The IRG Impact Study –
Corporate Board Executive Summary

FOR BOARD DISCUSSION

The context: evolving expectations

- Today, CEOs and businesses are being pulled in every direction by better-informed and more demanding stakeholders, such as employees, their customers, the community, and investors.
- At the same time, COVID-19, the financial crisis, macroeconomic volatility, regulatory uncertainty, tense geopolitics, supply chain impact, and new technological challenges have led to a renewed focus on the bottom line.
- It is almost impossible to respond appropriately to the evolving stakeholder expectations within this context. Many of the 2019 Business Round Table declaration signatories have since been accused of doing too little and others have been fired for doing too much.
- As expectations toward businesses profoundly shift from short-term shareholder primacy to sustained value creation for all stakeholders, **Corporate Boards find themselves at the forefront of helping leadership navigate this complex business environment**.

The need for a Board roadmap and checklist

- Most business leaders understand the importance of creating stakeholder value, but many don't talk about it publicly anymore for fear of being accused of greenwashing.
- This doesn't mean that nothing is happening. Investors continue to pressure companies to achieve long-term financial performance and progress on environmental and social matters as good business practices that deliver long-term value. According to WTW Global, 77% of listed companies now include ESG metrics in their incentive plans.
- The IRG Impact Study finds that 78% of Board members in the US believe they have an opportunity to play a more critical role in delivering sustained value for all stakeholders but also find themselves grappling with quarter-to-quarter short-term urgencies. A long-term focus on stakeholders rather than shareholders often conflicts with how the Board members have been operating and incentivized for decades.

- Many Boards resist transitioning to a stakeholder growth model because they fear "getting it wrong" and landing in the crosshairs of the culture wars or alienating specific audiences. Boards have seen high-profile examples of companies attempting to be genuinely progressive, respond to societal change and current events, and try to serve a broader audience, only to face backlash, public embarrassment, and financial loss.
- As many companies are 'flying under the radar,' valuable lessons learned are not shared among business leaders and Board members.

The Impact Study Findings: The Five Drivers of Humanized Growth

- Ninety percent of overperforming companies view stakeholder value creation as a business opportunity, not a risk. These leaders move beyond polarizing language and understand that sustained business growth can only be achieved by creating value for all their stakeholders.
- Overperforming businesses drive superior revenue growth versus their direct competitors by over-indexing on the five drivers of ***Humanized Growth***. They …
    - ***Ground*** their business strategy on a firm understanding of their company's DNA, values, and beliefs and their stakeholder's perspectives, reality, needs, and interests.
    - ***Reimagine*** their market's future with a positive vision and guide strategic decision-making with a crystal-clear view of the role their company will play.
    - ***Focus*** the business with an integrated long-term strategy, educating their stakeholders and aligning executive rewards with new shared value metrics. They address short-term business challenges in the context of this long-term strategy.
    - ***Organize*** themselves to foster interdependence and drive collaboration across the functional silos inside the company and across the entire external partner ecosystem.
    - ***Unleash*** leadership potential by cultivating new Da Vinci Leadership attitudes and behaviors, integrating analytical, creative, and empathetic leadership.

The Board as Steward of long-term value creation for all stakeholders

- Boards are responsible for fulfilling their role as trusted catalysts of business change and, as the NACD envisions, govern into the future as *"stewards of long-term value creation for all stakeholders" (NACD's Ten Principles)*.
- This shift starts with a change in mindset and behaviors at the board and CEO level, which involves three aspects: the *WHAT*, the *HOW, and the WHO*.

WHAT the Board demands differently from the CEO

The Impact study shows that growth-over-performing organizations embrace the advantages of serving their stakeholders rather than approaching them from a place of fear.

To effectively drive the shift towards sustained value creation for all stakeholders, Boards should encourage and demand from the CEO:

- Increased Stakeholder-centricity: Better understanding, engaging with, and representation of stakeholders in the strategic decision-making process. Examples include a shared materiality matrix and 'shadow boards.'
- Aligned vision for the emerging future and a clear corporate role for the organization that facilitates short-term decisions within the long-term context
- A holistic strategy per stakeholder group in line with the Corporate role that enables strategic choices on what to do, but also what not to do
- Shared KPIs to measure intangible assets and results, such as customer data, employee loyalty, and community reputation, which today form 80% of the corporate value.
- Realigned incentive plans and compensation, taking all stakeholders into consideration
- Train and incentivize Da Vinci leadership mindsets and behaviors.

HOW the Board governs differently

Boards that successfully evolve in line with this shift:

- Create time to discuss stakeholder mapping, engagement, and value creation.
- Focus also on long-term growth opportunities.
- Encourage transparency in internal and external discussions, fostering collaboration and structural stakeholder engagement platforms.
- Adopt Da Vinci behaviors; actively seek outside-in perspectives, including recruiting more marketing talent and expertise for the Board.

WHO is on the Board

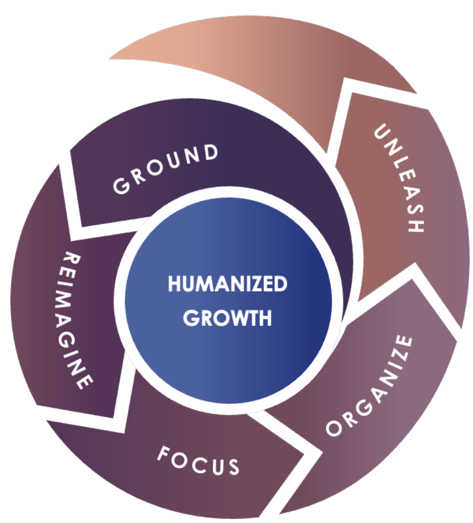
Overperformers create an environment that unleashes the collective power of the ecosystem and prioritizes the attitudes of the Da Vinci Leader Profile (as developed by IRG, SpencerStuart, and the B-Team) – being open-minded, courageous, future-focused, optimistic, and authentic.

Future-fit Boards reflect these by:

- ► Ensuring cognitive diversity, both as to areas of expertise, tenure, and experience and as to gender, race/ethnicity, sexual orientation/gender identity, age, and, where appropriate, geography
- ► The skill set of the board and the CEO needs to be reassessed on an ongoing basis to ensure the composition is well-aligned with changing business needs, e.g., HR expertise to better connect internally and marketing expertise to bring the outside-in stakeholder perspective.

Key Questions to discuss

1. To what degree is driving more Humanized Growth, value creation for all stakeholders, a priority topic in your Boards and is it treated as a risk or growth opportunity?
2. What questions do Boards need to ask themselves and their CEOs?
3. What best practices have you observed to help the company drive more Humanized Growth?
4. What Board practices do you believe help drive more Humanized Growth?
5. Do these recommendations guide Boards to reassess their priorities and governance approach to ensure they remain stewards of long-term value creation for all stakeholders?



About the Institute for Real Growth (IRG)
The Institute for Real Growth (IRG) helps organizations worldwide drive more Humanized Growth by connecting them to peers, experts, and best practices. The IRG is not-for-profit and independent and is supported by WPP, Meta, Google, TCS, the Saïd Business School at the University of Oxford, the Chinese business school CKGSB, the Exetor Group, and Spencer Stuart. The IRG program curriculum builds on the 2018 IRG Growth Study findings. Two previous IRG studies, Marketing2020 (2014) and Insights2020 (2017,) became Harvard Business Review cover stories, and one led to the publication of the GLOBAL BRAND CEO book in 2010.

About the Future of Marketing Initiative at the Saïd Business School, University of Oxford
The Oxford Future of Marketing Initiative (FOMI) brings together world-class business academics and senior executives from some of the world's largest companies to address the most difficult and complex business challenges within the marketing, advertising, communications, and media domains and technology. FOMI exists to infuse marketing practice with evidence-based solutions to complex business problems. Academics or practitioners should only go with them as they approach these issues. Instead, FOMI believes that collaboration, knowledge, experience sharing, and scientific research are the ways to move the marketing discipline forward in a data-fueled, technology-focused world.

About the National Association of Corporate Directors (NACD)
NACD is the most trusted association for board directors. For over 45 years, we have helped leaders build successful companies that make a difference in the world. We’re a collective of over 24,000 individuals, 1,750+ boards, and more than 20 chapters across 35 locations. As a peer-to-peer network, we’re committed to navigating the governance landscape together. Our trusted resources and dedication to partnering, innovation, and education empower directors and transform boards to stay on the leading edge of corporate governance.