



ODGERS BERNDTSON



# **ODGERS BERNDTSON**

## **BOARD SURVEY 2023**

# The study aims to assess the Effectiveness of the Boards of Directors in Portugal by putting together the perspectives of Executive and Non-Executive directors

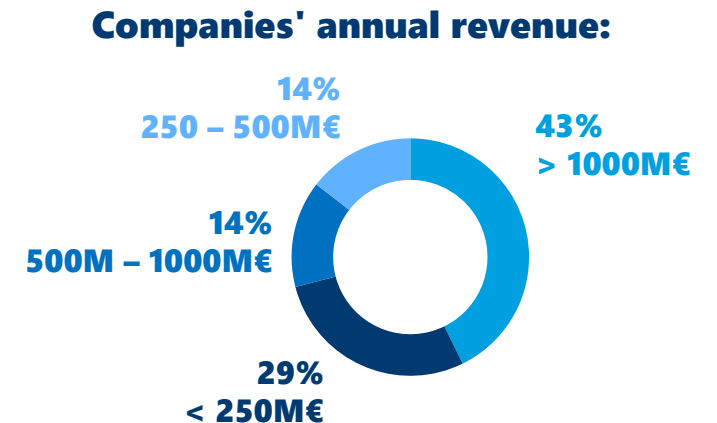
**117**

**BOARD MEMBERS**



**12+**  
**SECTORS**

**FROM private companies TO PSI20 COMPANIES**



# MAIN CONCLUSIONS



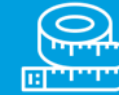
Board Effectiveness is an important topic and is getting even more relevant given the future challenges arising. However, **only 19% of Boards are working at their best (9-10).**



Board Effectiveness is directly linked to Organizational Performance, **with high-performance organizations reporting a 41% higher Board Effectiveness** than below-average organizations.

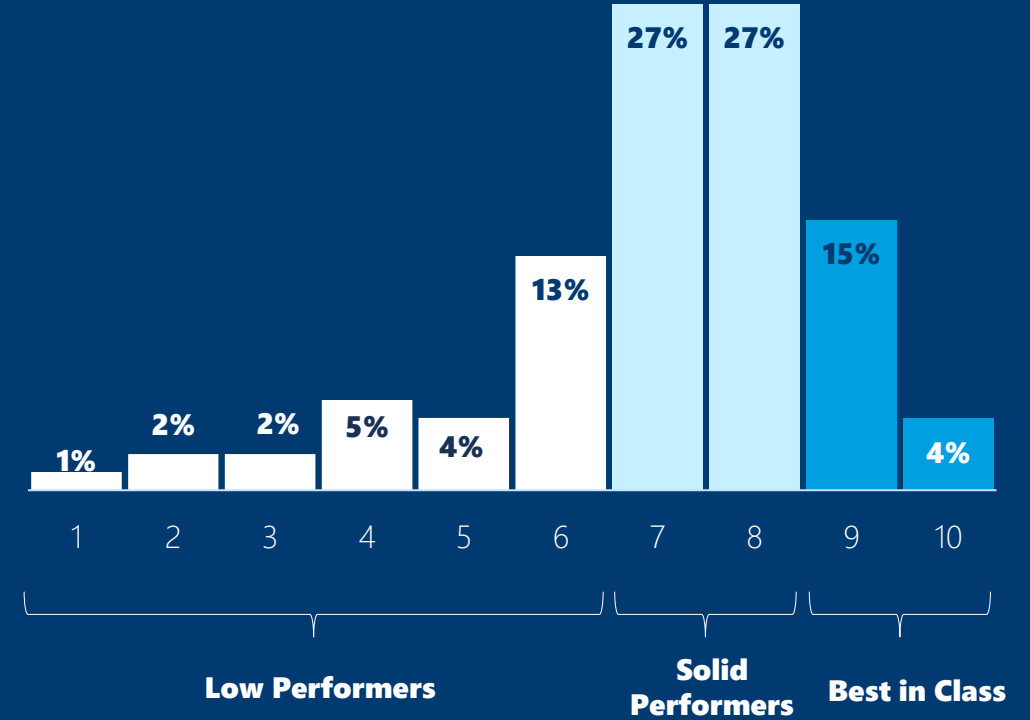
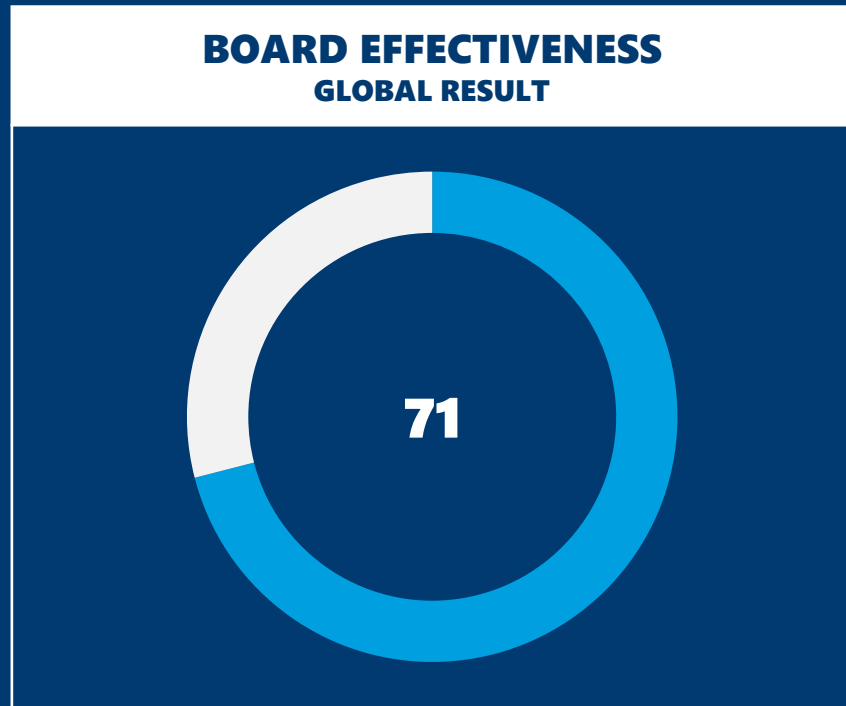


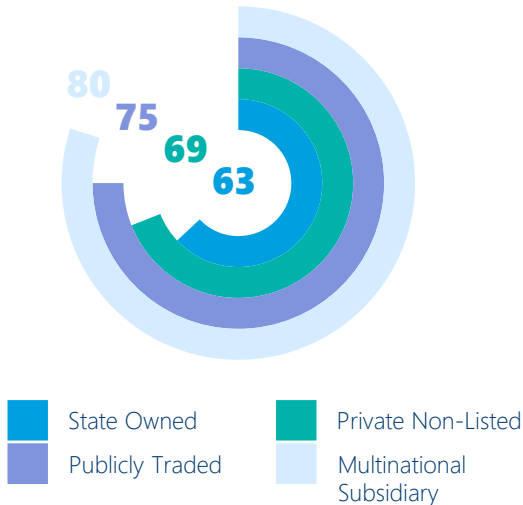
Boards are increasingly **becoming more invested in people-related topics** (evaluation, search, assessment, governance), however **51% still don't have formal evaluation processes.**



There is **not a one-size-fits-all solution to Board Effectiveness**: examples of good practices exist across multiple sectors, company sizes and ownership structures.

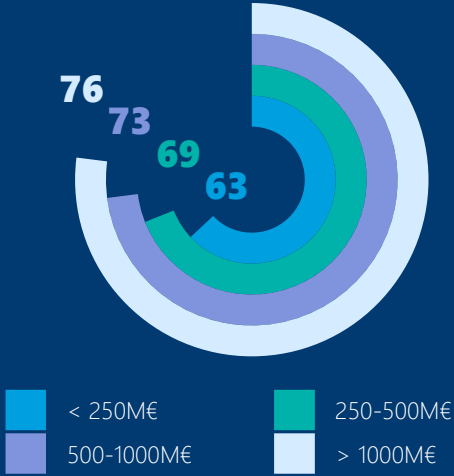
# There is wide dispersion of Board Effectiveness



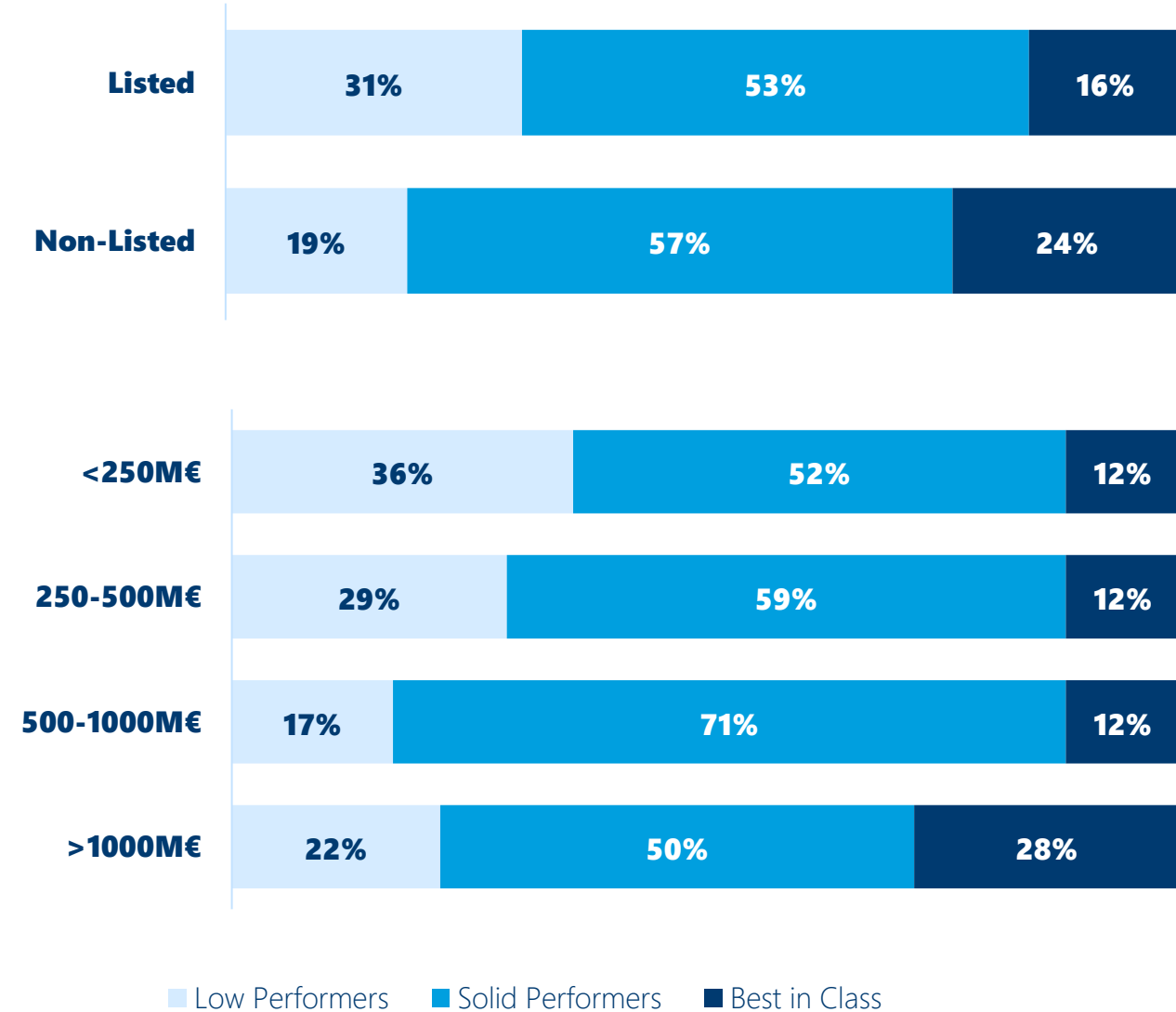


# Board Effectiveness increases with the need for transparency required by different Capital Status

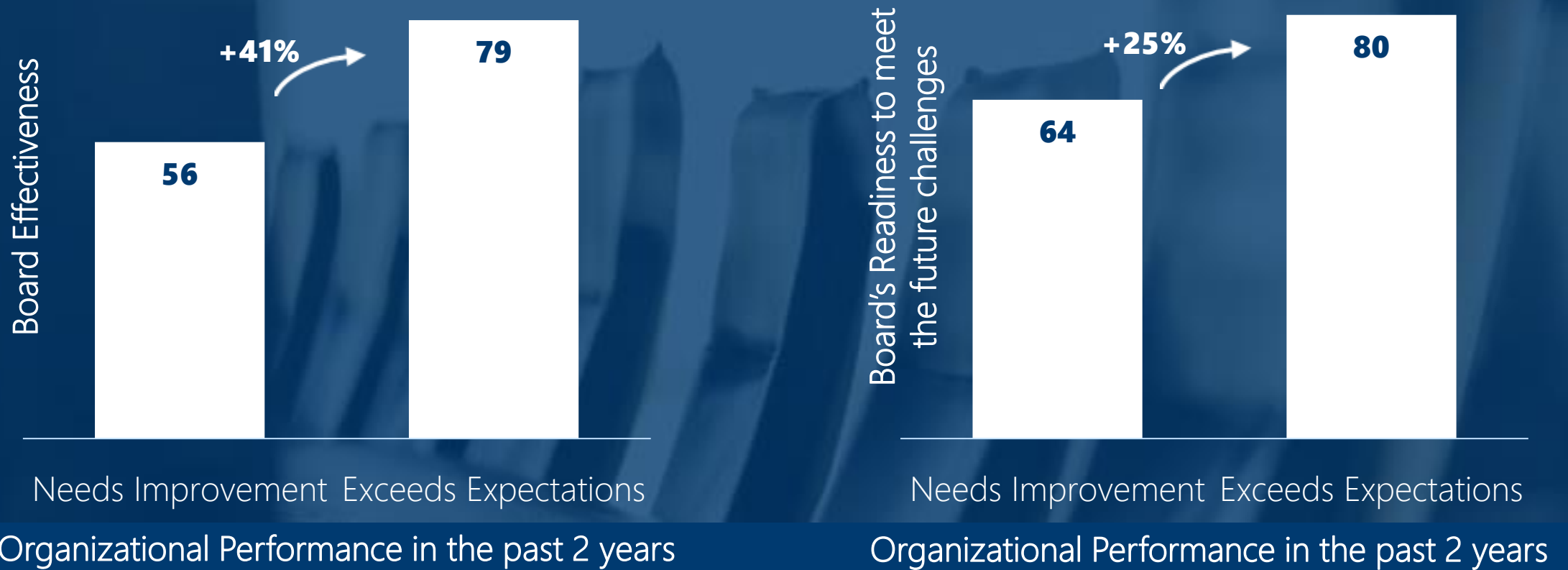
**There is also a direct correlation between the organization's revenue dimension and the effectiveness of its Boards.**



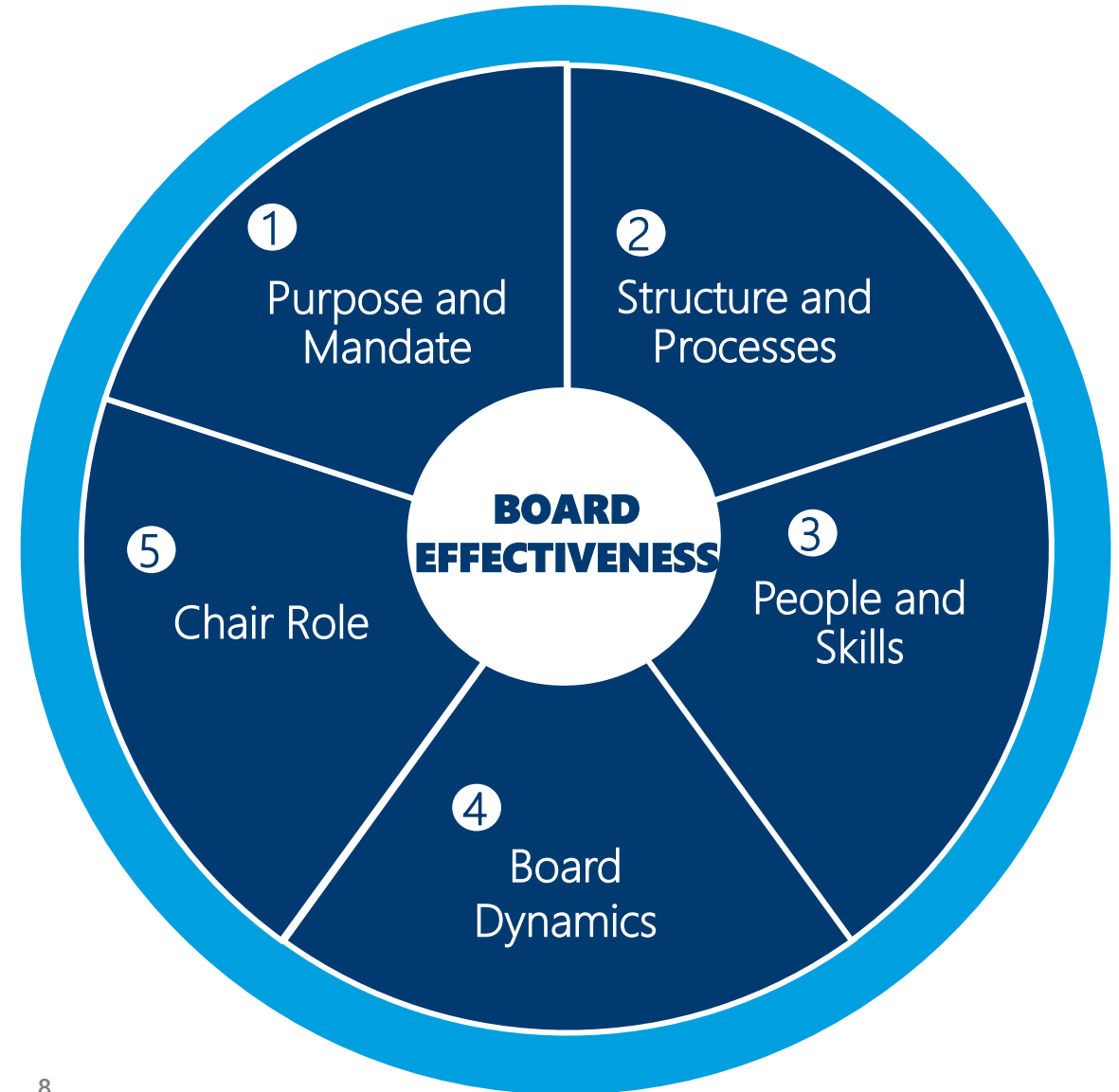
**However, there are  
*Best in Class*  
Boards in  
all segments**



# Organizations with better performance have more effective Boards and, consequently, are more ready for future challenges



**Our Board  
Effectiveness Model  
identifies 5 Pillars of a  
high-performance  
Board**





# Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board

1

## Purpose and Mandate

- Purpose and Values
- Compliance and fiduciary responsibilities
- Performance Management
- Strategic Direction
- Risk Management
- Corporate Governance
- Challenger's role

2

## Structure and Processes

- Structure and Decision Model
- Information Architecture
- Monitoring and Control
- Onboarding
- Compensation Model

3

## People and Skills

- Size and independence
- Skills' diversity and balance
- Focus and dedication
- Board composition for the future
- Succession Planning
- Recruitment Priorities and Effectiveness

4

## Board Dynamics

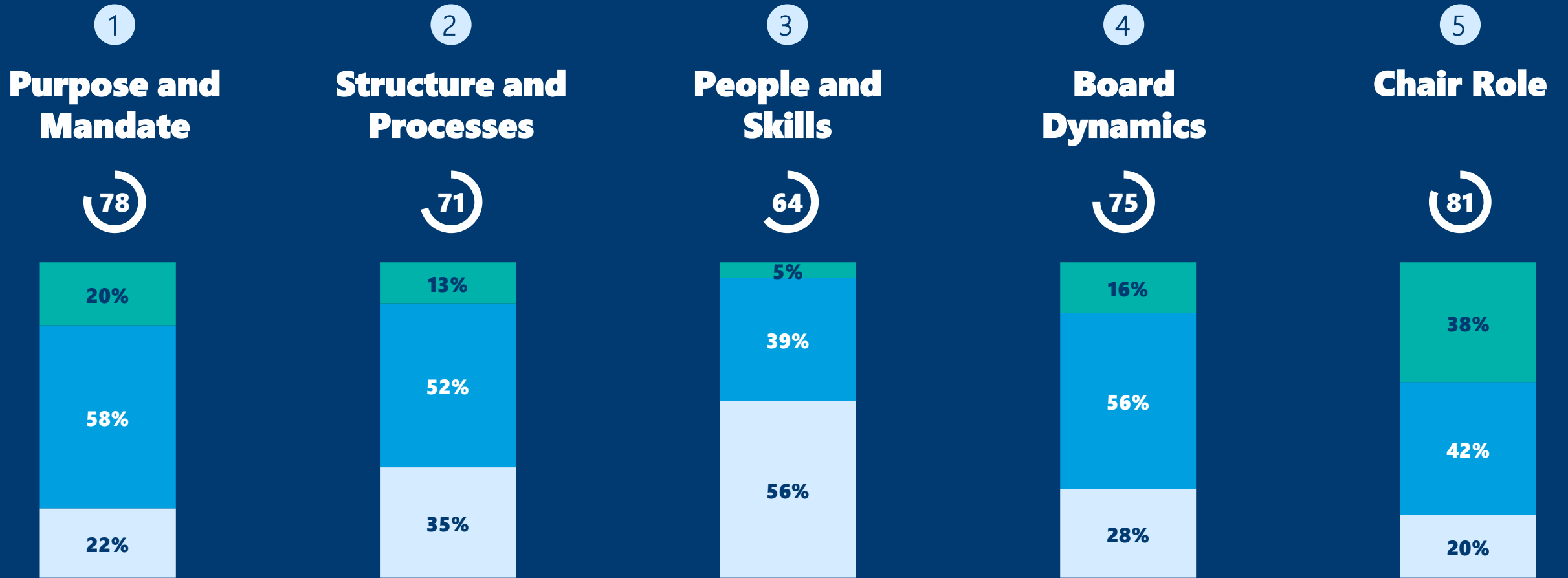
- Meeting's duration and frequency
- Decision-making capacity
- Innovation and Continuous Improvement
- Dynamics amongst Board Members
- Relationship between Board and Management Team

5

## Chair Role

- Leadership and Direction
- Meeting management
- CEO & Chair relationship
- Balance Ownership, Board, and Management

# Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board



■ Low Performers ■ Solid Performers ■ Best in Class

# The 5 Dimensions of Board Effectiveness have an impact on the organizational performance



Performance in the last 2 years of the participating companies\*

■ Needs Improvement ■ Meets Expectations ■ Exceeds Expectations

\* Based on the self-evaluation of the study participants

# Chair Role has the highest number of behaviors in the top 5, while People and Skills occupy the majority of the bottom 5

Top 5 - Top Rated Behaviors		Average	Bottom 5 - Worst Rated Behaviors		Average
Chair Role	The relationship between the CEO and Chairperson is characterized by trust, respect and cooperation.	<b>87</b>	People and Skills	The Board has a clear plan for Board/CEO Succession to ensure alignment of its competencies with the organization's strategy.	<b>57</b>
Board Dynamics	All Board members are available on an as-needed basis.	<b>84</b>	People and Skills	The Board reviews its composition on a regular basis to ensure that it reflects the current and future requirements of the organization.	<b>62</b>
Purpose and Mandate	The Board has a clear vision of its purpose and values.	<b>83</b>	People and Skills	How do you assess the Board's effectiveness in recruiting the best Non-Executive Directors in the market?	<b>63</b>
Structure and Processes	The Board has a clear structure and decision model, where members know what is expected of them.	<b>80</b>	Structure and Processes	The Non-Executive Board has a compensation model aligned with the market and with the performance demonstrated by the organization.	<b>63</b>
Chair Role	The Chairperson provides leadership and direction to the team.	<b>79</b>	People and Skills	The Board has the ideal diversity in the demographic profile of its members.	<b>66</b>

# KEY DEVELOPMENT PRIORITIES

## BOARD'S REVIEW

What are the Board's strengths and development needs?

1

## NEW STRATEGIC AGENDA

How can we keep up with the new challenges arising in the future?

2

## RIGHT PEOPLE & SUCCESSION

How can we have the right people with the right skills and diversity of profiles?

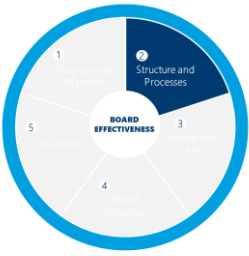
3

## PROCESSES

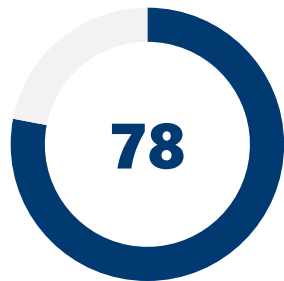
Do we have the right processes to deliver on our mandate?

4

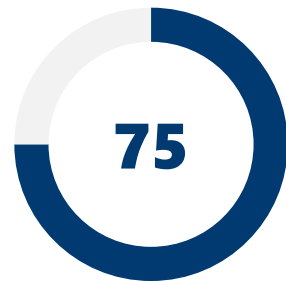
# Organizations still don't have a way to formally evaluate their Board's strengths and development needs



**Despite the Boards' stated ability to adopt the best corporate governance practices...**



**... and to ensure that risks are managed effectively and anticipated...**



**... Only**

**52%**

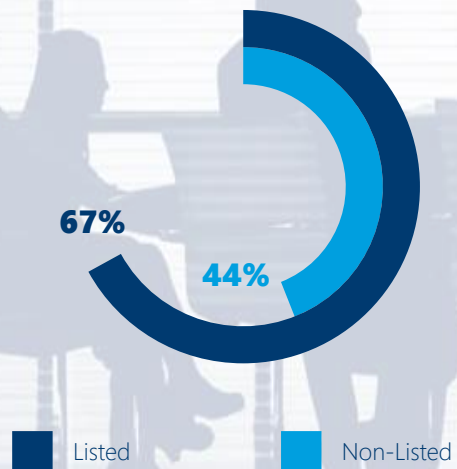
**of organizations has a formal evaluation process that allows them to identify its strengths and development needs**



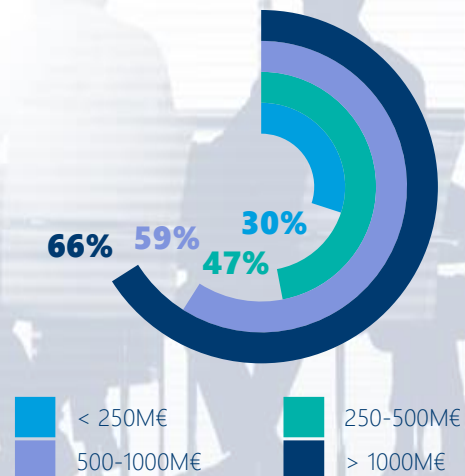


# As size and complexity increases, there is higher adoption of formal evaluation processes

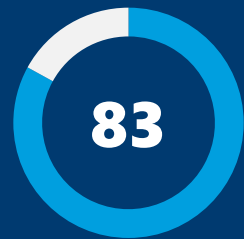
By Capital Status



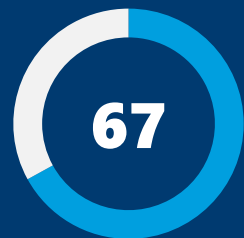
By Annual Revenue



**Although Boards believe they have a clear vision and continuously promote innovation, multiple issues are arising for the future.**

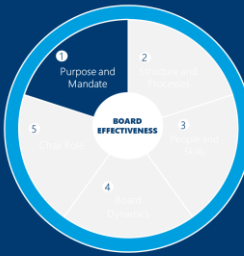
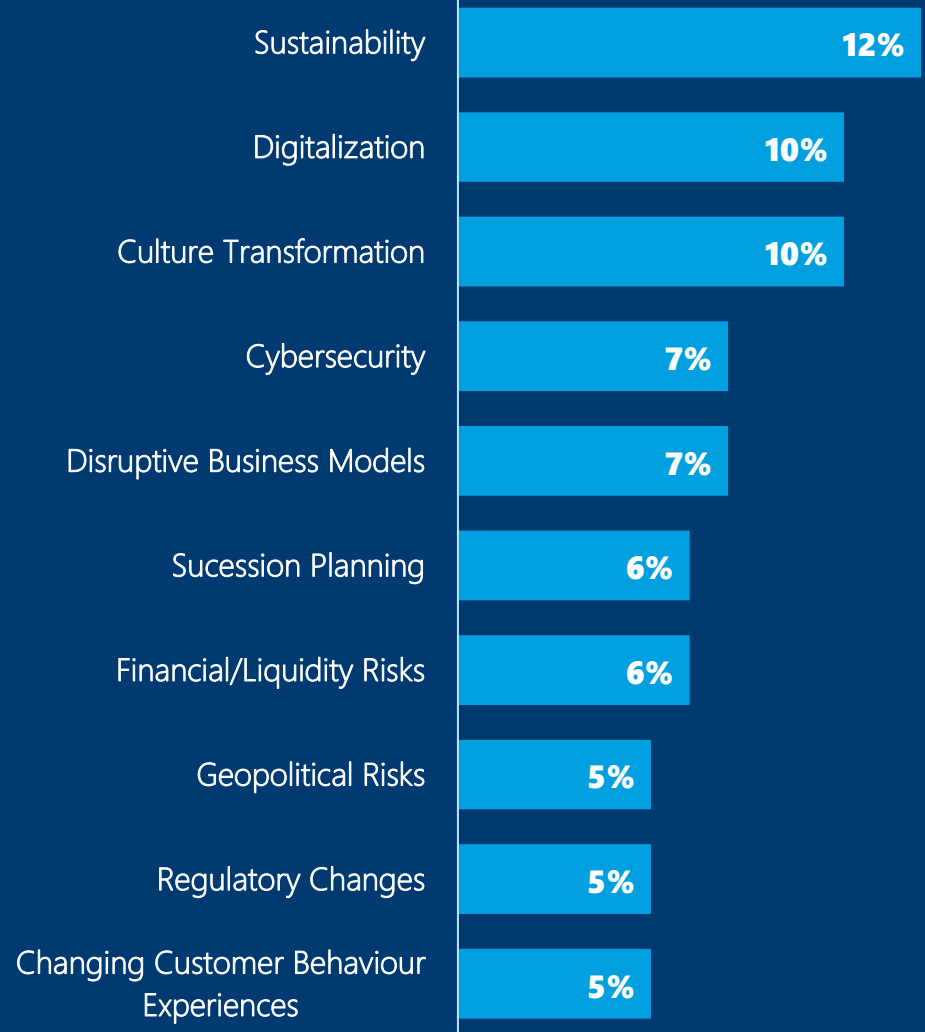


**Boards have a clear vision of its purpose and values**



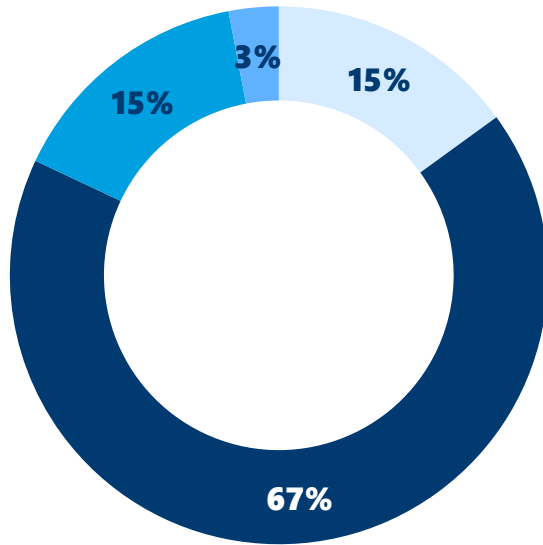
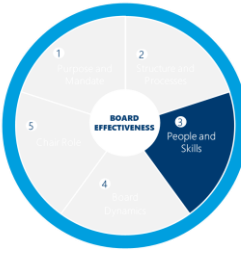
**and foster innovation and continuous improvement.**

**Top 10 most relevant issues in the Board's agenda for the future:**



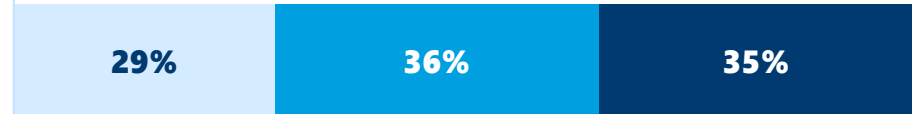


# Even though 67% of the participants believe that the Board has the right size, there is still margin to improve the independence and the diversity in the Board



- \*  
 ■ Smaller than desired  
 ■ Right Size  
 ■ Larger than desired  
 ■ Significantly larger than desired

The Board has the appropriate **level of independence**



The Board has the ideal **diversity in the demographic profile** of its members



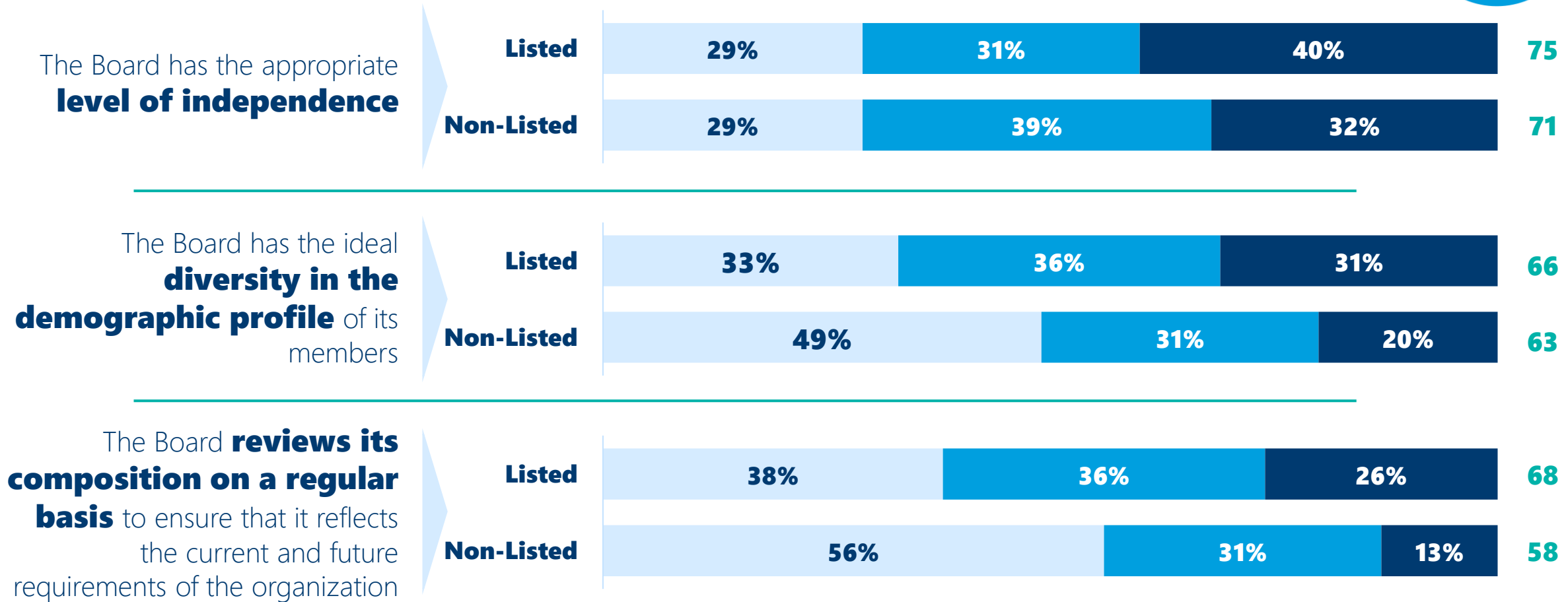
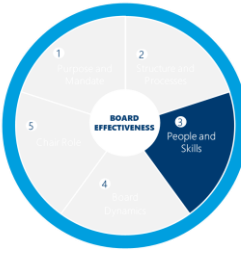
The Board **reviews its composition on a regular basis** to ensure that it reflects the current and future requirements of the organization



■ Low Performers ■ Solid Performers ■ Best in Class ■ Average

\*How do you rate the suitability of the Board's size for successfully fulfilling its mission and meeting the challenges of the future?

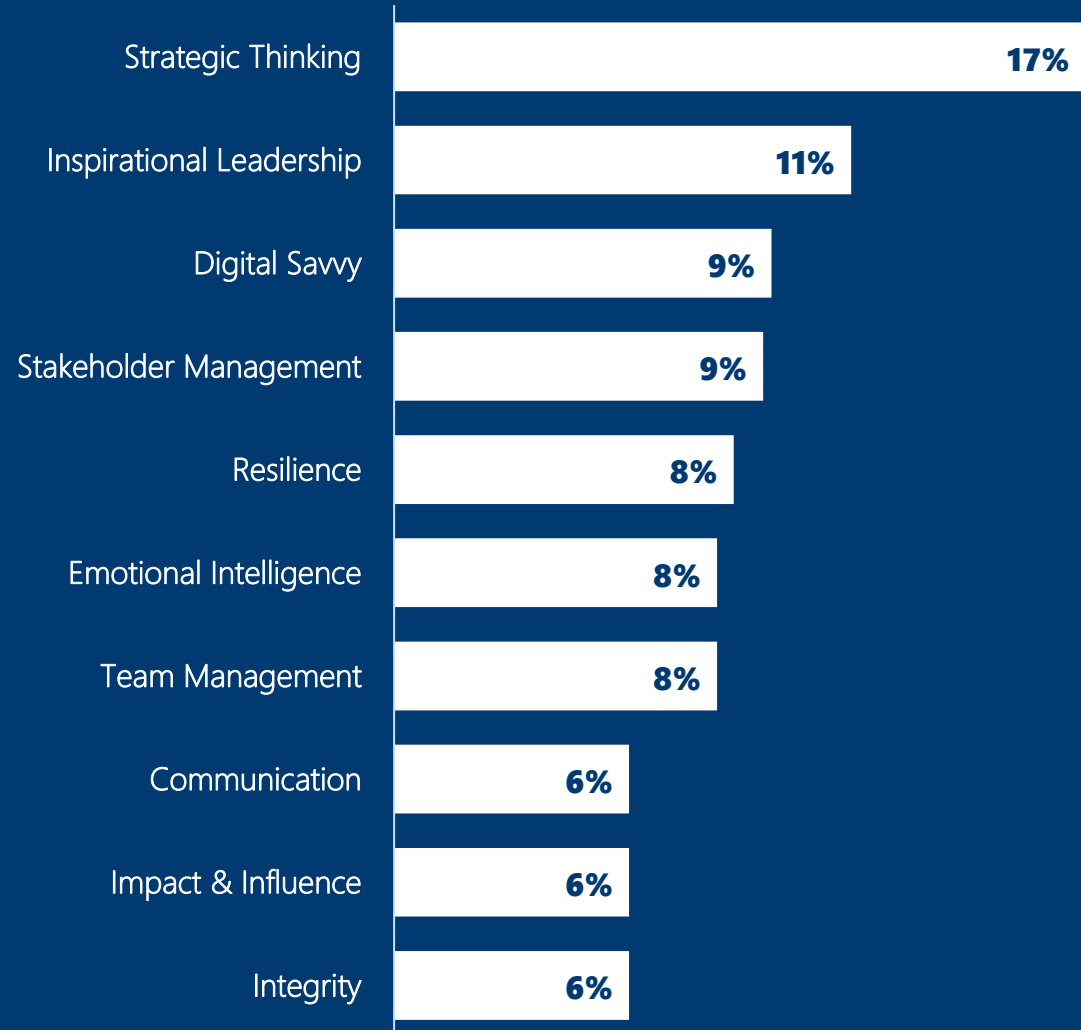
# Boards of listed companies - more structured, but wide dispersion



# New competences arise as key priorities for the challenges of the future.

However, only **18%** of the Boards consider themselves excellent in reviewing its composition on a regular basis to ensure that it reflects the current and future requirements of the organization

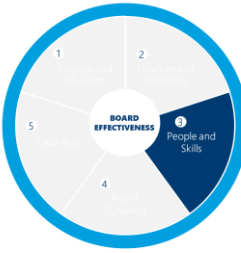
## Top 10 competences that should be strengthened to face the future challenges:



**Different industries, and consequently different challenges, require distinctive competences.**

Industry	Top 1 Competency	Top 2 Competency	Top 3 Competency
<b>Retail</b>	Digital Savvy	Strategic Thinking	Courage
<b>Public and Not For Profit</b>	Communication	Decisiveness	Digital Savvy
<b>Professional Services</b>	Strategic Thinking	Team Management	Inspirational Leadership
<b>Media/ Telecommunications</b>	Strategic Thinking	Emotional Intelligence	Impact & Influence
<b>Life Sciences</b>	Emotional Intelligence	Impact & Influence	Inspirational Leadership
<b>Insurance</b>	Communication	Digital Savvy	Emotional Intelligence
<b>Industrial</b>	Strategic Thinking	Team Management	Inspirational Leadership
<b>Healthcare</b>	Inspirational Leadership	Strategic Thinking	Digital Savvy
<b>Financial Services</b>	Strategic Thinking	Digital Savvy	Inspirational Leadership
<b>Energy</b>	Strategic Thinking	Stakeholder Management	Integrity
<b>Education</b>	Strategic Thinking	Courage	Decisiveness
<b>Consumer, Entertainment and Sport</b>	Strategic Thinking	Emotional Intelligence	Team Management

# There are opportunities for improvement in the Boards' people attraction and management processes



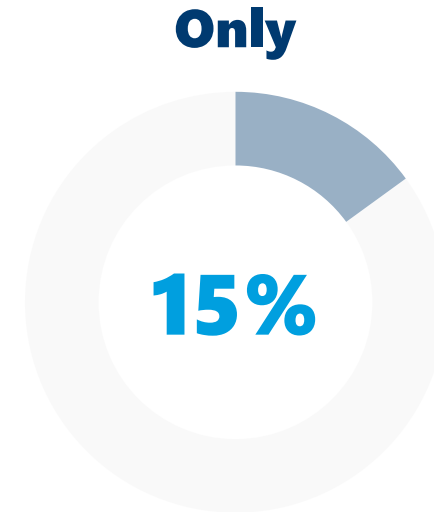
The **onboarding process** for new Board members is effective.



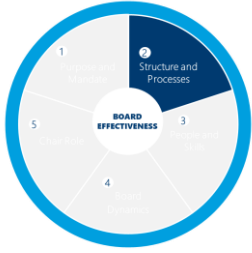
How do you assess the Board's effectiveness **in recruiting the best Non-Executive Directors** in the market?



The Board has a clear plan for **Board/ CEO Succession** to ensure alignment of its competencies with the organization's strategy.

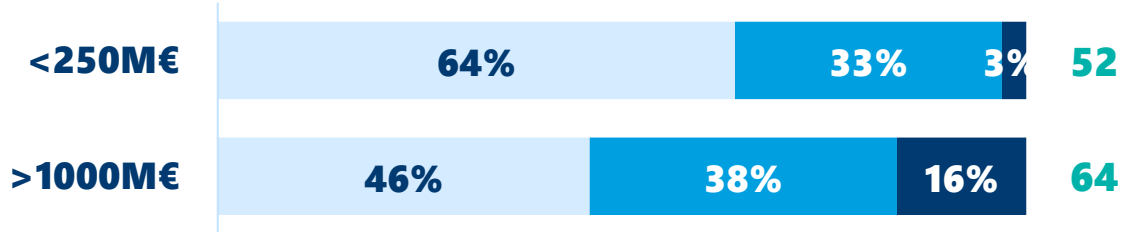


**of the organizations has a formal budget for the Non-Executive Directors' search, assessment and training**

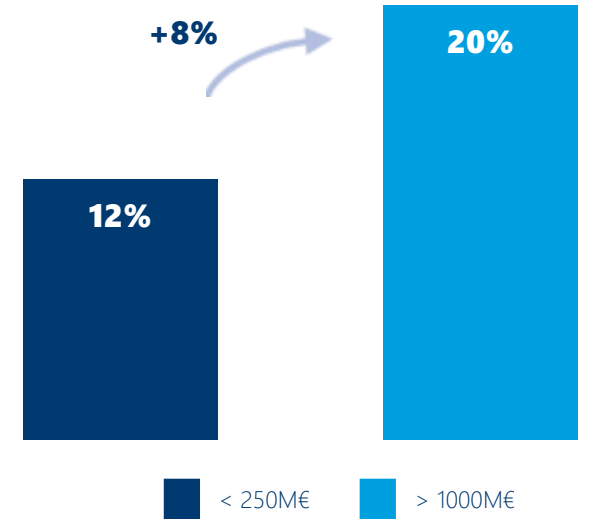


# Larger organizations implement more formally defined processes for attracting and managing people

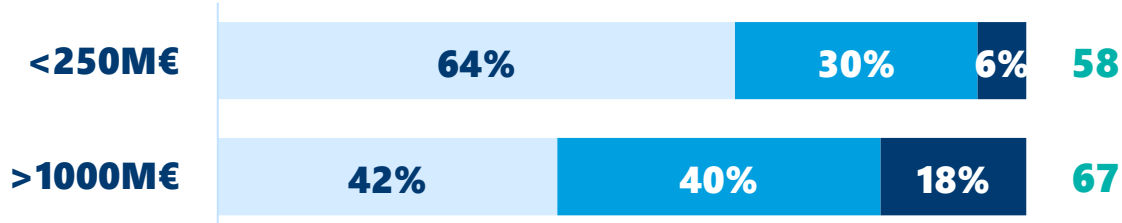
Plan for Board/CEO Succession



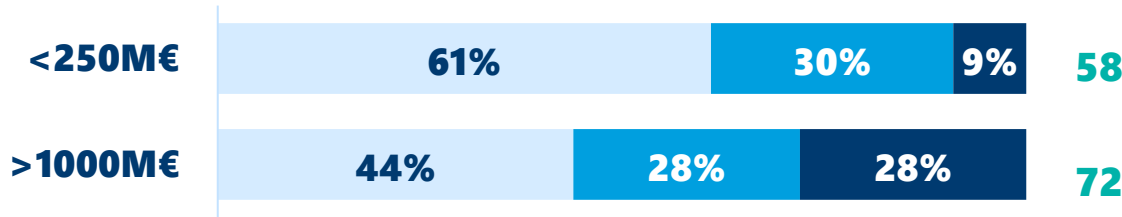
Formal budget for NED's search, assessment and training



Effectiveness in recruiting the best Non-Executive Directors

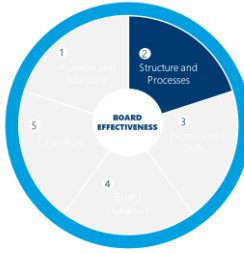


Effectiveness in the onboarding process



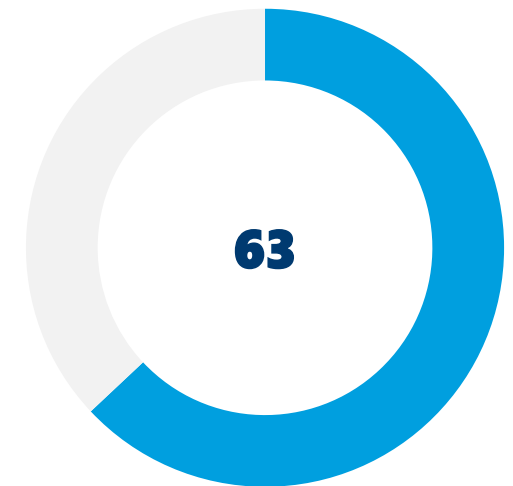
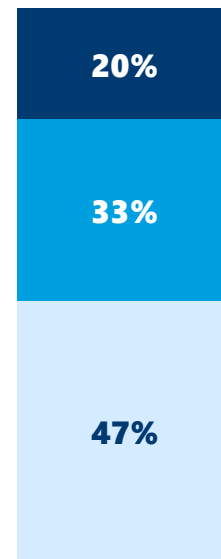
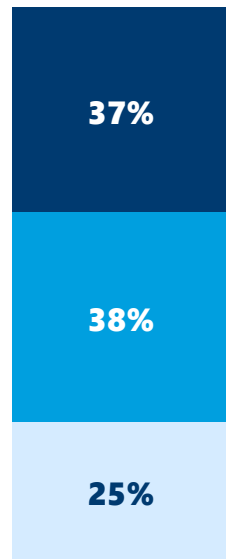
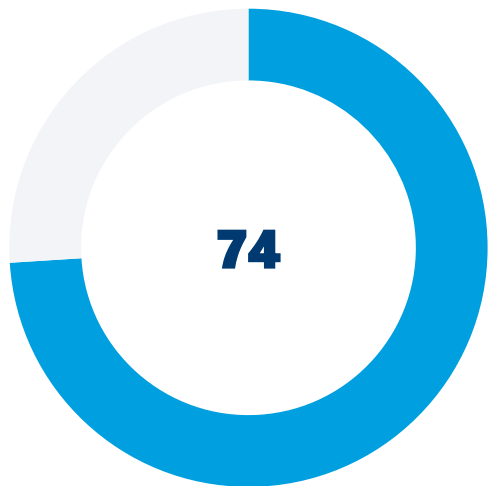
Low Performers Solid Performers Best in Class

# The Board's compensation model: the majority still has room for improvement



The **Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.

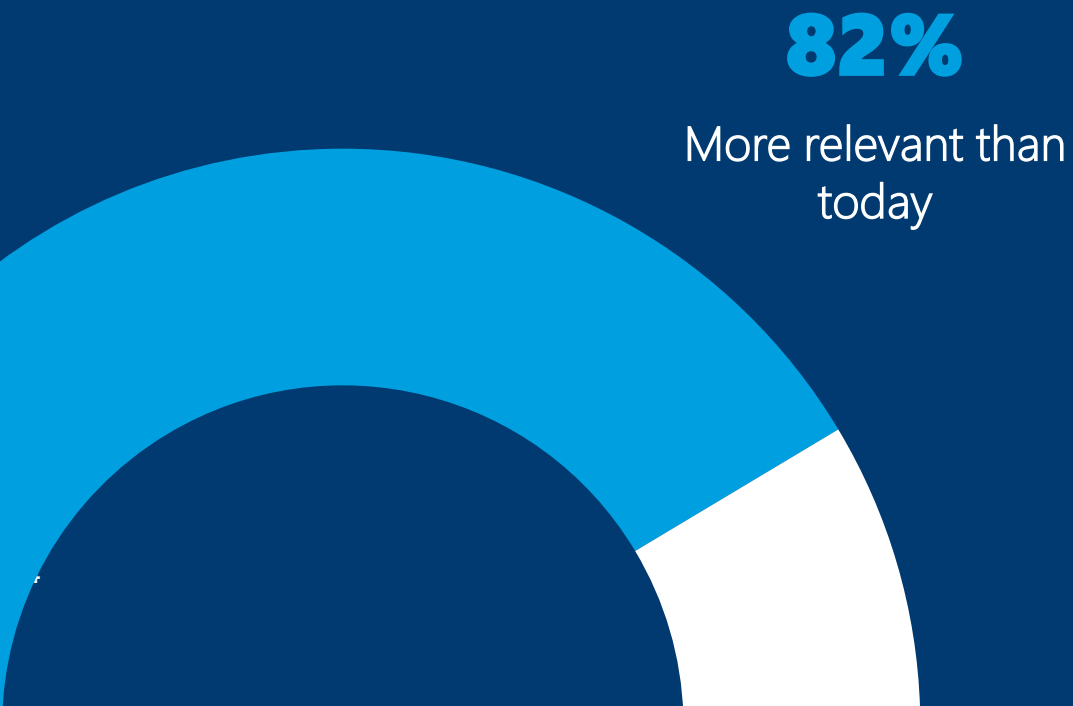
The **Non-Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.



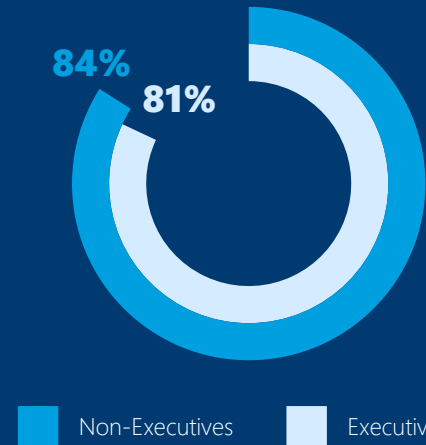
■ Low Performers ■ Solid Performers ■ Best in Class

# THE IMPORTANCE OF THE BOARDS FOR THE FUTURE

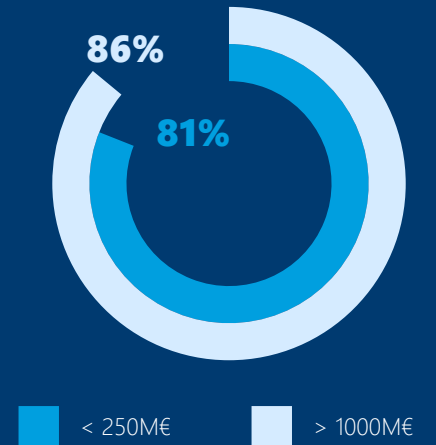
*How do you rate the Board's relevance to the organization's strategic challenges in the future?*



**By Function**



**By Annual Revenue**





# CALL TO ACTION

## 7 KEY MESSAGES

**01**

**82%** of participants believe Boards will be more relevant than today for organizational success. Investors are increasingly vigilant too

**02**

Board Effectiveness is an important topic and is getting even more relevant given the future challenges arising. However, only **19%** of Boards are working at their best

**03**

Board effectiveness is linked with organizational performance and future readiness. High-performance organizations report **41%** higher Board Effectiveness



# CALL TO ACTION

## 7 KEY MESSAGES

**04**

Wide agreement on board's role and purpose. But many organizations **do not have the formal processes** to support those aspirations. The most critical issues that come out are people related: professional processes and search, diversity, succession planning, and compensation

**05**

The top issues for the future vary by industry. But most agree on a need for **new competencies to address future challenges**

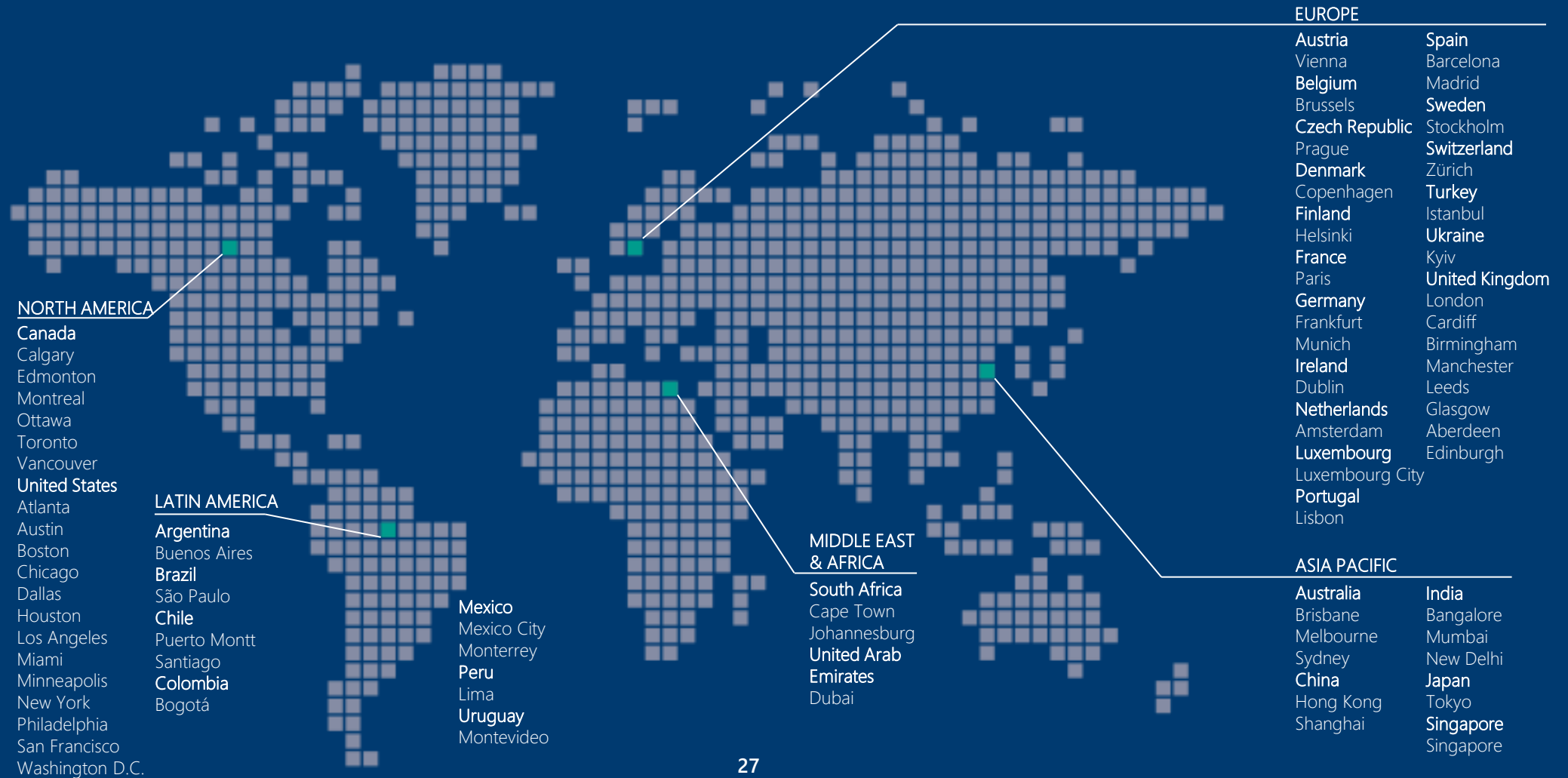
**06**

As size and complexity increases, so **does the need for an effective board**

**07**

There is **not a one-size-fits-all solution** to Board Effectiveness: examples of good practices exist across multiple sectors

# 66 OFFICES, 32 COUNTRIES



# ODGERS BERNDTSON

Since **1993**  
in Portugal

**Nº2**  
in Europe

**Nº6**  
worldwide

Partnership with over **50%** of  
Portuguese Stock Index companies

Over **90%**  
success rate



## EXECUTIVE SEARCH

- *CEO Search*
- *Executive Search*
- *Talent Mapping*

## LEADERSHIP DEVELOPMENT

- *Leadership Assessment*
- *Leadership Programs*
- *Team Effectiveness*
- *Executive Coaching*

## ORGANIZATIONAL & TALENT CONSULTING

- *Organizational Excellence*
- *Talent Strategy*
- *Culture Transformation*

## BOARD SOLUTIONS

- *Board Search*
- *Board Assessment*
- *Board Consulting*
- *Advisory Boards*

## TALENT ACQUISITION

- *Talent Acquisition*
- *Talent Assessment*
- *Young Talent*

For further Information:

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**THE IMPORTANCE OF EFFECTIVE BOARDS**