NACD CHAPTER PROGRAM SUMMARY

NACD NEW ENGLAND CHAPTER

EVENT TITLE: Board Oversight in Building a Resilient Corporate Culture
EVENT DATE: 1/29/2025
EVENT TIME: 12:00 Noon ET

PROGRAM SUMMARY:

Corporate culture has become a key area of board oversight as directors recognize its **direct impact** on **long-term performance, employee engagement, risk management, and shareholder confidence**. In today's environment of heightened scrutiny, geopolitical instability, and workforce transformation, board members must ensure that their companies are fostering a culture that is resilient, adaptable, and aligned with strategic objectives.

This NACD session explored the critical role of the board in overseeing corporate culture, highlighting best practices for assessing, strengthening, and embedding cultural resilience. The discussion covered **key cultural risk areas, including CEO succession, compensation alignment, diversity and inclusion, M&A transitions, and crisis response**. Directors were advised to take a proactive, hands-on approach in monitoring culture, rather than relegating it to an annual discussion point.

The panel emphasized that culture should be understood as the collective values, behaviors, and expectations that shape decision-making at all levels of the organization. A strong culture is one that is authentic, well-communicated, and reinforced by leadership actions. Boards must ensure that culture aligns with company strategy and risk appetite while also being flexible enough to adapt to economic shifts, regulatory changes, and evolving workforce expectations.

CEO succession and leadership transitions were identified as critical moments for cultural continuity or transformation. The CEO sets the tone for corporate culture, and boards must evaluate leadership candidates not just for operational expertise but for cultural fit. Misalignment between a new CEO and the company's culture can disrupt employee engagement, damage external relationships, and create long-term performance risks. Boards were encouraged to conduct ongoing cultural assessments and ensure that succession planning includes consideration of leadership behaviors and alignment with company values.

The conversation also addressed how boards can measure and oversee corporate culture effectively. Culture is inherently difficult to quantify, but directors can leverage key indicators such as employee retention rates, ethics hotline data, customer satisfaction scores, and employee engagement survey results to gain insight into cultural health. Monitoring these data points over time can help boards identify cultural risks early and hold management accountable for strengthening engagement and alignment.

Mergers, acquisitions, and organizational change present another major test of corporate culture. The panel stressed that culture is often a primary determinant of whether an M&A transaction succeeds or fails. Boards must ensure that cultural considerations are factored into due diligence and post-merger integration planning. Failure to align cultures between merging organizations can lead to loss of key talent, leadership conflicts, and operational inefficiencies. Boards should ask management how they are assessing and addressing cultural risks and integration strategies in M&A activity.

Compensation and incentives were another focal point of the discussion. Boards, particularly compensation committees, play a key role in aligning executive pay with cultural expectations. Increasingly, companies are incorporating leadership behaviors, ethical decision-making, and employee well-being metrics into compensation structures. This ensures that executives are rewarded not only for financial performance but also for fostering a strong, values-driven culture. Panelists recommended that boards evaluate whether compensation incentives reinforce or undermine the desired culture and whether adjustments are needed to drive long-term alignment.

The discussion also covered the role of DEI (Diversity, Equity, and Inclusion) in corporate resilience. While some companies are adjusting their DEI strategies in response to political and regulatory shifts, the most successful organizations remain committed to long-term talent development, inclusive leadership, and access to diverse perspectives. Boards must understand how DEI fits into the company's broader culture and business objectives, ensuring that commitments are both authentic and measurable.

Crisis response and cultural resilience were key closing topics. A resilient culture enables companies to navigate disruptions—from market volatility to reputational crises—with agility and clarity. Companies that successfully withstand crises often have strong communication frameworks, empowered leadership teams, and a clear sense of purpose that guides decision-making under pressure. Boards were urged to ask management how they are preparing the organization's culture for resilience in the face of external shocks.

The panel emphasized that culture is not static; it requires continuous monitoring, reinforcement, and adaptation. Boards should regularly discuss culture in executive sessions, risk oversight meetings, and strategic planning discussions to ensure that the company remains aligned, engaged, and prepared for long-term success.

KEY TAKEAWAYS:

Culture is a board-level issue. Directors must actively oversee culture as a driver of business performance, employee engagement, and risk management, rather than treating it as a management concern.

CEO succession and leadership transitions impact culture. Boards should assess cultural fit when selecting CEOs and senior leaders to prevent misalignment and disruption.

Culture can be measured through key indicators. Employee retention, ethics hotline data, customer feedback, and engagement surveys can help boards track cultural health and detect early warning signs.

M&A and organizational change require cultural due diligence. Boards must ensure that cultural integration is a priority in transactions to avoid talent loss, operational inefficiencies, and leadership conflicts.

Compensation should reinforce cultural priorities. Boards should align executive pay structures with leadership behaviors, ethical decision-making, and employee engagement metrics.

DEI must be authentically tied to corporate values. Boards should ensure that DEI initiatives reinforce company culture, align with strategic business goals, and have measurable impact, rather than existing as standalone efforts.

Resilient cultures help companies navigate crises effectively. Strong governance frameworks, transparent leadership communication, and a values-driven culture allow organizations to adapt and recover from disruptions.

This session provided company directors with actionable strategies for assessing, strengthening, and sustaining corporate culture. Boards that take a proactive approach to cultural oversight, align leadership behaviors with strategic goals, and continuously monitor cultural health will be well-positioned to foster resilient, high-performing organizations.

MODERATOR:

Barbara Duganier, NACD.DC, Director, Arcadis, NV; CenterPoint Energy; McDermott International; Pattern Energy; Texas Pacific Land Corp; NACD Texas TriCities Chapter.

SPEAKER(S):

Steve Jennings, Lead Independent Director and Chair of the Governance Committee, Analog Devices, Inc.

Fred Lowery, Executive Vice President and President, Laboratory Products and BioProduction; Thermo Fisher Scientific

Jill Smith, Global Business Leader, Board Chair and Director

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