



Thinking of Others

Boards are supposed to consider the interests of a wide range of influencers and stakeholders. Not just because it's a legal responsibility, but because it makes sense: an organisation's success depends on how it interacts on a daily basis with a myriad of third parties. Shareholders get lots of attention and, in industries where it matters, the regulators do too. And yet, when we observe boards in action during board reviews, we can be surprised by hearing barely a mention of employees, customers, suppliers and the wider community.



The CEO's statement in the Annual Report might put them at the top of the list of "things that matter" – but their placing on the board agenda is often considerably lower. Here we look at how boards can make sure the directors' gaze moves around enough to give them the broader view.

Good practices to consider...

Allocate time during board meetings to discuss who you see as your principal stakeholders and what the risks are of failing to work with them in the right way. It's not always as obvious as it seems, and anyway things change. When was the last time the reasoning and emphasis was challenged?

Work towards a consensus view on why they matter. Which of them have the most potential to impact the achievement of our objectives, or to harm us the most if we get things wrong? And why? And which sub-groups within those categories?

Things to avoid...

Being superficial. It's not a matter of simply coming up with a list of sweeping categories and calling them "stakeholders". Customers, employees, suppliers and the community are all far too diverse groups to just be lumped together under generic headings. If you're going to do anything useful when thinking about stakeholders, you need a meaningful breakdown.

Assuming that all directors see the relative importance equally. Depending on their experience – and what they've seen in other organisations – they may have insights that shift the emphasis or the risk assessment. And don't forget that some stakeholders might seem to have little "positive" value to the company but can still threaten huge downside to the company's – and its board's – reputations.

Good practices to consider...

Things to avoid...

Make sure that executive reporting gives a sufficiently strategic view of stakeholders – and an up-to-date one. This should cover who they are, how we're dealing with them, how they seem to be reacting, and what the opportunities and threats are.

Present the data you have. There will be a lot out there already – customer feedback, measures of customer complaints, delivery delays, supplier comments, the average time for paying suppliers, staff surveys... But does this find its way to the Board in a way that helps Non-Executives to think through the stakeholder views?

Set out a "stakeholder framework" that is applied to proposals being brought to the Board. It needs to identify who might be affected significantly, with a well-structured evaluation and management view on how these factors should be handled.

Use imagination when it comes to "listening to employees". The proposed changes to the Code set out some options, but boards should not be limited to those. This is 2018 – and technology offers lots of opportunities to hear from employees: chats, blogs, video cabins, vox pop, e-surveys... Yes, they need to be interpreted with care and the Board cannot be inundated with a stream of unstructured comments. But there are ways to avoid this.

Use imagination too when it comes to other stakeholders. When did the Board last hear directly from major customers? How does it gauge the diverse views of small customers? When did it last see indicators of supplier satisfaction?

Spending most of the board time talking about historical financial and operational performance (with a bit of forward looking review thrown in when the budget or an announcement is due). Board agendas encourage this – and often management feel more comfortable covering what has happened or what they have been doing. Instead, they should be encouraged to share their views on how core influences and influencers might be reacting or thinking.

Thinking stakeholder-related data are "too operational" for a board, or not making the effort to present data that are not readily quantifiable. If such information is presented in a strategic, forward looking way, with analysis and narrative, the Board will be interested and see its relevance. Often it will provide a good basis for a lively board discussion.

Thinking that it's an optional extra, or that it's enough to put ticks in the boxes with superficial analysis. Board risk analysis that's content-free boilerplate or blandly high level, and with no convincing discussion of how any risks will be addressed, is of little use to anyone (but remains surprisingly popular nonetheless).

Thinking in a 20th century mindset about ways to "hear the employee voice". Most directors tell us they find things out by getting out and about. How can technology be used to build on this by bringing the workforce view into the boardroom? Maybe it's a quick video of a journalist interviewing some staff or conducting a focus group? Or a snap poll on an employee hot topic? This sort of thing, used judiciously, can produce a much better board discussion than a dry paper.

Not using site visits to the full and interacting only with top managers. How about the Board "dropping in" on a few people during a designated part of the visit: what supplier issues are front of mind for the manager of the production line? What is the store manager hearing from customers this week? And what about hearing from customers or suppliers first hand? (Don't like these ideas? Use your imagination to come up with ones that are better for your board.)

Good practices to consider...

Have a structured, focused discussion on the communities that are affected by what we do – and think through our responsibilities. That means thinking broadly. It's partly about where we are operating physically (plants, mines, hospitals, ports...) – or where our supply chains connect with these communities. But it's also about our social responsibilities: education, health, environment, diversity...

Think about how you can get a more direct or unexpurgated version of the community view unfiltered by senior management. Personal contact might be unrealistic for a NED (but not impossible?) so think of other ways: for example, what can we learn from the local media? What are local councillors and MPs hearing from their constituents?

Make the most of the diversity you have amongst your workforce. It is may be unrealistic to get more diversity onto the Board in the near term (or maybe not even an objective if we're talking about age). But you are likely to have a diverse group of employees.

Things to avoid...

Management thinking it through for the Corporate Social Responsibility (CSR) report – but that being as far as it goes. Rarely do CSR Reports gets discussed in any meaningful way at board level. And, for many, the stakeholder relationships and responsibilities tend to stay on those pages as far as boardroom discussion goes. Yes, safety (in particular) and environment (less so) do reach the agenda – but what about all the other aspects? If the Board's not giving those much attention, how can they be sure management is?

Sitting in the boardroom (or executive office) thinking that you know what people in the community are thinking or how they are being impacted. Given the age, gender and ethnic profile of most boards, you probably don't. And remember that "contributing to the community" through volunteering initiatives is not at all the same as "listening to the community".

Putting this into the "too difficult" category. With some imagination, it may be possible at least to do more than you are doing now. It is likely to be worth it. If the Board finds it difficult to understand the thinking of a set of stakeholders who are multi-ethnic, widely ranging in age, mixed gender, socio-economically diverse, geographically spread... it should look at ways of tapping into their employees' thinking, for example through focus groups or even just more structured interaction between the NEDs and employees. Guess what! They happen to be multi-ethnic, widely ranging in age, etc...

