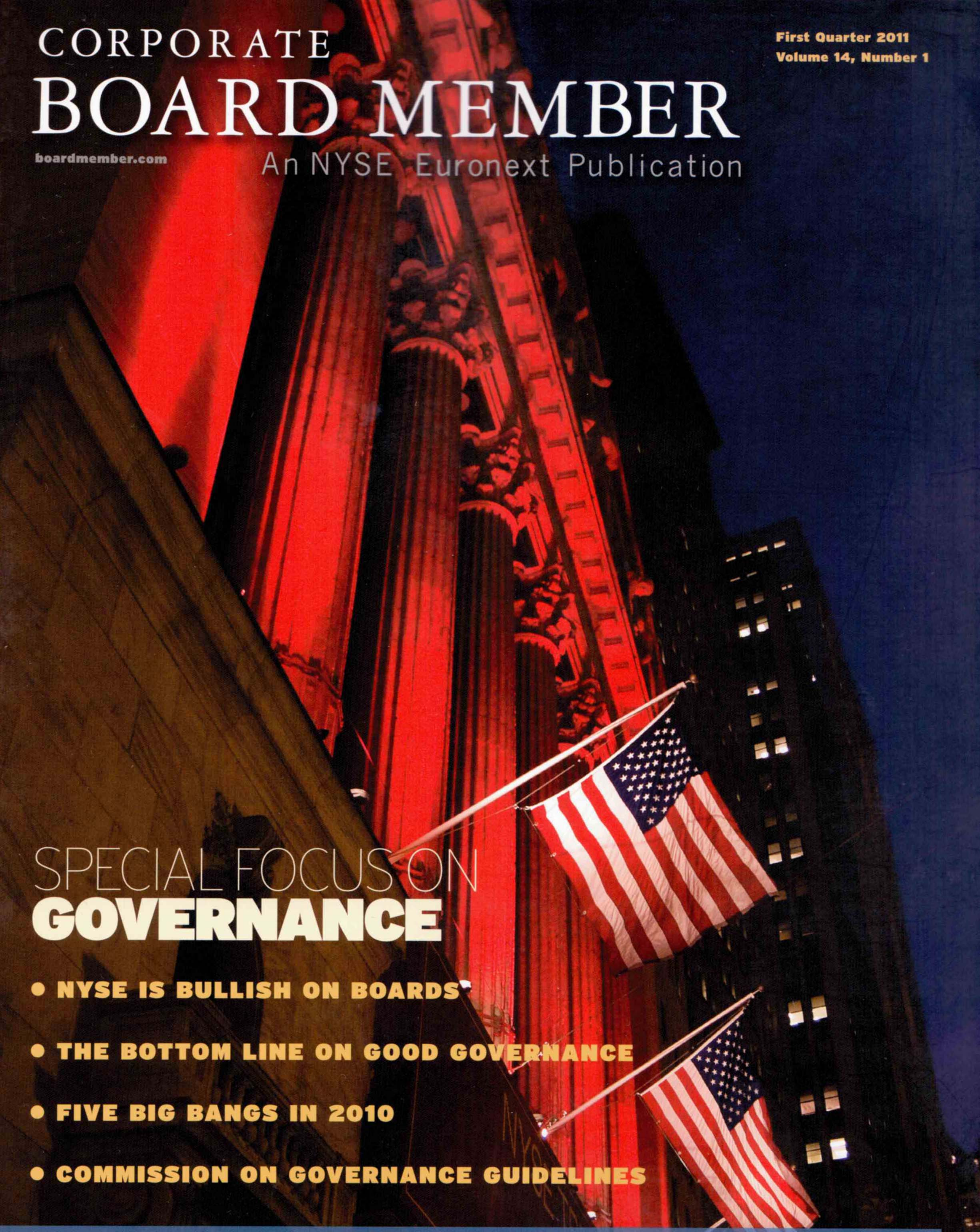
First Quarter 2011
Volume 14, Number 1

CORPORATE BOARD MEMBER

boardmember.com
An NYSE Euronext Publication



SPECIAL FOCUS ON GOVERNANCE

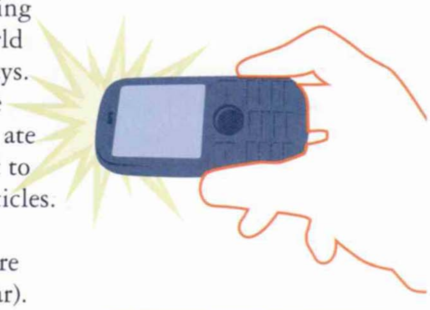
- NYSE IS BULLISH ON BOARDS
- THE BOTTOM LINE ON GOOD GOVERNANCE
- FIVE BIG BANGS IN 2010
- COMMISSION ON GOVERNANCE GUIDELINES

PLUS: A DELAWARE COURT RETROSPECTIVE • DATA SECURITY RISKS • DOES YOUR CEO HAVE SKIN IN THE GAME?

something you want to participate in regularly. "The best way to determine whether the group is appropriate is to join and 'lurk' for a while to get a sense of the members, the types of conversations that take place, and the culture of the group," says Linda Pophal, owner and CEO of Strategic Communications and a frequent speaker on social media.

Another site to consider is Twitter, the quick-hit information site that allows you to follow people or groups that interest you and invite others to follow you. The site delivers nuggets of information in 140 characters or less. "What I love about Twitter is that you get real-time quick hits by following people who are in the world of governance," Lenkov says.

While some people use Twitter to post what they ate for breakfast, others use it to disseminate important articles. The key, Lenkov says, is figuring out which ones are relevant to you (see sidebar).



DIVULGE WITH CAUTION

Once you're logged on, it's important to post the right kinds of information. For instance, there's no need to get into the details of all your jobs and every responsibility. And you should never post anything you wouldn't want the world to know. "It's the old rule about not saying or doing anything you wouldn't want to see on the front page of *The New York Times*," Marcus says.

Pophal says board directors should check with a company's policies on public communications before posting anything about the corporation. "Board members should post information consistent with and supportive of company messages," she says. "They should not post information that is confidential, critical, or damaging to the organization. For instance, you wouldn't want to post any kind of personal, opinion-based criticism about your company, decisions made by its leaders, or inside information about issues under discussion."

And if you don't want an influx of e-mail, limit the way you receive e-mails and be choosy about your followers. "If you use these tools in an intelligent way, then it's pretty safe," Lenkov says. "It's simply a way to get information."

by Winnie Yu

SWEET TWEETS

Want the latest on corporate governance news on Twitter? Lucy P. Marcus, CEO of Marcus Venture Consulting and a board director herself (@lucymarcus), recommends you follow these people:

- Douglas K. Chia: @dougchia
- Douglas Park: @DougYPark
- Eric Jackson: @ericjackson
- Fay Feeney: @fayfeeney
- Francine McKenna: @retheauditors
- Frank Aquila: @faquila
- Heidi N. Moore: @moorehn
- Jayne Juvan: @JayneJuvan
- James McRitchie: @corpgovnet
- John Gillespie: @CorporateBoards
- Nell Minow: @nminow

10 KEY CHALLENGES FOR CEOS

As the new year unfolds, business thought leaders are prognosticating about what lies ahead and the best way to manage future challenges. Stephen Miles, vice chairman and head of Heidrick & Struggles' Leadership Advisory Services, offers directors and officers 10 key challenges for chief executives in 2011.

The major challenges, he says, stem from the growing global dynamic, the aftermath of the financial crisis, emerging technology, and the changing needs and perceptions of the employee base as well as shareholders.

1. MOVING FROM "BUSINESS CASE" TO "SOCIAL BUSINESS CASE." As companies weigh decisions such as entering a new market or embarking on a multi-jurisdictional acquisition, the business case must now be viewed through a new lens: How will this business decision impact the region they are going into? It is no longer enough for companies to meet the 'legal requirements'; they must make the case to the local stakeholders that this move will benefit the target community.

2. STEPPING INTO THE ROLE OF "AMBASSADOR." On a related note, the CEO must personally act as diplomat and actively engage with politicians and regulators around the world.

3. REPAIRING THE CORPORATE IMAGE. In this environment, CEOs in all industries must work assiduously to repair their reputations among the media, regulators, investors, and the public at large. One way of doing this is through earnest corporate social responsibility, which helps to diffuse the negative press and

also jibes with the priorities of today's younger employees—another important constituency that companies must consider.

4. MAKING THE BOARD AN ALLY. Developments such as Sarbanes-Oxley and the global financial crisis have further distilled corporate boards into the role of scrutinizing and interrogating management. The CEO must build a strong relationship with these key stakeholders to work together on desired initiatives and operate with transparency.

5. BUILDING A GLOBAL LEADERSHIP PIPELINE. A recent Heidrick & Struggles survey conducted with Stanford's Rock Center found 51% of companies could not name a CEO immediately if needed, and 39% have no internal candidates whatsoever. Thus, it is incumbent upon every CEO to ensure he or she has a robust and global pipeline of senior talent throughout the organization.

6. GRAPPLING WITH CHINA. Almost every CEO is eyeing China—either as a consumer market or supply chain base. But partnerships there can carry much risk. Chinese companies, supported by their government, are aggressively acquiring intellectual property and are increasingly looking to go it alone in competing on the world stage. CEOs must be aware that they may be creating competitors if they enter into a joint venture in China—and manage this risk accordingly.

7. UNDERSTANDING SHIFTING EMPLOYEE VALUES. Managing the demographic changes as baby boomers move into retirement is something no CEO should overlook or delegate to HR.

8. OPERATING IN A WORLD OF SOCIAL MEDIA. Today's CEO is coming to realize that potentially all of his or her decisions and actions are broadcast in real time on company blogs or on social networking sites online. Instead of being a 'victim' of this new exposure, CEOs must embrace and become part of the new media.

9. DRIVING DIVERSITY. It's time to move from a compliance-based approach to diversity to one where we truly build (and value) diverse companies and boards. As part of their greater engagement with recruiting and with talent management, CEOs need to personally drive diversity in their organizations rather than making this an HR issue.

10. MANAGING A GLOBAL LEADERSHIP TEAM. A corollary to the challenge of building a more diverse and more geographically diffuse management team is the complexity of managing a team that is physically spread out. Expatriate programs—in which companies send executives abroad for experience—carry the risk of having those employees scooped up by competitors. Local teams may be more likely to stay with the company, and they may also be better able to compete with local competitors.

A FISTFUL OF RISKS

Five risks corporate boards should prepare for in 2011.

- **Strategic risks.** Those risks that threaten the long-term success of the company, or those that must be taken to ensure the enterprise is taking advantage of game-changing opportunities. Make the most of the risks you choose to take.
- **Proxy disclosure of board risk oversight.** In its December 2009 rule, the SEC required more transparency on how boards oversee risk management for publicly traded companies. While 2010's proxies took a first pass at addressing the rule, be ready to revisit and potentially expand that reporting in 2011.
- **FCPA risks.** America's highest level of enforcement and fines around the Foreign Corrupt Practices Act will enjoy a 10th anniversary in 2011. While standing programs for FCPA compliance are likely years old, now is the time for companies to conduct compliance stress tests to prepare for the ongoing era of increased enforcement.
- **Managing risk data.** Information culled from risk and governance programs can be invaluable in strategic decision-making. The practice is still fairly nascent, but more boards are discussing how to best leverage that data in the new year.
- **Poor risk infrastructure.** Ensure that the people, processes, and technologies in your organization's risk infrastructure share an overarching approach to risk management so the board can maintain proper oversight of risk.

Source: 2010 Deloitte Development LLC