

## NACD Event Highlights

January 11, 2011

### ***Boardroom Issues of 2011***

As public scrutiny and economic uncertainties continue in 2011, corporate boards will need to focus on corporate governance, generating growth and sustained profitability, global competition, and new regulations. A panel of three directors with significant C-level and board experience discussed these topics. Moderating the panel was Ernest L. Godshalk, III, member of the advisory board of Velocity Equity Partners and director of three public company corporate boards.

**William H. Swanson** joined Raytheon in 1972 and has held a wide range of leadership positions, including manufacturing manager of the company's largest operation, senior vice president and general manager of the Missile Systems Division, general manager of Raytheon Electronic Systems, president of Electronic Systems, and chairman and chief executive officer of Raytheon Systems Company. In addition, Mr. Swanson is a board member of: Congressional Medal of Honor Foundation, the California Polytechnic State University President's Cabinet, the Cal Poly Foundation, and the FPL Group, Inc. He is vice chairperson of the John F. Kennedy Library Foundation board and chairman of the Business-Higher Education Forum (BHEF).

**Myra Hart** is a member of the senior faculty at Harvard Business School. Her work as MBA Class of 1961 Chair of Entrepreneurship encompassed teaching MBA, executive, and alumni courses, co-chairing the Entrepreneurship unit, launching the HBS Models of Success initiative, directing major case-writing programs and authoring more than 60 cases. Hart's research on women entrepreneurs has been a long-term collaboration with four other entrepreneurship professors focused on women leading high potential businesses and women in venture capital. The team also founded an international research consortium that includes scholars from more than twenty countries. Prior to joining Harvard in 1995, Professor Hart was an executive in retailing. She began her career with the Jewel Company, and left in 1986 to join the founding team of Staples the Office Superstore where she served as VP of Growth and Development from launch through IPO. She has served on public and private company boards in the US and Europe. She currently serves as a director of Kraft Foods Inc., Office Depot, and Nina McLemore Inc., is a trustee of Babson College, trustee emeritus and Presidential Councilor of Cornell University, and a member of the National Board of the Smithsonian Institution

**Michael W. Brown** has been a director of EMC since August 2005. From August 1994 until his retirement in July 1997, Mr. Brown served as Vice President and Chief Financial Officer of Microsoft Corporation. Mr. Brown previously spent 18 years with Deloitte & Touche LLP in various positions. After retiring from Microsoft, Mr. Brown served as Chairman of the NASDAQ Stock Market board of directors and as a past governor of the National Association of Securities Dealers. Mr. Brown is also a director of VMware (Chair of the Audit Committee and member of the Compensation and Governance Committee), Administaff, Inc. (member of the Audit Committee), and Thomas Weisel Partners Group (Chair of the Audit Committee).

The following are highlights of the discussion:

Mr. Godshalk asked each panelist to name the most important issue that boards are facing in 2011, and then led a question and answer forum.

Mr. Swanson stated that his board is focused on sustainability and the environment because it is a good business decision, as well as a crucial initiative for everyone who follows this generation. He suggests the use of financial metrics to track the progress on these initiatives. Mr. Swanson emphasized that the board should ask many questions, and then it should support the management team's final strategy. He also believes all boards in 2011 must focus on "getting it right" with size, price structure, expenses, and the right CEO in place.

Ms. Hart believes that rebuilding public trust in corporations is the major goal for 2011. Each board can do this by focusing on doing things well and correctly. She offered the following tips: pay attention to delivering high quality products and services, and focus on customers, employees and communities. Ms. Hart agreed with the other panelists that the most important tasks for any board are selecting the right CEO and planning for succession. Ms. Hart also stated that board members must understand the company's business thoroughly in order to better contribute to strategy discussions.

Mr. Brown advocates the importance of a board maintaining a "wide fiduciary view." He feels that increasing and complicated regulation has made this responsibility less clear and can overshadow it. Mr. Brown stressed the importance of having a risk management process, in addition to a risk management committee. He believes that board members must agree with and understand the company's strategy. If there is a complete misalignment on this issue between board member and management, the board member should resign.

The panel fielded the following questions from the audience:

Should businesses try to influence government regulations?

What can large companies do to avoid being victims of the economy?

Is the increased reliance on hiring graduates of non-US educational systems a threat or a benefit to business?

What role do financial metrics play in helping the board?

What is the panel's reaction to the government proposals to reduce the size of corporate boards, to increase the number of retired members and to scrutinize compensation?

What are some ways to keep board members up to speed on the current risks and issues facing the company?

Does the panel have succession planning advice for small companies which do not have divisions as “training grounds” for future executives?

NACD New England chapter President Bill Earon adjourned the meeting and reminded the audience of the next breakfast event on February 8, 2011 at the Boston Harbor Hotel, “The Delaware Court on Director Liability.”