**LET VALUES DRIVE YOUR BOARD**

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The corporate governance of firms and the role of the board of directors are at a crossroads. On the one hand, it has never been more vital to the workings of a business. On the other, it has never been more challenging. As boards grapple with new regulations about transparency and accountability, sustainability concerns, executive pay and performance, the rights of shareholders and other stakeholders, and the firm’s duties – just to name a few – it’s easy to see that board work is inherently values-driven. Simply put, boards must both focus on the moral element as well as the legal aspects of their role.

This moral element is in full view now that we are in the midst of a global pandemic due to the COVID-19 virus. Boards, in short, are asking “how do we get the right thing done?” And while some may recognize this as part of the [Giving Voice to Values](https://www.givingvoicetovaluesthebook.com/) framework, the pandemic has exacerbated the need for this focus. There are a few key areas for boards that are top of mind.

Boards are looking more closely at both the value of and accommodation needed for their firm’s human capital. Questions about what makes working from home effective, productive and meaningful – questions not often asked at the board level – are now being discussed. The [International Labor Organization](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/lang--en/index.htm) (ILO) [estimates](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/lang--en/index.htm) up to 24.7 million workers will likely be out of work. The economic crisis in the wake of the pandemic is testing boards’ abilities to ensure the respect of global labor standards and to meet expectations of responsible business conduct when implementing large-scale layoffs. In this light, how can boards act on the value of treating workforce reductions appropriately? Likewise, what can the board do to facilitate a short-term reduction in fixed costs without sacrificing the capacity for a restart once they can get back to full operations? Numerous examples of [CEO’s](https://finance.yahoo.com/news/heres-a-list-of-ce-os-taking-pay-cuts-amidst-the-coronavirus-crisis-171206258.html) leading the charge in taking pay cuts themselves abound, with the support of their boards, and [board](https://variety.com/2020/tv/news/itv-executive-board-takes-20-pay-cut-during-coronavirus-lockdown-1234570066/) themselves are doing so as well.

Risk management, especially among company supply chains is also top of mind. Yet, this issue is very much interconnected to other board concerns. How can boards direct their companies to diversifying the supplier and customer base, reduce dependencies and create opportunities without jeopardizing the immediate needs? Many are turning to environmental, social, and governance ([ESG](https://www.forbes.com/sites/tinethygesen/2019/11/08/everyone-is-talking-about-esgwhat-is-it-and-why-should-it-matter-to-you/#148ac09f32e9)) parameters to save costs and satisfy investors, customers, and employees. Central to ESG is measuring the sustainability and ethical impact of a company to determine risk and return and many firms connect their ESG efforts to the UN’s 17 [sustainable development goals](https://www.un.org/sustainabledevelopment/sustainable-development-goals/). Recent [research](https://link.springer.com/article/10.1007/s10551-016-3382-5) suggests such an explicit effort to practice social responsibility will lead to better global governance. Practitioners also believe ESG is central to governance in this current crisis. According to Peter Reali, senior director of responsible investing at Nuveen, ‘If anything, this (COVID-19) will only highlight the extent of [ESG-related risks and opportunities](https://www.corporatesecretary.com/articles/esg/32035/esg-and-engagement-continue-amid-covid-19-says-nuveen%E2%80%99s-reali?utm_source=CS030420&utm_medium=email&utm_campaign=nuveen_covid).’

Lastly, boards are realizing in real time and under pressure, the inherent value of diverse identities and perspectives around the boardroom. Both diversity of identity and perspective is needed and a recent [HBR blog](https://hbr.org/2018/10/research-when-boards-broaden-their-definition-of-diversity-women-and-people-of-color-lose-out) called attention to the broadening of the definition of diversity (per the Securities & Exchange Commission and the Organization for Economic Cooperation & Development) has allowed boards to claim inroads regarding experience-based diversity at the expense of demographic diversity. Certainly here, the nominating committee has never been more important in screening a diverse set of candidates for on-boarding with [recent studies](https://onlinelibrary.wiley.com/doi/10.1002/smj.3049) finding that having more female top managers and having the sole female director serve on the nominating committee make firms more likely to appoint additional female directors. These likelihoods are highest when younger directors make up the board at large and/or nominating committee.

This pandemic has ushered in a new reality and sense of urgency for boards, necessitating a reassessment of their corporation’s purpose. Valuing and re-evaluating approaches to human capital, ESG risk management and diversity at the board level are paramount to guiding businesses as they move forward during these turbulent times.