



A Qimpro Initiative

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Best Practice

THE TEN QUESTIONS EVERY DIRECTOR SHOULD ASK

Asking the right questions is at the heart of good corporate governance.

The Ten Questions is a tool that directors can use to identify where further dialogue should be directed.

In many cases, a question opens the door to more questions

1. **Do you have the right CEO?**

The single most important thing you can do as a director is to be at peace with yourself on this question.

2. **How well is the CEO's compensation linked to actual performance?**

Directors must be clear on how compensation reflects both the board's philosophy and the company's actual performance. Is performance measurement clear? Will the compensation plan encourage the right behavior?

3. **Do you have a precise understanding of the money-making recipe in the chosen strategy?**

Directors have to understand a company's strategy and how it translates into a money-making recipe. What makes it distinct from competitors? How long will the competitive advantage last?

4. Is the management team looking at external trends and diagnosing the opportunities and threats presented?

Changes in the business environment come from a variety of sources: industry competition, new entrants, technology breakthroughs, new distribution channels, legislation, global trends, climate change, societal concerns, and so on.

5. What are the sources of organic growth?

Companies with longevity have always used organic growth to create long-term shareholder value.

6. How rigorous is the process for developing the leadership gene pool?

A critical success factor for the long-term is the quality of the company's human resources.

7. Do you have the right approach to diagnosing financial health?

Where is cash coming from? Where is cash going? How do the inflows and outflows work together to create value?

8. Do you get bad news from management in time and unvarnished?

Is management sharing bad news with the board? If not, why not?

9. Are you examining measures that capture the root causes of performance?

How well do you understand the premise behind each performance measure you see?

10. How productive are executive sessions?

Is the board coming to a consensus viewpoint on a handful of the most important issues?

Source: Boards That Deliver, Ram Charan



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