



Top 10 Topics for Directors in 2019: Corporate Culture

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To understand a company's culture, the board should interact with the C-suite on a formal and personal level and also engage with other employees of the company. These interactions and potentially a culture survey by a search firm will help the board identify a company's willingness to change, its tolerance for mistakes and its approach to fixing problems, so that the board can make any necessary adjustments. These activities can also help identify any red flags on an individual basis that should be addressed to avoid embarrassing or even criminal behavior.

Specifically, one important manifestation of the board's and, by extension, the company's, culture is preparation and readiness for a crisis. Eventually, a crisis will occur, and a board cannot wait until that day to decide how to handle the situation. The board should anticipate likely scenarios, such as the protocol for a cybersecurity breach or an event that is common in the company's industry. For example, in the energy industry, oil spills and other health, safety or environmental issues can occur at any time. The company must know not only how to deal with the physical aspect of recovery and repair, but also how the company and its reputation will be affected by its response. In addition, directors should be aware of the potential criminal and civil liability exposure for both the company and the individuals involved in such events.

Likewise, given the instantaneous relay of information via social media, any company operates in a fishbowl. Accordingly, the board has to set the tone for controlling and maintaining the outbound message, as well as the inbound reactions. News of harassment, boycotts, product promotions or controversial political positions can quickly ignite a public relations nightmare for a company. Often companies designate the CEO to control the messages, even if that is

not such individual's strong suit. Alternatively, the board could consider appointing a lead director to communicate with the CEO and assist with such messaging.

Finally, a corporate culture in the boardroom that is inclusive of different experiences and backgrounds can bring tremendous perspective and depth to the management and success of a company. For example, as described elsewhere in this publication, the recent gender diversity requirements enacted in California and other initiatives across different jurisdictions are intended to mandate and support this diversity.

It is difficult to overemphasize the responsibilities and obligations of a board to lead and guide the culture of a company grounded on strong core values. However, the success of a robust corporate economy depends on such foundation of trust, mutual respect, integrity, professionalism and transparency, to name a few elements. A board is, and should be, the vigilant guide for such high ethical standards and accountability.

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