



The INSEAD Corporate
Governance Centre

Boards of directors and key challenges

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Board of directors

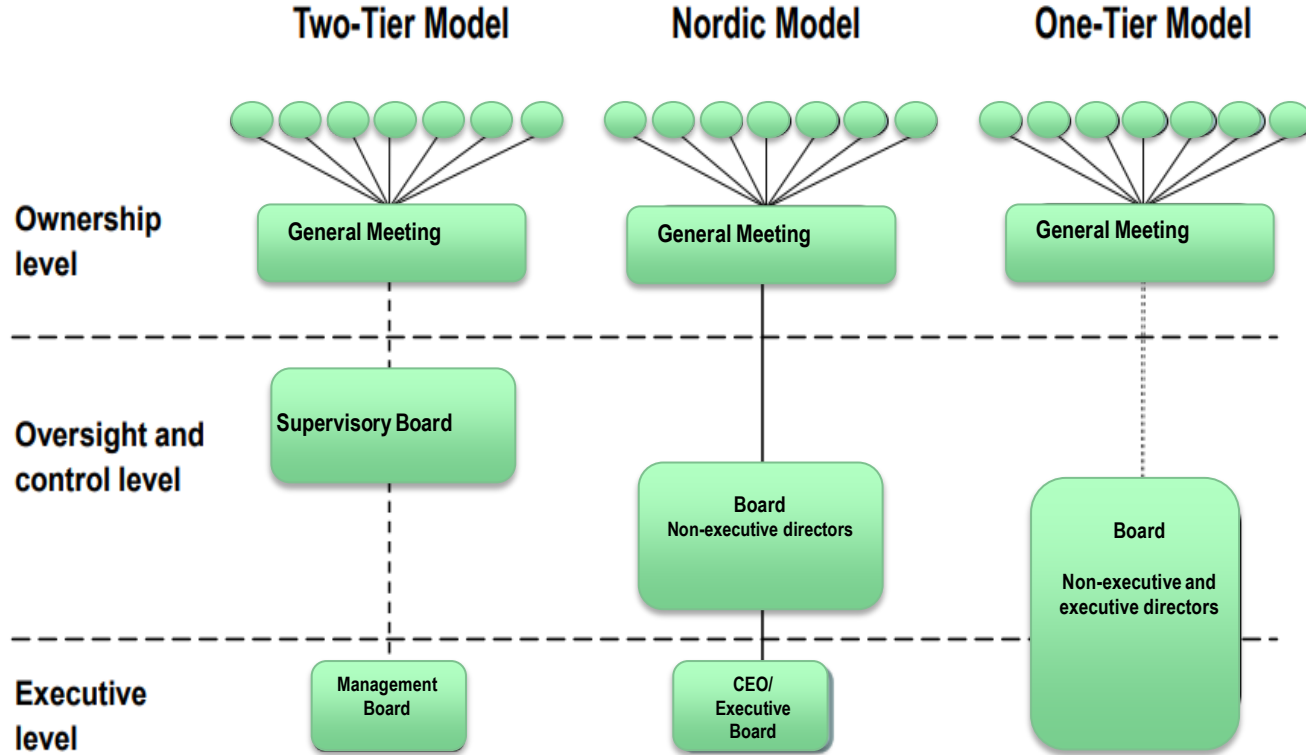


Multi-member governing body standing at the apex of the organization

Board's functions



1. (providing) Legitimacy
2. Control and monitoring
3. Service (advisory)
4. Resource dependence



- Ongoing research on chairs' practices in
 - 15 countries
 - 100+ Chairs
 - 100+ directors, shareholders and CEOs



Data from May – June 2020 survey



23 countries

266 respondents

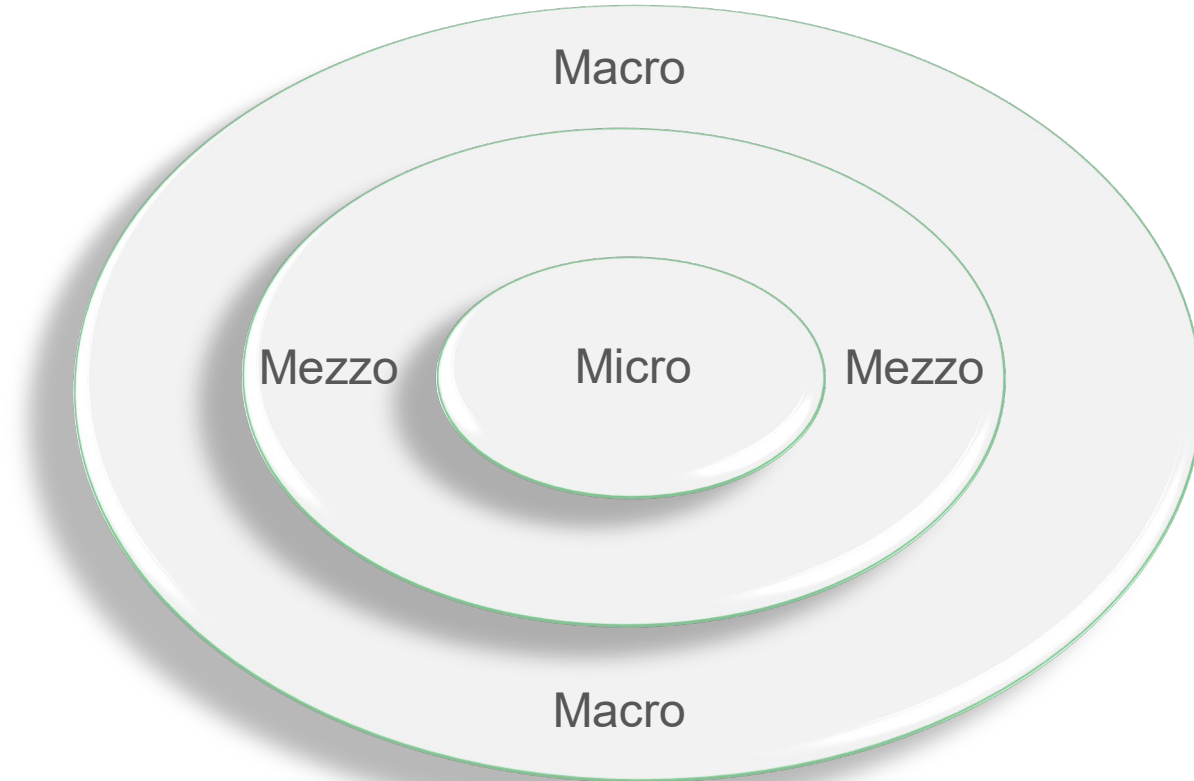
Chairs, directors, CEOs

29% female respondents

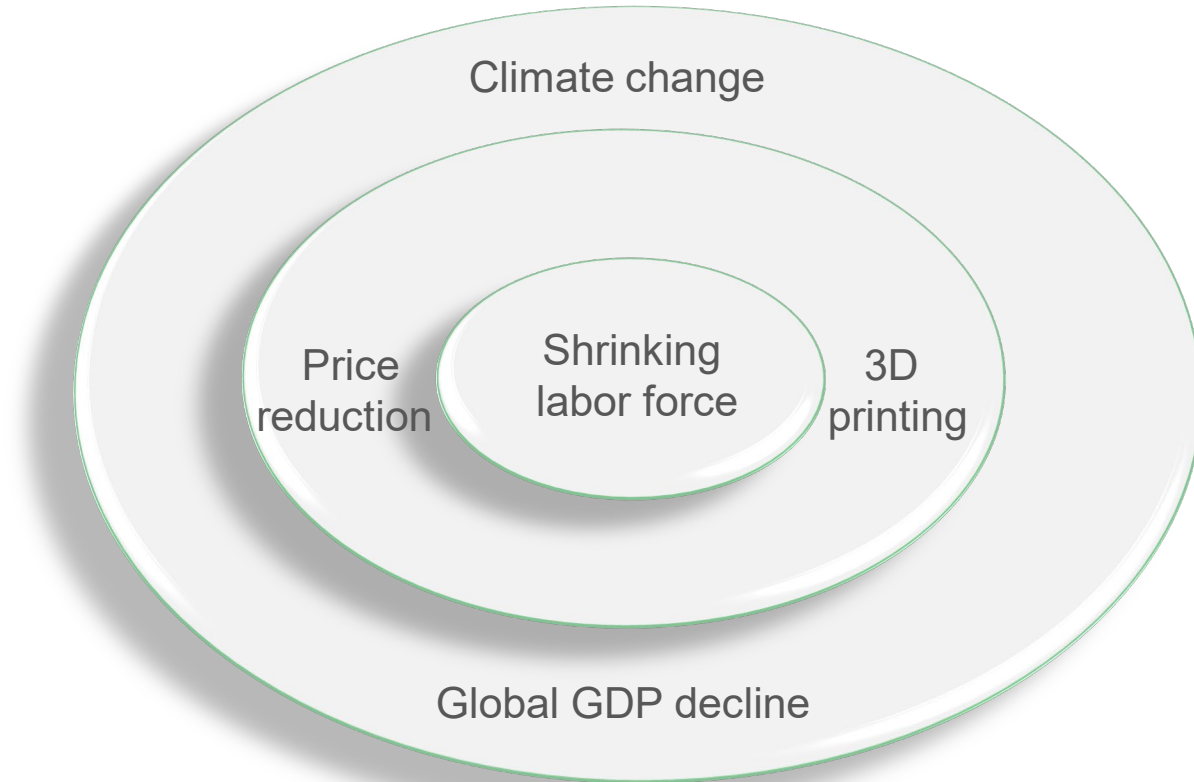
Boards and external challenges

- Knowing
- Choosing
- Doing
- Being

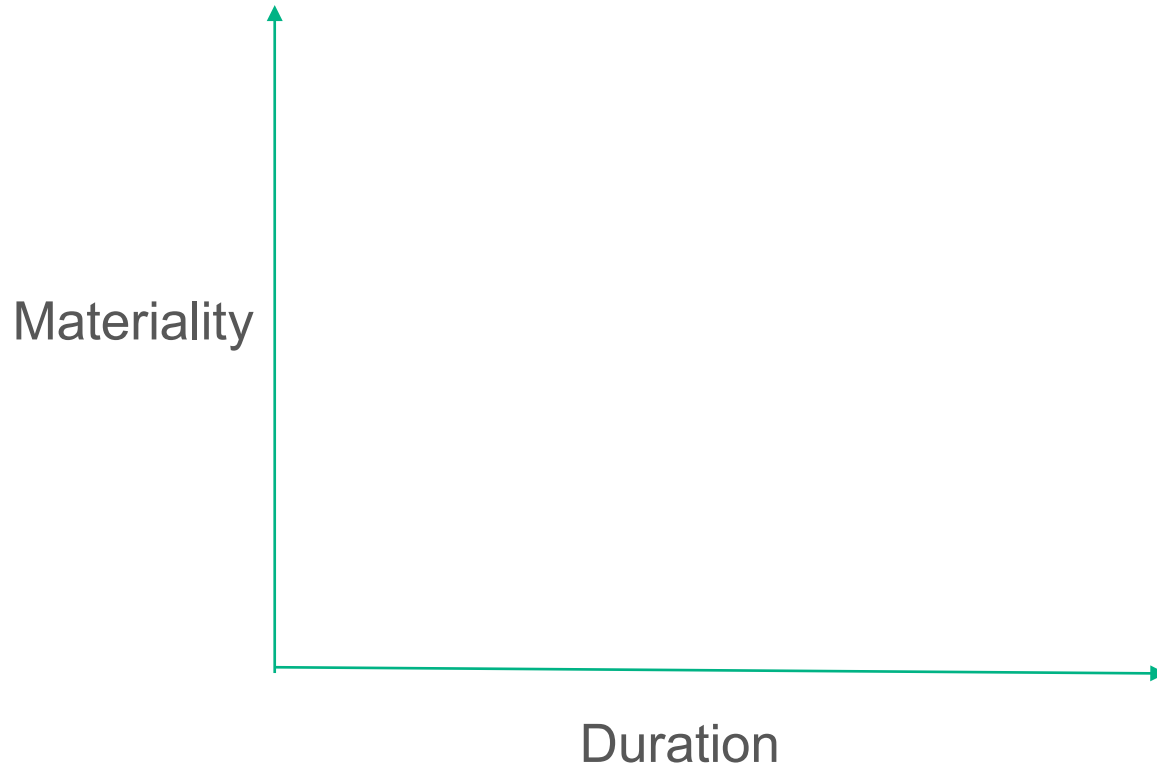
Classifying challenges



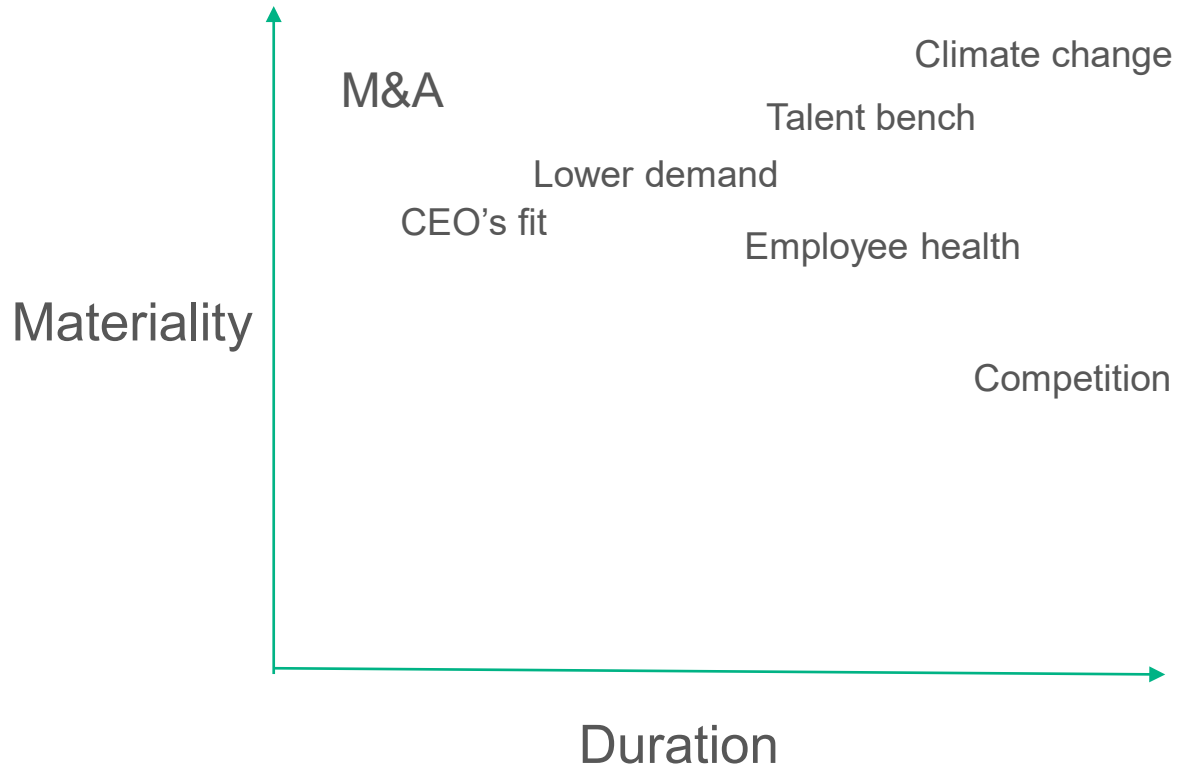
Classifying challenges



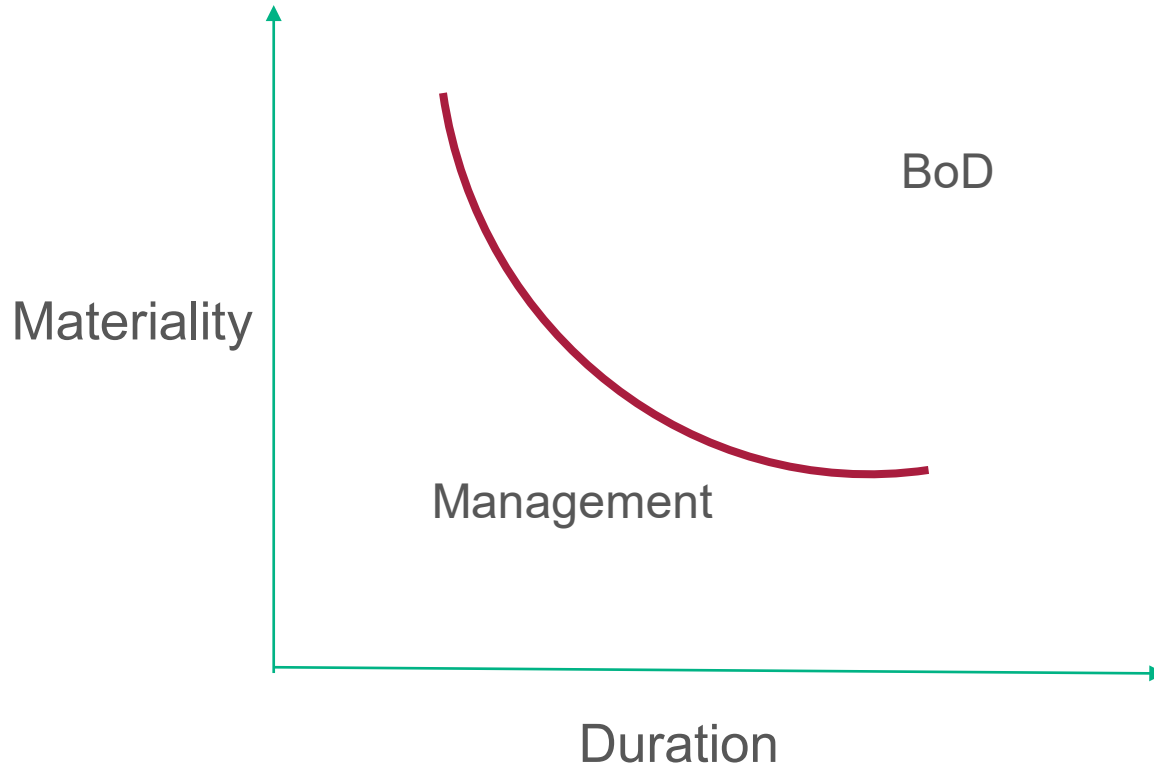
Classifying challenges



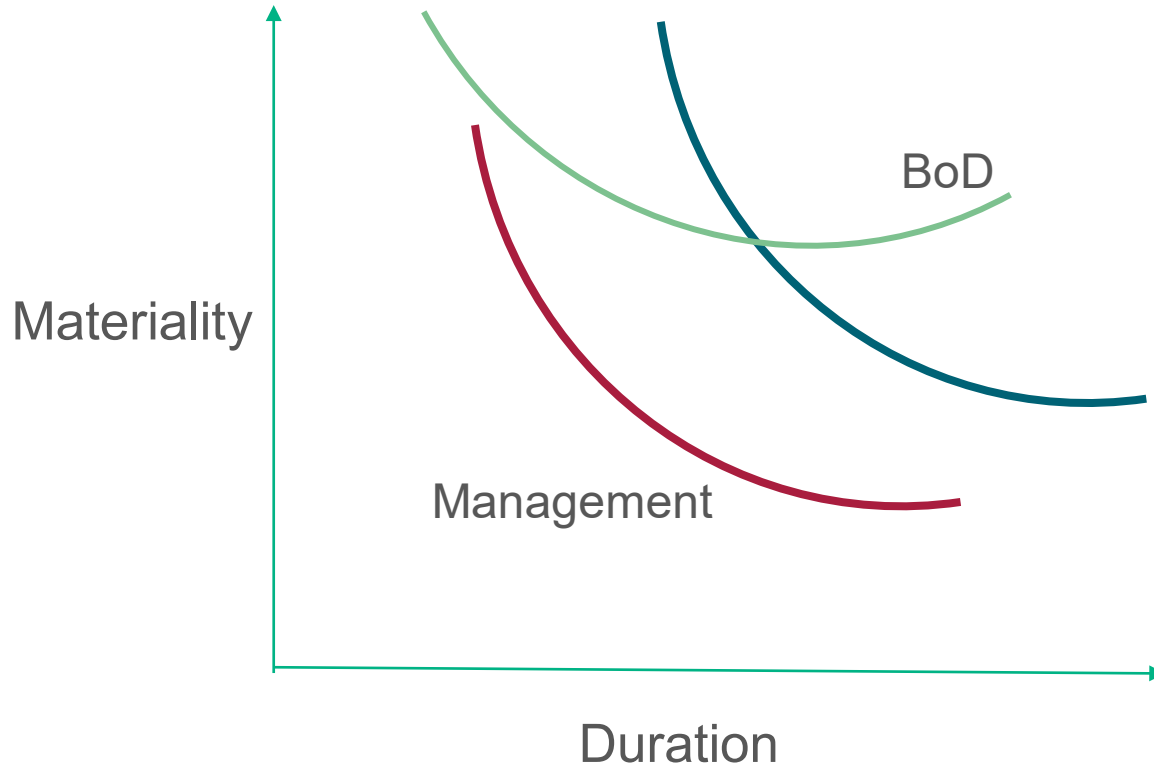
Classifying challenges



Choosing



Choosing



Choosing: challenges and strategies

- Ignore (and carry on)
- Monitor (and carry on)
- Adapt
- Exit

Being: what do we stand for?



- Company values
- Board values

Challenge1: COVID-19



Poll: what is your board position with regard to COVID-19?



1. Let management take care of it
2. Ignore (and carry on)
3. Monitor (and carry on)
4. Adapt goals, strategy and organization
5. Exit (start preparing)
6. Other

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Challenge2: climate change



Poll: what is your board position with regard to the climate change?



1. Let management take care of it
2. Ignore (and carry on)
3. Monitor (and carry on)
4. Adapt goals, strategy and organization
5. Exit (start preparing)
6. Other

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Challenge3: well-being of people and society



Poll: what is your board position with regard to the people and society challenge?



1. Let management take care of it
2. Ignore (and carry on)
3. Monitor (and carry on)
4. Adapt goals, strategy and organization
5. Exit (start preparing)
6. Other

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PepsiCo: Performance with Purpose (PwP)



Indra Nooyi

PepsiCo: Performance with Purpose (PwP)



- *'We need to change the way we make money, not just give money away'*
- Micro-trends (challenges):
 - Changing world demographics
 - preoccupation with health and wellness
 - scarcity of water
 - climate change
 - rise of activism
 - shortage of talent

What would you do as PepsiCo's board?



PepsiCo: Performance with Purpose (PwP)



- Four pillars of PwP
 - Superior financial returns (financial sustainability)
 - Transforming product portfolio – less salt, sugar and fat (human sustainability)
 - Conserving water and reducing carbon and plastic waste (environmental sustainability)
 - Lifting people by supporting women and families (talent sustainability)
- Developing new capabilities
 - World-class R&D: new products, processes and equipment
 - Decentralized and localized leadership
- Transforming corporate culture
- Finding support outside of the company

PepsiCo: Performance with Purpose (PwP) results after 12 years



- Revenue growth 80 percent
- TSR 13.5 percent (Consumer Sector Index 10.3)
- Share of healthful options grew from 38 percent to 50 percent of revenue
- Water use down 25 percent plus drinking water to 22 million people
- Women held 40 percent of senior management roles
- R&D investment tripled

PepsiCo: Performance with Purpose (PwP) role of the board



- Endorsement of the CEO's strategy
- Realignment of the CEO's compensation with new non-financial targets
- Approval of investments, acquisitions and divestitures in line with the strategy
- Fencing off activist investors
- Acquisition of new competencies
- Intellectual leadership at the second stage

The challenges no business enterprise could ignore



- Progress or Moral Capital

The challenges no business enterprise could ignore

- Progress or Moral Capital
- The board has to insure the company
 - Understands the challenge
 - Has leadership embracing it and capable to deal with it
 - Has a strategy to deal with it, e.g. goals, targets, choices
 - Develops capabilities to execute the strategy
 - Adapts its culture through values, selection, promotion, incentives and communication
 - Tells the world about it
 - Has controls in place to monitor the progress



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