Risk Areas for Corporate Boards - Joyce Cacho

By Directors & Boards

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Joyce Cacho, board member for Sunrise Banks NA and World Benchmarking Alliance, explores prominent risks for corporate boards.

Which major risk areas are public company boards preparing for at this time?

Climate change and the 500-page document that the SEC released with proposed rules, but that's not the half of it. It is at the nexus of climate change and people, and then how you address those integrated risks by putting in good governance. To me, that's the biggest risk. It's not climate change or employees or investors or communities or people in the streets. It's a combination of any two of those items, and then add to those risk (and opportunity) factors technology and the pace at which the landscape is changing. The risks are coming at companies faster. It's almost like a pitch that comes at a batter harder than expected. It comes with a need for board directors to look at business critical issues in an

What do you consider to be the best practices for identifying company risks before it is too late to prepare and the board is in crisis mode?

Acknowledging the one million people in the U.S. who died from COVID, and their families. There’s nothing like having real data to be able to analyze. To me, it’s almost like companies, and especially public companies, have been in the lab for two-plus years. Not a lab where you’re on the other side looking through a glass window, seeing how the experiment goes for another company, such as business peers or an adjacent industry in your supply chain. The company has been in that lab. Board directors who are asking for analysis of company data since March 2020, from a strategic, “reset the next normal” viewpoint, are dialed in on their fiduciary accountability of duty of oversight. What was your share price then? What is your share price now? What volatility did the share price see since March 2020? Use that as a starting point for preparing not only for future public health pandemics, but crisis response in a fast-paced, business ecosystem and for other industry-disruptive issues.

Are there potential risk areas you see coming down the line that boards should be keeping an eye on?

Employee welfare: It refers to that whole area of people on the inside – how you recruit them, how you retain them, how you get them to express themselves as their whole selves. And truly them being not assets, as you write in your annual report, but assets as those who keep you up to date on risks, on risk management, and possible outcomes. Again, we’ve had two years of a real-world lab. I’ve looked at what employees see as valuable to commit to being on a team. They’re voting with their feet. They’re resigning. It’s on board directors to do less talking about “We can’t find employees,” and look at the business model and the assumption that it’s a 20-year career that people are looking for. The expectation employees have of companies in 2022 is that they are going to pay more than lip service to creating cultures that welcome people who don’t look like them. Today, creating a diverse, equitable, belonging corporate culture is a business imperative. If you only have people who look like the historic majority of people who are in business and in the boardroom, your product development is passive. Because you’re assuming that somebody who doesn’t look like you, with your same income, with your same education, is going to consider your product the way you consider the product, and that’s the beginning of enterprise risk of driving business forward with assumptions that are outdated.