

Directors Face New Questions:

Not Just “How Are We Doing” but “How Are We Doing It?”

Center for Ethical Business Cultures

Thomas E. Holloran, Robert W. MacGregor, and David H. Rodbourne¹

2010

Objective

The authors argue that, “changing economic, social, and political forces compel corporate directors to rethink their roles”, because, they argue, current responsibilities are too narrowly focused. The article examines whether corporate behavior and the culture of the organization are appropriate board concerns, and what (if anything) the board should do to change the structure of the organization to support positive corporate citizenship.

Key Points

Some of the specific forces that are encouraging a broadening of directors’ roles are as follows:

- ***Increased investor expectations***
- ***Government policy:*** New and increasing regulations on public companies (especially in industries such as financial services) create organization-wide challenges that boards may be best equipped to deal with
- ***Shifting public attitudes and expectations:*** Recent scandals and controversies have changed public attitudes for the worse. The public is largely skeptical and oftentimes angry at the actions of companies
- ***Heightened risk and liability:*** Being a director today carries substantial risks as liability suits have mounted

¹ This abstract has been prepared by the Center for Business Ethics at Bentley University and is based on the original document, which can be found at:
<http://www.cebcglobal.org/index.php?/knowledge/directors-face-new-questions/>

- ***Rising concern for stakeholders:*** Obligations to stockholders are often in tension with concerns for other stakeholders
- ***Advent of social investing:*** The rise of social investing funds indicates that large numbers of investors wish to invest in companies that are recognized for their good corporate citizenship, even if the tradeoff is lessened financial returns
- ***Ethical dilemmas and global competition:*** Operating in a global setting raises frequent and serious ethical dilemmas as issues that may appear clear-cut in a home country may be perceived very differently in another one

Conclusion

Boards of directors have a unique opportunity to assume a role in assuring that their companies corporate behavior meets the needs and expectations of all stakeholders. Doing so will help ensure the health of the markets in which they operate, as well as taking an enterprise-wide approach to corporate social responsibility. Should corporations decide to join the fray in making society better, they will be in a good position to make a difference and help to ensure their own sustainability as a company. Corporate boards are necessary to create such wide-ranging changes.

Links

<http://www.cebcglobal.org/index.php?/knowledge/directors-face-new-questions/>