

Planning for a New Reality: Agenda for the Prepared Board

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PREAMBLE

Planning for a New Reality: Agenda for the Prepared Board is designed to advance boardroom dialogue about long term value creation at a time of rapid change. Evolving—and often conflicting—public and investor expectations of firms add complexity to governance and decision-making and require fresh thinking in boardrooms and at all levels of the business.

Agenda for the Prepared Board brings us back to business principles, i.e., the corporation's purpose, its business model, *and what matters most* to the success of the business now and in the future.

Questions about the environmental costs of doing business, the nature of the social contract, and the validity of the license to operate all elevate risks and critical dependencies, but also reveal significant opportunities for growth, competitive advantage and positive long term, risk-adjusted return to investors.

What follows here are seven perspectives, along with questions to prompt discussion. The questions are aspirational—even provocative—by design, inviting directors to consider how decisions that affect employees, customers and suppliers, host communities, and environmental sustainability can deliver enduring value for the companies they serve.

We know conversations will be different in every board room. We hope **Agenda for the Prepared Board** will be useful for directors as they exercise their fiduciary responsibilities at a crucial time for business and society.

Aspen Institute Business & Society Program

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A winning business strategy begins with clarity about the corporation’s long-term aims and its corporate **purpose. *Internalizing the purpose of the business is the starting point in navigating social and environmental realities.***

- Does the board have a clear statement of corporate purpose? Is there a shared understanding and commitment to that purpose among the board, management team, and the middle and front-line managers who are responsible for aligning action with intentions?
- What needs to be true for critical groups—from shareholders to employees—to both understand and embrace the corporation’s purpose?
- Does the board understand what is required to fulfill the company’s purpose—e.g., talent, suppliers, investment capital? Do directors understand the risks in each of these domains?
- What relationships and alliances are needed to realize the firm’s purpose? What does a mutually beneficial relationship look like with those who govern access to critical resources? Are their perspectives considered in business planning?

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The board’s **fiduciary duty includes a clear understanding of current and future material social and environmental risks, vulnerabilities, and dependencies.**

Fiduciary duty is linked to materiality—to what matters most.

- Do directors understand how social norms, environmental trends and public expectations are changing—and how they impact business results now and in the future in key markets? Are there opportunities in board meetings to review and discuss these trends?
- Does the board’s understanding of materiality help reveal where the firm needs to focus its energy and commitments when it comes to employees, sustainability and through the supply chain?
- What is the board’s role in monitoring progress against these long-term commitments? How frequently does the board need to interrogate progress against goals? How are gaps between execution and intentions addressed?
- Are executive incentive plans structured to hold leaders to account for managing these risks and meeting commitments that extend into the future?

3

Long-term competitive advantage requires taking a fresh look at the business model, portfolio of businesses, employment practices, and how capital is allocated. *Sustainability is about imagining and investing in the future of the enterprise.*

- How does the board assess its readiness for change and capacity for innovation? Is the board open to radical change, if required?
- Do directors understand where the business model and corporate portfolio of businesses may be holding the company back when it comes to acting on material risks and, importantly, opportunities to create future value?
- What level of investment is needed to develop and acquire the right talent and skills for the future?
- What does it mean to allocate capital well? Is there a scenario under which every dollar of capital expenditure tomorrow is greener than cap ex dollars spent today?

4

The business case for **diversity** is understood and articulated. *The prepared board seeks the expertise of those whose identity, life experience and knowledge help illuminate material considerations and opportunities.*

- Is diversity understood as a strength and differentiator at all levels in the business—from the front line to the boardroom?
- What practices are in place to ensure that the board and managers across the firm have access to requisite skills, perspectives, and experiences, both from the outside and within their own ranks?
- Are insights from diverse voices and considerations of equity used to inform management practices, product development, and access to goods and services?
- How are equity and inclusion integrated into self-assessments, succession planning and professional development for the board and management team?

5

The **engaged employee** is key to sustaining competitive advantage and ensuring that the company delivers on commitments in the workplace, supply chain, and to customers. *Forward-thinking boards place employees at the center of strategy.*

- Are business priorities and long-term commitments understood by all employees?
- Are employees fairly compensated for their contribution to the enterprise?
- What mechanisms and data help the board understand the experience and attitudes of employees, with an eye to building both competitive advantage and trust?
- How does the board address any disconnects between corporate priorities, or values, and the employee experience?
- Are middle and front-line managers trained to listen to the workforce? How do key decision makers access employee insights—about product quality, customer experience, business risks and license to operate?

6

Breakthrough change requires co-creation and rethinking business boundaries. Customers, competitors, NGOs, governments, and academics are needed to tackle systemic challenges that rebound to the business.

- What new partnerships are needed to address present and future risks and to create opportunity?
- Have external engagements delivered value to the company in the past? What might they illuminate about the design of effective collaborations?
- Does the board understand what trade groups do and say on behalf of the company? Are industry association memberships, lobbying and political expenditures transparent, vetted by the board, and aligned with social and environmental commitments and long-term risks?

7

Effective CEO voice is anchored in the company's purpose, values, and commitments. CEOs are sought-after on issues of national or global consequence, whether they like it or not.

- What issues are linked to business performance and reputation and require a public position?
- Are protocols in place to ensure that the CEO can speak with authenticity and conviction, in real time, on topics that are germane to the interests of the business and its employees? Is political spending understood as a form of corporate voice?
- How are the voices of employees factored into decisions about when to speak up and what to say? Has the board considered the consequences of staying silent?

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