

# Corporate Board Survey Results: 2020 Trends & Insights

June 2020

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# 2020: Summary

JWC Partners' 2020 survey of board directors reveals new insights about board challenges with CEO succession and board refreshment; we are delighted to share these with you. Key findings:

## Strategy, Leadership and Technology in the Boardroom

- Leadership succession and strategy continue to be top issues in the boardroom, and directors see both growing in importance in the next 5-10 years. Following COVID-19, Financial and Risk management were deemed higher priorities.
- Corporate strategy topped the list as the boardroom issue for the future.
- Company performance tops the list of board governance vulnerabilities.

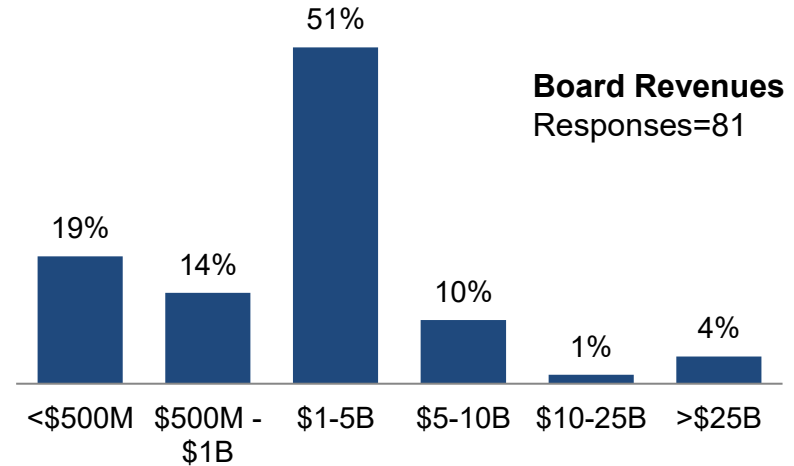
## Board Refreshment

- Digital company experience, IT and active CEO perspective continue to be the most under-represented skills in the boardroom. HR knowledge is climbing up the list. Concern about female diversity has lowered, as many companies added women in 2018 and 2019.
- Most boards anticipate replacing one to two directors over the coming years.
- Skills gap assessments are the primary mechanism for board refreshment.

## Director Time and Compensation

- The vast majority of directors report an increase from prior years in the amount of time they spent on board activities due to M&A activity, executive changes, Environmental, Social & Governance/regulatory/cyber issues and COVID-19 related activities.
- Several boards reduced director compensation to respond to COVID-19.

Source: Corporate Board Survey 2020



## CEO Succession

- Companies prefer CEO successors come from within and most develop a pipeline of 1-2 internal candidates. These pipelines are not highly diverse.
- Most board interactions with these internal candidates occur through their presentations to their board and related social events.

## Strategy and M&A Experience are Key Issues in the Executive Suite

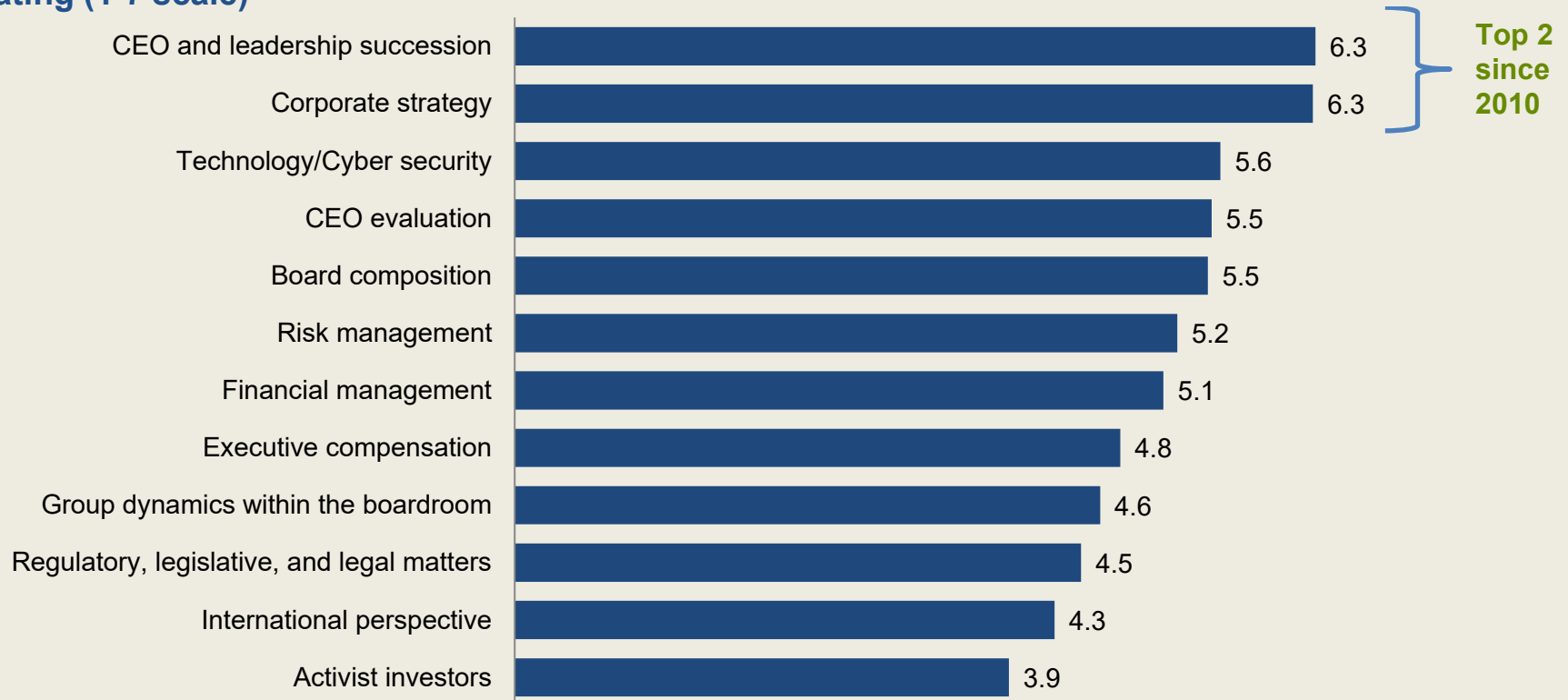
- Strategic perspective remains the dominant focus for the executive suite of the future.
- M&A experience is holding steady as the next most needed executive skill, followed closely by technology expertise – up one spot from last year.

**Note: the original survey was conducted prior to the March 2020 coronavirus outbreak in the United States. However, a subsequent survey was sent and highlights from the later results are noted. Please contact JWC Partners for further information about the survey and results. We thank all of the directors for sharing their perspectives.**

# Directors have considered CEO succession and corporate strategy the most important boardroom topics for over a decade, with technology on the rise

## IMPORTANCE OF TOPICS IN BOARDROOM

Rating (1-7 scale)

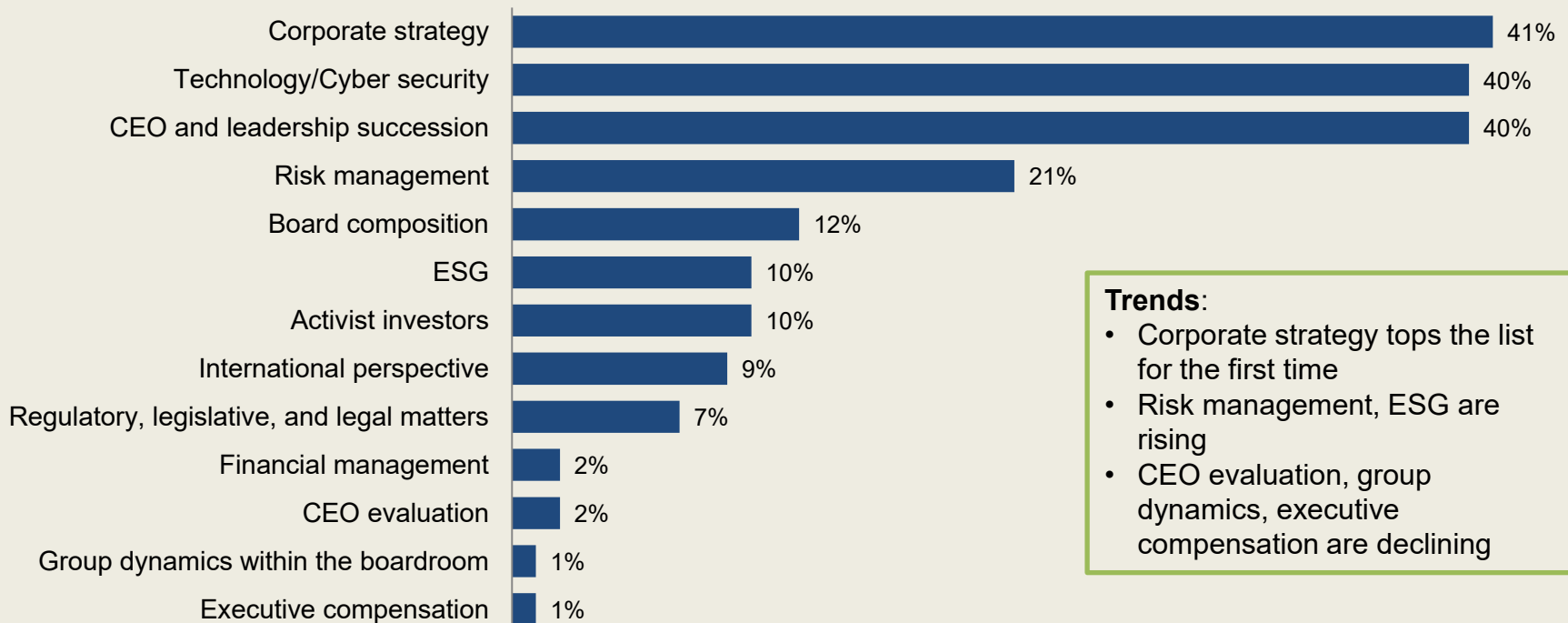


**Trend:** Financial Management and Risk Management rose to the top during the COVID-19 pandemic

# Corporate strategy, leadership succession, and technology will continue to be the most important boardroom topics

## IN THE FUTURE, WHICH TWO TOPICS WILL BECOME MOST IMPORTANT, REQUIRING MORE TIME IN THE BOARDROOM?

### Percent selected as top two most important topics

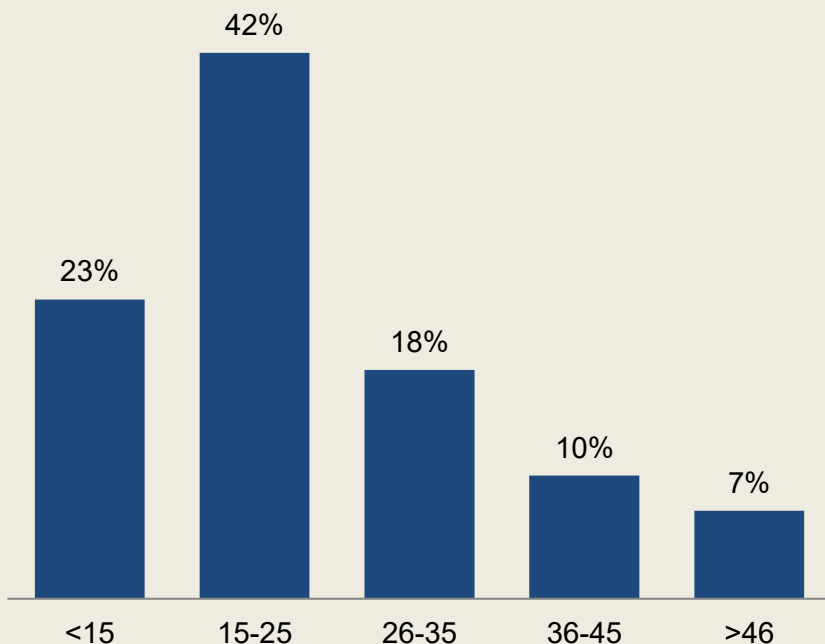


#### Trends:

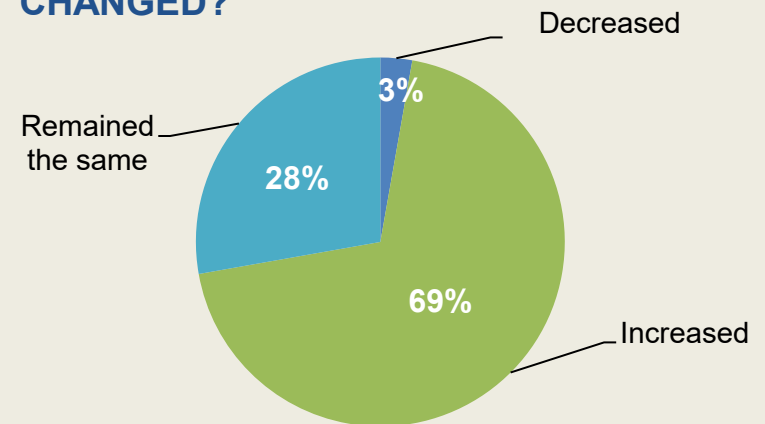
- Corporate strategy tops the list for the first time
- Risk management, ESG are rising
- CEO evaluation, group dynamics, executive compensation are declining

# The vast majority of directors report an increase in time spent on board activities

**HOW MANY DAYS PER BOARD DID YOU SPEND ON BOARD ACTIVITIES LAST YEAR?**  
(attending meetings/events, reviewing reports, travel, informal meetings/conversations)



**COMPARED TO THE LAST TWO YEARS, HAS THIS TIME CHANGED?**



## Reasons cited for the increase in time:

- M&A activity
- Executive changes
- ESG, regulatory and cyber issues
- Activist investors
- Company performance
- Strategic/growth changes
- Committee activity

# Directors see company performance as the top board governance vulnerability. Bolstering company reporting on ESG efforts to shareholders is a top priority

## TOP GOVERNANCE VULNERABILITIES

Percent selected as top three most important topics



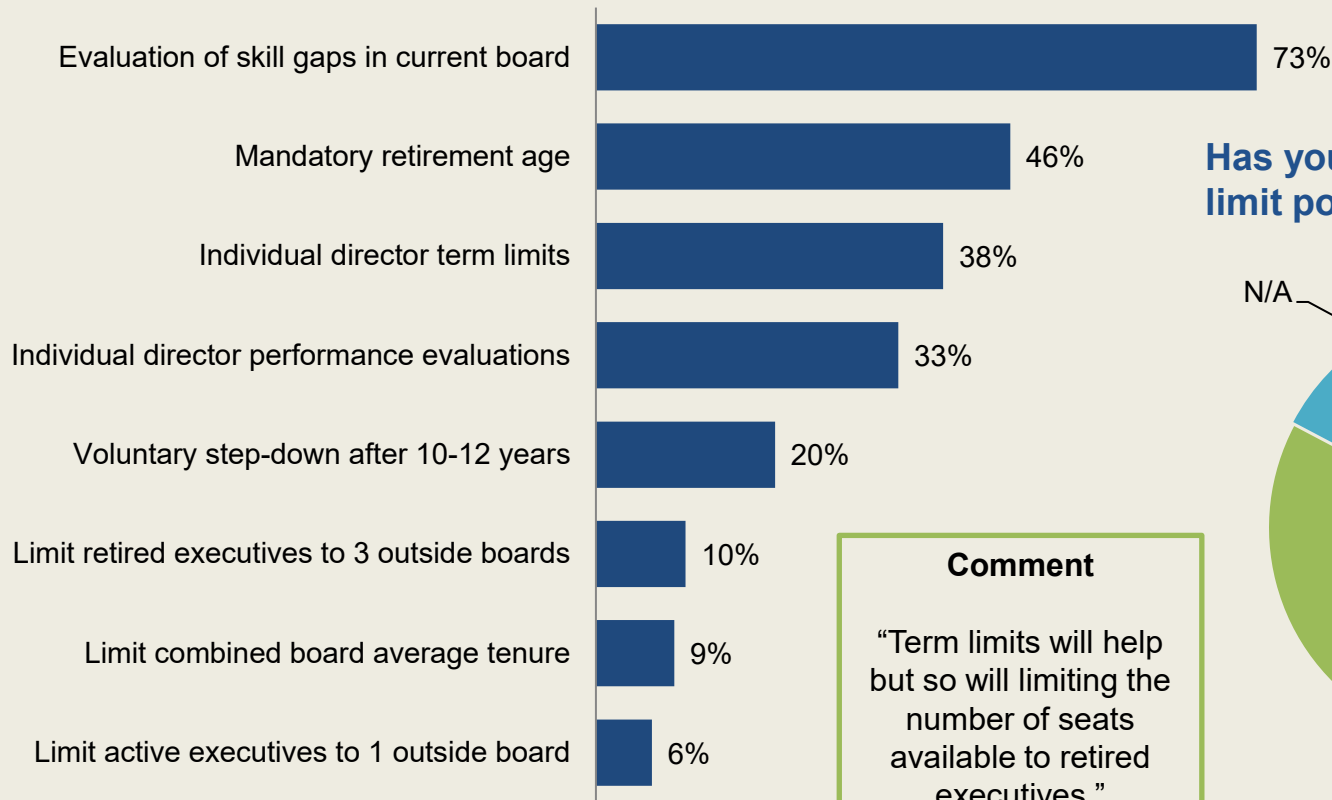
## WHAT SHOULD YOUR BOARD DO TO IMPROVE ESG OVERSIGHT?

Percent selected

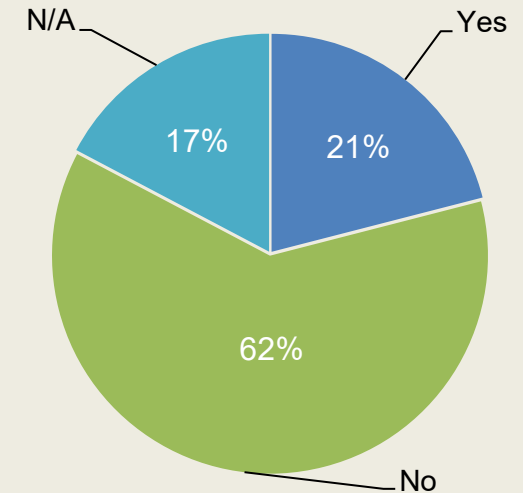


# Directors believe the best mechanism for board refreshment is evaluating skill gaps in their current board. Most boards do not waive director age limits

## WHAT ARE THE MOST EFFECTIVE WAYS TO REFRESH A CORPORATE BOARD? Percent selected as top three most important topics



## Has your board waived its age limit policy in the last two years?



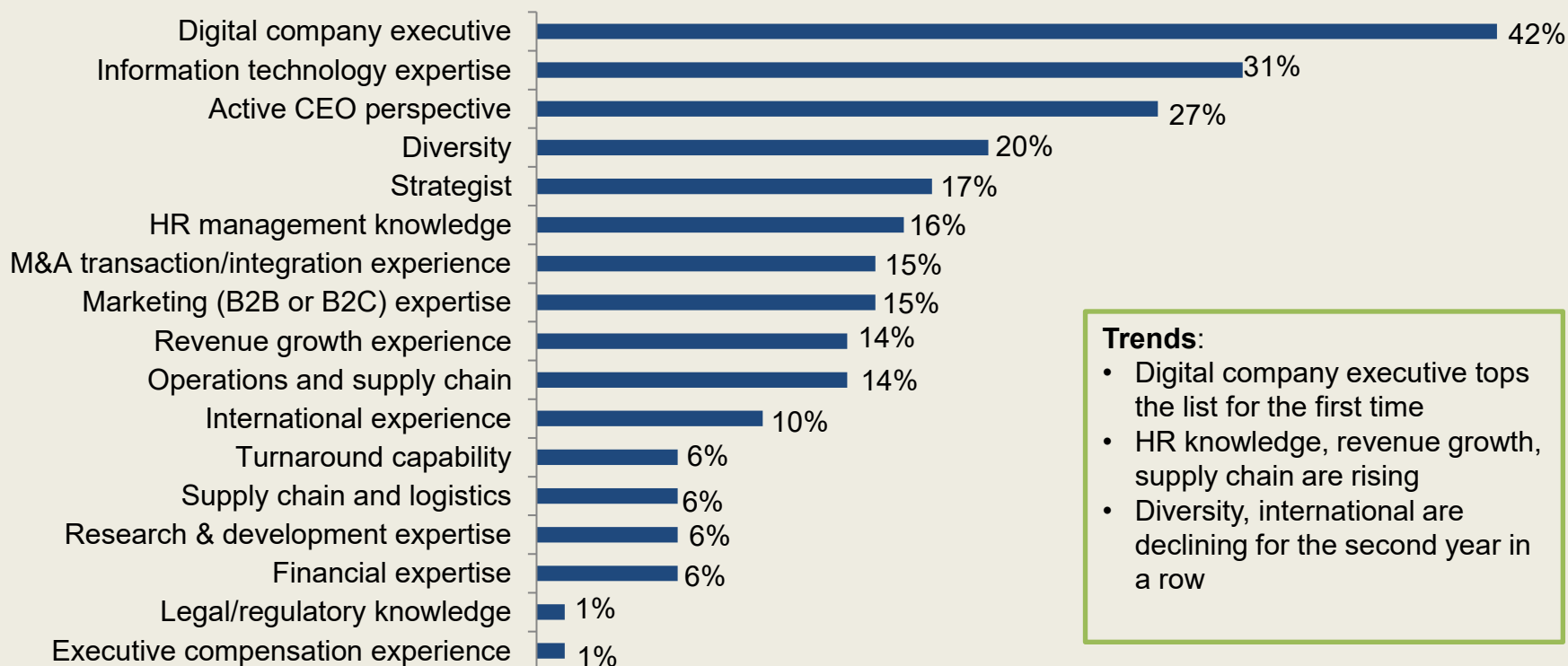
### Comment

“Term limits will help but so will limiting the number of seats available to retired executives.”

# Directors identify digital company experience, IT expertise, and active CEO perspective as the most underrepresented skills in the boardroom today

## UNDERREPRESENTED SKILLS AND EXPERIENCE

Percent selected as top three most important topics



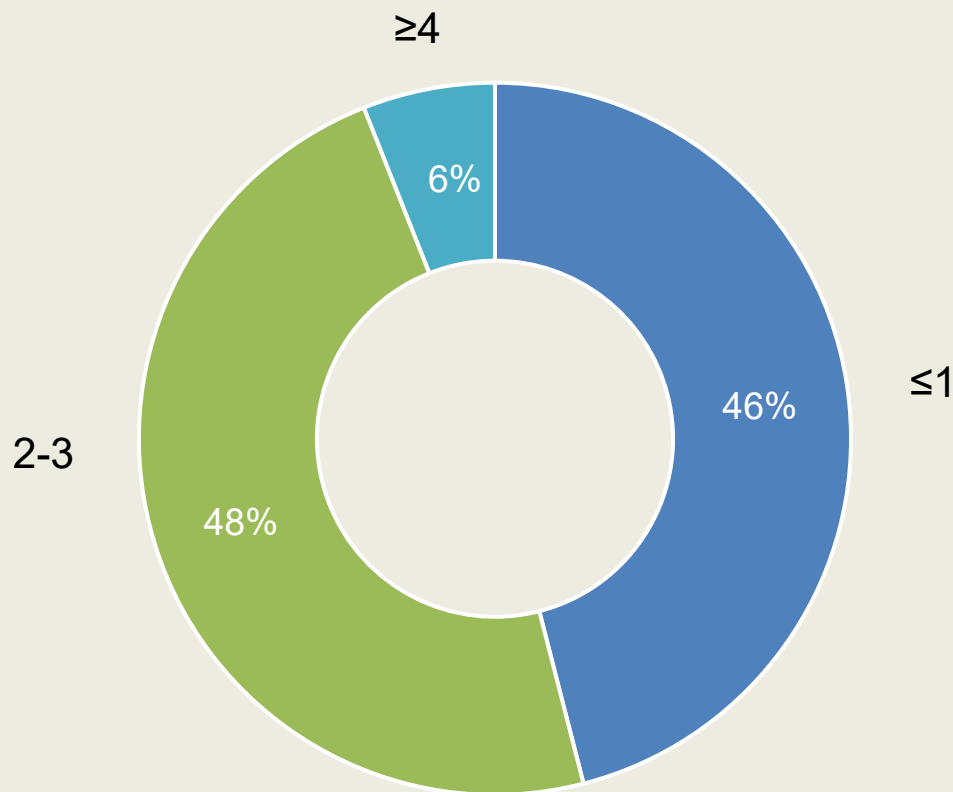
### Trends:

- Digital company executive tops the list for the first time
- HR knowledge, revenue growth, supply chain are rising
- Diversity, international are declining for the second year in a row



# Most directors expect their boards to replace one or two members over the coming years

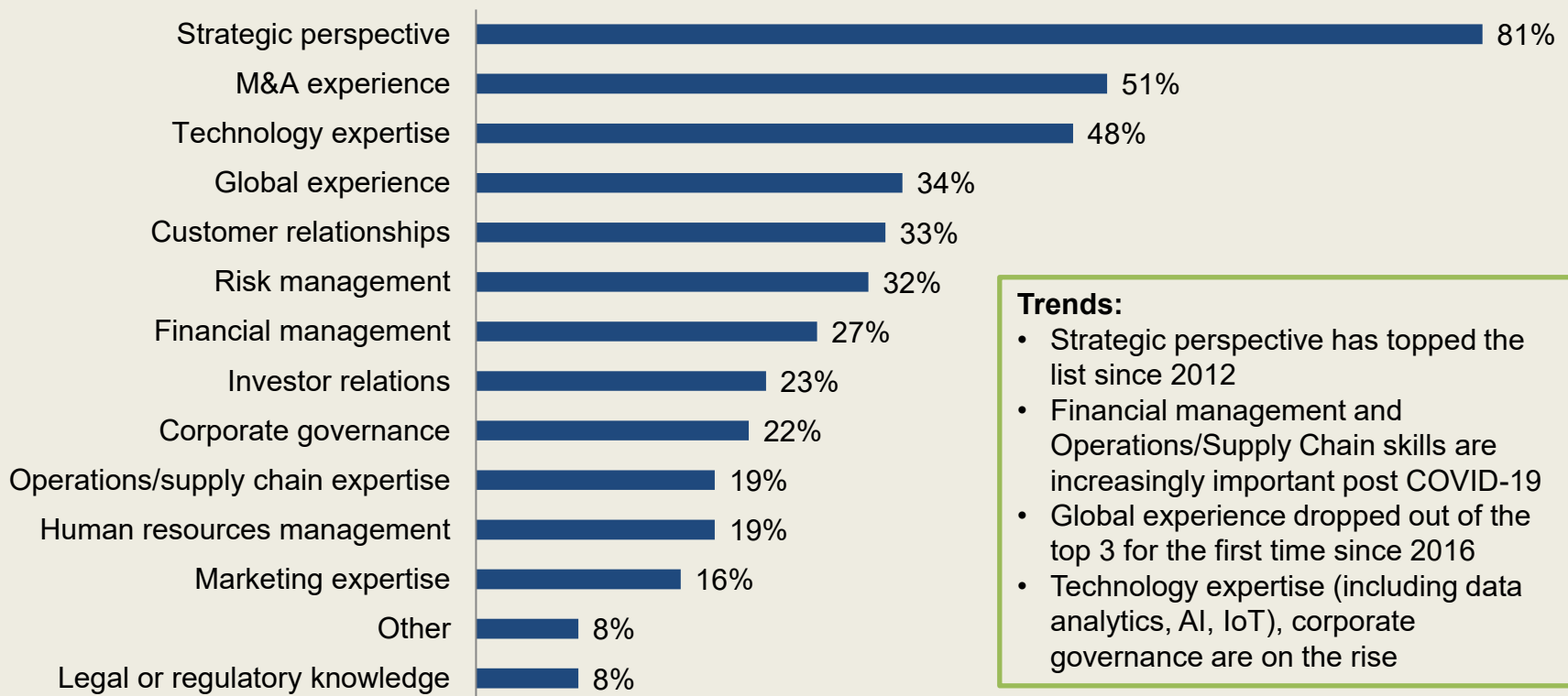
HOW MANY BOARD MEMBERS DO YOU EXPECT TO STEP DOWN IN THE NEXT THREE YEARS?  
Percent of Responses



# In the executive suite, strategic perspective and M&A experience stand out as skills that will become increasingly important

## INCREASINGLY IMPORTANT SKILLS IN THE EXECUTIVE SUITE IN THE NEXT 5-10 YEARS

### Percent of Responses

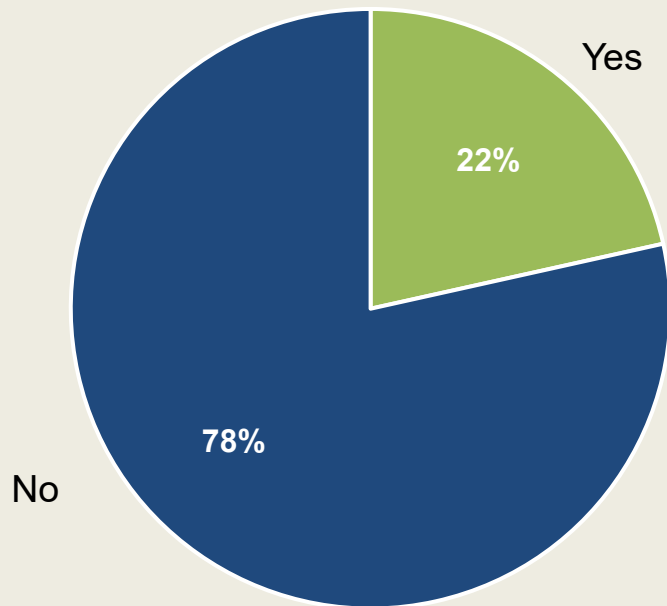


**Other:** leadership, strategic transformations, managing diverse units

# While most directors surveyed did not replace their CEO in 2019, those who did say company performance was the main cause

## DID YOUR BOARD REPLACE ITS CEO IN THE LAST YEAR?

Percent of Responses



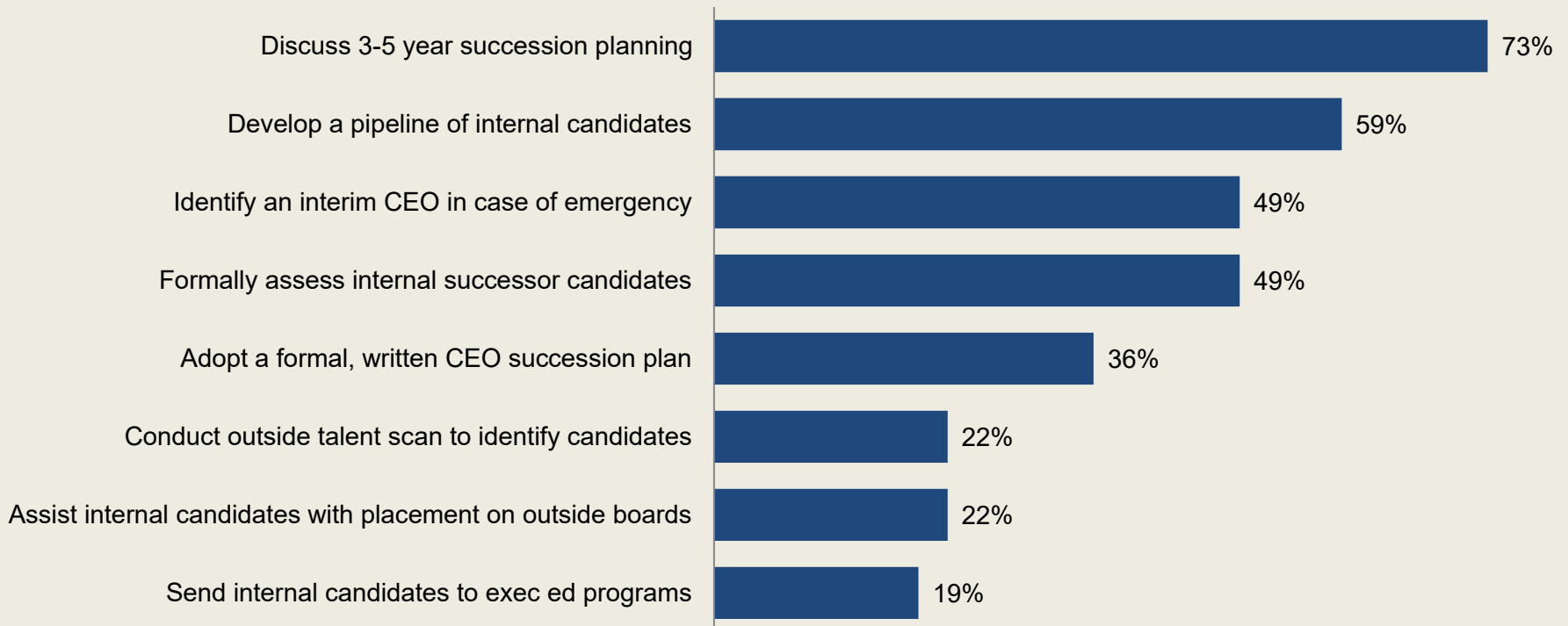
### What was the reason for the change?

- “Performance”
- “Market performance and results to plans from investment projects”
- “Combination of factors: performance, age, activist pressure”
- “Bad choice”
- “Company performance”
- “Failed merger”
- “Poor financial performance and lack of strategy”
- “Retirement”
- “Founder transition”

# Most boards utilize a pipeline of internal candidates for CEO succession and some employ creative solutions such as an outside talent scan and assistance with outside board placements

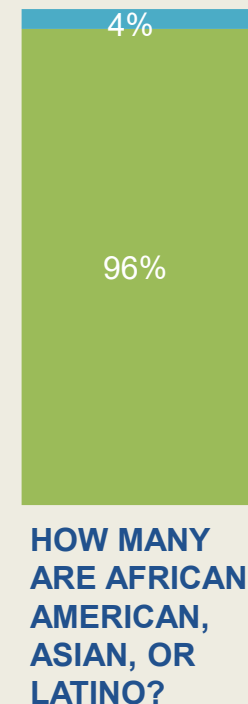
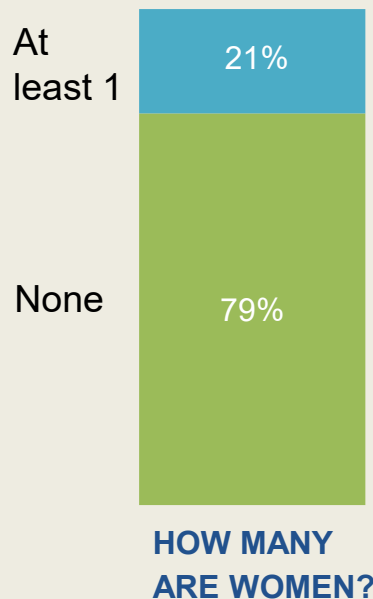
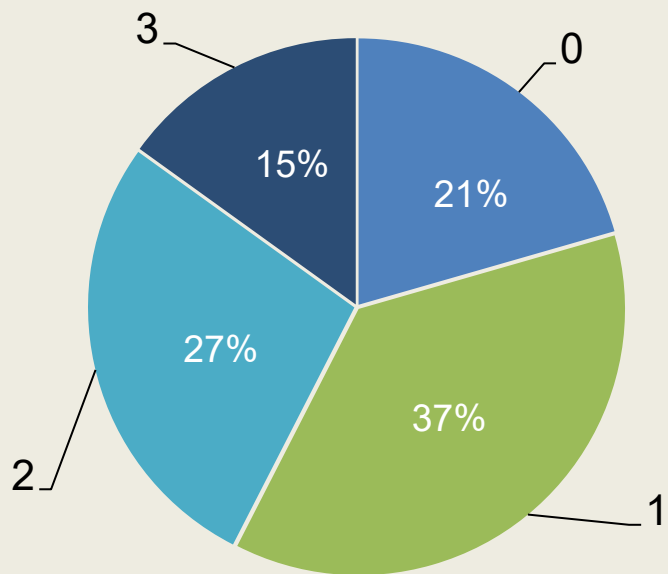
## WHAT STEPS DOES YOUR BOARD TAKE TO PREPARE FOR CEO SUCCESSION?

### Percent of Responses



# The majority of boards reported no more than one CEO successor candidate. Internal CEO successor pipelines are still not highly diverse

## HOW MANY INTERNAL CEO SUCCESSOR CANDIDATES ARE CURRENTLY IN YOUR PIPELINE?



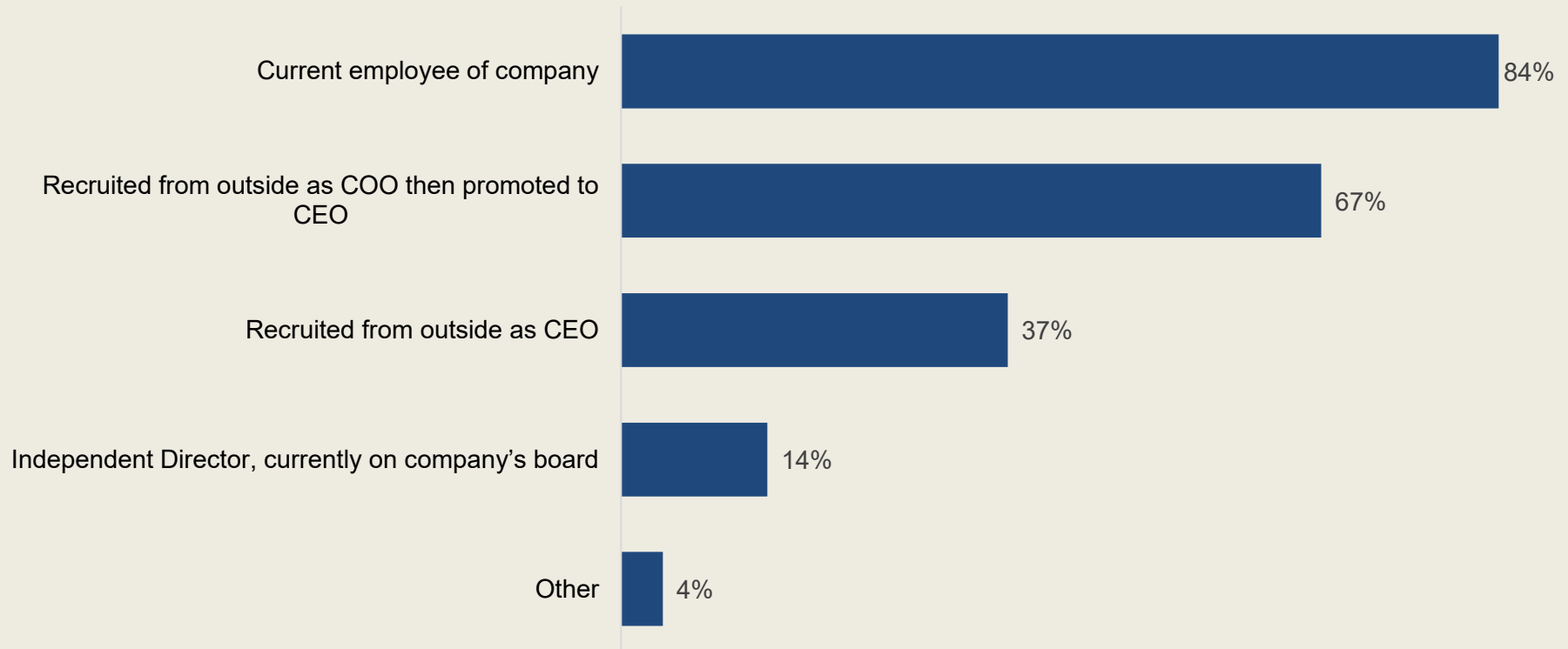
**Note:**

- 21.5% of Russell 3000 board seats belong to women

# Boards prefer that CEO successors are grown within, over the long-term or through hires designed to promote

## WHERE WOULD YOUR BOARD'S IDEAL NEXT CEO COME FROM?

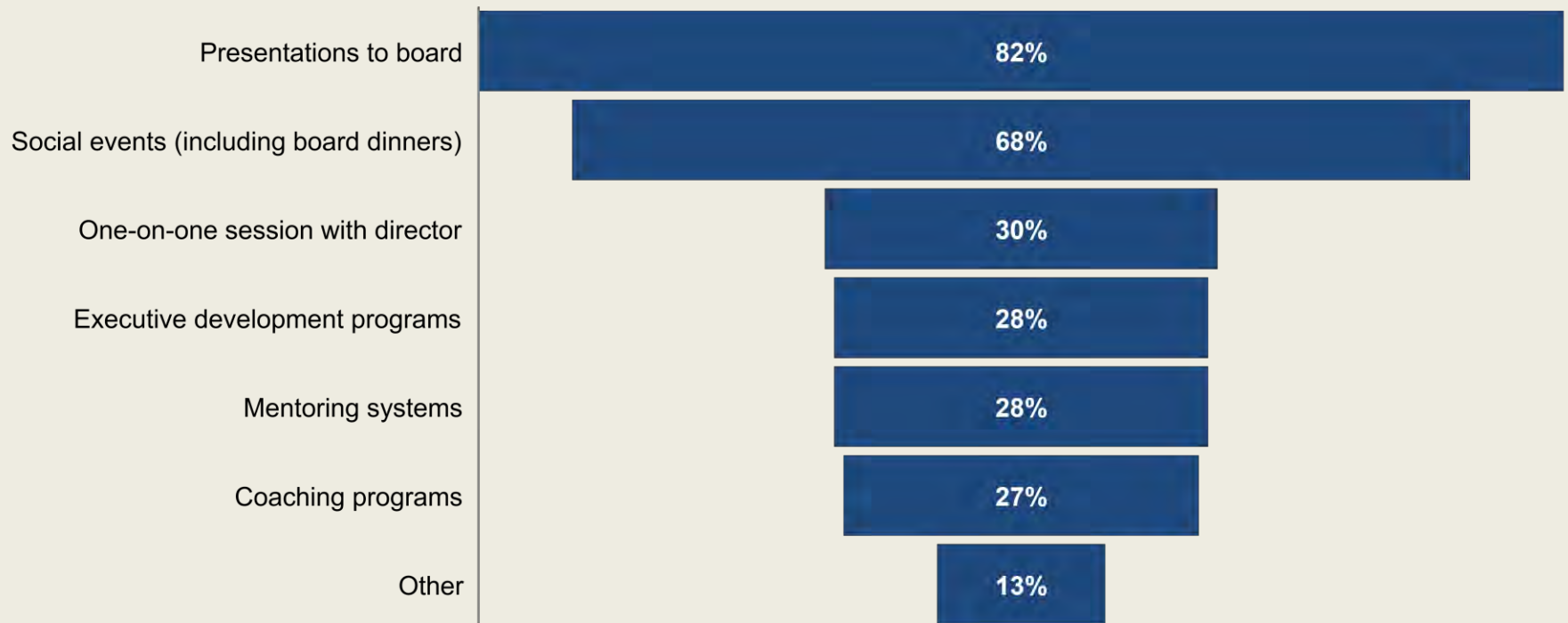
Percent selected as top two sources



# Most interactions with internal CEO successor candidates are in the context of board meetings. However, some boards effectively use mentoring and coaching programs

## HOW DOES YOUR BOARD INTERACT WITH POTENTIAL CEO SUCCESSOR CANDIDATES?

Percent of responses



**Other:** field visits with board, key project report outs, no interaction

# 2020 Corporate Board Survey: Recent Updates

JWC Partners' 2020 survey of board directors was completed in March 2020 prior to the COVID-19 outbreak in the United States. In May 2020, we asked the same individuals who completed our annual survey a few additional questions to gauge boardroom priority changes. A summary of boardroom trend changes include:

## The Boardroom

- Financial management and risk management have become the top issues in the boardroom, when they were previously reported in the middle of the list of important topics.
- Previously, leadership succession and corporate strategy have topped this list for a decade.

## The Executive Suite

- Financial management and operations/supply chain expertise will become top skills in the executive suite, moving up significantly from the list prior to COVID-19 and overtaking strategic perspective, technology and M&A experience, at least in the near-term.
- Directors are more reluctant to allow a member of their company's executive team to join an outside board in the next six months so as not to divert attention from their own company.

## Corporate M&A Activity

- Directors see M&A activity increasing over the next 2 years.

## Board Governance

- Several boards are reducing director compensation. Tactics include:
  - Small reductions for 3 months
  - 50% reductions until the pandemic declines
  - Cash fees reduced 25%
  - Pay half now, accrue half to be paid out in future
- Directors report spending 25-75% more time on board activities since March 2020

## How else has COVID-19 impacted your board?

- "We are all spending more time on webinars and educating ourselves."
- "More intensive review of management actions."
- "More concern about losing key individuals to competitors or another industry. Discussions about how fast we can recapture revenue streams from most important customers."
- "Both boards I sit on are far more focused on the near-term financial health of the businesses and the protection of our employees."
- "Focus on cash conservation, revisit strategy, accelerate components of our long-term strategy."



# Contact Information



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