards do not add value to their organization. For Canadian directors, the report will feel less like a call for radical change and more like a clear articulation of tensions they are already managing.

The real question is not whether the IoD's recommendations make sense. It is how boards translate them into consistent, practical behaviour.

Why the UK Still Matters in Governance Conversations

The UK remains a credible source of governance thinking because it has spent decades stress-testing governance frameworks in public view. From Cadbury through Higgs to today's Corporate Governance Code, the UK has consistently shaped how markets think about independent directors, stewardship, and board accountability. The IoD's work continues that tradition: practitioner-led, informed by academic research, and grounded in real boardroom experience.

For Canadian boards, the relevance is structural as much as philosophical. We share:

- A common-law legal system and fiduciary framework
- Unitary boards with similar expectations of independence and oversight
- Capital markets that increasingly value effectiveness over formal compliance

When the IoD emphasizes independence of mind, deeper engagement, and less conservative recruitment, it is not proposing a fundamentally different governance model. It is sharpening expectations within one that Canadian boards already recognize.

Rewiring Director Engagement

The IoD is right to push directors toward deeper engagement with the business. The question boards must answer is how directors build credible, independent insight without undermining management. High-performing directors tend to rely on a portfolio of information sources, not a single channel, and they are disciplined about how those sources are used.

Some practical ways directors can gain and apply knowledge to add value include:

Share past experiences… carefully

One of the most valuable independent sources of insight directors bring is perspective from other organizations and boardrooms. Exposure to different operating models and strategic responses can help boards challenge assumptions and broaden thinking. At the same time, strong contributors avoid overgeneralization and use past experiences to frame strategic questions, rather than dictating a course of action to management.

Seek information from multiple sources

In addition to information provided by management, directors can benefit from sources of information including their knowledge of the industry, competitive landscape, general business environment through their own endeavours, contacts, and sources, as well as directors or industry participants, independent third-party inputs (industry benchmarks, risk assessments, etc.), or external advisors. This additional context can reduce information asymmetry, helping boards test assumptions and calibrate decisions. On the other hand, there is a risk that this information can be used poorly, particularly when it is anecdotal, used out of context, or in a way that intentionally threatens management's credibility.

Invest in ongoing education

With the pace of disruption, regulatory change, and shifting stakeholder expectations, there is a greater responsibility on directors to ensure their breadth of knowledge is current, relevant, and continuously refreshed. Whether organizational-led or independently pursued, committing to additional education can help boards and directors ask better questions, spot risks or opportunities that may not be apparent to management, and bring new perspectives to strategic discussions. A watch-out is to avoid over-indexing on the latest fad, which may detract from the heart of a particular issue.

Finally, credible engagement requires clarity about the line between oversight and management. The appropriate level of board engagement is highly contextual to the situation and leadership capacity between management and the board. Boards who acknowledge and adapt the level of engagement intentionally – depending on the issue at hand – also enable directors to contribute meaningfully.

Rewiring How Boards Cultivate Cognitive Diversity

The IoD rightly emphasizes that formal independence does not guarantee independent thinking. Boards can meet every regulatory definition of independence and still fall into predictable patterns of agreement.

Many boards invest heavily in demographic and skills diversity yet still struggle to surface genuinely different perspectives. That is because generating diversity of thought in the boardroom depends on two elements: board members who bring different experiences and ways of thinking, and a board culture that enables diverse thoughts to be expressed, heard and digested.

This is where boards can benefit from moving beyond aspiration to evidence. Watson is a proponent of the **Diversity of Thought (DOT)® Scorecard** to help boards assess both the *potential* for diverse thinking, based on the composition of the group and the *conditions* that determine whether that potential is actually used.

By examining factors such as problem-solving styles, risk tolerance, lived experience, and psychological safety, boards gain a clearer picture of how difference shows up (or is suppressed) in practice. Importantly, this shifts the conversation from whether diversity exists to whether it is being translated into better discussions and better decisions.

Rewiring How Boards Recruit Directors

The IoD challenges boards to be less conservative in recruiting independent directors, noting the heavy reliance on prior board experience as a proxy for quality. This observation resonates strongly in Canada.

Prior board experience offers comfort. It signals familiarity with governance processes, a tried and tested director, and reduces perceived risk. But it is an imperfect substitute for effectiveness and an increasingly weak predictor of future contribution.

Instead, boards should draw on a much wider pool of expertise to bring individuals who will add value into the boardroom. In addition to relevant and current skills, our experience clearly demonstrates that director performance is highly linked to their personal and interpersonal characteristics. In addition to baseline characteristics such as being ethical, prepared, motivated beyond self, and able to work collaboratively, high-performing directors consistently exhibit differentiating characteristics such as systems-level strategic thinking, curiosity, courage, adaptability, and additive contributions.

Using competencies as a core assessment lens allows boards to:

- **Evaluate candidates on how they are likely to show up in the boardroom**
- **Reduce overreliance on linear career paths or previous titles**
- **Challenge assumptions about what “experience” really matters**

Watson’s Director Competency Framework was created to identify the competencies that define the most effective directors. Grounded in behavioural science, empirical research, and drawing on our experience facilitating hundreds of director feedback projects and recruitment mandates, the framework focuses on the personal and interpersonal characteristics that consistently distinguish high-performing directors. We use the framework to bring more objectivity to the assessment of potential director candidates.

Rewiring How Boards Evaluate and Strengthen Their Own Effectiveness

The IoD underscores the importance of regular review and feedback in maintaining board effectiveness. In practice, this is where many boards struggle to translate intent into impact. The value of a third-party board evaluation process lies not in producing a report, but in creating the conditions for honest reflection and action.

Well-designed external evaluations are:

- **Objective and independent**
- **Focused on actionable, future-oriented insights**
- **Tailored to the organization's context and priorities**

They provide a confidential environment in which directors and management can speak candidly, and help boards benchmark their practices against leading peers. Boards that view evaluation as part of a continuous improvement cycle, rather than a periodic obligation, are far better positioned to adapt as expectations evolve.

In addition to board evaluations, boards that embrace director feedback processes report significant benefits both for the director, who receives feedback that is constructive and actionable, and for the chair who can use the collective feedback to inform a meaningful conversation with the director.

Rewiring is Ongoing Work

The IoD's report reflects a broader shift in how boards are expected to operate: more engaged, more independent in thought, and more accountable for their own effectiveness. For Canadian boards, the challenge is not adopting these ideas in principle, it is embedding them in day-to-day governance practices: how directors prepare, how they engage, how they are selected, and how they receive feedback.

Rewiring a board is sustained, often quiet work that unfolds over time. It requires intention, discipline, and a willingness to look closely at how the board actually operates – not how it believes it operates. The boards that make progress are the ones that treat effectiveness as something to be examined, measured, and continuously improved.

Where is your board still relying on habit?
Where is it intentionally evolving?

If those answers are not clear, it is time to look closer.

To read the full IoD report, click here.

About Watson Board Advisors

Founded in 2005, Watson is the most experienced board advisory firm in Canada. We do this work because we believe that high-performing, well-governed organizations create a stronger world, with their boards holding a critical and complex leadership role. Over the last 20 years, we have supported more than 600 boards across the full spectrum of sectors, ownership structures, and stages of evolution. Our pledge is to leave you stronger.

We help organizations enhance their effectiveness through board evaluations, director feedback, recruitment and succession planning for directors, managing the CEO lifecycle, and strategic facilitation on key topics and emerging issues .

Watson has offices and teams located in Vancouver and Toronto and regularly works with clients across the country.

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