

# How can boards improve their effectiveness? 2024 IESE survey on boards of directors

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# 1. Introduction<sup>1</sup>

The business landscape is experiencing large disruptions, including climate change, energy transition, artificial intelligence and geopolitical tensions. Companies need to adapt quickly and effectively to these disruptions to survive. Boards of directors have the duty to help their companies and work with the CEO and senior management to steer the company and contribute to its long-term development and value creation in a sustainable manner.

In this new context, it is important to understand how the mission and functions of the board of directors are changing. In this report, we present the outcome of a recent comprehensive survey<sup>2</sup> of board directors on how they see these four critical areas with a large impact on the future of their firms: corporate purpose and culture; boards in action: board competencies and dynamics; CEO leadership development and succession plans; and the board in corporate strategy and geopolitics. By asking board directors their views on these areas, we can obtain qualitative answers regarding some of the critical functions and tasks of boards of directors in the current disruptive context. Their answers also provide indicators of their boards' awareness and readiness—as they are perceived by board directors—to help steer the company toward its sustainable long-term development.

The themes chosen for this survey are grouped around the major topics mentioned above. These are relevant challenges that shareholders—in particular, large shareholders—are asking boards of directors about, beyond the information required in financial reporting. Large institutional shareholders, pension funds, family shareholders and many family offices want to know more about the firm's purpose and culture to avoid large and persistent crises as we have recently seen at Boeing, Credit Suisse, General Electric, OpenAI, Uber, Wells Fargo and WeWork, among others. Some shareholders want to know more about the board, not only in terms of structure and composition but also about board competencies and dynamics. They are eager to learn more about how the board thinks and acts on leadership development and, in particular, in preparing for the CEO transition.<sup>3</sup> Finally, shareholders want to understand better the firm's strategy and business model in the current context of major disruptions.

This Report touches on three important aspects that were not covered by IESE's 2022 Boards of Directors' Survey:<sup>4</sup> the focus on board competencies and dynamics, CEO leadership development and succession plans, and the impact of geopolitical factors on corporate strategy. By addressing these issues intensively we aim at understanding how board directors assess the commitment and capabilities of their board in tackling them. In this Report, we briefly address the environmental impact and the climate change challenge in the corporate purpose section. We did not include more questions on this theme because it was already covered in the 2022 IESE Boards of Directors Survey.

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<sup>1</sup> The authors are very grateful to Núria Molet, IESE Center for Corporate Governance manager, who helped design and manage the survey and prepared materials for this report.

<sup>2</sup> See its content in **Exhibits 1** through **5**.

<sup>3</sup> See BlackRock, "Update Proxy Voting Guidelines," 2024.

<sup>4</sup> Y. Sakasai, G. Ormazabal, and J. Canals, "The 2022 IESE Survey on Boards of Directors: Corporate Purpose, Culture, and Strategy," IESE Publishing, 2022.

The survey upon which this Report is based consists of 27 questions grouped into four sections, around the major themes outlined above. It was administered between October 2023 and January 2024. In all, 120 board directors based in 26 countries (including in Africa, Asia, Europe, Latin America and the U.S.) completed the survey. In each section, the majority of the questions are formulated as a theme that can have different answers using a Likert scale (i.e., 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree or 1 = not important at all, 2 = somewhat unimportant, 3 = neutral, 4 = somewhat important, 5 = extremely important). For each option, we report the mean and the percentage of respondents who select high (4) or very high importance (5) in responding to a question.

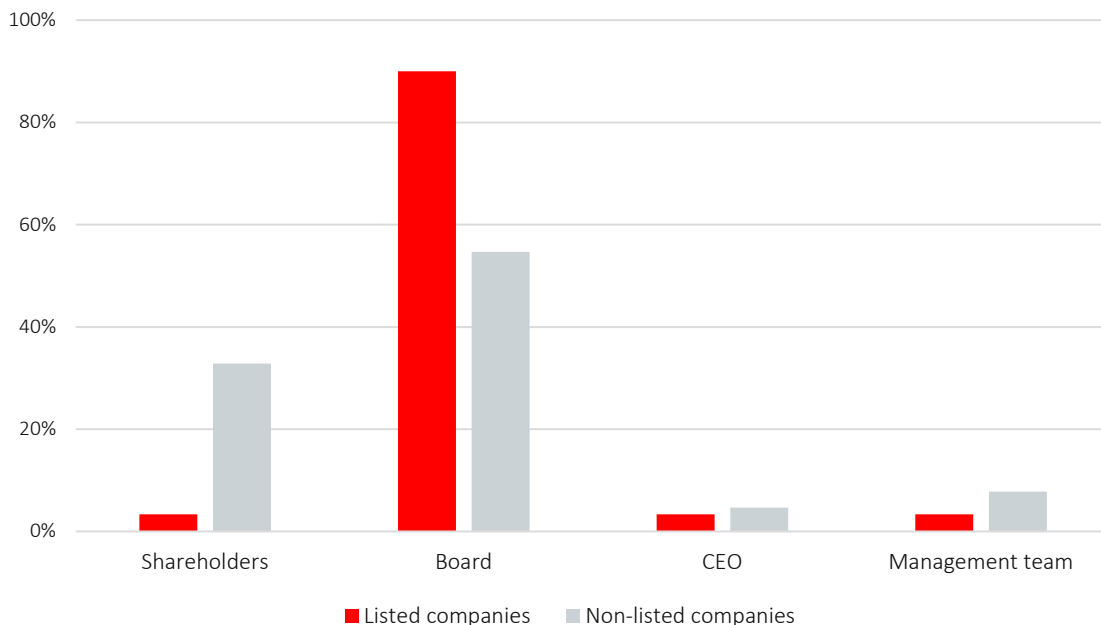
The remainder of the report is organized as follows. **Section 2** presents discussion on the results for “corporate purpose and culture.” **Section 3** presents the results for “Boards in action: board competencies and dynamics.” **Section 4** summarizes the results for “CEO leadership and succession plans.” **Section 5** provides a summary of the results for “The board in corporate strategy and geopolitics.” The main conclusions are highlighted in **Section 6**. We also include Exhibits that summarize the answers to the different questions, grouped in the four major survey themes.

## 2. Corporate purpose and culture

The first section of the survey seeks to obtain insights on the role of the board in corporate purpose and corporate culture. These are key aspects of current corporate governance, as business leaders', institutional investors', and asset managers pay increasing attention to companies' impact on society.

The vast majority (87%) of the surveyed directors state that their companies have a written corporate purpose. This is a very high score, considering that the adoption of purpose by many companies is advancing slowly. Two thirds of directors express that the firm's purpose is approved by the board, not by shareholders and/or managers. The role of the board in adopting purpose is larger in public firms (see **Figure 1**). The results also reveal that shareholders play a more prominent role in the definition of corporate purpose in private firms than in public firms (see **Figure 1**), which is consistent with the fact that family businesses tend to have adopted a notion of purpose.

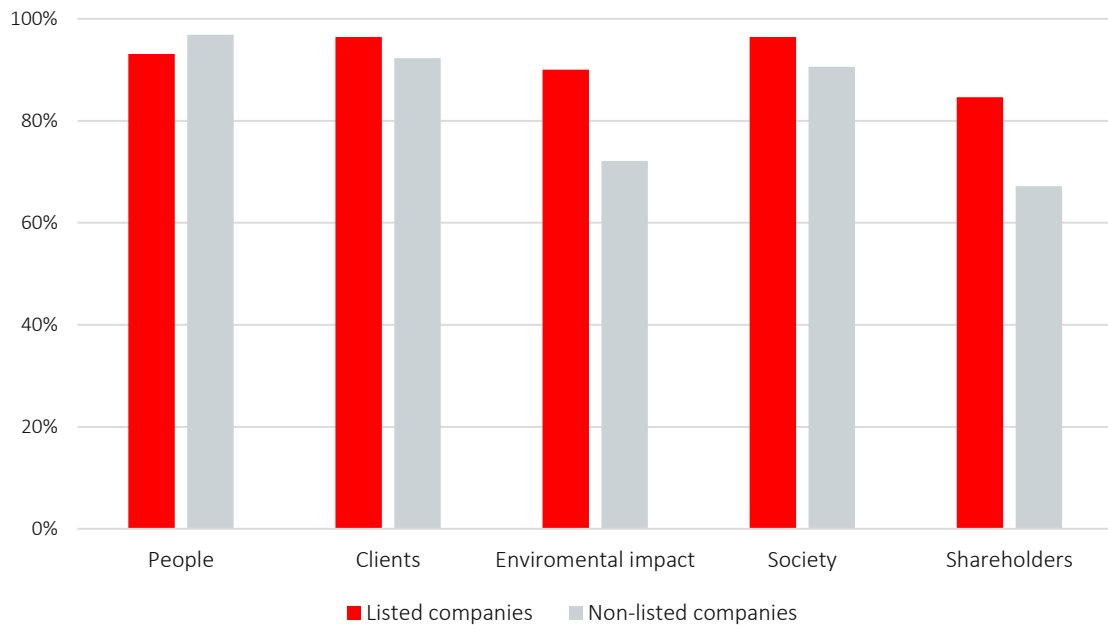
**Figure 1. Actors defining corporate purpose**



The statement of purpose tends to focus on people, clients, and society and—to a lesser extent—on environmental impact and shareholders (see **Figure 2**). The focus on people seems to confirm the hypothesis that purpose can play an important role in engaging the firm's employees and becoming a positive motivational factor.<sup>5</sup>

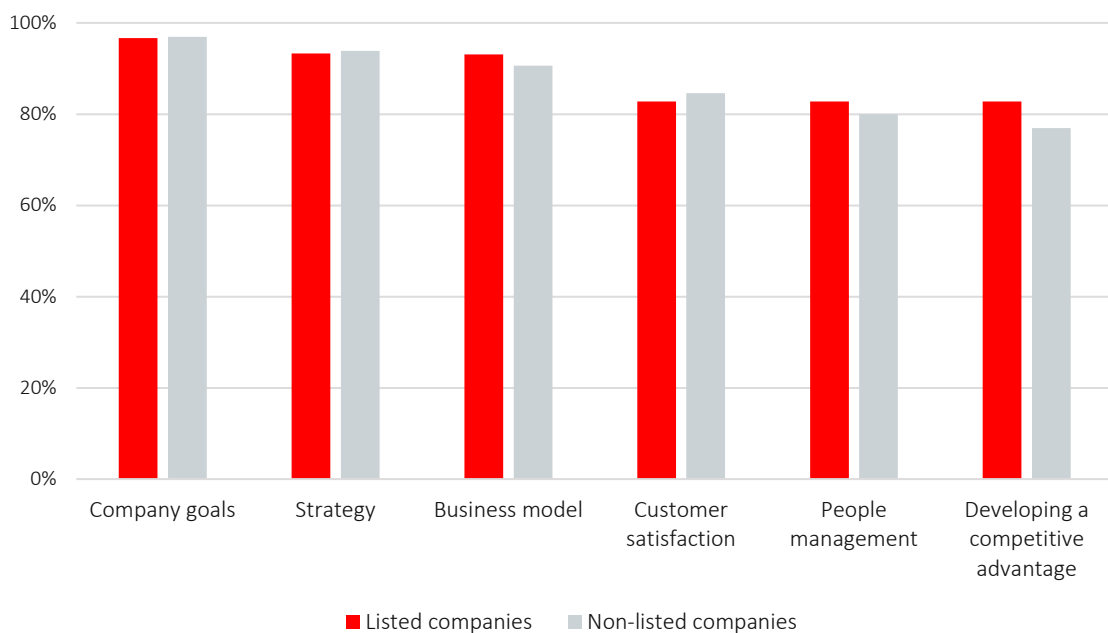
<sup>5</sup> Gartenberg, Prat, and Serafeim (2019) presented clear empirical results on the connection between corporate purpose, employees' meaning and performance.

**Figure 2. Corporate purpose: focus**



We also asked directors about how corporate purpose trickles down into the organization. Most respondents consider purpose well-connected to corporate strategy, the business model, and the corresponding corporate goals (see **Figure 3**). This result suggests that directors understand that purpose should be consistent and integrated with the firm’s strategy and business model. However, it is not evident from the survey that their companies have achieved this goal. The link to other key dimensions—customer satisfaction, people management, and differentiation—was also considered quite strong, made by approximately 80% or more of the respondents. It is also interesting to note that 79.41% of directors consider purpose to be critical to developing a competitive advantage.

**Figure 3. Corporate purpose: connections with key business areas**





Consistently, corporate purpose is viewed as a key influence on strategy and people management decision-making (see **Figure 4**). Its importance is slightly higher in listed companies than in non-listed companies. It is of interest to note that almost 45% of directors of non-listed companies consider that corporate purpose does not play a fundamental role in risk management. Only 77.4% of directors consider it very relevant for risk management, although this same group of directors considers, almost unanimously, that purpose influences strategic decisions (97.77%). These results show slight inconsistencies, which may be related not only to the notion of purpose itself—which the results seem to confirm—but also to the implications of purpose for corporate strategy and different business decisions as well.

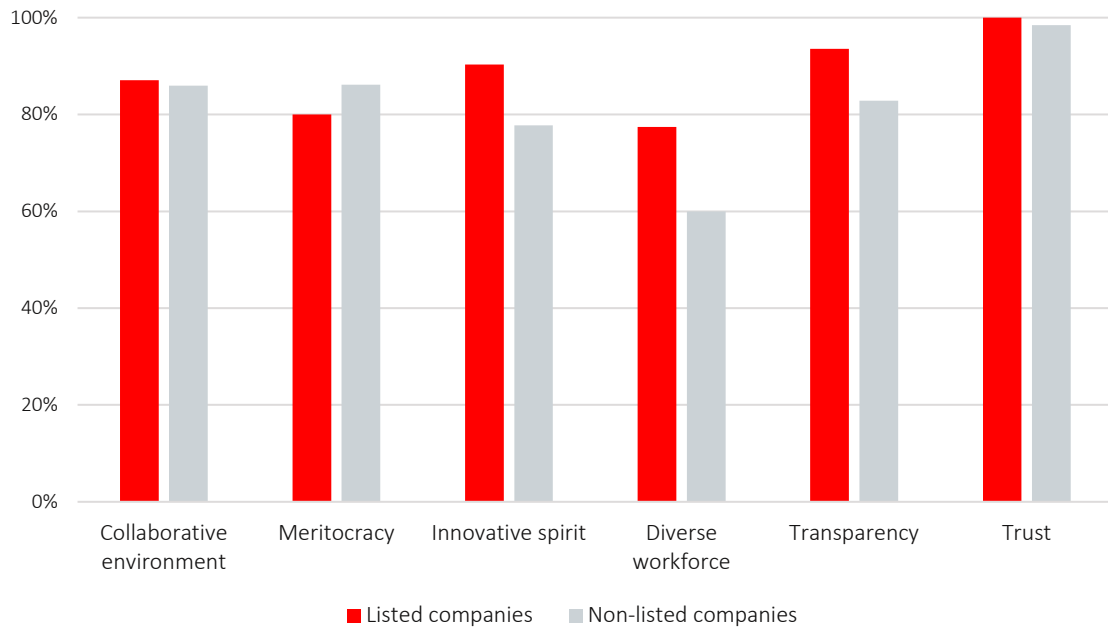
**Figure 4. Corporate purpose: influence on business decisions**



The survey includes questions regarding corporate culture in this section, immediately after the questions on purpose. It first asks directors about the importance of features of the firm’s culture. As shown in **Figure 5**, trust comes at the top of the list (99.04% of respondents), followed by transparency (87.38%), collaboration (86.41%), and meritocracy (85.44%).<sup>6</sup> Having a diverse workforce is positioned at the bottom of the ranking (only 65.38% of directors consider it related to the firm’s culture), which suggests that it is not considered very relevant for the firm’s culture.

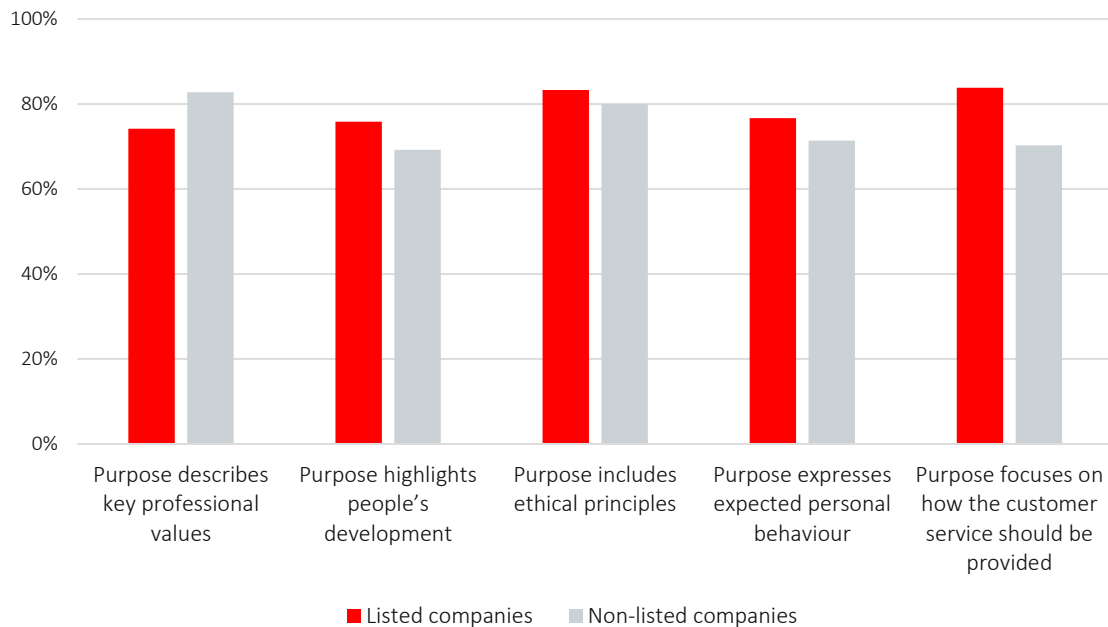
<sup>6</sup> These results seem to be consistent with research in the field of organizational culture (Kotter and Heskett 1992; Bolton, Brunnermeier, and Veldkamp 2013) and the emerging field of culture within finance (Guiso, Sapienza, and Zingales 2015; Graham, Grennan, Harvey, and Rajgopal 2022).

**Figure 5. Corporate culture: relevant factors**



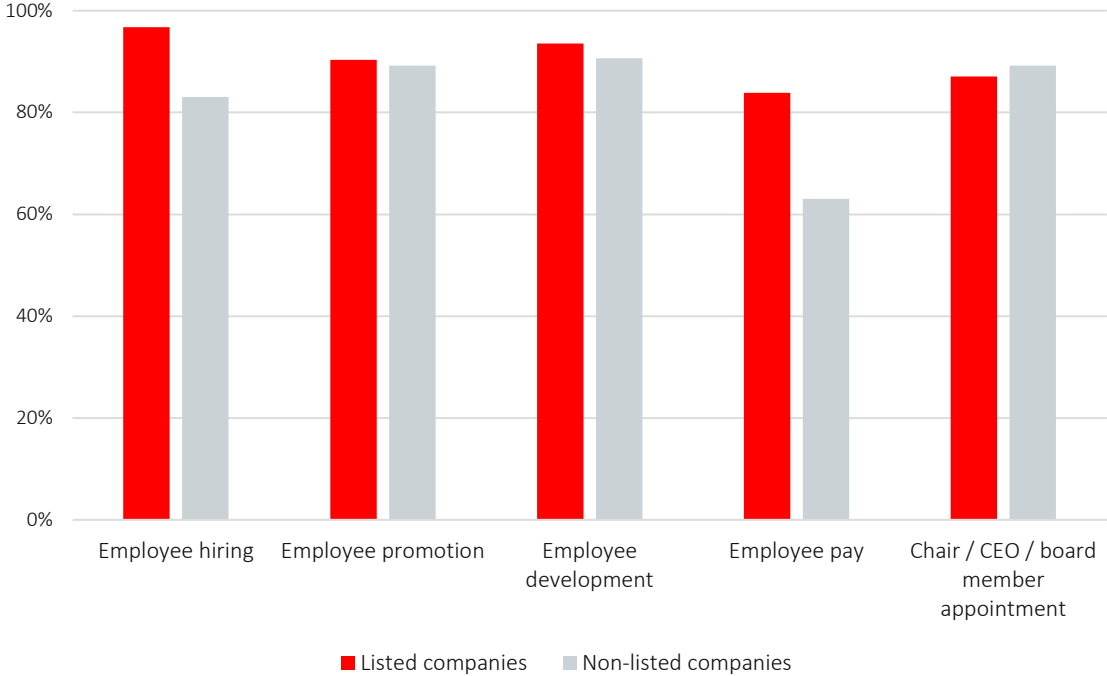
The survey also inquires about corporate purpose and its association with corporate culture. As shown in **Figure 6**, the results suggest that the two concepts are considered highly related. The dimensions of corporate culture that appear most often in firms' purpose are professional values and ethical principles. Attention to the customer has a high score in listed companies (83.87% of directors). People's development and expected personal behavior seem to play a less important role in influencing purpose. In any case, **Figure 6** suggests that a majority of directors consider all these dimensions of corporate culture as having a close association with purpose.

**Figure 6. Purpose and culture: links**



Finally, we explore the connection between cultural fit (a key dimension of a firm’s culture) and decision-making (see **Figure 7**). More than 87% of directors agree that cultural fit is an important factor in decisions regarding employee hiring, employee promotion, employee development and the appointment of the chairperson and the CEO. Overall, these results signal a significant connection between culture and key decisions regarding people and people development.

**Figure 7. Importance of cultural fit in business decisions**



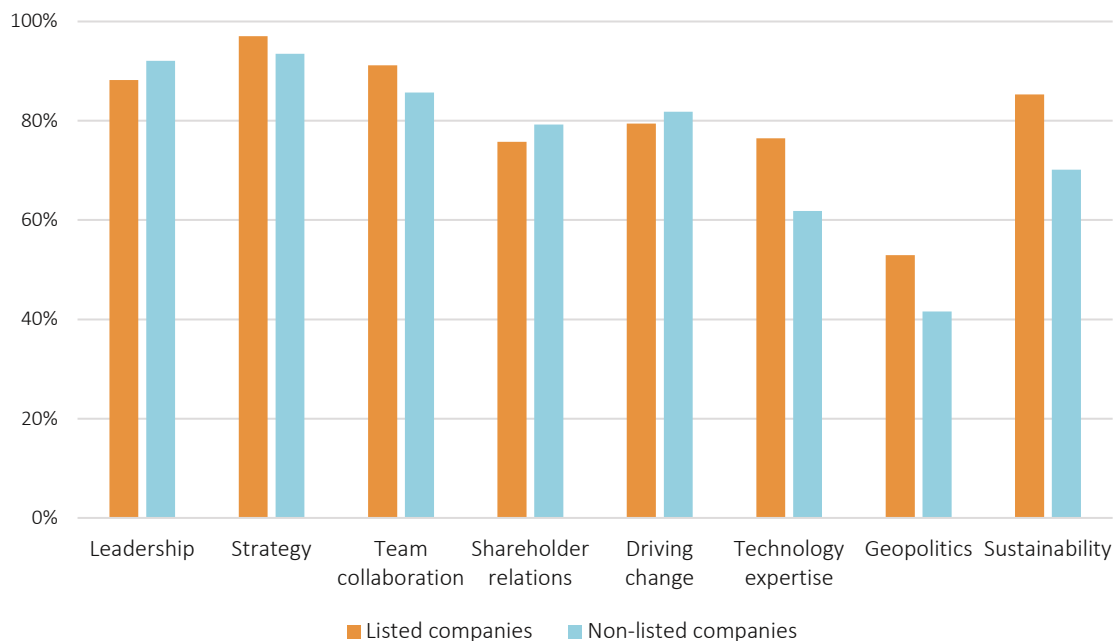
### 3. Boards in action: board competencies and dynamics

The survey also includes questions on board and board members' competencies and internal board dynamics. The growing demand for a deeper analysis of the drivers of board effectiveness is understandable considering the limitations of measuring the quality of corporate governance based on board structural characteristics such as the percentage of independent directors and separation of the roles of the CEO and chair.<sup>7</sup> Over the years, we have witnessed too many major corporate governance crises where the board had these structural characteristics (Credit Suisse, General Electric or Wells Fargo, among many others).

We first ask directors about which competencies they consider important for their boards. The results (see **Figure 8**) indicate that the competency considered most important is the ability to work in the definition and execution of corporate strategy (95% of directors assign a top score to this capability). In terms of importance, other critical competencies are leadership (91.60%) and team collaboration (87.29%), followed by the ability to drive change (80.83%) and shareholder relations (75.63%).

While sustainability is considered very important by directors of listed companies (85.29%), only 70.13% of directors of nonlisted companies think it is as a key competence. Technology expertise and geopolitics receive lower scores. Only 45.83% of board directors consider that knowledge on geopolitics is an important board competence.

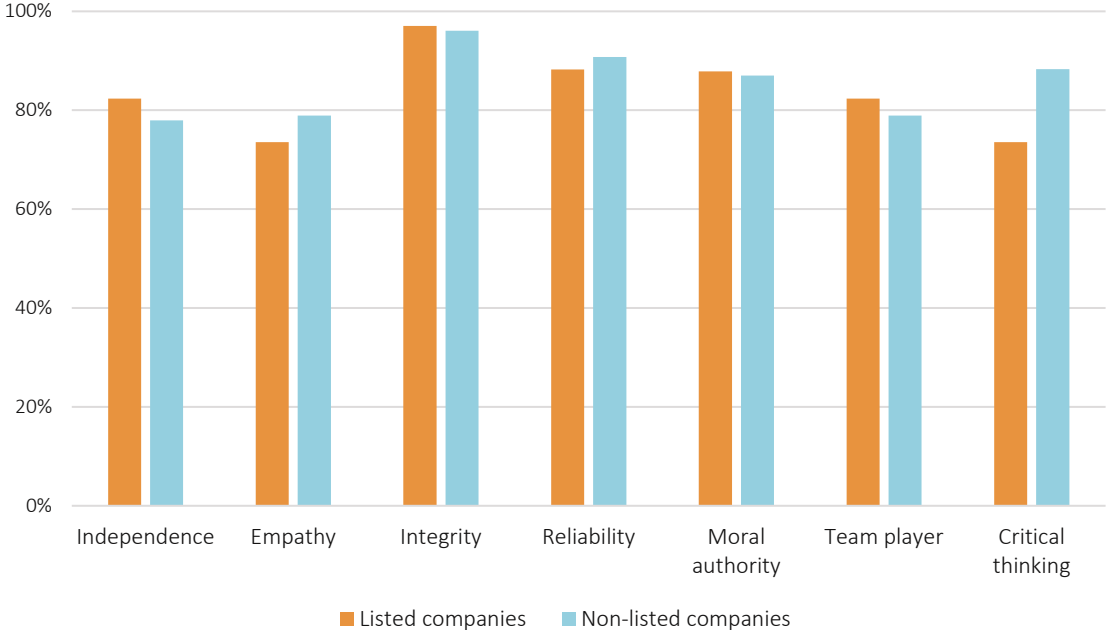
**Figure 8. Board directors' relevant competencies**



<sup>7</sup> Cheng, Groysberg, Healey and Vijayaraghavan (2021) provide an extremely interesting analysis on board effectiveness.

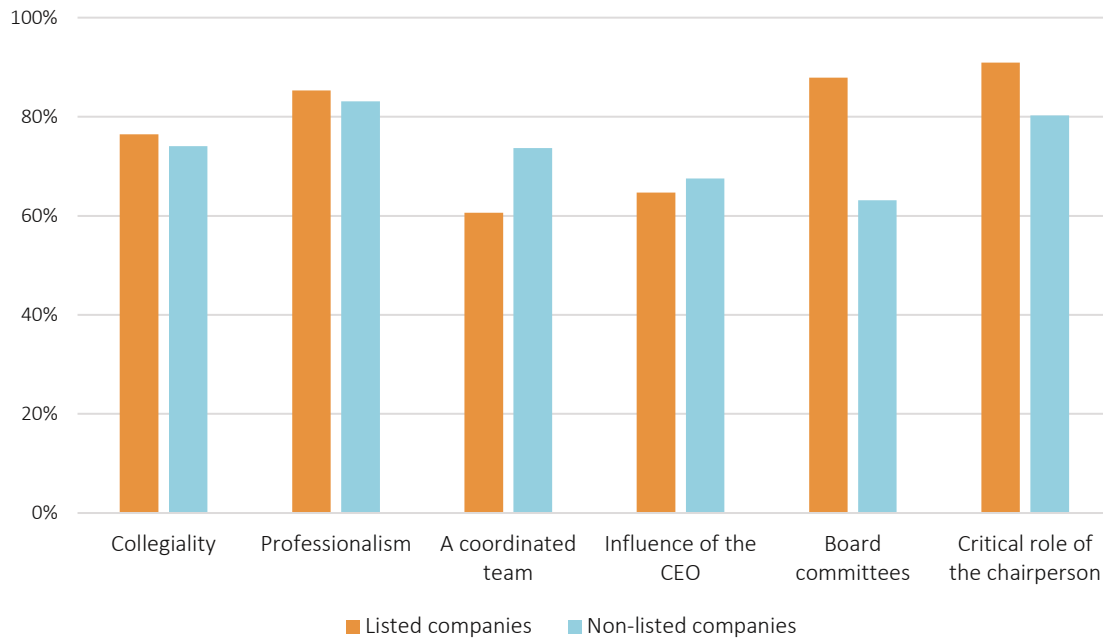
We also inquire about directors’ personal skills and characteristics that are key for an effective board. **Figure 9** presents statistics on the results. All the characteristics included in the survey are highly rated, and we do not observe a substantial difference in directors’ responses in this regard. Participants consider integrity the most important one (96.67% of directors), followed by reliability (90.68%), moral authority (88.24%), and critical thinking (84.87%). Board director independence is highly valued in listed companies (80.35%), as is the capability of being a good team player (82.35%). Overall, a large majority of directors of both public and private firms consider all these characteristics very important. This suggests that board structure can have a critical role, but boards need directors with a defined set of professional competencies and soft skills to make the board structure work properly.

**Figure 9. Board directors’ relevant personal skills**



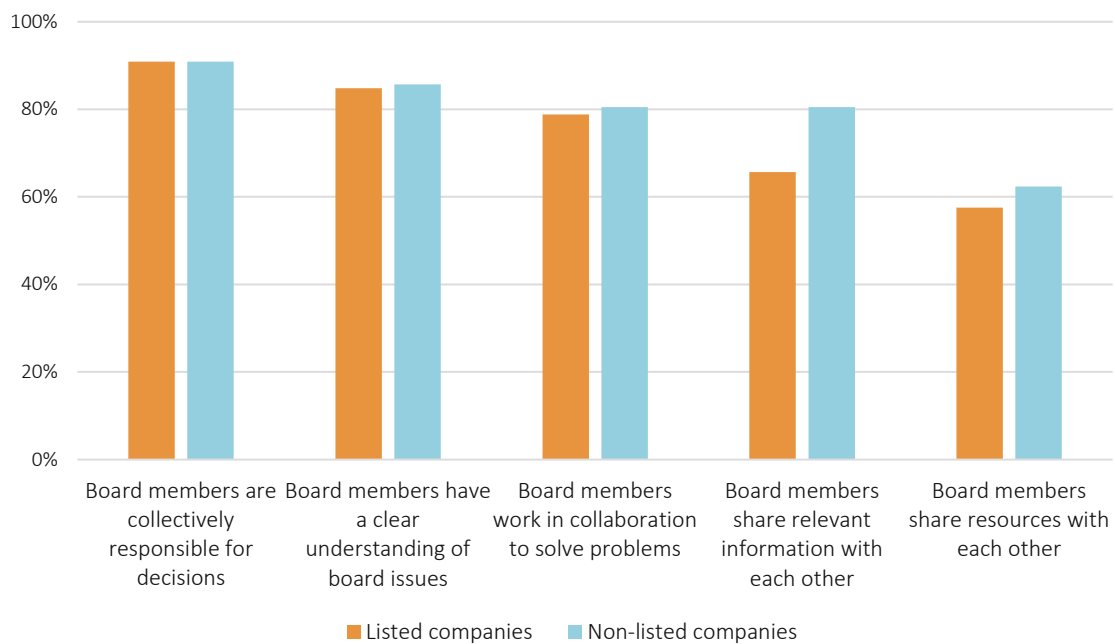
Survey participants also assess qualities and features that define their boards. The summary statistics shown in **Figure 10** suggest that directors think that the role of the chairperson is critical (84.75% of directors), particularly in public firms (90.91% of directors). This result seems to confirm both the increasing importance of separating the role of the chairperson from that of the CEO and the impact of this decision on the quality of governance. Boards’ professionalism, collegiality, and board committees’ effective organization are also considered relevant qualities of boards of directors. It is interesting to note that only 66.39% of directors consider the influence of the CEO on the board very relevant. As far as this observation reflects reality in today’s boards of directors, we may say that boards now have more power in governing the firm and that the weight of managerialism in corporate governance (a disproportionate influence of the CEO in governance) may have decreased over the past two decades (Canals 2023).

**Figure 10. The board’s defining characteristics**



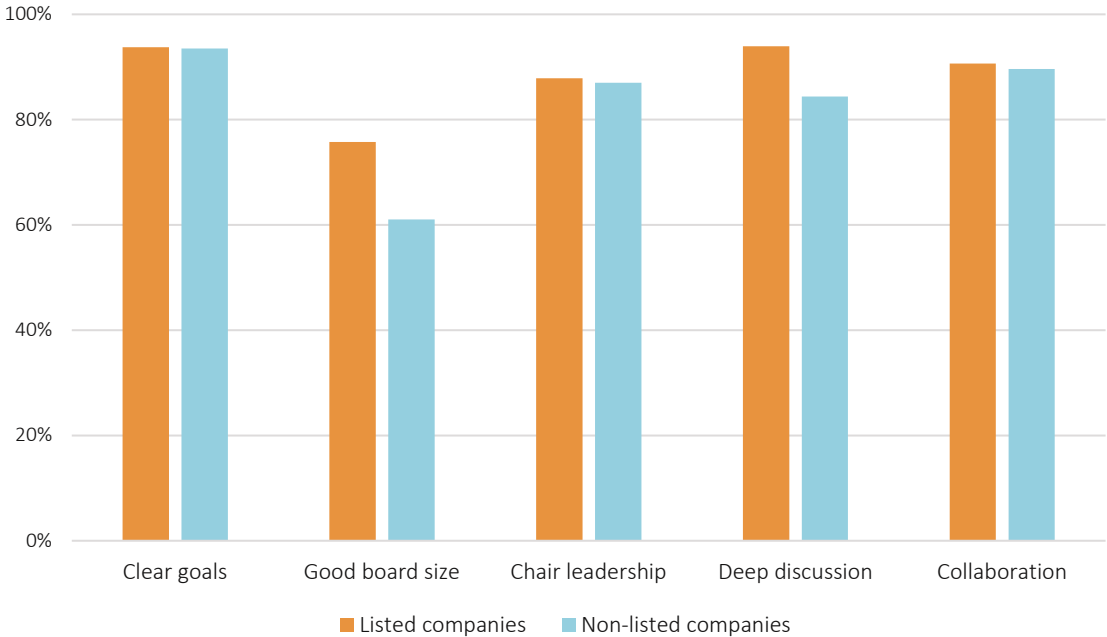
Most of the surveyed directors state that the members of their boards feel collectively responsible for decisions (89.92% of directors) and have a clear understanding of the issues faced by the board (86.55%) (see **Figure 11**). The level of collaboration to solve problems at the board level is quite high (80.67%). However, the results also suggest that there is room for improvement when it comes to sharing information (only 65.63% in listed companies) and resources with each other (around 40% of respondents assign average or below average scores when inquired about this). This is consistent with the concern that the part-time, limited dedication of directors to board tasks and the increasing role of videoconferencing in board meetings may not help achieve a deeper level of resource and information-sharing.

**Figure 11. Teamwork and board members’ interaction**



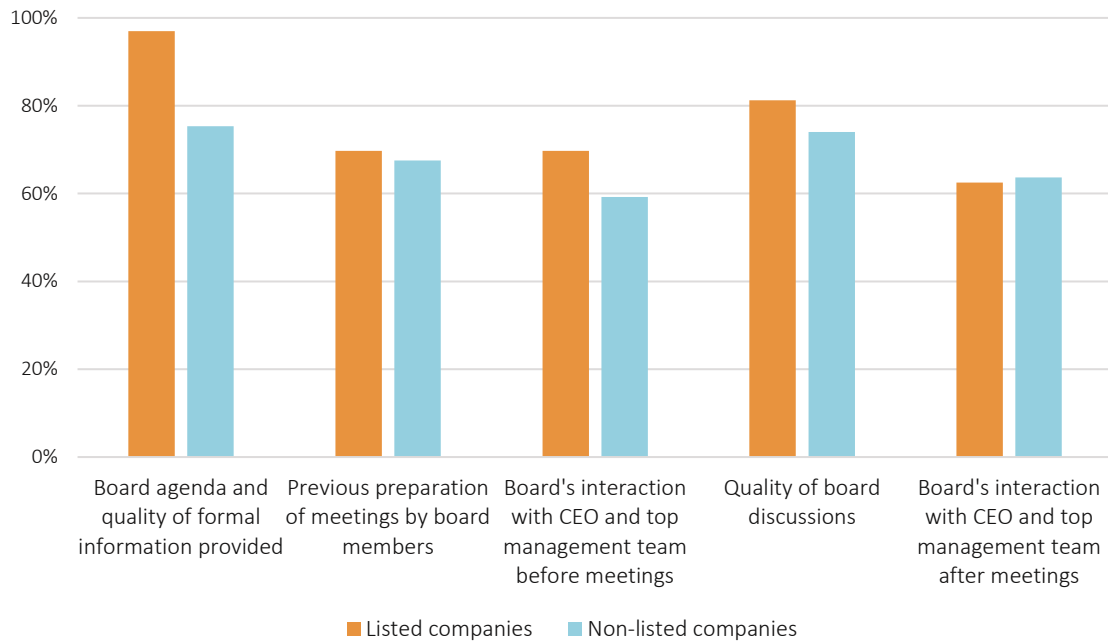
When asked about drivers of effective teamwork (see **Figure 12**), most participants highlight the importance of having clear goals (91.53%). They also emphasize the need for collaboration (88.98%), the depth of board discussions (88.24%), and chairperson leadership (88.24%). In contrast, over 30% of directors do not consider the size of the board to play a fundamental role in teamwork, with this percentage being higher among private firms (see **Figure 12**).

**Figure 12. The board as an effective team**



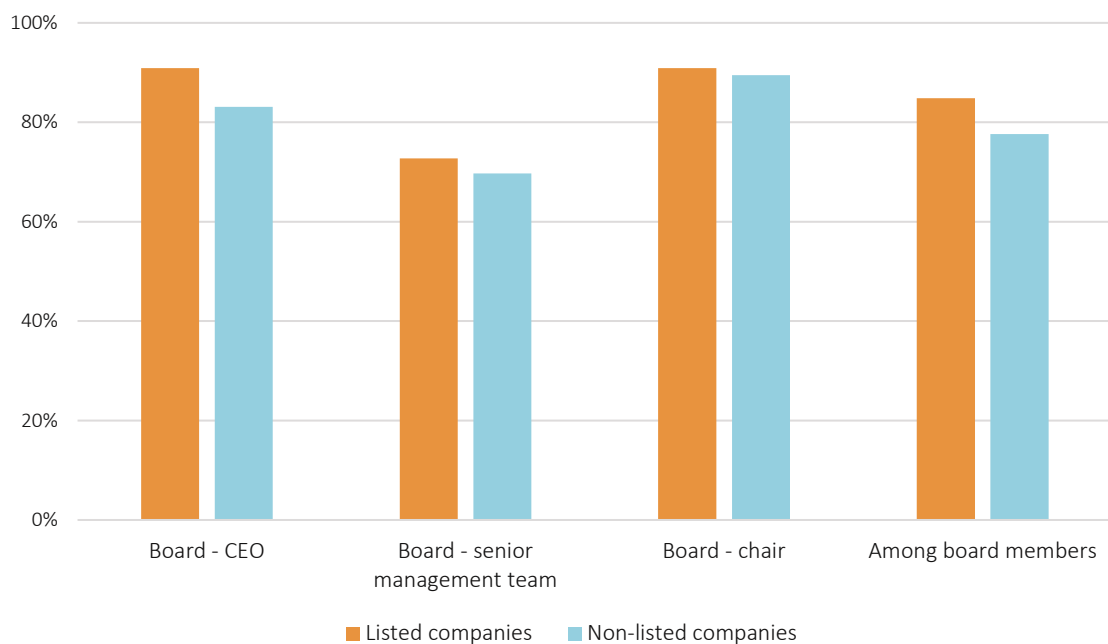
Regarding the structure and effectiveness of board meetings, most of the surveyed directors (83.19%) feel that the board agenda is appropriately set and that board members are provided with the right information to prepare for the meeting (see **Figure 13**). On a less positive note, the survey also reveals that only 63.56% of directors consider the quality of board discussions high or very high, and close to 35% of directors feel a need to increase the interaction of the board with the CEO and the top management team before the meetings (see **Figure 13**). These results also suggest that the chairperson can do a better job at preparing and facilitating deeper board discussions and more engaged interaction with the CEO and the top management team.

**Figure 13. Features of board meetings**



A complementary feature to the above discussion is the quality of collaboration between the board and the CEO and that among board members (see **Figure 14**). The level of collaboration between the board and the chairperson is quite high (90.60%), followed by the collaboration between the board and the CEO (86.55%) and among board members (79.66%). Nevertheless, this latter result is lower than the score on board collaboration in **Figure 11** (89.98%) and more in line with the fact that 70.34% think that team work is key for a well-functioning board (see **Figure 10**).

**Figure 14. Collaboration between board members, CEO, and senior management**





Finally, the survey results suggest that boards do not have a high level of engagement with key corporate actors (see **Figure 15**). More than 70% of directors assign a score of 3 or lower to the level of engagement of their boards with activist shareholders and proxy advisors (see **Figure 15**). While the corresponding statistics are higher for regulators and asset managers, less than 50% of directors qualify the level of engagement with these actors as high. The only interactions appearing to be frequent in most cases are those with controlling shareholders (70.67% of directors in non-listed companies and 65.63% of directors in listed companies).

**Figure 15. Board engagement with different actors**



## 4. CEO leadership and succession plans

Over the past few years, a significant number of listed companies have shown distress in managing CEO succession and CEO transition. They include, among others, Adidas, Deutsche Bank, Credit Suisse, Disney, General Electric, McDonald's, and Starbucks. To illustrate, consider two common situations that suggest poor succession planning. First, a company postpones the retirement of the current CEO beyond the date or time frame that was previously announced, without clear explanations for this delay. Second, a CEO decides to leave or is forced to leave the company and the board does not have an internal candidate to replace him or her and starts to search outside of the firm.

There is little doubt that the CEO succession process and eventual action plans are among the most important and impactful decisions of the board of directors.<sup>8</sup> At the same time, the examples mentioned above suggest that CEO succession planning is complex.<sup>9</sup> Nevertheless, this is a consequential issue for most companies and should be at the top of directors' agendas. This is why we ask board directors to assess their performance in this aspect of corporate governance.

The first issue we ask about relates to the definition of formal CEO succession plans. Companies in our sample do not appear to have CEO succession plans (see **Figure 16**). On this question (see **Exhibit 4** for more details), the answer "We have regular discussions in board meetings (at least once a year)" has a 3.21 (out of 5) score (3 = neither agree nor disagree). The average score for the answer "We have an internal candidate development program" is 3.21, and the option "We have a pool of potential candidates who may fit our requirements" has a score of 3.14. These are scores that reflect mediocre work, although consistent with the anecdotal evidence mentioned above.

Listed companies show slightly better results in this respect. They seem to have CEO succession plans, as reflected by the answers: "We have a documented CEO succession plan" (74% of respondents support this view) and "We have a management continuity plan in case of unexpected CEO departure" (71%) (see **Figure 16**).

**Figure 16. CEO succession planning and board discussions**



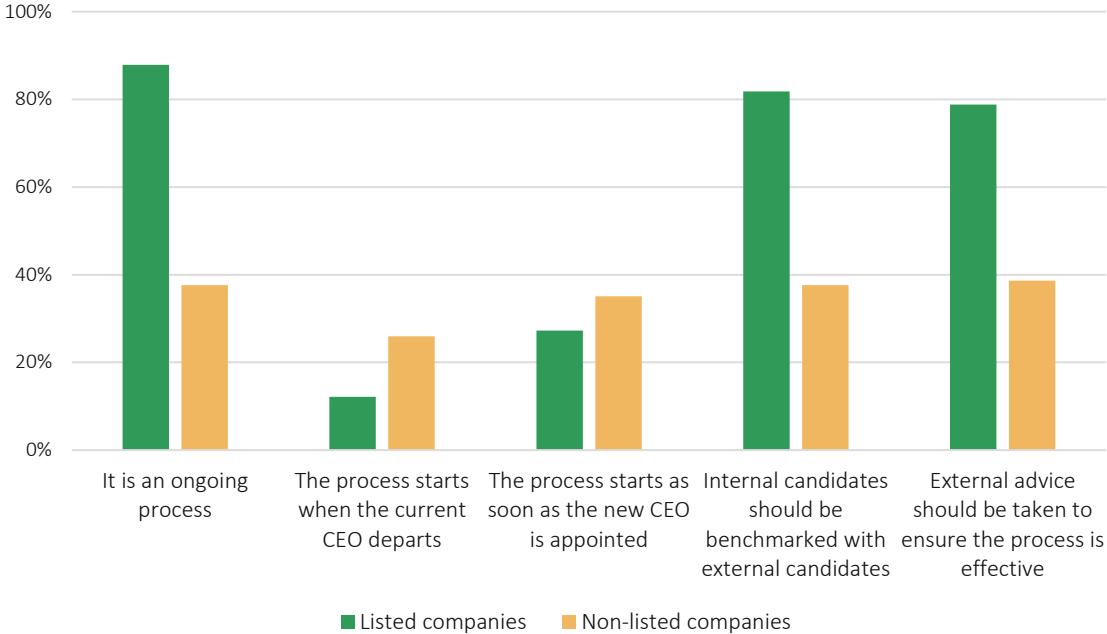
<sup>8</sup> On the impact of CEOs on performance, see, for instance, Bandiera et al. (2020).

<sup>9</sup> See Bower (2007).

Moreover, respondents who agree that “We have regular discussions in board meetings (at least once a year)” (on CEO succession) tend to agree that “We have a documented CEO succession plan” with a correlation of 0.72. Those who agree that “We have a documented CEO succession plan” tend to agree with “We have a management continuity plan in case of unexpected CEO departure” with a correlation of 0.64.

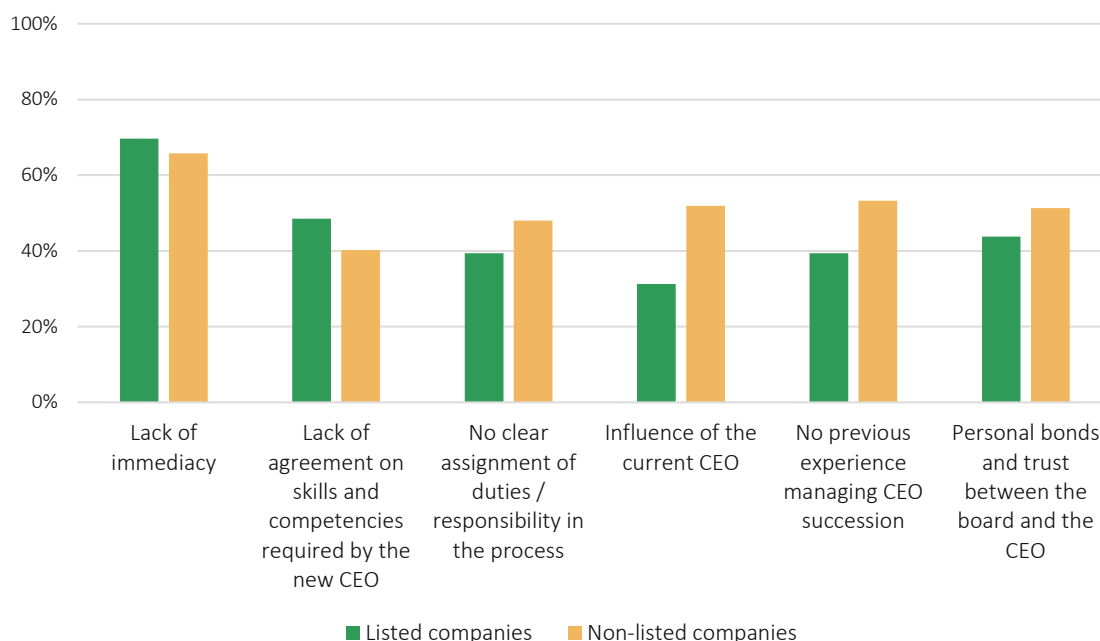
A second theme on CEO succession planning is the definition of a clear process for CEO and other senior managers replacement (see **Figure 17**). Many respondents agree or strongly agree that “Internal candidates should be benchmarked with external candidates” (79.66% of respondents, with a 3.96 average score) and “External advice should be taken to ensure the process is effective” (68.07%). Reliance on external advice can be interpreted as a step toward a more professional process in CEO succession, and probably makes sense in some cases given the complexity of the task. However, too much reliance on external advice effectively results in outsourcing a critical function, which is questionable. Finally, directors disagree or strongly disagree that “The process starts when the current CEO departs” (82%).

**Figure 17. Characteristics of the CEO succession process**



We also inquire about the main obstacles faced by boards of directors in the CEO succession process, as well as the factors undermining the effectiveness of the process (see **Figure 18**). “Lack of immediacy” (64.41% of respondents, with an average score of 3.65) appears to be the largest obstacle to CEO succession planning for respondents of this survey.

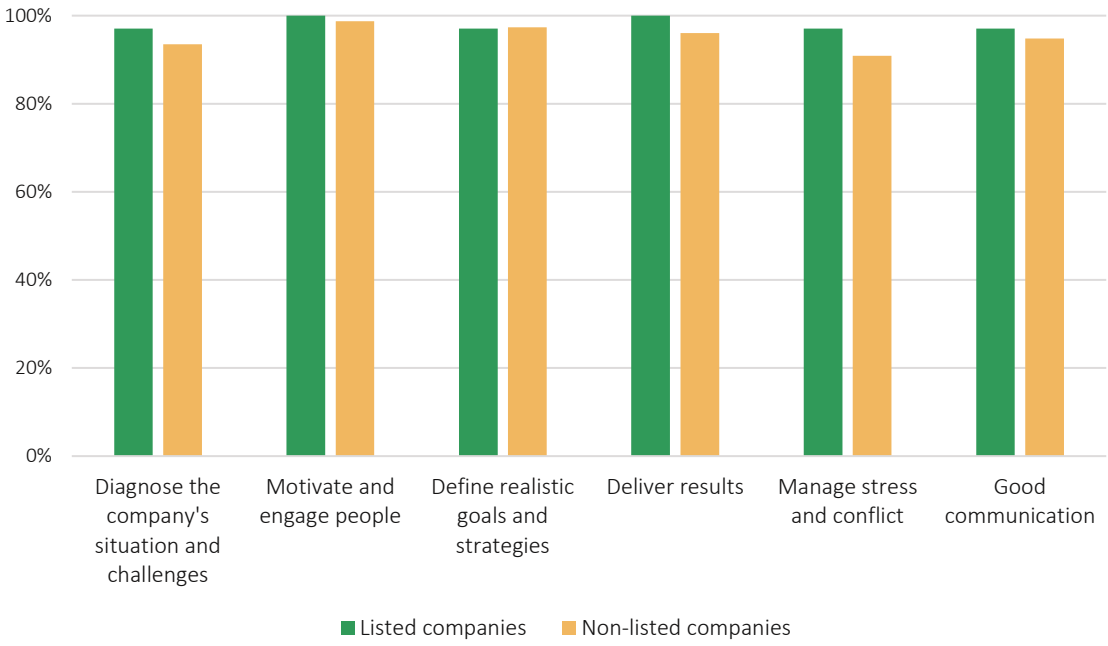
**Figure 18. Obstacles to effective CEO succession planning**



The survey also touches on leadership capabilities (see **Figure 19**). Board directors unanimously agree (99.17% of respondents, with an average score of 4.80) that “Motivate and engage people” is the most important capability of a CEO. Other capabilities are also considered very relevant, although with lower scores than the first leadership function. They include, among others, “Diagnose the company’s situation and challenges” (with a 4.61 average score), “Define realistic goals and strategies” (a 4.55 average score), “Deliver results” (a 4.62 score), “Manage stress and conflict” (a 4.33 score), and “Good communication” (4.53 score). The average scores in each one of these capabilities show that they are considered very important CEO capabilities.

Business scholars often distinguish between two types of CEO capabilities. Some authors emphasize the importance of social and soft skills, such as inspiring and engaging people (Sadun et alia, 2022); Ibarra, Hildebrand, and Vinck 2023). In contrast, other authors highlight the need for hard skills: more execution-oriented and analytical, and less interpersonal and creative (Decressin, Kaplan, and Sorensen 2023; Kaplan and Sorensen, 2021). These answers suggest that directors making CEO decisions consider both types of capabilities relevant.

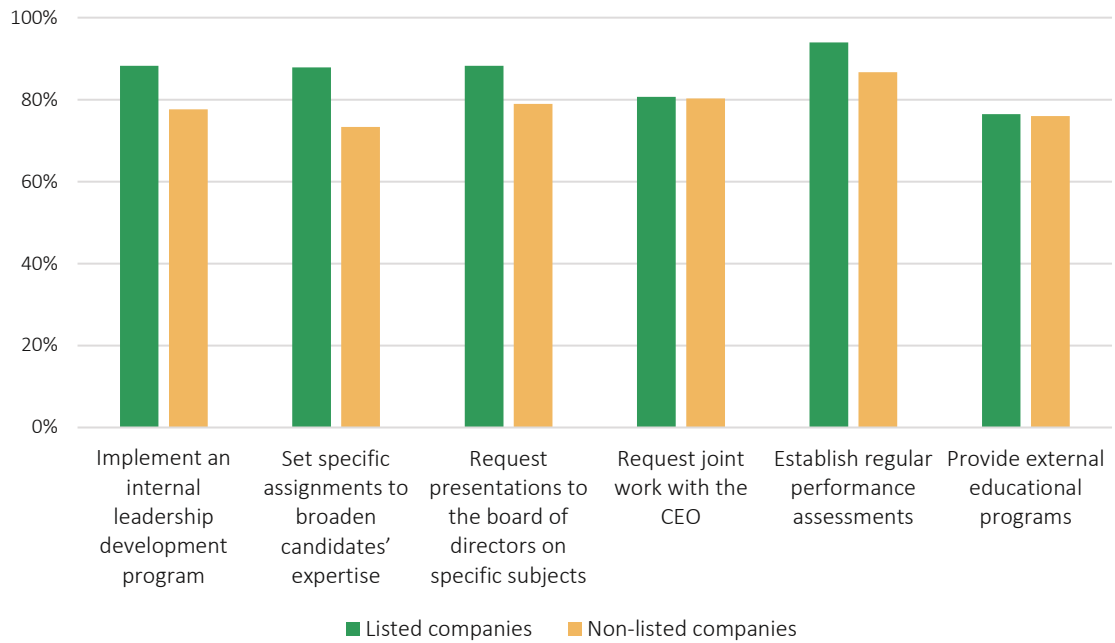
**Figure 19. Key CEO leadership capabilities**



The final questions in this section of the survey touch on leadership development (see **Figure 20**). Respondents agree that the board should “Establish regular performance assessments” (87.18% of respondents), “Request presentations to the board of directors on specific subjects” (83.05% of respondents) and, “Implement an internal leadership development program” (80.67% of respondents) to foster leadership development. Those who agree that the board should “Establish regular performance assessments” tend to agree that the board should “Provide external educational programs” (the correlation is 0.62).

The answers that gather less support in this part of the survey are “Set specific assignments to broaden the candidates’ expertise” (3.85 average score, or 77.78% of respondents) and “Provide external educational programs” (a 3.86 score and 75.42% of respondents). The relatively low scores in these answers call for reflection, as it is commonly understood that implementing a good leadership development program requires broadening the candidates’ expertise and formal education.

**Figure 20. Board actions to foster leadership development**



Overall, the surveyed directors agree that leadership development is a critical function of an effective board of directors. Nevertheless, the answers also suggest that this is an area where there is substantial room for improvement. A large number of companies might not have a well-defined CEO succession plan because their boards do not consider it a critical issue. Nonetheless, it is also possible that the boards of these companies are in the process of figuring out how to approach the succession of their CEOs, but they haven't yet decided how to go about it.

# 5. The board in corporate strategy and geopolitics

The survey sheds light on how boards work on corporate strategy. A relevant question in this respect is “Which qualities define your firm’s strategy?” It is reassuring that 87.29% of respondents agree that their strategy is well defined. Nevertheless, only 46.15% of respondents (with a 3.38 score) consider their strategy unique (see **Figure 21**). This is surprising because an effective strategy tends to be unique and different from what rival firms do, as leading scholars suggest.<sup>10</sup> Strategies based on imitation tend to erode economic performance quickly and so become unsustainable from an economic perspective.

**Figure 21. The firm’s strategy: key dimensions**

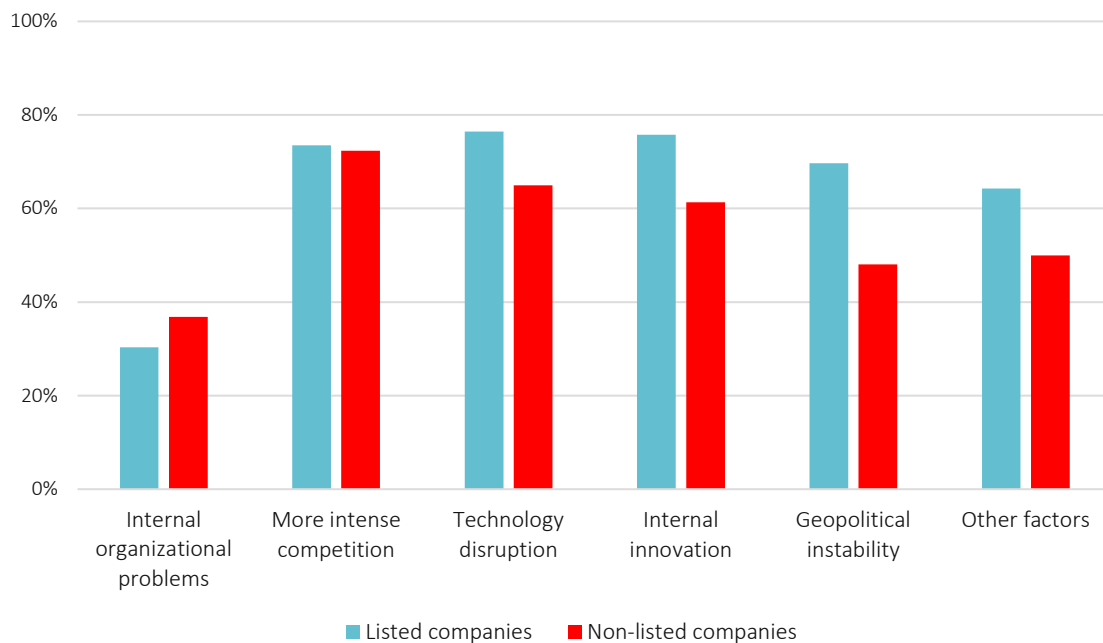


Only 6.78% of respondents agree that they do not have a clear strategy. An additional observation is the quality of internal communication of strategy: 85.34% of directors (with a 4.22 score) agree that their strategy is well understood by the firm’s employees. The perception on how customers understand the firm’s strategy is lower: only 63.03% of respondents agree that their strategy is well-understood by customers. We will discuss the results in two categories: the content of strategy, which refers to the specific concepts, notions, and ideas that boards and CEO discuss regarding strategy and strategic decisions; and the process of defining the strategy, which is the path that companies follow to define and debate strategy.

<sup>10</sup> See Ghemawat (1993) and McGahan and Porter (1999).

On the content of strategy, directors from both listed and non-listed companies agree that “More intense competition” (72.27% of respondents, with 3.82 average score) and “Technology disruption” (68.33%, with a 3.81 score) are key factors which have led their companies to reconsider their strategy in recent years (see **Figure 22**). On “Geopolitical instability,” respondents from listed companies agreed that it was a somewhat important factor for their companies’ strategy review (69.70%, with a 3.67 score). Nevertheless, this factor is not perceived as very relevant by directors of non-listed companies (only 48.05% consider this factor important) (see **Figure 22**). This latter result is quite surprising, since it highlights a divide on how listed and non-listed companies look at geopolitical crises. All in all, more intense competition and technology disruption are the two most potent forces that push companies to reconsider their strategy.

**Figure 22. Factors that led to reconsideration of the firm’s strategy in recent years**

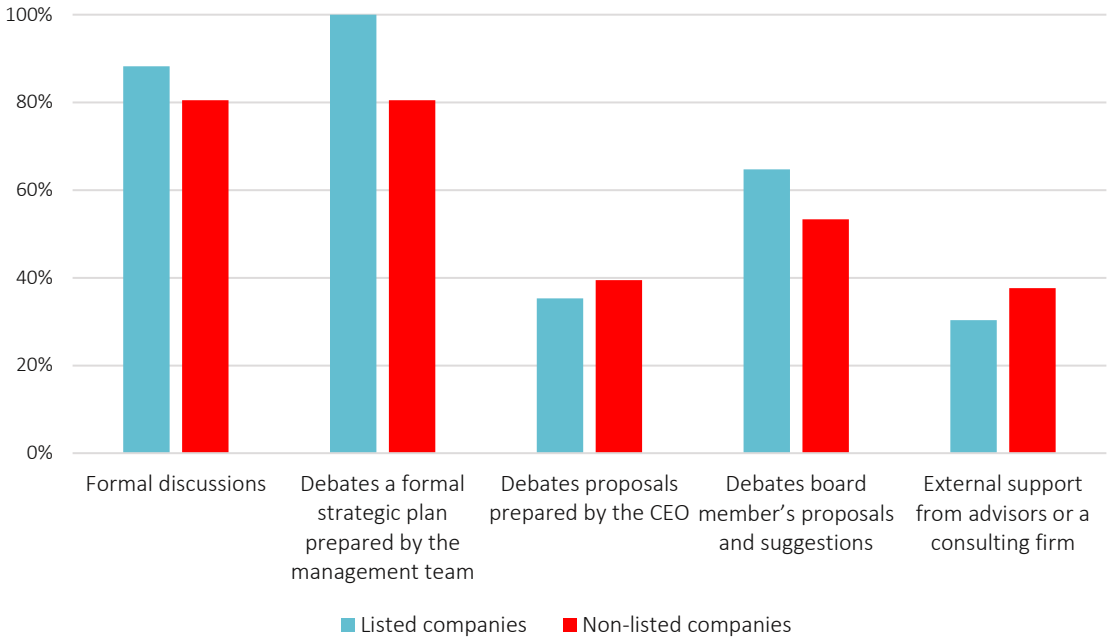


A critical question on strategy is the process that the board follows to discuss it. This process is important not only because the board has the final responsibility of approving the firm’s strategy but also because the board, in its advisory role, can add value to the reflections and plans presented by the CEO and management team to the board.<sup>11</sup> In all, 83.33% of the respondents suggest that their boards discuss strategy through formal meetings, and 86.67% agree that the board debates the strategic plan prepared by the senior management team (see **Figure 23** and **Exhibit 5**). Nevertheless, the insights and proposals from other board members seem to receive less attention. Only 57.63% of respondents consider these proposals the subject of debate at the board level. This seems to highlight that the views of the management team have substantial weight on board discussions around strategy and strategic decisions.

<sup>11</sup> On the process of strategy, see Bower and Noda (1996). On the relevance of strategy for the board of directors, see Pettigrew and McNulty (1999) and Canals (2023).

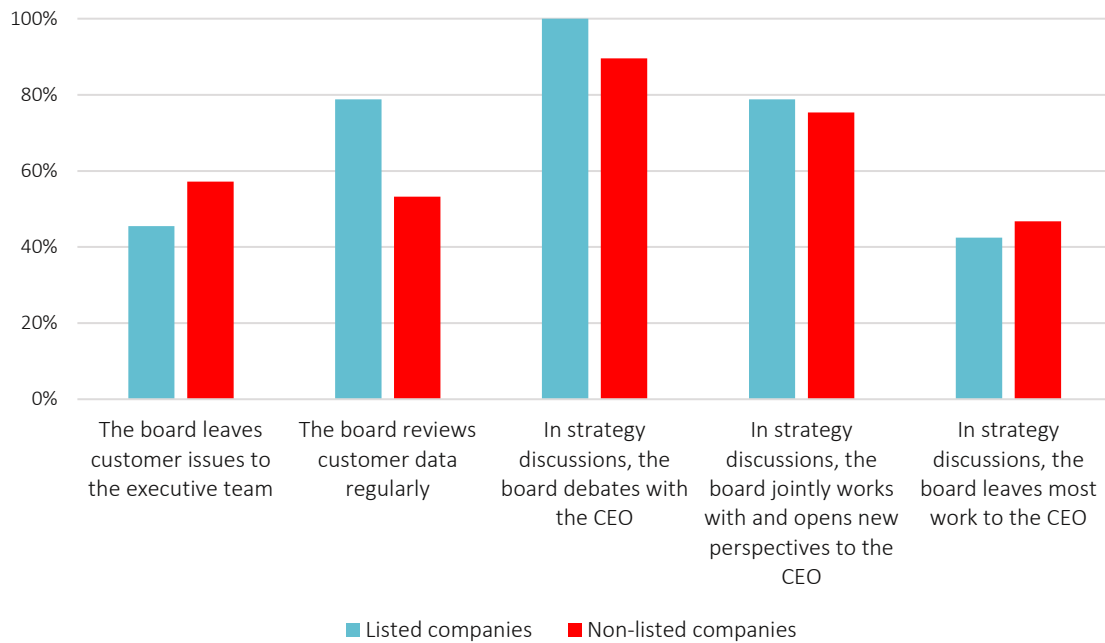


**Figure 23. Strategy process at the board level**



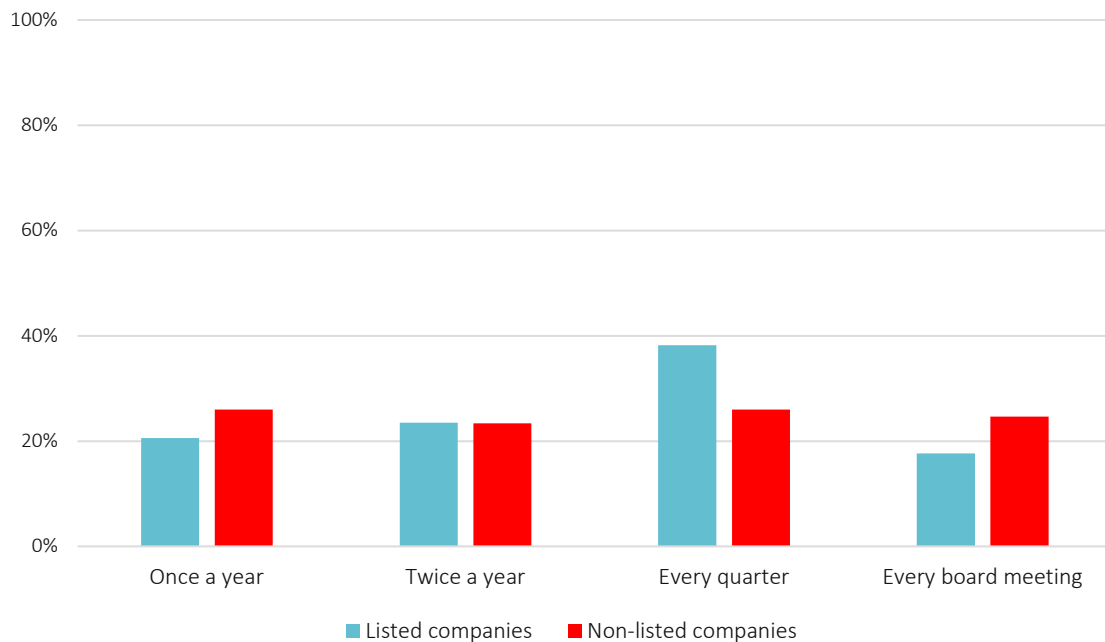
From a governance perspective, a central dimension of the strategy process is the interaction between the board and the CEO (see **Figure 24**). Respondents agree that “In strategy discussions, the board debates with the CEO” (90.76%) and “In strategy discussions, the board jointly works and opens new perspectives to the CEO” (77.31%). In addition, respondents from listed companies agree that “The board reviews customers’ relevant data regularly” (78.79%). This score is lower in non-listed companies, where board review of customers seems to be less important (only 53.25% of respondents). The attention that customers get in board discussions seems to be lower than expected, which is a problem. Customers are the central reason a company exists. Understanding customers and formulating a customer value proposition requires understanding customers’ data very well. Companies with a notion of purpose tend to engage customers in a special way. These survey outcomes may suggest that boards should substantially increase the amount of time dedicated to understanding their firm’s customers. Otherwise, the firm’s strategy may be based on a shaky assumption about customer behavior.

**Figure 24. Dimensions of the board in action**



A third aspect of the process to define a firm’s strategy is the frequency at which strategy is discussed in board meetings; 31% of the respondents say they do it “each quarter” (38% in the case of listed companies). The answer is more equally distributed among “Once a year,” “Twice a year,” and “Every board meeting” (see Figure 25).

**Figure 25. Frequency of board strategy discussions**

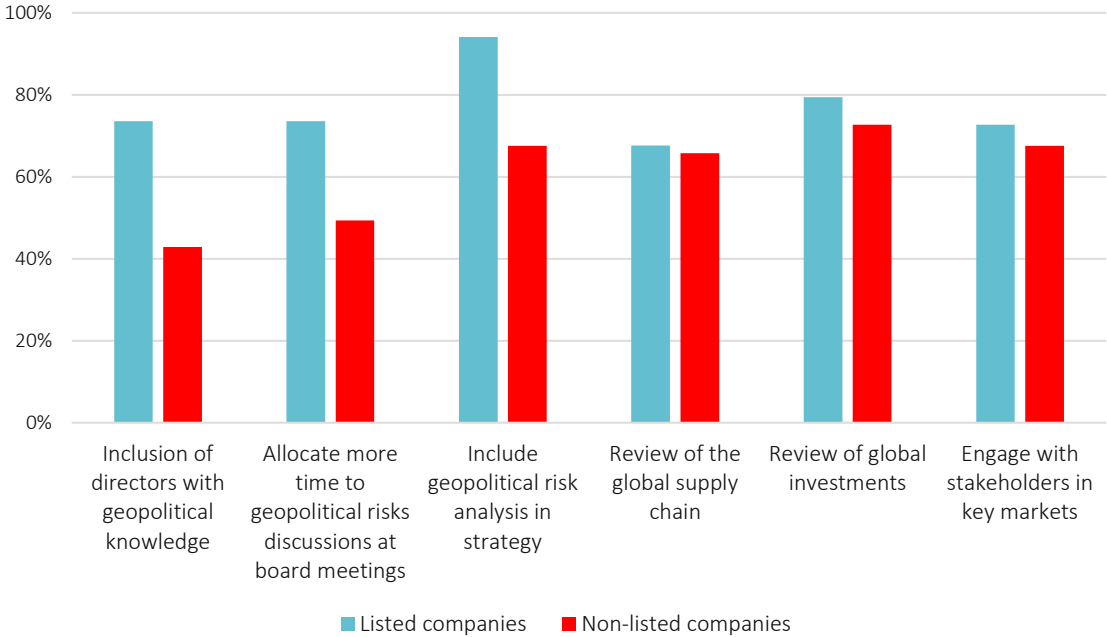


Today’s corporate strategy is deeply influenced by geopolitical factors, which have become a key concern for many firms. The current intensity of geopolitical disruptions and their impact on companies throughout the world are remarkable. Accordingly, some of the survey questions touch on the impact of geopolitics on the work of boards. The results are discussed below.

Directors from listed companies generally agree that the board should react to geopolitical disruptions and adopt specific policies (see **Figure 26**). The percentage of directors who think that this is a relevant issue that deserves more attention from boards is only moderately high. “Inclusion of directors in the board with geopolitical knowledge” is considered important by only 54.17% of respondents. “Allocate more time to geopolitical risks discussions in board meetings” is supported by 57.14% of respondents, and “Include geopolitical risk analysis in strategy” by 75.83% of respondents (see **Figure 26**). Listed companies’ directors seem to agree on the high importance of geopolitics in corporate strategy. They agree that their boards should “Include geopolitical risk analysis in strategy” (94.12%) and do a “Review of global investments” (79.41%).

Directors in non-listed companies agree with these ideas, but they seem less committed to discuss these issues than those of listed companies, as reflected in the relatively lower scores in the answers “Include geopolitical risk analysis in strategy” (67.53%) and “Review of global investments” (72.73%) (see **Figure 26**). Those who agree that the board should “Allocate more time to geopolitical risks discussions in board meetings” tend to agree that the boards should “Include geopolitical risk analysis in strategy” (the correlation is 0.67).

**Figure 26. How boards deal with geopolitical disruptions**



Overall, the results of this section suggest that corporate strategy is more present in board discussions than it was a few years ago, when the board only offered a stamp of approval of the firm's strategy. The growing business world volatility and uncertainty play a central role and make this discussion more necessary. This survey suggests that boards seem to react positively to technology disruption and more intense competition. These are the two most important forces of change of strategy. We observe that boards may spend less time on understanding customers than an effective strategy requires.

Our results also highlight the view that that senior managers and/or board directors should be knowledgeable and have expertise on strategy. The growing role of strategy consulting firms in advising boards of directors on strategy issues responds to support and complement this knowledge and expertise.

Finally, the survey answers suggest boards of directors and senior managers should be ready to discuss corporate strategy with their investors. Currently there is a growing demand from large investors—institutional investors, pension funds, or family offices—for information on how senior managers generate value in the firms they invest in.

## 6. Conclusions

The results of this Survey present some facts, conclusions and reflections that may help improve boards' effectiveness:

- A vast majority of board directors say that their companies have a formal, written corporate purpose statement. Only around 25% of the directors say that their firm's purpose has been approved by shareholders.
- Corporate purpose statements are highly focused on people and customers. This is consistent with the notion that purpose should be connected with customers' needs and has the potential to engage employees more deeply.
- Corporate purpose seems to have a positive influence on defining the firm's goals, corporate strategy, business model, customer service, and people management. Most board directors agree that purpose is well integrated into corporate strategy and major corporate policies.
- Trust, transparency, a collaborative environment, and meritocracy are the most important features determining the firm's culture. Corporate culture is a very strong factor that drives people hiring and development, including selection of the chairperson and the CEO.
- Board directors consider leadership, strategy team collaboration, and the ability to drive change the most important board members competencies.
- Board members also consider board directors' personal skills as critical for board effectiveness. Integrity, reliability, critical thinking, being a good team player, and independence are considered the most important ones. The importance given by board directors to directors' professional competencies and soft skills is significant. This reflects that board directors consider board members' competencies decisive for board effectiveness and that board structural characteristics as defined by most regulators and asset managers are insufficient and should take board dynamics and the human dimensions of board decision-making into account.
- The board as an effective team is considered very important by board directors. The critical dimensions of teams as assessed by board directors are the following: directors are collectively responsible for decisions and have clear goals and understanding of board issues, quality of board discussions, and the role of the chairperson in leading the board. Board directors also point out that board collaboration is very relevant, although there seems to be a little inconsistency, as this factor does not have directors' overwhelming support.
- CEO succession plans do not emerge from the survey as a top issue for boards of directors. Only 44.17% of directors surveyed report that their companies discuss this issue in board meetings at least once a year, and only 40% report that their companies have a documented CEO succession plan. This is rather intriguing given the importance of CEO succession planning in governance. According to board directors, the main factors explaining these results are the lack of immediacy that board directors see in succession planning and the little experience that many have in managing succession planning.
- There is wide agreement on CEO leadership competencies. An overwhelming majority of board directors agree that the critical capabilities for CEOs are people motivation and engagement, execution and delivery, the capability to make accurate diagnoses and define goals and strategies, and effective communication. Very high scores for both hard skills (such as strategy and execution) and soft skills (such as people motivation and engagement) suggest that board directors look at both types of competencies.

- Board directors believe that leadership development should not be left to a random process but rather monitored and led by the board. In particular, the design and implementation of an internal leadership development program, regular interaction of the board with the senior management team to discuss specific issues, and performance assessments are considered top initiatives through which the board can be engaged in leadership development.
- Board directors consider their firm's strategy reasonably well defined and understood by their employees. Nevertheless, less than 50% of them consider their strategy unique and different. More intense rivalry and technology disruption are the two most relevant factors of change in companies' strategies. Geopolitical disruptions or internal organizational problems seem to play a less relevant role in strategy change.
- Even if board members consider strategy a top job of the board, only 55% of companies explicitly consider strategy in their board meetings at least once every quarter. A rather surprising outcome is that devoting attention to customer data and service does not seem to be a priority in this sample. Only 59.7% of directors report that their company reviews customer data regularly. This may be inconsistent with having a well-defined strategy since customer analysis is critical in defining and executing an effective strategy.
- The level of collaboration on strategy between the board and the CEO seems to be perceived as very high by board directors, which is critical to the board performing well—not only advising but also debating with the CEO and eventually approving and supporting the firm's strategy.

## Exhibit 1. Survey sample: basic characteristics

	All sample
	N
<b>Region</b>	
Europe	101
Americas	14
Other countries	5
<b>Gender</b>	
Male	102
Female	18
<b>Type of company</b>	
Non-listed, fully family owned	46
Non-listed, fully owned by (an) investment fund(s)	7
Non-listed, other (i.e., mixture of ownerships)	24
Listed	34
Other companies	9
<b>Role in the board</b>	
Chairperson	23
CEO	29
Independent directors	33
Shareholders' representative	10
Other (executives)	28
<b>Industries</b>	
Agriculture and fishing	2
Manufacturing	34
Utilities	4
Construction and real estate	7
Financial services	23
Services	50

## Exhibit 2. Corporate purpose and culture

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Formal written corporate purpose</b>									
Yes	104			31			65		
No	15			3			12		
<b>Actors defining corporate purpose</b>									
Shareholders	25			1			21		
Board	66			27			35		
CEO	5			1			3		
Management team	6			1			5		
<b>Corporate purpose focus</b>									
People	101	4.60	95.05%	29	4.59	93.10%	64	4.59	96.88%
Clients	100	4.55	94.00%	28	4.46	96.43%	65	4.57	92.31%
Environmental impact	98	4.08	77.55%	30	4.47	90.00%	61	3.95	72.13%
Society	100	4.43	91.00%	28	4.61	96.43%	64	4.36	90.63%
Shareholders	97	3.91	69.07%	26	4.23	84.62%	64	3.88	67.19%
<b>Corporate purpose connection with key business areas</b>									
Company goals	103	4.58	97.09%	30	4.47	96.67%	65	4.62	96.92%
Strategy	103	4.59	94.17%	30	4.50	93.33%	65	4.62	93.85%
Business model	101	4.29	90.10%	29	4.31	93.10%	64	4.30	90.63%
Customer satisfaction	102	4.27	84.31%	29	4.21	82.76%	65	4.28	84.62%
People management	102	4.23	81.37%	29	4.31	82.76%	65	4.22	80.00%
Developing competitive advantage	102	4.11	79.41%	29	4.07	82.76%	65	4.15	76.92%
<b>Corporate purpose influence on business decisions</b>									
Strategic decisions	103	4.58	96.12%	31	4.68	96.77%	64	4.52	95.31%



## Exhibit 2 (continued)

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
People decisions	103	4.27	90.29%	31	4.32	93.55%	64	4.22	87.50%
Product innovation	104	4.20	81.73%	31	4.39	93.55%	65	4.11	75.38%
Risk management	104	3.80	61.54%	31	4.03	77.42%	65	3.69	55.38%
Setting performance targets	104	4.01	78.85%	31	4.13	80.65%	65	3.98	80.00%
<b>Corporate culture: relevant factors</b>									
Collaborative environment	103	4.33	86.41%	31	4.23	87.10%	64	4.36	85.94%
Meritocracy	103	4.25	85.44%	30	4.10	80.00%	65	4.31	86.15%
Innovative spirit	102	4.25	80.39%	31	4.35	90.32%	63	4.27	77.78%
Diverse workforce	104	3.76	65.38%	31	3.97	77.42%	65	3.63	60.00%
Transparency	103	4.34	87.38%	31	4.52	93.55%	64	4.23	82.81%
Trust	104	4.67	99.04%	31	4.61	100.00%	65	4.69	98.46%
<b>Purpose and culture links</b>									
Purpose describes key professional values	103	4.21	80.58%	31	4.10	74.19%	64	4.23	82.81%
Purpose highlights people's development	102	3.82	70.59%	29	3.86	75.86%	65	3.80	69.23%
Purpose includes ethical principles	103	4.19	81.55%	30	4.37	83.33%	65	4.11	80.00%
Purpose expresses expected personal behavior	101	3.86	73.27%	30	3.93	76.67%	63	3.81	71.43%
Purpose focuses on customer service	103	3.97	75.73%	31	4.16	83.87%	64	3.88	70.31%
<b>Importance of cultural fit in business decisions</b>									
Employee hiring	104	4.33	87.50%	31	4.48	96.77%	65	4.25	83.08%
Employee promotion	104	4.30	89.42%	31	4.39	90.32%	65	4.26	89.23%
Employee development	102	4.31	92.16%	31	4.39	93.55%	64	4.27	90.63%
Employee pay	104	3.86	70.19%	31	4.00	83.87%	65	3.77	63.08%
Chair / CEO / board member appointment	103	4.50	89.32%	31	4.55	87.10%	65	4.46	89.23%

## Exhibit 3. Boards in action: board competencies and dynamics

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Directors' relevant competencies</b>									
Leadership	119	4.37	91.60%	34	4.24	88.24%	76	4.41	92.11%
Strategy	120	4.63	95.00%	34	4.62	97.06%	77	4.61	93.51%
Team collaboration	118	4.31	87.29%	34	4.35	91.18%	77	4.27	85.71%
Shareholders' relations	119	4.01	75.63%	33	4.03	75.76%	77	4.09	79.22%
Driving change	120	4.13	80.83%	34	4.12	79.41%	77	4.14	81.82%
Technology expertise	119	3.79	67.23%	34	4.03	76.47%	76	3.68	61.84%
Geopolitics	120	3.36	45.83%	34	3.56	52.94%	77	3.23	41.56%
Sustainability	120	3.96	74.17%	34	4.18	85.29%	77	3.86	70.13%
<b>Directors' relevant personal skills</b>									
Independence	120	4.20	79.17%	34	4.35	82.35%	77	4.13	77.92%
Empathy	119	4.04	77.31%	34	3.91	73.53%	76	4.05	78.95%
Integrity	120	4.74	96.67%	34	4.74	97.06%	77	4.73	96.10%
Reliability	118	4.42	90.68%	34	4.38	88.24%	76	4.41	90.79%
Moral authority	119	4.35	88.24%	33	4.21	87.88%	77	4.36	87.01%
Team player	119	4.18	79.83%	34	4.24	82.35%	76	4.13	78.95%
Critical thinking	119	4.36	84.87%	34	4.29	73.53%	77	4.35	88.31%
<b>The board's defining characteristics</b>									
Collegiality	120	4.03	76.67%	34	4.00	76.47%	77	3.96	74.03%
Professionalism	120	4.25	84.17%	34	4.29	85.29%	77	4.18	83.12%
A coordinated team	118	3.80	70.34%	33	3.70	60.61%	76	3.78	73.68%
Influence of the CEO	119	3.84	66.39%	34	3.85	64.71%	77	3.82	67.53%
Board committees	118	3.90	70.34%	33	4.21	87.88%	76	3.76	63.16%
Critical role of the chairperson	118	4.28	84.75%	33	4.39	90.91%	76	4.21	80.26%

## Exhibit 3 (continued)

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Teamwork and board member interaction</b>									
Board members are collectively responsible for decisions	119	4.34	89.92%	33	4.48	90.91%	77	4.30	90.91%
Board members have a clear understanding of board issues	119	4.25	86.55%	33	4.33	84.85%	77	4.17	85.71%
Board members collaborate to solve problems	119	4.07	80.67%	33	4.12	78.79%	77	4.01	80.52%
Board members share relevant information with each other	117	4.04	76.92%	32	4.03	65.63%	77	4.03	80.52%
Board members share resources with each other	119	3.75	59.66%	33	3.79	57.58%	77	3.71	62.34%
<b>The board as an effective team</b>									
Clear goals	118	4.47	91.53%	32	4.53	93.75%	77	4.47	93.51%
Good board size	119	3.79	66.39%	33	3.94	75.76%	77	3.70	61.04%
Chair leadership	119	4.39	88.24%	33	4.48	87.88%	77	4.32	87.01%
Deep discussion	119	4.34	88.24%	33	4.48	93.94%	77	4.26	84.42%
Collaboration	118	4.29	88.98%	32	4.31	90.63%	77	4.27	89.61%
<b>Features of board meetings</b>									
Board agenda and quality of formal information provided	119	4.24	83.19%	33	4.42	96.97%	77	4.12	75.32%
Previous preparation of meetings by board members	119	3.82	70.59%	33	3.94	69.70%	77	3.73	67.53%
Board's interaction with CEO and top management team before meetings	118	3.78	63.56%	33	3.85	69.70%	76	3.71	59.21%
Quality of board discussions	117	4.05	76.07%	32	4.16	81.25%	77	4.00	74.03%
Board's interaction with CEO and top management team after meetings	118	3.75	65.25%	32	3.72	62.50%	77	3.73	63.64%

## Exhibit 3 (continued)

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Collaboration between board members, CEO, and senior management</b>									
Board – CEO	119	4.34	86.55%	33	4.33	90.91%	77	4.29	83.12%
Board – senior management team	118	3.84	72.88%	33	3.88	72.73%	76	3.76	69.74%
Board – chair	117	4.38	90.60%	33	4.52	90.91%	76	4.29	89.47%
Among board members	118	3.93	79.66%	33	3.97	84.85%	76	3.89	77.63%
<b>Board engagement with different actors</b>									
Controlling shareholders	115	3.81	66.96%	32	3.69	65.63%	75	3.91	70.67%
Activist shareholders	112	2.96	26.79%	32	3.06	25.00%	73	2.96	28.77%
Asset managers (shareholders)	117	3.35	45.30%	34	3.41	55.88%	75	3.37	42.67%
Proxy advisors	113	3.02	29.20%	33	3.27	42.42%	72	2.88	23.61%
Regulators	115	3.38	46.09%	34	3.79	61.76%	73	3.19	39.73%

## Exhibit 4. CEO leadership and succession plans

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>CEO succession planning and board discussions</b>									
We have regular discussions at board meetings (at least once a year)	120	3.21	44.17%	34	3.65	58.82%	77	3.01	37.66%
We have a documented CEO succession plan	120	3.01	40.00%	34	3.91	73.53%	77	2.62	25.97%
We have a management continuity plan in case of unexpected CEO departure	120	3.28	48.33%	34	4.09	70.59%	77	2.82	35.06%
We have an internal candidate development program	120	3.21	45.00%	34	3.47	52.94%	77	3.03	37.66%
We have a pool of potential candidates who may fit our requirements	118	3.14	44.92%	34	3.53	52.94%	75	2.91	38.67%
We compare internal with external candidates	118	3.08	40.68%	32	3.72	65.63%	77	2.83	31.17%
<b>Characteristics of the CEO succession process</b>									
It is an ongoing process	119	3.77	71.43%	33	4.30	87.88%	77	3.51	62.34%
The process starts when the current CEO departs	117	2.25	17.95%	33	1.97	12.12%	76	2.41	22.37%
The process starts as soon as the new CEO is appointed	119	2.76	30.25%	33	2.70	27.27%	77	2.75	31.17%
Internal candidates should be benchmarked with external candidates	118	3.96	79.66%	33	4.12	81.82%	76	3.97	82.89%
External advice should be taken to ensure the process is effective	119	3.78	68.07%	33	4.03	78.79%	77	3.69	63.64%
The process should be outsourced to an external consultancy firm	119	2.85	26.89%	33	2.97	33.33%	77	2.74	23.38%
<b>Obstacles to effective CEO succession planning</b>									
Lack of immediacy	118	3.65	64.41%	33	3.61	69.70%	76	3.76	65.79%
Lack of agreement on skills and competencies required by the new CEO	119	3.14	39.50%	33	3.12	48.48%	77	3.21	40.26%
No clear assignment of duties / responsibility in the process	119	3.23	45.38%	33	3.09	39.39%	77	3.30	48.05%
Influence of the current CEO	118	3.32	45.76%	32	3.00	31.25%	77	3.47	51.95%
No previous experience managing CEO succession	119	3.16	45.38%	33	3.06	39.39%	77	3.32	53.25%
Personal bonds and trust between the board and the CEO	117	3.31	48.72%	32	3.03	43.75%	76	3.45	51.32%

## Exhibit 4 (continued)

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Key CEO leadership capabilities</b>									
Diagnose the company's situation and challenges	120	4.61	94.17%	34	4.79	97.06%	77	4.57	93.51%
Motivate and engage people	120	4.80	99.17%	34	4.94	100.00%	77	4.71	98.70%
Define realistic goals and strategies	118	4.55	96.61%	34	4.62	97.06%	76	4.53	97.37%
Deliver results	119	4.62	97.48%	34	4.79	100.00%	76	4.57	96.05%
Manage stress and conflict	119	4.33	93.28%	34	4.44	97.06%	77	4.25	90.91%
Good communication	120	4.53	95.00%	34	4.62	97.06%	77	4.48	94.81%
<b>Board actions to foster leadership development</b>									
Implement an internal leadership development program	119	4.04	80.67%	34	4.24	88.24%	76	3.93	77.63%
Set specific assignments to broaden candidates' expertise	117	3.85	77.78%	33	3.97	87.88%	75	3.77	73.33%
Request presentations to the board of directors on specific subjects	118	4.10	83.05%	34	4.29	88.24%	76	3.96	78.95%
Request joint work with the CEO	116	3.93	79.31%	31	4.03	80.65%	76	3.93	80.26%
Establish regular performance assessments	117	4.15	87.18%	33	4.30	93.94%	75	4.12	86.67%
Provide external educational programs	118	3.86	75.42%	34	3.91	76.47%	75	3.85	76.00%

## Exhibit 5. The board in corporate strategy and geopolitics

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Factors that led to reconsideration of firm strategy in recent years</b>									
Internal organizational problems	118	3.10	37.29%	33	3.00	30.30%	76	3.11	36.84%
More intense competition	119	3.82	72.27%	34	3.74	73.53%	76	3.86	72.37%
Technology disruption	120	3.81	68.33%	34	4.06	76.47%	77	3.69	64.94%
Internal innovation	117	3.72	64.10%	33	3.91	75.76%	75	3.65	61.33%
Geopolitical instability	117	3.49	54.70%	33	3.67	69.70%	77	3.39	48.05%
Other factors	105	3.61	54.29%	28	3.71	64.29%	70	3.54	50.00%
<b>Firm strategy: key dimensions</b>									
Our strategy is well defined	118	4.29	87.29%	33	4.42	90.91%	76	4.21	85.53%
Our strategy is unique	117	3.38	46.15%	33	3.36	45.45%	75	3.32	42.67%
Our strategy is similar to that of other relevant competitors	119	2.87	28.57%	34	2.74	17.65%	76	2.89	31.58%
Our strategy is understood by our customers	119	3.69	63.03%	33	3.64	63.64%	77	3.71	63.64%
Our strategy is understood by our employees	116	4.22	85.34%	33	4.30	87.88%	74	4.18	83.78%
We do not have a clear strategy	118	1.66	6.78%	34	1.47	5.88%	75	1.76	8.00%
<b>Strategy process at the board level</b>									
Formal discussions	120	4.05	83.33%	34	4.35	88.24%	77	3.87	80.52%
Debates a formal strategic plan prepared by the management team	120	4.24	86.67%	34	4.62	100.00%	77	4.08	80.52%
Debates proposals prepared by the CEO	119	2.97	36.13%	34	2.91	35.29%	76	3.01	39.47%
Debates board member proposals and suggestions	118	3.53	57.63%	34	3.71	64.71%	75	3.44	53.33%
External support from advisors or a consulting firm	118	2.90	37.29%	33	2.97	30.30%	77	2.78	37.66%

## Exhibit 5 (continued)

	All sample			Listed			Non-listed		
	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5	N	Mean	% Rate 4 or 5
<b>Frequency of board strategy discussions</b>									
Once a year	28			7			20		
Twice a year	27			8			18		
Every quarter	37			13			20		
Every board meeting	28			6			19		
<b>Dimensions of the board in action</b>									
The board leaves customer issues to the executive team	119	3.34	52.10%	33	3.21	45.45%	77	3.44	57.14%
The board reviews customer data regularly	119	3.51	59.66%	33	3.94	78.79%	77	3.36	53.25%
In strategy discussions, the board debates with the CEO	119	4.37	90.76%	33	4.70	100.00%	77	4.31	89.61%
In strategy discussions, the board works with and opens new perspectives to the CEO	119	4.04	77.31%	33	4.18	78.79%	77	3.96	75.32%
In strategy discussions, the board leaves most work to the CEO	119	3.16	43.70%	33	3.30	42.42%	77	3.16	46.75%
<b>How boards deal with geopolitical disruptions</b>									
Inclusion of directors with geopolitical knowledge	120	3.48	54.17%	34	3.85	73.53%	77	3.26	42.86%
Allocate more time to geopolitical risks discussions at board meetings	119	3.49	57.14%	34	3.85	73.53%	77	3.31	49.35%
Include geopolitical risk analysis in strategy	120	3.94	75.83%	34	4.32	94.12%	77	3.79	67.53%
Review of the global supply chain	119	3.76	63.87%	34	3.94	67.65%	76	3.71	65.79%
Review of global investments	120	3.88	74.17%	34	4.09	79.41%	77	3.78	72.73%
Engage with stakeholders in key markets	119	3.75	68.07%	33	3.85	72.73%	77	3.74	67.53%



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