



Hot Topics

The Top 11 for Directors in 2011

Coming into the new year, directors have a variety of topics and concerns to consider, in part due to regulatory reform and in part due to the evolving business environment. Areas of focus and the most prominent issues vary, but certain topics are common to many companies. The most pressing are outlined in *Directors' Alert: 11 Issues for 2011*, a publication providing insights from governance services leaders of Deloitte Touche Tohmatsu Limited (DTTL) member firms around the globe. Although the list is not all-inclusive, boards can use the topics outlined below to discuss their 2011 agendas.

- **Risk management: When everyone minds the business.** In a risk intelligent culture, everyone in the organization takes responsibility for risk management, and intelligent risk-taking is used to protect assets and create value. Organizations that support effective, sustainable risk management processes distinguish themselves from their peers, and the board plays a crucial role in overseeing these procedures.
- **Sustainable development: The next transforming wave of change.** Sustainable development involves ensuring that the social and environmental costs of business activities do not outweigh the associated benefits. Some analysts predict that the sustainability movement will transform organizations and the economy to a degree matched only by the advent of mass production, the technology revolution, and globalization.
- **Strategy development: The board as hands-on strategy leader.** Boards have been increasingly important in providing a long-term view that emphasizes the importance of maximizing growth and creating value. Among the board's primary roles are to review the strategy presented by management, constructively engage in related discussions, and challenge the underlying strategy assumptions.
- **Strategy execution: Linking performance to strategy.** Boards are taking a more active role in strategy development, and many are also focused on monitoring how those strategies are executed.
- **Corporate planning: Past results do not indicate future performance.** Corporate planning departments that modeled future scenarios based on past events were caught short in the financial crisis. Today, organizations may need to take a risk intelligent approach to corporate planning. To succeed, management must identify, analyze, interpret, and communicate information about risks facing the organization.
- **Shareholder engagement: The best conversations go two ways.** A constructive two-way dialogue with shareholders can benefit boards by providing them with opportunities to explain their views on governance matters, including strategy and risk management, compensation, disclosure issues, and corporate sustainability.
- **Board evaluations: Healthy boards have regular performance checkups.** Regular board assessments that examine the board's structure, processes, governance information, and overall mandate are essential to building the board's effectiveness, sharpening its focus, and improving its efficiency.

- **Boardroom efficiency: Doing the right things even better.** Boards must operate as effectively and efficiently as possible. As board responsibilities have increased, the time available to address those demands has remained relatively constant. In response, boards have had to become increasingly efficient.
- **Director education: Non-stop learning.** If directors are to be effective in making decisions that affect the organization, its employees, and its stakeholders, a formal board education program is vital.
- **Succession planning: The long and short of talent development.** Having a well-designed, well-managed succession planning process with a steady stream of potential candidates is increasingly critical for long-term sustainability and success.
- **Regulatory change: Anticipating change for competitive advantage.** For directors in all industries, the question of how to address the expanding scope of regulation is likely to dominate agendas in 2011.

Concluding Thoughts

With continually expanding mandates, boards are challenged to stay sharply focused on their priorities and to carry out all their duties effectively and efficiently. Directors should continue to identify those topics that will most influence their companies. Although the right approach will depend on the culture and circumstances of the particular board and organization, these 11 topics can provide a foundation for boardroom dialogue.

To see expanded discussion of these topics developed by DTTL member firms, as well as questions that directors may ask related to each, see *Directors' Alert: 11 Issues for 2011*. Additionally, DTTL member firms offer websites that are tailored to the governance concerns of their particular countries. These sites, which provide resources and links to information from Deloitte and third parties, can be accessed from the Global Center for Corporate Governance (www.global.corpgov.deloitte.com).

Hot Topics articles are featured in each issue of *Corporate Governance Monthly*, a newsletter with the latest information for boards of directors and their committees from the Center for Corporate Governance (www.corpgov.deloitte.com).

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