Deloitte.

January 2024

Center for Board Effectiveness

On the board's agenda | US

Living in "interesting" times: The 2024 board agenda

January is a good time to think about the year to come. And as we look to 2024, there are some risks, challenges, and opportunities that seem likely to appear at the top of the board's agenda. Applying a strategic lens to these enterprise risk issues may be a useful navigation aid—in the new year, and beyond.

A year for "interesting" governance

Over the course of the next year, board members could find themselves living in interesting times. The Oxford English Dictionary defines interesting as "having the qualities which rouse curiosity or engage attention," which seems an apt characterization for 2024. At present, the world continues to grapple with macro-level issues such as geopolitical risks and economic volatility. Advances in technology and other business processes continue to open the door to numerous new opportunities and risks. And because of these forces, to reiterate the point: Governance seems poised to become even more interesting.

Viewing 2024 with an enterprise risk lens

While no one can know the future, it seems safe to say several large-scale risks could loom in 2024. Geopolitical upheaval, political instability, economic uncertainty, regulatory change, rapid technology development—just to name a few challenges—may be frequent items on the board's agenda. In the current environment, the short-term fallout has the potential to be substantial. But in the longer term, how boards respond may be just as (if not more) impactful. Ultimately, the board's oversight and governance actions shape the sustainability and resiliency of its companies in the face of risks and opportunities.

Applying an enterprise risk lens may be useful for boardroom discussions around the year's upcoming governance challenges. In theory, enterprise risk management (ERM) processes evolve with the times and avoids becoming perfunctory. Periodic assessments of these programs, including whether an appropriate mix of personnel and business processes are involved, might be helpful to maximize ERM utility.

Governance through a crisis

Some may view crisis management as a mere component of an effective ERM program. But no matter where the issue is viewed conceptually, it remains a strategic area of importance. When a company's leadership is not prepared, it can magnify the negative consequences of a crisis.

Boards have an array of tools—scenario playing, playbooks, etc.—that may help in this area. They might be worth considering for a simple reason: Crisis planning can bolster short- and long-term enterprise resiliency.

Risks and opportunities worth noting

Risk and strategy are evergreen areas of priority for board oversight. Accordingly, many of the matters discussed below fall into one or more of those categories, as risk often goes hand in hand with opportunity, and vice versa.

Geopolitical upheaval and economic uncertainty

As 2024 begins, the world is dealing with a series of major geopolitical conflicts. These confrontations have interacted with and amplified economic uncertainty in ways that have reverberated across the globe.[1] To greatly oversimplify matters, the array of risks associated with such events may be hard to anticipate. For example, conflicts that involve embargos can result in price uncertainty, which may be a concern for any industry using commodities in their manufacturing processes.[2] Other forms of instability, like political uncertainty, may also be considerations because of their effect on capital flows and cross-border investment.

These (hopefully) short-term issues could also interact with climate change—a challenge with a much longer time horizon. As a result of these macro-level risks of with varying timelines, companies could benefit from managing debt levels, costs, and margins. Strategies for this might include divesting or restructuring operations that are not providing sufficient returns, reducing the workforce, and similar actions.

Regulatory scrutiny and enforcement

Staying up to date on changes to regulations and compliance reporting is foundational for effective board oversight.[3] Alterations to scrutiny and enforcement patterns—in either direction—can inject uncertainty into governance processes. When any regulatory action is taken, it can take some time to fully understand its longer-term impacts.

There are a few crosscutting regulatory updates in 2024 that may be worth a boardroom discussion, though priorities in this area often vary by industry. Of note, the start of the new year brings an array of new or updated rules in areas including disclosures on cybersecurity,[4] 10b5-1 trading plan requirements,[5] recoupment of incentive compensation in the event of financial restatements,[6] and the need for certain entities to report beneficial ownership information to the Financial Crimes Enforcement Network.[7]

Cybersecurity

Cybersecurity oversight is frequently listed as a top priority by board members—and it seems likely to remain there in 2024.[8] Such "popularity" could be ascribed to the many flavors of risk that arise from cyber-related issues. For example, in the wake of adopting generative artificial intelligence (GenAI) and similar technologies, a company's cyber assets may become even more appealing to malicious actors.

On a different front, regulatory scrutiny may be rising along with the volume of cybersecurity attacks.[9] The US Securities and Exchange Commission (SEC) recently adopted rules requiring public companies to disclose their cybersecurity risk processes and details of certain cyber incidents.[10] The regulations do not require disclosure on board cybersecurity skills (or the lack thereof). But as a practical matter, this type of skillset is highly sought after by boards across a variety of industries. Consider a recent survey of audit committees, where a minority (41%) of respondents said the committee had sufficient cyber expertise while a majority (63%) ranked it as a top priority.[11]

Generative artificial intelligence

Any discussion of 2024 seems incomplete without the mention of artificial intelligence. For boards, finding the right mix of governance processes, policies, and standards to use the technology responsibly at the enterprise level is a persistent challenge. That's particularly true for GenAI, which seems to be the technology du jour of the moment.[12]

GenAI conversation starters

Given the hype, boards may want to be particularly diligent in overseeing where and how their companies use, evaluate, and monitor the potential risks of GenAI. Questions to consider include:

- How is it being used by the business and third parties?
- Could adoption change the existing human capital strategy?
- What risks might GenAI advancements exacerbate?

To be sure, its seeming omnipresence in business dialogues may be for good reason. With appropriate governance, the innovation opportunities for companies may offer a suite of benefits.[13] There can be tremendous value in leveraging GenAI for efficiencies in everything from day-to-day operations to monitoring internal controls and beyond. At the same time, the challenges associated with GenAI are numerous and can have many layers. The potential for bias and hallucination that can occur when the technology is used, for instance, may create an array of induced risks.[14]

Data transformation

From operational improvements to customer acquisition strategy, the business world has long understood the value of "big data." Historically, acquiring sufficient computing power to engage in this type of analytics carried a high price tag. For some organizations, the large upfront investment could be a challenge. But as big data has become a core component of emerging technologies like GenAI, such obstacles are getting smaller.[15]

In 2024 and beyond, a greater number of companies are likely to integrate their use of technology and data. For boards, the result of such efforts generally varies by company and sector. For example, it could be helpful to assess the benefits and risks of using it to simulate multiple scenarios across a range of business matters. Similarly, there are a number of notable benefits and risks to use of big data for transformative initiatives.[16]

Strategies for board effectiveness

No matter what 2024 may bring, the growing complexity of governance and oversight suggests board effectiveness is worth thinking about. Strategies for effectiveness range from the simple to the complex.

Among the simpler options, is just increasing meeting frequency. But while some boards find such a strategy helpful, there are obvious limitations. Because having a greater number of ineffective meetings seems unlikely to increase effectiveness. And though there is no prescription for ineffective boards, it might be worth discussing the below strategies to treat or cure the ailment:

1. Improving the quality and timeliness of the information boards receive. For instance, this might include asking management to use a succinct and consistent report format with clear action items.
2. Restructuring board and committee agendas to make more effective use of director time. This might take the form of adopting things like consent agendas.
3. Conducting more rigorous board and committee self-assessments, possibly including evaluations of individual directors, and acting on the recommendations resulting from those self-assessments.
4. As part of the board's larger director succession planning strategy, there could be value in prioritizing the need for expertise in GenAI and similar emerging technology.
5. Providing more effective director onboarding, so that new directors can have a clear understanding of their roles and responsibilities and can "hit the ground running."
6. Offering more opportunities for continuing education, including various aspects of the company's business, so that directors can be better equipped to ask meaningful questions.

Board members may find themselves in an "interesting" era of governance this year. Navigating that isn't easy, but these strategies may be useful for boards seeking to evolve and meet the challenges (and opportunities) their companies encounter.

Authors

Carey Oven
National Managing Partner
Center for Board Effectiveness
Deloitte & Touche LLP
coven@deloitte.com

Bob Lamm
Independent Senior Advisor
Center for Board Effectiveness
Deloitte LLP
rlamm@deloitte.com

Maureen Bujno
Managing Director and
Audit & Assurance Governance Leader
Center for Board Effectiveness
Deloitte & Touche LLP
mbujno@deloitte.com

Contact us

Audrey Hitchings
Managing Director
Executive Networking
Deloitte Services LP
ahitchings@deloitte.com

Krista Parsons
Managing Director
Center for Board Effectiveness
Deloitte & Touche LLP
kparsons@deloitte.com

Caroline Schoenecker
Experience Director
Center for Board Effectiveness
Deloitte LLP
cschoenecker@deloitte.com

Endnotes

1. Nicholas Bloom, Hites Ahir, and Davide Furceri, "Visualizing the rise of global economic uncertainty," *Harvard Business Review*, September 29, 2022.
2. José Noguera-Santaella, "Geopolitics and the Oil Price," Economic Modelling 52, 301-9, 2016.
3. Janet Foutty et al., "*The future of board time and priorities*," Deloitte and Columbia Law School, 2022.
4. SEC, "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure," 88 FR 51896, September 5, 2023.
5. Michael S. Kesner, "SEC finalizes 10b5-1 trading plan rule," Harvard Law School Forum on Corporate Governance, January 17, 2023.
6. Ibid.
7. Robert Appleton, Jason Saltsberg, and Brian Roe, "Reporting beneficial owners under the corporate transparency act," Harvard Law School Forum on Corporate Governance, December 10, 2023.
8. Deloitte, 2023 Global Future of Cyber Survey, 2022, Deloitte and Center for Audit Quality (CAQ), *Audit Committee Practices Report: Priorities and Committee Composition*, 2023.
9. Keri Pearlson and Chris Hetner, "Is your board prepared for new cybersecurity regulations?," *Harvard Business Review*, November 11, 2022.
10. SEC, "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure."
11. Deloitte and CAQ, *Audit Committee Practices Report: Priorities and Committee Composition*.
12. Eric Siegel, "The AI hype cycle is distracting companies," *Harvard Business Review*, June 2, 2023.
13. Brian Cassidy, Ryan Hittner, and Krista Parsons, "Artificial intelligence: An emerging oversight responsibility for audit committees?," 2024 Governance Outlook (National Association of Corporate Directors), December 13, 2024.
14. Benna Ammanath et al., "Generative AI Is All the Rage," Deloitte 2023..
15. Randy Bean, "How big data Is empowering AI and machine learning at scale," *MIT Sloan Management Review*, May 8, 2017.
16. Annie Adams and Raed Masoud, "Boards and transformation initiatives: Strategy is just the beginning, "*National Association of Corporate Directors (NACD) Directorship Magazine*, 2023.