



No Place to Hide for Boards

The pandemic has resulted in an increased focus on stakeholder capitalism and corporate stewardship. Business leaders tell **Emma Carroll** how they are responding to this pressure by revisiting their purpose and measuring the right things

The increasingly thunderous volume of stakeholder voices has forced Boards to reassess their corporate purpose and how they can create long-term value. The hard part comes next, as organisations must now deliver on those newly stated ambitions. To do this, they need to put in place metrics that really matter.

At Criticaleye's recent [Non-Executive Director Forum](#), held in association with [EY](#), business leaders and experts came together to discuss the growing influence of stakeholder capitalism and how Boards can respond.

Tom Beedham, Director for Board Mentors and NEDs at Criticaleye, said, "The pandemic has resulted in even greater scrutiny on businesses when it

comes to their commitment to long-term, sustainable value creation.

"Boards must make sure they understand the priorities of their diverse range of stakeholders so they can both support and challenge the Executive Team."

With so much at stake, the Board's role in corporate stewardship has never been more important. "NEDs are coming of age – this is our time, because we have the ability to stand back and retain a sense of perspective," said **Sally Bridgeland**, Chair of Impax Asset Management. "It is making sure that instead of aiming for a particular performance level in the short term, that we put a longer-term purpose in place. You must hope and aim deliberately for the best but also plan for the worst to manage the downside risks.

"Board members need to be asking, 'What could go wrong?' That often involves thinking about how [certain] stakeholders might react in a particular situation: what employees might think, what other shareholders might think."

It's something that **John Fallon**, former CEO of FTSE 100-listed publishing and education company Pearson, said he could relate to. He explained: "Increasingly, shareholders, regulators and governments want to know what your strategy is for getting to Net Zero, what progress you are making on gender pay inequality, what your strategy for diversity and inclusion is and how you are thinking about your supply chain. People want to know about your net promoter score for customers, the health of your organisation and your employee engagement surveys. >



"You can take each of these in isolation and deal with them, or you can take a step back and adopt a more proactive approach by integrating them into how you create moments of value and grow the business to be more profitable in the future," he said.

This challenge came to the fore as **John** steered Pearson through its digital transition. "What we did at Pearson was shift the company from [being about] inputs to outcomes. This was enabled by technology and how AI and big data increased our ability to understand the impact that we have on people's lives.

"I would argue that it was this focus on outcomes, and the connection to the purpose of the business, that ensured we survived what was a company-threatening challenge," he said.

Measurement – Not a Goal in Itself

When it comes to deciding what to measure, your chosen indicators must be ones with commercial impact. **Barend van Bergen**, Partner at EY, said, "It's worth taking a step back and making sure your metrics and data are supporting, or underpinning, your equity story, but also supporting your decision-making and strategy development. Measurement is obviously not a goal in itself.

"I think NEDs must hold up a mirror and ask, 'Are we measuring what is important, rather than what is easy?' A lot of companies still measure what is easy," he said.

Barend highlighted some of the major initiatives that are currently shaping this space, including the set of [21 core](#)

"I think NEDs must hold up a mirror and ask, 'Are we measuring what is important, rather than what is easy?'"

and 34 expanded metrics produced by the World Economic Forum's International Business Council and the [IFRS Foundation's working group](#) that aims to accelerate convergence in global sustainability reporting.

"This should be about real-life change and the more businesses can be proactive, the less regulation you will get, as regulators are stepping in to correct the market imperfections that are out there," **Barend** said.

It's a point that was built on by **John**, who is currently Chair of War Child UK. "Change happens because real people demand it, not because you've designed the metric that requires you to do it. My worry is that this becomes driven by metrics and box-ticking, rather than capturing the fundamental impulses of a company. NEDs have a role to play in driving that discussion."

Ultimately, the metrics you use must be tailored to the business and to the unique concerns of its stakeholders.

Sally explained: "The most important challenge for Boards is telling their investors which metrics are the ones that matter. What metrics really do make a difference in that Net Zero conversation or in a discussion about business strategy?" ■

Don't miss the next [Non-Executive Director Forum](#), taking place on Thursday 21st October, under the theme of Excellence in Strategy, Governance and Performance. This event will be held in association with EY.

You can check out EY's Centre for Board Matters [here](#).

For more information on how Criticleye supports and develops Chairs and non-executive directors, please click [here](#).

Featuring Commentary From:



Tom Beedham
Director
Board Mentors and NEDs
Criticleye



Sally Bridgeland
Chair
Impax Asset Management



John Fallon
Chair
War Child UK



Barend van Bergen
Partner
EY

Contact the contributors through:
www.criticleye.com