



A Qimpro Initiative

Member: India  
Global Benchmarking Network

# 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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