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Board Performance Assessment

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# Assessments Inform. Benchmarks Transform.

*The power of performance benchmarking across all aspects of business is undeniable. For boards it is essential.*

Given the complex, dynamic and confidential nature of board work, it is challenging if not impossible for a board to have an accurate sense of how well it is doing without considering objective, third-party data about other boards. With benchmarks, not only is a board able to consider its performance relative to peers, it can explore the broader context for performance, such as evolving governance accountabilities or market dynamics that are also affecting peer organizations.

Access to benchmarked performance data creates opportunities to acknowledge successes and drive ongoing improvements. Context and an external comparison help mitigate the risk of sitting in an echo chamber. Every board that aims to grow and elevate

performance will benefit from knowing what good looks like and being aware of issues that other boards find challenging.

We're pleased to share Boardspan's 2024 Board Performance Assessment Benchmarks and our analysis of what can be learned from them. Boardspan is the only source of board performance benchmarking data that enables boards to measure their performance relative to peers, compare results to goals, track progress, and get insights on emerging governance issues. In our work with boards, we see the impact that the Boardspan benchmarks and analytics have on boards' understanding of performance and development plans. We make this report freely available to increase understanding and improve performance for all boards.

# How the Benchmarks Work

Boardspan's comprehensive Board Performance Assessment evaluates a board's effectiveness in nearly 60 specific areas, spanning **nine categories** of governance excellence:



The Boardspan Benchmarking analysis is based on data collected in the Board Performance Assessment from boards nationwide, across all sectors, and analyzed by Boardspan.

Boardspan began publicly reporting board performance benchmarks in 2021.

# What the Data Shows: Boards Continue to Elevate Performance

The average score across all governance topics for boards participating in the Boardspan Board Performance Assessment rose slightly for the 12-month period ending Q1 2024, after a similar gain for the same period in 2023. The modest but steady improvement is a testament to the dedication boards show to identifying and addressing growth areas, even as governance grows more complex and requires boards to address an ever evolving and expanding set of topics.

## Where boards are strongest



**Ethics & Values**, which reflects on the full board's performance, is tied for second highest score on the assessment and another area where directors expressed high confidence. While we would expect all boards to have a high bar here, this is nevertheless a reassuring affirmation that board

Our most recent data shows that Audit Committees deserve a tip of the hat for starters. Boards are extremely confident in the **Thorough & Independent** work done by Audit Committees; this topic received the highest average score of any covered on the assessment during the 2023-2024 period. Interestingly, **Audit Committee Culture** was tied for second highest scoring topic. Together these scores underscore the high caliber of today's Audit Committees and the assurance boards have that these committees are excelling in their critical oversight responsibilities.

members demonstrate the integrity and ethical behavior expected of those charged with overseeing the organization and seeking the best outcomes for stakeholders.

Boards exhibit strength in a number of other areas, including their ability to provide robust **Financial Oversight**, maintain appropriate **Independence** from management, and rely on competent **Committee Leadership**. Finally, boards have confidence in their **Access to Management**, allowing for appropriate dialogue and follow-up with the management team outside of board and committee meetings.

# Where boards see the greatest opportunity for improvement



**Management Succession Planning:** This continues to be a challenging area for many boards for a variety of reasons: high rates of executive turnover (for both CEOs and potential successors across C-suite roles), dynamic business environments with evolving leadership needs, and succession planning processes that may not have received the usual attention during a period when many organizations have had to focus on other urgent or even existential matters. Assessment scores on this topic saw a substantial increase in prior periods but were flat in the 2023-24 period and remain notably lower than the average assessment score.

## Market Data and Competitive

**Standing:** A notable trend of the past year is that boards, across industries, are looking for more and better data and analysis on the competitive landscape of the organization they serve. Some boards seek more or higher quality data that will help them understand the competitive landscape and many say they are also looking for more analysis showing how and why organizations are faring in their markets. Directors often indicate they want greater perspective on the underlying drivers surrounding wins and losses trends, or the impact of issues like AI, regulations, or geopolitics on decision making by competitors, customers, partners, and suppliers. We consistently hear that boards seek a healthy serving of context with their data: what story do the numbers tell, what is causing these results, what will shape future results? In a fast-moving world, it's essential for boards to have access to the right data as well as insights on the forces acting on and within the market, so board members can fulfill their role as strategic contributors.



**(Opportunity cont.)**

**Service Length and Board Succession**

**Planning:** Having the right talent is critical, so it is not surprising that boards are increasingly focused on a longer-term vision of board composition: How will the board's needs evolve in the next few years and what expertise will need to be bolstered as tenured directors retire? These questions, alongside those of how committee composition will be impacted by rotating membership, tenure, and retirements, have many boards leaning into board succession planning to create an intentional path to ongoing excellence. Meanwhile, many boards are finding that a lack of term or age limits leads to insufficient visibility into exit timing and can create additional challenges for board succession planning, committee rotations and more, while a lack of policies can also make it difficult to achieve optimal composition. As more boards seek to make improvements in these areas, we expect to see many more

boards taking a more analytical approach and engage in intentional planning around board composition, tenure, and succession to ensure they continue to have the requisite expertise and knowledge to fulfill their responsibilities and add value.

Boards suggest they would like to see improvement in several other areas as well, including alignment with management on **Strategy** and its implementation, as well as **Crisis Preparedness**. The good news is that collective assessment scores for Crisis Preparedness were notably stronger this period compared to the last, signaling that boards are actively addressing performance gaps, even as they believe there is much room for improvement.

# Where boards have made the biggest gains



Board performance on **ESG Oversight** has seen the biggest gain, with scores up significantly for this period following a substantial increase during the

prior period. This resonates with what we see in the market: Increased awareness of Environment, Social and Governance issues alongside recently issued SEC-required disclosures has resulted in many boards adopting new oversight measures, making new committee assignments, and more.

Other areas where boards score their performance higher relative to the prior period:

**Dedication and Engagement:** While board performance has long been relatively strong in these areas, scores have risen notably in the current period. This reflects, in some part, the increased demand on board members—today's

boards require an even greater time commitment as their responsibilities expand and the issues they need to understand and discuss grow more complex. Board members are stepping up, or in some cases stepping off, as they recognize how the role is changing and what's needed to contribute meaningfully to an organization's success.

**Board Refreshment:** Boards are very attuned to their own talent needs from specific areas of expertise and market knowledge to diversity of perspective and of tenure as they seek a balance of institutional knowledge and fresh viewpoints. We continue to see boards adopting and refining thoughtful processes for director evaluation, recruiting new members, and succession planning.

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# Where boards are holding steady

**Diversity:** Boards made notable progress in becoming more inclusive over the last few years and their performance scores made significant gains through 2023; scores for the latest period ending Q1 2024 are flat, which mirrors statistics that show the share of Russell 3000 board seats held by women increased by only 0.8 percent between Q1 2023 and Q1 2024.

*(Data source: Equilar and 50/50 Women on Boards).*

# The Path to Success

# 1

## Establish a baseline.

By measuring performance with a comprehensive and objective assessment, the board gains an understanding of how it is doing, and where additional attention may be needed or will help the board add more value. Benchmarks help convert that absolute data into more nuanced insights, helping boards calibrate their performance, understand how their performance compares to that of peers, and recognize where their performance may be affected by evolving governance requirements.

*Organizations evolve, new issues arise, people change. Let board benchmarks be your information advantage.*

# 2

## Double down on governance planning.

Having identified challenge areas makes it easier to chart a course toward improvement. Engaging in thoughtful and coordinated governance planning helps to ensure your board schedules and achieves all of its routine governance objectives, while also building time into the calendar to focus on more challenging topics and strategic work that might otherwise not get the attention it deserves.

# 3

## Get regular check-ups.

Whether evaluating progress toward better performance in specific areas or spotting new opportunities for growth, an annual performance assessment helps a board stay on track with continuous improvement. Just like a routine physical to monitor your personal health, a regular and independent evaluation of all the board's vital signs is the best way to ensure the health of the entity and identify issues before they become serious. Whether simply for maintenance or to address concerns, a board benefits from regularly participating in a well-run board assessment that includes performance benchmarks.

# What You Gain From Boardspan's Benchmarks

When you choose Boardspan to facilitate your annual Board Performance Assessment, you receive these extra benefits:

- **A clear understanding of what “good” looks like**
- **Identification of strengths and development areas in your specific board's performance**
- **Recognition of improvements and declines on a year-over-year basis relative to your own board's effectiveness and also to the overall benchmark**
- **Ability to set and evaluate goals, standards, and expectations using objective market-based data**

If your board assessment process includes director interviews, regardless of who facilitates them, Boardspan's analytically driven insights will be especially important to help you get the most from those conversations. The Board Performance Assessment identifies key areas to probe for a better understanding of the board's sentiment, alongside possible solutions to issues or ideas for improvement. Boardspan consultants are skilled in working with boards to identify the critical questions, then conducting the interviews and preparing an objective report. Whether the interviews are conducted by Boardspan, a board leader or another trusted advisor, the process will be exponentially more valuable if the interviews are based in learnings from the objective Boardspan assessment.

## Benchmark Your Board

Want to find out what a data-informed assessment can do for your board and its stakeholders? Contact Boardspan to learn more about benchmarking, assessments, and other board governance solutions.

## About Boardspan

[Boardspan](#) helps boards raise the bar on their critical governance mandates by combining cutting edge digital capabilities with high-touch consulting services. We are leaders in designing and facilitating board assessments, individual director and CEO evaluations, board succession strategy and near-term search, skills & composition analyses, and bespoke advisory work. We only work with boards, bringing deep experience, objectivity, an analytical orientation, and insight-driven recommendations. Clients include Blue Shield (CA), Colgate-Palmolive, Deckers, Dynatrace, elf Beauty, HubSpot, Ingersoll Rand, KKR, Lam Research, the PGA, Roblox, Salesforce, Synopsys, the USOPC, and scores more.