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Research Pods© Series

How Boards can address the risk of Corporate Social (i)Responsibility

Prof. Tanusree Jain of Trinity Business School explores the crucial role corporate boards have in reducing and eventually preventing corporate social irresponsibility.

Related research:
When Boards Matter: The Case of Corporate Social Irresponsibility, British Journal of Management, Vol. 00, 1–22 (2019), DOI: 10.1111/1467-8551.12376 by Tanusree Jain, Trinity Business School, Trinity College Dublin and Rashid Zaman, Lincoln University.

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THE 3 Ps IN A CoBS POD

PERCEIVE
with a set of key takeaways

PROJECT
with food for thought: on yourself, your organisation and the wider context

PERFORM
by putting it all into practice using action tips

PERCEIVE

with a set of key takeaways

- Firms can do good through CSR (Corporate Social Responsibility), and at the same time do bad through CSiR (Corporate Social Irresponsibility).
- The number of incidents and the cost related to CSiR rose drastically from 2002 to 2015, notably following the global financial crisis and across all industries.
- Boards of directors – or BODs – are a crucial factor in helping to reduce CSiR: they set firms' agendas and strategies and effectively monitor management and operations.
- Larger boards are more likely to represent the interests of multiple stakeholders, including shareholders, than smaller boards and, as such, should be more effective in reducing CSiR.
- Independent directors are better monitors and better in improving firm performance. They are positively associated with good CSR behaviour in terms of employees, product aspects, the environment and corporate giving.
- Women give more emphasis to CSR practices, are more sensitive to ethical issues, and attend board meetings more frequently.
- Greater diversity on boards gives a bigger variety of perspectives, thus generating better solutions during problem-solving and ultimately improving board effectiveness.
- Prof. Jain and Zaman propose a governance bundle that includes large and more independent boards, a board CSR committee, more women within boards, and with higher director activity. The effectiveness of the bundle is likelier to sustain under two conditions: institutional ownership and higher board director pay.

Read the full article: https://councilcommunity.org/2020/01/23/how-boards-can-fix-corporate-social-iresponsibility/

PROJECT
with food for thought

- In your organisation, how does the board of directors organise itself to fulfil CSiR tracking responsibilities – are various aspects of CSiR monitoring assigned to existing committees' duties or is there a dedicated CSiR vigilance committee?
- To what extent are the board's agendas and strategies well-planned to effectively keep track of what management and operations are up to? In your opinion, what could be done to improve them?
- Assuming you are a director/board member, how often do you attend board and committee meetings? What is your level of listening and engagement in such meetings?
- To what extent do you encourage other board members to express their opinions and build on the ideas of fellow board directors?
- How familiar are you with the organisation's bylaws and governing policies?
- How comfortable are you at offering a different opinion than other board members?
- What is the board's size in your organisation? What is the level of representation of women on the board? Which female employees in your organisation do you think would add value to the board? How?
- How frequently have you come across profit-oriented and powerful manager-directors inclined to take risky decisions that you felt may lead to unethical behaviour? How can these risks be prevented?

Thoughts

PERFORM

by putting it all into practice

CHECKLIST

- [ ] **1.** Create committees to deal with a wide variety of issues from quality to project management and innovation, that can both meet and carry out work separately and make recommendations for approval of the full board.
- [ ] **2.** Review board composition to ensure that diverse stakeholder perspectives are represented on the committee.
- [ ] **3.** Use active and concentrated institutional ownership — where a firm's investors are made up of insurance companies, banks and endowment funds — to serve a monitoring role and ensure that firms stick to the straight and narrow.
- [ ] **4.** Aim for large and more independent boards, with more women representation. Ensure that you consult and liaise with relevant bodies and stakeholders (i.e. unions, national associations, government departments). Ensure that board membership, for both sexes, relies on a set of tangible and measurable criteria.
- [ ] **5.** Reward management for their CSR efforts. Investigate how to offer higher board director pay as an incentive for boards to look after the long-term interests of shareholders and the firm and maintain a monitoring and reporting system to follow what type of decisions managers are making.
- [ ] **6.** As a director, create an environment of openness and acceptance by encouraging active participation and sharing of opinions during board meetings. Also, demonstrate and encourage good listening skills.
- [ ] **7.** Reinforce your actions regarding the Board by including its operating rules in a corporate code of conduct/ethics.

If you would like to know more about boards or re-structure your own corporate board, contact Prof. Tanusree Jain at the following e-mail address: **Tanusree.Jain@tcd.ie**

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