

# THE FUTURE OF BOARD GOVERNANCE



GLOBAL NETWORK OF  
DIRECTOR INSTITUTES

## KEY THEMES

### DIVERSITY & INCLUSION

# 42%



#### DIRECTORS RECOGNISE THE NEED FOR GREATER BOARD DIVERSITY AND INCLUSION

A lack of board diversity and inclusion is the current board practice that 42% of directors consider will be least acceptable in 3 to 5 years. Although only 25% consider improving diversity and inclusion is a top priority in the short-term, 37% consider it will be a key change necessary over the next 3 to 5 years, and 78% regard more diverse boards as a key change 2030 and beyond.

### LONG-TERM STRATEGIC FOCUS

# 66%



#### LONG-TERM STRATEGY IS CRITICAL FOR BOARDS IN AN ENVIRONMENT DOMINATED BY SHORT-TERM PRESSURES

66% of directors consider having a focus on long-term strategy is their most critical priority to support organisational success. Similarly, 60% stated the key area of improvement in board governance over the next 3 to 5 years is increasing effective strategic dialogue in the boardroom and between board and management.

### BOARD EVALUATIONS

# 50%



#### BOARD EVALUATIONS ARE CRITICAL FOR IMPROVING BOARD PERFORMANCE

Over 50% of directors say enhancing board evaluation processes is their top priority for improving board performance. Additionally, 30% consider upgrading board evaluation processes is a significant area for improvement over the next 3 to 5 years, and 31% stated a lack of formal and rigorous board performance evaluations will be less acceptable in 3 to 5 years.

### RIGOROUS DECISION-MAKING

# 50%



#### THE RIGOUR OF BOARD DECISION-MAKING IS A KEY FOCUS FOR DIRECTORS

Nearly 50% of directors consider the rigour of board decision-making is their top improvement priority in terms of procedures for the effective functioning of their boards. Furthermore, 47% of directors stated that enhancing board analysis and decision-making processes including the use of data analytics is their key focus for improving board governance over the next 3 to 5 years.

### CLIMATE CHANGE

# 27%

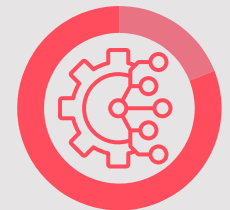


#### CLIMATE CHANGE IS NOT A TOP PRIORITY FOR BOARDS DESPITE GROWING BUSINESS RISK AND REGULATORY FOCUS

A lack of board deliberation and focus on social or environmental issues will be less acceptable in 3 to 5 years according to only 27% of directors. Furthermore, despite legislative changes, increased reporting requirements and worsening natural disasters, climate change is considered a critical priority by only 5% of directors.

### DIGITAL GOVERNANCE

# 83%



#### TECHNOLOGICAL TRANSFORMATION REGARDED AS AN ISSUE FOR BOARDS OF THE FUTURE – NOT NOW

83% of directors consider that expanding board committees to include technology and sustainability will be a key change for 2030 and beyond. For now, however, digital transformation ranked fifth (only 21%) of priorities critical for organisational success despite cyber-risk and digital innovation being identified by 55% and 54% of directors respectively as the two key areas that their boards have insufficient expertise/skills to govern over the next 3 to 5 years.

# THE FUTURE OF BOARD GOVERNANCE



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## KEY FINDINGS

### IMMEDIATE PRIORITIES (NEXT 2 YEARS)

#### DIRECTORS ARE FOCUSED ON LONG-TERM STRATEGY



Two-thirds of directors consider that their most immediate priority for organisational success is long-term strategy. Directors add value to their organisations by setting the purpose, values and mission and guiding the development and monitoring the execution of a long-term strategic plan.

#### IMPROVING BOARDROOM PERFORMANCE IS A TWO-WAY STREET



45% of directors consider improving the quality of management reporting to the board will improve governance. However, directors are also taking responsibility for enhancing boardroom practices with a focus on director education on specific skills (57%), enhanced board evaluations (52%) and improving the rigor of decision-making (49%).

### NEXT 3 – 5 YEARS (2025 AND BEYOND)

#### DIVERSITY OF SKILLS, EXPERIENCE AND PERSPECTIVES ARE INCREASINGLY IMPORTANT



Digital skills are the key skills gaps on boards – 55% say they lack expertise in cyber-risk and 54% digital innovation. Going forward, these skills will be increasingly important with 45% of respondents saying use of directors with specific skills and expertise is the key change to board norms required over the next 3 to 5 years, followed by increasing diversity and inclusion on the board (37%).

#### ENHANCING PROCESSES FOR BOARD EVALUATIONS AND APPOINTMENTS



Upgrading board evaluations are a key part of reviewing and refreshing the board composition. 30% consider upgrading board evaluation processes is a key change needed to improve governance, and 31% say a lack of formal process will be less acceptable in 3 to 5 years. Similarly, directors are questioning who should be on boards including the lack of board diversity (42%), political appointments (33%) and CEO as the chair (32%).

### BOARD OF THE FUTURE (2030 AND BEYOND)

#### EXISTING BOARD STRUCTURES NEED TO EXPAND TO INCLUDE TECHNOLOGY AND SUSTAINABILITY



83% consider that boards of the future will need to expand their committee structures to include technology and sustainability. As boards grapple with enhancing the diversity of skills, experience and perspective around the boardroom, there is recognition that boards of the future will look quite different to the boards of today. 78% of directors say boards of the future will be more diverse, with directors trending younger, increasing gender equality, and may bring skills that didn't exist just five years ago.

#### BOARDS ARE SHIFTING THEIR FOCUS TOWARDS NON-FINANCIAL PERFORMANCE OVERSIGHT



Four out of five directors consider that boards are needing to become more purposeful and impact driven. With changing consumer and community expectations, particularly around climate change and environmental, social and cultural impacts and outcomes, organisations are reflecting on their purpose, value proposition, social license to operate and business model. Values and beliefs are increasingly influencing consumer behaviour, and how businesses procure, invest and manufacture. Similarly, employees are increasingly choosing to work for organisations that are purpose-led and “live” their values.