

The Board's Role in Corporate Culture

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Corporate culture is not a new topic. We have celebrated successful Company cultures in various ways including awards such as “Best Places to Work” & “Most Admired Company” for many years. We have also seen various failed cultures over time – WorldCom & Enron, for example. However, it seems we are reading about new, significant Corporate culture failures with alarming frequency – in traditional, long established Companies like Volkswagen, disrupters like Uber, successful media companies and even banner non-profits like NPR.

What responsibility do Boards have for Corporate culture? What are the actions that Boards should take to strengthen their assessment & oversight of Company culture?

1. Boards should begin with their own Boardroom Culture by documenting Board Member Guiding Principles. Boards should consider annual terms or term limits and utilize candid, specific Board and individual member assessments relative to their Guiding Principles.
2. Boards and Management should document the definition of their desired Corporate culture. Various measures of Cultural performance should be defined and regularly reported to the Board.
3. Boards/Board Committees should generally inspect and assess Culture at relatively granular levels: all Company compensation plans; direct transcripts of ‘Whistle-Blower’/customer complaint calls; employee turnover ratios by SBU &/or geography; etc. instead of relying on summarized results.