# A RETROSPECTIVE ON 2010
# And What We Can Look Forward To In 2011
*By Jill Dann*

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## A RETROSPECTIVE ON 2010

2010 has been a key year for boards around the world receiving more external scrutiny than in the previous decade. Governments have delivered their key aspects of the regulatory response to the global financial crisis. The nature of this response and the nature of the threat of the global financial crisis have formed national and international governance environments for many years yet to come, incorporating many actions and lessons:

- Changes to the framework of global financial regulation; tailored to the unique challenges and circumstances of distinctive enterprises and each national environment.
- More overt manifestations of good governance; ultimately dependent on the behaviour of individual companies and within each, its directors.
- Mandatory items on the board's agenda including rigorous debate and decisions on strategy, risk, value derived from bonus payments, executive reward and remuneration, succession planning — Items subject to external rules and regulations in more industries and areas of commerce such as banking and insurance.
- Redrawing of baseline skills expected of board members (apparently lacking on certain bank boards prior to the financial crisis) — all directors should possess a baseline ability to assess the overall strategy and business model of the company, to monitor and critique alternative executive proposals
- Pressure on the size of the top team and the self-awareness and self-directed learning capability of the top team.
- Action resulting from exposure of inadequate capability, insufficiently critical mindset, knowledge or expertise amongst the senior management in order to challenge and support the top team.
- Action resulting from loss of Public faith in the scrutiny and intervention of independent non-executive directors — for example there is an expectation that they would have made a substantial contribution to raised standards of enterprise governance.
- Independent or non-executive directors may possess appropriate knowledge and experience. However, if independent or non-executive directors are not on-line to company information systems in order to exercise effective oversight, they may need better executive information management.

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- In addition, independent or non-executive directors should seek to dedicate a sufficient amount of time to their role and its responsibilities (such as committee-work) and to limit the number of board positions accordingly.
- This latter point is particularly impactful when taking the Chairman or CEO role. If the Chairperson lacks the necessary skills or personal qualities to fulfil the role, an otherwise fully-competent board may not succeed. Furthermore, the qualities required to be successful as a Chairman are not the same as those of an effective CEO. In terms of setting the benchmark, externally-driven boardroom appraisal procedures recognised by the wider investor and corporate community are likely to engender more faith by the Public and investors.
- The global economic crisis has highlighted the importance of linking employee incentives with risk-adjusted long-term performance, regardless of position in the structure. The Public can see what appears to be 'Rewards for failure'. These affect the perception of the whole business community and therefore any such schemes should not be endorsed by board members; solely justifiable business remuneration schemes.
- In 2011, businesses must engender or rely upon a free-flowing entrepreneurial culture, particularly amongst smaller companies to get themselves and the UK back on its feet.

Thus, boards should take a fresh look at their entire capability development strategy and the continuous professional development of board members in their directorship and specific functional role through appropriate professional membership. This should encompass all employees in the value chain and key third parties in the supply chain through the structural cascade or processes to front-line operational roles.

Considering the rise of businesses encouraging Web 2.0 e-commerce and the use of social media to win business, I think that 2011 is going to be a fascinating year. It has never been so easy to develop, productise and market your IPR from your own living room. 2011 will be the year for creativity, entrepreneurship resulting in innovation and sustainable, profitable new business.

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