Nasdaq

2024 Survey Report

# Global Governance Pulse

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# Overview and Methodology

A thoughtful governance model enables boards to fulfill their duties and provide effective oversight of organizations. Each board must determine the appropriate governance approach that aligns with the organization's needs and meets prescriptive requirements imposed through relevant legal and regulatory bodies.

Nasdaq's 2024 Global Governance Pulse survey was conducted in July, capturing information on corporate governance trends and practices and anticipated 2025 board priorities. The survey included questions that explored five key areas:

- Board composition and culture
- Board evaluations
- CEO evaluations and management oversight
- Governance practices, processes, and tools
- Strategic and risk topics on the horizon

# Key Takeaways

## 01 Board Composition and Culture

Effective boards are premised upon having a well-balanced composition and constructive culture. The following actions are critical to building and maintaining a value additive board:

- Develop a structured board succession planning process that promotes a healthy rate of board refreshment.
- Proactively plan for board leadership transitions.
- Prioritize competencies in core areas that enable effective decision-making and oversight, such as cybersecurity, industry experience, strategic development, technology, and executive leadership.
- Establish the appropriate blend of board member backgrounds and characteristics to expand cognitive diversity, prevent groupthink, and enable better understanding of stakeholder priorities.
- Create an impactful onboarding process that enables new board members to contribute meaningfully from their first meeting.
- Regularly evaluate the quality and productivity of board engagement.
- Foster meaningful interactions to deepen relationships among board members and create an agile, growth-oriented culture.

## 02 Board Evaluations

Sophisticated board members understand that a well-designed and executed board evaluation process provides an understanding of the correlation between a highly effective board and an organization's successful performance for the benefit of its stakeholders. To foster board excellence and a performance-oriented culture, consider the following actions:

- Assess the quality of the board's organizational oversight and how effectively board members execute their governance responsibilities.
- Establish an annual board and committee evaluation process to gather candid feedback and form the basis for action plans.
- Conduct board member peer assessments to support development and inform renomination decisions.
- Determine if external board evaluation support is needed for meaningful and candid engagement.
- Determine a cadence and process for gathering feedback from management on the board's effectiveness and governance practices.
- Establish a plan for tracking progress toward specific, documented opportunities that improve board effectiveness and the value derived from the governance framework and practices.

## 03 CEO Evaluations and Management Oversight

One of the most important decisions a board makes is who sits in the CEO seat. Sophisticated boards understand this is an ongoing decision and requires thoughtful consideration in not only selecting a CEO but also overseeing that leader and the management team. To exercise prudence in management oversight and relations, consider implementing the following practices:

- Establish a CEO evaluation process that gains a holistic and diversified view of CEO performance, with feedback from board members, the CEO, and the CEO's direct reports on quantified performance objectives and leadership characteristics.
- Regularly discuss the CEO's leadership in independent board sessions and have board leaders convey the feedback to the CEO.
- Maintain a CEO succession plan with details for emergency circumstances and the blueprint for a long-term succession process.
- Annually conduct a full board review of management team succession plans and designate a committee to review these more frequently.
- Establish opportunities for the board to engage with key executives in formal settings and social circumstances that provide insight into their personalities and leadership characteristics.

# Key Takeaways

## 04 Governance Practices, Processes, and Tools

Innovation in the boardroom can dictate how it is adopted and valued within the organization. To help maintain alignment between the governance, leadership, and business models:

- Determine the best blend of in-person meetings and virtual meetings to support quality board engagement and alignment in decision-making and oversight, as well as to promote efficiencies and cost savings.
- Evaluate whether separate committee meetings with an option for non-committee members to observe promotes more universal knowledge across board members, efficiency for management presenters, time for full board discussions in meetings, and agility in decision-making.
- Regularly assess how dynamic, concise, well-organized, and informative board materials are and whether they support informed board decision-making.
- Provide opportunities for board members to continually build knowledge though site visits and group and individual education sessions with an allocated budget and defined goals or requirements.

## 05 Strategic and Risk Topics on the Horizon

Boards can be a powerful resource in developing a strategic plan and supporting management as they encounter challenges and opportunities that evolve with the changing business and economic conditions. To derive the most value from the board throughout the strategic cycle, consider the following actions:

- Define the board's role in strategic planning and the appropriate cadence and purpose of the strategic planning meeting, which should align to the organization's business, maturity, industry, and other relevant factors.
- Align with management on how strategic execution will be formally reported to the board, as well as which aspects may be reported informally and on an ad hoc basis.
- Deepen understanding of the necessary talent management plan to enable strategic execution and competitiveness.
- Maintain understanding of the organization's legal and regulatory scheme and how technology is being utilized throughout the business.
- Foster constructive and robust board and management dialogue on core areas impacting organizational success, such as access to capital, resource allocation, cost control, economic conditions, and the competitive landscape.

# Respondents

The survey collected 872 qualified responses from board members, executives, and governance professionals across organizations and sectors. The diverse respondents offer a comprehensive, global view of corporate governance practices. Notable insights about the survey respondents and the organizations they represent include:

- **51%** of respondents represent public companies, with the remaining respondents split between private companies (**25%**) and not-for-profit organizations, associations, and non-governmental agencies (**24%**).
- **76%** of respondents' organizations are headquartered or domiciled in the Americas, **12%** in Europe (including the UK and Ireland), **7%** in Asia-Pacific, and **5%** in the Middle East and Africa.
- Financial services (**25%**) and healthcare (**20%**) respondents have the greatest representation across sectors.
- **63%** of respondents are board members, **9%** CEOs, and the remaining **28%** include general counsel, corporate secretaries, and other leaders who regularly interact with the board.
- Respondents are split between females (**42%**) and males (**57%**), and the majority (**81%**) are in the 50-59 or 60 years and older age ranges.

## Job/Role Breakdown

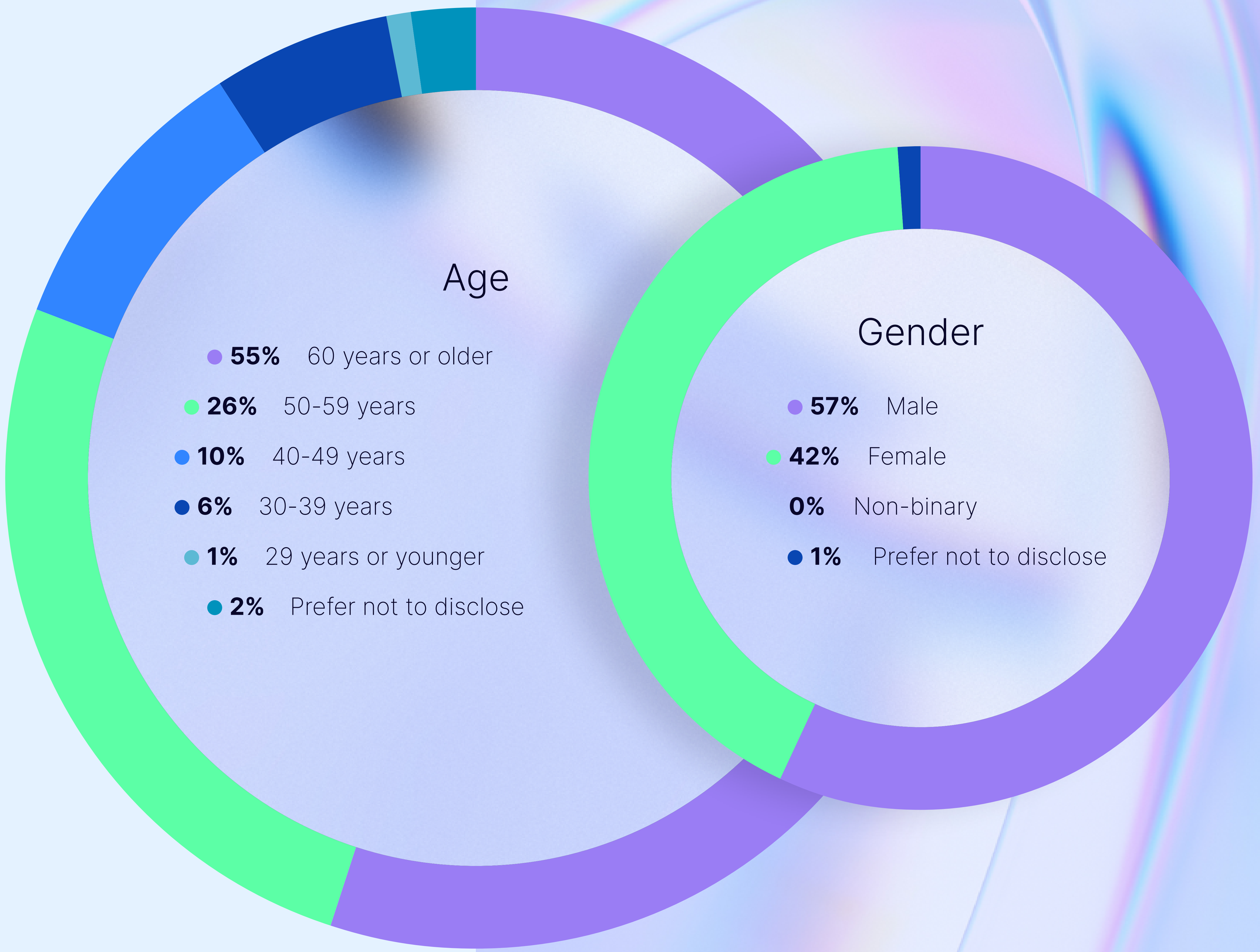
**63%**
Board Member

**13%**
Corporate Secretary,
General Counsel, or Secretariat
(including Board Liaison or equivalent)

**10%**
Other Executive Officer
(not CEO, Corporate Secretary, or General Counsel)

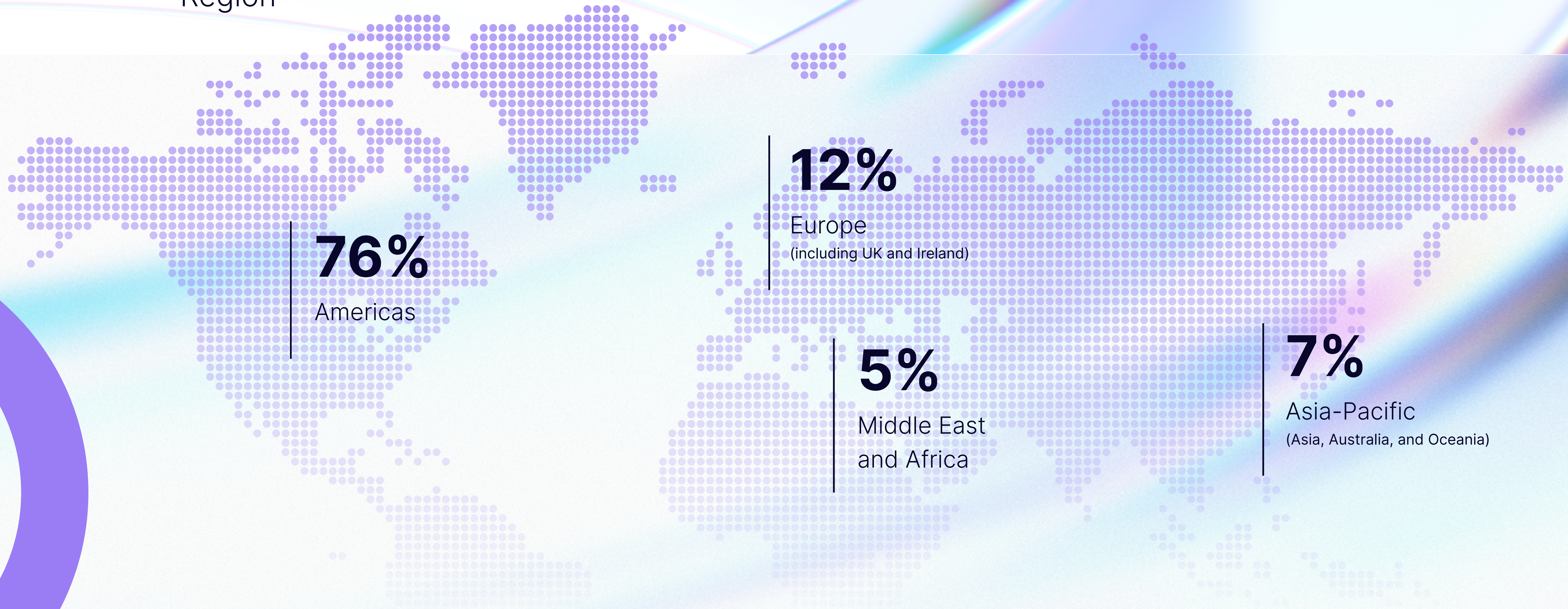
**9%**
Chief Executive Officer

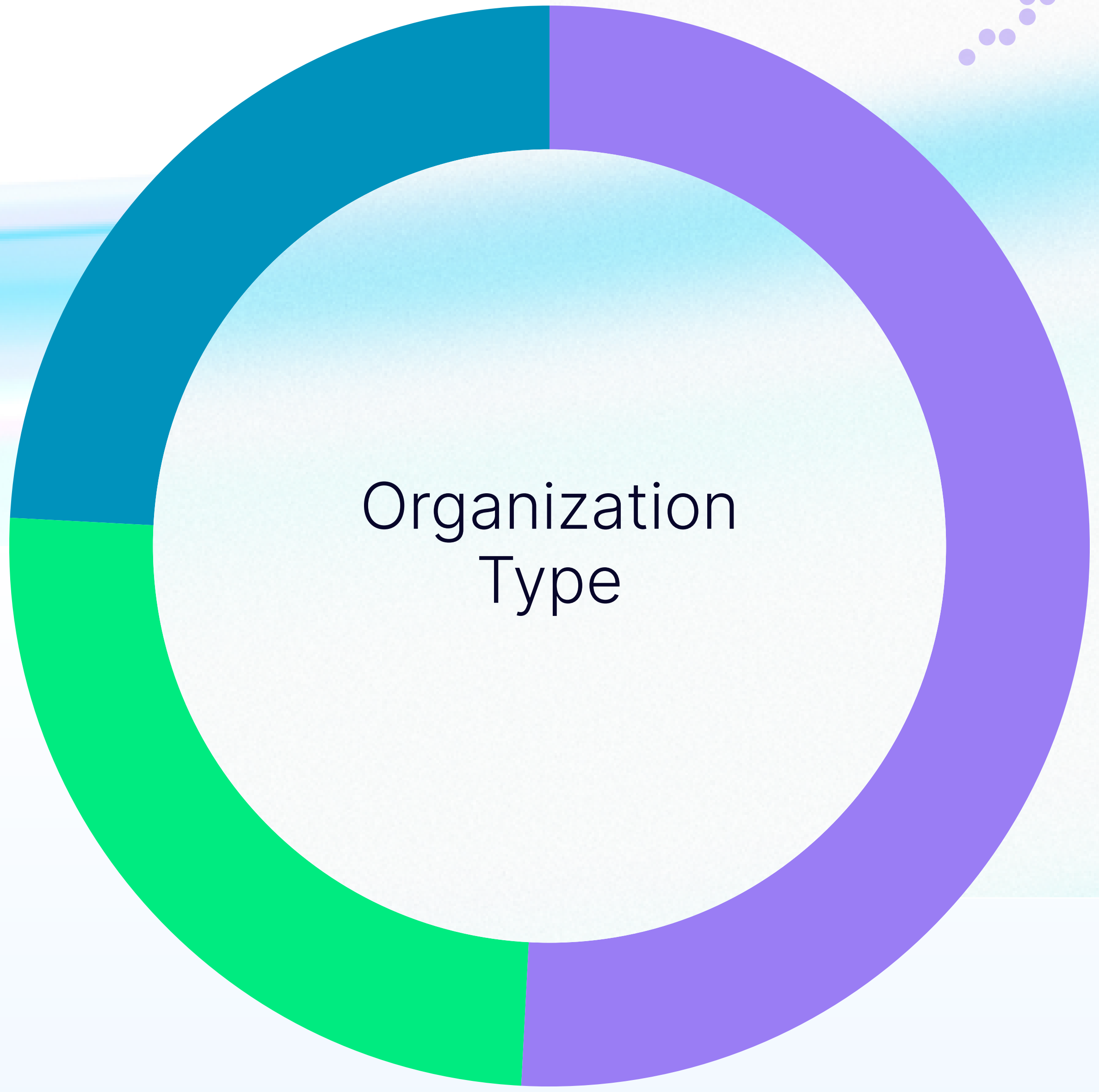
**5%**
Other



# Respondents

## Region



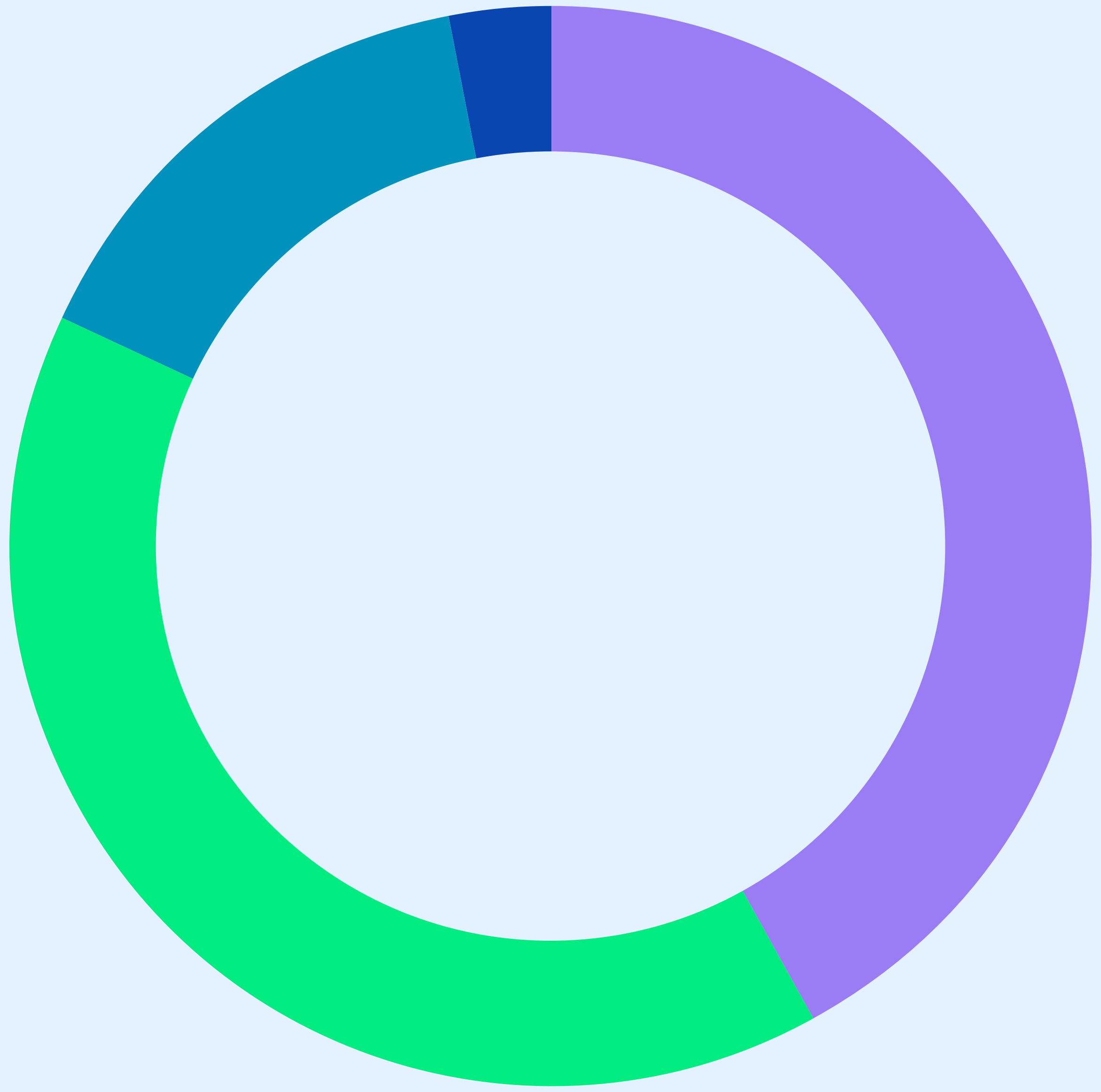

- **51%** Public company
- **25%** Private Company
- **24%** Association, Not-For-Profit Corporation, or Non-Governmental organization

## Sector Breakdown

| | |
|---|---|
| **25%** | Financial Services |
| **20%** | Healthcare |
| **7%** | Information Technology |
| **7%** | Industrials |
| **5%** | Energy |
| **4%** | Real Estate |
| **4%** | Materials |
| **3%** | Consumer Staples |
| **3%** | Consumer Discretionary |
| **3%** | Consumer Services |
| **2%** | Utilities |
| **17%** | Other |

# Board Composition and Culture

## Does your board have a succession plan to provide guidance when adding new members and/or facilitate changes in leadership roles?



**42%**

Yes, we have a formalized, detailed board succession plan that is reviewed at least annually by the board (or relevant committee)

**40%**

Somewhat, we have a board composition and skills matrix that we discuss periodically or when a board seat opens

**15%**

No, we do not have a board succession plan

**3%**

Other

Maintaining a board that consistently provides effective oversight can be as challenging as the dynamic environments in which organizations operate. Sophisticated boards recognize that composition must be developed through thoughtful and intentional succession planning to align with the organization's strategic demands and governance requirements. Data and insights from the Nasdaq Board Advisory team's work with boards around the world reveal that approaches to board succession planning vary.

The overwhelming majority of survey respondents (82%) indicate their board has some type of board succession planning process; however, 15% report there is no board succession plan, which reflects organizational risk. Of those respondents who report their organization has a board succession plan, 42% report the board has a formal plan that is reviewed at least annually and 40% report an informal process based on a composition or skills matrix reviewed periodically or when a board seat opens.

> A formal board succession plan helps maintain board and organizational stability and preserve institutional knowledge. It also ensures proactive consideration for whether the board has the necessary skills and experience to meet organizational demands now and in the future.

Board succession planning practices are reflective of the quality of corporate governance and the board's ability to ensure the organization is achieving sufficient growth and is resilient in the face of evolving business conditions.

42%

of respondents who have a formal board succession plan report that the plan is reviewed at least annually

## To strengthen current board succession planning processes, which of the following should your board consider?

| | |
|---|---|
| 71% | Develop prioritized characteristics and competencies (skills, background, or experience) |
| 46% | Establish a formal board member onboarding plan |
| 36% | Establish board diversity goals |
| 35% | Establish committee membership and chair rotation policies |
| 20% | Inform board member renomination by peer evaluation results |
| 18% | Contract with an external party to identify qualified board candidates |
| 18% | Add term or age limit |
| 11% | Adopt over-boarding policies |
| 4% | Eliminate term or age limit |
| 28% | None of the above, the board succession planning process is effective and well suited to our board |

## Should your board increase the number of members with any of the following diversity characteristics?

| | |
|---|---|
| 50% | Female |
| 48% | Underrepresented race or ethnicities |
| 39% | Under 50 years old |
| 18% | Identifies as LGBTQ+ |
| 15% | Underrepresented nationalities |
| 5% | Other |
| 39% | None, our board is appropriately diverse |

Interestingly, although most respondents report they have a formal or informal board succession plan, only 28% of respondents indicate their board succession planning process is effective and well-suited to their board. The remaining 72% of respondents identify opportunities to strengthen board succession planning practices and prioritize several means for such. 71% of those respondents indicate the need to develop prioritized characteristics and competencies for new board members. Relatedly, two other key opportunities to create a proactive approach include, establishing board diversity goals (36%) and establishing committee membership and chair rotation policies (35%).

> A detailed board composition matrix is a useful tool for cataloguing existing board competencies and diversity characteristics, identifying gaps to address through board refreshment, and planning for all membership and leadership role transitions based on anticipated departures or unexpected ones.

Survey data provides insights into the competencies and diversity characteristics boards may consider as they develop their own succession plans:

### Diversity

61% of respondents believe their board should increase members with certain diversity characteristics. Of those respondents, the diversity priorities are female (50%), underrepresented races or ethnicities (48%), and under 50 years old (39%). This aligns with the ideas that diverse boards are better equipped to understand different stakeholders and businesses can better position themselves to succeed in the future. Expanding age diversity correlates with boards adding members with new skills and experience needed.

## Which skills and experience would most enhance your board's composition and ensure alignment to the organization's strategy?

| | |
|---|---|
| 35% | AI and machine learning |
| 34% | Cybersecurity and data privacy |
| 30% | Industry experience |
| 29% | Strategic development and execution |
| 28% | Technology and innovation |
| 27% | Executive leadership experience |
| 24% | Enterprise risk management |
| 21% | Accounting and audit |
| 20% | Client relations, customer engagement, and marketing |
| 17% | Human capital and talent management |
| 17% | Law, regulation, and compliance |
| 15% | Mergers and acquisitions and capital markets |
| 14% | Government relations and public policy |
| 14% | Environment, sustainability, and climate |
| 13% | Public company board experience |
| 7% | Product development and research and development |
| 6% | International operations and supply chain |
| 3% | Other |

### Competencies

When asked to select the top five skills and experience that would enhance board composition and ensure alignment to the organization's strategy, survey respondents emphasize focus on artificial intelligence (AI) and machine learning (35%), cybersecurity and data privacy (34%), and technology and innovation (28%).

> Proficiency in these areas is necessary for boards to evaluate the impact of technology and AI adoption on organizational growth and oversee the implementation of cybersecurity protections to mitigate risks.

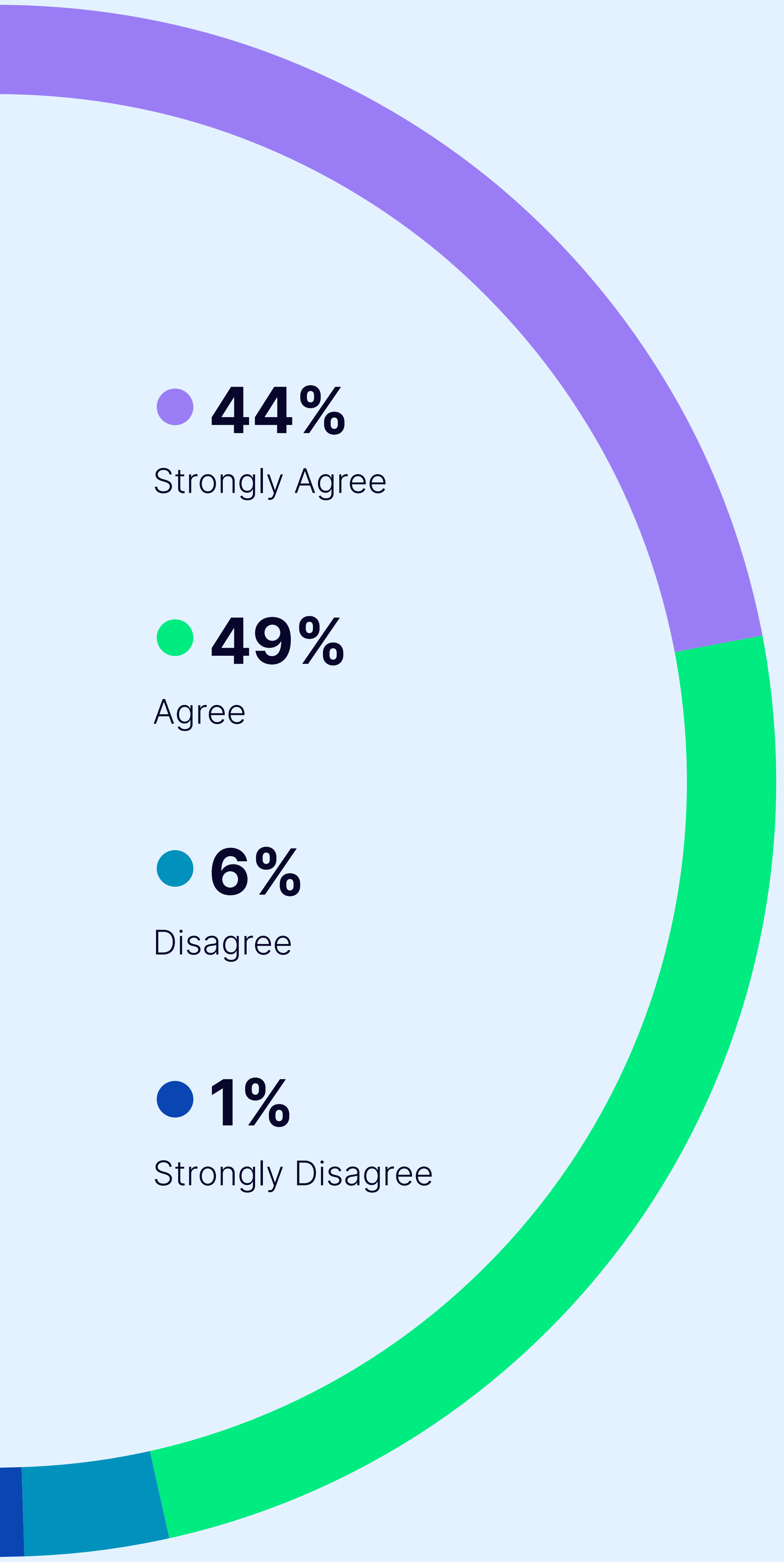
Three other top areas are industry experience (30%), strategic development and execution (29%), and executive leadership experience (27%). These competencies, built on board members' experience of developing, managing, and executing relevant businesses, help boards analytically evaluate and approve business priorities and support management as they execute the strategy.

Interestingly, survey data also indicates several areas have been deprioritized. Only 13% of respondents are focused on public company board experience. This may be explained by the fact that many public company boards already have depth with this experience, so experience in the forward-looking areas described above is more unique and additive. Additionally, human capital and talent management (17%) and environment, sustainability, and climate (14%) do not appear to be top priorities. This may relate to a shift in these ESG-related areas being viewed as operational and compliance matters and a growing confidence in board oversight without having a specific seat allocated to this expertise.

35%

of respondents emphasize focus on AI and machine learning to enhance board composition and alignment with the organization's strategy

## The culture of your board is healthy and enables a high level of board effectiveness.




## What changes could board members make to improve your board's culture and dynamics?

| | |
|---|---|
| 41% | Provide more active and constructive challenge to management |
| 30% | Build deeper relationships with other board members |
| 28% | Increase participation in board discussions |
| 26% | Ask informed and productive questions |
| 24% | Appropriately prepare for meetings |
| 24% | Share perspectives more concisely (better share airtime) |
| 22% | Productively debate one another |
| 21% | Actively listen and fully consider others' perspectives and ideas |
| 2% | Other |
| 23% | None of the above, our board's culture is healthy, and dynamics are appropriate |

The final key opportunity related to enhancing board succession planning ties together board composition and board culture. 46% of respondents report the need to have a formal board member onboarding plan, ensuring board members are apprised of their governance responsibilities, educated on the business, and able to constructively participate in the board's culture and activities. Board refreshment and effective onboarding help prevent groupthink and promote a dynamic, agile board.

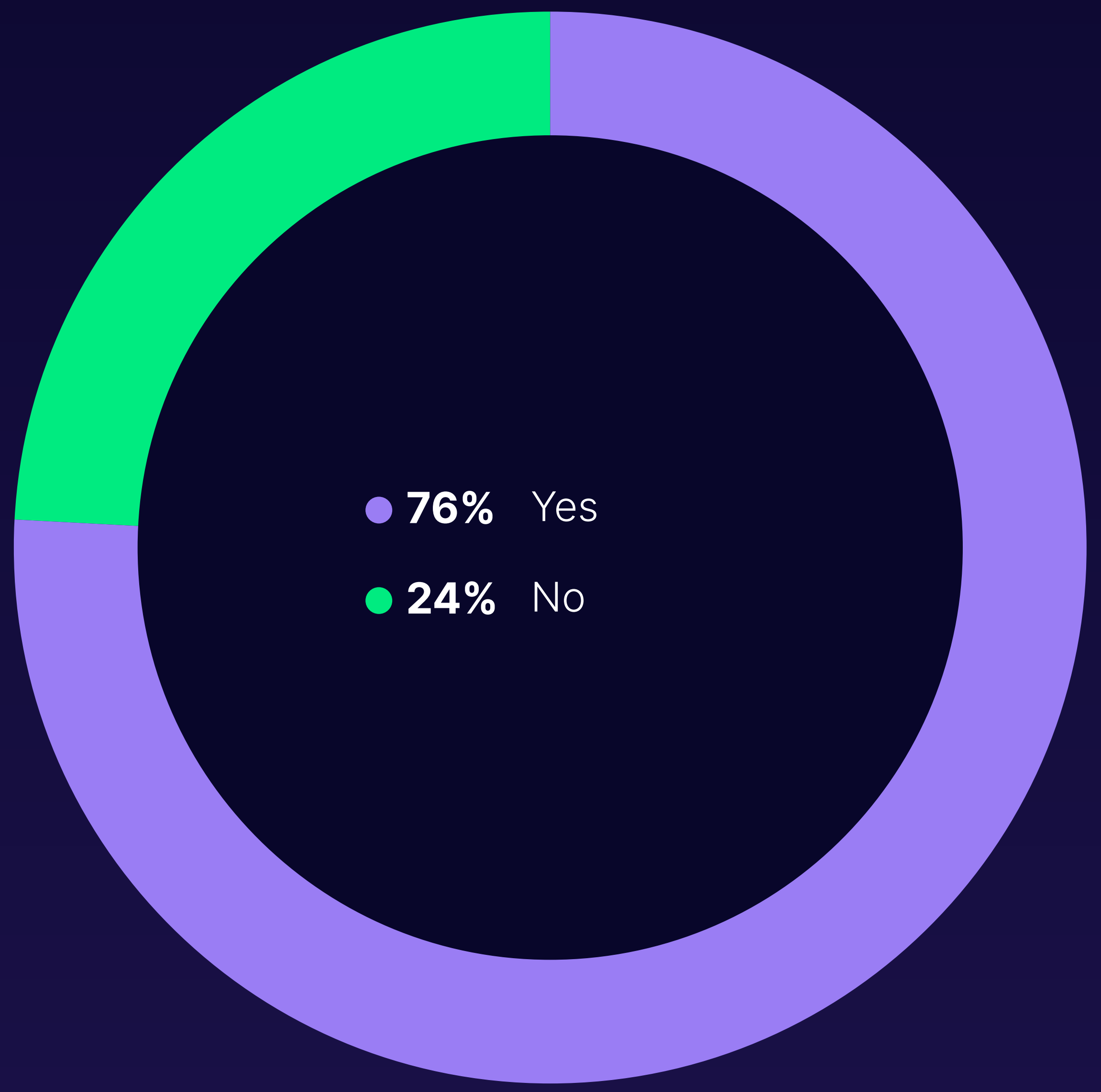
Although 44% of respondents strongly agree and 49% agree their board culture is healthy and enables a high level of board effectiveness, most respondents (77%) indicate opportunities to improve the board's culture and dynamics. Of those who select the top three ways to do so, actively and constructively challenging management (41%), building deeper relationships with other board members (30%), and increasing participation in board discussions (28%) are important opportunities.

> Although collegiality is a term often used to describe board culture, a board may benefit from ascertaining whether collegiality is inhibiting the board's effectiveness and its ability to exhibit the aforementioned behaviors that enhance board culture. Constructive challenge and open idea sharing promote deeper thinking and a culture of accountability when underpinned with relationships built on trust, candor, and respect.

A dynamic and aligned culture is the cornerstone of high-functioning boards and enables constructive debates, balanced and transparent decision-making, and proactive oversight. Survey results highlight the need to regularly reflect on ways to enhance board's composition, culture, and dynamics, especially during periods of change, for the purpose of fostering a high degree of board effectiveness.

# Board Evaluations

### Does your board conduct either a self-evaluation or third-party evaluation?




### Why does your board conduct a board evaluation?

**72%** Desired by the board to increase effectiveness

**50%** Required by the organization's self-imposed governance requirements

**22%** Required by regulator or authorizing organization

**8%** Requested or required by shareholders, owners, or stakeholders

**1%** Other

Corporate governance is improved—with intention and impact—when there is a catalyst for change and clarity on the board's strengths, weaknesses, and opportunities. Historically, board evaluations were incorrectly viewed as compliance exercises and deemed ineffective processes due to lack of candor, objectivity, or actionable outcomes. Fortunately, this is changing as boards adopt an annual board evaluation process that allows members to honestly reflect on the structure, practices, and performance. **Gathering robust feedback on board effectiveness strategically enhances the quality of corporate governance as a key driver of long-term value.**

76% of respondents report conducting a board evaluation, while 24% report they do not conduct a board self-evaluation or third-party board evaluation. Of those that conduct a board evaluation, the majority report the reason stems from the desire by the board to increase its effectiveness (72%). 50% of respondents indicate they do so because of self-imposed governance requirements, and 22% do so because of regulator or authorizing organization requirements. Interestingly, only 8% of respondents report that shareholders, owners, or stakeholders require the board to conduct an evaluation; however, institutional investors and proxy advisors continue to provide guidance that a board evaluation is an indicator of an effective governance and the board's role in driving shareholder value.

72%

of respondents who conduct a board evaluation report the reason stems from the desire to increase the board's effectiveness

## How does your board facilitate its board evaluation process?

**71%**

Utilize a questionnaire to collect feedback from board members

**60%**

Facilitate internally (e.g., by the board chair, governance committee chair, and/or corporate secretary or general counsel)

**34%**

Engage a third-party facilitator (e.g., by a governance firm, board consultant, accounting firm, or law firm)

**28%**

Conduct individual interviews with board members

**16%**

Utilize a questionnaire to collect feedback from management

**10%**

Conduct individual interviews with management

The method by which a board evaluation is facilitated also varies among respondents. 71% utilize a questionnaire to collect feedback from board members and 28% conduct individual interviews with board members. The minority practice is collecting feedback from management on the board's effectiveness with 16% collecting feedback from management through a questionnaire and 10% through management interviews, which offers a more comprehensive view of the board's performance.

Moreover, the candor, quality, and impact of a board evaluation are affected by those conducting it. 60% of respondents facilitate the board evaluation process internally (by a board chair, governance committee chair, and/or general counsel or corporate secretary), and 34% engage a third-party facilitator. The lower utilization rate of third-party facilitated evaluations and individual interviews raises questions around whether boards understand the strategic value of a robust, action-oriented evaluation process. This is especially pertinent considering most respondents who indicate the reason why they conduct an evaluation is to increase board effectiveness.

## What is the typical scope of your board's evaluation process?

**79%** Annual evaluation of the full board

**47%** Annual evaluation of each committee

**25%** Annual evaluation of each board member (including board leaders)

**14%** Periodic (every other year or less frequently) evaluation of the full board

**7%** Periodic (every other year or less frequently) evaluation of each committee

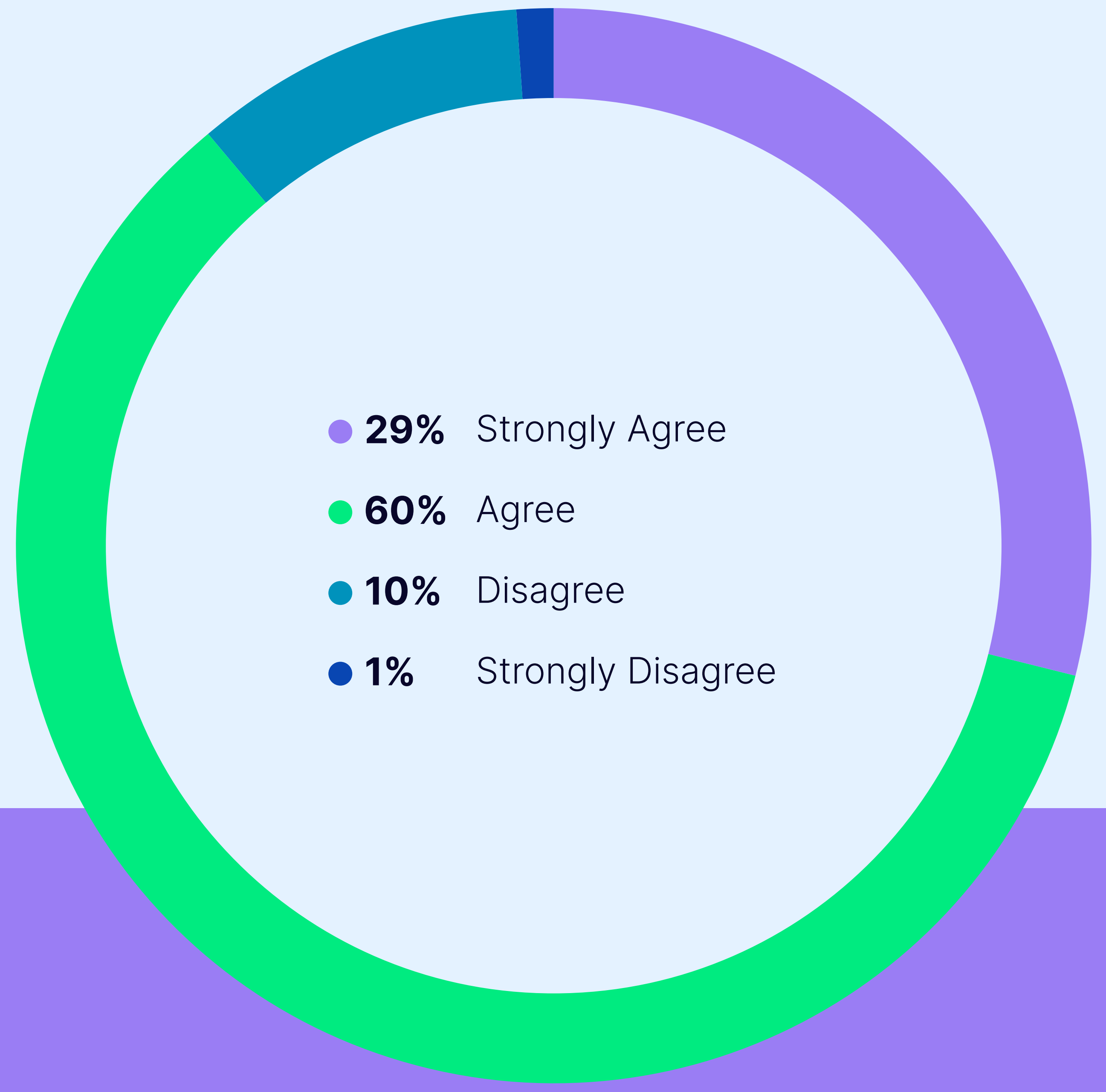
**9%** Periodic (every other year or less frequently) evaluation of each board member (including board leaders)

**1%** Other

To further understand the practices of respondents who conduct a board evaluation, it is important to note the following data on the scope and cadence. 79% evaluate the full board on an annual basis, while 14% evaluate the full board every other year (or less frequently). 47% evaluate committees annually and 25% evaluate board members annually.

Adopting an annual committee evaluation is key to understanding whether the committee structure impacts the board's functioning and oversight across areas of importance. In addition, understanding the performance of individual board members provides a basis for improving board effectiveness by ensuring they contribute at their highest capacity. There is an opportunity to enhance board succession planning and renominations through peer evaluations.

## Does your board develop and execute an action plan to address key opportunities and risks and increase the board's effectiveness based on evaluation results?




# 29%

of respondents who conduct a board evaluation strongly agree their board uses the results to develop and execute an action plan to address opportunities and risks

Board members' willingness to engage in the board evaluation process and find it valuable is directly impacted by views of the changes that result from it. Of the respondents who conduct a board evaluation, 29% strongly agree that their board develops and executes an action plan to address opportunities and risks from the results. A much larger percentage (60%) agree they do so and, alarmingly, 11% either disagree or strongly disagree that such action occurs. Survey data increasingly supports the best practice view that regular board evaluations help drive continuous board improvement.

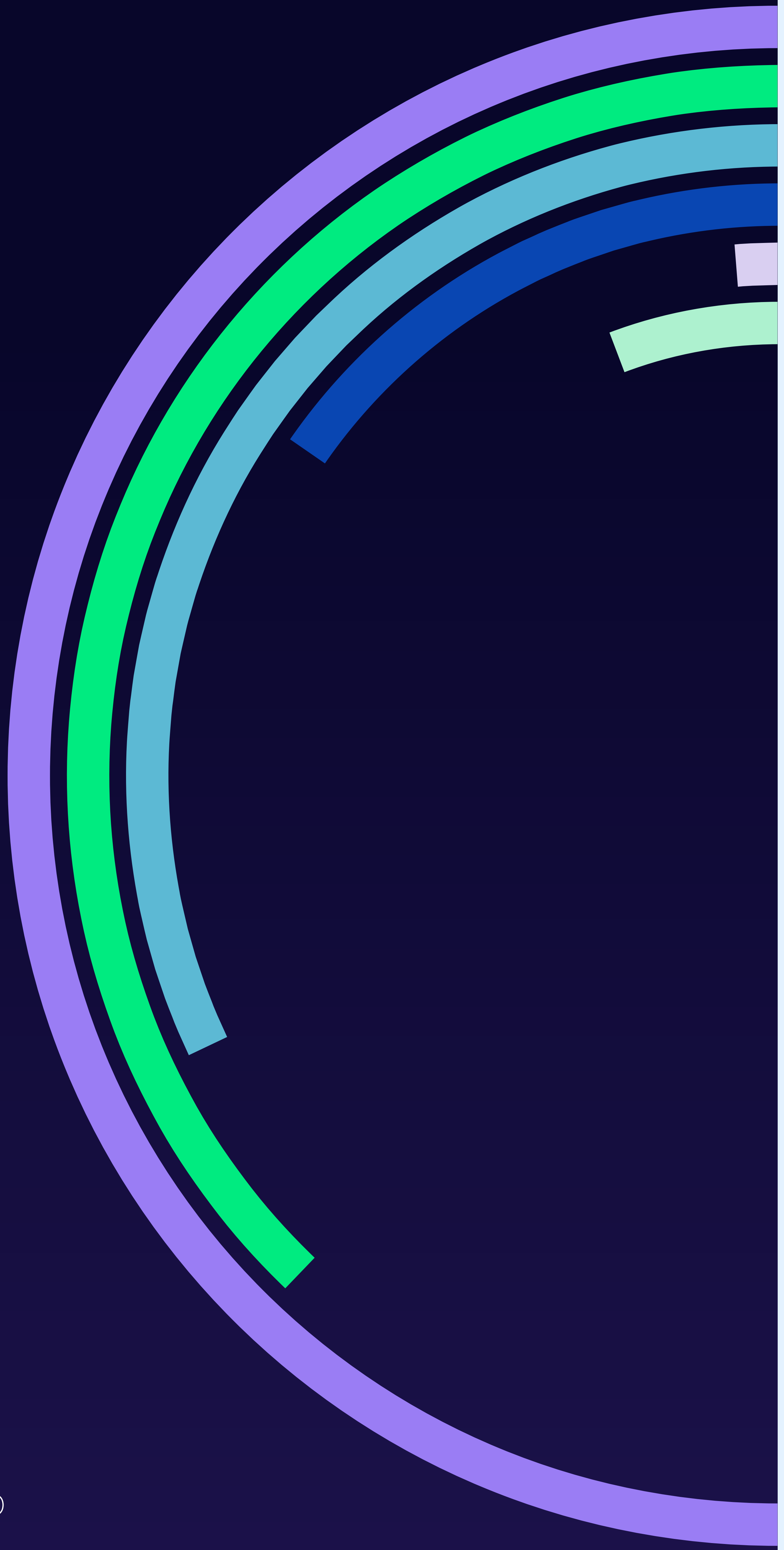
# CEO Evaluations and Management Oversight

The tone set for board performance should translate to how the board sets expectations for the CEO and management team and oversees their development and performance. Organizations benefit when the CEO evaluation and management oversight practices are designed to provide accountability, promote a growth mindset, and encourage leadership development. In the Nasdaq Board Advisory team's work with boards, members consistently express frustrations about their CEO evaluation process being focused solely on compensation goals.

> **A compensation-driven CEO evaluation is an important element, but it limits the board's ability to holistically evaluate the CEO's leadership and act as a form of accountability and guidance for the CEO's growth and long-term success.**

## How does your board evaluate the CEO's performance?

- **78%** Review achievement of performance goals defined in the compensation plan (may be conducted by the compensation and remuneration committee or equivalent)
- **59%** Collect feedback from board members on the CEO's performance
- **50%** Regularly discuss board members' observations of the CEO's performance
- **24%** Elicit feedback from the CEO's direct reports on the CEO's performance
- **2%** Other
- **9%** None, the board does not evaluate the CEO



Most survey respondents report using a multi-faceted approach to evaluate the CEO's performance, although 9% indicate the board does not evaluate the CEO, which may be due to organizational structure and/or governance authority. For those respondents who evaluate the CEO, 78% report their board reviews the achievement of performance goals defined in the compensation plan. 59% collect feedback from board members on the CEO's performance, but only 24% elicit performance feedback from the CEO's direct reports. Boards have an opportunity to determine an appropriate cadence and structure to gather insights for a more holistic view on leadership effectiveness and day-to-day management practices and culture.

Moreover, only 50% indicate they hold regular discussions with board members about the CEO's performance. Correspondingly, only 47% of respondents indicate the board holds an executive session for only independent board members at each meeting, which is a prime opportunity for the board to candidly discuss CEO performance. Together, these reflect an opportunity for boards to regularly assess CEO and organizational performance in order to maintain alignment on corporate priorities.

## Does your board have a CEO succession plan?

| | |
|---|---|
| 46% | Yes, the board has a CEO succession plan that includes both an emergency provision and long-term plan |
| 21% | Yes, the board has only an emergency CEO succession plan |
| 26% | No, the board does not have a CEO succession plan |
| 7% | Unknown or other |

The formality with which a board approaches the CEO evaluation and feedback may correlate to how proactively it approaches CEO and management succession planning. Survey data indicates there is more of an opportunity to enhance CEO succession planning than CEO evaluation practices. Alarmingly, 26% of respondents report their board has no CEO succession plan, which presents risk to organizational stability and continuity. Additionally, 21% report the board only has an emergency CEO succession plan and 46% indicate there is a formalized, detailed CEO succession plan that includes an emergency provision and long-term plan.

> The absence of a long-term CEO succession plan raises questions around how boards are thinking about their responsibilities to promote long-term growth.

This observation is exacerbated as the number of CEOs who announced departures in early 2024, which was up 49% over the first quarter of 2023 (and the highest ever recorded).[1] The reduced length of CEO tenure, which has decreased 20% from 2013 to 2022,[2] also highlights the need for robust CEO succession planning. The CEO succession planning process must account for experience, industry knowledge, leadership skills, and the evolving needs of the organization to ensure a smooth transition that sustains the organization's culture, short- and long-term strategic direction, and performance. Failure to proactively plan for leadership transitions could lead to serious setbacks and potential failures.

A lack of planning may compel boards to rely on external CEO and executive candidates who will need time and exposure to grasp the organization's complexities, including its industry, history, and business operations. With the average CEO tenure decreasing, there is growing concern that external successors may not stay long enough to fully understand these intricacies and lead the organization toward achieving its strategic objectives and long-term goals.

## Does your board oversee management succession plans?

| | |
|---|---|
| 32% | Yes, by the full board and a board committee |
| 24% | Yes, by the full board |
| 19% | Yes, by only a board committee |
| 25% | No, by neither the full board nor a board committee |

Similar to concerns raised by respondents who report there is no CEO succession plan, 25% report neither the board nor a committee oversees management succession plans. For the remaining respondents who indicate the board oversees management succession plans, there is a split in how this is done. 24% of those respondents reflect full board responsibility, 32% indicate the board and a committee oversee management succession plans, and 19% delegate oversight only to a specific board committee.

> The most proactive practice is to have a committee regularly review the management team's development and succession, as well as an annual full board review or more frequent reviews when significant leadership transitions occur or are anticipated.

## Which levels of employees does your board regularly meet with in board meetings and/or related board activities?

**25%** Only C-suite executives

**58%** Both C-suite executives and business unit leaders or middle management

**8%** C-suite executives, business unit leaders or middle management, and lower-level management

**9%** C-suite executives, business unit leaders or middle management, lower-level management, and other employees

Beyond the formal reviews of management succession plans, the board's oversight of leadership succession plans is bolstered by its regular and dynamic interactions with management. Positively, 25% of respondents indicate their board meets with C-suite executives in meetings and related activities and 58% report their board regularly interacts with C-suite executives and business unit leaders or middle management. In even more extensive engagement, 8% of respondents indicate board interaction expands to lower-level management, and 9% indicate extending to other employees below leadership. Further, 51% of respondents report the board holds social or informal interactions between the board and management. Survey data indicates that many boards are gaining regular insight into leadership performance and capacity and reflects an opportunity for those who do not oversee management succession plans or engage with management socially.

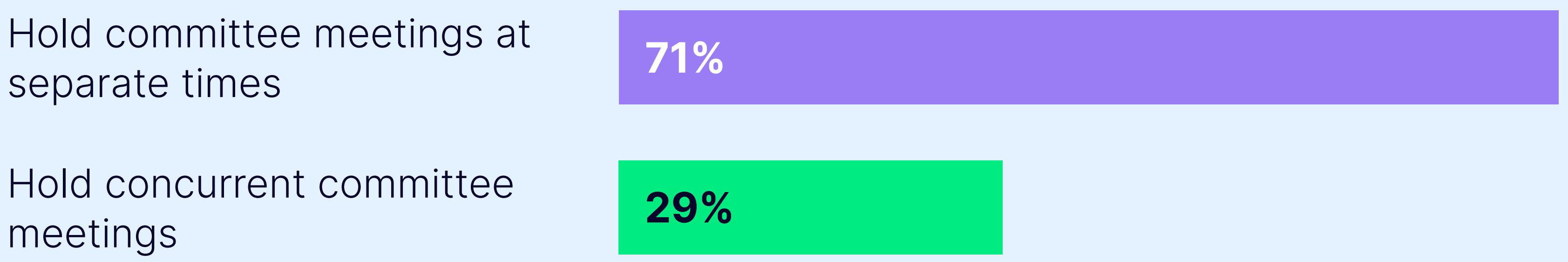
# Governance Processes, Practices, and Tools

Survey findings uncover how boards are evolving their governance practices to ensure focus on future organizational growth. Demands on boards require a greater degree of board member engagement to engage at the organization’s sites and fulfill their duties anytime and anywhere. This reflects the common understanding that innovation must be built into boardroom practices. Boards continue to implement new meeting structures and tools that lead to greater efficiencies and cost savings, deepen engagement, and enhance the timeliness and quality of information shared with the board.

## Which of the following reflects your board's current meeting and engagement practices?

| | |
|---|---|
| 73% | Utilize hybrid meeting structure (both in-person and virtual) |
| 27% | Hold all meetings in person |
| 7% | Hold all meetings virtually |
| 47% | Hold executive sessions with only board members at each board meeting |
| 27% | Hold open committee meetings (non-members may attend) |
| 34% | Schedule visits to the organization's sites and operations |
| 25% | Allocate budget to provide board education programs |
| 32% | Schedule education sessions for the board as a group |
| 28% | Host annual board retreat (e.g., governance retreat or strategy retreat) |
| 10% | Have requirements for individual board member education |
| 37% | Onboard new board members through a formal program |
| 20% | Hold periodic meetings between the board chair (or equivalent) and individual board members |
| 51% | Hold social or informal interactions for board members with management |
| 18% | Hold social or informal interactions for board members without management |
| 1% | Other |

## How should the committee schedule be altered?




73% of respondents indicate their board utilizes a hybrid meeting structure, meaning a blend of in-person and virtual meetings, compared to 27% who host all meetings in-person and 7% who host all meetings virtually. In-person meetings foster more dynamic discussion and deeper relationship building, which are both important elements for maximizing board functioning. In-person meetings are also particularly important for the board to independently align on key decisions, which often occurs in executive session. However, only 47% report executive sessions occur at every board meeting. Boards benefit from having the time and space to openly discuss critical matters and understand their peers as they reach alignment on board directives and approvals.

Virtual meetings can be also effective when well-structured and supported and are common for committee meetings because agendas generally have fewer topics and a smaller group of active participants. Survey findings indicate only 27% of respondents use an open committee meeting structure. Open committee meetings help board members build their knowledge, reduce time allocated to committee reports in board meetings, eliminate duplicative management reports, and foster more agility. 7% of respondents recommend altering the committee meeting schedule to improve the efficiency and impact of board meetings. Of those, 71% indicate committee meetings should be held at separate times, while 29% recommend holding committee meetings at concurrent times.

When it comes to other board practices, the responses seem low given the importance of building the board’s knowledge. 34% of respondents schedule site visits to observe operations, 32% schedule board education sessions, 28% host an annual board retreat, 25% allocate budget to board education, and 10% establish individual board member education requirements. Moreover, although 37% report onboarding new board members through a formal program, 46% of the respondents who identify opportunities to enhance board succession planning practices point to establishing a formal onboarding plan. These findings reflect an opportunity to be more intentional about how the board is educated on relevant topics and how they observe the organization and its stakeholders in action.

## What changes would improve the efficiency and impact of board meetings?

- 43% Provide more concise and dynamic board meeting materials
- 38% Organize board materials to clearly prioritize topics for discussion
- 33% Distribute board materials further in advance of meetings
- 18% Hold interim update or prep session before meeting
- 16% Change amount of time scheduled for board meetings
- 15% Hold meetings at different locations
- 13% Increase the use of consent agendas
- 11% Improve the ratio of board members to management and presenters
- 8% Change board meeting frequency
- 7% Alter committee meeting schedule
- 4% Other
- 25% None of the above

The three top opportunities to improve the meeting efficiency and impact are related to board materials. Notably, respondents indicate the need to provide more concise and dynamic board meeting materials (43%), organize materials in a manner that clearly prioritizes topics for discussion (38%), and distribute materials further in advance of meetings (33%). To enable these opportunities, boards may consider implementing board management software.

The top three board management software features that respondents indicate would improve board effectiveness include providing educational resources (46%), monitoring data and information on industry trends (43%), and reviewing operational performance data and strategic dashboards (42%). These are all directly related to the board's knowledge and how that knowledge enables or hinders its ability to execute responsibilities.

## Which board management software features would improve governance administration and board effectiveness?

- 46% Provide board educational resources
- 43% Monitor data and information on industry trends
- 42% Review operational performance data and/or strategic dashboards
- 29% Gain efficiency and enhance disclosure processes through the integration of directors' and officers' questionnaires and/or other compliance and disclosure questionnaires
- 29% Gain efficiency and increase board effectiveness through the integration of board evaluations
- 28% Integrate AI to summarize data, draft board documents, automate agendas, and facilitate forward planning and other governance workflows
- 23% Enable an AI digital assistant or AI-powered chat to support dynamic search and review of materials
- 22% Integrate other corporate management and reporting software (e.g., financial reporting, ESG reporting, entity management, risk management, etc.)
- 17% Track board composition and diversity benchmarks
- 4% Other
- 9% Not applicable, our board does not use board portal software

## Which topics are most important for continuing education for your board?

| | |
|---|---|
| 38% | Cybersecurity, data privacy, and information security |
| 34% | Industry trends |
| 31% | Corporate governance |
| 27% | Risk management |
| 27% | AI and machine learning |
| 23% | Technology and innovation |
| 21% | Legal and regulatory updates |
| 20% | Accounting and finance requirements |
| 14% | Economic conditions |
| 14% | Environment, sustainability, and climate |
| 13% | Human capital management |
| 7% | Political environment |
| 6% | Mergers and acquisitions |
| 2% | Other |

Survey respondents also identify the top three areas for board education.

> 38% highlight the importance of cybersecurity, data privacy, and information security, which is followed by 34% highlighting the importance of industry trends.

These areas align with the board's oversight of risk and the organization's competitive position. Moreover, these areas correlate to other prioritized topics for board education, including corporate governance (31%), risk management (27%), AI and machine learning (27%), and technology and innovation (23%). Collectively, the top six educational topics align to areas that are important to forward-thinking boards and organizations.

Interestingly, some of the areas that are deprioritized for board education, such as economic conditions (14%) and mergers and acquisitions (6%), are prioritized as areas impacting organizational success in the next 12 months. This likely reflects boards' broad acumen with capital markets and economic cycles based on extensive executive and board experience of their members. Similarly, human capital management (13%) is in the bottom of prioritized board education topics but appears to be an important area for organizational success—and likely reflects deep talent management experience represented on the board.

38%

of respondents highlight the importance of continuing board education around cybersecurity, data privacy, and information security

# Strategic and Risk Topics on the Horizon

Survey findings showcase how boards establish unique processes for developing a strategic plan, monitoring execution, and anticipating opportunities and challenges for the organization. It is the board's responsibility to ensure the organization fulfills its purpose and pursues its mission. Through the Nasdaq Board Advisory team's conversations with boards, members consistently reiterate the desire to drive focus on a competitive strategy and prudent risk mitigation for to promote short- and long-term organizational success. The board can advise management in establishing the organization's strategic direction and overseeing execution of the strategic plan. The board can also help elevate the thinking and drive forward-looking perspectives.

94%

of respondents report the board monitors strategic execution, with 51% doing so through a defined strategy framework with KPIs and 43% reviewing informal or periodic reports on management's strategy execution

## Does your board participate in strategic planning for the organization?

- **59%** The board holds an annual strategic planning meeting or strategy day
- **24%** The board holds a strategic planning meeting or strategy day bi-annually or less frequently
- **11%** The board is not involved in strategic planning
- **6%** There is no defined strategic plan

## How does your board oversee strategy execution?

- **51%** Reviews execution of the strategic plan through a defined strategy framework with KPIs
- **43%** Receives informal or periodic reports from management on strategy execution
- **5%** Does not monitor execution of the strategic plan
- **1%** Other

A majority of the respondents hold strategic planning meetings or strategy days annually (59%) or bi-annually or less frequently (24%). 11% report the board is not involved in strategic planning, which presents an opportunity for those boards to consider their responsibilities as the organization pursues its purpose.

Interestingly, 94% report the board monitors strategic execution, with 51% doing so through a defined strategy framework with key performance indicators (KPIs) and 43% reviewing informal or periodic reports on management's execution of strategy. There is alignment among respondents who report the board does not monitor strategic execution (5%) and those who report there is no defined strategic plan (6%), although these organizations may operate with the risk of ambiguity on value, relevance, and priorities.

By operating with clarity around the board's role and process for strategic planning and execution oversight, the board can reinforce strategy and risk are two sides of the same coin.

## What are the top areas that will impact your organization's success in the next 12 months?

- **44%** Access to capital, resource allocation, and cost controls
- **43%** Economic conditions
- **39%** Clearly defined and articulated strategy and goals
- **38%** Competitive landscape
- **28%** Human capital management
- **25%** Emerging legal and regulatory requirements
- **24%** Technology and innovation
- **21%** Mergers and acquisitions
- **20%** Cybersecurity, data privacy, and information security
- **19%** AI and machine learning
- **17%** Political landscape
- **15%** A well-composed, strategically focused board
- **15%** Risk management program
- **13%** Reputation with stakeholders
- **10%** Environment, sustainability, and climate matters
- **10%** Investor relations (including shareholder activism)
- **9%** Supply chain
- **7%** Well-defined and implemented corporate governance structure and practices
- **3%** Social matters
- **1%** Other

Survey data provides clarity that economic and financial conditions are top of mind for boards, which necessitates a balanced approach of assessing and mitigating risk and ascertaining strategic advantage. This observation also ties together the top four areas impacting organizational success, including access to capital, resource allocation, and cost controls (44%), economic conditions (43%), clearly defined and articulated strategy and goals (39%), and the competitive landscape (38%).

A business strategy can only create success when it has the right people to execute it. Human capital management is another top area that respondents (28%) expect to impact their organization's success. It is a multifaceted stakeholder area that includes talent attraction and retention, investors proposals on human capital matters, and labor laws. Given that, it is clear that emerging legal and regulatory requirements (25%) would follow closely behind, especially as jurisdictions around the world continue to promulgate more laws and regulations related to employee matters.

Although cybersecurity and data privacy (20%) and AI and machine learning (19%) are not as high on the list, they are prioritized as the top two skills to enhance the board's composition and among the top areas for board education. There are several likely reasons for this potentially perceived misalignment. First, these are new competencies for board members that need to be addressed through board refreshment and board education. Second, boards have been building oversight competence and confidence in their management team's capacity related to cybersecurity matters. Third, although AI was the new technology and topic of 2023, boards seem to be translating experience in understanding other novel technologies to the way they have evolved AI conversations in 2024 and will likely continue to in 2025.

# 44%

of respondents indicate access to capital, resource allocation, and cost controls are the top areas that will impact their organization's success in the next 12 months

## What changes would drive greater value from your board?

**51%** Deeper understanding of business conditions, industry trends, competitive landscape, and legal or regulatory environments

**51%** Increased constructive discussion and debate in meetings on strategic topics between the board and management

**22%** Clarity of the board's decision-making authority and oversight responsibilities

**21%** Updated board composition to bring in new and relevant perspectives

**15%** More opportunities for discussion for independent board members without management

**12%** Better defined board agendas

**5%** Other

## How do you expect demands on boards will change in the next 12 months?

**42%** Sustained scrutiny and time requirements for board service

**33%** Increasing scrutiny and time requirements for board service

**22%** Sustained scrutiny but increasing time requirements for board service

**2%** Declining scrutiny and time requirements for board service

**1%** Declining scrutiny but sustained time requirements for board service

Survey findings reflect the prudence of sophisticated boards to translate prior knowledge and experience as they monitor current matters and anticipate future trends. For boards who seek to do this and add more value in fulfilling their responsibilities, two areas clearly resonate with 51% of respondents.

> **First, boards should develop a deeper understanding of business conditions, industry trends, the competitive landscape, and legal or regulatory environments.**
>
> **Second, boards should engage in increased constructive discussion and debate on strategic topics in meetings.**

These observations are supported by the areas related to board knowledge, responsibilities, and demands. Only 3% of respondents think there will be declining scrutiny coupled with declining time requirements (2%) or sustained time requirements for service (1%).

> **The almost unanimous view is that respondents (97%) expect the diligence, commitment, and dedication of board members to match the sustained or increasing time requirements and scrutiny.**

Boards who want to govern their organization in a way that will drive long-term success can evaluate their practices against these frameworks and data and adopt a growth-oriented approach to corporate governance.

**97%** of respondents expect the diligence, commitment, and dedication of board members to match the sustained or increasing time requirements and scrutiny

Nasdaq Governance Solutions is at the forefront of transforming the boardroom through its innovative vision and strategic partnerships. By leveraging technology and expertise, we are meeting the needs of board members, executives, and governance professionals and setting the direction for the future of corporate governance. Our integrated tools help unite governance workflows, enhance productivity and decision-making, and provide access to insights—all within a cohesive ecosystem designed to accelerate board performance.

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# Authors


**Lead Author:** Kaley Childs Karaffa

**Contributing Authors:** Charles Neidenbach, Stephen Perrone, Lisa Pozhydaieva, Adrianne Trainor

**Data Analysts:** Andrzej Babinski, Jon Paul Epanchin


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