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IN THIS ISSUE

- Don't Forget the "G" (Governance) in ESG
- Engage with GOVERN - Upcoming Learning, Sharing, Knowledge, Wisdom Building Events
- Affiliate Corner
- 2023 GOVERN Annual Learning and Connecting Conference - Reimagining Governance - June 15-17, 2023 - Glen Allen (Richmond), Virginia - An Opportunity for Your to Share/Present

Don't Forget the "G" in ESG
by Ted Humphrey

I am expanding on ideas I introduced during the 2022 Govern Conference. I will further expand in a later, more in-depth article.

Larry Fink's focus on Environmental Social and Governance (ESG) in his Business Roundtable Letters ignited a cottage industry of controversy -- criticism for being a "woke capitalist" and legal action by selected state governments. (His 2023 letter backed off from the explicit call-out of ESG, but the cat was out of the bag.) Nevertheless, something is missing. Environmental gets a lot of ink, fueling the controversy on green energy and the externalities of carbon-based energy. Social wrestles with equity, equality, diversity, and inclusion. But what about Governance?

Terrence Keeley, a long-time BlackRock executive, has written one of the most comprehensive books on ESG (Sustainable: Moving Beyond ESG to Impact Investing), but even though he frequently mentions Governance, it is invariably in the context of Environmental and Social.

The short shrift of Governance is more than a parochial concern for the Govern Community, the debate itself loses focus. The original motivator for Larry Fink's CEO letters concerned governance.

According to Keeley, "Fink started writing his letters to address a widespread problem laid bare by the 2008 global financial crisis: corporations were being insufficiently transparent . . . As the memory of the global financial crisis faded, it became clear that too few companies were planning for and investing in their future growth. Even fewer were thinking about their multiple stakeholders . . ." [(1)]
Governance, yes. But the plot thickens.

"Stakeholders" speaks to the debate over "stakeholders" versus "shareholders," which conjures the ghost of Milton Friedman. In 1970 he articulated the battle lines of the shareholder-stakeholder debate in his iconic New York Times essay: "The Social Responsibility of Business is to Increase its Profits."[(2)] In Friedman's analysis, stakeholders are a distraction. Shareholders reign supreme, and shareholders want profits. Period.

To call Friedman influential is a deadpan understatement, but not so fast. "What caused Friedman to write his manifesto?"

He was responding to a debate on board composition. Earlier that same year, the New York Times had reported on Ralph Nader's campaign against General Motors. He criticized the corporation's attention to "aggregate financial data" rather than shoddy, polluting automobiles it manufactured. But there was more. He proposed changing the board composition: expand the corporation's board of directors from 24 to 27, the three additional representing the public interest. His group bought 12 shares so they could participate in the upcoming shareholder's meeting. A few months later, the pension fund for New York City added their 160,000 shares to Nader's campaign. The fight was on and added to the background/timing for Friedman's article.

What was the result? According to Donald E. Schwartz, part of Nader's legal team, General Motors announced the establishment of a public policy committee, consisting of five outside directors, to advise management on matters which concern the public interest. Chairman James Roche said that the purpose of the committee was to give matters of community concern "a permanent place on the highest level of management." About a week earlier, GM shareholders received their second quarterly report for 1970. A mere three pages of the report was devoted to business news, as compared to five pages which dealt with such subjects as environmental problems, product safety, aid to minorities, and the fact that Ralph Nader had dispatched a group of students to study the corporation and prepare a report[(3)].

This foray into corporate history is a prelude to further research. From this perspective, Governance is the lens to understand corporate behavior, the shareholder-stakeholder debate, and the controversies inundating today's press.

1. Governance examines history. The hot-burning topic today was a hot-burning topic yesterday. This should not make us jaded or ho-hum, but it will make us suspicious of glib, easy answers. And it will make us less prone to reactive solutions. When faced with a crisis, a Policy Governance board looks at its existing policies. Before they write new policies, they determine what has already been written into policy... what the existing board values and beliefs are.
2. Governance is about the board. Ralph Nader's campaign with GM was not abstract, theoretical. The goal was about board seats and board composition. (The size of GM's board might raise well-deserved eyebrows among board students. Was 24 directors an effective size for governing? How about 27?) But there was something tangible at the bottom of this debate: GM was manufacturing cars that were "polluting" and "shoddy."

Over the last 50 years, writers have generated copy on shareholder actions, the great financial crisis, and the culture wars of woke capitalism. Fair enough. But Governance has been the persistent thread, and following this thread will navigate the way forward.

To be continued.

References:

1. Terrence Keeley, Sustainable: Moving Beyond ESG to Impact Investing, 2022, p104.
2. Friedman, Milton, "The Social Responsibility of Business is to Increase Its Profits," New York Times, September 13, 1970.
3. Schwartz, Donald E, St John's Law Review, May 1971.

Grant Awarded!

The Resource Development Team is excited to share great news for GOVERN for IMPACT and the entire governance community. In March we received notice that the collaborative partnership involving GOVERN for IMPACT and seven other organizations successfully secured a $200,000 SSHRC (Social Sciences and Humanities Research Council) Partnership Development Grant, titled "From Intent to Action: Embedding Organizational Practices of Equity, Diversity, Inclusion and Decolonization in Leadership." We congratulate GOVERN's CEO, Karen Fryday-Field who is serving as co-Director on this project alongside Dr. Marlene Janzen Le Ber, Professor, Leadership Studies; Distinguished Chair, Centre for Leadership, Brescia University College.

Grants and projects such as these continue to affirm the role of GOVERN for IMPACT in advancing governance excellence around the world! Join us in congratulating Karen as she leads GOVERN for IMPACT through this collaborative project and into a future of greater influence in the governance community.

Join Us at the Conference to Explore "Trending Topics in Governance" at the GOVERN for IMPACT 2023 Annual Learning & Sharing Conference

GOVERN for IMPACT is looking for people who would be interested in leading a table discussion following the group conference lunch on Friday, June 16, 2023. Could this be you?

Table discussions can be focused on any aspect of governance or a related topic which can help the application of governance excellence.

Each table discussion facilitator will have an opportunity to present to their table group for 10 to 15 minutes followed by supporting a robust discussion of table participants for approximately15 minutes. Table discussion facilitators will be listed in our program as part of our faculty for the conference, along with the governance topic that they facilitate.

This is an opportunity for you to bring your fresh governance ideas, governance experience, and governance queries to the table to dialogue with others about governance challenges, opportunities, strategies, and solutions.

If you would like to propose a table discussion topic for you to facilitate at this year's conference, please email Karen Fryday-Field, GOVERN for IMPACT CEO at ceo@governforimpact.org by April15/2023.

We are open to all policy governance related topics and any other governance topics you believe will help advance governance excellence. We are an inclusive, learning community and really hope that you will consider leading one of these table discussions.

Bring your voice to the discussion table!

Preconference Course - Introduction to Policy Governance System: The Dynamic Fundamentals

Thursday, June 15, 2023 PreConference Course in Glen Allen (Richmond), Virginia

PLEASE REGISTER HERE

A full day workshop, that offers you the opportunity to learn about the Policy Governance system of governance. Through presentations, interactive small group exercises and shared experiences deepen your understanding of the practices that enable a board to effectively use this system of governance, understand how Policy Governance can positively affect the way your board operates and also strongly influence overall organizational effectiveness.

Preconference - Advance Practice Course: Changing the World Through Impact - Organizational Strategic Directions: From the Board's Big Ideas to Real Organization Results on the Ground

PLEASE REGISTER HERE

Thursday, June 15, 2023 Preconference in Glen Allen (Richmond), Virginia

This full day workshop offers participants a more focused learning opportunity by taking a deeper dive into this topic.

This advanced session facilitated by Karen Fryday-Field, GSP, Meridian Edge Leadership & Governance Consulting and Brad Saron, GSP, Sun Prairie and Area School District will assist Board Members, Board Chairs, Board Committee Chairs, CEOs/Executive Directors, Senior Organizational Leaders, Consultants, Academics, and others in building deeper insight, knowledge, and skill in the following key governance areas:

- The process of building meaningful Critical Outcomes (Ends) Policies and determining what information does the Board need to develop clarity on the expected impact of the organization, for whom, at what value or worth.
- The keys to developing and evaluating an effective CEO Critical Outcomes (Ends) Policy Interpretation which provides clear operational outcomes needed to achieve Ends, operational definitions, strategic targets, and rationale.
- Effective processes for CEOs to use to translate their Critical Outcomes (Ends) Interpretations into a strategic plan for achievement and an operating execution approach that significantly increases the achievement of results "on the ground".
- An effective measurement framework to ensure that information and metrics required for building effective Critical Outcomes (Ends) Policy Monitoring Reports are created. We will review an advanced perspective on CEO creation of and Board monitoring of Critical Outcomes (Ends) Policy Monitoring Reports.
- Insights into some of the contextual and organization culture dimensions often encountered through this process.

This session will include multiple examples and templates to facilitate these key governance and management leadership processes.

Annual Conference - Re-imagining Governance Systems - Big Ideas on the Ground

PLEASE REGISTER HERE

June 15, 16 & 17, 2023 Main Conference

Please click here to see the Session Outline

Town Hall

Stay Tuned for More Information

September 2023 - More details to come in future GOVERN Updates and Eblasts

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Advanced Practice Webinar

Stay Tuned for More Information

October 2023 - More details to come in future GOVERN Updates and Eblasts

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Stay Tuned

Advanced Practice Webinar

December 2023 - More details to come in future GOVERN Updates and Eblasts

for More Information

Policy Governance Professional Program

Runs from October 2023 to May 2024. Nine instructional webinars from 11:00-1:00 pm ET on Saturdays along with an average of 8-12 hours a week in reading, completing assignments and quizzes, individual or small group sessions with the Unit instructor and personal study time.

REGISTER

Hello great governance champions!

As I approach my one-year anniversary with GOVERN for IMPACT, I wanted to express how grateful I am for the opportunity to collaborate with all of you -- GOVERN Affiliates, partners, and friends. One of the things bringing me the most joy is hearing your stories about how Boards are creating impact and strengthening relationships within your communities. It's especially delightful when I have the chance to hear the stories first hand either through GOVERN-hosted programming or during individual calls.

Last month, I was thrilled to join members of the Columinate team during one of their innovative and fun gatherings they call virtual "watercoolers." As part of our discussion, the team shared some highlights on how great governance, especially Policy Governance, is supporting co-ops and similar organizations around the United States achieve their missions.

The Columinate team also shared how, as practitioners, having access to GOVERN-hosted events is providing team members with reminders and spaces to learn from other GOVERN affiliates, which in turn helps inform their work and those they support. I'd like to extend a special shout out and thank you to Todd Wallace, Michael Healy, Leslie Watson, Ben Sandel, and Hether Jonna Frayer for allowing me to join your party!

On the very same day, I also had the privilege to speak with Rebecca Carlin, the Executive Director at Wisconsin Youth Company to learn more about the organization's work and to hear how her affiliation with GOVERN for IMPACT is supporting her team. In addition to sharing some inspiring stories about the positive impacts Wisconsin Youth Company is experiencing through their programming, Rebecca also shared some reflections on how attending the annual conference "is a fantastic place our Board members can go to connect with others" and mentioned how implementing the Policy Governance model has been "so impactful for our organization." Rebecca, thank you for sharing and connecting with me!

Learn more about Columinate and the team's work by visiting their website, linked here, and explore Wisconsin Youth Company's resources on their website, linked here.

Do you have a story to share? Don't keep it to yourself. Who knows, it might end up here in our newsletter. Please reach out anytime at jdameron@governforimpact.org and please consider joining us at this year's conference for even more storytelling opportunities. Thanks for being part of our community and thanks for all you do!

In service and collaboration,
Jeremiah Dameron
Director, Affiliate Services

We made a slight goof in our last newsletter so down below we're highlighting all recent affiliate renewals/new affiliates who renewed or joined between January 1, 2023 and April 4, 2023. We extend our heartfelt thanks to those who continue to renew their affiliateship with Govern for Impact and/or recently joined our community!! Your support and your convictions to governance excellence helps us create more impact around the world.

Recently renewed Fellows, Governance System Professionals (GSPs):

- Barry Packer
- Brother Robert J. Wickman
- Chuck Namit
- Laurel Cobriere
- Jennifer Flynn
- Carl Labarbera

Individual Affiliate renewals:

- Kathryn Lebby
- Lindsay Grillet
- Marlene Janze Le Ber
- Robert Hott
- Stacy Sjogren

Recent Organizational Affiliate renewals:

- Canadian Dental Hygienists Association (CDHA)
- College of Medical Laboratory Technologists of Ontario (CMLTO)
- Community Financial Credit Union
- County of Summit ADM Board (SC ADM)
- Credit Union of New Jersey
- Jefferson Parish Human Services Authority
- Meridian Edge Leadership & Governance Consulting
- Portage Public Schools
- Six Nations Polytechnic
- St. Mary Development Corporation
- Trinity Center for World Mission
- Wisconsin Youth Company

And once again, welcome and thank you to our newest individual affiliate, **Jane Pressly!**

We're so glad you are part of the GOVERN community!

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GOVERN for IMPACT

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The work of GOVERN for IMPACT is supported by people who believe in the work of this organization. Click for more information on giving and contributing to the organization and board excellence work being undertaken by the people of GOVERN for IMPACT. Join our generosity team.