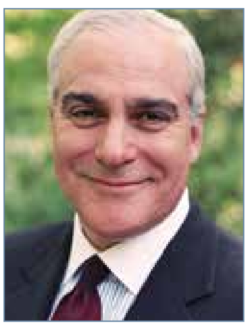
Irate? Insecure? Please, Properly Channel Your Bile

By Stuart R. Levine



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It is no secret that we are living in an age of anger. In fact, the emotion now feels like the world's dominant cultural and political force. Laurence D. Fink, chair and CEO of BlackRock, wrote in his most recent annual letter to shareholders that market uncertainty is pervasive, and populist anger, nationalism, and xenophobia have created public frustration and a lack of trust in institutions and government to solve problems.

At the same time, directors are living through an era of profound change driven by rapid technological developments that requires incredible focus on inclusion. These phenomena present a challenge to leaders. They need to channel the growing bile in the right direction because anger can either provoke much-needed conversations or it can be a consuming passion that ends in division and destruction.

Companies must harness anger to build boards that are multi-generational, multi-gendered, multicultural, and multi-experiential, and which offer them creativity, innovation, and energy. For our part, directors need to ensure that discourse and dialogue remain focused and value-based.

This challenge plays out against the backdrop of a rapidly evolving technological and digital landscape that has changed workforce expectations and boardroom culture for good. Directors must balance employee, shareholder, and key stakeholder interests especially amid the growth and adoption of such transformative new technologies as artificial intelligence (AI), analytics, and automation. This demands sophisticated conversations about topics such as job security, talent retention and training, and the best way to deliver a strong financial performance. It raises a plethora of questions for board directors, our stewards of capitalism. Can boards help transform workforces and simultaneously uphold their obligations? How can boards help build sustainable cultures and values in such a febrile environment? Put another way: As leaders, can we tame this anger and uncertainty and make it a force for good?

I believe we can if we choose to concentrate on the right areas. Companies are feeling the pressure to address a host of social and economic issues from an irate public directly and indirectly through social media. Leaders who brandish a well-honed sense of purpose—a key consideration for millennials and younger generations in their choice of employers and the products and services they buy—will be best equipped to operate in this environment. Research from Protiviti, whose workforce is 70 percent millennial, found that societal impact is key to their engagement. That helped place the firm among *Fortune* magazine's "100 Best Companies to Work For." Directors ignore such findings at their peril. Millennials, who now represent 35 percent of the overall workforce, will increasingly influence how companies behave and where they invest their capital.

Institutional investors are also keeping an eye on anger and accountability. They believe that purpose is the origin of a company's ethics and culture, which affects decision-making at the highest levels. The likes of BlackRock, Vanguard, and State Street Corp. are spurring social capitalism discussions as they listen carefully to who invests in their funds. They are taking these concerns to companies, quizzing CEOs, and demanding access to directors to ensure, for example, that boards and workforces are diverse.

They are prepared to act, too. State Street has frequently voted "no" in recent director elections, citing a lack of women board members. More than 800 corporations in the Russell 3000 index still have no female representation on their boards—a sure sign that change is needed. Can you imagine a company without any baby boomers? Would it be able to effectively sell products and services to those segments of the population?

Technology can also be a catalyst of anger and anxiety. Earlier this year in an interview on CNBC, IBM CEO Ginni Rometty warned that AI will change 100 percent of jobs over the next decade. She used the term "the Fourth Industrial Revolution," which provoked some alarm. Leaders need to communicate, however, that technology brings opportunities as well as disruption.

In some cases, directors may struggle to keep pace with technological change. Were you aware that 90 percent of the world's data was created in just the last two years? It will take much longer than that for some companies to realize value from these data mountains and for their boards to understand the implications.

More anger demands a new style of discourse and decision-making. Board conversations will need to become much more robust, probing, and assertive. Forthright conversations need to be had about investments in new and emerging technologies. Directors should be prepared to work with people who sound and look different from themselves, and become well versed in new subjects such as predictive analytics.

This newly fractious environment will also test a company's most important intangible asset: its organizational culture. Culture is rising on the list of key drivers of investment decisions for portfolio managers and analysts. There is a good reason why boards are now scrutinizing their companies' cultures for business risks and ensuring these risks are being addressed. They have learned from the cases of Wells Fargo & Co., Volkswagen, and lately, The Boeing Co., how managers at the top can define culture, often with serious implications. An ability to measure and monitor culture in real time and to glean early insights into culture risk factors is critical.

A TINYpulse survey found that 58 percent of employees do not know their organization's vision, mission, and values. Boards need to rectify that, but annual surveys of employee engagement are not enough. As the late great management consultant Peter Drucker once said, what gets measured, gets managed. Insights into progress being made in a corporation should come directly from the CEO's dashboard. Gauging internal engagement or satisfaction among employees with surveys that are conducted only annually do not provide the data necessary to make decisions and close gaps in a timely fashion.

Anger can provoke much-needed conversations that either yield results or become a consuming passion that ends in division and destruction.

To sustain a culture that can take advantage of emerging strategic opportunities, data should now be provided monthly. The identification of "red zones" that require remediation through training or coaching must be addressed much sooner.

Organizational culture is not just the responsibility of directors. Accountable cultures create engagement. Individual and organizational goals are aligned. Communication is clear and people know what is expected of them. They are motivated to succeed. High-quality manager-employee interactions generate buy-in, spur commitment to accomplishment, and build trust. Leadership needs to make sure that the organization has program and learning opportunities which re-inforce behaviors that define culture. Culture can no longer be an intangible asset.

Senior leaders should know and understand which managers below the C-suite are driving the company's culture and results. This will optimize succession planning. It is not enough to examine only the CEO's successor. It is far better to understand the 50 people below the CEO and monitor and support their development.

This approach provides an intelligent view on the success of organizations in creating an inclusive environment that attracts the right talent. Thus, directors need to ask themselves certain questions: At the board level, is there diverse thinking and experience that assures investor confidence? Are board members' experiences recent and robust enough to address the incredible challenges of leadership today? Does each director contribute to strategic conversations in a meaningful and constructive way? Is there a proper forum for new board members to participate in these discussions?

Dealing with the question of diversity and inclusion demands an intelligent dialogue between the board and management to ensure a steady hand through a time of destabilizing change while also welcoming fresh, perhaps younger, and less experienced points of view. You only have to watch live coverage of the US Congress or the UK Parliament debating Brexit to see the destruction that anger can wreak. Nothing gets accomplished, and personal agendas drive conversations.

Boards might be one of the last outposts of civilization. I believe that we have a distinct moral responsibility to diversify our boards and our company's leadership not for the sake of diversification, but because of the intrinsic value that varied experience brings to any conversation. I have faith that we will move in the right direction.