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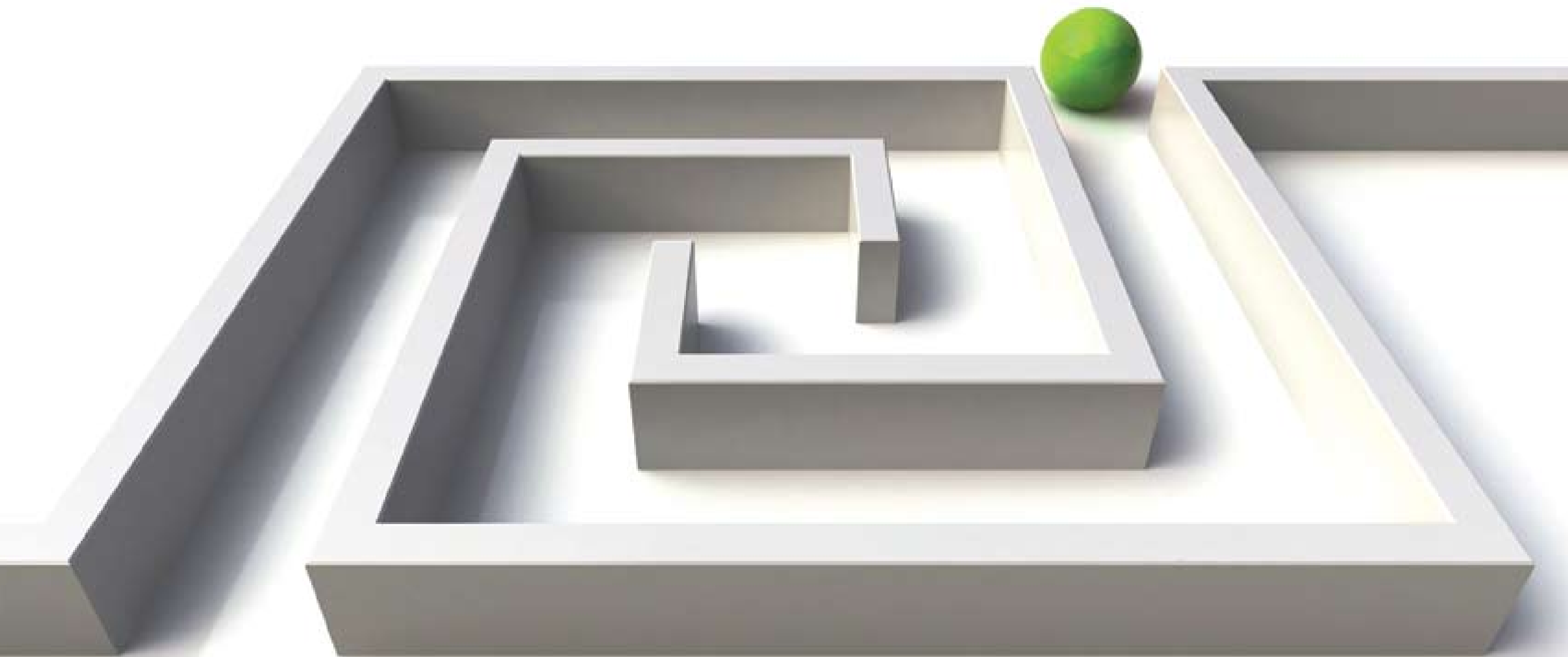
Survival or success?

Directors' Alert: 10 issues for 2010



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After more than a year of weak global economic performance and difficult business conditions, organizations around the world are looking optimistically to the future.

While 2010 won't be without its own challenges, the indications of an economic recovery beginning to take hold in some countries suggests that the coming year could also be one of opportunities.

This briefing discusses 10 key issues for boards and their organizations to address in the year ahead. Governance specialists from Deloitte member firms around the globe – Asia, Europe and the Americas – have provided their insights to create articles that discuss each of these ongoing boardroom priorities within the context of today's challenging business environment. Each article includes questions that directors may ask to further explore the issues with their own boards. In addition, the articles are supported with lists of valuable additional resources, such as Deloitte member firms' Risk Intelligent™ program, which enables risk management considerations to be integrated into business decision-making. These selected tools – which can be obtained by contacting your Deloitte partner – will help directors to broaden their understanding of the issues and improve their board's effectiveness in dealing with them.

There is no single preferred approach to addressing any of these issues – the right ones for each organization will depend on its own circumstances. Instead of providing answers, therefore, the purpose of this document is to help promote the discussions to help boards begin tackling the challenges and seizing the opportunities ahead.

How risk-intelligent are you?

The financial crisis exposed many organizations' risk management practices as being less robust than initially expected. Even outside of the financial services industry, a key lesson for boards arising from the crisis is the critical need for effective risk management and the value of increasing their organization's resilience to risk.

Risk management policies, processes and procedures are important components of risk management, but they alone are not enough. Effective risk management requires having a risk-intelligent culture that enables the organization to make "smart" risk-related decisions, such as how much risk the organization will take on and how those risks will be managed and mitigated so the organization can both preserve and create value. In risk-intelligent organizations, risks and rewards are linked in the organization's strategic plan. Risk is not just the responsibility of a risk management department; instead, it is a component of everyone's responsibilities – everyone is aware of the organization's risk appetite, policies and decisions and acts accordingly.

Effective risk intelligence depends upon the board and senior management clearly understanding and taking a holistic, integrated view of the principal risks facing the organization both internally (such as health and safety risks) and externally it (such as the effect of the financial crisis). Since the scope of the risks facing organizations is wide – everything from regulatory compliance, health and safety, finance, technology through to operations, the environment, reputation and more – the organization must continuously review and assess its inventory of risks to identify those with the greatest potential impact that need to be understood in detail. This information must then be communicated upward within the organization so the board and management can factor it into their decision-making process.

Creating a risk-intelligent culture that supports effective, sustainable risk management processes will be a significant organizational and leadership challenge. It requires the board to build and manage relationships with senior executives and others responsible for risk management. Much as the audit committee's role involves monitoring and supporting the internal audit function, the board and its committees must monitor and support the risk management processes. They must ensure that these processes and people are not sidelined or sacrificed particularly when a return to booming economies and strong profits make it difficult to challenge senior executives about whether they understand the risks associated with their business activities. Like good governance in general, risk-intelligent governance requires courage.

Questions to ask

Do we have a risk-intelligent culture? Is risk management considered to be part of everyone's responsibilities, or just those of the risk management department?

What is our organization's risk appetite and how do we manage and mitigate its risks? Do we link risk and reward in our strategic planning? Is the organization's risk appetite communicated to and understood throughout the organization?

Have we identified all of the risks facing the organization and do we keep that list of risks updated regularly? Do we fully understand those risks? How well does the board and management factor the understanding of those risks into their decision-making process?

Further reading

- New Norms of Risk Management (Deloitte Chile)
- Putting Risk in the Comfort Zone: Nine Principles for Building the Risk Intelligent Enterprise (Deloitte Touche Tohmatsu)
- Fundamentals of Governance Risk and Compliance (Deloitte Mexico)
- Establish Risk-based Internal Controls (Deloitte China)
- Perspectives on Enterprise Risk Management in Hong Kong – a benchmarking survey (Deloitte China)
- Risk Intelligent Governance: A Practical Guide for Boards (Deloitte Touche Tohmatsu)

Approaches for the new economic reality

Setting the organization's strategic direction is one of the board's primary responsibilities, although many boards may have devoted less time to it during 2009 when they had to address urgent, short-term challenges arising from the market crisis. With some indication that global economies may begin to recover in 2010, all boards should instead now begin to refocus on their key strategies, particularly since most pre-crisis strategies are unlikely to apply during the economic recovery. The crisis significantly transformed several economic sectors, including financial services, automotive and consumer goods among others, and so those industries may look much different in 2010 than they did prior to the crisis. Organizations will need new strategies to address their new business realities.

Strategy is a combination of the future direction of the business and the concrete steps the company takes to get there. While setting a strategy is generally seen to be management's job, the board's role is to oversee and ultimately approve management's strategic plans. Boards should advise and challenge management while applying their independent perspective and expertise to the proposed direction management sets out for the organization. Given this role, the board must enjoy a strong working relationship with management if they are to work together to develop an effective strategy. Such a relationship is necessary if the board needs to ask the tough questions (such as, "What if this fails?") that trigger rethinking and additional work by management.

Action plans that support the strategy should be aligned with the organization's agreed-upon strategic objectives as well as its risk profile. The board should provide input during the scenario planning analyses to ensure that the strategic plans address all of the relevant internal factors (e.g., resources, infrastructure and technology systems) and external factors (market conditions, competition and stakeholder expectations) as well as the risks associated with each of those factors. The board should help define an appropriate strategic timeline (in many countries, this is between three to five years). The board should also ensure that it balances long-term strategic plans with short-term goals and challenge unnecessary short-term expectations from both an incentive and performance-metric basis.

Given the many issues boards must address at their meetings in addition to strategy, a leading practice of many boards is to devote additional time for strategy discussions during an annual one- to two-day retreat with management. With or without separate time devoted to strategic questions, strong boards devote adequate time as part of their agendas to enable an ongoing and continuous review of the organization's strategy.

Questions to ask

How much time does our board spend on strategic discussions? Should we have a retreat with management to discuss strategy? Do we set aside enough time on our agenda for discussions about strategy?

Does management provide the board with the right information, the right amount of information, and in the right format to enable the board to effectively and productively challenge the short- and long-term strategic objectives and ultimately approve the organization's mission?

Is our strategic plan aligned with the organization's risk appetite and profile?

Further reading

- In Fighting Shape? (Deloitte Touche Tohmatsu)
- Enterprise Barometer Commentary (Deloitte Chile)
- Corporate Governance as a Strategy for Growth and Enterprise Decision-Making (Deloitte Mexico)

A new risk to monitor

Unexpected market movements, counterparty defaults, the wholesale freeze up of certain credit markets – the financial crisis has made liquidity a critical issue for many organizations to manage and has quickly elevated issues of cash flow and liquidity to the agendas of many corporate boards.

Traditionally, boards have left liquidity to management to handle, requiring only periodic updates when senior executives believed them to be necessary. Now, however, directors are quickly familiarizing themselves with sources of liquidity and requesting management to keep them apprised of how dependent the organization may be on any one source of funding. Boards have historically focused on concentration risk and counterparty risks; today some are spending more time looking at interrelationships among sources of funding where a problem with one source might lead to problems with many or all of them. Some boards are even meeting more frequently to allow time for them to discuss cash flow, short-term obligations, contingent liabilities and the health of formerly reliable suppliers.

While the financial crisis has caused many boards to adjust the focus of their oversight to include more detailed and discrete areas of financial and other operations, because of the directors' broader perspective they are well positioned to consider unexpected and broader events that may impact liquidity (such as "black swan" risks). Since directors are not focused on managing the details of the organization's business, they may be able to apply their range of experiences to exploring potential scenarios affecting liquidity and other issues.

Questions to ask

How well do we understand liquidity and the fundamental characteristics of our funding instruments? Do we know how these may change under different kinds of pressure?

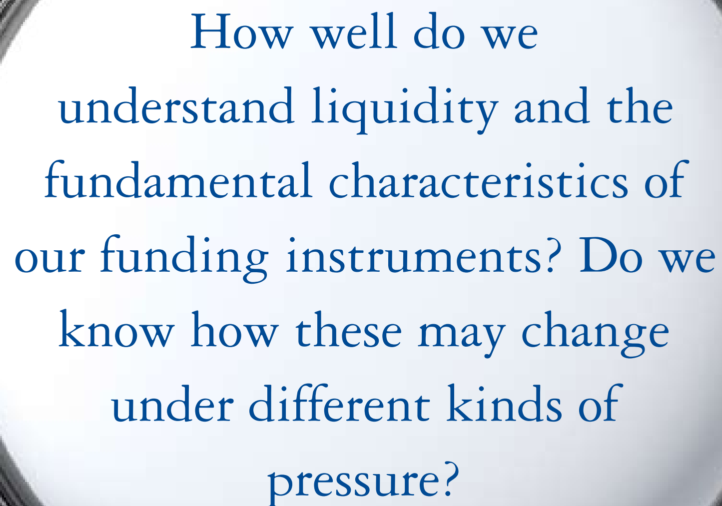
How can we develop prediction models or scenarios to assess possible liquidity problems? Do we know how many sources of liquidity the organization has and how quickly they could dry up in a crisis? How long can we survive without normal sources of liquidity?

What are our assumptions about our sources of liquidity and when did we last test them? Have we reviewed the stress testing performed by management?

How well do we understand the impact of changes to the company's credit rating on operations and liquidity?

Further reading

- Cash Productivity Framework (Deloitte US)
- Tax Payments and Cash Management: Delivering the Goods (Deloitte US)
- Webcast: Focus on Cash: Cracking the Code to Generate, Liberate, and Deploy Cash (Deloitte US)



How well do we understand liquidity and the fundamental characteristics of our funding instruments? Do we know how these may change under different kinds of pressure?

Not just dollars and cents, but value

Media coverage of bonuses paid to executives of failing companies has made executive compensation a top concern of shareholders, regulators and legislators. Executive compensation had been a hot button issue before the financial crisis, but then the focus was primarily on whether pay packages were too generous or the benchmarks to trigger payouts were set too low or otherwise not properly aligned with activities that created value for shareholders. Since the crisis began, however, an additional concern has emerged: that the incentives in some compensation plans may have encouraged high-risk activities that harmed the organization and the market as a whole.

Now, there is almost universal consensus that “something must be done” about executive compensation. Institutional shareholders are demanding a “say on pay” – or a non-binding vote on compensation policy in Canada, the United States and a growing number of European countries. Some jurisdictions have introduced tax legislation to curb compensation considered to be excessive. Several regulatory authorities have announced they will enforce stricter controls over the pay of companies they supervise and in some markets regulators have new authority to discard negotiated contracts.

Getting ahead of shareholders, regulators and legislators on this issue will be a challenge for boards. They need to demonstrate that their executive compensation plans are competitive but not overly generous. The benchmarks that trigger incentive payments must be seen to be sufficiently robust. The links between effective risk management and compensation plan incentives must be considered, managed and, increasingly, disclosed. Identifying the problem and the challenges is the easy part, however; deciding how to create such plans with the appropriate risk analysis of the incentives included in them will be much harder to achieve.

Faced with increased scrutiny of their compensation practices, many companies responded with drastic and at times panic-stricken measures in an attempt to bullet-proof their executive remuneration policies. But such an approach can lead to risk avoidance or, worse, fail to attract and retain talent. What is essential is not the absolute level of executive compensation but the care and consideration applied when formulating these plans in the first place. For example, prior to their introduction, executive compensation packages may be subjected to scenario analyses that predict their outcome under different circumstances. Boards should also ensure that pay plans are aligned with shareholders’ objectives, long-term strategy, financial requirements and the company’s approach to corporate social responsibility. As much as possible, payouts should be based on risk-adjusted and cost of capital adjusted profit and possibly phased to coincide with the risk time horizon of such profit.

All of this will no doubt prove a significant challenge for today’s directors, few of whom are executive compensation experts. Many boards will likely find that effectively addressing executive compensation issues today calls for a different kind of director to join the compensation committee – one who is as knowledgeable about pay and incentives as the audit committee members are about financial reporting.

Questions to ask

How are our compensation policies developed? Are the policies aligned with the short- and long-term goals of the organization?

Are our compensation packages adapted to different scenarios? Do we actively conduct scenario analyses to test our executive compensation packages?

Are we complying with all the relevant regulatory requirements? How aware are we of the latest legislation? Are we running any unnecessary legal risks?

How independent are the members of our compensation committee? Do the board and the organization's human resource department employ the same or different compensation advisors? How knowledgeable are our compensation committee members about pay and incentives?

Further reading

- Compensation and Risk are the Words of the Day (Deloitte US)
- Directors' Remuneration Disclosure Checklist for Quoted Companies (Deloitte UK)
- Audit Committee Conversations: Managing the Risk in Executive Pay (Deloitte Australia)
- Study on Management Board Remuneration in the DAX and the MDAX (Deloitte Germany)
- The New Executive Compensation Guidelines: Treasury's TARP Guidelines and Guidance for Regulatory Reform (Deloitte US)

Mastering the new financial lingua franca

With the G20's endorsement of a common set of financial reporting standards, the comparability of financial information across jurisdictions may be getting closer to becoming a reality. Standard-setters in countries that have adopted International Financial Reporting Standards (IFRS) will be able to adjust to new financial realities quickly and consistently.

The question for many boards is: how well do they "speak" the new financial lingua franca? Mastering IFRS, just like learning a new language, poses a number of challenges:

- Does the board understand all of IFRS' subtleties? Board members may understand the individual "words" and concepts but still not interpret them as intended.
- Is the board practicing the new language? Directors may study the new standards but if they continue applying the old financial reporting standards while believing that all accounting frameworks are similar, their transition to IFRS will not become a reality.
- Are we making IFRS easier to apply by making greater use of them? When everybody – the board, management and other stakeholders – all "talk" in terms of the new standards, their application will be quicker and more effective.
- Do we think directly in terms of IFRS or just how they differ from the old standards? Shifting conversations to focus solely on IFRS forces people to leave their comfort zones, but it may also make for a much more efficient transition.

Directors who oversee financial reporting must familiarize themselves with the new accounting framework as soon as possible. Audit committee members have an additional concern: many jurisdictions require them to be "financially literate," which will mean being literate in an IFRS world. It is likely that many directors will need to upgrade their skills under an IFRS regime. Some steps to take to help master the language of IFRS include:

- Conducting self-reviews of directors' financial knowledge, including IFRS
- Implementing an IFRS learning plan for the board based on the needs identified in the self-reviews
- Providing any required additional education for audit committee members in order for them to continue to be financially literate
- Preparing the company's financial statements in accordance with IFRS to identify areas in which additional clarifications may be required
- Encouraging management to prepare budgets, proposed contractual agreements, risk management strategies, tax planning strategies, etc. in accordance with IFRS
- Ensuring that creditors, analysts, shareholders, employees and suppliers fully understand the impact that the use of IFRS will have on the company's financial reporting.

Questions to ask

Have we reviewed an IFRS conversion plan? Is it comprehensive? Have we identified any obstacles to implementation?

Do we have a communication strategy in place to address reporting issues arising under IFRS?

Have we obtained assurances from our external auditors on our opening balance sheet under IFRS?

Further reading

- Prepare yourself for the change: IFRS Guide for Directors and Executives (Deloitte Chile)
- Deloitte IFRS e-Learning Program for Directors (Canada)
- iGAAP 2009: IFRS for Canada (Deloitte Canada)
- Countdown, a transition eNewsletter (Deloitte Canada)
- IFRS portal (Deloitte Canada)
- Lessons Learned from IFRS Implementation among Mexican Companies (Deloitte Mexico)

How deep is your talent pool?

The economy and changing regulatory obligations may have become priority items on the agendas of many boards of directors over the past year, but succession planning remains an important issue that boards cannot afford to ignore. Indeed, succession planning is an issue of growing importance to shareholders: in the United States, for example, several recent shareholder proposals have urged companies to disclose their CEO succession plans. Moreover, declining CEO tenure in many jurisdictions makes succession less theoretical for many boards to a practical and recurring reality.

A well-planned CEO succession planning process is critical to the long-term stability of every organization. Succession planning should be a continuous, board-driven process that enables the board and organization to proactively identify and develop candidates, thereby avoiding the need to search for candidates under pressure.

Since organizations evolve continuously and their circumstances inevitably change, it is important to identify candidates with the right skills to meet the organization's needs both today and in the future. Therefore, launching a search, boards must ensure that they have identified the desired skill sets and that they will be sufficiently objective about assessing each candidate's strengths and weaknesses against those criteria.

Boards may wish to delegate their succession planning process to a committee of independent directors. External executive search consultants can also assist boards with their succession processes. While the CEO is usually responsible for recruiting and developing his or her management team, the board may wish to provide oversight to this process to assure itself that sufficient opportunities exist within the organization to support a leadership pipeline. Such oversight also provides additional means for a board to build its own relationship with members of senior management and become familiar with future candidates for company leadership.

Documenting the succession planning process helps ensure that it addresses all important issues and helps the board keep track of the process. In addition, the board should review its succession planning process at least annually, and revise it as necessary to reflect the organization's current and future needs, strategic objectives and other circumstances.

Questions to ask

Is succession planning included in the board's agenda? Are the succession planning objectives well defined and aligned with the organization's strategic objectives?

How prepared is the organization for an unexpected resignation or retirement of the CEO? Has the board evaluated the risks that the organization would face if the CEO had to step down suddenly?

Does the board have an up-to-date understanding of the skills and knowledge required of the CEO? Are there candidates within the organization that meet this profile? Is the board aware of the processes management has implemented to attract, develop and retain talent in the organization?

Getting engaged: New stakeholder relationships

One focus in today's scrutiny of governance arrangements is the relationship between organizations and their shareholders and/or stakeholders. Some investors may have short-term perspectives and be criticized for a lack of interest in effective ownership (the phrase "ownerless corporations" is often used to describe companies whose ownership is widely dispersed among small holders). Others, such as institutional investors, are demanding greater interaction with the board and a bigger say in boardroom decisions – everything from a "say on pay" to majority voting in director elections. Other stakeholders pay careful attention to the organization's behavior within the community, environmental impact and other practices; through everything from Internet blogs to direct protests that can significantly affect an organization's reputation and performance.

In this environment, organizations are challenged to find better ways to manage their relationship with shareholders and stakeholders, and boards have an important stake in the process. The board needs to understand its stakeholders, the issues of importance to them and their expectations of directors. With this knowledge, the board can factor shareholder and stakeholder objectives and preferences into their deliberations and better communicate the board's decisions, particularly about strategy and risk management.

Management is usually responsible for communicating on behalf of the organization. Boards have historically had only limited communications with shareholders – most often, presentations at annual meetings or written statements in the annual report. Today, some boards are expanding these traditional communications by making more effective use of the narrative element of the annual report (Management's Discussion & Analysis or the Operating & Financial Review). Other boards are initiating face-to-face meetings with key shareholders where legally permissible and may even identify one or more directors as a key contact on the board for stakeholders wishing to communicate.

Boards that want to expand their dialogue with shareholders and stakeholders should develop a strategy for doing so. However, it is important that the board's conversations focus on matters of governance and do not delve into issues of management. When the board chair is also the CEO, a distinction should be made between communications about board governance and communications about operations. Both the board and management should deliver coordinated and consistent messages about the organization.

Questions to ask

Do we have a strategy for communicating with our shareholders and stakeholders?

Are we aware of any legal or regulatory restrictions affecting the way in which the board communicates with stakeholders?

What steps can the board take to better understand the expectations of its stakeholders?

Further reading

- Stakeholder Engagement Commentary (Deloitte Chile)
- House Moves Say-on-Pay Closer to Reality (Deloitte US)

Front and center: Role of the board chair

Many boards of directors are taking greater roles in leading their organizations through the global financial crisis as they revisit strategies, review business assumptions and reset expectations for performance. As the pendulum of corporate power and public profile swings towards the board, the role of the board chair has become particularly important.

Today, board chairs are challenged to maintain the delicate balance of often conflicting priorities: managing shareholder expectations, building relationships with management especially the CEO, driving oversight and leading non-executive directors and the board. In addition, the tasks involved in guiding their organizations through the recession have resulted in many chairs playing greater roles in driving strategy, compensation and governance, and co-presenting with the CEO at press conferences and meetings with key shareholders.

Most jurisdictions now promote the practice of having a separate non-executive chair. A notable exception is the United States where only a minority of U.S. public companies divides the roles of the CEO and board chair. The financial crisis, however, has renewed discussions of this practice. Congress is currently discussing the issue and it appears that, at a minimum, new regulations may require public companies to disclose the model being used and why they believe it is appropriate for them.

Separating the roles of the CEO and board chair does present some challenges. Many organizations with a separate board chair and CEO seek a stronger "partnership" between the two positions to better lead the organization through difficult business conditions. Also, while the board chair can be a strong, stable partner to the CEO, boards must manage potential stakeholder concerns that may arise if an independent board chair begins thinking and acting like an executive chair.

The relationship between the CEO and board chair requires constant recalibration. To help manage this relationship, boards should consider a number of issues including determining the optimal balance of power between the CEO and chair; deciding upon the appropriate level of dialogue among executive management, the board and the board chair; and figuring out how to clarify the often blurred boundaries between insight, independence and oversight.

A strong relationship between the CEO and board chair should lead to a more open relationship between the board and executive management. Board chairs, however, will need to take care to balance an effective working relationship with the CEO and maintaining their own independence.

Questions to ask

Have we clearly defined the roles of the CEO and board chair? What is the optimal balance of power, and has this been affected by changing economic circumstances?

How do we effectively maintain the balance between independence and knowledge? By mentoring management and providing a strategic overview while still monitoring judgment and providing effective oversight of decision-making?

How do we divide the ownership of issues between management and the board, and especially the board chair? How do we determine who is responsible for financial performance, stakeholder management and shareholder value?

Further reading

- Independent Leadership: The Role of the Non-Executive Chairman (Deloitte US)
- Independent, Non-executive Chairmen of the Board – The Debate Continues (Deloitte US)

Building a better board

Organizations that will be the most successful in working through the financial crisis and seizing the opportunities when global economies recover will be the ones with the right strategies in place and the resources and capabilities to execute them effectively. One of those critical resources is a high-quality senior leadership team including the board of directors.

Boards of directors should periodically review their composition to ensure that directors have the aggregate skills and expertise the board needs to carry out its responsibilities effectively, and undertaking such a review may be particularly important in 2010. The financial crisis has transformed global economies and radically changed many organizations' operating environments. Many jurisdictions have introduced new regulations and legislation affecting companies and the way they operate. In response, many organizations have changed direction by entering or exiting markets, revamped their structures to add or drop particular lines of business, or made other operational changes. As a result, the challenges and opportunities these organizations face today may be much different than those of the past, and their boards may require directors with a different mix of knowledge and abilities to address them.

A review of the board's composition should focus on identifying any skill gaps that may exist among the directors. Similarly, the expertise of some current directors may no longer be required by the board given the changes in the organization. In addition to knowledge and skills, boards may also wish to adjust their membership to reflect the diversity – age, gender, nationality, etc. – of the organization's shareholders.

With a structured review and rotation plan, boards can achieve the benefits from adding new talent to revitalize themselves without disrupting continuity and losing their "collective memory" of past decisions. In some cases to facilitate the knowledge transfer from one generation of directors to the next, and help ensure that departing directors are recognized and appreciated for their past service, boards may consider establishing an advisory committee comprised of directors transitioning off the board, which would enable them to provide ongoing advice and support to the board.

Questions to ask

What changes have occurred in our organization, its industry and regulatory and legislative environment? How have these changes affected our organization's direction, markets, operations and other activities? Does the board have the necessary knowledge and expertise to provide effective oversight of the organization and its activities in this changed environment?

How often do we review the composition of our board? Has our review identified any skill gaps among the directors? Are there directors whose skills are no longer applicable to the organization's needs?

Do we have a structured review and rotation plan that enables the board to adjust its membership in a way that revitalizes the board without disrupting continuity? Do we provide a mechanism for past directors to continue to act as advisors to the board?

Are we recruiting new directors to the board with the right mix of skills and experience to enable the board to meet its present and future challenges? Does the board reflect the diversity of our shareholder group?

Ramping up director effectiveness

Boards of directors face continuously increasing demands and challenges to their effectiveness. Their organizations' operating environments were steadily growing more complex even before the added complications created by the global financial crisis. Shareholders and other stakeholders – including regulators, legislators, corporate social responsibility and environmental advocates and many others – carefully scrutinize organizations and their boards and have growing expectations for their behavior. Even familiar responsibilities can grow more challenging when regulatory and other changes occur, such as the transition to International Financial Reporting Standards.

But while the demands and responsibilities of boards increase, the time available to them to address these challenges remains relatively constant. Success, therefore, depends upon increasing the effectiveness and efficiency of the board, and the key to doing that is through a robust board evaluation and director education process.

Regular board assessments enable the board to examine its structure, processes and mandate to ensure they are properly positioned to address current and future priorities. They can help the board better understand the aggregate skills and expertise of directors and identify areas of weakness. They can also help improve the interaction of directors and communications among them.

Like any evaluation process, the benefits achieved through the board's assessment will only be as good as the review process. Good assessment programs are supported by a director education program that addresses the needs of directors identified through the evaluation process. Additionally, many boards find their evaluations are most effective and productive when the process is led by an independent, outside facilitator. Some companies go further and disclose, at a very high level, the results of the process to stakeholders. While a regular performance evaluation can help the board demonstrate its commitment to fulfilling its fiduciary responsibilities, not acting on the assessment's findings and recommendations could expose the board and directors to a liability risk.

Questions to ask

How do we assess the performance of the board and its committees? Does our evaluation process provide the board with useful, focused feedback that enables us to improve performance?

Do we update our evaluation criteria to reflect the changing demands placed on the board and the organization? Does our process effectively identify directors' education and development needs? Do we follow through with appropriate learning programs?

Does our assessment process help us improve communication and interaction between board members, and strengthen the board's ability to work effectively as a team?

Further reading

- Audit Committee Self-Assessment (Deloitte Germany)
- Governance Alert: Global Financial Crisis: Is the Board Taking the Lead? (Deloitte China)
- Evaluation and Self-Evaluation of the Board and its Members (Deloitte Mexico)

What keeps you up at night?

This publication looks at 10 important issues for boards in 2010 but there are many others: the impact and opportunities created by climate change, the challenges of changing technologies, tighter regulations, talent management, and managing growth in challenging times and more.

Not surprisingly, many boards are introducing new approaches to enable them to address all of these matters in addition to carrying out their traditional responsibilities, such as the oversight of management, oversight of the relationship with the external and internal auditors, and the nomination of new board members.

To help them address all of these matters, some boards are exploring new and emerging practices, including the use of independent advisory committees to the board, connecting with interest groups to share best practices, and even encouraging directors to reduce their involvement at some companies in order to have more time to spend with the remaining ones.

As the issues facing directors expand and grow more complex, many boards are looking to outside specialists to enhance the expertise of their own directors. Effectively, boards are turning to specialists in compensation, valuation, financial reporting, environmental issues, technology and other matters to expand their own understanding of key matters so they can make informed decisions about the issues.

The 10 issues presented in this publication include selected tools and learning resources to assist you in evaluating their potential impact on your business. We hope this publication serves as a catalyst for discussion among your board members. We encourage you to contact your Deloitte member firm partner to continue the conversation.

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