
Refocusing the Role of Directors in Light of the Current Economic Downturn

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In light of the current economic downturn, the question has been raised as to how the focus of directors should shift to comport with the present needs of the corporations on whose boards they serve. While this question is complex and presents an opportunity for reassessing the role of corporate directors, three areas warranting heightened attention and concern stand out as significant and particularly relevant in the current economic environment. First, board members must ensure that their perception of acceptable risk and that possessed by management is congruent. Second, members of corporate audit committees must be sensitive to the pressure placed on management in respect to earnings reports released during fiscal downturns. Third, members of corporate compensation committees must be aware that shareholders will demand that management also feels the impact of declines in share value. Increasing attention to these areas, while only several of the matters of concern that directors must focus on in the current economic downturn, would have a significant impact.

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