



**GLOBAL  
BOARD  
SURVEY**

2021

**BOARDS  
IN  
FLUX**

**INTERSEARCH**  
worldwide organization of executive search firms

**BOARD • NETWORK**

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# EXECUTIVE SUMMARY – THE HEART OF THE MATTER

## INTRODUCTION

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As 2021 is coming to an end it is becoming clear that the unprecedented state of flux which the world has been in since the outbreak of the Covid19-pandemic around beginning of 2020, is not going to end anytime soon.

New variants of the virus keep surfacing, numbers of infected people are surging most places, vaccines are still unequally distributed globally and mind you also unequally welcomed amongst a number of people in those countries that actually do have access to a sufficient supply of vaccine doses, health care systems are under various levels of pressure and distress, supply chains are constantly being interrupted, and production entities as well as transportation channels are less predictable than ever before in the past two decades.

However, there still seems to be ambiguity among politicians, business leaders and economists as to whether or not we are facing a global scenario of high inflation rates, falling stock prices, shortage of raw materials such as copper, silicon and lithium, etc. In some regions, economies are still very strong, while in others the financial systems and economic politics are being tested. In some countries, financial liquidity is better than ever before, while others go through a scenario resembling the great depression the 30'es.

**Thus, the global business weather forecast for 2022 surely speaks of both dense fog and strong winds.**

Add to this an increasingly unstable geopolitical situation with tension around and/or between countries like Russia, Ukraine, Belarus, the EU, USA, China, Afghanistan, Australia, Turkey, Iran, and many more, plus more and more extreme weather implications from climate change, a divisive media scene, greater political polarization, and spiking numbers of cyber crime incidents, you have yourself a melting pot of both threats and opportunities – which in China is known

as Wei Ji – which translates into 'crisis' in English. The important thing to remember however is exactly that of the implied opportunities that a crisis also beholds.

**The ability to steer through the opacity of a disrupted yet still heavily interdependent global business world will in the coming year either qualify or disqualify corporate boards like never before.**

Even more so it is remarkable to see that **a majority of global boards remain optimistic about the future for their companies**, and vigilant in their efforts to keep professionalizing their own boards.

Between September and November 2021, we asked around our sizeable global network of chairs and board members, and we are very proud to hereby present to you the findings of our **Global Board Survey 2021 – Boards in Flux**.

We have been looking at what's hot, what's not and what's next within Corporate Governance and Board Leadership – because we know that what drives the board will always most certainly cascade down to executive management and from there further down the organization.

Some boards we can look to for inspiration, others will more seek to be inspired themselves. We have investigated how boards are composed, how they work together, what and how they prioritize, and what they believe the future beholds for themselves, their companies and the world overall. We dig into where they feel comfortable, and in which areas they could innovate or improve. We look into their position on various elements of the strategic picture, and on competencies they feel lacking. Or in other words; we investigate how boards adapt to a state of constant flux – and what that implies for the companies they steward.



# CONTEXT

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InterSearch – Worldwide Organization of Executive Search Firms and Board Network – The Danish Professional Directors Association have together performed this Global Board Survey 2021 in September – November 2021 among **1,782 corporate chairmen and board members from 79 different countries and legal jurisdictions on all populated continents**. The regional distribution of our respondents is **47% from EMEA, 31% from Americas** and **22% from APAC**.

Respondents represent every imaginable industry, all sizes of companies from small startups to heritage organizations with turnovers of more than USD 20 Billion per year, and all kinds of ownership structures.

With a survey population as great and dispersed as ours, there will obviously often be regional or country-specific tendencies, or historically or culturally defined demographic trends, however we also see some very strong, universally valid results and trends which we want to highlight here:

- Boards have in the past year worked harder than ever before, but even more importantly directors also expect to spend increased time on almost every single item on the board agenda in the year to come
- Perhaps not too surprising that also means that boards in general feel that their remuneration is dissatisfactory
- Boards are becoming much more digital in their working style and internal communication processes – probably helped a lot by the steep increase in virtual meetings caused by the pandemic
- A clear majority of boards remain optimistic about the future for their companies not only compared to past performance but also compared to their closest competitors
- Despite the severe impact of the Covid19-pandemic all across the world, boards only point to the pandemic as the fourth most important Mega-Trend in the next 3 years to come, while Climate Change, Disruptive and Exponential Technologies, plus Geopolitical Instability take the top 3 spots
- Similarly, when predicting the most important board trends in the coming year, Covid19-related health and safety issues only rank no 6 on the board members' top list. Increased Sustainability / Purpose Focus stays no 1, followed by ESG Focus, Digitalization, More Focus on the Future of the Business, and Cyber Risks as the top 5
- When probed about the more immediate external challenges, Competition, Technology / Digitalization, and Covid19 impact, rank as the top 3 issues that boards expect to be dealing with during the next 12 months
- Of internal challenges to be prioritized in the next 12 months, boards mention Strategy first, followed by HR, Innovation / R&D, Sales, and Financial / Cash
- Boards continue their diversity efforts and numbers of diverse candidates on boards are growing. Especially within the areas of gender, functional competency, nationality, age and ethnicity, the push for increased diversity is getting tougher every year. This is very much in sync – and probably caused by – the pressure from investors, proxy advisors and regulation in a number of countries and jurisdictions. But most remarkable is probably that 46% of all respondents now support gender quota-initiatives (although down from 52% last year), but the support seems to rely heavily on the respondent's own gender: A staggering 79% of women support such initiatives while this is only true for as few as 35% of the men
- 26% of respondents believe the board composition should change from a competency point of view, but as many as 24% would like to replace one director, 21% say that two directors should leave while a worrying 25% state that 3 or more directors ought to be dismissed

- Apparently the level of satisfaction is higher amongst boards with Executive Management than with their fellow board members. Only 42% believe that one or more members from the EMT should be replaced. Much more worrying however is the fact that as few as 25% believe that they have adequate succession plans in place for the CEO and the rest of the EMT
- Boards find that they lack competencies within cyber risk, sustainability, digitalization, supply chain, and innovation / R&D the most. On the other hand, the vast majority feel well positioned within functional expertise areas like general management, industry knowledge, strategy, and finance / economics
- Boards are getting increasingly more independent of the company and its largest shareholders. Thus, 64% say that the chairman is independent (up from 56% last year) and 65% deem the majority of the board members to be independent (an increase from 55% last year)
- In general, respondents rate the quality of the board's overall performance quite high, but on a number of boards, factors like better alignment between EMT and the board, better understanding of the company's strategy, improved board leadership, and a more effective mix of competencies amongst board members, are named the top factors to improve the board's overall performance
- The strategic areas which the boards feel the least comfortable around are Cyber risk / data privacy, Digitalization, Talent management / HR, and Innovation / R&D. The lack of comfort within these areas definitely ought to be a focal point for a number of boards since we also know that these are all areas that pose some of the largest external and/or internal challenges for companies in general
- The working climate on the board receives very high ratings from almost all respondents
- Board recruitment is getting more and more professionalized with 44% of boards using Executive Search firms to help identify board candidates (up from 40% last year). The big majority of boards however also take advantage of the board members' as well as the owners' own personal networks
- A large increase in the use of regular board evaluation is another factor pointing to the increased professionalization of boards. Last year 50% said they undergo regular board evaluations – growing to 64% this year
- 44% have attended an Executive Education Board Program of more than 4 days' duration, underlining the growing professionalization of boards
- On a more disturbing note, 69% of our survey population believe that their potential liability risk has increased during the past 24 months. Even more worrying is probably the fact that 19% don't consider their Directors & Officers Liability Insurance to cover their liability sufficiently

# THE ANALYSIS



# TIME SPEND AND BOARD COMMITTEES

The workload of boards increased once again this year – which has been the case year on year during the past 7 years. As little as 7% have spent less time in

the past 12 months while 66% have put in more hours preparing for and participating in the board meetings.

## How much time have you spent on this specific board in the past 12 months in comparison to the previous 12 months



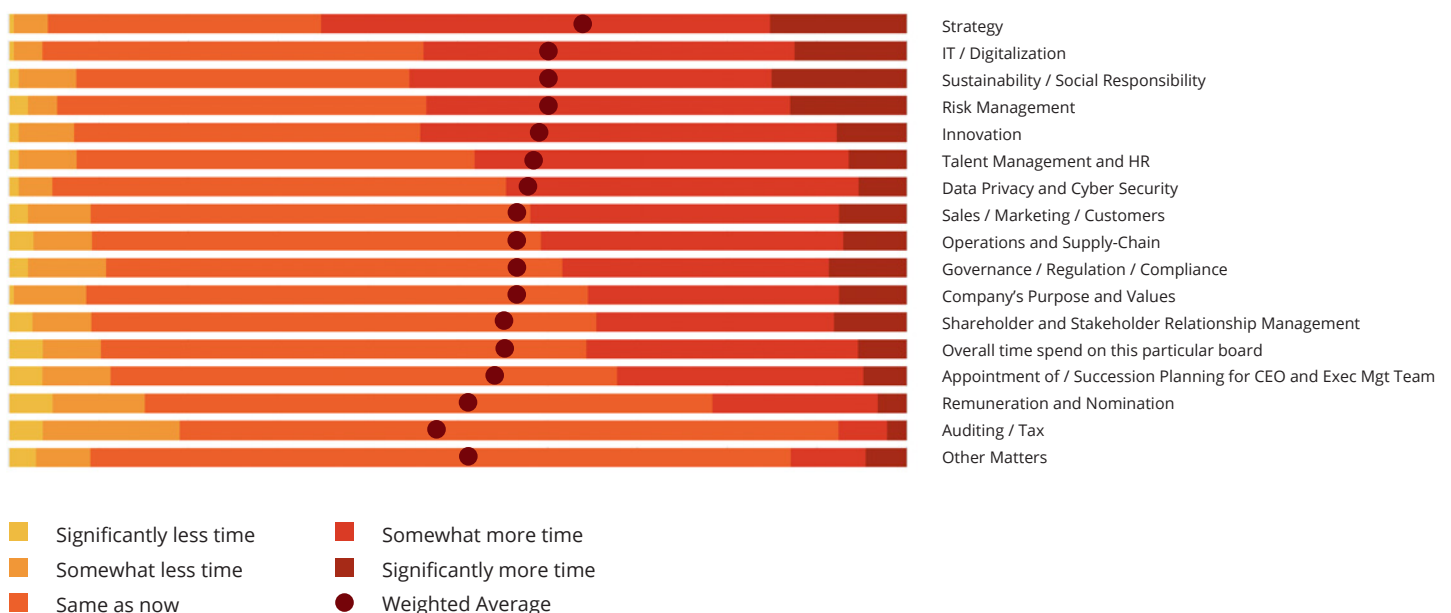
When further probed about their expectations for the coming year, boards say that they expect to spend even more time on 16 out of 17 specified agenda items. Particularly Strategy, IT / Digitalization, Sustainability / Social Responsibility, Risk Management, Innovation, Talent Management / HR, and Data Privacy and Cyber Security can expect to attract even more attention in the year to come. Only Auditing / Tax is likely to get less attention according to our respondents.

**daily management.** Not only does this seem to be a growing trend year on year, but we won't underestimate the impact of what the uncertainties of Covid19 has meant for that trend – especially because it is a spitting image of what happened on corporate boards across the world during the financial crisis.

With a continuous increase in time demand, steadily growing over all 7 years during which we have published our Global Board Surveys, there is no doubt that **boards have moved closer to the business and**

Boards should however be aware that the best CEOs require a reasonable level of autonomy in order to maintain motivation, not to mention that **if everyone is stuck in the engine room of the business there will be no one staying on the bridge to maintain a steady course.**

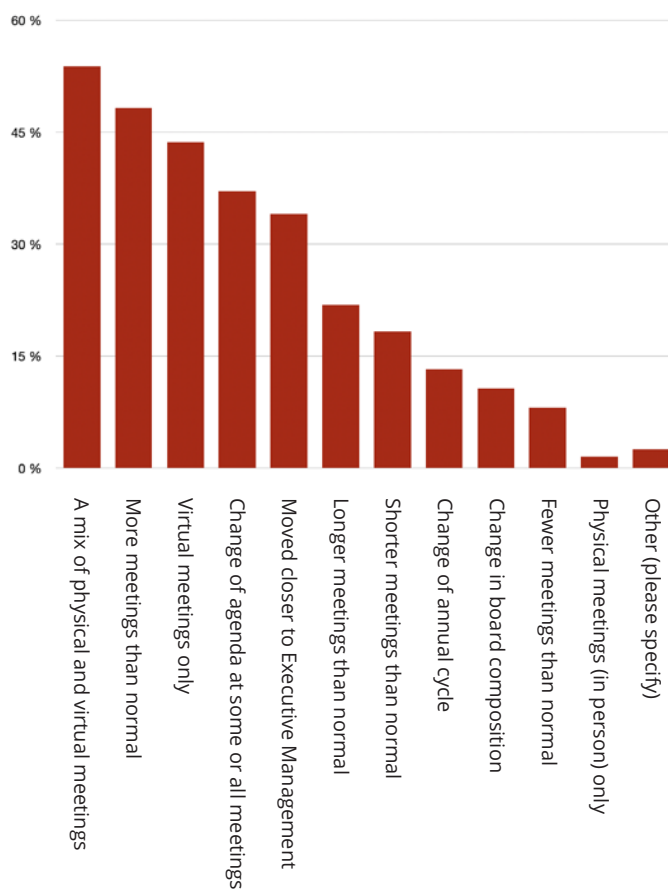
## How much time do you expect to spend on the following items on this board in the next 12 months compared to the past 12 months?



Perhaps not surprisingly, Covid19 has also impacted how boards have worked together. Some of the most notable changes have been the adaptation of virtual meetings, blended meetings, increase in the number of board meetings compared to normal, changing the board agenda and as mentioned; moving closer to Executive Management.

**Covid19 has also meant a steep learning curve for many directors who are not digital natives** but whom all of a sudden have had to adapt to digital tools and virtual meetings.

### How has your board worked together through the Covid19 pandemic?

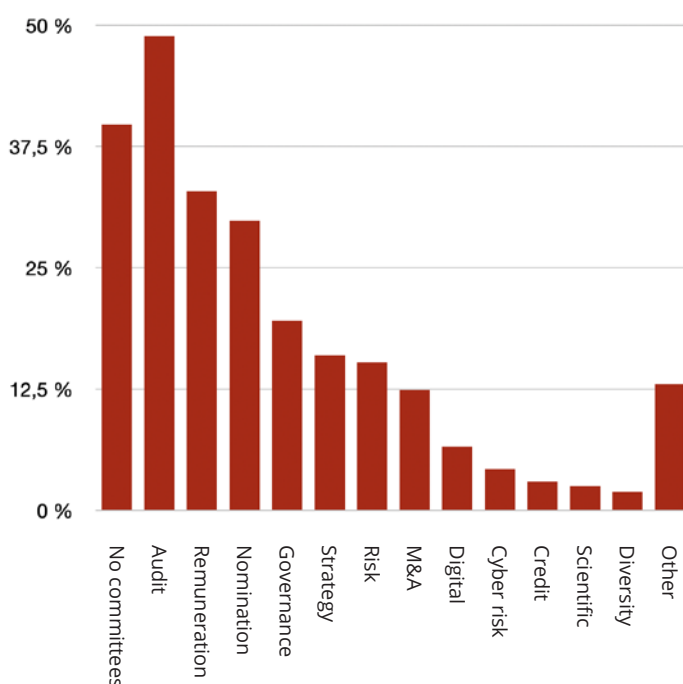


One way to try to optimize the time spend is by delegating responsibility for part of the initial assessment and preparation of a basis of decision through the establishment of standing committees within the areas of e.g. audit, remuneration, nomination, risk, M&A, etc.

Utilization of these committees is most often seen in larger (turnover of more than USD 1 B) and listed companies. Also, jurisdiction and thereby the regulatory governance model plays a role.

40% state that they don't have any committees at all (down from 46% last year), while 49% have audit committees, 33% remuneration committees, 30% nomination committees, making up for the top three, while e.g. diversity committees are only used by 2%

### Which committees does your board have? (pls. check all that apply)



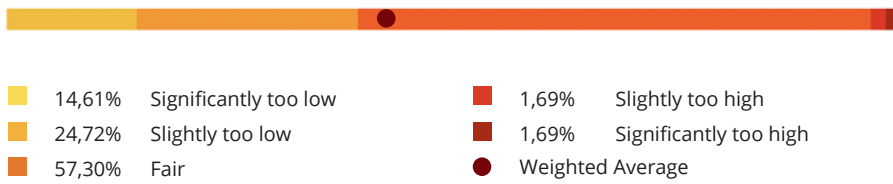


# BOARD REMUNERATION

Since workloads only increase every year, it will be no surprise that in every single surveyed country, **a weighted average of board members feel they are underpaid.** As our survey has not mapped the remuneration levels as such, we do not know if there has been any kind of fee adjustment over the years

and if so to what extent. Yet, the conclusion seems clear enough; considering the time spent, the personal contribution, industry benchmark, company's performance, assumed responsibilities and liabilities, etc., the total remuneration is either slightly or significantly too low.

**How would you rate your total compensation level for this particular board, considering time spent, personal contribution, industry benchmark, company's performance, assumed responsibilities and liabilities, your personal brand exposure, etc.?**



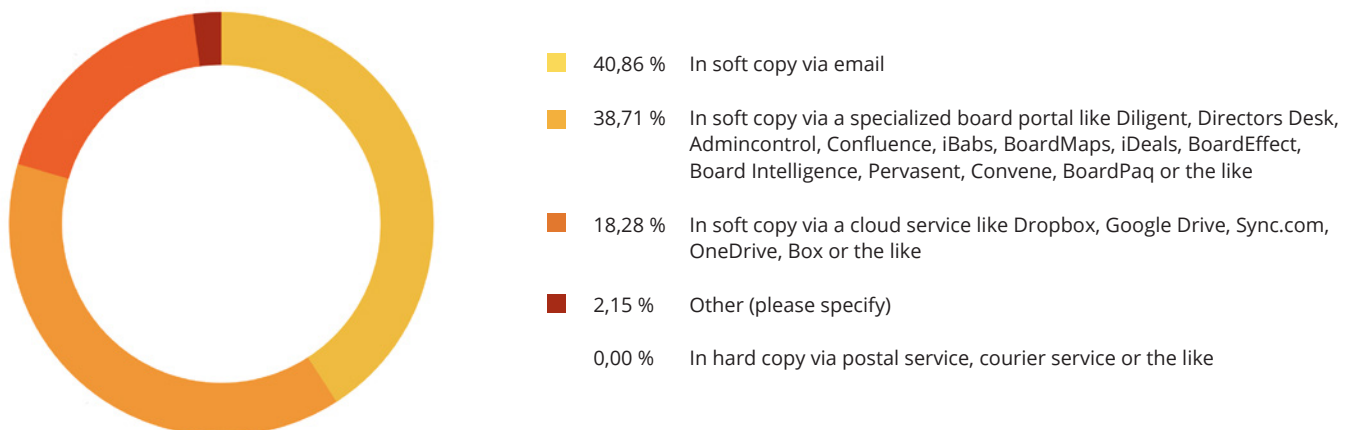
# PREPARATORY MATERIAL

Considering boards' growing workload, we also wanted to take a look at how the preparatory material is being distributed to get an understanding of how digitally mature boards are when it comes to their own utilization of available tools.

A majority of boards in smaller companies (turnover below USD 100 M) continue to distribute the material in soft copy via email resulting in an overall score of 41%. Digital board portals like Diligent, Directors Desk, Admincontrol, Confluence, iBabs, BoardMaps, iDeals,

BoardEffect, Board Intelligence, Pervasent, Convene, BoardPaq and others are being used by 39%, while 17% take advantage of a cloud service like Dropbox, Google Drive, Sync.com, OneDrive or Box. It is the first year in our 7 consecutive years of publishing our Global Board Surveys that that we have received zero respondents report that the distribution takes place in hard copy via postal service or the like. One small sign among a number of others that **boardrooms are slowly becoming more and more digital.**

**How is the preparatory board material being distributed?**

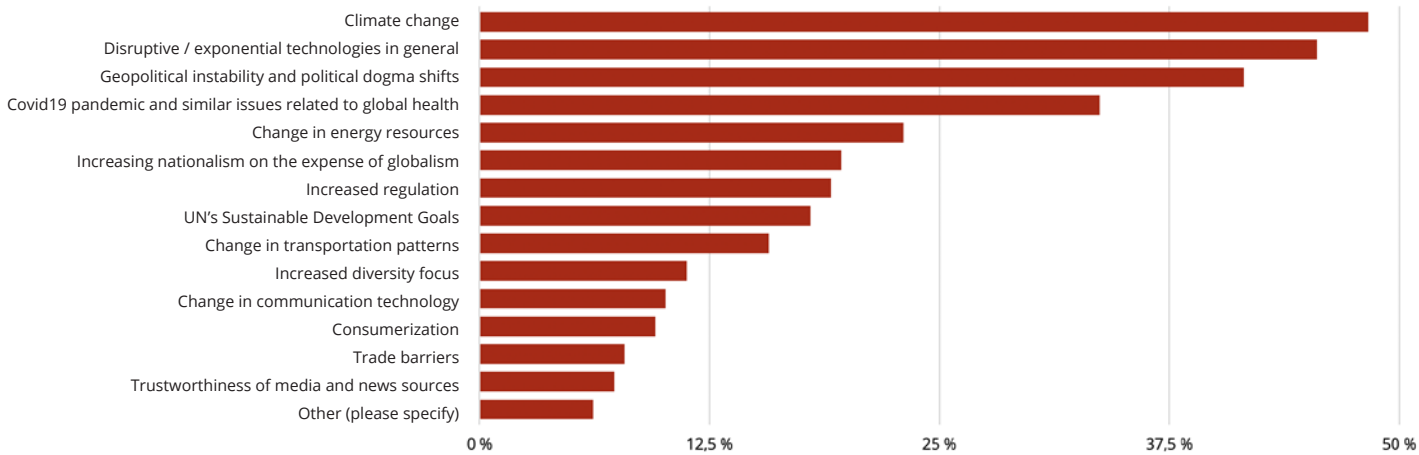


# MEGATRENDS AND BOARD TRENDS

Megatrends are trends that have economical, societal and/or political impact of magnitude across a number of geographies over a span of time of at least 3 years. Megatrends have been in our focus in every Global Board Survey we have done in the past 7 years, and it is striking to observe that the top 3 Megatrends are identical to the ones from last year; Climate Change (48%), Disruptive / Exponential Technologies in General (46%), Geopolitical Instability and Political Dogma Shifts (42%).

Despite the unprecedented global disruption of travel patterns, logistics, healthcare systems, physical interactions and societal norms, the Covid19 Pandemic and Similar Issues Related to Global Health only comes in at no 4 (34%). **The conclusion must be that most respondents consider the pandemic, crucially impactful as it might be, to be of a temporary nature and thus not a predominant factor for too many years to come.**

## Which 3 megatrends do you expect to have the most significant impact on society and the economy in your country in the coming 3 years?

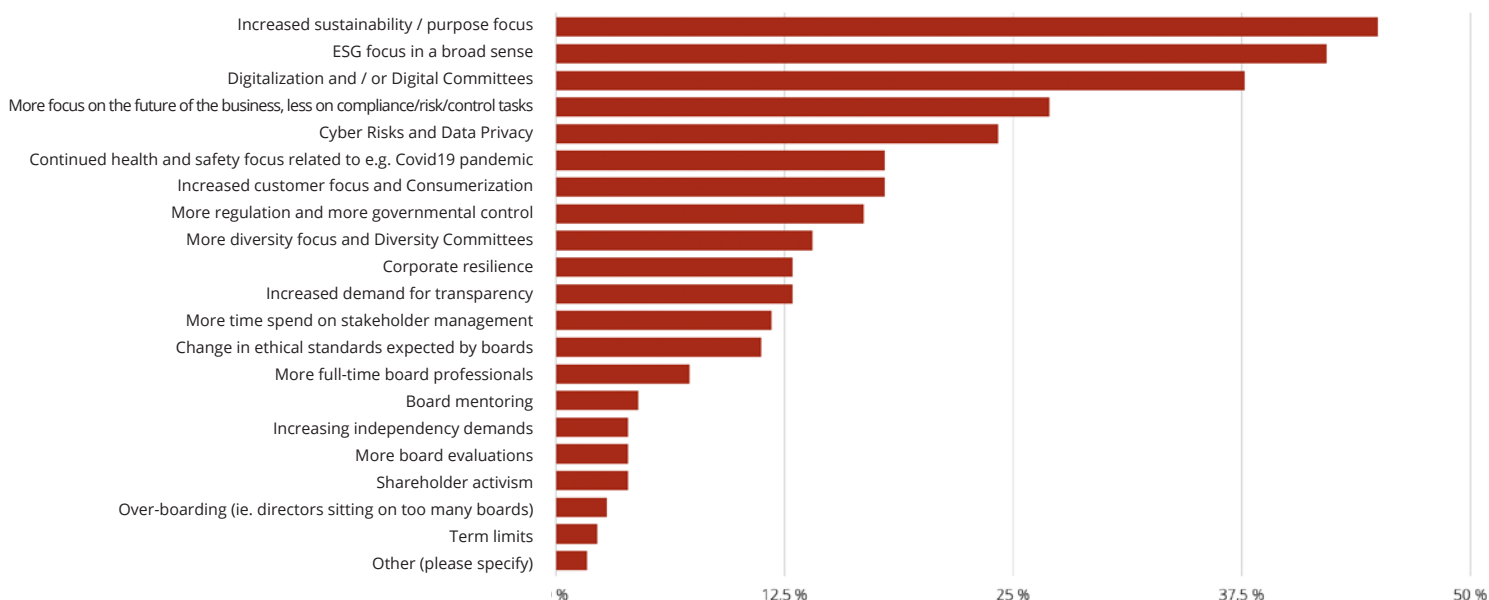


Megatrends obviously also have significant impact on what is trending in the boardroom, and this year is no exception. Hence, we see Increased Sustainability / Purpose Focus as a clear no 1, although fast followed by ESG Focus in a Broad Sense.

Next are Digitalization and / or Digital Committees, More Focus on the Future of the Business, Less on Compliance / Risk / Control Tasks, and Cyber Risks and Data Privacy.

None of the topics in the top 5 can be considered easy tasks of an uncomplicated nature for boards to deal with. On the contrary. And between themselves there is a lot of interdependent friction, all in all meaning that boards from both external and internal channels of influence are constantly being tested on their learning agility and ability to adapt to change. In other words, **boards find themselves in a state of flux like never before.**

### Which 3 board trends do you expect to have the most significant impact on the board / corporate governance agenda in your country in the coming year?



# GAZING INTO THE FUTURE

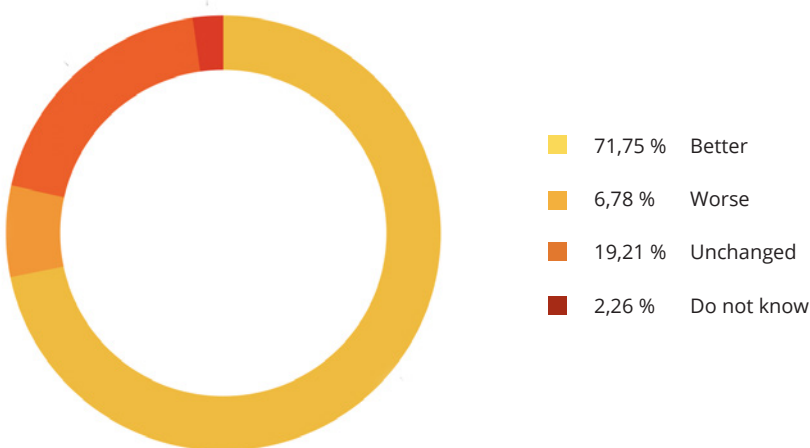
To obtain an understanding of the development in boards' general view on their company's financial outlook, every year we ask them about two things; about their expectations for the company's performance in the coming 24 months compared to the previous 24 months, and about their expectations for the company's performance in the coming 24 months compared to their closest competitor(s).

**A staggering 72% state that they see their company looking into a financially bright future, and only 7% expecting a financial downturn.** Those numbers are much more positive than ever before.

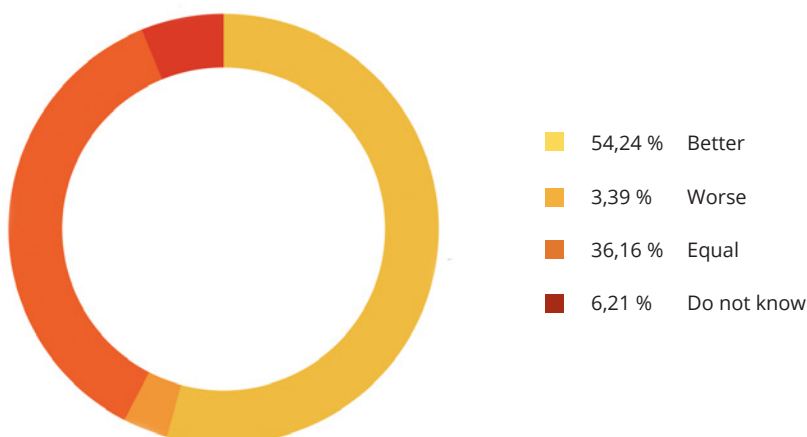
Also when prompted to compare their expectations for their own company to their closest competitor(s), optimism prevails: 54% expect to do better, and only 3% to do worse than their peers.

**All in all, boards appear very confident and optimistic in their look on the future – across all continents and even most countries,** sending a strong message of positivism to the global business community and all stakeholders around companies of today.

## What are your expectations for the company's financial outlook for the coming 24 months compared to the past 24 months?



## What are your expectations for the company's financial outlook for the coming 24 months compared to that of your closest competitor(s)?



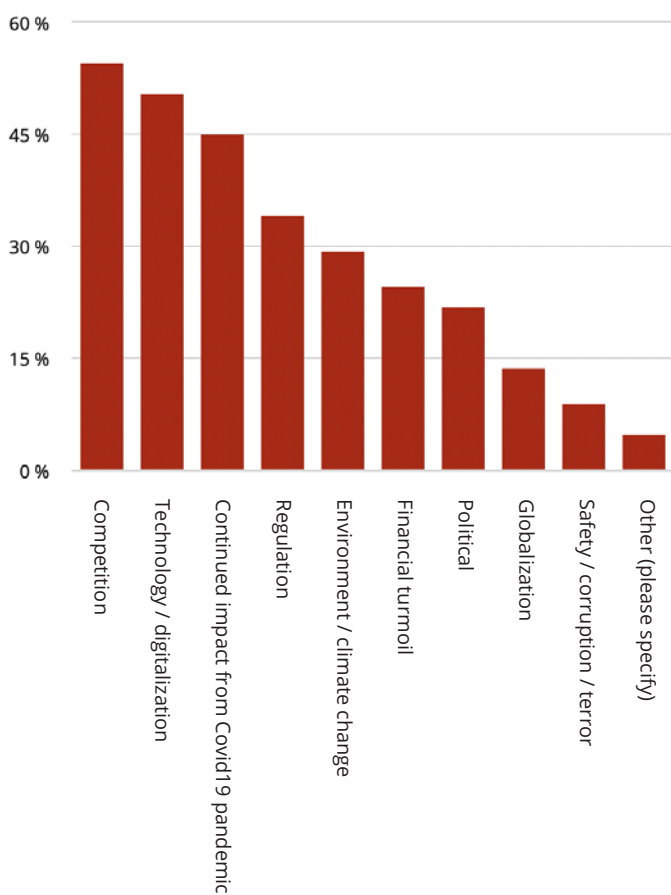
We also surveyed respondents' beliefs in relations to the most immediate external as well as internal challenges for the company. Just as we have seen in previous years, they are to a great extent interlinked.

On the external side, Competition and Technology / Digitalization stand out, followed by Continued Impact from Covid19 Pandemic, and Regulation.

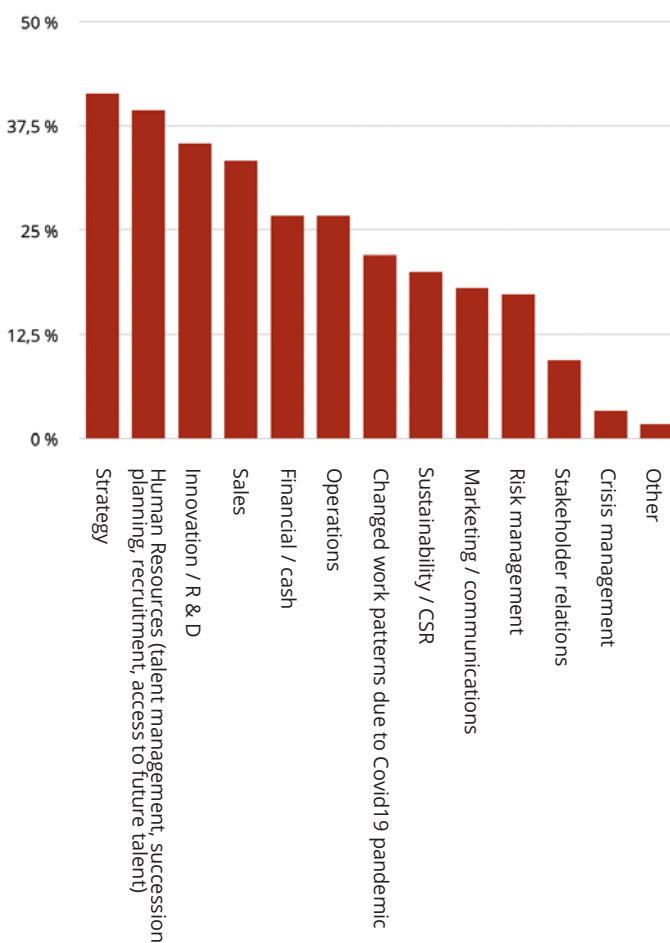
On the internal side, Strategy is a clear number one, followed by Human Resources, Innovation / R&D, and Sales.

Taking into consideration 1) what respondents expect to spend more time on in their capacity as board members (above), and 2) respondents' rating of their board's overall understanding of the company's strategy within a number of sub-areas (below), **the same overall challenges show up again and again; strategy, innovation, HR, sustainability, digitalization and cyber risks.**

### Over the next 12 months what are the 3 most important external challenges your company faces



### Over the next 12 months what are the 3 most important internal challenges your company faces

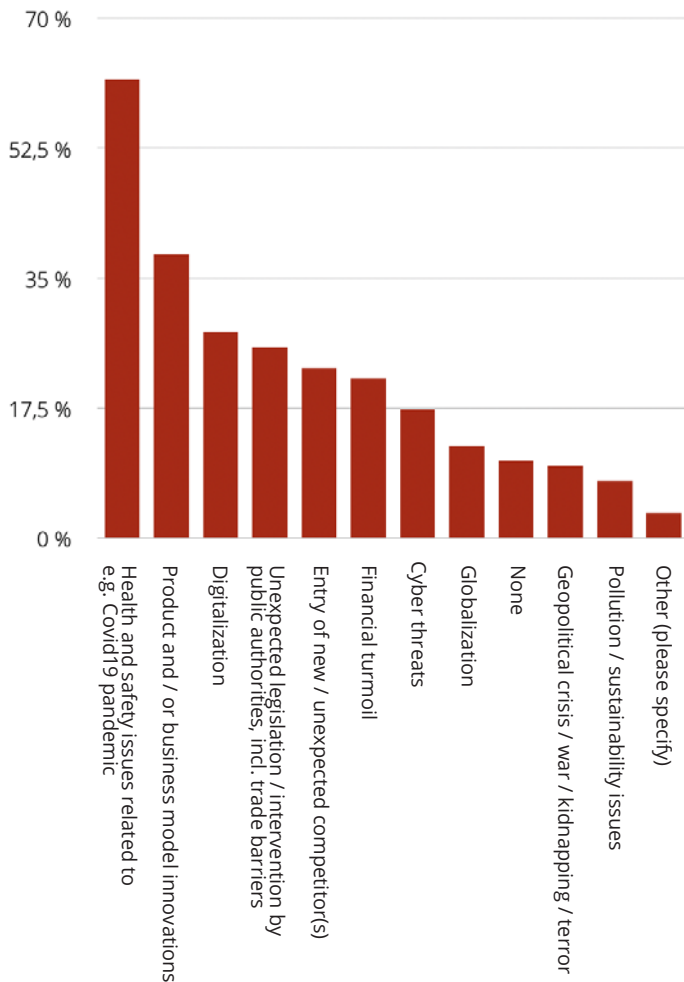




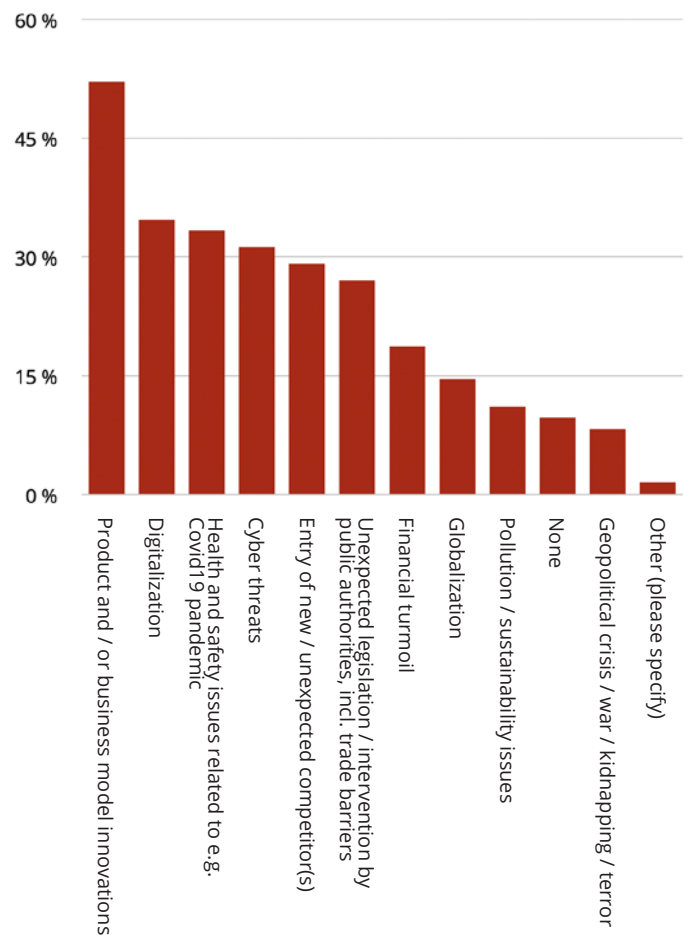
Holding no surprises, the vast majority of boards have had to deal with one disruptive factor more than any other; Health and Safety Issues Related to the Covid19 Pandemic. Second place was taken by Product and Business Model Innovations.

When probed on what they are preparing for or at least expecting to see in the future, directors mention Product and Business Model Innovations once again as their top concern, followed by Digitalization, Health and Safety Issues Related to the Covid19 Pandemic, and Cyber Threats.

### Has the board had to deal with any of the following disruption scenarios in the past 24 months?



### Is the board expecting and / or preparing for having to deal with any of the following disruption scenarios during the coming 24 months?



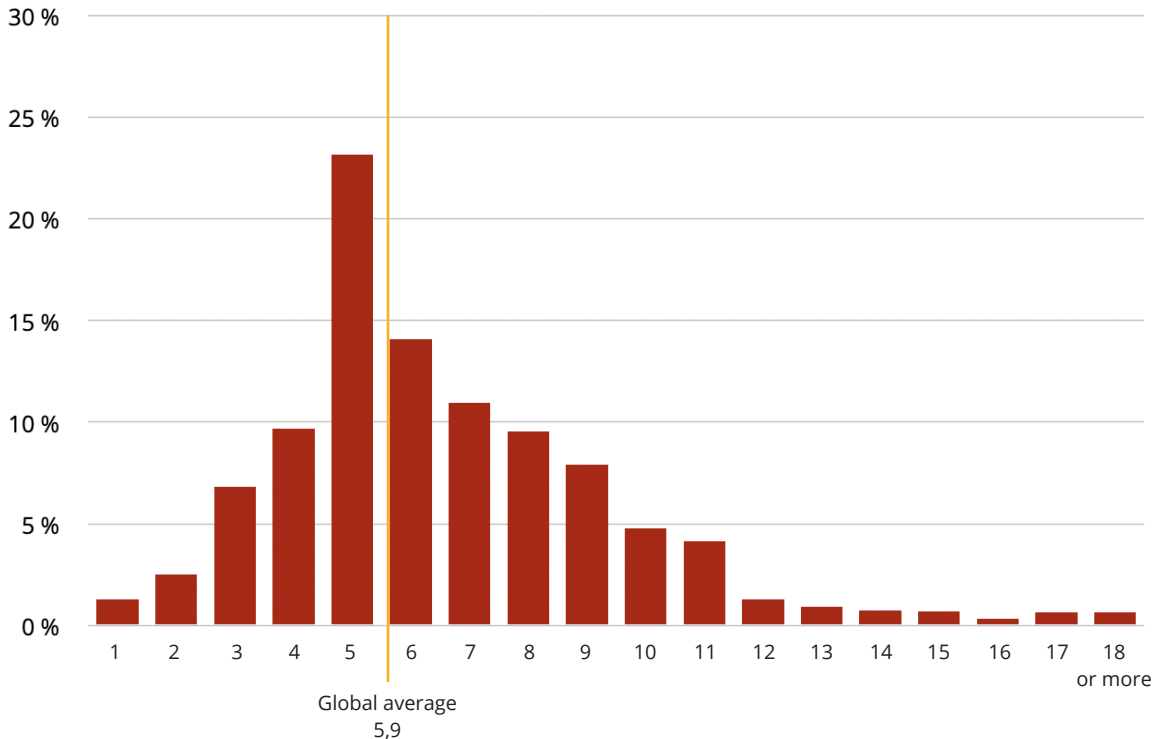
# BOARD COMPOSITION - SIZE AND DIVERSITY

The total number of board members vary significantly – from 1-18. Most common is a number between 4-9, and **the global average board size is 5.9 directors.**

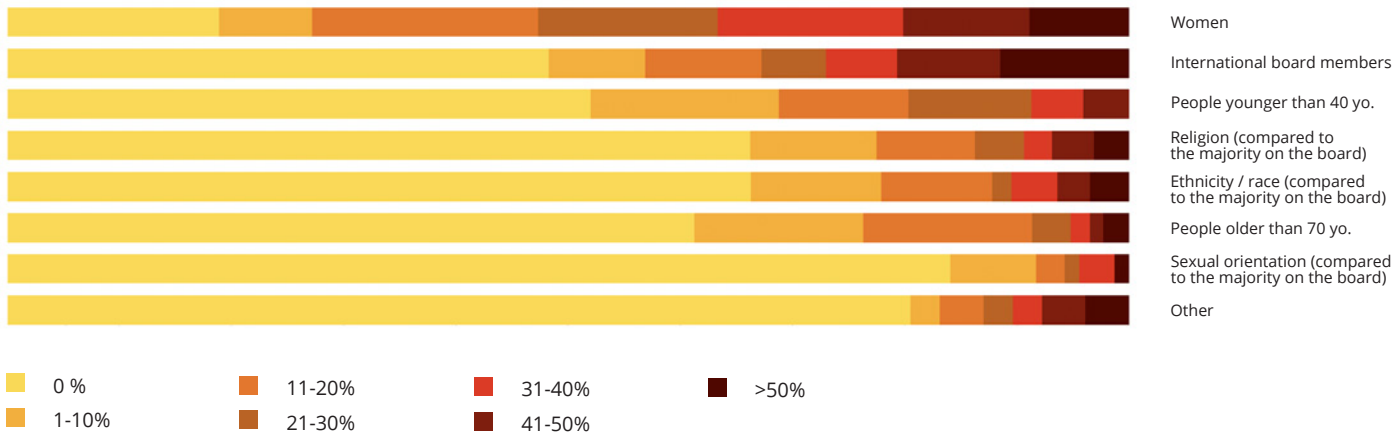
We have also examined the share of women directors as well as other diversity parameters such as interna-

tional board members, ethnicity, sexual orientation, age etc. Most notably, **19% of all boards have no women** (compared to 23% in last year’s survey, and 27% the year before). Diversity amongst board members in respect of their sexual orientation seems to be the least important priority.

## How many directors is the board composed of?



## How diverse is your board within the following areas? (As a percentage of the total number of board members)



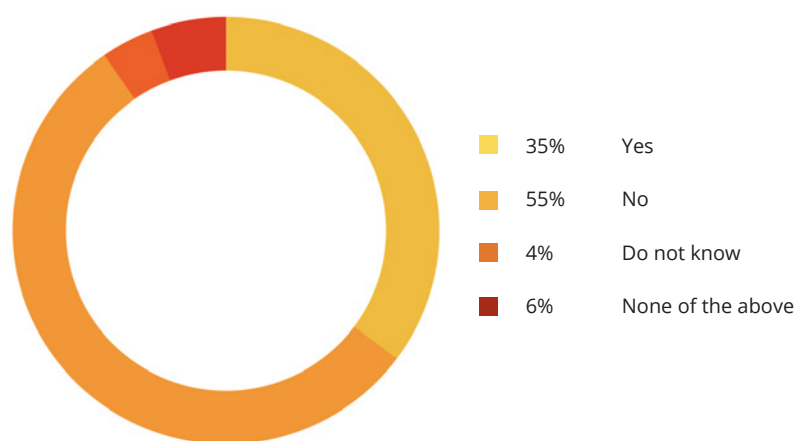
Following up on the previous question, we examined if respondents found that increasing focus on diversity on boards has had an effect over the past 12 months on how their board is composed. 35% said yes, and of these a striking 57% said that it had been gender-driven while 45% had looked for candidates of international background, 37% had recruited directors to ensure more diversity in competencies, and 26% had sought to increase the age diversity.

Increased gender diversity is largely driven by large companies. Of companies with more than USD 1B in annual turnover, 65% have seen changes in their board composition, of which 81% had been gender-driven. Only 6% of the companies with more than

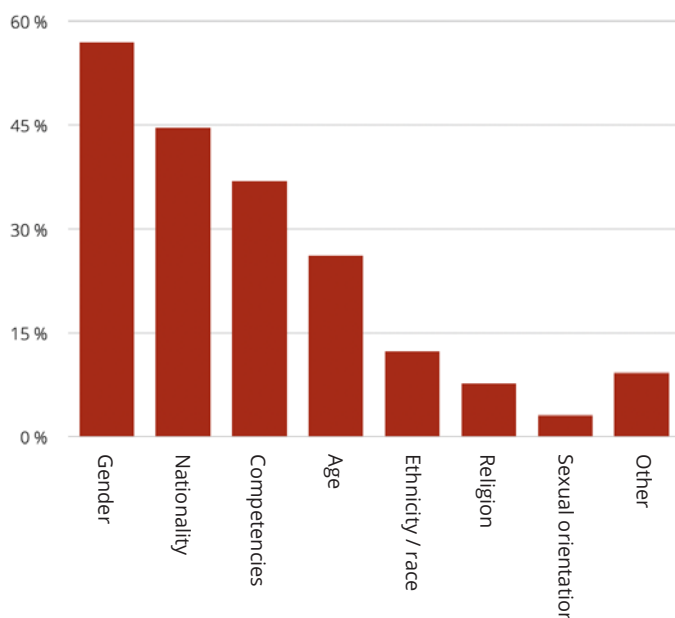
USD 1B in annual turnover have zero women on their board – compared to 19% of boards overall.

When probed if respondents agreed with initiatives like e.g. gender quotas, 46% of all respondents said yes to some or a great extent, however with a remarkable difference between men and women among the respondents. **A staggering 79% of women support gender quota-initiatives, while this is only true for 35% of the men.** However, we must note that we are seeing a growing gender diversity push especially among those companies who are going from zero to at least one woman on the board. That number is now 19% while it hit 23% last year.

## Has increasing focus on diversity on boards had an effect over the past 12 months on how your board is composed?



### If yes, within



**On a scale from 1 to 5, where 1 is “strongly disagree” and 5 is “strongly agree”, do you support initiatives leading towards increased gender diversity in the boardroom, like e.g. gender quotas by either law or as part of the Corporate Governance Code?**



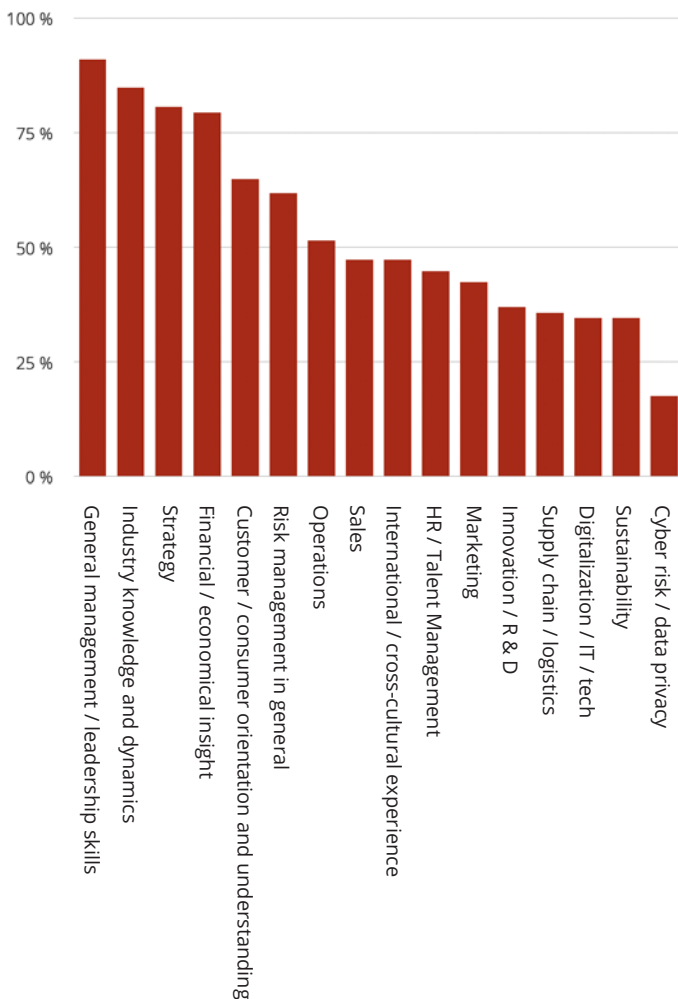
- 12,00% Strongly disagree
- 16,57% Disagree
- 26,29% Neutral
- 29,71% Agree
- 15,43% Strongly agree
- Weighted Average

# COMPETENCE DEMANDS AND SUCCESSION PLANS

When trying to map what competencies are sufficiently represented on the current board in light of the company's current strategy and financial situation, the areas where boards could need some strengthening in their own personal view are Cyber Risks / Data Privacy, Sustainability, Digitalization / IT /Tech, Supply Chain / Logistics, and Innovation / R&D. There is – for the fourth year in a row – a strong correlation to the most important megatrends, board trends and perceived future challenges here.

General management, Industry knowledge, Strategy and Financials are on the other hand where boards feel strongest suited.

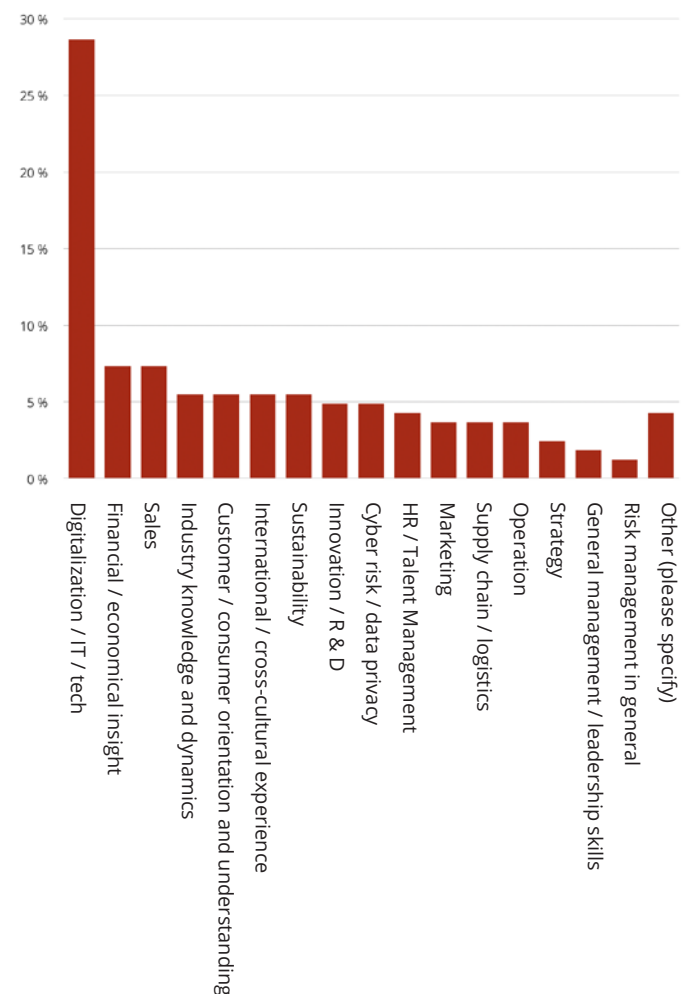
## Which competencies would you say are present on the board to a sufficient extent considering the company's strategy and financial situation right now?



When challenged on what set of competency they would ideally like to add if they had a free choice of one more board colleague, respondents clearly named Digitalization / IT /Tech as their by far no 1 priority. This was followed, although at quite far distance, by Financials, and Sales in the next 2 spots.

A remarkable 61% say that the overall composition seems right to them, while 26% would like to change how the board is composed from a competence point of view. The remaining 13% is undecided.

## If you could add one more member to the current board, which competency would you personally prioritize?





## Do you believe that the current board composition matches the competencies needed for the future in light of the company's strategy?

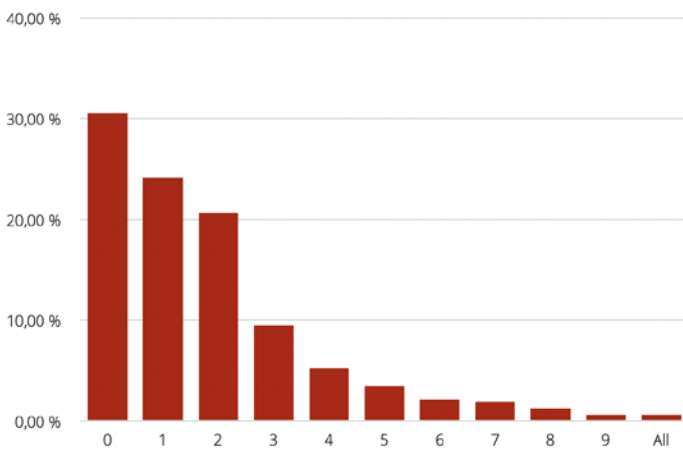


- 3,01 % No, unfortunately far from
- 22,89 % No, we would benefit from some changes in the composition in the near future
- 12,65 % Maybe, I find it hard to say
- 54,22 % Yes, but over some years' time we could use one or more skill sets in addition to the current board
- 7,23 % Yes, absolutely
- Weighted Average

As a follow-up, we probed our respondents about how many board members in their view ought to be replaced at the next given opportunity, and only 30% said none. **24% thought that 1 board member**

**should be replaced, and another 21% said 2, but 25% found that 3 or more board members should be replaced.** It appears that the satisfaction with their peer board members is not so high after all.

## How many directors should in your view be replaced at the next possible General Assembly (or sooner)?<sup>a</sup>

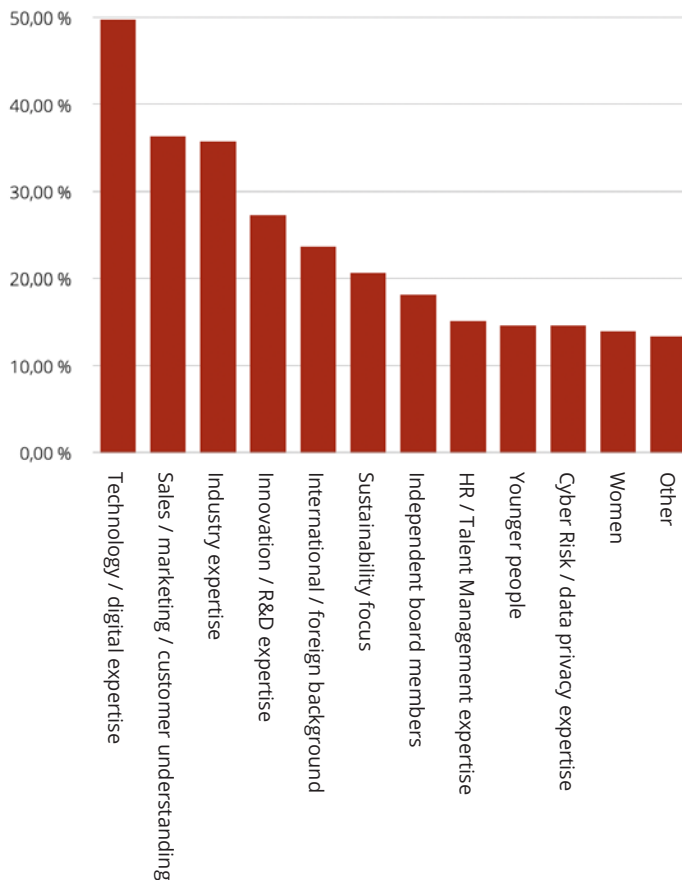


Earlier we looked at the personal preference among respondents if they were given an opportunity to expand the board with an additional set of competence. But in putting the big jigsaw puzzle together when looking at any board composition, other factors than just personal preference will normally play in. Thus, we went on to ask about what the board's actual highest priorities are for future board profiles.

An overwhelming **50% are looking for additional digitalization expertise**, while 36% are looking for sales / marketing / customer understanding, and another 36% for industry insight. 28% say they prioritize Innovation / R&D capabilities and 24% an international background. 21% mention sustainability competencies, while **only 14% have women as their priority candidates**.

We are happy to see that the actual priorities appear to be very much aligned with what respondents also express to be their personal preference. Consistency in this field is usually a sign of health.

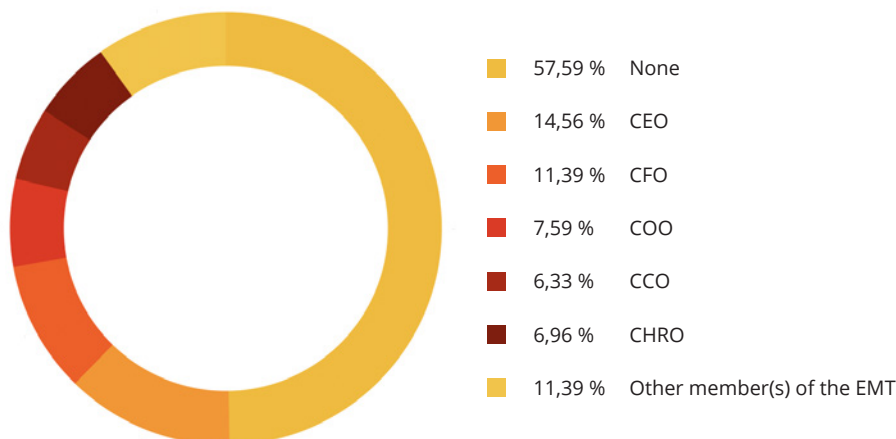
### What is your board's actual 3 highest priorities for future board profiles?



Considering that 70% of our survey population would like to replace one or more board members at first given opportunity, it must be reassuring for the Executive Management team that satisfaction with their performance seems to be considerably higher among respondents.

**58% say that they see no changes needed on the EMT.** 15% would consider to change the CEO, 11% would consider to look for a new CFO, and 8% think of replacing the COO. Considering that the overall global tenure at C-level is just below 5 years on average, we find the satisfaction rate with all C-level executives to be very high.

### Which members (if any) of the Executive Management Team should in your view be considered for replacement within the next 12 months (pls. check all that apply)?



Nevertheless, changes on the EMT will unarguably come and thus we wanted to investigate how well prepared boards are in relations to succession plans covering the CEO and the rest of the EMT. A disturbing

low number of **only 25% believe that they have succession plans well in place**, and 43% right out disagrees that their plans are adequate – if at all existing.

**On a scale from 1 to 5 where 1 is “strongly disagree” and 5 is “strongly agree”, do you believe that your board has adequate succession plans in place for the CEO and the rest of the Executive Management team?**



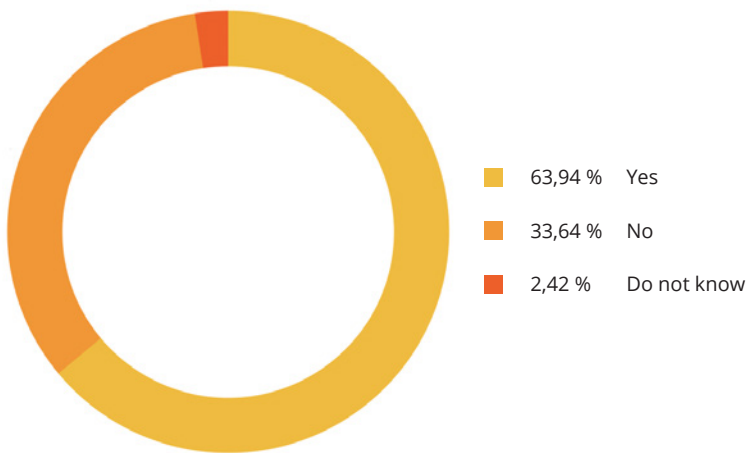
- 11,73% Strongly disagree
- 30,86% Disagree
- 32,72% Neutral
- 22,22% Agree
- 2,47% Strongly agree
- Weighted Average

# INDEPENDENCY

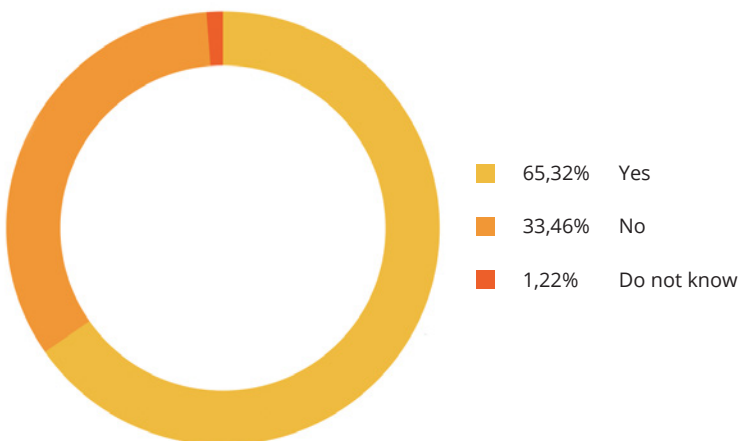
Two of the biggest global trends among institutional investors are undoubtedly their focus on decreasing the level of overboarding among board members, and increasing board members' level of independency from the company and major shareholders. In this sense, this year's report holds positive news as **64%**

**now report that the majority of the board members are independent** (up from 55% last year) of the company and its largest shareholder(s), and 65% that the Chair is also to be considered independent (up from 56%).

## Is the majority of the board members independent of the company and its largest shareholder(s)?



## Is the chairman of your board independent of the company and its largest shareholder(s)?



# BOARD EFFECTIVENESS, DYNAMICS AND PERFORMANCE

In general, directors express a relatively high degree of satisfaction with their board’s overall performance. Thus, the weighted average is Good. Yet only 8% believe it to be truly excellent, and a total of **17% think that the board’s performance could either slightly or significantly improve.**

Interesting enough, respondents express a perception of even slightly higher satisfaction with the bo-

ards performance from the EMT’s side. This is in sharp contrast to the findings in the HBR article “What CEOs Really Think of Their Boards’ from April 2013 by Sonnenfeld, Kusin and Walton, where a majority of CEOs expressed only very little satisfaction with the support given to them by their boards. Either boards’ performance has improved in general or board members might have a tendency to overrate their contribution to the EMT and the organization in general.

## How would you rate the quality of the board’s overall performance?



- 2,53% Requires significant improvement
- 14,56% Requires improvement
- 39,87% Good
- 34,81% Very good
- 8,23% Excellent
- Weighted Average

## How do you think the Executive Management Team would rate the quality of the board’s overall performance?



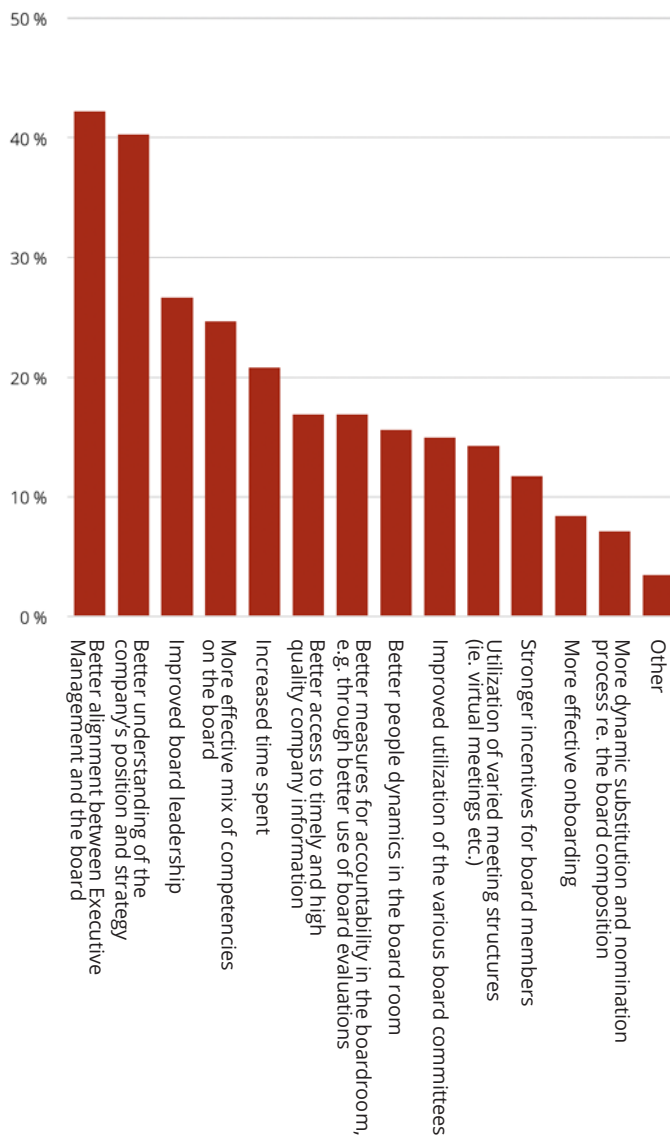
- 2,55% Requires significant improvement
- 13,38% Requires improvement
- 43,31% Good
- 31,85% Very good
- 8,92% Excellent
- Weighted Average



When challenged about what could possibly increase the board's performance further, four factors stand out over others. Number one is Better alignment between EMT and the board, second is Better understanding of the company's position and strategy, third is Improved board leadership, and fourth is More effective mix of competencies on the board.

However, considering the findings above on the level of satisfaction with the board's competencies within strategy, and the findings below on the impressions of the board's overall understanding of the company's strategic positions, we may have identified a possible disagreement between respondents. In any case, **we call on boards world-wide to challenge themselves on exactly how aligned the board members and the EMT really are on the company's strategy.** This piece is absolutely central if you want your board to be effective and your company to be successful.

### In your opinion what 3 factors would best improve the overall performance on your board?



When challenged on the board's overall understanding of the company's strategy within 11 specific subareas, the weighted average is above 50% within 7 areas – but below within 4 areas.

Most particularly **boards feel the least comfortable around Cyber risk / data privacy, Digitalization, Talent management / HR, and Innovation / R&D.** Isolated this should not be too much of a surprise as these areas are farthest away from the board's traditional focus.

Strongest areas by a far margin are Financial position, and Company's purpose and why – both with an over 60% weighted average comfort rating.

However, bearing in mind what respondents themselves point to as being the biggest challenges for their companies in the immediate future, and also which areas they expect to spend more time on in board meetings, **the outcome here must be disturbing for most boards.**

Digitalization and Cyber risk are most often two sides of the same coin. With growing digitalization, companies obviously become much more exposed to cyber risks and data privacy challenges. However, bear in mind that **77% of our survey population are over 50 years old, and can thereby hardly be called digital natives,** this ought to call for further age diversification and imply refreshment of the composition

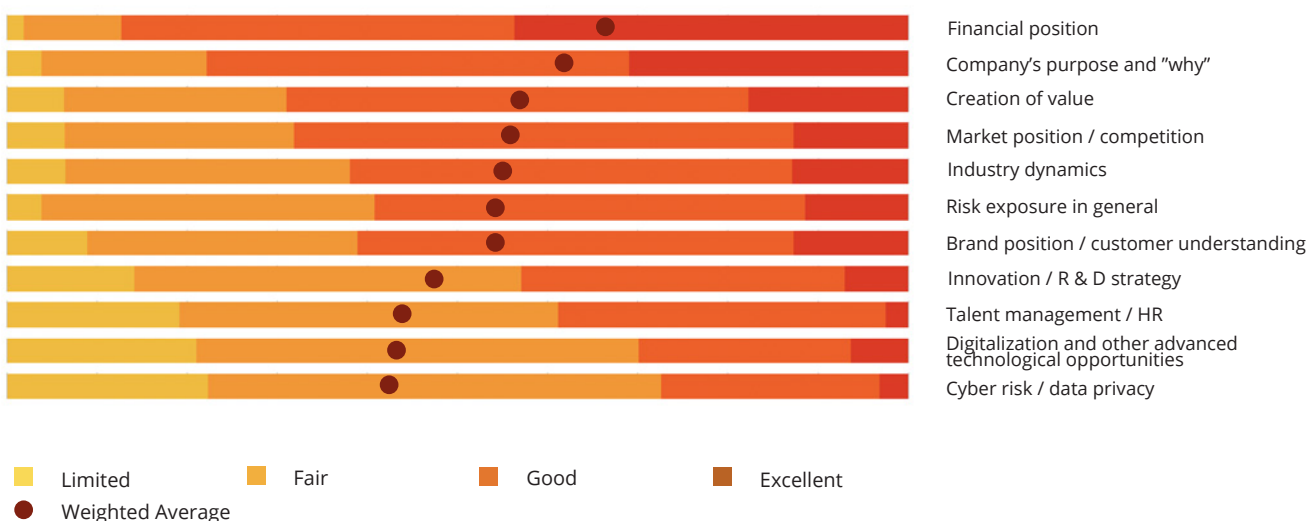
of most boards in the near future. Otherwise, boards can hardly be called prudent and diligent regarding the clear and present danger from cyber criminals – irrespectively of the problem being of an unknown-unknown nature (when we do not know what we do not know) or not.

We also call on boards' attention to the fact that a majority of companies usually pride themselves of their employees being their greatest asset. With job market dynamics having changed dramatically over the past decade, and an entire generation prioritizing purpose and company values as their main drivers when choosing employer, **it is worrying that boards in general feel so uncomfortable with the HR-agenda.**

Similarly, the lack of understanding of the company's innovation / R&D strategy is in our opinion direful because **how can boards help steering a company into the future if they don't understand or appreciate what the products and the services of tomorrow could look like if given the right priority, resources and funding?** And how to ensure exactly this, if boards don't have the competencies to match the organization's innovation and R&D-competencies?

We are no less disturbed by these findings, when also considering that Innovation and HR both are considered by the boards themselves to be 2 of the top 3 internal challenges for the coming year, ref. above.

## How would you rate the board's overall understanding of the company's strategy within the following areas?



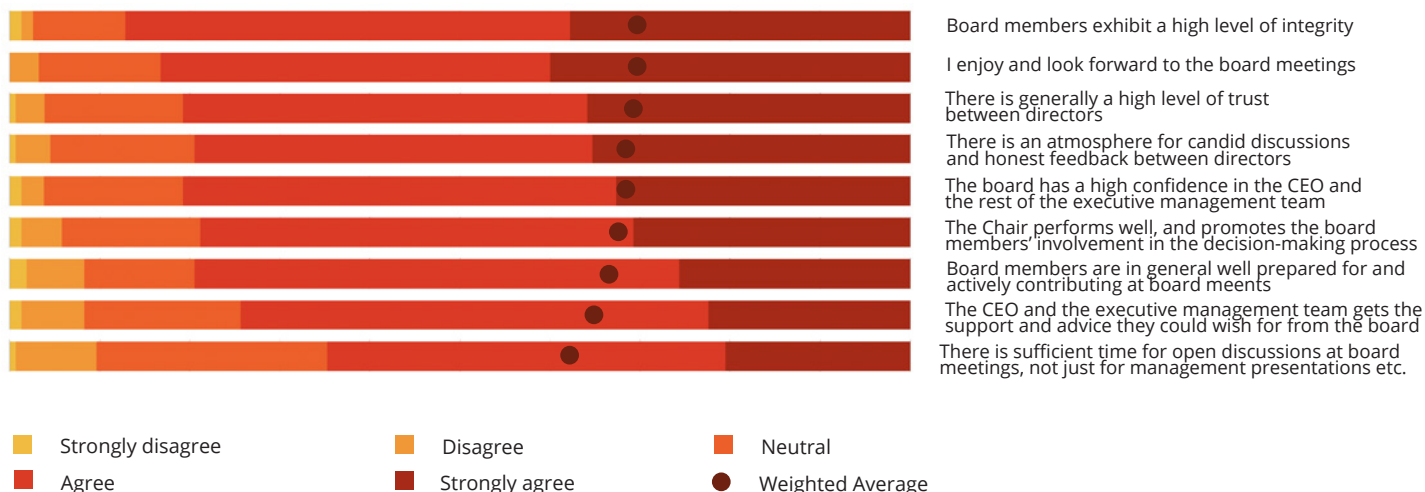
When asked to rate the working climate on the board, boards in general express a high degree of satisfaction with their peers and with the board dynamics displayed. Especially the fact that Exhibition of integrity, Enjoyment of board meetings, and a High level of trust between directors take the top 3 spots is to us evidence of boards being able to conduct themselves and their meetings in a meaningful and respectful manner to the benefit of not only the company but also all its shareholders as well as other stakeholders.

One of the factors that can often be used to determine if a company will excel compared to its competitors, i.e. advance from poor to good – or from good to great – is the effectiveness of its board, and that usually depends on the inner dynamics on the board.

That is why **on board recruitments we always advise the nomination committee, the chair and the most influential owners to look equally at Competencies, Character and Chemistry** (with the rest of the board).

If formalities, compliance, check-lists and endless reporting on historical issues take up the predominant part of the board agenda, leaving only very little room for intelligent questions, constructive criticism, sound debate, and broad-minded business discussions, then boards only have a role to play in companies where the management is already on their heels either due to misconduct, misrepresentation or simply poor performance.

### How would you rate the working climate on the board?



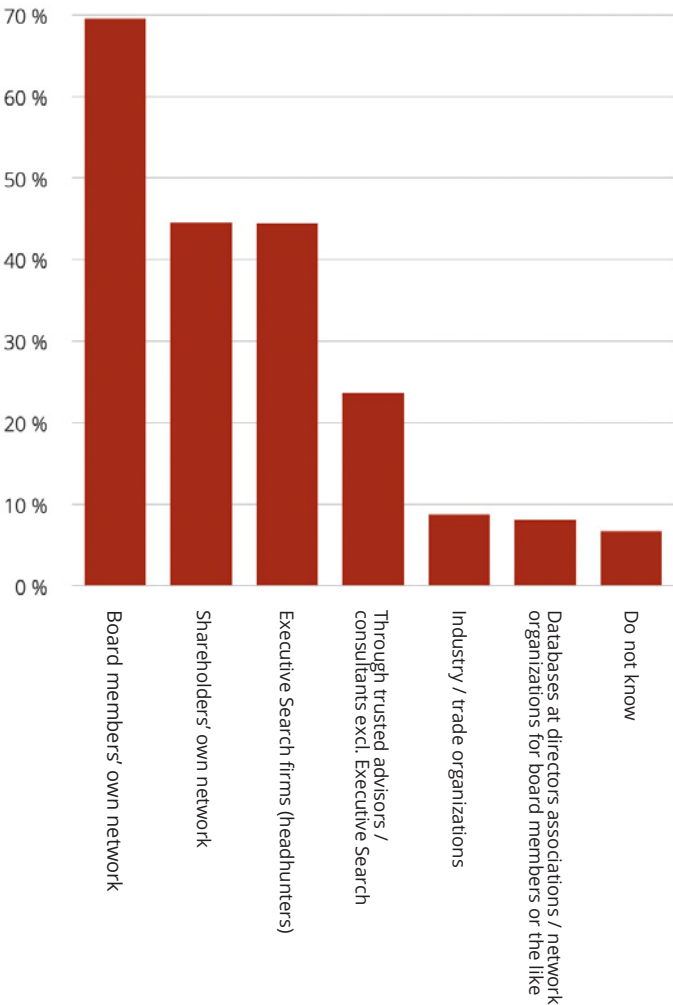
# BOARD RECRUITMENT AND BOARD EVALUATIONS

“Old Boys Network” is still the dominating source to identify and attract new board members – either through the board members’ own networks or the owners’ personal relationships. But especially **the use of Executive Search firms has grown again and is now at 44%** compared to last year’s 40%, in accordance with increasing demands of larger degree of independency, diversity and process transparency (not to mention professionalism in the process). With that

in mind, we expect the utilization of Executive Search firms to keep growing exponentially - with up to 100% in the coming 3 years.

The growth in the use of headhunters is primarily driven by larger companies (with turnover over USD 1B) where 73% utilize the expertise of executive search firms.

## Which sources do you use to identify and attract new board members?

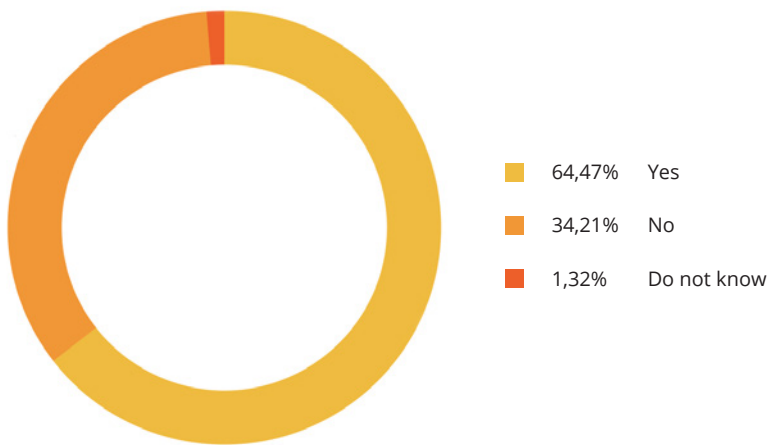


Also the use of regular board evaluations is seeing steep growth. **64% now report that they regularly undergo a board evaluation process – up from 50% last year.** We interpret this to be yet another sign of the increasing professionalization of boards in general. 72% (of the 64%) perform the evaluation on an annual basis, while 15% do them every other year.

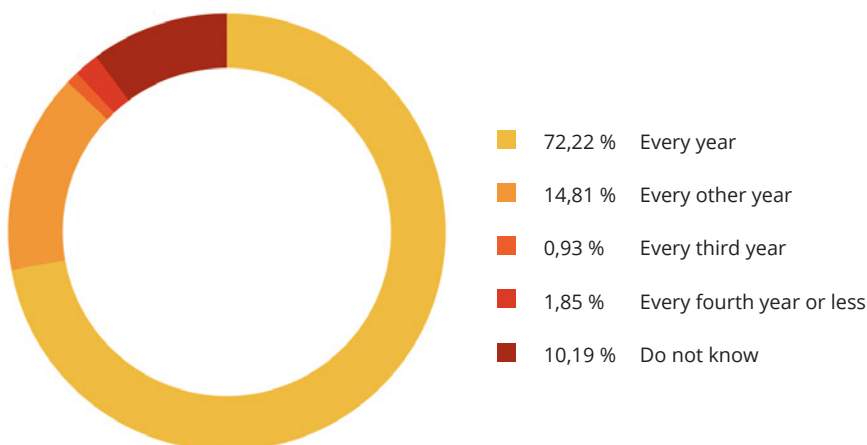
51% go through the process as a self-evaluation while 30% to some degree or the other used a third-party consultant to facilitate the process in order to ensure independency and robustness.

Most of the evaluating boards include qualitative questions (66%) and questions on the board as a whole (64%), while a few less include quantitative questions (57%). 40% have 1-on-1 interviews with each board member, 39% survey the chair’s performance, and 35% assess all board members’ individual contribution. Another 35% include a competency mapping. All in all, a clear indication of growing professionalization of boards.

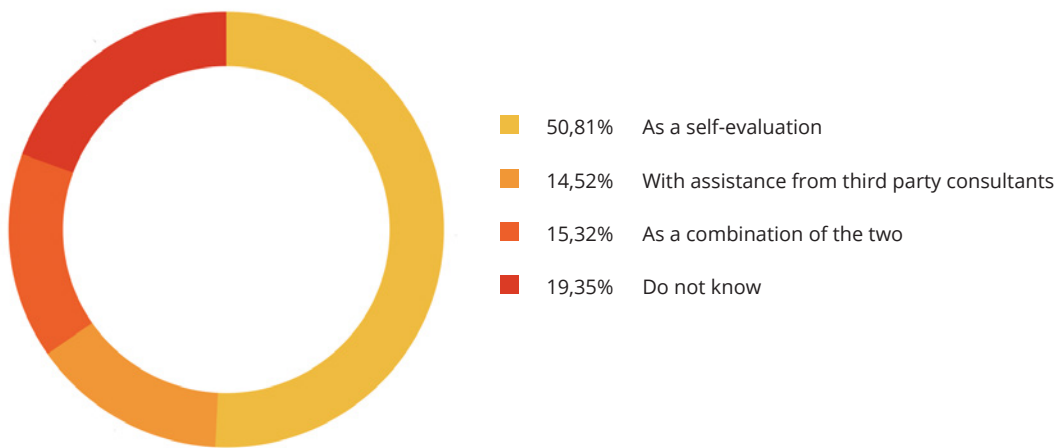
### Do you perform regular assessments / evaluations of board performance?



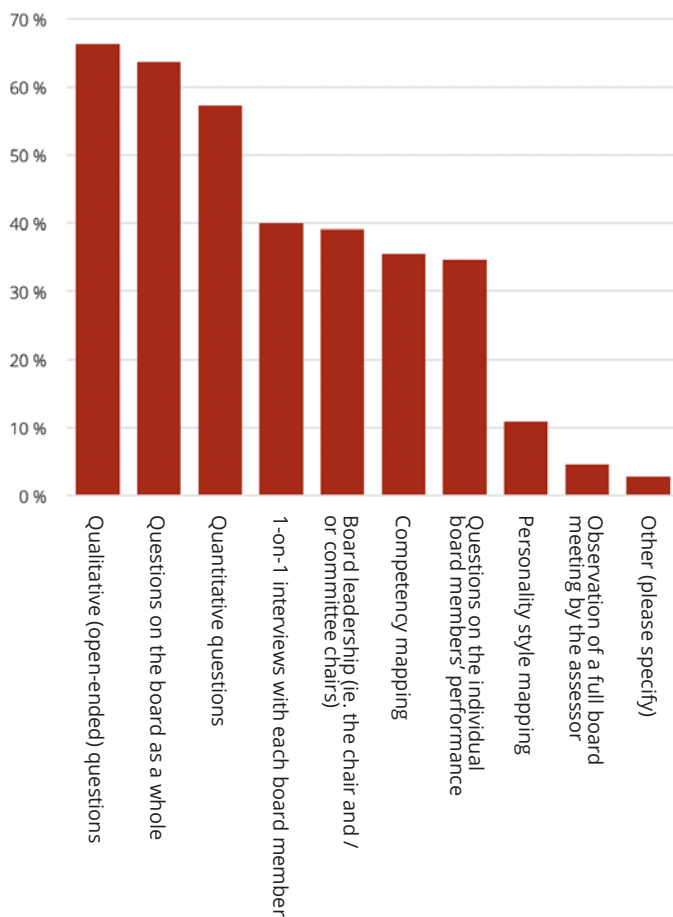
### If yes, how often?



## How was the latest assessment / evaluation conducted?



## Which structural elements did the latest assessment / evaluation include? (pls. check all that apply)



# DIRECTORS' LIABILITY AND BOARD EDUCATION

Board members express quite some worry about the potential liability they take upon themselves. Hence, as many as **69% think that the potential liability risk for boards has increased over the past 24 months.**

While the majority seem comforted by the coverage provided by their Directors & Officers Liability Insurance, 19% believe that their particular cover could potentially prove to be insufficient.

While the perception could be groundless, statistics unfortunately establish that it is not. Several factors are contributing to the increase in D&O claims, including new exposures and the late development of some older claims that are taking longer to get through the court system because of delays related to pandemic-induced closures.

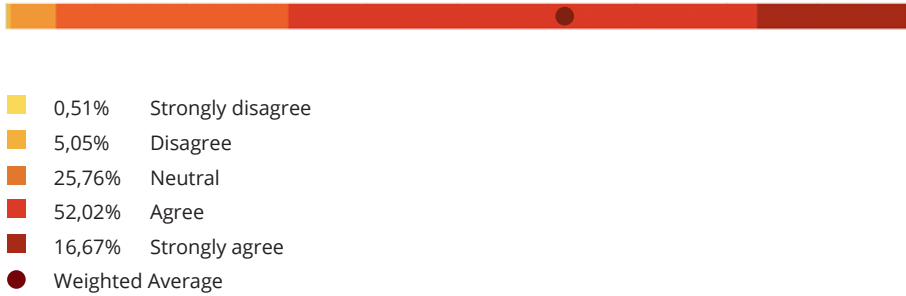
Roughly 10% of the securities class-action lawsuits

filed in 2020 were related to Covid19, and many of them will still take some time to resolve. There may also be litigation consequences as the pandemic persists and companies run into trouble with supply chain and other macroeconomic factors, producing results that may disappoint their shareholders.

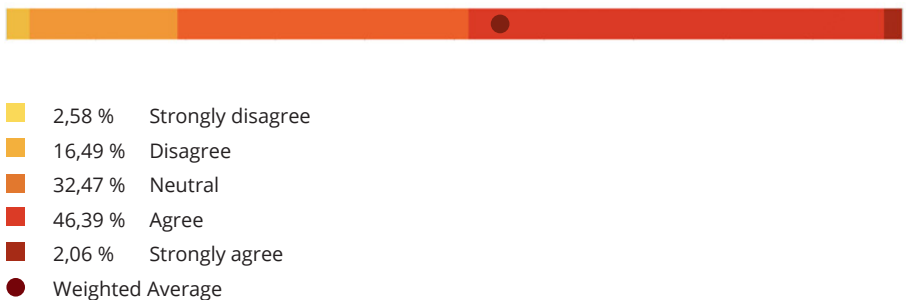
In addition, cyber risks for companies continue to rise as many white-collar corporate employees who were initially forced to work from home because of the pandemic may now choose to stay there indefinitely. Finally, we also continue to see litigation related to things like workplace discrimination, harassment and other social issues.

And why is all this important? Because D&O is leveraged against a wide range of risks not only originally stemming from the board itself but also from the company as such.

**On a scale from 1 to 5 where 1 is "strongly disagree" and 5 is "strongly agree", do you believe that the potential liability risk for board members has increased over the past 24 months?**



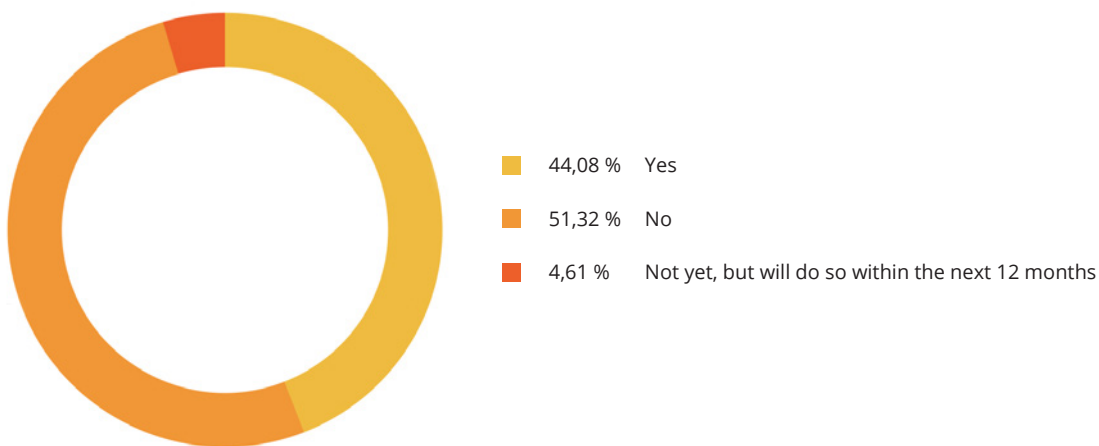
**On a scale from 1 to 5 where 1 is "strongly disagree" and 5 is "strongly agree", do you think your Directors & Officers Liability Insurance covers your potential risk sufficiently?**



Over the past 10 years, board work has undergone a clear professionalization, and with that also a steep increase in the demand for continuous professional development within the board profession. Thus, the industry of executive educational programs focused on corporate governance, board leadership, board effectiveness etc., has seen tremendous growth. As a

result, more than **44% of our survey population has either individually or as a group followed a board programs** with a duration of minimum 4 days in the past 10 years (up from 43% last year). Another 5% are planning to do so in the coming year. That is very far from the apprenticeship-like approach that had been prevailing up until around 2007.

### Have you individually or as a board undergone any specific 'board training / education' of minimum 4 days duration in the past 10 years?





**CONCLUDING**



Even after a couple of years with a fog of uncertainty as dense as onion soup, we feel encouraged by the high level of optimism prevailing among the leading board directors in the world. Without neglecting the severe challenges facing the world from climate change, the pandemic, geopolitical instability and never-ending exponential advancements in technology, we salute the perseverance, the courage and the can-do-will-do-attitude that we are recording from the respondents in this year's Global Board Survey.

So what should boards be doing now?

Again this year, we have gathered **our top 10 recommendations for boards** that want to stay not only relevant but also want to keep pushing the bar:

- 1. Lean in on the bigger picture – doing things right by doing the right things.** Human-induced climate change is bringing us all thunderstorms, wildfires, tornados, earthquakes, flooding, droughts, and every single business around the world today needs to focus on how to contribute to improve, and ultimately end, this dire spiral. No matter if you're based in Australia or Brazil, Sweden or Kenya, USA or China, and no matter if you're small or big, in products or in services, **there is always something that can be done to become just a bit more sustainable.** We have known this to be true from an economical point of view for hundreds of years; you can always put more efforts into sales or go a little longer to reduce costs – and we all need to start thinking like this about our environmental footprint as well. The benefit of this is that it will not only benefit our own business, but the entire world as well. **There is no Planet B.**
- 2. Set and maintain non-complacent ambitions.** The businesses which will excel in the coming years are the ones that manage to set themselves free of habitual thinking and linear moving business plans. Boards need to be on top of that game to be able to inspire and challenge ideas coming from executive management, and for the boards to do so, **board members have a personal obligation to stay curious** and adhere to a continuous learning principle – also for themselves.
- 3. Manage globalization.** Obviously easier said than done, boards need to nuance their globalization strategy, no matter if it involves production, sales, or any other part of the value chain. The growth driver for the past two decades has obviously been the lower production costs combined with expanded market opportunities, and the cyclical development of this super powerful engine has seen only few challenges up until now. Just as
- an example, 20 years ago China's part of the global export was 3%. In 2021, it reached 12% - a quadrupling in 20 years. However, the fragility of the implied very long supply chains, has become very evident during the past 2 years. **The Covid19 pandemic has proven to be an absolutely perfect storm for global supply chains,** and we are now facing supply shortages within numerous categories of goods all over the world. Thus, **boards now for the first time ever need to weigh other parameters than pure financial factors against one another when looking at the pros and cons of globalization.** Boards should be identifying, assessing and building alternative supply channels, preferably from another continent than the main supplier(s), and a most obvious alternative could be in the region or at least on the continent where the company's HQ is placed. Other than contributing to better risk management, in many cases it will also prove to be more sustainable to source from countries closer to your main operations.
- 4. Embrace your stakeholders.** In the past, we have seen some boards trying to work from a principle of the lowest possible common denominator when it came to satisfying the needs of other stakeholders than the shareholders. Today, such a strategy will keep you going only extremely shortly. Stakeholder capitalism involves taking all stakeholders, incl. those in every marketplace, into account. That may very well vary from market to market – which is another angle of the globalized business world. Yet, **boards need to accept that your license to operate is today defined by a much broader group of stakeholders,** and to overlook or underestimate the importance of any one of such groups, be they customers, employees, NGOs, media, analysts, proxy advisors, public authorities, or naturally shareholders, could be much more devastating at a much a higher pace than most would be inclined to think.
- 5. Stay vigilant.** Companies and organizations of today are no longer only facing threats of an operational or financial character. Much more so, **the most crucial and imminent threats are of a digital nature** as practically all business models of all companies around the entire world are today digitalized. If power-outs or cyber criminals manage to get the better of the backbone of our operation, the business interruption impact could be terminal to any size of company – yes, even any state or country. Thus, **boards in general need to upgrade their cyber competencies** but we would like to stress that all board members need to step up to this challenge and seek training to develop their insight into this. It can't be fixed by just adding one

board member with a tech-, digital-, or even cyber security-background to the existing board. Similarly, resources and funding need to be allocated to increase security and to take out cyber insurance.

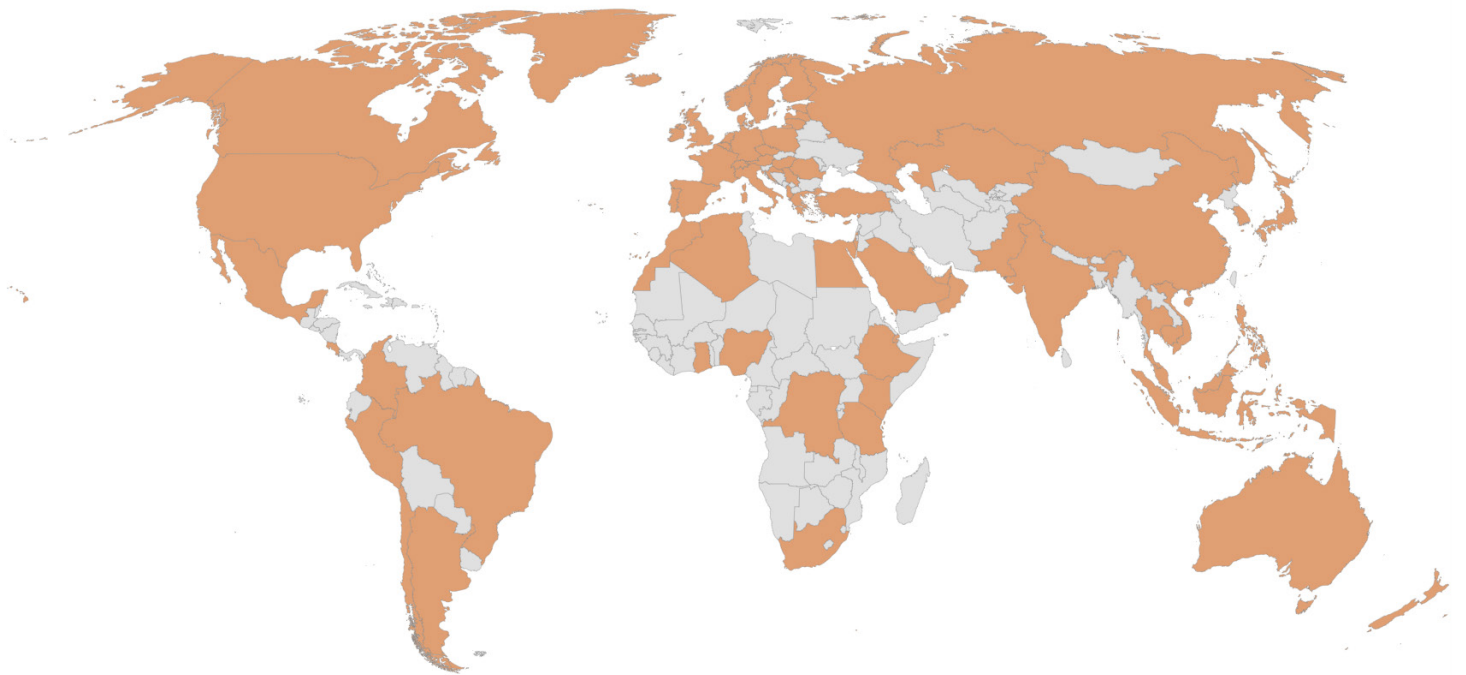
- 6. Lead prudently.** The Tone at the Top is in fact set by the top, ie. by the board. **If the board preaches one thing, but practices another when it comes to values, culture and acceptable behavior, the consequences can become very severe.** Again, it comes back to the dispersed stakeholder picture. What could possibly be contained within a company's inner borders a few years ago when it came to improper management behavior, is today guaranteed to quickly escalate far around in the society. Just think of the #Metoo-movement which is nowhere near its end yet. And to that end – boards should remember that they will not only be held accountable for their own behavior but also for accepting an inappropriate culture advocated for by the CEO or others on the EMT.
- 7. Acknowledge your blind spots and act on the obvious.** In this year's Global Board Survey, the trend from past years has only continued. **Innovation / R&D and HR / Talent Management are two evergreens on the list of where boards feel least comfortable** – while at the same time always being in the top 5 of internal challenges. The obvious surprise here is why so few boards choose to act in accordance with their known unknowns and **start recruiting for these two sets of competencies.** Not only would it improve their comfort level but considering that so many respondents feel the same way, it would surely also imply a significant competitive advantage for first-movers on this.
- 8. Board composition ought to mirror the full picture.** Considering once again how great impact various stakeholder groups today have on a company's results, **it is striking to see how little diversity we still record on the majority of boards.** Boards remain very 'male and stale', and certainly not reflecting the diversity represented amongst customers, competitors, suppliers or even the society at large. We sincerely believe that tomorrow's winners are the ones whom also at board level will be able to mirror the trends going on in their respective surroundings – and who will thus supplement their current board composition with more diverse candidates from a gender-, age-, race- ethnicity-, religion-, sexuality-, cultural- and nationality-perspective. **Obtain diversity of thought to stay relevant for the future.**

- 9. Ensure stronger alignment.** This advice goes for both the board-EMT-relationship and the inter-board-relationship. Our vast experience from facilitating board evaluations across the globe only underlines the findings of this year's Global Board Survey; **alignment on what constitutes the most important strategic issues within a company is unfortunately a rare species.** Unconscious bias is a stronger driver behind this; we believe that we talk about the same thing when we are using the same words, however overlooking that words and even numbers are subject to individual interpretation based on personal experiences and beliefs. The anchoring effect only accelerates this, and therefore we encourage all boards to aspire to a higher level of clear communication, to engage in unconscious bias-training, and to avoid implied industry-lingo and abbreviations. This is particularly important if you want to get the most out of our advice about increasing diversity on the board; people of different backgrounds are much more effective as a group if they agree to use a common (level of) language.

- 10. Workload, liability risk and remuneration need to go better hand in hand.** Although this is a tough parameter to adjust for boards themselves, the issue is nonetheless extremely relevant and important to highlight. With ever increasing workloads, steadily climbing numbers of liability lawsuits but only incremental increases in average remuneration levels across the globe, there is a huge risk for companies and their owners that the best board directors will start narrowing their board appetite and saying no to new board opportunities much more frequently. **With as many as 41% of this year's survey respondents feeling directly underpaid for their efforts, shareholders need to take this wake-up call very seriously.**

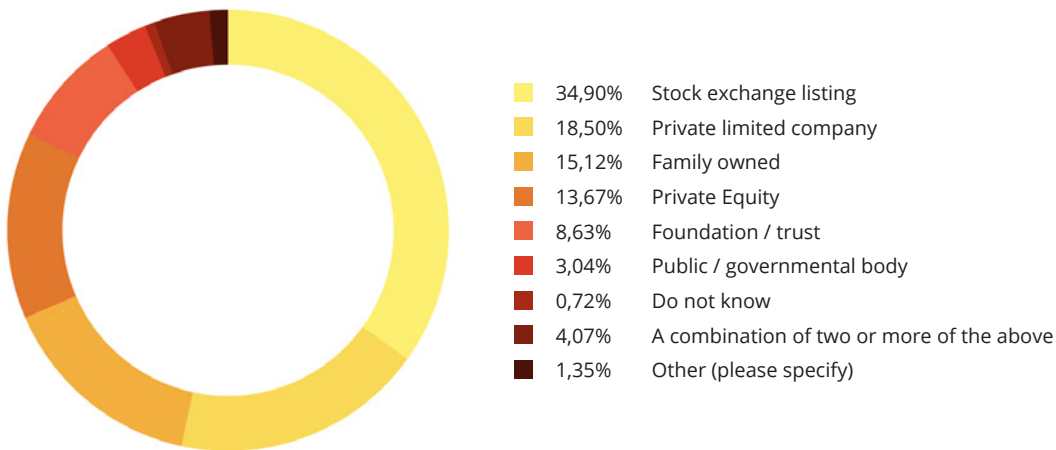
# BEHIND THE SURVEY DATA

As referenced above, the survey population totals **1,782 corporate chairmen and board members from 79 different countries and legal jurisdictions on all populated continents.** The regional distribution of our respondents is **47% from EMEA, 31% from Americas** and **22% from APAC.**

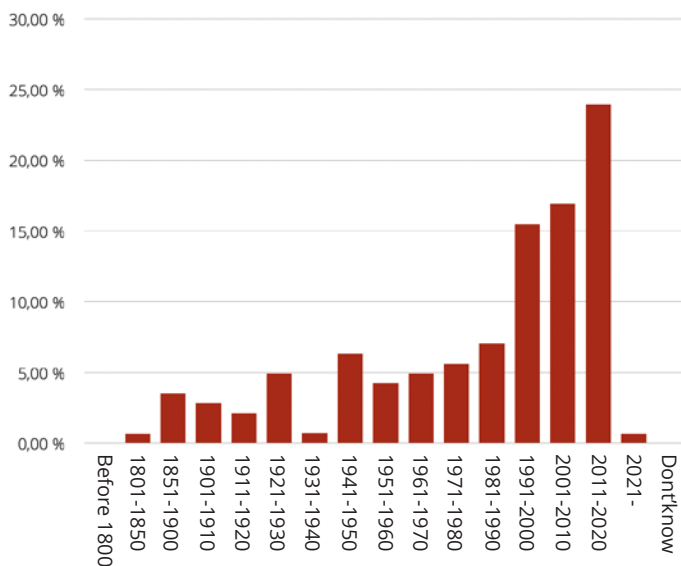


- |                       |               |                      |                      |
|-----------------------|---------------|----------------------|----------------------|
| Albania               | Denmark       | Japan                | Philippines          |
| Algeria               | Djibouti      | Jersey               | Poland               |
| Argentina             | Egypt         | Kazakhstan           | Portugal             |
| Australia             | Estonia       | Kenya                | Romania              |
| Austria               | Ethiopia      | Kuwait               | Russia               |
| Belgium               | Faroe Islands | Latvia               | Saudi Arabia,        |
| Bermuda               | Finland       | Liechtenstein        | Kingdom of           |
| Brazil                | France        | Lithuania            | Serbia               |
| Cambodia              | Germany       | Luxembourg           | Singapore            |
| Canada                | Ghana         | Malaysia             | South Africa         |
| Chile                 | Greece        | Mexico               | South Korea          |
| China                 | Greenland     | Morocco              | Spain                |
| Colombia              | Hong Kong     | Netherlands          | Sweden               |
| Congo,                | Hungary       | Netherlands Antilles | Switzerland          |
| Democratic Rebulic of | Iceland       | New Zealand          | Tanzania             |
| Costa Rica            | India         | Nigeria              | Thailand             |
| Croatia               | Indonesia     | Norway               | Turkey               |
| Curacao               | Ireland       | Oman                 | United Arab Emirates |
| Cyprus                | Israel        | Pakistan             | United Kingdom       |
| Czech Republic        | Italy         | Peru                 | United States (USA)  |
|                       |               |                      | Vietnam              |

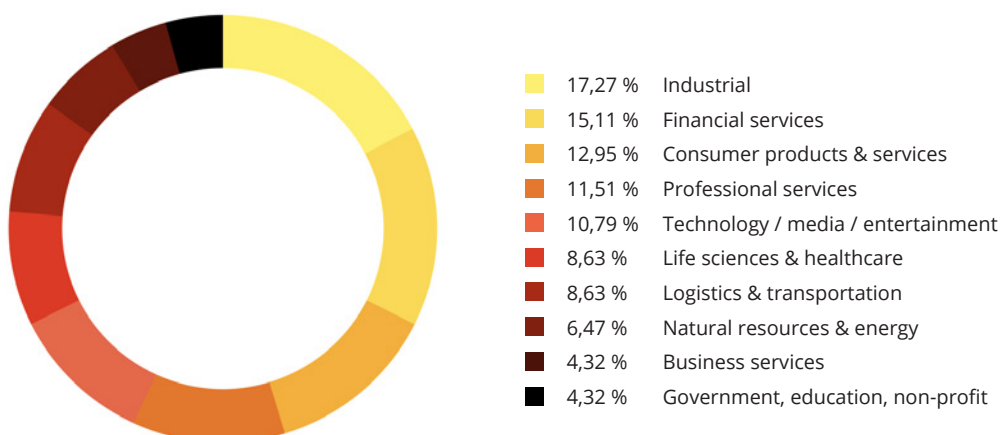
## What kind of ownership is the company subject to?



## When was your company founded?



## What main industry does your company operate within?

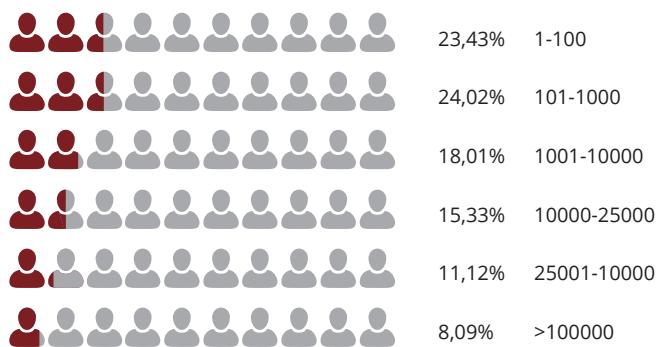


## What is the company's total annual turnover? (given in US Dollars)

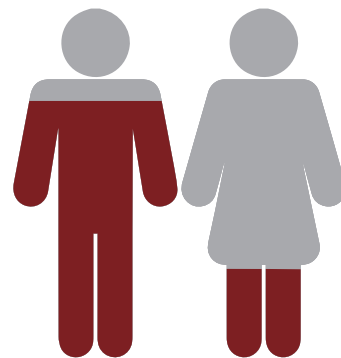


16,02%	<10 million
20,02%	10 - 100 million
20,15%	100 million - 1 billion
17,18%	1 - 5 billion
15,09%	5 - 20 billion
11,54%	20 billion or more

## What is the company's total number of employees?



## Are you

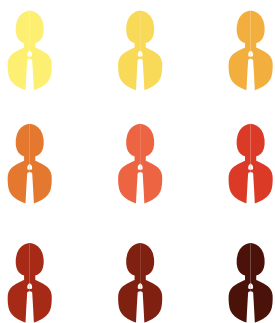


74,03%  
Male

25,29%  
Female

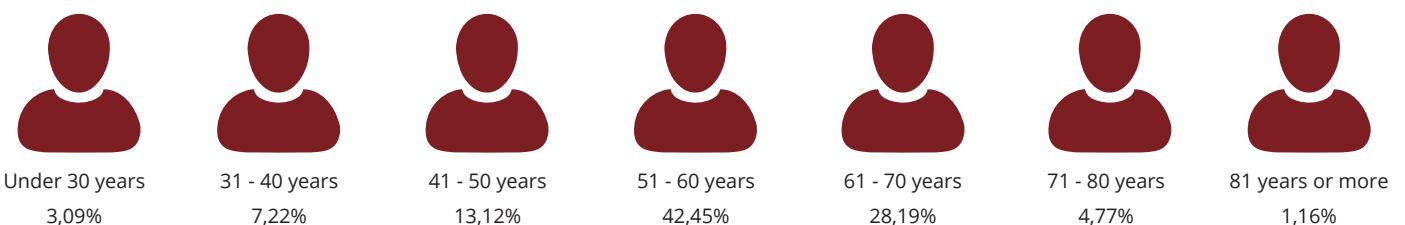
0,68% Other /  
prefer not to tell

## Are you

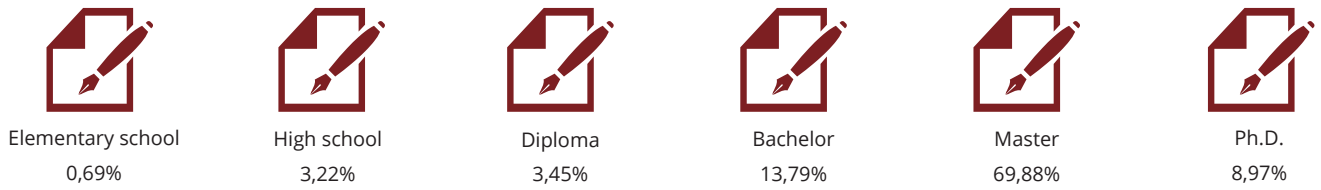


30,27%	Non-executive chairman
7,79%	Executive chairman
9,09%	Vice chairman / Senior Independent Director / Lead Independent Director
32,17%	Ordinary board member elected by the general assembly
15,38%	Executive director (also member of the executive management team) - but not chairman
0,70%	Employee representative board member
1,40%	Public representative board member
1,40%	Observer / substitute
1,80%	Other (please specify)

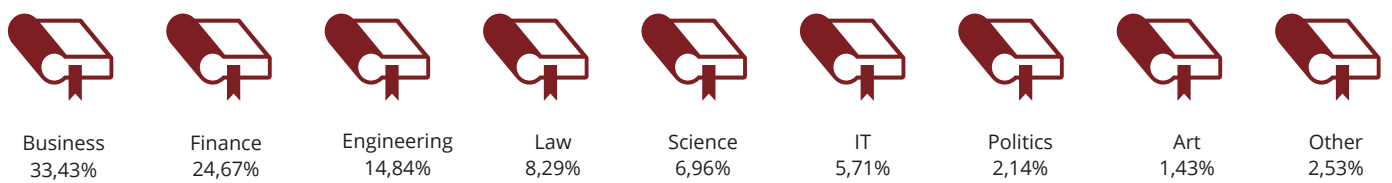
## Please disclose your age



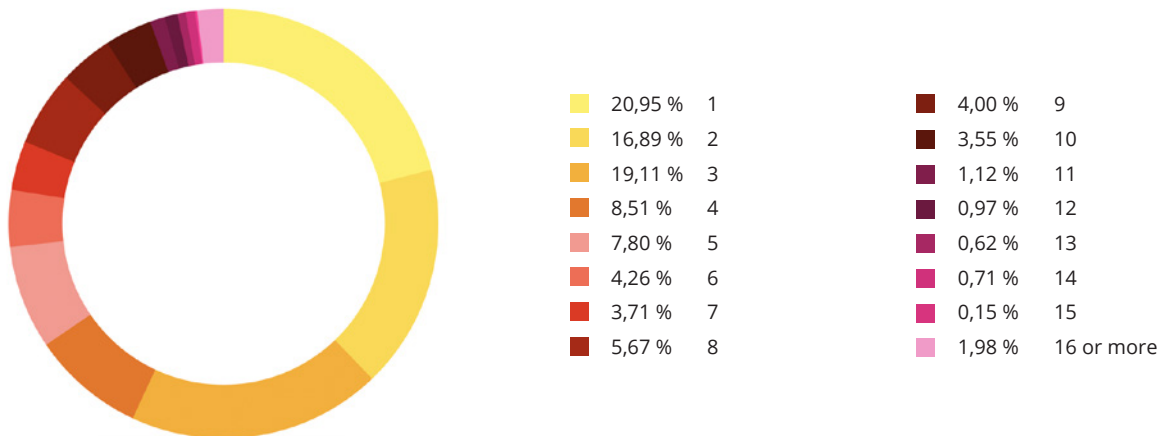
## Please disclose your educational background



## Please disclose your field of study



## How many corporate boards - public as well as private - do you sit on in total?



Our heartfelt gratitude goes to all the 1,782 global survey participants who volunteered their time, effort and nuanced insight into the board leadership and corporate governance agenda at the highest level. We hope you find the presented collection of visuals, discussions and conclusions from the Global Board

Survey 2021 valuable and relevant. You are of course more than welcome to continue the dialogue with us, and please also feel free to quote the analysis with a clear reference to 'Global Board Survey 2021 – Boards in Flux by InterSearch and Board Network'.

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## **AUTHOR OF THIS SURVEY AND PUBLICATION:**



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Jakob Stengel is among the executive search industry's globally leading board leadership and corporate governance experts, having been involved at the forefront of that agenda for more than 22 years. He is the Editor-in-Chief of the quarterly magazine, Board Perspectives, a co-founder and partner of Board Mentors, and holds a degree as Master of Law (LL.M.) from University of Copenhagen.

**For further information and contact details on our two organizations, please go to [www.intersearch.org](http://www.intersearch.org) and [www.boardnetwork.dk](http://www.boardnetwork.dk).**





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