HEIDRICK & STRUGGLES

CEO & Board of Directors Practice

Board Monitor US 2024

Navigating shifting sands:
Six ways boards are reshaping their processes to thrive now

Welcome to Board Monitor US 2024

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Our analysis of the newest class of directors added to Fortune 500 boards, and historical trends in the backgrounds of people being added to boards, is available here:

Explore the data

For many years, Heidrick & Struggles has been tracking the trends that have shaped the global governance arena, including important long-term changes in board independence, diversity, financial oversight, risk management, and the shareholder base the directors serve.

More recently, we have been helping our clients understand the expanding environment in which they are operating. How is the role of business in society changing? What are the implications for directors? What does the future hold?

Clarity has been hard to find as directors struggle to draw reasonable boundaries and consider their responsibilities amid a rolling global pandemic, geopolitical uncertainty and conflict, emerging technologies, cybersecurity concerns, and a long list of social and environmental concerns. While there are important industry and regional differences—indeed, differences from one company to another—most accept that the role of the board is expanding. More is at stake. More is uncertain. And more is expected now of directors.

“

Make no mistake, the intensity and accelerating pace of change is real, leading to a fundamentally different operating reality than incumbent executives and directors have experienced in their careers.”[1]

Boards of directors of public and private US corporations must chart an ever-more-turbulent and unpredictable present and future, marked by expanding expectations, conflicting demands, and intense scrutiny in an environment of growing complexity, disruption, and ever-accelerating change. . . . Positioning a board to meet these challenges requires a tailored approach that moves beyond the governance structures and practices that have been the focus of much ‘best practice’ guidance to date.”[2]

From the NACD’s *The Future of the American Board*

While this expanding role creates added pressures, it is also creating opportunity. New approaches are emerging for boards and individual directors who see promise in this shifting landscape. In what follows, we draw on the results of two recent surveys of CEOs and directors around the world, and our experience, to describe how directors and CEOs are answering six questions that are reshaping the boardroom.

Six questions reshaping the boardroom

1. Who is influencing the board agenda today—and are board members happy with that?
2. Where does the board spend its time—and are those the right places?
3. How are boards addressing the widening risk environment?
4. Are boards more operationally involved?
5. How are boards engaging with the workforce?
6. How are boards thinking about diversity today?

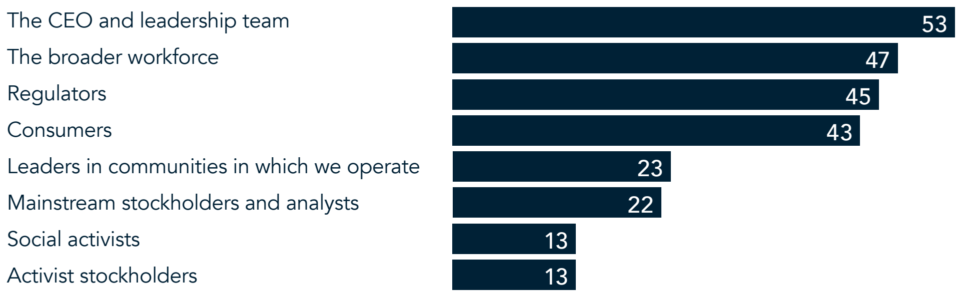
1 *The Future of the American Board*, NACD, October 13, 2022, nacdonline.org, p. 2.
2 *The Future of the American Board*, NACD, October 13, 2022, nacdonline.org, p. 11.

Who is influencing the board agenda today—and are board members happy with that?

The concept of stakeholder capitalism has been around for more than 70 years, going back to at least as early as the 1950s, when W. Edwards Deming wrote that "the aim proposed here for any organization is for everybody to gain—stockholders, employees, suppliers, customers, community, the environment—over the long term." The concept has been at the center of constructive debate since, especially in the United States, where boards are setting priorities for their work in a governance environment marked by a growing agenda and in a political climate marked by polarization.

To better understand the relative influence of stakeholders today, we asked directors and CEOs to stipulate which stakeholders have accelerated their influence most in the post-Covid environment. Overall, they report that the CEO and leadership team, the broader workforce, regulators, and consumers and customers have increased their influence more than others.

Global: Stakeholders who have accelerated their influence most in the post-Covid environment (%)
(Somewhat more and significantly more)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,568

Interestingly, given the direct fiduciary responsibility the board has to the company's owners, and despite increased shareholder scrutiny and shareholder democratization policies in the asset management arena, a relatively low number of US respondents report increased influence from mainstream investors (19%) or from activist investors (9%). Globally, only 22% of respondents reported the increased influence of mainstream shareholders and 13% for that of activist shareholders, only slightly higher than the US responses. Our survey data does not suggest that shareholders do not have influence in the boardroom, or that it isn't growing; rather, that influence is not growing at the same rate as that of some other stakeholders. So, though a lot of attention is paid to the role of investors, changes in the ways boards approach their work may come first from the operational, commercial, and regulatory contributors to the business.

> There is no doubt that shareholders—the large asset managers and activists—are influencing the board selection and development work we do with our clients, but the larger focus remains fixed on the operational and commercial needs of the business, on the needs of customers and the workforce."

Bonnie W. Gwin

Vice chair and co-managing partner, CEO & Board of Directors Practice, Heidrick & Struggles

Perspectives across sectors and markets

Respondents in the US technology sector cite an outsized role for CEOs and the leadership team

> Technology sector CEOs play an outsized influence in the boardroom relative to their counterparts in other sectors. Many are founders, have significant ownership in their companies, and are supported by influential investors. And, more than CEOs and teams in other sectors, the CEO and leadership team are likely to lead on AI and other disruptive technologies, which are now at the top of directors' concerns in most industries."

Gustavo Alba

Global managing partner, Technology & Services Practice, Heidrick & Struggles

In the financial services sector, respondents in the United States highlight the increased influence of regulators

> Regulators have increasing influence in the sector globally, given the inherent systemic risk and impact of the sector on overall economies. Regulatory influence has been more pronounced in other regions, but it is accelerating in the United States, where cybersecurity, payments and crypto, and climate concerns are hitting the financial services sector first."

Lyndon Taylor

Regional managing partner, Americas CEO & Board of Directors Practice, Heidrick & Struggles

Satisfaction with level of influence

We also asked respondents how satisfied they are with the current influence of stakeholders. A majority of respondents globally report a high level of satisfaction (76%).

- Those who report less satisfaction with the stakeholder mix more often also say that regulators, activist shareholders, and social activists have more influence than before Covid on the board agenda. They also more often report increased time spent on financial performance and stakeholder concerns.
- Those reporting the highest levels of satisfaction with the current stakeholder mix also report spending increased time understanding emerging technologies, AI, and cyberrisk. They also most often report that the leadership team has more influence post-Covid-19.

> The forces that influence board governance are hard to predict. The importance of retaining workers and customers has never been higher, and the shareholder access and proxy voting arena is evolving quickly. Recent examples in the United States highlight the influence employees and shareholders are having on director and board succession practices and governance overall. Our clients are watching these trends carefully."

Jeff Sanders

Vice chair and co-managing partner, CEO & Board of Directors Practice, Heidrick & Struggles

Where does the board spend its time—and are those the right places?

More and more companies are learning to thrive in this environment, adjusting to consider and address an expanding number of issues. As new influences come to the fore, boards are also shifting how they spend their time. We asked directors and CEOs both how they split their time in meetings and which topics receive more of their attention in a post-Covid environment.

Allocation of meeting time

There is broad agreement globally, among both CEOs and directors, that the board meeting agenda remains primarily focused on "traditional board oversight responsibilities" (financial performance and risk, stockholder concerns, and strategy reviews, for example) and "traditional board leadership responsibilities" (CEO succession planning and leadership performance and compensation, for example). Together, these categories take up nearly 60% of boards' time. External global risks, the opportunities and risks associated with technology (AI and cyber) and other stakeholder issues capture about 10% each in the balance of the meeting schedule. Crisis management and other topics round out the balance.

Global: Average share of meeting time spent on... (%)

Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,715

Note: Numbers may not sum to 100%, because of rounding.

Most pressing topics now versus pre-Covid

The highest percentage of respondents report spending more time on emerging technologies/AI and cybersecurity compared to pre-Covid than any other category. Consistent with our findings on who is influencing the board, attention to mainstream and activist shareholder concerns shows the lowest increase.

Global: Topics on which the board has most increased the amount of time spent (%)
(Somewhat more and significantly more)

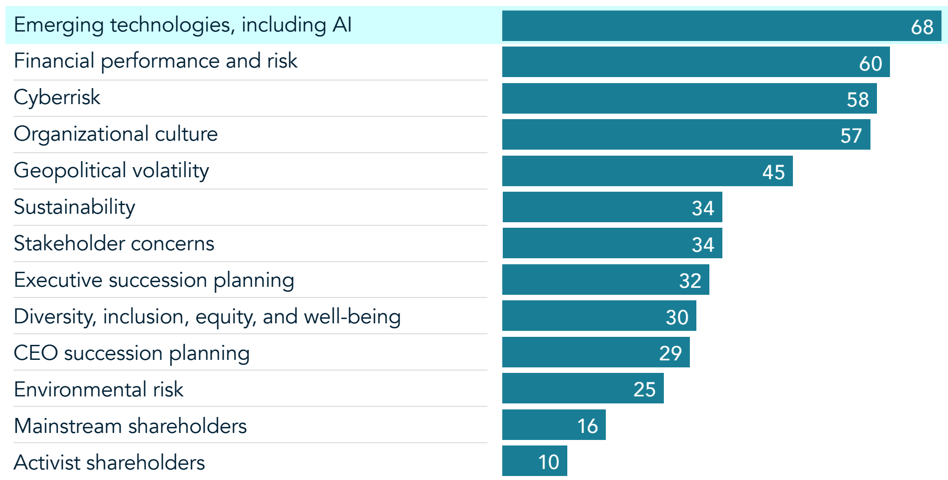
Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,687

On the whole, respondents at larger companies, those with more than $1 billion in annual revenue, report spending more time in every area, except financial performance and risk, while their counterparts at smaller companies are more often spending more time specifically in that area. Respondents at public companies are also more often saying they are leaning into emerging issues compared with their private company counterparts.

The United States in context

More respondents in the United States report an increase in time spent on emerging technology and AI concerns than any other area, consistent with the average global response. Financial performance and risk, cyberrisk, and organizational culture round out the top concerns.

United States: Topics on which the board has most increased the amount of time spent (%)
(Somewhat more and significantly more)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=925

> AI is at the top of the board agenda now because the technology has accelerated more quickly than most anticipated, and because the risk and opportunity boundaries appear vast. These situations are where effective boards shine. Learning fast and building or buying expertise are key. Our clients are quickly getting their arms around the relevant internal and external governance frameworks for this exciting new technology."

Ryan Bulkoski
Partner and global head, AI, Data & Analytics Practice, Heidrick & Struggles

Also, a lower share of respondents in the United States report an increase in the amount of time spent on geopolitical volatility compared with those in several other countries, including, not surprisingly, those closest in proximity to global conflict zones. However, geopolitical volatility remains a top concern of US directors (and one for which they have low confidence to in their organizations being able to address) against the backdrop of the 2024 global elections supercycle, and the 2024 US election specifically.[3]

A lower share of US respondents than in any other country say they are spending more time addressing sustainability (34%) and environmental risk (25%), compared to global averages of 54% and 42%, respectively. Not surprisingly, though, respondents at industrial companies in the United States more often report a higher focus, 42% and 31%, respectively (followed closely by those in the consumer sector).

3 "CEO and board confidence monitor: A worried start to 2024," Heidrick & Struggles, January 17, 2024, heidrick.com.

"Our US clients, most notably those in the industrial and energy sector, remain focused on measuring and improving performance on broad sustainability and environmental goals. Board-level sustainability concerns have leveled off relative to other priorities (for example, geopolitical risk, AI, cybersecurity) as climate-related regulatory, measurement and disclosure standards have become more clear and corporate governance frameworks have matured."

Jeremy Hanson

Partner, CEO & Board of Directors Practice, and co-head, Sustainability Practice, Heidrick & Struggles

A smaller share of respondents in the United States than in any other country say they are spending more time addressing diversity, inclusion, equity, and well-being concerns (30%) versus a global average response of 42%. The highest percentage of respondents saying they're spending more time addressing these concerns are in Japan and Spain. This finding is consistent with data reflecting a decrease in the number of diverse board appointments over the past two years from a peak in 2020 and 2021. (For more on the backgrounds of incoming Fortune 500 directors, see "How are boards thinking about diversity today?" on page 23.)

"Our clients are gaining confidence in their ability to build boards and management teams that reflect the populations they serve—in an expanded sense of the word. While the shares of new board appointees who add gender or ethnic diversity to boards dropped or leveled off following a sharp increase in 2020 and 2021, boards' long-term commitment to gender and ethnic diversity remains intact and is expanding to improve leadership across an ever-increasing, complex set of issues."

Lyndon Taylor

Regional managing partner, Americas CEO & Board of Directors Practice, Heidrick & Struggles

Finally, respondents in the United States less often report spending more time on mainstream or activist shareholder concerns compared with those in other countries (only Denmark and Sweden report numbers consistent with the United States). This is somewhat surprising, given the presence of large asset managers and prominent activists in the United States.

The board landscape has always been in flux, and directors have always adjusted. In the same way that the push for independence, board diversity, and stronger financial oversight substantially reshaped today's boardroom, directors are again testing traditional boundaries as they consider addressing demands from an expanding and more influential set of stakeholders, and on a growing list of issues considered "external" and less relevant in the past. We now turn to the ways in which the most effective boards are responding.

More satisfaction with where the board spends time includes more time spent on CEO succession planning

CEO succession planning falls near the bottom of the list of areas where directors around the world say they've spent more time post-Covid, at 11th out of 13 options. However, 40% of directors who say their time is spent in the right places say they've increased time spent there, compared with only 28% of those who aren't satisfied. This suggests that at least some directors are concerned that succession planning is not receiving the attention it deserves—a reasonable concern given the findings of other recent research we've conducted showing that 57% of CEOs and directors had little or no confidence that their company's CEO succession planning was positioning the organization well for the future.

How are boards addressing the widening risk environment?

> US boards are selectively adding specialized experts to the board to address growing risks in the areas of cybersecurity, AI, climate, and geopolitical risk, but only if that expertise comes in the context of a director's broad-based business acumen and judgment. Directors must be able to contribute broadly, well beyond their area of deep expertise."

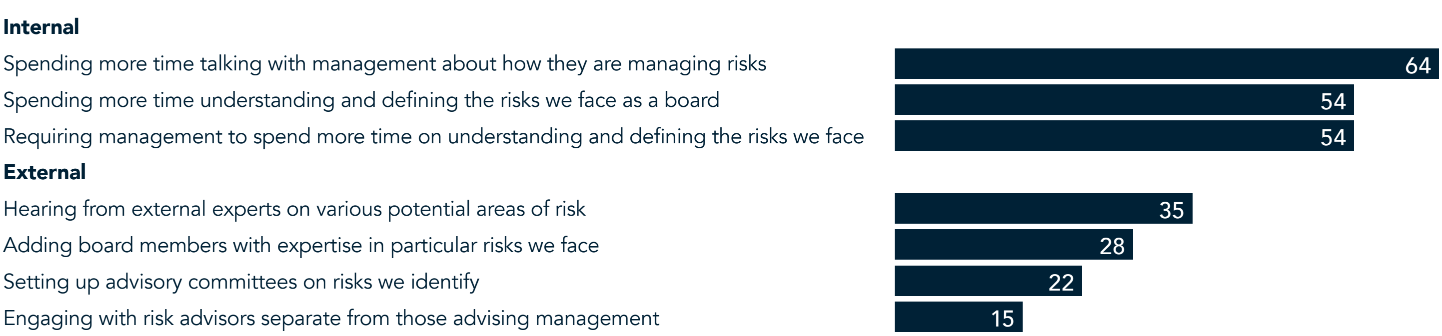
Lee Hanson

Vice chair and partner, CEO & Board of Directors Practice, Heidrick & Struggles

Most directors accept that the complexity, intensity, and accelerating rate of change in the boardroom requires a new approach to governance. Ironically, perhaps, in an environment where there is a call for leaders to have more expertise on every topic, what really helps them succeed are wisdom, business judgment, and learning. These capabilities have never been more important. Governing in this environment requires new and practical approaches to ensuring expertise and managing risk.

To better understand how boards are adjusting to this new reality, we asked what steps they have taken since Covid began to better manage uncertainty and risk. Respondents remain anchored primarily in risk management practices that are "internal" in nature; that is, derived from interactions among the board itself and between the board and management. However, we also see a growing willingness to draw in the contributions of "external" experts.

Global: Ways in which the board is managing risk and uncertainty post-Covid (%)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,552

Respondents in the United States report very similar responses to their counterparts around the world on the actions they're taking. The most significant increased investments are internal in nature: 68% of US directors report spending more time discussing risk with management; 50% report spending more time discussing risk among the board; and 49% report expecting more investment from management in understanding risk. However, they also report increased reliance on "external" sources to augment the board's capacity in key risk areas: 33% of US directors report an increased use of external experts; 30% report the addition of specialized experts to the board itself; 19% report establishing advisory committees; and 15% have hired independent experts separate from those advising management.

Our clients are adopting more comprehensive approaches to addressing risk in this expanding climate. We have seen a marked increase in the creation of dedicated board-level risk committees, advisory committee structures, and the rising importance of the risk function and the chief risk officer role, well beyond the traditional financial services context."

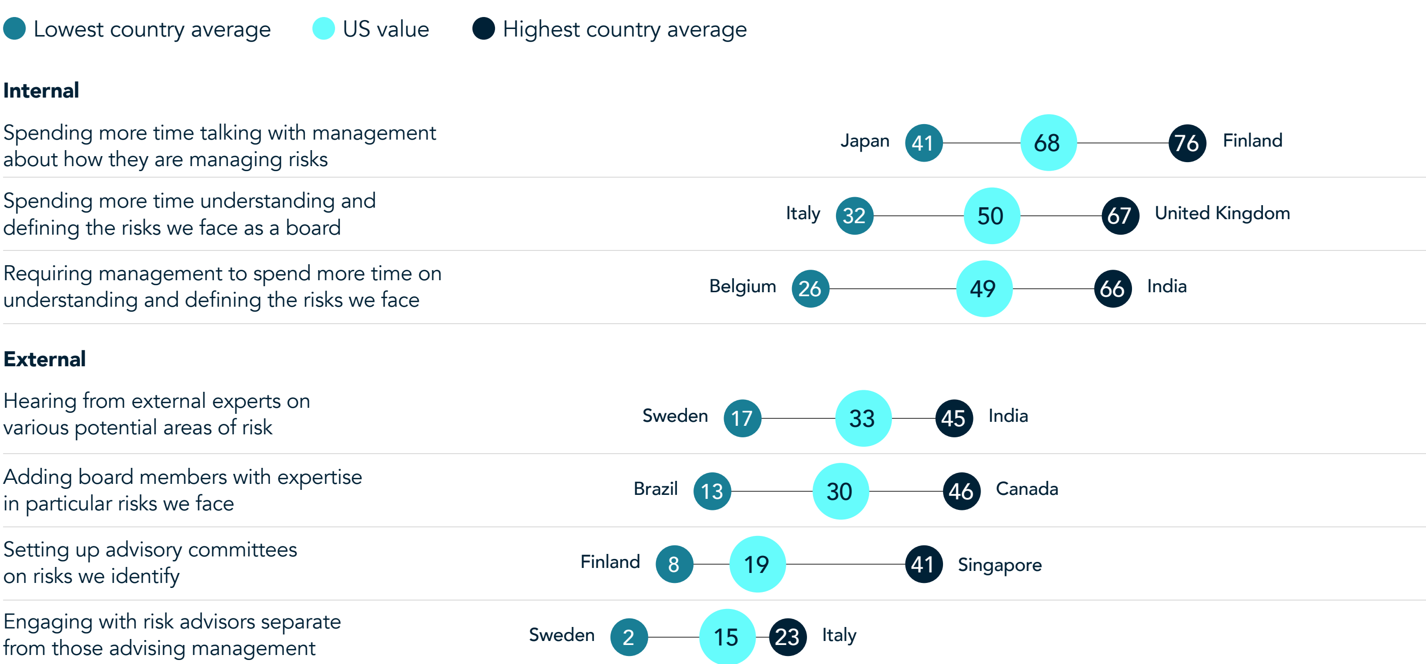
Liz Langel

Partner, global risk and controls, Financial Services Practice, Heidrick & Struggles

The United States in context

While US responses are remarkably similar to the global average on every dimension, there are some notable outliers in other markets.

Global: Ways in which the board is managing risk and uncertainty post-Covid, US respondents versus other markets (%)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,552

Perspectives across sectors and company types

- Globally, respondents at financial services companies, more than those at companies in any other sector, have most often taken active "external" steps to address risk and uncertainty: 41% have added board members (versus 28% overall); 44% use outside experts (versus 35% overall); and 24% use advisory boards (versus 22% overall).
- Consumer company respondents say they have least often added external risk management resources: 23% have added board members (versus 28% overall); 31% use outside experts (versus 35% overall); and 21% use advisory boards (versus 22% overall).
- Public and private companies alike have accelerated their risk management efforts, but public companies have accelerated more aggressively than private companies in every tactic we asked about.
- Respondents at larger companies more often than those at smaller companies report they are adding outside board members or hiring external experts.

Post-Covid, the risk landscape has widened for businesses. While companies remain anchored in financial and operational risk management practices, the spectrum is growing and now includes significant emerging cyber, AI, and geopolitical risks on top of growing environmental and social concerns and regulations. Increased investment, both internally and externally, is paying off for companies that invest in novel approaches to expanding capacity and expertise.

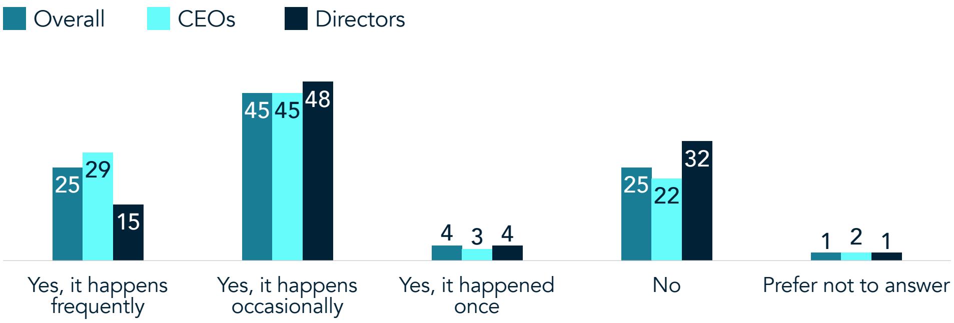
Are boards more operationally involved?

Few dispute that more is at stake and more is expected of directors now.[4] As the role of business in society expands, directors have been grappling with the boundaries of their respective roles. This has accelerated since Covid and is testing the sacrosanct "nose in, fingers out" standard that marks an important boundary between the board and management in ways we have not seen until recently.

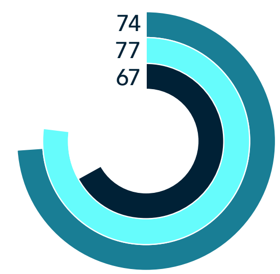
To better understand this complicated issue, we asked directors and CEOs the following question: "There is an impression that many board members are more operationally involved than ever before, some crossing the traditional line between oversight and management. Have you seen this on your board?"

Globally, a majority of respondents report that board members are more operationally involved: 25% say it happens frequently; 45% occasionally; and 4% that it has happened once. Only a quarter report that they have not crossed that line. Notably, CEOs more often than directors report operational involvement from the board.

Global: Boards' increasing operational involvement (%)



Share that say there has been increased operational involvement overall (%)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,569

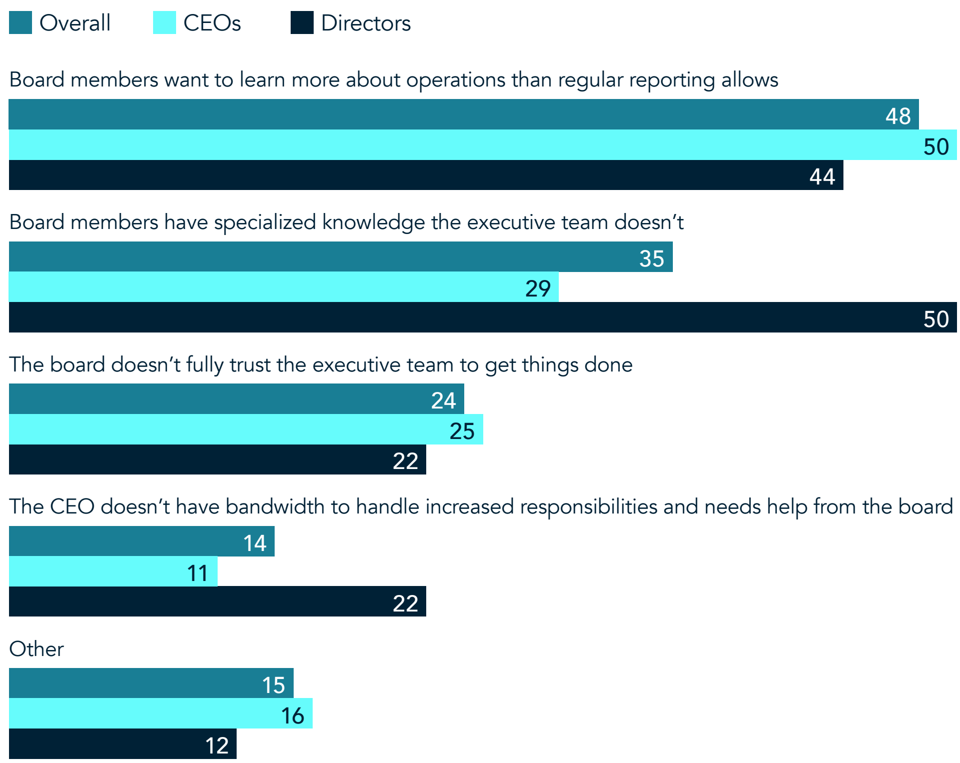
Note: Numbers may not sum to 100%, because of rounding.

4 For more on these evolving expectations, see Jeremy Hanson and Tim Gallagher, "CEO and board succession in the age of impact An evolving model: Trends and recommendations," Heidrick & Struggles, heidrick.com; and *The Future of the American Board*, NACD, October 13, 2022, nacdonline.org, p. 11.

Among those who cite increased involvement:

- CEOs most often say it's because board members want to learn more about operations than regular reporting allows.
- Directors most often say it's because they have specialized knowledge the executive team doesn't.

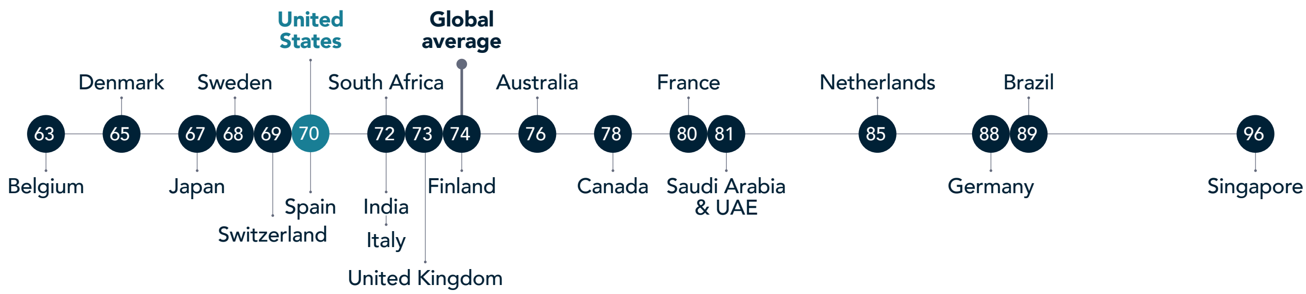
Global: Reasons why boards are more operationally involved (%)

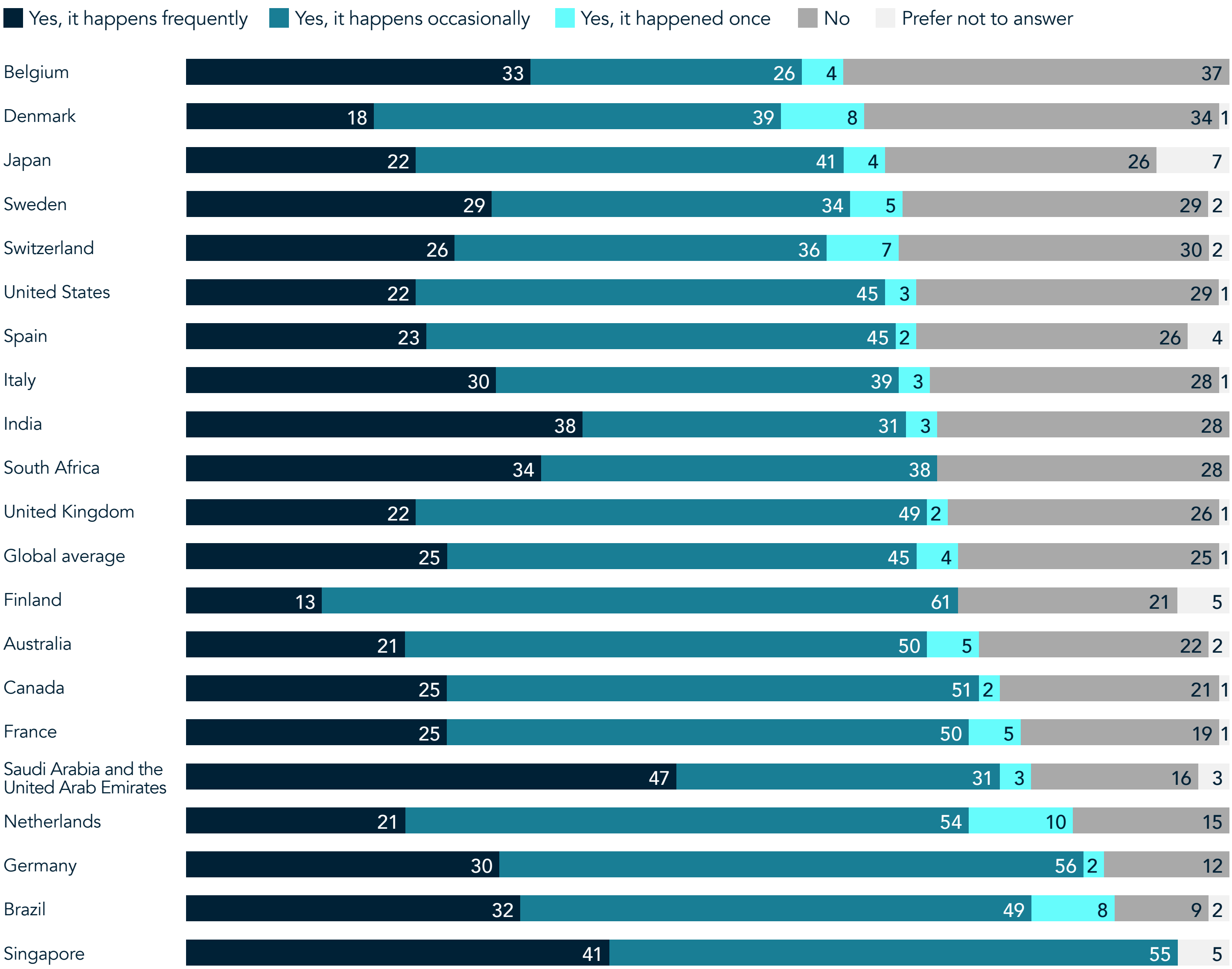


Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=1,858

Global: Boards' increasing operational involvement, by country

Share of respondents that have reported increased board involvement overall, by country (%)





Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,569

Note: Numbers may not sum to 100%, because of rounding.

The United States in context

US respondents least often say that increased operational involvement is frequent. And, they most often say that it doesn't happen at all, relative to most of their counterparts in other regions. Even so, a majority of those in the United States (70%) still report increased involvement overall.

The most common reason for increased involvement cited by US respondents is the need to learn more about the operational nature of the business than normal reporting allows.

The relationship between the board and management in the United States has never been closer as both consider an expanding set of responsibilities and pressures. We see this in our work. Still, US directors remain steadfast in preserving independence. Having a stronger pulse on the business without overreaching will continue to be a challenge."

Sachi Vora

Partner, CEO & Board of Directors Practice, Heidrick & Struggles

I think the board's role is changing quite significantly—far more significantly than we probably appreciate. I think the board needs to play a more active role in a whole range of things because you won't have the experience and capacity in the CEO to deal with these complexities. You'll need some of it from the board."

Mark Cutifani

Chairman, Vale Base Metals; board member, Total Energies; former CEO, Anglo American

More operational involvement by the board in privately owned companies

Seventy-seven percent of private company respondents—those at private equity– or venture capital–backed companies or family-owned companies—report more operational involvement by the board, compared with only 70% of public company directors.

Thirty percent of private company respondents report operational involvement happens frequently.

Private company respondents also say board members get involved for different reasons:

- 39% say it's because the board has specialized knowledge the executive team does not have, compared with 33% of respondents at public companies
- 16% do so because the CEO does not have the bandwidth to handle increased responsibilities and needs help from the board, compared with 12% of respondents at public companies

We are seeing tremendous growth in the private markets, fueling demand for independent directors and CEOs. This demand is rising in the midst of a short supply of proven private market CEOs, who remain tied up in a low deal-flow environment. Amidst this shortage, our clients are increasingly looking to both independent directors and the executive chair role to add operational muscle."

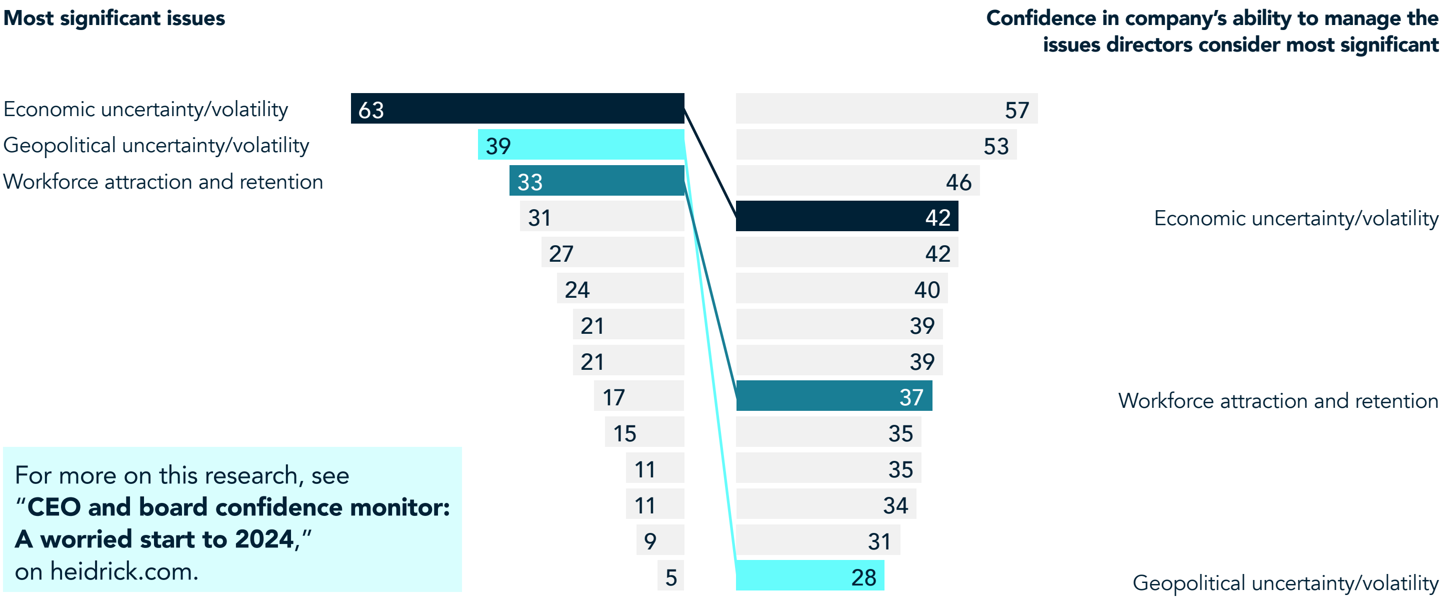
Stephen Schwanhausser

Global managing partner, Private Equity Practice, Heidrick & Struggles

How are boards engaging with the workforce?

Workers are increasingly influencing the board agenda globally. A number of trends are driving this, including demographic changes, income inequality concerns, talent shortages, inflation, the resurgence of labor unions in the United States, and the proliferation of social media organizing platforms. As we entered 2024, other recent research has found, workforce attraction and retention was the third-highest concern of directors, behind geopolitical risk and economic uncertainty—but it ranked in the bottom half of issues the board feels the company is equipped to address.[5]

Global: Most significant issues and confidence in company's ability to manage them (%)



For more on this research, see "**CEO and board confidence monitor: A worried start to 2024**," on heidrick.com.

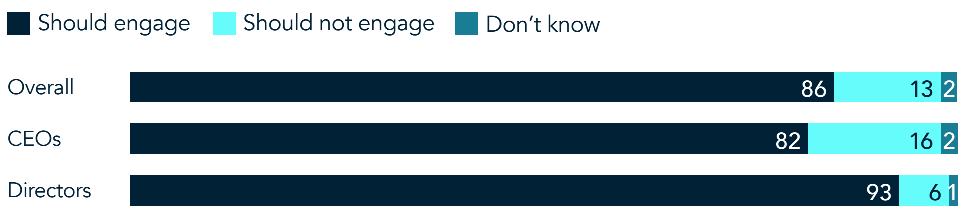
Source: Heidrick & Struggles' survey of CEOs and board members, November 2023, n=3,156

5 "CEO and board confidence monitor: A worried start to 2024," Heidrick & Struggles, January 17, 2024, heidrick.com.

We asked respondents how the board think they should engage with employees other than the most senior executives. A significant majority (86%) believe directors should engage with employees deeper in the company; only 13% believe they should not (the rest said they didn't know). But there is a notable difference between the responses of CEOs and directors: 93% of directors believe they should engage; 82% of CEOs say the same.

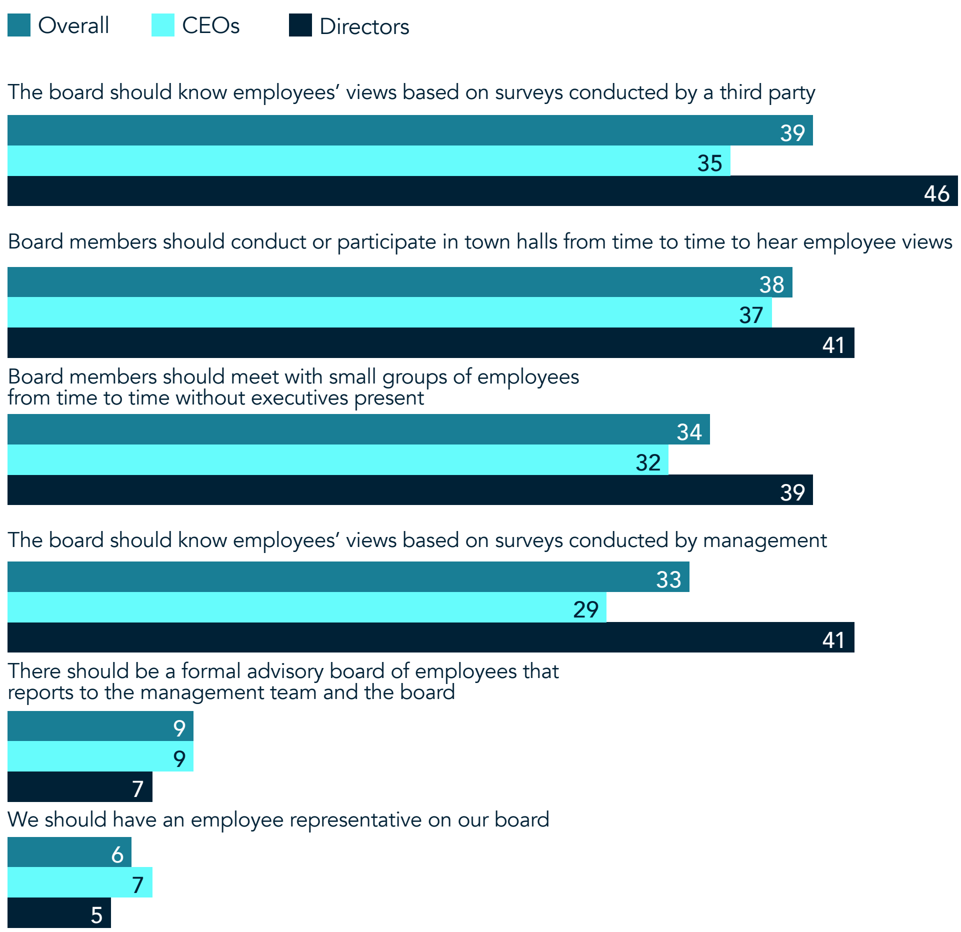
On a global basis, respondents most often preferred to engage with the workforce through the use of surveys, town halls, and direct engagement with small groups of employees without management present. Here, too, there are some differences between how directors and CEOs think boards should seek engagement.

Global: Board members' engagement with employees deeper in the firm (%)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,547
Note: Numbers may not sum to 100%, because of rounding.

Global: Ways boards should engage (%)



Source: Heidrick & Struggles' survey of CEOs and board members, February 2024, n=2,547

The United States in context

Eighty-one percent of US respondents are in favor of directors engaging with the workforce beyond those in senior management, slightly lower than the 86% global share. Respondents most in favor of engagement are in Australia (98%) and the United Kingdom (96%), while those least in favor are in Belgium, Finland, and Sweden (each at 78%).

Seventeen percent of US respondents say directors should not interact with employees at all.[6] Only respondents in Finland (20%), Sweden (20%), and Belgium (19%) report higher percentages.

US respondents less often advocated for formal or structural methods of workforce engagement than the global average. Only 6% of US respondents favor the use of formal advisory boards, for example, compared with 9% globally. In some countries, having employee representatives on a board or separate board is a regulatory requirement.[7]

Thirty-seven percent of US respondents favored the use of third-party surveys conducted by management—the only employee engagement alternative that US respondents favored more than the global average. This suggests that US respondents remain most comfortable with management continuing to lead employee engagement, rather than wanting the board to engage more directly themselves.

Twenty-seven percent of US respondents noted a preference for meeting with small groups of employees without management present, compared with a global average of 34%. Sixty-one percent of respondents in the United Kingdom most often preferred this approach, while respondents in Finland were least interested, at only 15%.

6 Two percent of US respondents said they do not know whether directors should interact with employees at all.

7 In Austria and Germany, boards operate under a two-tier system, with the exception of those operating under an SE, which allows companies to choose between a one-tier and two-tier system. Organizations in Belgium, France, Italy, and the Netherlands can choose between two or even three alternative board structures; in some cases, a two-tier board is mandatory if a company is a certain size or has a certain number of employees. Board-level employee representatives are meant to give workers input and insight into company strategic decision making, though their actual influence and oversight role depend on many factors. For more, see "Board-level employee representation," worker-participation.eu; and Andrea Garnero, "What we do and don't know about worker representation on boards," *Harvard Business Review*, September 6, 2018, hbr.org.

Perspectives across sectors and company types

I don't know how long we are going to be in a period where employees are literally calling the shots—how much they are paid, where they work—but we cannot dig in our heels. We have to find common ground where we don't lose what we are both looking for."

Donna James

Chair, Victoria's Secret & Company, and board member, American Electric Power and The Hartford Financial Services Group

Respondents at larger companies more often favor engagement with small groups of employees without management present than those at smaller companies (42% and 32%, respectively).

Respondents in the financial services sector most often favor engagement with employees without management present: 44% compared with a high of 35% in other sectors.

Directors' engagement with the workforce is on the rise globally, but it varies widely from one region to another. US directors are much less likely to adopt the worker co-determination regimes we see in parts of Europe. Historical, social, and legal constructs in Europe have led to a 'cooperative' structure that has supported the development of trade unions, workers councils, and employee directors. In the United States, shareholder primacy is the norm, but there is a discernible increase in boards paying closer attention to oversight of companies' human capital, whether it be talent acquisition, hybrid workplace policies post-Covid, diversity development efforts, whistleblower programs, or workplace culture following the 'me too' movement, in addition to the more traditional compensation matters. This has led to more engagement between directors and non-management employees at some companies, and we may see more of this over time as a broader range of stakeholder interests are discussed at the board level.

David Karp

Partner, Corporate Practice, Wachtell, Lipton, Rosen & Katz

Given the growing influence the workforce has on business globally, it is not surprising that directors are engaging more and exploring novel approaches to understanding the needs of this increasingly important stakeholder. While reticent to allow formal engagement approaches, most directors—with the support of many but not all CEOs—are interested in more direct interaction.

How are boards thinking about diversity today?

The business world, for all its faults, has proven its ability to respect our differences, using them as a source of valuable debate, and to work above and around our divisions to solve complex problems, drive innovation, and create value. This is perhaps why business has a trust edge over the government and the media. For most of us, this edge is hard to put into words, but you know it when you feel it—that lift inside when you realize your colleagues, customers, and employees don't necessarily live, vote, or pray like you and you couldn't care less. This is when business is at its best. Governing and leading across abiding cultural divisions may be the most important thing business has to offer society. Some of the most substantial changes in the US governance environment are reflected in the changes we see in board diversity. In the United States, we have focused on gender and ethnicity trends, which we will cover here, but the conversation has widened to consider the impact of geopolitical differences—at home and abroad—and the importance of other stakeholders, whose influence we covered earlier.

Diversity among the newest directors

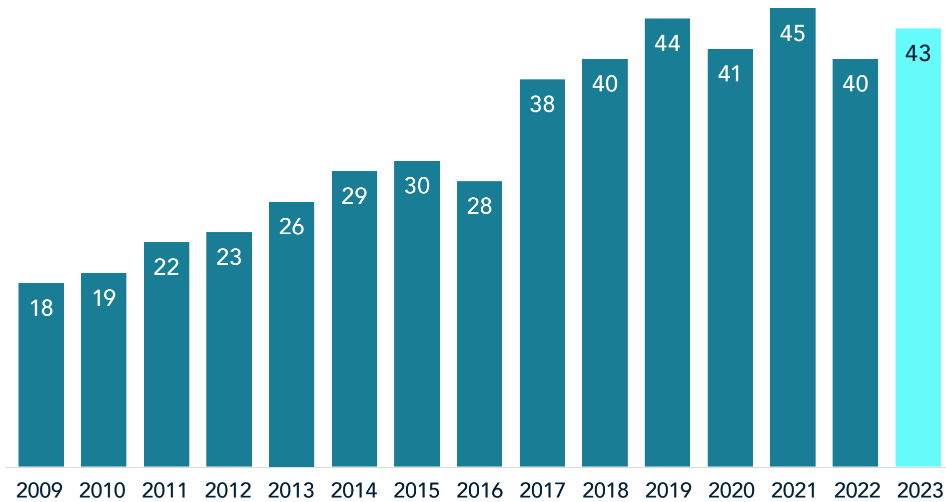
Each year, we analyze the new appointments to Fortune 500 boards, including overall turnover, new directors' former and current executive roles, and age, among other aspects of their backgrounds.[8] For the full year of 2023, we saw a continued retreat from peak ethnicity and gender placements in 2019 and 2021.

8 "Board Monitor US 2024: Explore the data and trends," Heidrick & Struggles, heidrick.com.

Female directors

The number of seats going to women on US boards has advanced substantially over the past 15 years but fell slightly last year, and the total share of women directors remains short of parity. The percentage of seats going to women on public Fortune 500 company boards in the United States since 2009 on a percentage basis has more than doubled, but appointments have leveled off in the past five years.

United States: Share of female director appointments, 2009–2023 (%)

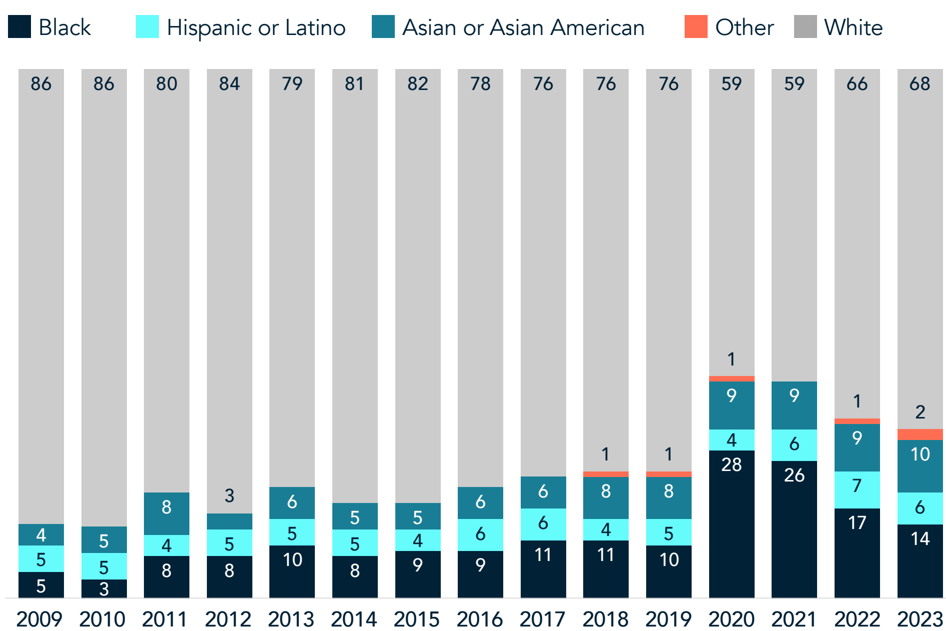


Source: Heidrick & Struggles' analysis of Fortune 500 boards. In 2023, there were 386 seats filled.

Ethnically diverse directors

The overall percentage of seats on public Fortune 500 company boards in the United States going to ethnically diverse people has retreated from a historical high of 42% of appointments in 2020 to 32% in 2023. Nonetheless, the share is still holding above the 15-year average (24%). The 2020 high was a surge from 24% the prior year.

Race/ethnicity trends of new appointments, 2009–2023 (%)



Source: Heidrick & Struggles' analysis of Fortune 500 boards. In 2023, there were 386 seats filled.

Note: Numbers may not sum to 100%, because of rounding.

A closer look at the appointment data for different ethnic groups reveals important differences:

- Appointments of Black directors showed the steepest decline in 2023, but they are holding a strong positive trend line and approaching the overall share of the Black population in the United States. The number of Black directors appointed as a percentage of total appointments has ranged over the past 15 years from 3% (2010) to 28% (2020), averaging 12% over the entire period. Appointments in 2021, 2022, and 2023 dropped to 26%, 17%, and 14%, respectively.

- Appointments of Hispanic or Latino directors have not changed much in the past 15 years and are not keeping pace with growth in the US Hispanic or Latino population overall. The number of Hispanic or Latino directors appointed as a percentage of total appointments was 6% in 2023 and has ranged over the past 15 years between 4% and 7% of total appointments.

- Asian or Asian American appointments as a percentage of total seats have grown gradually over the past 15 years and are roughly representative of the overall US Asian or Asian American population. The number of Asian or Asian American appointments has grown from a low of 3% (2012) to a peak in 2023 (10%) of all appointments, led by consumer sector companies, where 17% of director appointments in 2023 were Asian or Asian American.

Diversity considered broadly

On March 28, 2024, the White House Office of Management and Budget released its first set of revisions to its standards for maintaining, collecting, and presenting federal data on race and ethnicity in 27 years, with a notable impact on how US citizens self-identify and the notable addition of a "Middle Eastern and North African" designation. These changes highlight the difficulty in understanding the concept of parity in a certain sense. The following data provides a good directional sense of how representative the US director population is from a gender and ethnicity perspective.

	US population	Fortune 500 total board seats, 2022	New appointments to Fortune 500 boards, 2023	Peak
Gender (%)				
Men	50	68	57	82
Women	50	31	43	45
Ethnicity (%)				
White	59	79	68	86
Hispanic or Latino	19	5	6	7
Black	14	12	14	28
Asian or Asian American	6	5	10	10
Other	5	0.2	2	2
	Source: US Census Bureau, July 1, 2023	Source: *Missing Pieces Report*, Deloitte, 2022, deloitte.com, pp. 11–12	Source: Heidrick & Struggles' analysis of Fortune 500 boards. In 2023, there were 386 seats filled.	Source: Heidrick & Struggles' analysis of Fortune 500 boards, 2009–2024

Our clients remain committed to building boards that reflect the employee and customer populations they serve. The long-term trends reflect strong progress—and uncover room for improvement. This is a never-ending task."

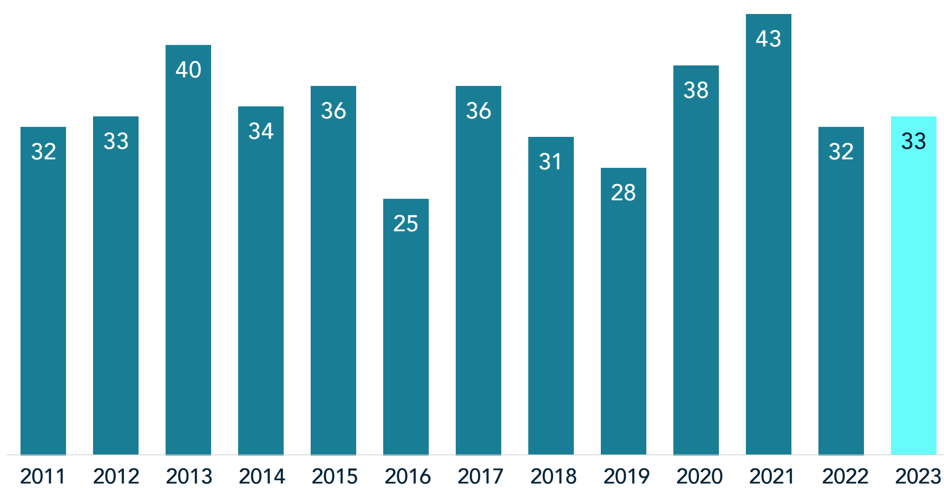
Bonnie W. Gwin

Vice chair and co-managing partner, CEO & Board of Directors Practice, Heidrick & Struggles

In some countries, including France, Norway, and the United Kingdom, increasing gender diversity on boards is a regulatory requirement. But in other countries, including the United States, we can gain a more nuanced understanding of how boards consider gender and ethnic diversity in the context of how they consider other aspects of potential directors' backgrounds. For example, directors gaining their first public company board seat are, on the whole, more diverse in terms of gender and race—as well as more diverse in terms of professional expertise—than longtime directors. They bring digital or sustainability expertise more often, and less often have been a CEO or CFO.

Our data also undercuts one often-cited perspective on first-time directors, which is that boards seat them less frequently when they are anticipating economic volatility. Our data suggests a more nuanced reality, in which recent periods of economic stress, such as during Covid, have occurred alongside increases as well as decreases in first-time appointments. In 2023, a third of new director seats went to first-timers, which is about the average.

United States: First-time public board director trends, new appointments, 2011–2023 (%)



Source: Heidrick & Struggles' analysis of Fortune 500 boards. In 2023, there were 386 seats filled.

Summary

Change is a constant, and this has been particularly pointed for directors in recent years as society looks to business for more than it ever has. But the fog is clearing for boards that are learning to adapt. Many are finding that societal impact and shareholder value can go hand in hand, and, if managed well, the director role can be less overwhelming and more rewarding. Following are a set of recommendations that reflect adjustments effective boards are making.

Recommendations to consider

1 **Increase stakeholder engagement**
A majority of US directors are increasing engagement with stakeholders of many kinds. Engagement with the workforce varies widely by region, and from company to company. In the United States, most directors are increasing their commitment to ensure the voice of non-management employees are heard in the boardroom, while stopping short of the more formal voting mechanisms required in some countries.

2 **Cultivate a learning culture on the board**
Directors are accustomed to being hired for their expertise—for being experts. This won't change, but the scope of expertise required is expanding beyond the capacity of a traditional board. In this environment, "learning to learn" and business judgment have never been more important. Effective chairs set the tone for learning.

3 **Expand sources of expertise**
Still, a growing number of boards are also using mechanisms such as advisory committees, external advisors, and on-demand talent platforms to surround the board with the range of rapidly changing skills needed to create capacity and govern in this expanding environment.

4 **Increase investment in succession planning**
In this widening risk environment, and with rising investor pressure on directors, effective boards are adopting an ongoing approach to succession planning—for both the CEO and board itself. Reactive recruitment projects are a thing of the past. Still, our research shows concern among many directors that succession is being pushed down the priority stack and not actively addressed.

5 **Govern across boundaries**
Polarization has reached severe levels in a growing number of countries, most notably the United States. The new face of diversity includes and goes well beyond traditional definitions and boundaries. The implications for business are far reaching. Make certain that director candidates have the experience, wisdom, empathy, and proven reputation of working across societal and inter-company boundaries.

6 **Leverage others**
As the scope of board responsibility expands, lean on the corporate secretary for help. Challenge service providers and outside experts to take on more, collaborate with each other, and rethink their business models (standards, pricing, conflicts). Lean on the executive team, and on peer companies, to develop collaborative insights and drive change.

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Methodology

In November 2023, Heidrick & Struggles fielded an online survey that garnered responses from 3,156 respondents. Of those, 2,320 respondents were CEOs and 836 were non-executive directors. Forty-one percent were in Europe; 38% in North America; 10% in Asia Pacific; 4% in both Latin America and the Middle East; and 2% in Africa. Respondents represented companies of all sizes; 23% reported annual revenue of US $1 billion or more. Companies ranged across all industries.

In February 2024, Heidrick & Struggles fielded an online survey that received responses from 2,653 respondents. Of those, 1,927 respondents were CEOs and 726 non-executive directors. Thirty-seven percent were in Europe; 37% in North America; 9% in Asia Pacific; 4% in the Middle East; 3% in Latin America; and 1% in Africa (and 9% N/A). Respondents represented companies of all sizes; 26% reported annual revenue of US $1 billion or more. Companies ranged across all industries.

This analysis is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our global CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (B3), Canada (TSX 60), Colombia (COLCAP), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), India (Nifty Top 200), Italy (FTSE MIB), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Poland (WIG20), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), Spain (IBEX 35), Sweden (OMX Stockholm 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX and DFM), the United Kingdom (FTSE 350), and the United States (Fortune 500). Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

CEO & Board of Directors Practice

Heidrick & Struggles' CEO & Board of Directors Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board of Directors Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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