

# NACD CHAPTER PROGRAM SUMMARY



**EVENT TITLE:** Stakeholder Activism: Latest Trends and the Role of the Board

**EVENT DATE:** 4/6/2023

**EVENT TIME:** 12:00 p.m. ET

## **PROGRAM SUMMARY:**

Stakeholder capitalism is based on the idea that value creation should encompass more than long-term returns for shareholders and should factor in the interests of a wide range of stakeholders. From that perspective, a company's stakeholders include customers, employees, suppliers, the local community, and even the natural environment. Companies and their boards are increasingly under pressure from a wide range of publics, often with competing agendas and an ability to mount sophisticated PR and IR campaigns, including activist attacks.

NACDNE invited a panel of experts who understand, counsel and promote stakeholder capitalism in their work as activists, "constructivists," board members, and counsel. They discussed the sorts of missteps that can make a company an easy target, best practices for mitigating risks, and broader trends to keep in mind.

Proactive engagement stands out as a key differentiator between companies that effectively address stakeholder capitalism and those that do not. One panelist shared what can happen when engagement falls short: imagine the investor behind a number of emails you've ignored shows up at a company-sponsored event and you begin chatting with someone who turns out to be an activist investor. If you're as lucky as the panelist was, it could be the start of a constructive relationship, but could otherwise make for an embarrassing situation for both you and the company.

Regardless of the face value of their "stake," any stakeholder can trigger a high-risk situation for the company. A disgruntled employee might turn to social media to air grievances, while a neglected shareholder might launch a proxy fight. But proactive and honest conversations with stakeholders can demonstrate a company's willingness to listen and can minimize your IR and PR blind spots.

To deliver in the best interests of all stakeholders, boards need to be attentive to their own vulnerabilities. In today's business environment, a blind spot can be thought of as a historically underappreciated consideration that has accumulated enough social capital to impact a business's public image and bottom line. There are no more excuses for any company that finds itself the target of an activist campaign over an issue it could have addressed but chose to ignore. The risks are material, but so are the opportunities. If boards do not evaluate all possible risks, they may miss opportunities for meaningful engagement with stakeholders, and may fail to recognize new business opportunities.

Individual board members should try to think like investors and stakeholders. Owning stock in their companies is a good first step, but directors can go further by making time to connect with, for example, front-line employees and key customers. Such interactions can provide some perspective beyond the bottom line or the day's share price. Additionally, individual directors should make a habit of evaluating their own qualifications and staying current with industry trends and relevant macroeconomic developments. Furthermore, it is important for directors to be both skeptical and vocal regarding current and potential risks to the company.

When dealing with activists, companies should dispense with scripted responses and, ideally, identify a "first responder" on the board who can be available if and when a face-to-face meeting is needed. Experienced activists have already heard every canned IR response under the sun, so treating communications with them as perfunctory might only add fuel to the fire. Moreover, board members are typically an underutilized asset when it comes to stakeholder engagement.

In terms of style, your board's first responder should be more of a "Secretary of State" than a "Secretary of War." Stakeholder communications can create volatile situations, and therefore need to be approached thoughtfully, not reflexively. That is not to say that a board member should sit in on all such meetings, but a director who is well-versed in the company's story and has a good handle on IR communications strategy can truly distinguish a company and, more importantly, help to disarm an activist before a campaign takes root.

Turning to ESG, the panel noted how the ESG movement has dramatically changed the board's agenda. "ESG" has evolved into being a buzzword and even a marketing gimmick in a world dominated by polarized media content. As ESG risks becoming a "four-letter word," a fresh start may be in order, with boards encouraged to stay focused on the underlying values that ESG represents and not be distracted by its political baggage.

#### KEY TAKEAWAYS:

- Proactively engage with your key stakeholders.
- Be mindful of risks and opportunities that arise from IR/PR blind spots.
- Avoid boilerplate responses when dealing with activists and try to identify any misperceptions they may have about the company and its strategy.
- Identify at least one board member as a "first responder" who can be available to meet with stakeholders when appropriate.
- Focus on the underlying values and priorities of ESG, irrespective of any political baggage.

#### MODERATOR:

**Maureen Wolff**, CEO & Co-Founder, Sharon Merrill Associates

#### SPEAKER(S):

**Keith Gottfried**, Gottfried Shareholder Advisory

**Dianne McKeever**, Ides Capital Management

**Jeff Ubben**, Founder, Managing Partner & Portfolio Manager of Inclusive Capital Partners

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