

DIRECTORS' PRIORITIES FOR 2022

The disruptive impacts of COVID will continue to challenge all sectors in 2022. We know that the magnitude will lessen this year; it is the uncertainty and unproductivity that creates havoc.

What are boards prioritizing this year?

STRATEGY

Above all, boards are responsible for creating and overseeing strategy. High functioning boards and management teams are reviewing their strategies with a critical eye. Is the strategy still relevant and impactful as we enter a new era of inflation, labour shortages, pandemic uncertainty, trade disputes, supply chain disruption and cybersecurity risks? Were stakeholders engaged and was their feedback incorporated into the current strategic plan?

PEOPLE AND HUMAN RESOURCES

The balance of power has shifted from five years ago. Employees and workers have greater leverage. One must give ample consideration to HR policies and practices.

Labour shortages are endemic across North America and parts of Europe. There are many contributors: government assistance, COVID deaths (800k in the US as of mid-December), demographics, career changes due to COVID disruptions, e.g., retail and hospitality. Candidates with technical skills, especially developers and CIOs, are in high demand. The supply shortage is

driving up compensation, particularly as inflation increases cost of living in Silicon Valley and major centres.

Whether you concur or not with the concept of the great resignation, talented executives are in demand. CEO succession can take several months, and ideally commences well before a CEO's departure. Talented CEOs can write their own ticket. Many boards are asking to review the retention strategy for members of the SLT, particularly the CFO, CMO and CIO.

Executive burnout has escalated. Some CEOs have taken extended health leaves. Remote work has isolated CEOs and their senior team members, further exacerbating the toll on mental health. Wise boards are seeking regular updates on the overall health of the CEO and the executive team.

INFLATION AND SUPPLY CHAIN ISSUES

Finance and Audit committees are paying close attention to the financial impacts of inflation. Some organizations are re-negotiating procurement contracts and/or securing new suppliers. Many organizations are experiencing a triple hit. Material shortages impacting production and sales, increased prices for materials, and changes to consumer buying behaviour require an adjustment to financial forecasts and sales projections.

ACQUISITION OR DISPOSITION OPPORTUNITIES

M&A opportunities abound. At board meetings this quarter, directors are discussing their appetite for acquisition and criteria for same. Other boards and management teams are engaging external financial expertise to update company valuations to target buyers. It is wise to obtain consensus on acquisition or sale well before an opportunity presents itself or a hostile takeover bid is launched.

CYBER-SECURITY

CIO attendance at board meetings has increased. This is a positive and important trend. Technology pervades every aspect of operations, delivery, financial transactions and more – in every sector. Cyber-security threats continue to grow in sophistication. Most boards lack expertise in this area. While the pandemic impacts have often distracted CEOs and directors from other risks, the threat of cyber-security has only increased. It is not simply hackers at laptops in basements and apartment bedrooms. China and other countries have employed sophisticated tracking methods. Continued monitoring, diligence and insurance coverage are essential.

ESG

Environmental, social and governance challenges are no longer initiated by only environmental activists or sophisticated shareholder activists. Consumers and shareholders expect to see demonstrated commitment to advancing diversity, climate considerations and social awareness. Proactive boards are paying careful attention to ESG strategy and ensuring that progress is being made – at the board table and within the company. Measuring outcomes and reporting externally and internally have become standard practice for well-run companies.

By pursuing these six priorities in 2022, boards can govern and provide thoughtful leadership during our continued tumultuous environment.

Helping Define Your Company's Future Success



We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit www.theboardmindset.com or [contact us](#).