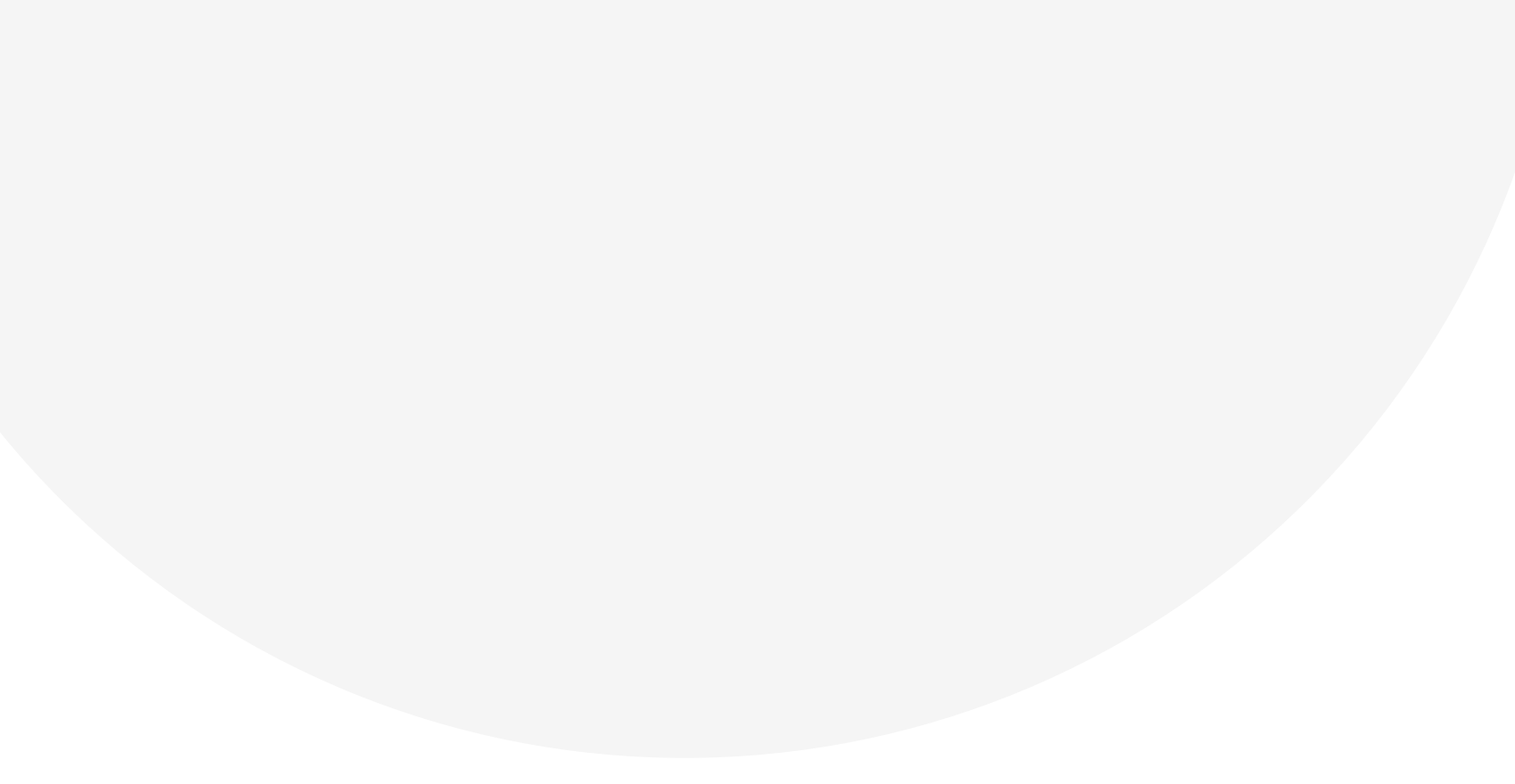
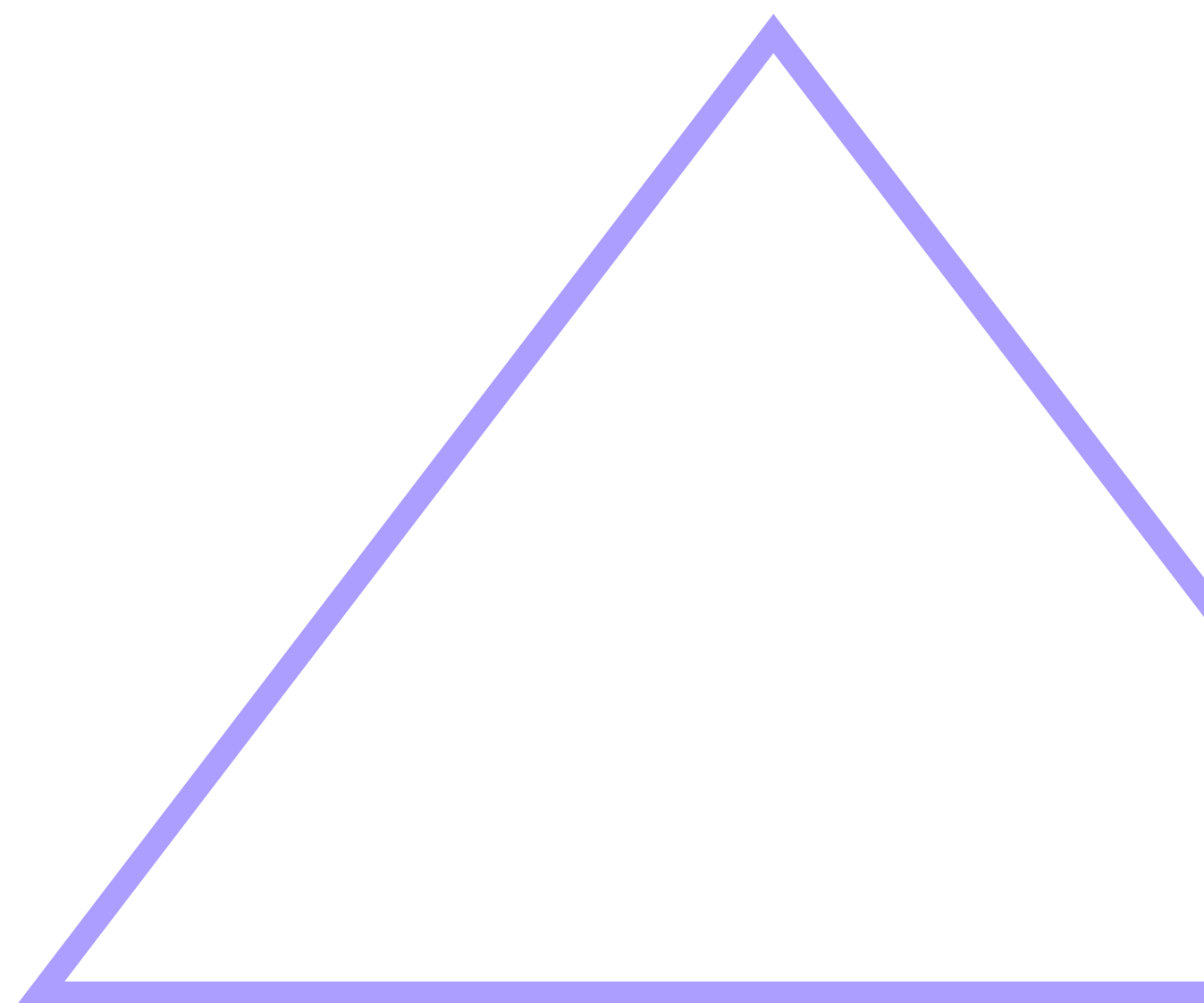


2023 Board Effectiveness Survey

A Clear Call for Change



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Boards worldwide face immense pressures in 2023 and beyond as they continue to contend with the ravages of high inflation, ongoing workforce issues, increased regulatory scrutiny, an unstable economy, and waning trust in board leadership exacerbated by recent high-profile bank failures.

With predictions of more layoffs and a recession later this year, the many challenges facing boards likely will get worse before they get better. As leaders work to navigate these difficult times, many board stakeholders are equally concerned about the internal deficiencies that may be holding them back as they try to address external challenges. Chief among those concerns are that boards are being stymied by ineffective board members, a lack of diversity, inefficient processes, and outdated technologies, according to results of our 2023 Board Effectiveness Survey.

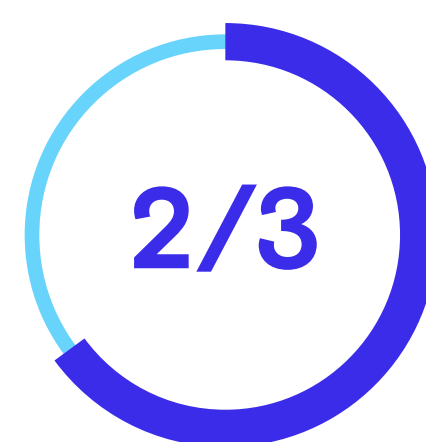
Now in its third year, the OnBoard Board Effectiveness Survey analyzes the trends that contribute to boardroom success or “board effectiveness.” By examining the influence of factors such as technology usage and respondents’ self-described concerns and priorities for their boards and the organizations they serve, our analysis of the survey results intends to demonstrate universal themes and challenges for boards, no matter the sector they serve.

Acknowledging Ineffectiveness

Ineffective Board Members Are Everywhere

As they work to navigate a convergence of economic, regulatory, and social challenges from outside their organizations, many board leaders see internal factors as their primary barriers to progress. In fact, many survey respondents said some of the biggest obstacles lie within their own ranks.

Most said they could identify at least one ineffective board member who is sitting on their board today, and two-thirds said at least 1 in 10 board members are ineffective.



Two-thirds said at least 10% of their board members are ineffective

Common characteristics respondents attribute to ineffective board members:

- Disengaged and complacent
- Underprepared for meetings; fail to review materials in advance
- Unclear about board goals and objectives
- Lack diversity, background, and expertise
- Resistant to change; lack creative insight
- Ineffective at using board tools and technology

Defining Board Effectiveness



1
Having a more engaged board

2
Having a better prepared board

3
Increasing use of board management software

To better understand what makes boards and board members ineffective, we asked survey respondents to first rank the top three things that make boards effective. Board engagement was identified as the No. 1 driver of board effectiveness, followed by board preparedness. How well organizations leverage board management software — which can positively effect board engagement and board preparedness — ranked as the third defining factor of an effective board.

Other factors respondents said contribute to board effectiveness:

- Board member diversity, leadership skills, and expertise
- Collaboration; having an ethical board culture
- Providing board materials correctly and on time
- Having clear roles and responsibilities



Keys to Making Better Boards

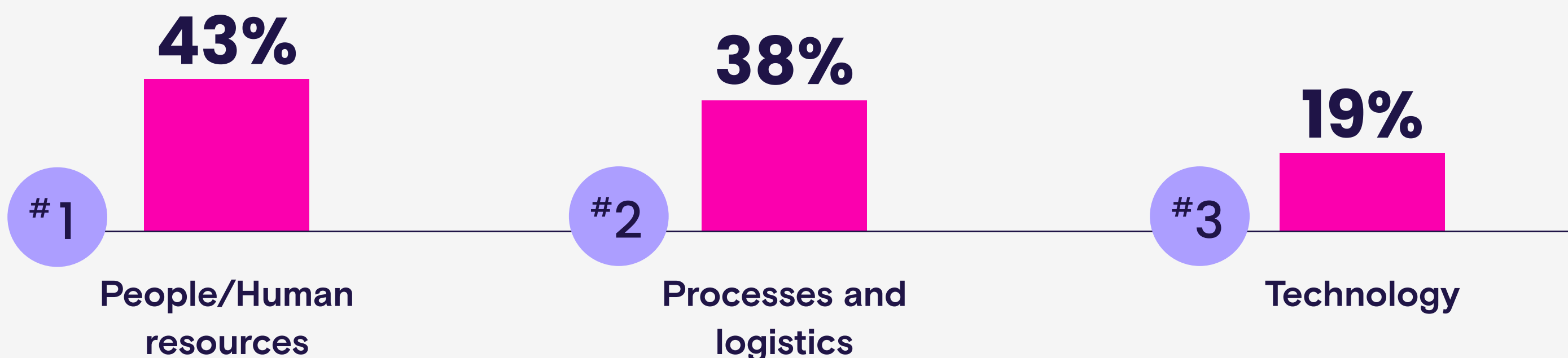
People Are the No. 1 Priority for Needed Change

Survey respondents have clear ideas about how to make their boards more effective. Interestingly, answers to this question naturally aligned with the top three characteristics of an effective board, further reinforcing their importance.

More than 43% of respondents said their first priority would be to improve people and human resources to make their boards better. This priority ties to having a more engaged board and is not surprising, given that so many can identify ineffective members on their boards.

Thirty-eight percent said they would improve board processes and logistics, which aligns with board preparedness. Nearly 19% said they would improve the technology their boards rely on to conduct board business, which corresponds to effective use of board management software.

What would you change to make your board more effective?



1

An Overwhelming Call for More Diversity

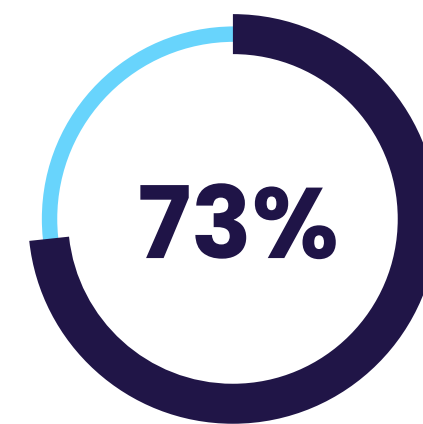
To delve in further, we asked respondents to identify their main underlying concerns for each of the three top priorities for change. For human resources, an overwhelming majority – 95% – identified a lack of diversity and new ideas as the No. 1 driver of an ineffective board environment.

Nearly three-fourths cited poor engagement and collaboration, and ineffective leadership as top concerns, while 69% identified a need for more board turnover.

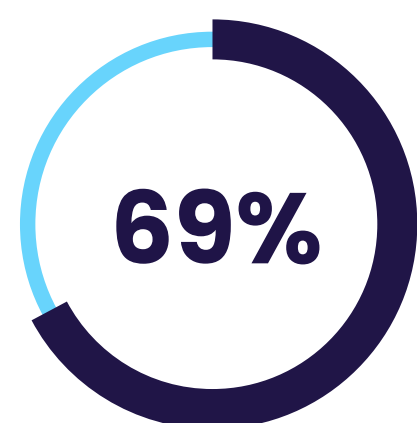
Top concerns relative to human resources



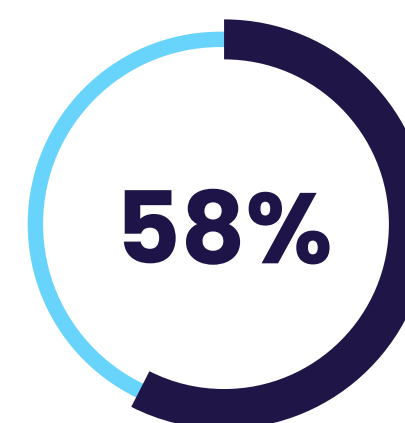
Lack of diversity, new ideas,
outside expertise



Poor engagement and collaboration,
ineffective leadership



Lack of board member
turnover



Over-representation of
industry expertise

Respondents' improvement initiatives would focus on:

- Increase diversity (age, gender, background)
- Expand skill set and experience
- Nurture board members' development/maturity
- Replace disengaged members and back-fill turnover
- Gain modern perspectives and overcome rigid mindsets

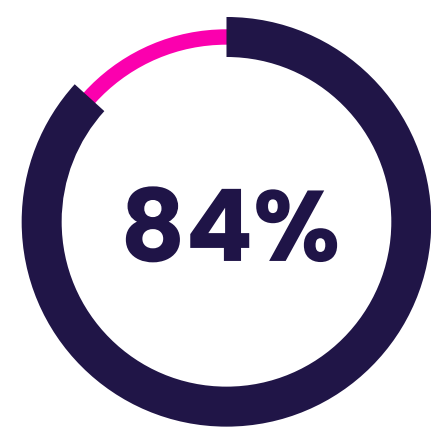
2

The Missing Focus on Mission

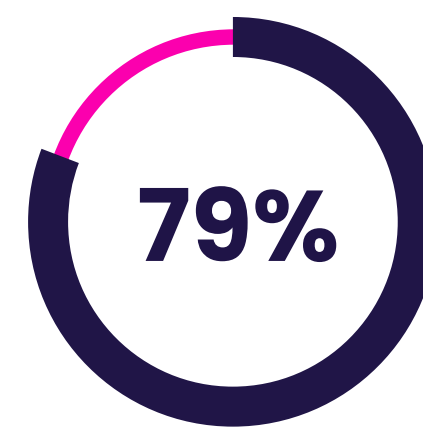
When asked to identify what factors contributed most to ineffective processes, most respondents (84%) said lacking a clear mission or measurable objectives was the principal concern.

Nearly three-fourths said boards do not have enough governance maturity, and more than three-quarters identified poor planning and preparation for meetings as top concerns.

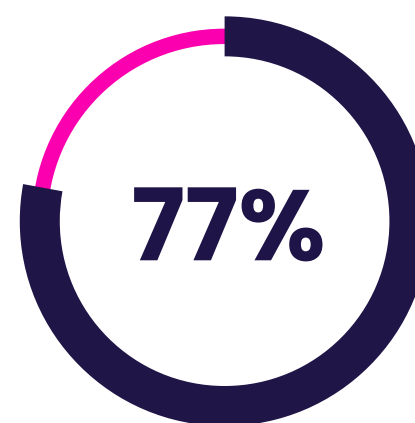
Top process concerns



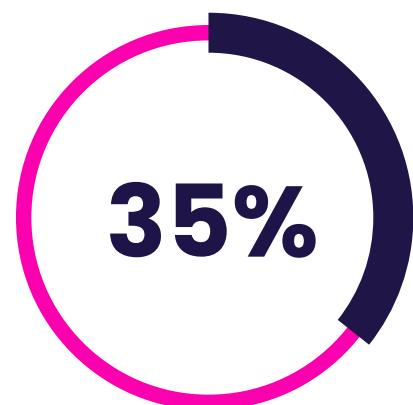
Unclear mission, lack of measurable objectives



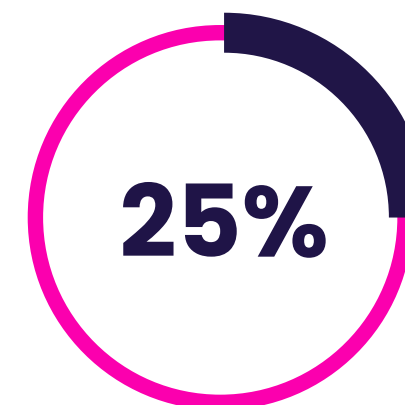
Lack of governance maturity



Poor meeting planning and preparation



Meetings stray from the agenda



Board materials sent too late

Respondents' process improvement initiatives would focus on:

- Ensure clearer focus on mission and strategy
- Remove red tape/bureaucracy
- Clarify roles and responsibilities
- Build more accountability and greater efficiencies
- Track key performance indicators and objectives
- Ensure greater consistency and repeatable processes

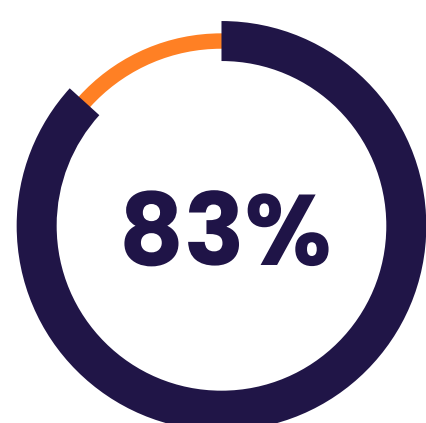
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Outdated Technologies Hinder Progress

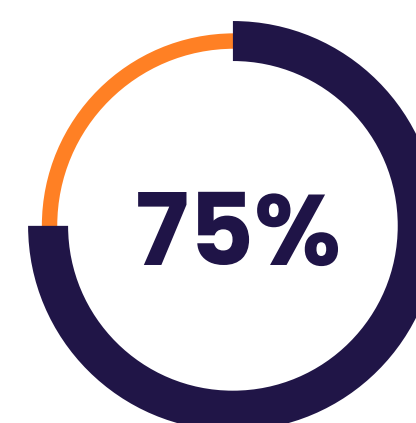
In terms of technology, more than 83% of survey respondents expressed clear frustration about their inability to access board resources from a single, centralized location.

Three-fourths said board members and staff rely too much on email as a primary means of communication. Low levels of confidence in digital security and limited use of technology also contribute to an ineffective board environment, according to more than half of respondents.

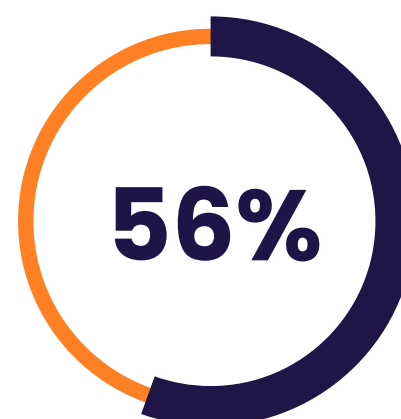
Top technology concerns



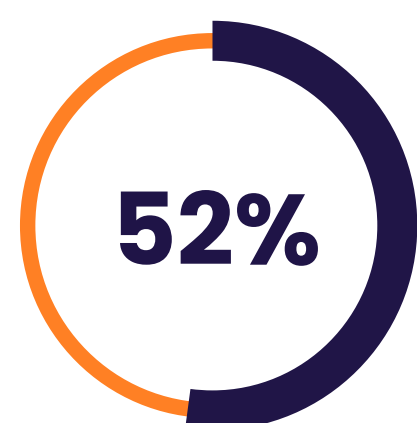
Lack of centralized resources



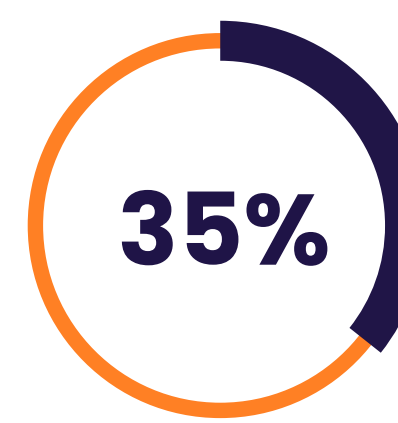
Over-reliance on email



Lack of confidence in digital security



Little to no technology use



Issues with platform complexity

Respondents' technology improvement initiatives would focus on:

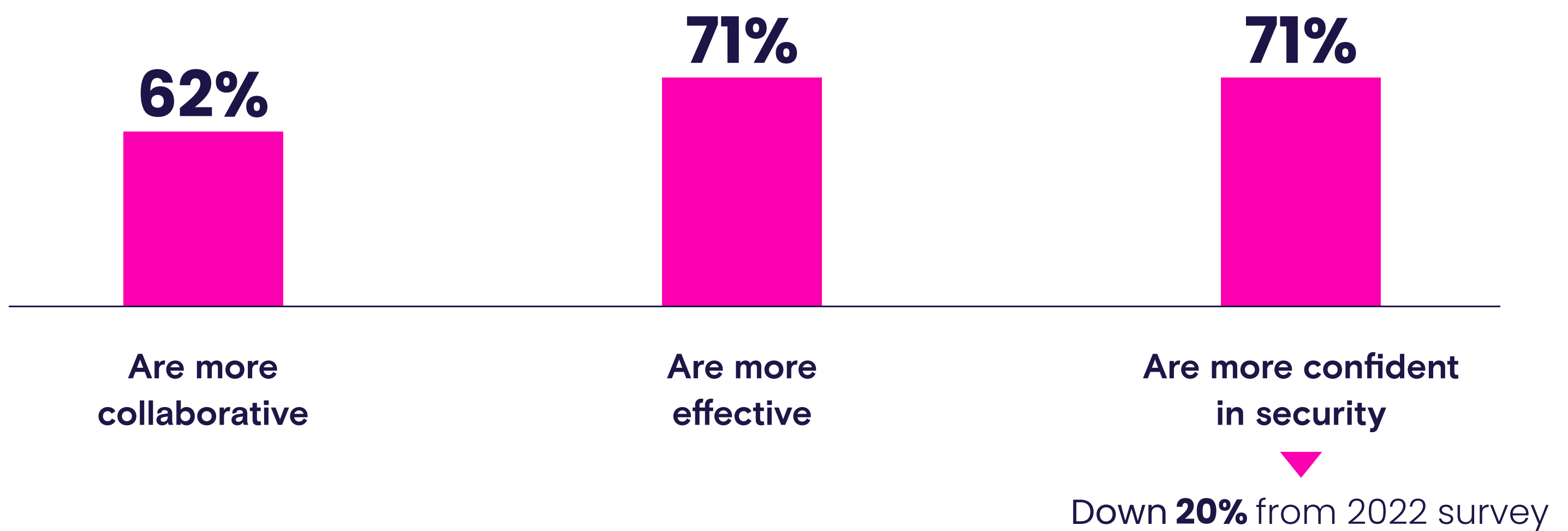
- Maximize investment in existing board management technologies
- Improve organization of information
- Improve scheduling and minutes approval processes
- Automate processes and avoid use of paper, phone, email
- Build confidence in security

Recent Gains and Future Goals

Boards Have Made Some Strides

Despite the many challenges facing boards in recent years, boards have made some gains. Compared to 12 months ago, 62% of respondents said their boards were more collaborative, and 71% said their boards were more effective.

Seventy-one percent also said they had greater confidence in board security. While still high, the share of those who were confident in board security marked a sizable 20% decline from 89% in our 2022 survey, likely due to recent breaches and increased focus on cybersecurity threats. Not surprisingly, industries such as technology, health care, and financial services had some of the biggest declines.





Areas of Strength

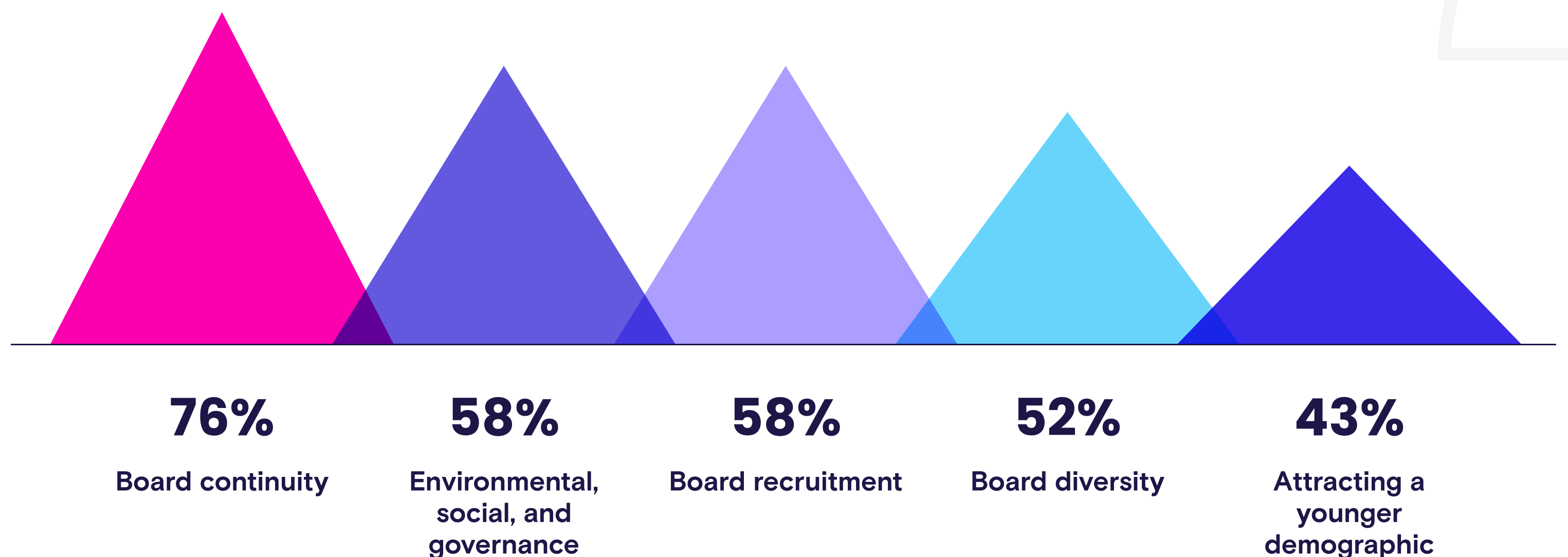
Asked what their boards do exceptionally well, more than three-fourths of survey respondents identified board continuity as their biggest strength.

Some continuity is essential to maintaining effective board operations. But the widespread calls for greater diversity and new ideas noted earlier raise real and legitimate concerns. The question then becomes: Are boards' biggest strengths also their greatest liabilities?

More than half (58%) of respondents said their boards were effective at managing environmental, social, and governance (ESG) issues related to sustainability and ethics.

More than half also said their boards were effective at recruiting new board members and ensuring a diverse board, yet only 43% said their boards were effective at attracting a younger demographic.

What boards do well



In Their Own Words

Respondents Note Goals for 2023 and Beyond

Board Education

“Improve our onboarding and orientation process.”

– Board Administrator,
Higher Education

“We have turnover in board members. Therefore, we will have board member training.”

– C-level executive
Higher Education

“Implement learning portal aimed at developing technology skill sets.”

– Analytics Manager
Retail

Engagement Initiatives

“Develop rigorous board member role descriptions and expand their service expectations.”

– Board Director,
Higher Education

“Increase communication and expand use of OnBoard in disseminating resources.”

– Board Director,
Association

Strategic Board Initiatives

“Improve trust in the board room by refreshing the Chair, CEO, and ineffective members.”

– Board Director,
Insurance

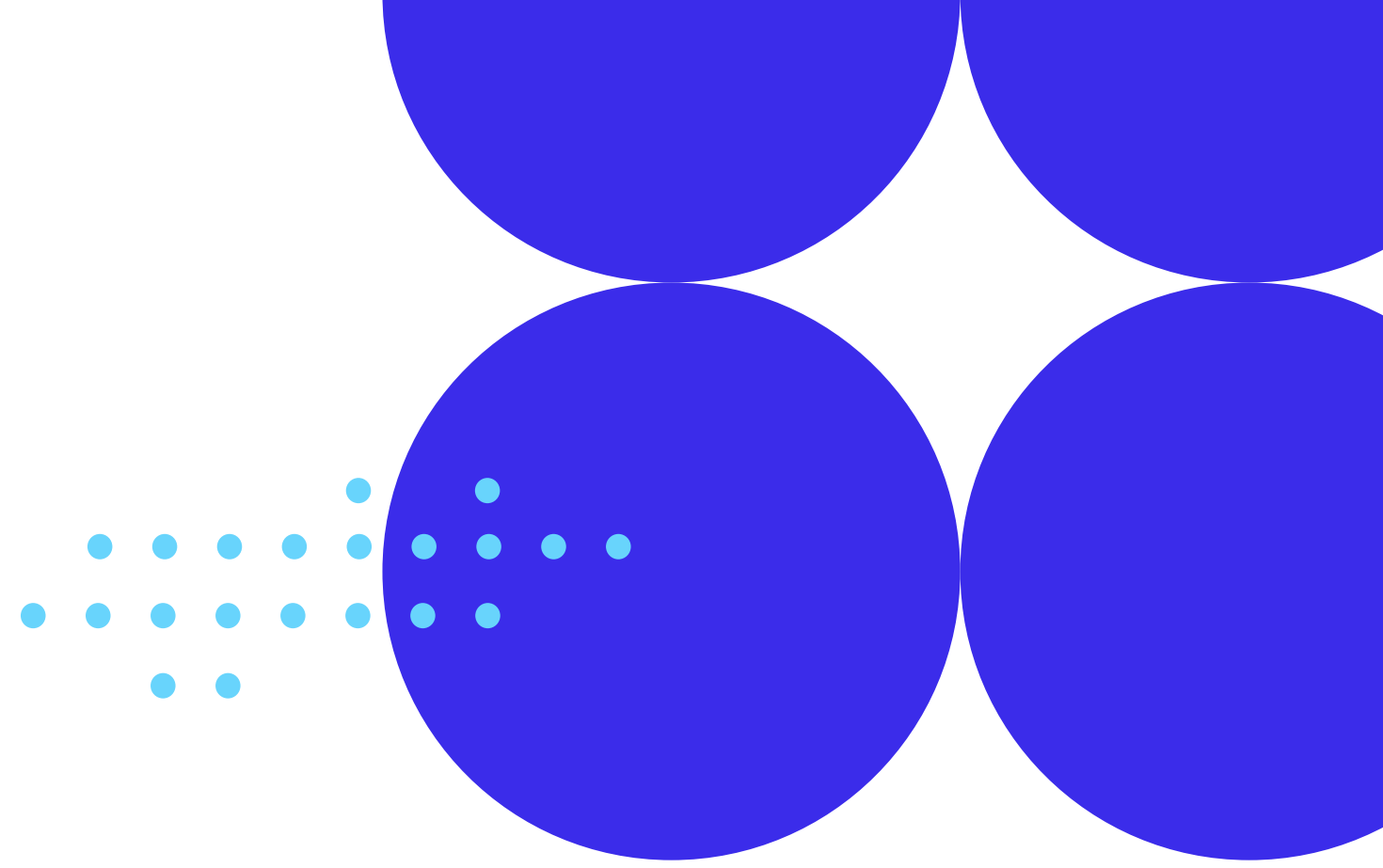
“Refine and optimize our current proficiencies, digital literacy, strategic thinking.”

– Executive Manager,
Technology

“Recruit new board members with new areas of expertise. We have too many experts focused on just one area.”

– Executive Manager, Health Care

About The Survey

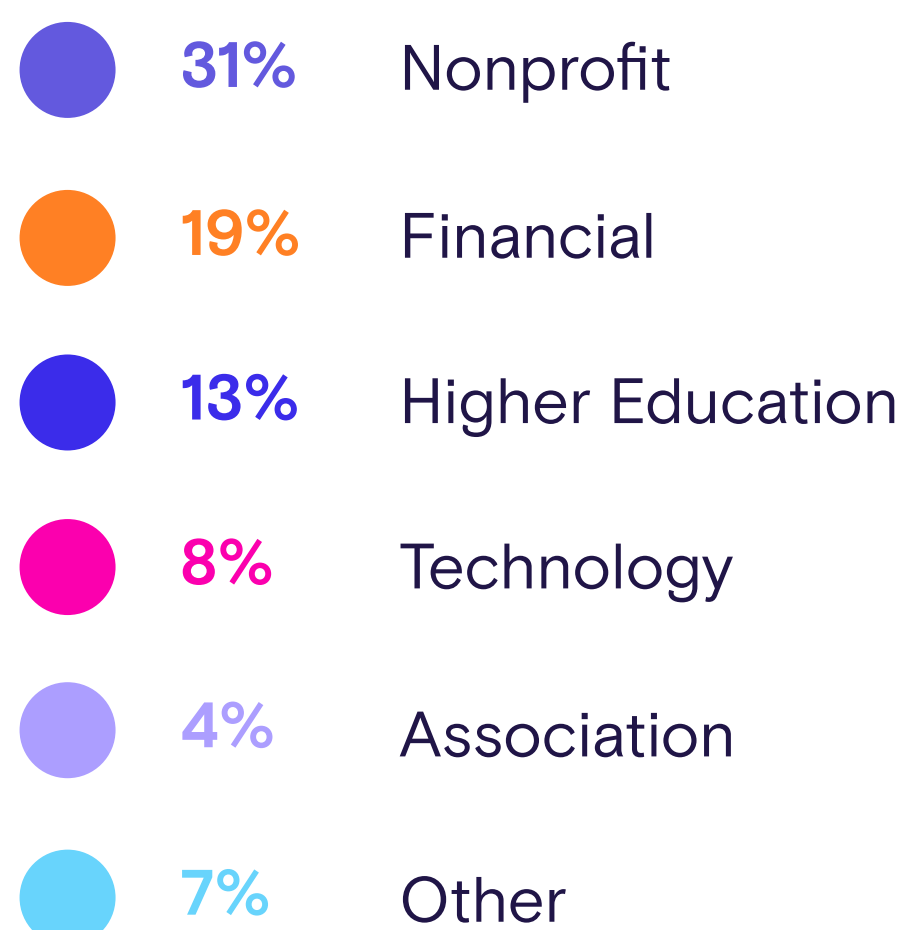
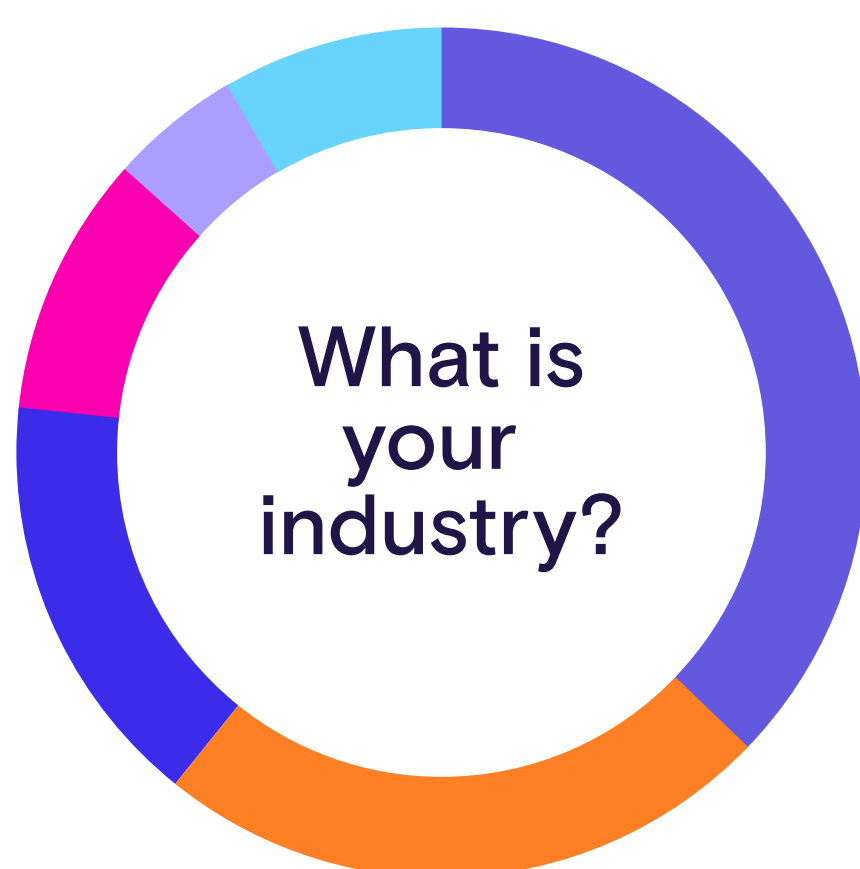
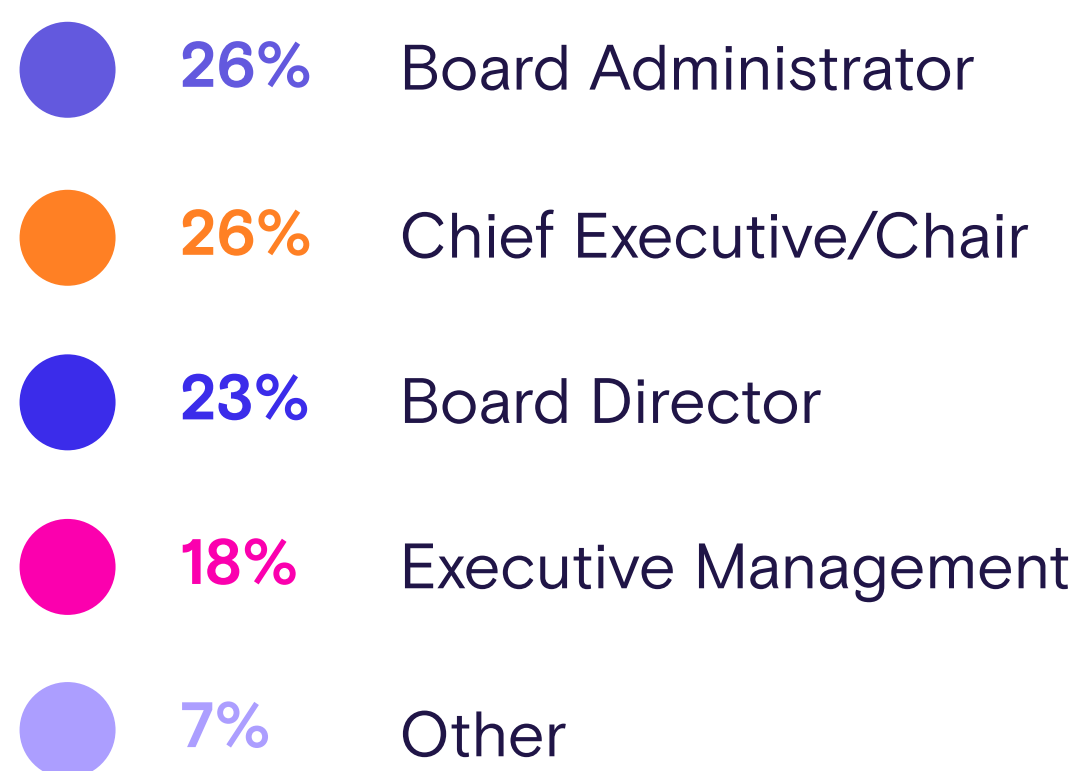
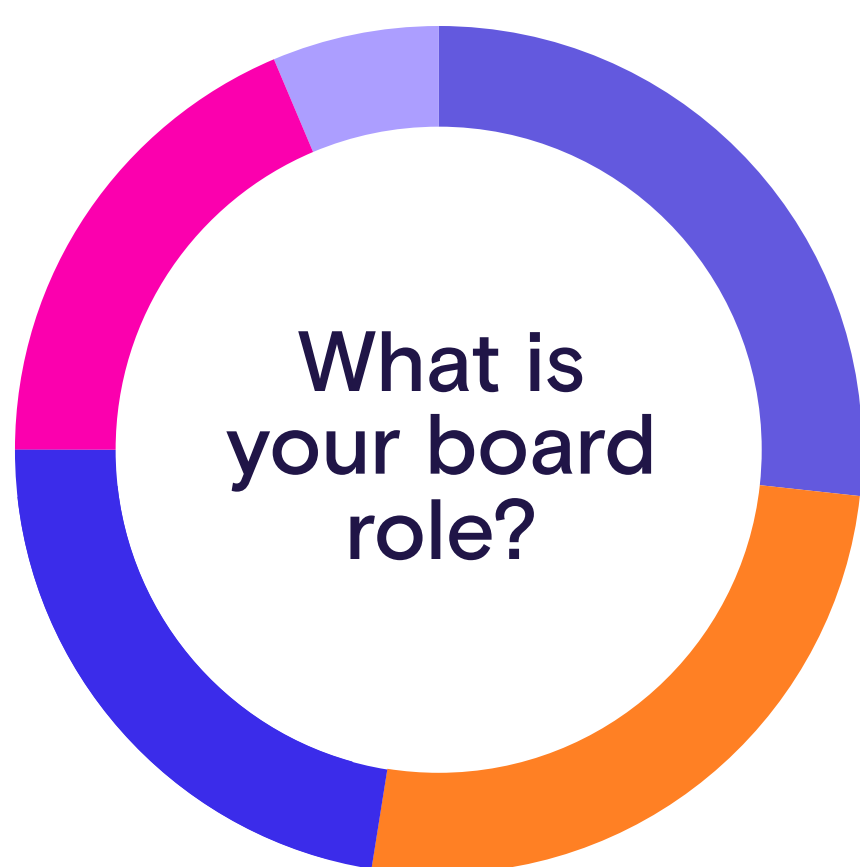


A Look at Who Responded

This year's survey results represent input from 208 individuals serving at all levels of boards across a variety of industries around the globe, including the U.S., Canada, Asia, Africa, Australia, and New Zealand.

By role, chief executive officers, chairs, and board directors made up the largest share of respondents. By sector, nonprofits and the financial services industry had the largest representation.

Nearly 8 in 10 respondents (79%) said they used board management software, while just 21% did not.





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