10 Issues Topping Board Agendas in 2017

"The best boards are rethinking their assumptions about everything they know – from what business they are in, to how their corporate culture defines their company, to what needs disrupting and what doesn't," said **Susan Stautberg**, CEO and chairman of the **WomenCorporateDirectors Foundation (WCD)**. "This has major implications for strategy discussions in the boardroom."

At the recent **WCD Global Institute** in New York, top global board leaders, CEOs, and governance experts from companies including **GE**, **AT&T**, **Alaska Air**, **News Corp.**, **The Coca-Cola Company**, **JPMorgan Chase & Co.**, **Barclays PLC**, **Intel Capital**, **Tata Communications**, and more gathered to discuss changes for boards in today's disruption frenzy. The panels and roundtables revealed the top issues on boardroom agendas today:

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1. **Disruption must meet a need.** Disruption is certainly the lodestar for companies, but boards can help guide management to make the investments where they are really needed. **Vinod Kumar**, CEO of **Tata Communications**, explained: "When we think about disruption, we also need to ask, is there a genuine need? We need to be intellectually honest with ourselves in that discussion." He does believe that telecom is a sector that fits this need. "We as an industry offer services to our customers that operate 99.99 percent of the time, and we think we're really cool. But I asked my team: what if your car only worked 99.99 percent of the time? Our customers don't change their water supply or their energy provider every year, but they very often change their telecom service provider every year." And disruption isn't just about tech, he said: "The definition of disruption needs to go beyond technology and reevaluate the business model and business processes. It has to be centered, most importantly, on the evolving needs of the customer."

2. **Shareholder activists can offer real value.** The long-held resistance to activist investors is softening in boardrooms. **Julianne Canavaggio**, head of Central America & Caribbean for **Lazard** and a director at **Conservatorio** and **Inversiones Malemar**, observed that activism "is going to help independent directors" in challenging the status quo in companies on whose boards they sit. "Having shareholder activists participate will make these boards really question what they're doing. In considering an acquisition, for example, they will ask: Do we have specific, well-articulated value creation ideas going into the acquisition? Is this really going to work? Is there a strategic logic to the deal?"

3. **Consumers and younger employees are creating a horizontal power balance.** "With both consumers and younger employees, there has been a massive leveling of power," said **Laurie Ann Goldman**, director at **ServiceMaster Global Holdings, Inc.**, and **Francesca's Holding Corporation**. "It's a newly horizontal world; information flows in all directions. It really wasn't all that long ago when the relationship between provider and consumer was the same as it had been for generations: The providers talked. The consumers listened. The providers offered a selection. The consumers picked from what they were offered. Technology, of course, changed all that with its power to inform, explain, and – most important of all – share. Humans have the control that we all strive for. And today they have life-and-death power over the future of a brand. I see the same thing on the boards on which I sit. It used to be that board information flowed one way – the more experienced educating the less experienced. Today, information flows both ways. Younger people in the organization expect to share their thoughts and ideas. All boards must be open to that. The education process has become collaborative."

4. **Innovation culture requires conscious cultivation.** "This is perhaps the seminal, critical issue: how do you get stakeholders – employees, governments, share owners, boards, communities, and academia – to really understand that disruption is absolutely taking place at quite a rapid pace?" remarked **Susan Peters**, SVP of Human Resources at **GE**. "From the perspective of the employee population, you have to lean into it. It's not something that's going to happen naturally. At GE, we're creating a culture that allows people to constantly reinvent themselves, to be looking for the new. How do we become a company that understands how to be a startup within a big company? We invest in small ideas, let them grow, get feedback, and pivot if it's not the right thing."

5. **Workforce transformation supplants workforce replacement.** A major question employers face is how the current employee base is brought along with significant changes in operations. "If you have 200,000 employees, do you say, 'I'm going to replace those 200,000 employees,' or am I smart enough to allow people to raise their hands and say, 'I want to travel with you to this new place'?" said **Joyce Roché**, a director at **AT&T**, **Macy's, Inc.**, and **Tupperware Brands Corporation**. "Rather than think that we can replace that number of individuals, we think about how to acquire a new skill set. We focus on employee transformation, and letting people be able to move along with us as opposed to thinking about replacement."

6. **Innovative partnerships create new opportunities for growth.** Companies have much to learn from new kinds of partnerships globally, said **Maggie Hanson-Muse**, Minister Counselor for Commercial Affairs, ASEAN, of the **U.S. Department of Commerce**. A prime example is with Singapore, Asia's leading financial technology center, where a business-friendly environment and a forward-thinking regulator have led to its becoming a haven for start-up companies working in areas from artificial intelligence to cybersecurity to "smart cities." "A fintech start-up company will come into the country, hire Singaporeans, and work with them side by side. The Singaporean gains the

experience in a kind of on-the-job training, and becomes part of the company. When the fintech owners go back to their home country, the company now has an entity in Singapore – an overseas branch. This is a truly global way of establishing a market, training a workforce, and maintaining a new overseas operation."

7. **Basics can get lost in organizational complexity.** The high complexity of businesses today can sometimes crowd out a focus on the basics. **Alaska Air** CEO and president **Brad Tilden** used his own business as an example: "In the airline business, there are a lot of complicated decisions, from which airplanes to buy, to how you're scheduling flights, to how you're building new software applications. But I actually think in our business success is very simple: If you've got a team of good people, who are empowered and who want to make your airline great, you've got a great chance of being successful. When people say, 'I didn't like that airline or that flight,' it's typically not the complicated stuff that we get wrong. It's the simple stuff."

8. **Crises demand decision-making with limited information.** The importance of timing, and being able to get out in front of issues, becomes more critical every day. **Diane de Saint Victor**, general counsel and company secretary of Swiss-based **ABB, Ltd.**, one of the world's largest conglomerates, commented: "The world is moving faster and faster, and boardrooms need to act even more swiftly. In a crisis, it's a matter of hours – there is an element of urgency and a need for speed in the boardroom. We've got to make decisions in a situation where we don't necessarily know 100 percent of what we would want to know, but, somehow, we've got to move on and do the best we can with whatever is available. Sometimes that has to be good enough."

9. **Cybercrime puts accountability on the full board – not just the experts.** "In the last 10 years, the question of who a cybercriminal is has changed completely," said **Nicole Friedlander**, special counsel at **Sullivan & Cromwell** and former Chief of the Complex Frauds and Cybercrime Unit of the U.S. Attorney's Office for the Southern District of New York. "It used to be that cybercriminals were a very small group of people who stole money or credit cards. If you weren't a company that kept customers' money or credit card numbers, you didn't have to worry that much. But what we've seen is the emergence of cybercrime-as-a-service. Cybercriminals are now service providers for all kinds of other criminals and get paid to steal data that other criminals need." Friedlander emphasized that all board members, even those without cybercrime expertise, should ask questions about the risks. "If your company is breached, this discussion will help protect it, because regulators and private litigants have been challenging boards about what they did ahead of time to assess and mitigate cybersecurity risk."

10. **Path to board consensus shifts with gender diversity.** As boards increasingly examine their processes and how their decision-making holds up under scrutiny, does having women on a board open up the discussion for tougher questions? **Walgreens** and **Bank of Montreal** director **Jan Babiak** recalled an experience on a previous board: "There

were a whole lot of male CEOs and they wouldn't ask questions that they wouldn't want to be asked themselves in their own boardroom. In this kind of situation, directors are more likely to have consensus and collaboration, but they also think alike. Women may ask questions in a different way, and the very fact that we're asking a question rocks the boat and sometimes makes people uncomfortable with us. But it's very important that we disagree without being disagreeable. A woman director kind of has to be the 'velvet hammer' in that she really has to make her point, but do it in a consensus-building way."

All of these issues demand a serious look at board composition moving forward. Says **Kapila Anand**, director of **Extended Stay America, Inc.**, and lead director of **WCD**: "As disruptive forces, innovation, and workforce dynamics – coupled with the volatile regulatory environment – occupy more of the board agenda, the value of a diverse board with relevant skills has become even more critical."

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About WomenCorporateDirectors Education and Development Foundation, Inc.
The WomenCorporateDirectors Education and Development Foundation, Inc. (WCD Foundation) is the only global membership organization and community of women corporate directors. A 501(c)(3) not-for-profit organization, the WCD Foundation has 77 chapters around the world. The aggregate market capitalization of public companies on whose boards WCD Foundation members serve is over $8 trillion. In addition, WCD Foundation members serve on numerous boards of large private and family-run companies globally. For more information visit www.womencorporatedirectors.org or follow us on Twitter @WomenCorpDirs, #WCDboards.

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