What should boards of directors prioritize in 2024?

IESE survey reveals the latest strategies among top boards to tackle the unpredictable challenges of our times.



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In a disruptive context of geopolitical tensions, artificial intelligence, climate change and higher interest rates — among other major forces — boards of directors need to focus their priorities and sharpen their capabilities to steer their companies.

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Moreover, recent years have seen many crises involving corporate boards, from Boeing to Credit Suisse to the OpenAI debacle between CEO Sam Altman and the board that tried to oust him.

In light of all this, there are growing calls from shareholders, senior managers and other stakeholders to improve the board's effectiveness and strengthen board members' competencies and interpersonal dynamics to support the firm's long-term development.

In times like these, the strategic vision that boards provide can help companies adapt quickly and effectively.

In their latest survey, IESE's Gaizka Ormazabal and Jordi Canals, with Yuki Sakasai, asked 120 board directors in 26 countries for their views on four key challenges, three of them new to this year:

- Corporate purpose and culture
- Boards in action: board competencies and dynamics
- CEO leadership development and succession planning
- Corporate strategy and geopolitics

Power in purpose

Respondents reported that "purpose" should align with corporate strategy, the business model and the firm's goals, though not all believed their companies had achieved this.

As "purpose" plays a significant role in employee engagement and motivation, it is perhaps no surprise that people were a leading theme in corporate purpose statements, with clients and society a close second. Environmental impact and shareholder value were less prominent themes.

A high number (87%) of directors surveyed said their companies had a written corporate purpose statement, with two-thirds specifying that it was adopted by the board rather than by shareholders.

Regarding corporate culture, the board members surveyed highlighted the traits that they felt were most important as: trust, transparency, collaboration and meritocracy. Having a diverse workplace came bottom of the list.

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Boards in action

With regard to structure, boards have adopted some recommended international practices related to: the number of external, independent directors; separation of the chair and CEO roles; and addressing levels of diversity. While these practices may be useful, they do not provide any guarantee that boards will govern the company any more effectively.

Among the competencies board directors rate highest are: the ability to define and execute a corporate strategy; leadership development; collaboration; and the ability to drive change. Expertise in sustainability and technology, and knowledge of geopolitics, are considered less important. On a personal level, good board members should show integrity, reliability, moral authority and critical thinking.

Respondents considered the role of chair to be critical to the structure of the corporation, and the CEO to be less important in terms of how the board functioned. Engagement with key corporate actors was also limited, suggesting that activist shareholders and proxy investors have had their influence limited.

Preparing for succession

CEO succession and transitions can be a thorn in the side, as some well-known firms (Adidas, Deutsche Bank and Disney, among others) have experienced in recent years.

CEO succession plans are among the board's most important decisions, but are they treated as such? Reactions were decidedly mixed, with many respondents expressing hesitant views on how important this challenge was for their boards. Listed companies were overall slightly more likely to have a contingency plan. Many spoke of "lack of immediacy" being a main stumbling block to planning better for CEO transitions.

The strategic board, the geopolitical board

One of the main functions of the board is to discuss and approve corporate strategy. A reassuring 87% of respondents said they fulfilled this role, though only half considered their company's strategy to be unique. Yet having a strategy distinct from rival firms is a critical factor of economic success.

When a change of strategy is considered, it's usually due to more intense competition or

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technological disruption, suggesting pivots tend to be reactive rather than proactive. The authors highlight that customer data is rarely consulted, which signals a problem for the board: how to help make the company more customer-centric.

In terms of geopolitical turbulence and the strategic changes it can require, directors are largely in agreement that the board should discuss and react to such global pressures — although only half make the leap to believing directors with relevant geopolitical expertise should be prioritized in the board makeup. There was support for conducting geopolitical risk analyses, but it was somewhat lukewarm, particularly among non-listed companies.

As this study has evolved over recent years, it shows that strategy is a stronger consideration in board meetings than it was in previous years — a positive evolution that nonetheless speaks to the increasing volatility and unpredictability of doing business in the world today.

About the research

The survey consisted of 27 questions in four sections. 120 board directors in 26 countries responded between October 2023 and January 2024.

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