

BOARD MEMBERSHIP: NAVIGATING THE NEW UNCERTAINTIES



Remember when there was an invisible line separating business from political and social movements? Corporate leaders largely kept quiet about their beliefs and values, trying to influence policy only from behind closed doors. But in an era of rising shareholder activism, climate change issues, civil unrest, #MeToo, Black Lives Matter, the push for diversity and inclusion, cybersecurity threats, and more, today's business leaders are subject to close scrutiny from investors, consumers, employees, and the media.

Combine that with the once-in-a-generation COVID pandemic and its widespread economic fallout, and companies—including their boards of directors—are facing historic challenges. As [Forbes](#) put it recently, “The year 2020 is forcing a reckoning about the role of the corporation in society, and along with it, the responsibilities of boards of directors to the corporation’s myriad stakeholders.”

Boards of directors must navigate sources of unexpected enterprise risk while expertly monitoring their firms’ financial performance. A [Korn Ferry report](#) identifies three key issues that today’s directors should confront: risk management (distinguishing threats from opportunities); closing the gap between strategy and talent; and combating information overload. “What boards have to do is to step up to a different kind of leadership, anticipating what will create value [and] how that impacts the organization,” according to that report.

Wharton Professor Michael Useem agrees. “There is great potential in many boardrooms for directors to take a far more active leadership role,” he says. “Doing so can be a vital source of competitive advantage and value creation.”

He says he helps board members strengthen that leadership in the Wharton Executive Education program [Boards That Lead: Corporate Governance That Builds Value](#). The program is based on the popular book *Boards That Lead: When to Take Charge, When to Partner, and When to Stay Out of the Way*, authored by Useem with co-instructors Ram Charan and Dennis Carey.

The program provides the latest guidance from some of the world’s most knowledgeable boardroom veterans on how directors can

best make a leadership difference. Participants currently serving on boards will learn to improve their management and decision-making effectiveness, becoming high-performing directors who bring significant value to the business. Moreover, C-suite and senior-level executives who have regular contact with boards can glean fresh insights on how to work collaboratively for profitable outcomes.

One area in which Carey believes boards need to take a greater leadership role is talent. He observes, “It is clear from best practice companies that the board’s role in selecting a new leader is critical. You can have the best strategy, but if you don’t have the best talent, it doesn’t matter. The board must take the lead in creating a talent pool.” Ram Charan agrees: “For the great majority of companies, talent management remains hit-or-miss, governed by superficial criteria and outdated concepts. Leveraging the knowledge and experience of the board is imperative.”

THE “ABCS” OF ESG

As challenging as times are for those experienced in board service, newcomers face an even steeper climb. Wharton’s Useem has teamed up with fellow Wharton Professor Mary-Hunter McDonnell to co-direct another course offering, [Corporate Governance: Essentials for a New Business Era](#). The program offers a wide-ranging look at what constitutes successful board service in the current business climate, and is particularly targeted toward new and aspiring board members, although seasoned directors can benefit too.

Useem and McDonnell say that in addition to helping participants understand their fiduciary duties, they focus particularly on company and legal issues related to diversity; inclusion; and environmental, social, and governance (ESG) metrics. McDonnell says a thorough grasp of these matters is essential for good board service today. There's been a cultural transformation: many investors as well as employees want to put their money where their values lie, and are increasingly paying attention to ESG scores. However, she says that historically these issues "were not at the top of the agenda for firms. That means many boards are simply not equipped to think through and manage them." Having the right leadership in place to grapple with these new pressures and enterprise risks—in both the boardroom and C-suite—is critical.

WHERE ARE THE WOMEN BOARD DIRECTORS?

Despite the changing social environment, one thing that hasn't changed much about boards is their gender balance. Among the largest 500 public U.S. companies by revenue, only about a quarter of board members are female, according to [Reuters](#). [NPR](#) reports that at the largest 3,000 public U.S. companies, it's only one in five, and nearly one in 10 of those boards have no women directors at all.

But a shift is underway, according to Wharton's McDonnell. In August

2021, the U.S. Securities and Exchange Commission approved new listing rules regarding board diversity and disclosure. The new rules require a Nasdaq-listed company to have at least two diverse directors (including at least one woman and at least one member of an underrepresented community) or the company will have to explain why it has failed to do so. Similar efforts to create more gender diversity on corporate boards are underway in a few European countries, and some Asian nations are feeling pressure to do likewise. To help women executives seize these emerging opportunities, McDonnell has designed the new program [*Women on Boards: Building Exceptional Leaders*](#).

McDonnell says the program's goal is to "prepare this generation of women to fill the board seats that are about to flood the market. We're going to empower our participants to find their seat, to market themselves to boards, and to be an effective board member."

An important step in getting noticed by boards is building your personal brand, according to McDonnell. She plans to convey how to strategically deploy social media, choose the right speaking engagements, and construct a powerful network. She will offer in-depth guidance for participants to polish their board bio, CV, and LinkedIn profile. The idea



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is to become a recognized expert in your field so that boards will seek you out.

McDonnell also aims to prepare women executives to assume the obligations of their first public board seat. She says she will explore how directors perform their monitoring responsibilities and how they spot red flags when executing core duties like compensation and succession. Plus, she will guide participants in navigating the politics and culture of a board: “how to make yourself a voice that’s heard [and] recognized... in the boardroom.”



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UNDERSTANDING SHAREHOLDER ACTIVISM FROM THE INSIDE OUT

In today’s turbulent corporate environment, another Wharton Executive Education program brings participants critically important knowledge and guidance. [*Shareholder Activism and Corporate Governance*](#) promises to supply corporate board members and C-suite executives with powerful tools to counter shareholder activism’s rising tide.

While activism against household-name corporations may be the events that grab headlines, all public companies are vulnerable to this phenomenon, which according to a recent [PwC](#) report has increased 48 percent in Q1 of 2021. “Activists in America go after every size company,” says Wharton’s Kevin Kaiser, the program’s co-academic director. “From the nano caps—very small companies with 50 million or less in market cap—through the mega caps, 10 billion and up, everybody is exposed.”

Interestingly, *Shareholder Activism* covers both sides of the coin: the program serves both the company directors who seek to fend off activism and the hedge fund portfolio managers and others who may be engaging in it. Kaiser and co-academic director Bilge Yilmaz, also a Wharton finance professor, say they take a balanced approach, helping all participants more clearly distinguish activist actions that are value-creating from those that destroy value. They also provide participants with a framework for assessing effective corporate governance. The professors aim to make the program as real-world as possible through case studies and role-playing.

It’s clear that board directorship today is undergoing a profound transformation. But programs like these may help board members—from those aspiring to board service to those newly seated and veteran directors—rise to the challenge. [EB](#)

Learn more about Wharton Executive Education’s Board Leadership programs:
[LeadWithWharton.com](#)
