

2023

Board Performance Assessment
Benchmark Report

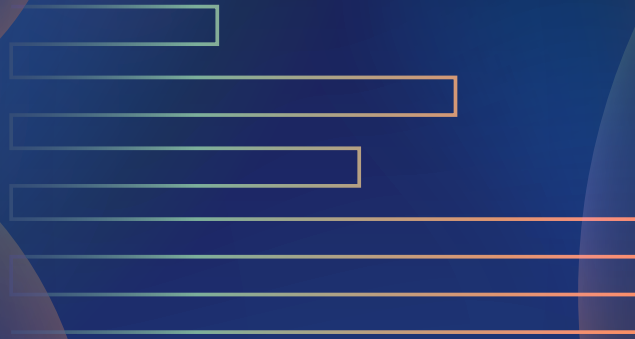


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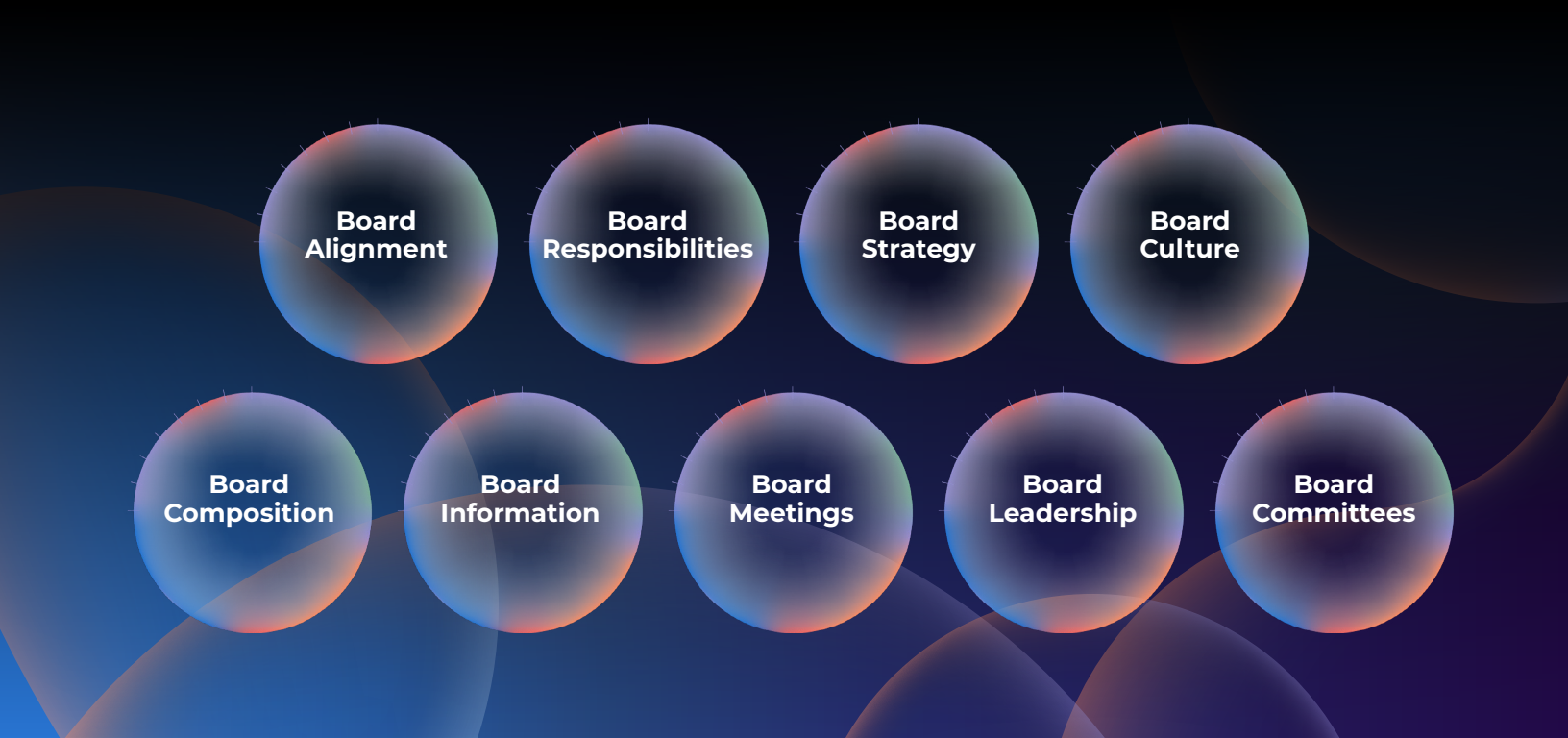
Assessments Inform. Benchmarks Transform.

The power of performance benchmarking across all businesses is undeniable. For boards it is essential and long overdue. For far too long, board members have lacked the objectivity and data-driven insights that benefit them in their work. Without context and an external comparison, any group runs the risk of sitting in an echo chamber. The value of benchmarking for boards is especially high given the complex, dynamic and often confidential issues they address. Knowing “what good looks like” and the issues that challenge others in their peer group can only benefit a board in its continued growth and development.

We’re proud to share Boardspan’s 2023 Board Performance Assessment Benchmarks and the insights we’ve gained. Boardspan is the only source of benchmarking data for boards to measure their performance relative to peers, compare results to goals, track their progress, and stay abreast of emerging issues. Every time we work with a board, we see the impact that these benchmarks and our analytics have on their understanding and development plans. We hope it helps your board just as much.

How the Benchmarks Work

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



The Boardspan benchmarking analysis represents the data collected from boards nationwide, across all sectors, and analyzed by Boardspan. This data identifies a host of governance initiatives for which boards reflect on their accomplishments and the challenges they face.

Boardspan started publicly reporting board performance benchmarks in 2021.

The Three Top Insights for 2023



Boards are embracing change, even if it's hard

2023 seems to be the year of *Radical Candor*, to borrow Kim Scott's phrase. Of course, because we're talking about the boardroom, we'll be explicit that *respectful* radical candor is most desirable and effective. Boards are taking on the hard issues, like succession planning and crisis preparedness, and being courageous when it comes to making change. Some changes need to be big: leadership, go-to-market strategies, and other potentially existential issues. Other changes will be less dramatic: for example, boards learning how to self-assess or thoughtfully staff committees. Nonetheless, all these changes support the progress of the board. Using respectful radical candor, boards are showing self-awareness and honorable intention to continue to grow and add value.



Boards are sharpening their strategic value

Boards are increasingly leaning into their roles as strategic contributors once they establish their foundational good governance. When boards can wrap their heads around their core oversight roles and own their accountability, they are then able to take on the more complex matters of Risk and Strategy. ([Boardspan's Governance Curve](#) takes a deeper dive into this topic.) Evidence of this trend is clear in our benchmark results: Board Strategy showed the single biggest positive category change this year. A board participating in strategic discussions more intensely doesn't take away from the critical role that management has when it comes to setting the course; rather,

it means that boards can better serve as thought partners, validators, and constructive challengers. The big challenge, of course, is that as boards get into the engaging and high-reward strategic topics, they also must ensure they don't take their eyes off the ball in other areas.



Committees are rising to new challenges

We've long known that committees are "the workhorses of the board." That continues to bear out with very high scores for each standing committee: Audit, Nominating & Governance, and Compensation. All three committee cohorts received some of the highest scores in the assessment. Committee work enables board members to bring intense focus, healthy scrutiny, and their individual expertise to bear on key areas of governance. And as board responsibilities continue to rise, the stakes are higher and there is more to keep track of. In turn, more work is going to committees. They shoulder a lot of responsibility and boards are acknowledging the work they undertake. In addition, the relationship between the board committee and senior staff seems to be growing more collaborative in nature. Anecdotally we are seeing more board members working together with C-suite executives to get information and formulate ideas, while retaining healthy boundaries and still providing proper oversight.

The Numbers: How are Boards Performing?

Strengths

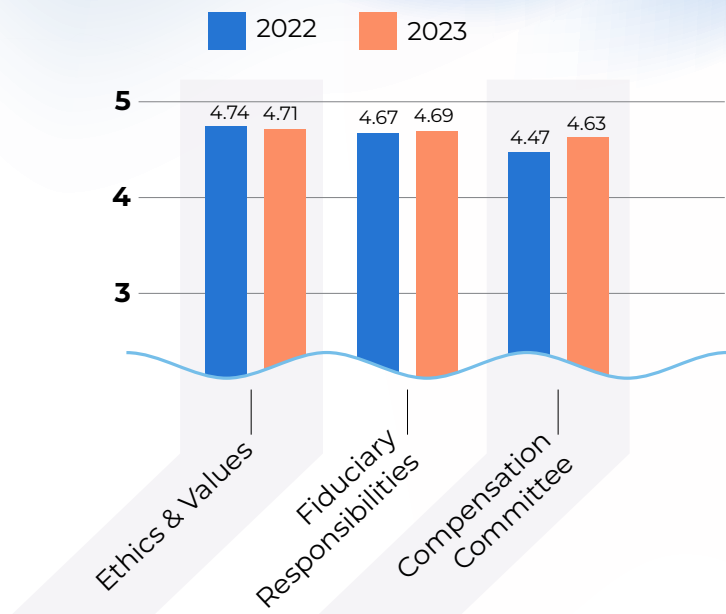


As we saw in 2022, the highest scores in our benchmarks come in two areas: **Ethics & Values** and **Fiduciary Responsibilities**. We are thrilled to see that boards continue to hold themselves to a high bar for both.

For a board, impeccable ethics & values are foundational and non-negotiable. If integrity is in question, fixing it becomes the board's highest priority, bar nothing. Thus, one would hope to see ethics & values as the highest scoring area. We would be concerned if it wasn't.

High scores for fiduciary duties are also core to providing oversight. Numbers don't lie, and boards must be watching for results, trends, and indicators of what lurks beneath the surface. Much like integrity, if fiduciary duties scores are low, this suggests a huge crack in the foundation of board governance.

While all committees contribute meaningfully, **Compensation Committees** have shown the greatest progress in the most recent period. We ascribe this finding to positive responses around the additional challenges thrown their way lately, namely the keen attention paid to Say-On-Pay



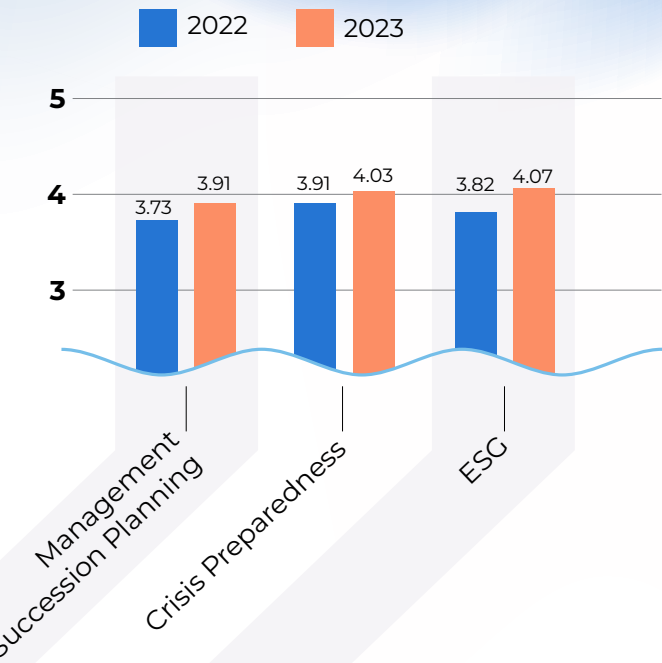
matters. In the spirit of not “letting a crisis go wasted,” even a moderate one, Compensation Committees are using the input of large institutional investors, activists, and proxy services to address concerns. More and more, we’re seeing Compensation Chairs engage in active conversations with their constituents, preempting an even bigger potential crisis around executive remuneration and retention.

Challenges



Management Succession Planning is a perennial challenge in governance and boards rank their performance here lowest among all their responsibilities. Notably, although Board Succession Planning is not one of the greatest challenge areas, boards also cite it as a topic where they can do better. It's no surprise that boards struggle with all aspects of succession planning, both for unplanned succession and planned succession. There is a natural tension in discussing someone's departure. Boards must also consider the broader ecosystem – coordinating who leaves when, addressing shared constituents, rethinking committee staffing, and related matters are complex but necessary parts of the succession planning process. While a tough topic at times, boards owe it to their constituents to look ahead at possible changes in the team. Benchmark scores show some improvements in succession planning, although boards indicate that there is still plenty of work to be done.

Crisis Preparedness is another area where boards are challenged. Recent headlines were a grim reminder that poor crisis management can result in dire consequences, including business failure. From overnight crises in supply chains and talent pools to bank runs and more, there is a sense that “Black Swan” events are not as rare as in the past. Meanwhile everything from cyberattacks to politically motivated boycotts can wreak instant havoc on organizations. It's no wonder that boards feel concerned about their readiness to handle the broad array of



challenges that might come their way, almost always unexpectedly.

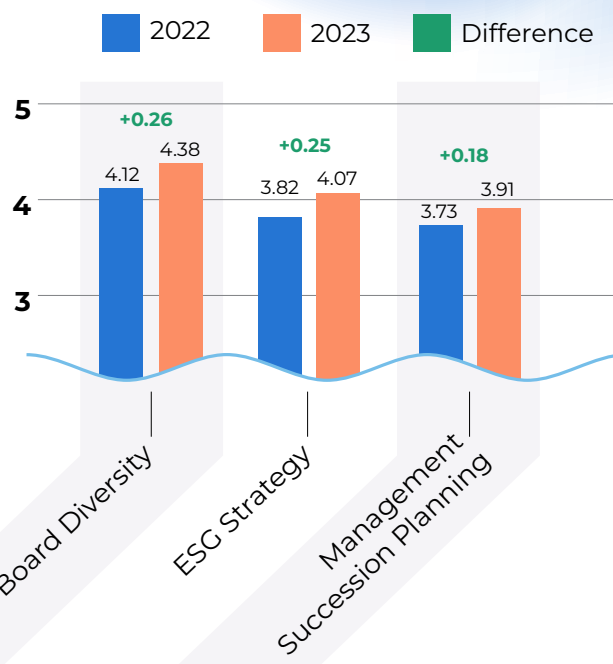
Finally, low scores around **ESG** reflect the difficulty of excelling in an area where requirements and best practices continue to evolve. As the field matures, we should see a universal framework for measuring and reporting data take shape. And as regulators provide greater clarity about what should be reported, we expect boards to find stronger footing here. Boards will also gain confidence in overall ESG strategy as they build knowledge and skills in the individual areas of environmental, social, and governance related to their organizations. In fact, starting with this year's assessment, we have included individual topics for each of these disciplines and look forward to seeing the data in future benchmarks.

Improvements



Board Diversity was the single biggest area of improvement in 2023. This is surely a reflection of several years of increased awareness around all forms of diversity, including gender, under-represented minorities, geographic, generational, and of course expertise. More boards than ever are looking carefully at who sits around the table and whether the group has the range of skills and experiences needed to think expansively about the many potential opportunities and threats on the horizon, while also fulfilling critical, evolving oversight responsibilities.

ESG is an area where boards saw growth despite the challenges. While a continuously evolving area, boards have given ESG more attention over the past year. As a result, we're seeing a greater understanding of the issues and confidence in the board's oversight of this area. We expect this to continue to improve year-over-year as boards gain more knowledge and the overall strategies for measuring and enhancing ESG performance solidify.



And though **Management Succession Planning** continues to be the most challenging area for boards, we saw directional improvement this year. As a multi-faceted issue, boards need to be vigilant about the scenarios in which management departures happen, both planned and unplanned. Interestingly and perhaps related, boards rate themselves below average when it comes to undertaking fulsome CEO evaluations. Performance is a key consideration in succession planning and boards that have undertaken formal CEO reviews have given themselves a significant advantage in gathering information about their expectations and recent performance metrics.

The Path to Success

The more boards understand about their performance as part of the bigger picture of their responsibilities, the surer the path to success. We've seen the lightbulbs go off time and again. How do you begin to reap the benefits of benchmarking? Here's how to start:

1 Set a baseline. Once a board has a thorough understanding of its performance and the benchmarks, they have something to measure and help set direction. The results help drive a plan to tackle challenging areas and pursue continuous growth.

2 Be intentional about governance planning. Challenging topics are rarely addressed in one meeting and setting an intention is the first step in tackling a complex issue. Engaging in thoughtful and coordinated governance planning helps in both the short and long term. It's the best way to ensure your board meets all its governance objectives, and it has the bonus of helping you put time on the calendar to address some of the challenges and strategic work that might otherwise not get the attention it deserves.

3 Get an annual checkup. Just like going to the doctor, repeating an objective, data-informed assessment every year helps you track improvement in growth areas and spot new opportunities and challenges. Whether simply for maintenance or to address a concern, a well-run board assessment adds immediate value to any board.

Organizations evolve, new issues arise, people change.

Let board benchmarks be your information advantage.

What You Gain from Boardspan's Benchmarks

By choosing Boardspan to facilitate your Board Performance Assessment, boards will:

Understand what “good” looks like

Identify strengths and development areas in the board's performance

Recognize improvements in performance year over year, both in the board's own numbers and against the overall benchmark

Set expectations using objective market-based data

Manage change more effectively

If your board conducts board member interviews, Boardspan's analytically driven insights will be especially important to help you get the most from those conversations. Regardless of whether a member of the board conducts the interviews, your in-house or outside counsel steps in, or you have Boardspan consultants lead the process, the data is critical to identifying the key issues, retaining objectivity and being able to offer context. An interview is only as well-informed as the person asking the questions. Set them up for success.

Benchmark Your Board

Want to find out what a data-informed assessment can do for your company? [Contact Boardspan](#) to learn more about benchmarking, assessments, and other board governance solutions.

About Boardspan

Boardspan is the leading cloud-based software and advisory company that focuses exclusively on helping boards of directors excel. Our assessments, analytics, benchmarking, and deep content complement our board search and advisory services to deliver a holistic approach to governance. Boards of all sizes and stages rely on Boardspan to deliver analysis, offer insights, and drive outcomes that improve their effectiveness and performance. Clients include Blue Shield, KKR, The Kellogg Foundation, Ingersoll Rand, the Boston Beer Company, Equinix, Thoma Bravo, Fortive, Box, e.l.f. Beauty, SHRM, and the U.S. Olympic & Paralympic Committee.

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