



Breakfast & Evening Briefing Series

Kindly sponsored by



@IoDIreland

@MazarsIreland

#IoDEvents

The Changing Board Agenda

MARK KENNEDY



MAZARS

All Change?

The Benefits of Capitalism



ANTECEDENTS

INSTITUTIONS

Legitimate governing authority
Transparency
Accountability
Competence
Rule of law

SOCIAL & POLITICAL CONDITIONS

Peace & stability
Tolerance of diversity
Belief in market system
Understanding of market system
Shared ethical framework
Adherence to law
Health & education

RESOURCES

People
Capital
Goods & services
Information
Natural resources



POSITIVE FEEDBACK



POSITIVE CONSEQUENCES

Prosperity
Growth, innovation
Individual wealth
Liberty, opportunity



Market Capitalism



NEGATIVE FEEDBACK

DISRUPTIVE EFFECTS

Climate change
Environmental collapse
Pandemics
Terrorism, war
Organised crime
Political chaos, upheaval
Expropriation, overregulation



NEGATIVE CONSEQUENCES

Inequality, exploitation
Environmental damage
Resource depletion
Financial instability



LARGELY EXOGENOUS FORCES

Religious fundamentalism
Nationalism
Ethnocentrism
Radical movements

TRULY EXOGENOUS FORCES

Biological evolution
Tectonic shifts

Standards &
Requirements

Government
Laws & Policies

Business Press
& Media

Industry Association
Rules & Standards

Regulatory & Other
Oversight Bodies



Professional Association
Rules & Codes

Market Capitalism

Business Groups
& Societies

Accounting Rules &
Professional Standards

Antitrust Rules
& Enforcement

Business &
Professional Education

Provision of
Safety & Security

Legal System of
Corporate Governance

Contract Enforcement
Prohibition of Fraud



“

Globalisation has concentrated economic power within a group of large companies who are now able to change the world at a scale historically reserved for nations. They virtually control the global economy. This vast concentration of influence should be the starting point for any strategy of institutional change towards a sustainable society.

”

Robert G. Eccles, 2012

Fiduciary Duties

To act in good faith in what the director considers to be the interests of the company; To act honestly and responsibly in relation to the conduct of the affairs of the company; **To act in accordance with the company's constitution and exercise his or her powers only for the purposes allowed by law;** Not to use the company's property, information or opportunities for his or her own benefit, or that of anyone else, unless (a) this is permitted expressly by the company's constitution or (b) the relevant use has been approved by a resolution of the company in general meeting; **Not to abuse the director's power to exercise an independent judgement** (a) this is expressly permitted by the company's constitution or (b) the case concerned falls within limited exceptions; To avoid any conflict between the director's duties to the company and the director's other (including personal) interests, unless the director is released from his or her duty to the company in relation to the matter concerned, whether by the company's constitution or by a resolution of the members in general meeting; **To exercise the care, skill and diligence which would be exercised in the same circumstances by a reasonable person having both (a) the knowledge and experience that may reasonably be expected of a person in the same position as the director and (b) the knowledge and experience which the director has; and (As mentioned above) to have regard to the interests of the company's employees in general and its members.**

... **the Profit Motive?**

Company's Act Responsibilities

European Union Regulations 2017

(Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups)

Regulations will apply to financial years beginning on or after 1 August 2017.

it is a large company[1] or a parent company of a large group company

it, or the group of which it is the parent company, has an average of more than 500 employees, and

it is a public interest company[2]

environmental matters

social and employee matters

respect for human rights, and

bribery and corruption

a summary of the applicable company's business model

a description of the policies pursued by the applicable company in relation to each of the above matters

a description of the main risks related to these matters linked to the company's operations, and

include an analysis of the non-financial key performance indicators relevant to the particular business.

a description of the diversity policy applied in relation to the company's board of directors with regard to aspects such as age, gender, or educational and professional backgrounds

the objective of that diversity policy

how that diversity policy has been implemented by the company, and

the results of that policy in the financial year.



To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society. Companies must benefit all their stakeholders, including shareholders, employees, customers and the communities in which they operate.

A company's ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process.



Larry Fink, FT Jan 16th 2018

Some Fundamentals

Drivers of Change

Drivers of Change or

Drivers of Change or Change Driving Us?

Social Change





UNITED AIRLINES



United 
@united

 Follow

United CEO response to United Express Flight 3411.

This is an upsetting event to all of us here at United. I apologize for having to re-accommodate these customers. Our team is moving with a sense of urgency to work with the authorities and conduct our own detailed review of what happened. We are also reaching out to this passenger to talk directly to him and further address and resolve this situation.

- Oscar Munoz, CEO, United Airlines

RETWEETS
21,593

LIKES
7,906



9:27 AM - 10 Apr 2017 from [Houston, TX](#)

 65K

 22K

 7.9K



Here's where we encountered the major flaw with Burger King's ad. Someone had edited the Whopper's Wikipedia page to say that the burger is made of a "medium-sized child," instead of beef patty, and that it contains the toxic chemical Cyanide.



CHRYSLER



GDPR

Sustainability Definition

“

managing the triple bottom line - a process by which companies manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet.”

A more robust definition is that business sustainability represents resiliency over time – businesses that can survive shocks because they are intimately connected to healthy economic, social and environmental systems. These businesses create economic value and contribute to healthy ecosystems and strong communities.

”

FT.com\lexicon

“

Sustainable development is development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” So, for industrial development to be sustainable, it must address important issues at the macro level, such as: economic efficiency (innovation, prosperity, productivity), social equity (poverty, community, health and wellness, human rights) and environmental accountability (climate change, land use, biodiversity).

”

World Council for Economic Development.

Resilience Definition

ROBUSTNESS

inherent strength or resistance in the context of vulnerability.

RAPIDITY

the ability to respond quickly to disaster.

REDUNDANCY

system properties allow for alternatives/substitutions.

RESOURCEFULNESS

the capacity to mobilise needed resources.

TECHNICAL

the ability of physical systems to perform to a desired level in a disaster.

ORGANISATIONAL

the capacity of organisations managing critical facilities to make decisions and take actions that contribute to resilience.

SOCIAL

measures specifically designed to lessen the extent to which disaster-stricken communities and public bodies suffer negative consequences after a loss of critical services

ECONOMIC

the capacity to reduce economic losses, direct and indirect, resulting from disasters.

Changes Driving Us



**Financialisation &
The Profit Motive**



**Business Model
Change & Failure**



**Social
Change**



**Ethics, Error
& Wrongdoing**

What Should Be Driving Us



RULES



RISK



OPPORTUNITY



RISK

Customer behaviour/loss

Employee disengagement

Brand damage

Scandal and the related costs

Business failure

Personal reputation



OPPORTUNITY

Customer behaviour/gains

Employee engagement

Brand enhancement

Business success

Reputation enjoyed.



Towards an Agenda



Agenda Items



Tools



Agenda Items



Tools

Nexflix - Culture

Encourage independent decision-making by employees

Share information openly, broadly, and deliberately

Are extraordinary candid with each other

Keep only our highly effective people

Avoid rules



Agenda Items



Tools



Sustainability



Sustainability Goals

UN Sustainability Goals



Purpose

Ethics, Error & Wrongdoing



Ethics



Culture



Compliance



Agenda Items



Tools



Financial / Strategic



OPTIMIZE

Optimize

WHAT CAN YOU DO TO DRIVE YOUR BUSINESS FORWARD?

- The 'BIG 6' drivers of performance and shareholder / capital value



TOP TEN TIPS FOR DELIVERING LONG TERM SHAREHOLDER VALUE



Never forget “Why” your business exists



Business is a science but people are not



Be clear about what needs to be achieved in the next few years



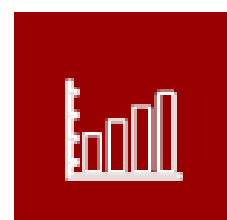
Satisfy the needs of existing customers first



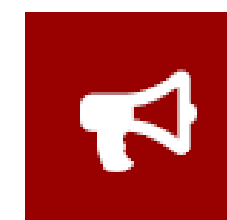
Make sure the “how you go about your business” makes sense



Maintain a clear line of sight between the factory gate and pool of potential customers



Target, Measure and Manage all the important stuff



Be technology savvy- stay on the leading edge and not on the bleeding edge



Value passion, but always make rational decisions



Never let the “Pilot Light” go out

Reporting



Financial
Capital



Manufactured
Capital



Intellectual
Capital




Human
Capital



Social & Relationship
Capital



Natural
Capital



“ Accountants as agents
of revolution?
Now there’s a thought. ”

Jonathan Watts, 2010



Thank You

