EDITORIAL: What makes the board practices sustainable?

Dear readers!

Do boards need sustainability experts? This is a question of growing concern for companies worldwide recently and in the near future. With regard to the current BCG-INSEAD study there are certain interesting findings (Rafi, 2022). Thus, 70% of board members claim that their boards are not effective in implementing sustainability policy in corporate governance practice. Eighty-five (85) percent of investors take environmental, social, and governance (ESG) factors into account when deciding on an investment in a company.

Companies that have implemented ESG policies demonstrate a 22% increase in labor productivity and a 27% increase in profitability. Only 25% of company directors believe that their boards understand the risks associated with the implementation of ESG policies.

In general, this is a very relevant question, how to introduce the policy of sustainable development into corporate governance at the company level, applying the concept of ESG? Probably, this is the most urgent issue for the development of corporate governance for the next decade.

At the same time, the board of directors' practice should be sustainable. We should talk about the access of the board directors to the information. In the summer of 2022, McKinsey & Company released the results of its annual McKinsey Global Survey of board members (Huber, Lewis, Lund, & Spielmann, 2022). The aim was to determine directions for increasing the long-term influence of boards of directors on the firm performance. It is worth noting that the actual workload of a member of the board of directors to fulfill his/her duties from 2019 to 2022 increased from 25 to 31 days per year. This is the result of the growth of the efforts of the boards of directors in 10 of the 11 main directions of the organization of the board’s work.

Significantly increased attention to such areas as preparation of materials for the board meeting, search by directors for information as a supplement to the information provided by the executive management, and improvement of the effectiveness of the board chairman’s meetings.

In general, working with materials and searching for necessary information are still not sufficiently well-ordered areas of organizing the work of boards. If in 2019, 63% of directors had to search for the necessary information to participate in a board meeting, this year their share increased to 83%.

Obviously, finding the right director to join the board does not guarantee the board’s effectiveness. How the company organizes the provision of information to board members, whether this information is complete and at the same time objective, is already an obvious prerequisite for the success or failure of the board in influencing the firm performance. This is about sustainable board practices.

This issue of Corporate Governance and Sustainability Review considers sustainability from various aspects and contributes to the previous literature by Akomea-Frimpong, Asogwa, and Tenakwah (2022), Owusu (2021), Kostyuk,

The papers published in this issue of the journal outline a new horizon for the future research outlined by the scholars to the same extent before (Gamal, Wahba, & Correia, 2022; Helfaya, 2022; Singh & Rahman, 2022; Lester, dela Rama, & Crews, 2021; Sveen, Gresaker, Hæhre, Madsen, & Stenheim, 2020; Grove & Clouse, 2018).

I am sure that anybody interested in a better understanding of our world, under the perspective of corporate governance and sustainability, could find in these papers some food for thought.

Enjoy the reading!

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REFERENCES


