

Boardroom challenges and priorities.

Over the past years, leaders in the boardroom had to adapt to unprecedented uncertainty, and decision-making has required courage and the ability to pivot fast. The discussions in boardrooms require directors to have the experience, skills and strategic thinking to ensure companies continue to grow and fulfil their purpose to shareholders and stakeholders, including employees, customers and communities.

Companies are under greater external scrutiny and directors are being held accountable for decisive and discerning corporate governance. Quite often boards have increased the frequency of their conversations facing conflicting opinions, robust debates and raising difficult questions for management. The results may be a catalyst for more turnover in the boardroom and the C-suite, some planned and some unplanned, to ensure the right leadership at the helm.

Here below some of the challenges in the boardroom.

1. Leadership - One of the primary responsibilities for the boardroom is having the right CEO as leader. If this is not the case, the first thing the board has to address is what to do about it, to either help the CEO improve or replace him/her. As soon as the right CEO is onboard then the focus is on the C-suite, and finally making sure to retain the executive team.

2. Strategy – A critical aspect for boards is making sure the company has the right strategy. A three- to five-year strategy window is what boards are focused on, not annual plans. The annual plan is put together to support getting to the three- to five-year strategy. The other aspect that boards watch out for is the implementation of the strategy with CEOs and executive teams being disciplined on the deliverables and managing expectations from the market and stakeholders.

3. Succession - Succession planning is a full board responsibility and boards have to focus on two scenarios: planned and unplanned succession. Board succession, as well as CEO and C-Level succession, are both important and are an agenda priority for boards. The boards should look at the company pipeline few levels down from the executive leadership to be able to have solid backup plans for the top leaders of the company, as well as building an external pipeline with best talents from the market. Succession planning for the CEO, C-suite and board is becoming an increasingly important discussion topic in every boardroom.

4. Externalities – It is crucial staying in contact with external stakeholders taking a third-party perspective. It puts the board in a mindset to be on the other side of the table, for subjects concerning ESG matter. Boards have to decide if ESG aspects have merit or not, what is the returns to shareholders in the short and long term and how to reflect them into the strategy.

5. Risk management - The management of risks are specific to each organization and a robust governance is essential to mitigate risks. Each company has risks of varying degrees depending on the sector, yet, for all companies, there are some risks that cannot be predicted, and pandemics are a good example of that. Boards and leaders' responsibility is to mitigate as much of that unpredictability as possible. When risks are identified, what actions are being taken to mitigate those risks? Surprises are going to happen anyway, but vigilance is critical.

I wish you all to take wise and brave decisions.

Best regards,

SALVATORE ARICO'

SARICO Advisory Network