

# 2023 CORPORATE BOARD SURVEY RESULTS: THE CHANGING LANDSCAPE OF THE BOARDROOM

by Jennifer W. Christensen & Aimee Long

## 2023 Board Trends

Since 2010, JWC Partners has conducted an annual board survey to gather perspectives from board directors across the country, drawing on those insights to evaluate trends and evolutions in the boardroom.

Our respondents are largely public company directors, most commonly of companies with \$1 - 5 billion in revenue. This year, we are sharing our **2023 Board Survey results** together with our own research on public companies in the F1000 with revenues of \$5 billion or less, which we refer to here as the *"Mid Revenue Companies."*

## Key Insights

### Hot Topics in the Boardroom

- Strategy and CEO succession again top the list.
- Risk management is increasingly important.
- Talent/HR is on the rise.
- ESG is declining.

### The Changing Landscape of Board Composition

- Boards have made significant efforts to build diversity. Since 2019, 64% of new directors of Mid Revenue Companies<sup>1</sup> were either women or members of underrepresented communities<sup>2</sup>.
- CEO perspective and financial leadership are needed in the boardroom and will become a focus in new board director recruitment.
- Achieving a balance of active & retired executives is ideal.

### The Future of CEO Leadership

- CEO participation on outside boards is down but supported by their boards.
- Strategic perspective remains the most critical skill for CEOs.
- Driving shareholder returns and communication skills are on the rise for most desired CEO skills.
- CEO succession planning is well founded with preference for internal candidates.

#### Private and confidential

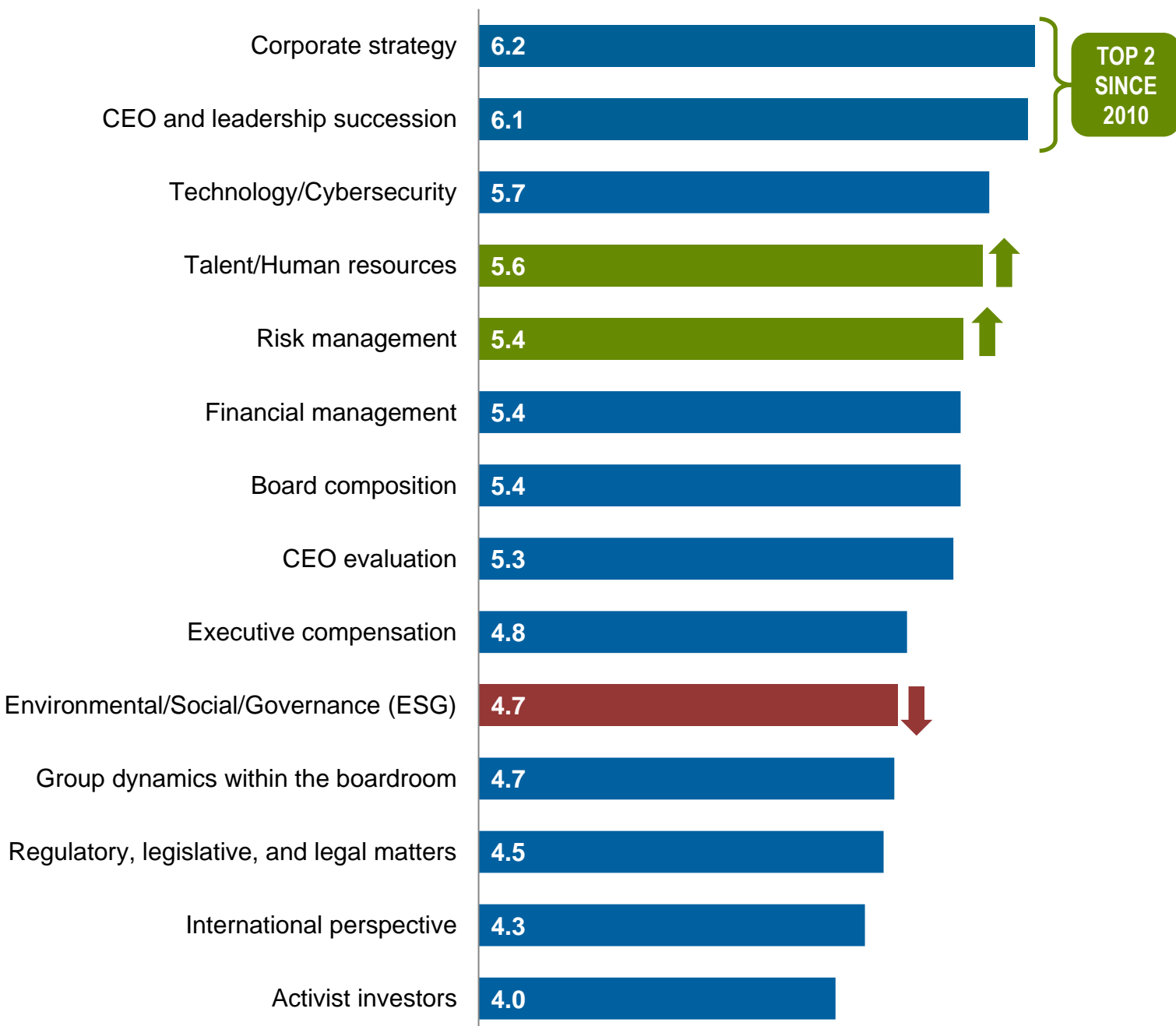
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# Top Topics in the Boardroom

Directors have considered **corporate strategy** and **CEO succession** the most important boardroom topics for over a decade, with technology/cybersecurity and talent/HR on the rise in recent years. Looming economic uncertainty boosted **risk management** into the top 5 for the first time since 2015. After years of ranking highly, ESG is declining in our rankings. However, **sustainability and clean energy** concerns remain a high priority and top agenda topic, as evidenced by their prominence at the World Economic Forum recently held in Davos, Switzerland.

## IMPORTANCE OF TOPICS IN BOARDROOM

Rating (1-7 scale)

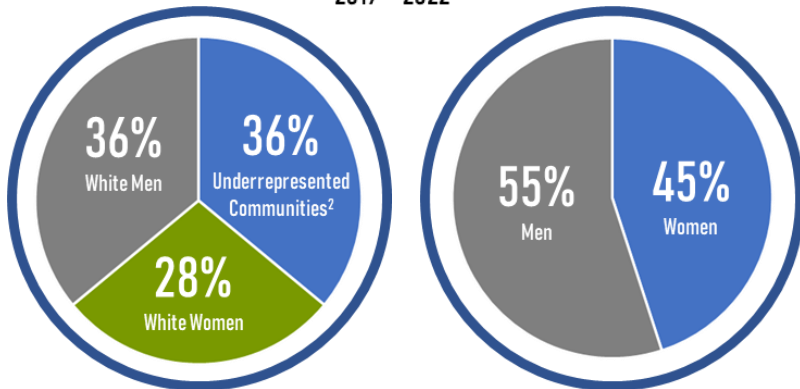


# The Changing Landscape of Board Composition

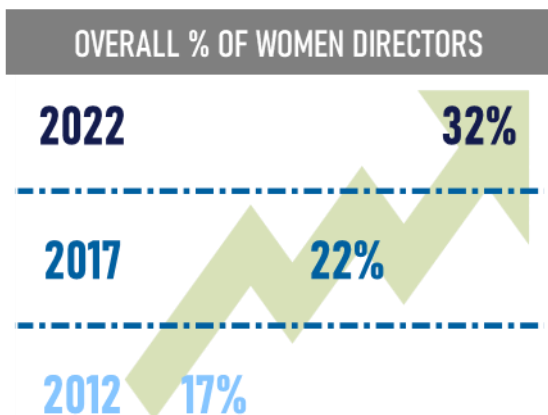
While boardroom topics have remained relatively constant, the board composition has evolved dramatically in recent years.



## Mid Revenue Companies<sup>1</sup> 2019 - 2022



## THE RISE OF WOMEN DIRECTORS S&P 500



## THE ROAD TO DIVERSITY

As a result of increasing attention and encouragement from investors, employees, and customers, boards have pushed to become significantly more diverse. 93% of S&P 500 boards now disclose their racial or ethnic composition, and, in 2022, ISS reported that all companies listed on the S&P 500 reached the milestone of having at least one racially or ethnically diverse director, compared to only 89% in 2020. When looking at Mid Revenue Companies<sup>1</sup>, 64% of new directors added since 2019 were either members of underrepresented communities<sup>2</sup> or women.

Looking at gender diversity specifically, women directors in the S&P 500 have nearly doubled over the past decade from 17% to 32%, with the majority of S&P 500 boards now having at least 30% women directors<sup>3</sup>. When looking at our Mid Revenue Companies, the strides are even greater with 45% of new directors being women.

# Board Composition: The Basics

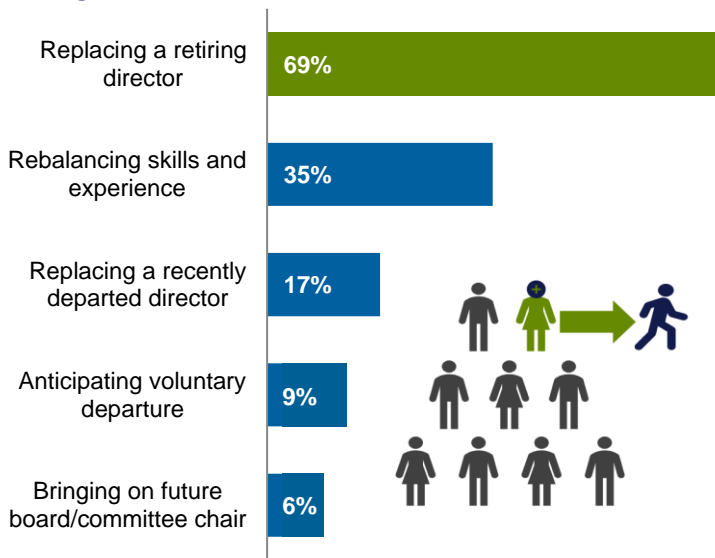
**MID REVENUE COMPANY<sup>1</sup> AVERAGE BOARD SIZE = 9.7 DIRECTORS**

**On average, over the last 3 years, boards have...**



**87% of directors believe their boards are appropriately sized.**

Percentages reflect selection of top two reasons for adding a new director



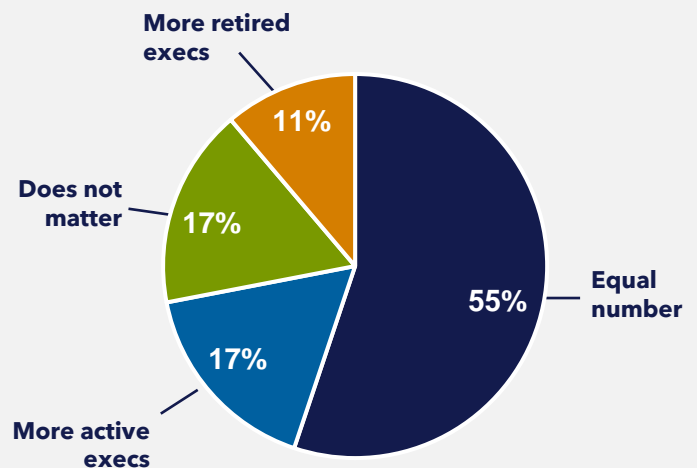
**76% of boards of boards plan to add at least one new director in the next two years, primarily due to retirements**

As a result of successful diversification efforts, public company board size has grown slightly in recent years. Our Mid Revenue Companies<sup>1</sup> have an average of 9.7 directors. Over the last 3 years, they added an average of 2.9 directors and exited an average of 2.3 directors. 87% of directors surveyed believe that their current boards are appropriately sized today.

Most boards will add at least one director in the upcoming years, mainly as a result of succession planning as directors retire.

Modern board composition typically reflects both active and retired executives. There is value in the depth of a retired executive's experience, while active executives are desired for their knowledge of today's trends. **Most directors agree the ideal is an even balance of active and retired.**

**IDEAL MIX OF EXECUTIVES**



# Board Composition: The CEO Perspective Remains Critical

As boards begin to achieve their diversity goals, they are once again prioritizing CEOs to fill their director vacancies. **When asked this year what experience is important to add to the board, CEO perspective ranked highest.** This is a big shift from prior years, where directors have prioritized diversity, ESG and digital company/IT experience over CEO perspective. **Financial expertise** also climbed significantly this year—having traditionally been ranked at or near the bottom.

CEO experience remains essential to healthy governance and strategic leadership in the boardroom, because CEOs have broad-based experience, strategic insight, and leadership perspective that allows them to make immediate and significant contributions. Unlike other executive roles, CEOs have been active leaders in strategic processes and bring a wide-range of knowledge with an integrated perspective, making them well positioned to take input from directors with specialized skills and use it to inform a unified strategic direction to shape a company's vision and growth plan.

## HIGHEST PRIORITY EXPERIENCE TO ADD TO THE BOARD IN THE NEXT TWO YEARS

Percentages reflect selection of top four experiences



## Board Composition: The Shift in CEO Participation

While the CEO perspective is often considered the best integrated view, **over the last decade, boardrooms have seen a sharp decline in outside CEO participation.** Looking at this through the lens of Mid Revenue Companies<sup>1</sup> over the last three years, there is a big discrepancy: **nearly 40% of board exits were CEOs, but only 25% of new directors added were CEOs.** Additionally, 63% of active CEOs at these Mid Revenue Companies<sup>1</sup> are not sitting on an outside board, seemingly an unprecedented high.



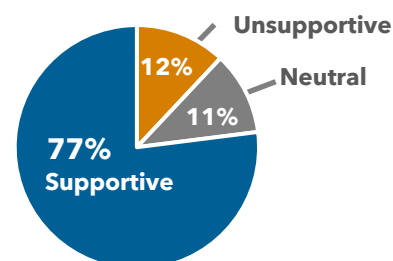
One factor for the dip in CEO participation on outside boards is that as boards have become more inclusive, the CEO role itself has not. Until we see more diversity at the CEO level, the pool of candidates who are both CEOs and who are diverse remains shallow. To achieve racial and gender diversity, boards have added more Division Presidents, General Counsels, and Corporate Controllers—roles more frequently held by diverse individuals.

In addition to gender and racial diversity, boards have added specialized experience and skills, such as sustainability, e-commerce, cybersecurity, and artificial intelligence to meet various industry challenges and fast-paced changes in consumer trends. Unless boards choose to expand their size, the additions of specialized experts leaves fewer opportunities for the more comprehensive perspective typical of CEOs.

# CEOs: Boards Support CEO Participation on Outside Boards

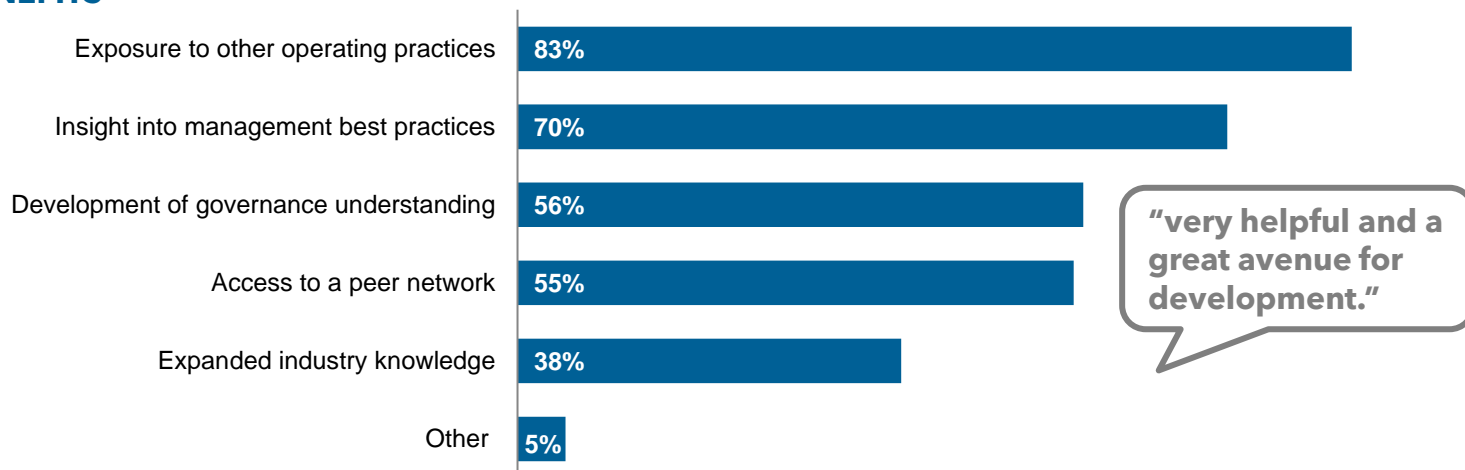
**While 77% of directors surveyed are supportive of their company's CEO joining an outside board, many feel this should be limited to one board and it needs to be the "right" board.**

DIRECTOR SUPPORT FOR COMPANY CEO SERVING ON AN OUTSIDE BOARD

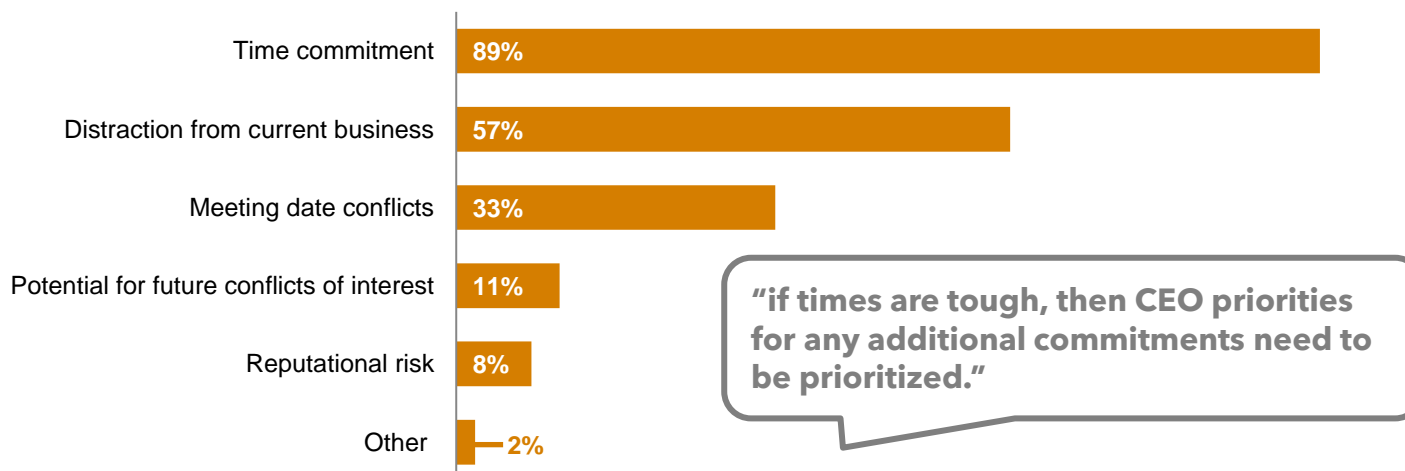


Companies are wise to encourage their own CEOs to participate in outside boards. While board directors recognize the time commitment required to serve on another board, they believe the benefits outweigh the challenges. Adding an outside CEO to a board also assists in the development of the company's CEO by providing new perspectives and coaching on a peer-to-peer level. As markets continue to be volatile and industries face ever-changing disruption and headwinds, CEOs need to build a multi-faceted frame of reference to creatively and efficiently address issues. Regular access and exposure to a network of peers through board activities cultivates and diversifies a CEO's viewpoints and awareness across a variety of topics.

## BENEFITS



## DISADVANTAGES

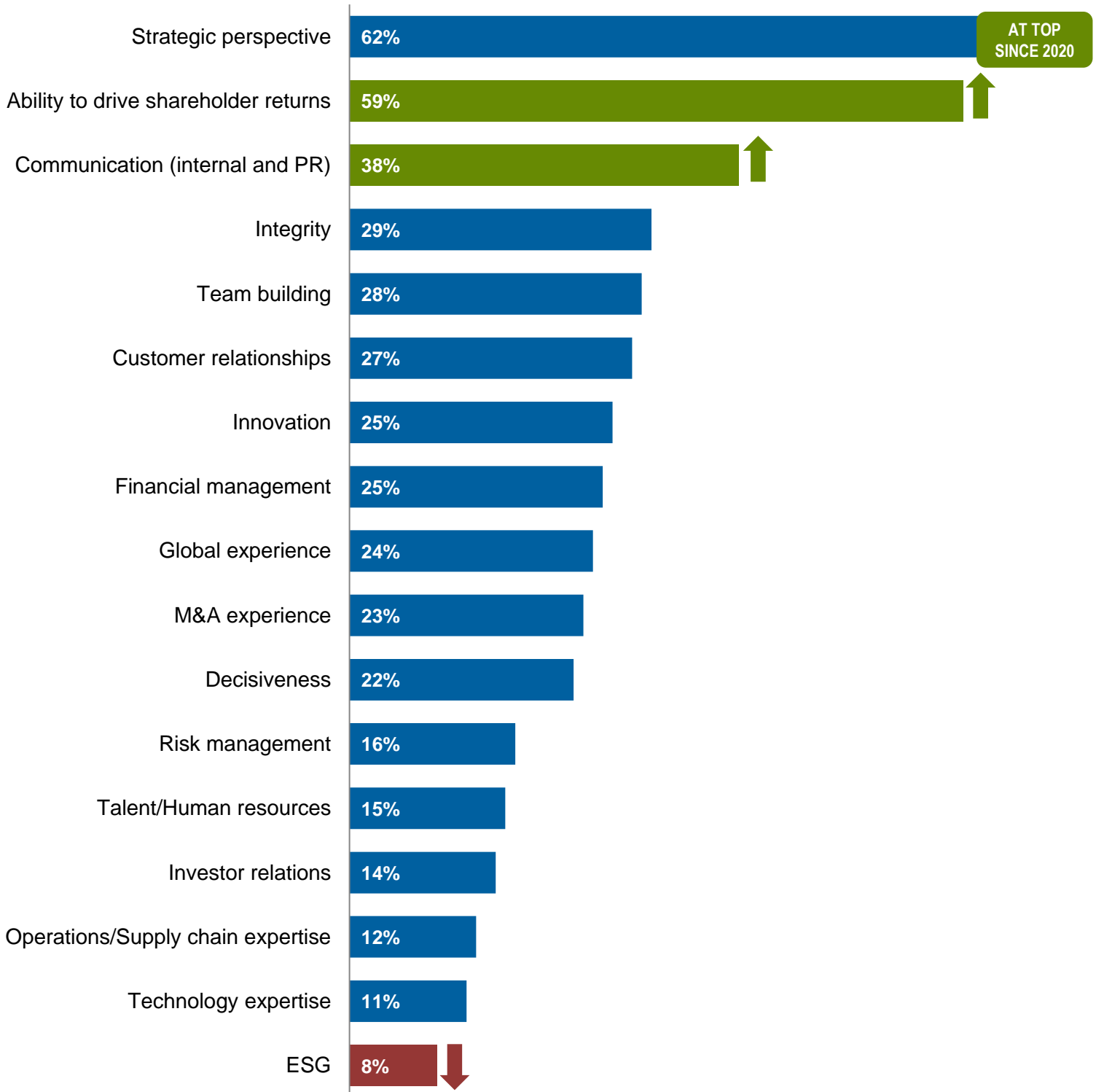


# CEOs: The Most Important Attributes

With economic uncertainty still looming, directors feel the CEO skillset needs to be focused on strategy, profit, and communication.

## SKILLS/ATTRIBUTES IMPORTANT FOR CEOs IN THE NEXT 5 YEARS

Percent selected as top five most important topics





# CEOs: Succession

When it comes to CEO succession planning, the vast majority of directors believe their boards are well prepared. Most boards expect to replace their CEO in the next 5 years.

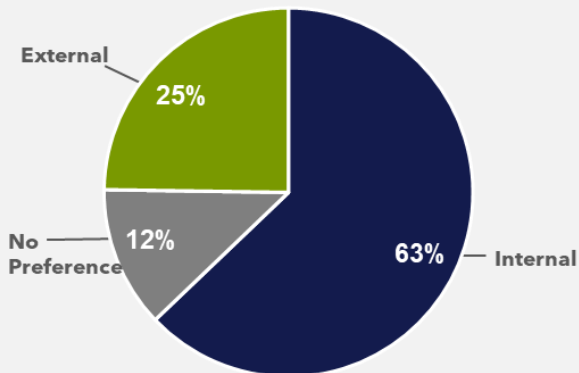
**92%** believe they have a solid succession process in place

**98%** have at least one successor identified

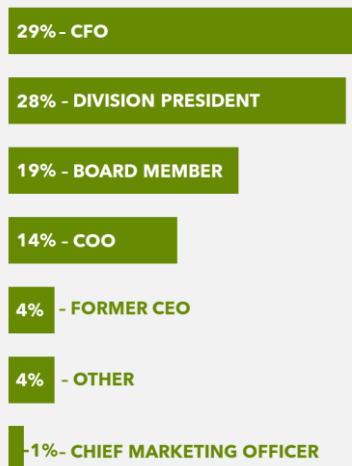
**80%** are aligned on an interim successor in an unplanned situation

**63%** have a strong preference for an internal successor

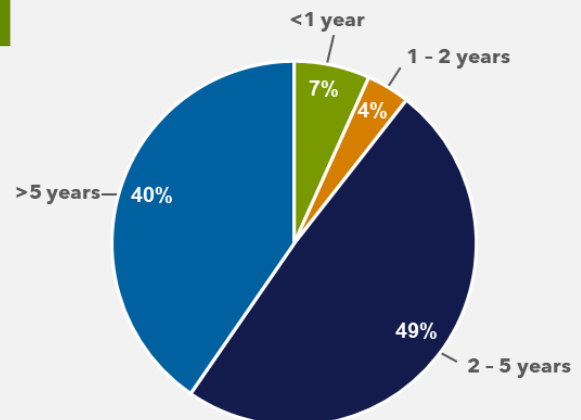
**PREFERENCE FOR INTERNAL/EXTERNAL SUCCESSORS**



**INTERIM CEO PROFILE**

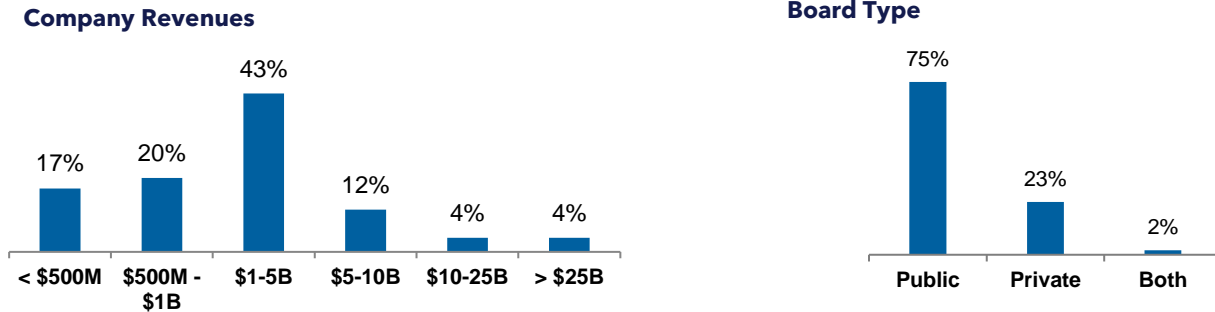


**EXPECTED TIMING OF NEXT CEO SUCCESSION**



## REFERENCES

Survey Participants = 108



- <sup>1</sup> Mid Revenue Companies defined as public companies on the 2022 F1000 List with revenues of \$5 billion or less.
- <sup>2</sup> Underrepresented community defined as an individual who self-identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self-identifies as gay, lesbian, bisexual, or transgender.
- <sup>3</sup> ISS ESG, "Diversity on North American Boards - Now and Into the Future" report, November 4, 2022

**We thank all the directors who shared their perspectives.**

**Please contact JWC Partners for further information about the survey and results.**

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**Aimee Long** joined JWC Partners in 2018 after 20 years of business experience advising executives and boards. She began her career as a corporate lawyer in Los Angeles at Sidley Austin with a focus on health care transactions and later shifted to mergers and acquisitions and finance work in Silicon Valley with Bingham McCutchen. She received a JD from Northwestern University and a BA in economics from the University of California, San Diego.

### About JWC Partners

JWC Partners is a trusted advisor to its clients, specializing in executive search, board director recruitment, and board assessment. Praised for our personal, customized approach, we offer a consultative and collaborative recruitment process. We work closely with our clients to understand their strategic needs and learn the company's culture to ensure we recruit the best candidates. Our thought leadership and ongoing mentoring demonstrate our investment in the long-term success of our clients.

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