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Governance and leadership

Executive Summary

- **Governance must evolve from compliance to forward-looking strategy.**
  Boards will need stronger capabilities in scenario planning, technology, and long-term strategic thinking-moving beyond traditional balance-sheet focus to rethinking relevance in a rapidly changing landscape.
- **Leadership success will depend on diversity, adaptability, and quality of decision-making.**
  High-performing boards will combine varied skills, bring in external perspectives and experiences, supported by stronger dialogue, and the ability to challenge assumptions and adapt quickly as conditions change.
- **Future capability is about people as much as platforms.**
  Mutuals must build and attract talent with broader, transferable skills (curiosity, judgement, customer insight), augmented by AI in the boardroom, and actively develop their own talent pipelines to remain competitive in a more complex, tech-driven environment.

Looking back briefly helps set the context before looking forward.

Since the Global Financial Crisis almost 20 years ago, building society governance and leadership has improved significantly.

The drivers of these changes have been threefold:

- Better understanding and management of risk and financial control
- Regulation; most notably Mortgage Market Review, Prudential Regulation, the Senior Managers Regime and Consumer Duty/TCF
- Higher expectations and standards of governance across all markets.

Specifically this has been evidenced in building society Boards and Executive teams by careful consideration of the capability requirements to successfully lead and govern the societies and, as a result, significantly improved board and executive risk, finance and market capability. Notably much of the new board and executive capability within the sector has been drawn from banking and other segments of financial services. Latterly, boards have also sought to increase technology leadership and governance capability, in response to both legacy system challenges and the emergence of digital channels, and expertise in consumer insight and engagement, a trend we see continuing.

The past two decades since the Global Financial Crisis, have been a very successful period for building societies. They have grown their market share and successfully re-engaged with their purpose, in a variety of relevant ways, and started to communicate a differentiated mutual proposition.

However, the scenarios set out elsewhere in this paper collectively describe a financial services market in 2050 that will be radically different to the one we know and understand today. So what do we believe this will mean for leadership and governance of building societies over the next two to three decades?

Observations and Key Tenets

Observations and Key Tenets	Leadership and Governance Need / Impact
Remaining true to building societies' core purpose "getting people into homes and supporting their financial resilience".	• **Belief and proactive engagement with core purpose and value of mutual ownership.**
Consumer consideration and excellent execution have to be a given.	• **Continuing to develop and retain the capabilities to deliver excellent outcomes for members in a rapidly changing and competitive environment.**
Remaining sustainably profitable in a rapidly changing competitive environment.	• **Effective business planning and evaluation of current performance and, critically, forecast performance.**
Horizon scanning and thoughtful scenario planning will be absolutely vital. Thinking the unthinkable, e.g. "What if we can no longer profitably provide mortgages?"	• **Probably the need for sector-level, long-term market scenario setting for societies to apply.** • **Capability - within the business or sourced externally - to evaluate market scenarios and develop long-term objectives and strategies.** • **Capacity to re-think relevance and business model.**

Themes

The two themes that jump out here are:

The importance of know-how and capability to deliver consistently – very much the core requirements of leaders and governance currently and over the last few decades.	The requirement to think differently, envision and create new strategies and solutions. Drawing on core competencies of creative thinking and holistic problem solving - well beyond financial engineering and balance sheet management.

As is apparent from the themes identified elsewhere, this is the major challenge for the sector. Leaders, executives and board members will need the capability and to consider and develop strategies and solutions to navigate the impact of climate change, changes in demographics and home ownership and home making, and the opportunities and challenges brought by technology enabled changes in consumer behaviour and consumption, business models and proposition delivery. All will be essential, in our view. Prioritising, say technology impacts alone, will be unsustainable.

All of this will also need to be considered in the context of increasing cyber risk and both economic and social, future global shocks.

Notably we are already seeing this level of horizon scanning in some businesses and sectors. For example, the Chair of Tesco has established biannual, visits to universities and businesses, to understand evolving technologies and new business models and Sky have envisioned their business beyond the current subscription model.

Board and Leadership Impact

Diversity will be the foundation of successful building societies in 2050. Boards and executive teams that bring together different capabilities, perspectives and ways of working will be far better equipped to address the complex and rapidly evolving challenges ahead. While this might sound like a familiar theme, the evidence is clear: diverse, collaborative teams outperform those with narrower experience when solving complex problems and developing sustainable strategies.

The diversity required will go well beyond gender and the protected characteristics that have rightly been a focus in recent years. What will matter just as much are differences in sector background, experience and knowledge, thinking styles, ways of working and lived experiences of politics, economics, technology, society, communities and family life. This breadth will strengthen leadership judgement and strategic insight.

Critically, the **quality of dialogue at board and executive level** will need to change. Conversations must become more forward looking, more questioning and more open to constructive challenge. The increasing diversity of boards, and the wider use of external advisers, will also place even greater importance on the Chair and CEO's role in shaping, facilitating and synthesising debate and guiding strategic development.

A natural question follows: **will boards and leadership teams need to become larger** to deliver this breadth? In our view, no. Larger groups would quickly become unwieldy. Instead, we expect leaders to make greater use of advisory boards, external experts and wider sector and market insight to augment their thinking and develop strategies.

How organisations access the necessary capability will vary by scale: larger societies may build dedicated internal resources, while medium and smaller societies are likely to rely on shared sector capabilities and external support. Though much of this expertise and application will likely be provided by AI, which will be game changing for smaller businesses, if they can harness it.

Whatever model is used, diverse leadership teams aligned to core purpose will stand the best chance of success, with one or two provisos.

First, strong delivery capability, governance and regular performance evaluation must continue. Second, leaders will need genuine agility and humility. As change accelerates, the ability to alter course quickly when something isn't working must be seen as a normal and acceptable cost of progress. In this regard, without short term shareholder scrutiny, mutuals may be at an advantage to plc cousins.

While execution remains essential, deep financial services expertise may no longer be the decisive requirement it once was. With compliance, credit evaluation and other technical processes increasingly supported by AI enabled tools, the leadership capabilities that matter most will be those that travel across sectors: curiosity; clarity of purpose and vision; the ability to shape proactive, engaged cultures; strong planning; team and capability development; effective monitoring; and the discipline to adapt strategies as data and insight emerge.

A central pillar of future strategy will be a rich understanding of what members want and need. This further underlines the value of curiosity, insightful questioning and - where evidence is incomplete - the judgement to anticipate what individuals and families will require to build financial resilience and secure a good home.

This raises another practical issue: **where will societies find and develop the capabilities required?** Two structural changes are particularly relevant.

First, graduate intake and development programmes across banks, professional services and other major sectors have reduced dramatically compared with 20 years ago. For a decade or more, building societies have benefited from the talent emerging from these large-scale programmes specifically in banks, but this pipeline will be far more limited in future.

The second change is more positive. With fewer structured programmes available, many graduates and school leavers have built their early careers in start ups and small businesses, gaining hands-on experience, resilience, agility and strong technological fluency. Many bring a clear sense of purpose and values. This represents a real opportunity: building societies could position themselves as attractive destinations across the country for this entrepreneurial cohort.

Alongside this, societies can and should **grow their own** talent. With a clear view of future needs, recruitment and development plans can be tailored to encourage a wider range of thinkers, skills and perspectives into the sector.

Finally, mutuality remains the sector's "secret sauce". Its focus on delivering for members is one of the clearest, most enduring purposes of any business model. While corporate fashions rise and fall in search of meaning and cohesion, mutuals endure. Their purpose may evolve, and what they do may change, but for those who want to contribute to something meaningful—and see the impact in members' lives—building societies and mutuals will remain compelling places to work and lead.

Conclusion

Why wait?

Thinking "We'll reconsider our board and leadership capability in 2027 and then maybe start to make some changes when the current Chair or CEO moves on," may well be the road to nowhere.

It is increasingly apparent the impact of AI on business models, consumer behaviour and society is coming faster than we thought only a few months ago. The expectations set out in this paper for 2050, may well be here very much sooner. Boards need to broaden capability, sharpen challenge, invest in insight and build the confidence to adapt. Mutuality gives building societies a powerful advantage, but only if they use it actively.