

Feature

Agile boards

Helena Wayth argues that the Covid-19 crisis has highlighted the fact that agile boards can help build greater resilience.

If the Covid-19 crisis has taught organisations one thing, it is that our capacity for resilience needs to be built upon agility. Having an agile mindset and the flexibility to adapt according to need and circumstances have never been more essential. The agility shown by all supermarket brands particularly in light of Amazon's recent move might make them stronger.

The experience over recent months has challenged organisations' risk and reward equation, and revealed new issues and dependencies material to the business. Increasingly boards and management recognise the need to balance risk and reward with organisational resilience for longer-term viability. The crisis has placed greater emphasis on S and G issues in particular and anchored them firmly in reality. The coronavirus pandemic has made boards appreciate that they can and must help society more. A better understanding of what issues are material can enable organisations to move at speed with greater clarity of purpose.

Prior to the pandemic the perception was that metrics, often too broad and resource intensive to be effective, could stifle good governance. What has emerged is the need for a more effective process of measurement if we are to bring performance-related ESG considerations into boardrooms. More timely data and relevant metrics can provide greater visibility on critical issues for both immediate decision-making and longer-term planning.

Streamline metrics to enhance governance and add value

A recent study conducted by A Bird's Eye View in partnership with the FT Board Director Programme members found over 80% surveyed think boards will need a better understanding of society's needs and the environment they're operating in to help executives adapt to increasing uncertainty. Board members feel the tension between the need for more knowledge and perspective, and the imperative to act quickly. Flexibility needs to be more inherent in all boardrooms. The Covid-19 crisis has shown us that boards, such as Danone legally embedding ESG goals into the company's bylaws, with the right choice of metrics can provide better support and scrutiny while being better equipped to communicate and engage with key stakeholders' changing needs.

ESG is business critical for organisations large and small

There is a need to reposition ESG from a nice to have to a must have and do. This month BlackRock CEO Larry Fink stated stakeholder capitalism and ESG factors will become more important as the post-pandemic business world emerges. And can be a competitive advantage for 'the winners of the future'. From listed multi-nationals to small VC backed start-ups, greater transparency on capital, materials issues and risk will be more closely scrutinised and allow stakeholders to

assess the priorities and preparedness of management and their boards.

There is currently no standardised mandatory framework for boards and organisations, or sufficient evidence on how reporting can add value to decision-making and organisational performance. However, there are a number of process-based frameworks that are seeking to address this.

Just this month, two global reporting and standards organisations – SASB and GRI – announced a collaboration on their measurement frameworks to help promote clarity and comparability in the sustainability landscape. How can this go further and faster to equip boards and stakeholders with the business-critical information they need?

Accelerate development of business-critical metrics

The study found Covid-19 is forcing boardrooms to rethink and adapt more quickly to a changing environment. It has revealed over dependencies on suppliers, essential workers and limitations in supply chain visibility. Board members surveyed recognise the financial and ethical vulnerabilities in today's economic model and the need to prioritise human capital. With growing momentum on the climate change imperative, the right impact metrics can provide greater accountability for organisations' externalities and the consequences of their business model on the environment and society. The Capitals Coalition, formed earlier this year as a global collaboration, is helping clarify the value of conserving and enhancing natural, social and human capital.

Broadening interests beyond their organisation can help boards be more effective

Board members recognise that they need a better understanding of society's changing needs and the issues most material to their business, nature and society if they are to steward a company's long-term success.

The virus has made the need for a stronger connection between boardroom and society even more crucial. Standardised global benchmarking figures are not always a currency that boardrooms value, but better metrics could be. Effective measurement doesn't just promote good governance, it also enables boards to act with greater clarity of purpose and responsibility for their organisations' wider impact, and develop a nimbleness that has become essential in a post-Covid world and to provide greater agility for their business models and organisations' sustainability.

Helena Wayth is the Managing Director of A Bird's Eye View, a business and marketing consultancy advising on purpose, strategy and governance. She sits on the Board of PATH and Practical Action. For more information on A Bird's Eye View and the research, see: <https://abirdseyeview.global/board-members-perspective-on-the-future-of-governance/>