

The Board's Role in Corporate Culture

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Culture is now at the forefront of many discussions given the recent corporate issues that are attributable to a "bad culture". When things go wrong, the first question often asked is "where was the board"? The board is responsible for oversight of culture in the same way they are responsible for oversight of other assets. Three areas for boards to focus on include:

1. Reward and recognition systems: Boards need to go far beyond just reviewing the compensation for NEOs. Plans all throughout the organization should be reviewed by board to understand what is being emphasized and how employee behavior is being rewarded.
2. Evaluating culture in mergers and acquisitions: Culture of combining companies must be evaluated for similarities and differences. Acquiring boards should be firm on what aspects of their culture are not negotiable. Treat culture evaluation in same way as synergy evaluation.
3. Board oversight of culture: Every board should discuss what additional reports/metrics they want to review that will give them insight into culture. It is the board's job to connect the dots as most times there is not one report that will give the whole picture. Treat culture as an asset that must be protected.