

Your Voice Viewpoint: The Director as Steward of the Corporate Soul

By John Renesch

People being asked to serve on boards these days are justifiably concerned with matters of liability, compliance, and takeovers. They can expect to spend much of their time on a variety of real nitty-gritty issues such as compensation, mergers, acquisitions, forecasts, performance, underwritings, legal opinions, and shareholder sentiments.

Some see their role as keeping the corporation out of legal or financial trouble, helping steer it through the labyrinth of government regulations, potential lawsuits, political climates, competition, and other possible rocky shoals. That's plenty for any director to keep on his or her radar screen.

But what about those matters that are less immediate and explicit? What about vision, conscience, and the social contract that so often resided in the founders' original intention? These "softer" subjects make up a covenant—what could be called the "corporate soul."

Vision. The company's vision requires stewardship or it can get twisted, mangled, or even forgotten amidst everyone's focus on day-to-day matters. While many people in the organization can serve as stewards, including the executive team, directors sit where the buck stops when it comes to serving as custodians of the vision—periodically checking the course of planned events with the original compass heading so that any diversion from the original vision is conscious and intentional.

I've seen many companies post laudable vision statements in their hallways and boardrooms; they might as well have been wallpaper. A printed

statement for the annual report or corporate brochure is only words. Who stands behind the values expressed in these phrases and insists on alignment between the walk and the talk? The last line of defense for upholding the organization's defining vision is the board of directors.

Conscience. What about the morality of the company? Who calibrates the moral compass? If the executive team goes astray, who serves as their backstop? Compliance to regulations or some articulated code of ethics is not morality. There's a big difference between avoiding doing anything illegal and doing the right thing when it comes to policy and cultural traditions.

Ironically, the "father of capitalism"—Adam Smith—was a moral philosopher; one of the last things the public would say of the corporate world is that it is a "moral" institution. In the two and a half centuries since Smith penned *The Wealth of Nations*, our societies have passed thousands of laws for businesses to adhere to and comply with. In many ways, compliance officers have become the corporate compasses for staying out of trouble. Finding loopholes in the laws through shrewdness and cleverness has taken the place of our consciences in many quarters.

Having been replaced by compliance, corporate conscience has atrophied a great deal since Smith's time. The board of directors serves as the organization's conscience, calling for action and rejecting proposals that are not proper according to the "gut test," even if they might not be illegal. Moral is not the same as legal, or ethical. Morality is maintaining one's heading in spite of all the pressures to compromise, so prevalent in these times of tremendous competition.

Social Contract. What public good is the corporation doing? Is the public good being served or exploited

by the policies and actions of the organization? To measure how a company is doing in this arena, "big eyes" are needed—a perspective much wider than people can have when all their energies are focused on performance and implementation. Closed systems tend to become bureaucratic and ultimately implode on themselves. Religious cults and other sorts of fundamentalism are not the only examples of closed systems. Corporations can suffer from the same "closed mindedness."

The board provides an external perspective so vital to the healthy functioning of an organization. This includes asking the big questions like "why do we exist?" or "what is our contribution to the community from which we derive our revenues?"

I doubt if corporations will be changing their governing boards to "Board of Stewards" anytime soon, but that title could be a reminder that the corporate board is a custodian of these and other values—a sacred covenant of sorts. It provides the final backstop for the defining vision that excites everyone associated with the organization and provides it with vitality. It also serves as the conscience that keeps the organization's moral compass functional. Finally, the board maintains the social contract that provides context and meaning to the whole thing.

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