

After the disruption of the last 12 months, we've looked at how forward-thinking boards in the region are responding to the challenges posed by the "new normal"

What's on the boardroom agenda in 2021?

2020 was a year of extreme upheaval for the majority of organizations worldwide, and while Q1 2021 has seen more optimistic news as vaccination programs begin to be rolled out globally, the overall picture remains one of uncertainty.

The financial and operational impact of the pandemic has added new challenges over and above pre-existing issues raised by technological, environmental, and social change.

In our work with organizations across the Middle East, we've seen a variety of responses from boards, representing a range of differing priorities - but a few common themes are apparent.

Crisis management

Unsurprisingly, crisis management is top-of-mind for most, if not all boards at the moment. The ongoing pandemic has raised questions about organizational preparedness at all levels, with the most obvious being what the next disruption could be.

Although there may be important lessons to be learned from the events of 2020, it's clear that focusing on the specifics is less valuable than looking at the bigger picture. While the likelihood of large-scale global events affecting business is significant, the form in which it might occur is less predictable.

In today's hyper-connected world, even seemingly minor occurrences can have devastating knock-on effects both directly and indirectly, affecting businesses worldwide, even if they have no obvious link to the event in question.

This was demonstrated in March 2021 with the grounding of the cargo ship *Ever Given* in the Suez canal delaying hundreds of other vessels.

Within days, this caused severe supply chain disruptions, affecting the availability of fresh produce, blocking the supply of raw materials for manufacturing, disrupting order fulfilment, and decimating shipping capacity. All told, this one event caused an estimated cost to global trade in the region of \$6bn to \$10bn a week.

Forward-thinking boards are taking a holistic view - assessing organizational resilience from a financial, operational, and reputational perspective. The aim is to mitigate against potential shocks and stresses to income, liquidity, people, technology, infrastructure, or brand. A failure in one area can quickly impact others, making it even more vital that contingency plans are in place to avoid a domino effect.

Corporate purpose

ESG continues to be an area of growing importance in attracting investment, increasing accountability, and maintaining a competitive edge. It's therefore a core focus in the boardroom. Ensuring that the business maintains the confidence of investors, partners, employees, and other stakeholders is crucial for long-term planning and stability.

Boards with a focus on sustaining growth are integrating ESG into their strategy and considering it as a key factor in the decision-making process. While many businesses have not yet reached the stage where they consistently monitor and evaluate all aspects of ESG, even incremental improvements can strengthen their overall financial and operational position.

Addressing environmental and social issues is no longer a matter of keeping up appearances. It's a core concern, affecting every facet of the business, from funding to attracting and retaining talent, to maintaining customer confidence. Boards must position themselves at the forefront in defining corporate purpose and championing ESG performance.

Technological shift

The pace of technological change brings new challenges for boards to address, seemingly on a month-by-month basis. Assessment of the opportunities made available, and risks posed by emerging and disruptive tech should form a central part of the board's strategic thinking.

To ensure that board members are able to fully understand new technological developments, it's often advisable to seek expert advice - or to consider including relevant expertise in their criteria for the next appointment to the board.

While technological innovation is frequently discussed in terms of benefits - with the opportunity/risk axis hinging on whether it can be deployed or adopted before competitors do the same, it's important to keep sight of potential future issues.

Over the last 12 months, we've seen how even the rapid rise to prominence of major global brands like Facebook, Amazon, or Uber is beginning to be queried by increased regulatory and legal scrutiny over their business practices.

Cybersecurity and data privacy are also occupying a significant amount of discussion time in board meetings. The need for solid and continually updated data governance policies covering the protection of companies' own data and the regulation of data which they collect, and process is a major priority that cannot and should not be understated.

Human capital

Now more than ever, building and nurturing talent both in the boardroom and the C-suite, aligned with the company's strategy and anticipating its future needs is a priority. Human capital is a major factor in the ability of companies to address each of the themes explored above.

As well as being involved in recruitment, remuneration, and succession, the board has a central role to play in influencing the tone and culture of the business. Global social and political change underlines and reinforces the duty of organizations to ensure diversity of representation at all levels and to foster inclusivity.

This is a key priority for boards that recognize that the potential benefits reach far beyond social responsibility, as important a factor as it is, and have a fundamental impact on the ability of businesses to navigate many of the challenges we've discussed above.

A holistic view

Of course, presenting these themes as entirely separate and distinct is not telling the whole story - in reality, the issues facing boards through 2021 are closely interlinked.

Operational resilience without investment in people is impossible, technological progress must be balanced against sustainability, environmental or social change may impact financial stability, and so on. No one factor can be addressed without impacting another.

Those organizations which will continue to succeed and better weather the storms which may come their way will be those with effective, diverse, and independent boards which have the agility and creativity to innovate in handling these combined challenges.

About the Author:



Maali Q. Khader is a highly experienced, effective, and trusted lawyer. Today she is a luminary in the corporate governance, sustainability, legal training, and advice sectors.

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