2018 Deloitte Board Symposium Retrospective
Staying agile through disruption and innovation
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Friends and colleagues,

Thank you for being part of the third annual Deloitte Board Symposium (Symposium). Each year, this event is designed to spur discussion and present diverse perspectives on some of the most pressing and challenging issues facing directors. We hope you found the time with your peers enjoyable and stimulating.

This retrospective consolidates many of the ideas exchanged during the two-day event. We would like to offer two key takeaways from the Symposium that are worth considering in the weeks and months ahead.

- Innovation and disruption continue to be top of mind for board members. Disruption has expanded beyond technology and business models as culture and talent have emerged as prominent topics, with culture highlighted by the timely NACD Blue Ribbon Commission Report. Board members encouraged each other to reflect upon the future of work and disruptions in the talent model, and the role of the board to oversee the various types of disruptions occurring in the organization.

- Leadership starts with the board. Board members focused on the idea of making an impact on strategy and the long-term direction of the organizations through strong productive relationships with the chief executive officer (CEO) and management, while still challenging the status quo. Keeping an eye on the horizon is never easy, but the tools, technology, and support of those around us can bring board members back to the long-term view while managing short-term events.

Thank you again for your interactive participation at this year’s Symposium and for being part of a vibrant community of directors looking to learn from one another. We look forward to seeing you at the 2019 Deloitte Board Symposium, at the Ritz-Carlton Hotel in Naples, on March 7-8, 2019.

Regards,

Deborah DeHaas
Vice Chairman
National Managing Partner
Center for Board Effectiveness
Deloitte

Henry Phillips
Vice Chairman
National Managing Partner
Center for Board Effectiveness
Deloitte & Touche LLP
2018 Deloitte Board Symposium highlights

L-R: Wendi Christensen, John Womack, Mark Buthman, and Mike Petrolino

Marc Goodman speaks to board members

Networking break

Jeff Schwartz addresses board members

L-R: Robbert Herz, Sue Kronick and Dennis Chookaszian

Board members in the plenary session

Peer-to-peer discussions

L-R: Greg Durant, Peggy Foran, Matt DiGuiseppie, and Mike McCauley
Audience perspectives*

Board members used the following words to describe the biggest disruptor they have faced:

- **LEADERSHIP VOLATILITY**
  - Forced and unforced turnover in executive ranks — mostly forced
- **TECHNOLOGY**
  - Competition
  - Engagement
  - Internet
  - Digital
- **CYBER**
  - AI
  - Activists
  - Aversion to change
  - Amazon
  - Millennials
  - Consolidation
  - Succession
  - LEADERSHIP VOLATILITY

What do you expect to be the principal challenges for the workforce of the future?

- 39% of the audience responded that they expect the principal challenge to be the reliance on a “gig” and alternative workforces.
- 15% expect the challenge to be greater use of robots and artificial intelligence.
- 30% expect the challenge to be providing workers with more options in terms of employment, benefits, and flexibility.
- 5% expect the challenge to be the challenge to retain employees and update skills.
- 5% expect the challenge to be other.
- 6% of the audience responded that they expect all of the above to be the principal challenges.

Are the boards you serve on today ready to address the challenge of staying agile through disruption and innovation?

- 39% of the audience responded that they are very prepared.
- 44% are somewhat prepared.
- 6% are minimally prepared.
- 11% are not prepared at all.

*The audience responded to several polling questions during the Symposium. Some of these results are included here and throughout this document.
Cyber risk management

New technologies have put more powerful tools into the hands of criminals, enabling cybercrime to scale at an exponential rate and in ways traditional criminality has not. The good news, however, is that organizations have many defenses at hand; the bad news is, the available defenses are often either not utilized correctly or not updated regularly, so directors should keep discussions about cyber defenses at the top of the agenda. Steps that can bring significant benefits include strengthening system access policies and procedures for all employees, including those who have left the company; addressing IT training and oversight gaps that create vulnerabilities due to human errors; and tightening oversight of large-scale IT cyber-hygiene so that issues such as spam filters, software updates and patches are made in a timely manner.

When a serious cyberattack does happen, what will you do? War gaming is an effective way for management and directors to find out in advance how difficult decision-making and communication can be during the unique circumstances of a cyber crisis event. In addition, boards can discuss with management the six types of cyber risk (theft, disruption, destruction, ransomware, corruption, and loss of life) and their levels of probability and impact, to help inform resource allocation decisions.

“A leading practice we are seeing from boards is prioritizing cyber risks to the company, and one of the ways to do that is by identifying the most serious and specific cyberthreats—the ones that can stop your business—with business-unit employees. The CIO or CISO can advise on the conversations, but you need to involve business heads to find out what the biggest cyber impact risks are, how to minimize them, and how to respond should they strike.”

— Mary Galligan, Managing Director, Cyber Risk Services, Deloitte & Touche LLP

Has your company engaged in red teaming or in a cyber wargame simulation?

| Yes | 61% |
| No — neither | 24% |
| No — but I wish it would | 15% |

Do you believe that your industry will be disrupted by an existing or new technology?

| My industry will likely be disrupted by a new or existing technology | 44% |
| My industry will likely be disrupted by not just one technology, but by a platform | 51% |
| My industry will not be disrupted by technology | 5% |

Featured panel: The agile board
- Marc Goodman, Best-selling author of Future Crimes, Founder of the Future Crimes Institute, and the Chair for Policy, Law and Ethics at Singularity University
- Mary Galligan, Managing Director, Cyber Risk Services, Deloitte & Touche LLP
Strategy, growth, and disruption

Whether assessing growth opportunities or avoiding disruptive threats, directors play a critical role in advising management on the strategic planning process. With a range and depth of experiences to offer, a well-functioning board should have the judgment to see how today’s trends and technology advances can shape an organization’s future, and advise on how to best act on strategic opportunities, whether they involve M&A, divestiture, or organic growth.

Boards should regularly question management about how they will address emerging issues and whether there are contingency plans in place. Moreover, directors should be prepared to practice the art of the pivot, encouraging and sometimes challenging management when an existing strategy needs to be adjusted in the face of new competitive issues that no one saw coming a year or even six months ago.

“The pace of innovation is accelerating, which compels directors to continually think about the possible impact on their world, and ask questions such as: “what does this mean for my company,” “how could I be challenged,” and “what are the opportunities posed by these changes?” Beyond the boardroom, directors need to continually educate themselves by talking to outsiders and looking at what other companies are doing.”

— Scott Bonham, Director, Magna International, Loblaw Companies, and Scotiabank

Featured panels:

**Business disruption: Perspectives from the boardroom**

- Ilene Gordon, Executive Chairman, Ingredion Incorporated; Presiding Director, International Paper and Director, Lockheed Martin
- Joseph R. Swedish, Executive Chairman, Anthem Board of Directors; Director, IBM, CDW, Proteus Digital Health, and America’s Health Insurance Plans
- Martin Wade, Chairman and Chief Executive Officer, Payless ShoeSource; Director, Alliance One International and Digital First Media
- Cathy Engelbert (Moderator), Chief Executive Officer, Deloitte

**Strategic decisions in light of M&A, innovation, and activism**

- Scott Bonham, Director, Magna International, Loblaw Companies, and Scotiabank
- Sebastian Niles, Partner—Corporate Governance, M&A and Shareholder Activism, Wachtell, Lipton, Rosen & Katz
- Carol Roberts, Director, Alcoa and VF Corporation
- Russell Thomson (Moderator), National Managing Partner, M&A Services, Deloitte & Touche LLP
Culture and the workforce of the future

Boards have an unequivocal role in overseeing corporate culture, however accessing the right information and knowing what steps to take to address issues and foster a strong culture as a strategic advantage can be a challenge. A recent Blue Ribbon report by the National Association of Corporate Directors, *Culture as a Corporate Asset*, discusses issues to consider and includes guidance on creating culture-based surveys, dashboards, and a code of conduct. It can also be useful to examine the state of board culture, and to what extent it aligns with the organization’s own culture. Often more than a single culture exists within the same entity, so it can be important to assess not only the “tone at the top” but also the “mood in the middle” and “buzz at the bottom”, as well as behaviors and incentives across the organization.

The future of work and human capital needs are also strategic issues for both management and boards. With expanded deployments of artificial intelligence, cognitive computing, and robotic processing — along with new talent models (including gig workers and crowds) — organizations’ workforce needs for the next decade will inevitably change, leading to many questions. What is leadership’s perspective on future talent needs given IT advances? How will the organization’s culture be maintained in the face of a rapidly changing workforce? And how will the future workforce impact organizations’ ability to compete and execute their strategies to build shareholder value?

“It’s a well-known phrase that ‘culture eats strategy for breakfast.’ No matter how much time I think as boards we may spend on strategic issues and disruption issues, without the right culture the operational execution of strategy just won’t happen.”

— Sue Kronick, Director, Hyatt Hotels and American Airlines

Have your boards considered/discussed the future of work as part of its oversight of talent?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Yes — in the past year</td>
<td>34%</td>
</tr>
<tr>
<td>Yes — in the past 2 years</td>
<td>8%</td>
</tr>
<tr>
<td>No</td>
<td>58%</td>
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</tbody>
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Featured panels:

**The board’s impact on culture: Innovative lessons in leadership**
- Dennis Chookaszian, Director, CME Group, Career Education, and Maxar Technologies
- Robert Herz, Director, Fannie Mae, Morgan Stanley, Paxos, Workiva, and the SASB
- Sue Kronick, Director, Hyatt Hotels and American Airlines
- Phyllis Campbell (Moderator), Chairman, Pacific Northwest, JP Morgan; Director, Alaska Air

**Disrupting talent: The board’s role in the future of work**
- Lana Hillebrand, Executive Vice President & Chief Administration Officer, American Electric Power
- Jan Fields, Director, Monsanto and Chico’s FAS
- Jeff Schwartz (Moderator), Principal, Human Capital, Deloitte Consulting LLP
Board refreshment, composition, and “over-boarding” remain key concerns for some of the largest shareholders. In response, many boards are working to recruit and maintain directors with diverse backgrounds and expertise. In addition to broadening the board composition, some boards also face the challenge of determining whether the next director should bring specialist or generalist skills, competencies and experiences to the board, depending on the strategic needs of the organization.

In addition to the composition challenge, clear communication is always crucial, as underscored in a recent publication from the Investor Stewardship Group. The guide outlines a number of principles that can be incorporated within an organization’s own proxy statement, with the board providing its views on whether the organization is aligned with the concepts or not, and why.

Although it’s still early to fully understand the impact of US federal tax reform legislation, many see potential benefits in the form of lower corporate tax rates and the opportunity to repatriate cash. For directors, the hard work begins in calculating the impact of new tax rules on capital planning, cash, risk assessments, strategy and growth initiatives, on both a domestic and global basis. Again, clear communication with shareholders, investors and other key stakeholders will be critical as planning evolves.

“Just a few years ago the conversation between investors, companies, and their boards was often about compensation. Today the conversation is more about the board’s role in strategy and oversight and the structures in place that allow the board to be successful in its responsibilities. That necessitates a different level of dialogue between investors and board members about the organization and about the views of the board on how they allow management to be successful.”

— Matthew DiGuiseppe, Head of Americas Asset Stewardship, State Street

As a board member, I understand in clear plain language the legislation and the impact on my company’s business.

### Featured panels:

**Staying agile: The investor perspective for boards in 2018**
- Matthew DiGuiseppe, Head of Americas Asset Stewardship, State Street
- Peggy Foran, Chief Governance Officer, Prudential Financial; Director, Occidental
- Mike McCauley, Senior Officer, Investment Programs & Governance, Florida State Board of Administration
- Greg Durant (Moderator), Vice Chairman and Deputy Chief Executive Officer, Deloitte & Touche LLP

**The impact of tax reform for boards—What’s next?**
- Mark Buthman, Director, IDEX Corporation and West Pharmaceutical Services
- Mike Petrolino, Chief Tax Officer, Lennar Corporation
- John Womack, Managing Partner for International Tax, Transfer Pricing, and Indirect Tax, Deloitte Tax LLP
- Wendi Christensen (Moderator), Partner, Deloitte Tax LLP
Sensing shifts and making choices in a time of uncertainty: Strategy for the long term

For CEOs and directors, making choices with finite time, resources and capital is one of the hardest things to grapple with. They're asking: Do we invest in AI, social, mobile, cloud, blockchain, bots, AR/VR, the Internet of Things, or whatever is next that I haven't even heard of yet? And, they need to make those decisions now—without waiting until outcomes are clearer.

One of the best ways to navigate this isn’t to predict the future—but build options should events unfold differently. Part of how we do that is by looking at what’s happening out there that could have a big impact on our business. Things related to globalization, demography, and transformative technologies. Directors should also help coach management to see the possibilities, changing the nature of the conversations to be about the choices being made. In the end, it’s about the board and management working together to prepare options for multiple futures.

“One of the critical questions for boards is ‘What is our ecosystem?’ and ‘Who should we collaborate with?’ I ask our own team, ‘Don’t tell me who is going to disrupt us. Tell me what is going to disrupt us.’ That requires everyone to think differently about what needs to be done.”

— Cathy Engelbert, CEO, Deloitte

Cathy Engelbert addresses participants

Featured panels:
Singles and shifts in an age of uncertainty
- Cathy Engelbert, Chief Executive Officer, Deloitte
Leadership and strategy execution, whether in the public or private sector, are about setting a course for the long-term success of the organization while protecting against short-term surprises along the way. Effective talent management powers both strategy and performance, and leaders on the board and in management can task diverse teams to create tomorrow’s winning innovations. Leaders should be thinking two, three or four steps ahead to be able to succeed, pivot appropriately, and develop competitive advantages.

Talent development, sponsorship, mentoring and coaching are the shared responsibilities of all leaders. Board members should be willing to coach and mentor each other as well as new directors during the on-boarding process. As directors, we all need to strike the right balance between times when we need to learn from others to address gaps in our backgrounds, and times when we need to step forward and help others based on our own strengths.

“...My humble advice is to insist that you really allow plenty of time to not only be briefed on, but to really discuss your strategy and alternatives to the strategy, within your board environments. Stress management to come up with alternative scenarios so that you can have a lively and meaningful discussion about this.”

— Deborah Lee James, 23rd Secretary of the Air Force; Director, Textron and Unisys

Board members used the following words to describe their top challenges in 2018:

- Culture and social media
- Cyber
- Security
- Capital allocation
- Shareholder value enhancement
- Strategy
- Technology disruption
- Brand
- Value
- Inflation impacts
- Economic uncertainty
Center for Board Effectiveness
Deloitte’s Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high quality, innovative experiences throughout their tenure as board members. Whether an individual is aspiring to board participation or has extensive board experience, the Center’s programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession.

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