Board effectiveness:
A survey of the C-suite

November 2021
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Key findings

**Board effectiveness**

Directors have a firm grasp of core oversight areas, with most executives saying boards have a strong understanding of:

- Company strategy: 84%
- Opportunities and risks: 79%
- Company's shareholders: 76%

...yet executives say directors don't always give it their all

Only 29% of executives rated their board's overall performance as excellent or good.

**Board composition and diversity**

Executives want change on the board

Nearly nine in 10 (89%) executives say one or more directors on their board should be replaced.

Directors and executives disagree on board diversity roadblocks

60% of executives view long-serving directors' unwillingness to retire as the biggest hurdle to more diverse boards.

while...

directors are more likely to cite the lack of qualified candidates.

**Board expertise**

Executives say directors don't understand ESG and lack cybersecurity acumen

- 70% of executives rate their boards' ESG expertise as fair or poor, the lowest score for any subject matter.
- 61% of executives say the board lacks technology expertise.
- 64% of executives say the board has a fair or poor understanding of cybersecurity, data security and data privacy.
Introduction

It’s rare for corporate directors to receive candid feedback from their company’s management teams. The nature of the board of directors’ oversight role makes it an uncomfortable proposition. But the view of the boardroom from the C-suite can be illuminating—and surprising. That is why PwC and The Conference Board asked more than 550 public company C-suite executives to share their perspective on their boards’ overall effectiveness, their strengths and weaknesses, and their readiness to tackle some of the biggest challenges facing companies today.

The results were clear: most executives say board performance is falling short of the mark.

This isn’t to say that executives were uniformly negative in their assessment. Many agreed that directors had a firm grasp of core matters such as the company’s strategy, the risks and opportunities before it, and the priorities of its shareholders.

Yet most executives had a less positive view of overall performance. Asked to rate the effectiveness of their boards, just 29% of executives gave directors a grade of good or excellent. Most (55%) said that they were doing a fair job overall, and a small minority (16%) graded their effectiveness as poor.

While this is not exactly a failing grade, it isn’t a resounding endorsement either. Many executives said that boards lack preparedness, put too little time into their duties, and have insufficient expertise in some emerging topics like environmental, social, and governance (ESG) matters and cybersecurity, which are high priorities for lawmakers, regulators, and other stakeholders.

Many executives question whether the directors on their boards have the right skills, experience, and background to help steer companies through today’s uncertain climate. Nearly nine out of 10 executives (89%) say that at least one of their company’s board members needs to be replaced. Executives point to the reluctance of long-tenured directors to retire, in particular, as an impediment to board diversity.

COVID-19 has been an all-hands-on-deck moment for corporations, placing unprecedented demands on both executives and boards. As companies continue to refine their strategies for coping with the pandemic’s ongoing disruptions, the survey shows that boards still have work to do in the eyes of their management teams.

These survey findings point to some critical areas for improvement. Both directors and executives alike may benefit from reflecting on these findings with an eye to strengthening their partnership, which is crucial to the success of any company.
The COVID-19 pandemic and the economic and social disruption that it caused have been huge challenges for companies, and their leaders have been tested as never before. With supply chains snarled and many workplaces closed, executives and boards of directors have had to navigate unprecedented uncertainty.

Against this backdrop, executives found reasons to both praise and fault their boards. Directors understand their company quite well in the eyes of the C-suite, with many saying they grasp areas like strategy and key risks and opportunities quite well. Yet many executives also believe that directors aren’t investing enough time and effort into their jobs. The result: middling marks for overall effectiveness.

According to the C-suite, directors understand their companies well

<table>
<thead>
<tr>
<th>Percent of executives saying their boards understand:</th>
<th>Very well/somewhat</th>
<th>Not very well/not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Key business risks and opportunities</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>Shareholder base</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>Competitive landscape</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Executive compensation plans and incentives</td>
<td>72%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Q3. How well do you think your board understands the following about your company?
Base: 530–548
Boards demonstrate mastery of their core responsibilities

There’s no denying that corporate boards have overcome huge obstacles in the past year. Executives praise directors for their strong grasp of the fundamentals of oversight and give them high marks for their understanding of the company. More than eight out of 10 (84%) say board members understand company strategy somewhat or very well, and more than seven out of 10 say the same of its key risks and opportunities (79%) and shareholder base (76%).

Executives also say that directors bring the right mindset to their oversight responsibilities. Only 11% say board members lack true independence of judgment or are reluctant to challenge management, and just 13% say they’re too risk averse. When it comes to the attitudes directors bring to the boardroom, executives say they’re on the right track.

Few executives find fault with directors’ mindset

Percent of executives who believe the following about any of their board’s members:

- too risk averse: 13%
- reluctant to challenge management: 11%
- lacks true independence of judgment: 11%
- unqualified to serve on the board: 7%

Q7. Do you believe any of the following about any of your company’s board members? (select all that apply)
Base: 552
Executives rate overall director performance as lackluster

When asked to take a step back and evaluate the overall effectiveness of their boards amid a still-unsettled environment in 2021, most executives said directors had done a fair job (55%). A surprisingly small share gave them a grade of excellent (10%) or good (19%). These assessments varied across industries, with executives at banks and insurance companies giving the highest marks and media, entertainment, and telecommunications executives giving lower grades.

Many executives see directors’ preparation and time spent in their role as insufficient. Fewer than one in four executives (23%) said their board is fully prepared for meetings, and only 27% said directors spend enough time on their duties. These perspectives may suggest that, while most companies’ management teams were permanently in “all hands on deck” mode to deal with the pandemic and its fallout, executives felt their efforts weren’t always being matched in the boardroom.

Most executives assess directors’ overall performance as fair

Percentage of executives grading their board’s overall effectiveness as:

- Poor 16%
- Fair 55%
- Good 19%
- Excellent 10%

Q1. How would you rate the overall effectiveness of your board of directors?
Base: 552
Different roles, diverging views

CEOs and CFOs were the most likely to rate board performance as highly effective, while technology and legal executives were the most critical. CEOs were also much less likely to say that their boards needed significant refreshment. Only about one in five (19%) believe one or more directors should be replaced, compared with the average of 89% across the entire C-suite.

Tech leaders were the most likely to say their function got insufficient attention from directors. General counsels and other senior lawyers were not far behind. This may suggest that how much of the board’s focus executives perceive they’re getting may be a factor in overall perceptions of director performance.

Views on director performance varies across function

<table>
<thead>
<tr>
<th>Function</th>
<th>Percentage saying board effectiveness is good or excellent</th>
<th>Percentage saying one or more directors should be replaced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>74%</td>
<td>19%</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>39%</td>
<td>83%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>25%</td>
<td>94%</td>
</tr>
<tr>
<td>Operations</td>
<td>24%</td>
<td>96%</td>
</tr>
<tr>
<td>Legal</td>
<td>19%</td>
<td>97%</td>
</tr>
<tr>
<td>Technology</td>
<td>17%</td>
<td>92%</td>
</tr>
</tbody>
</table>

Q1. How would you rate the overall effectiveness of your board of directors?; Q8. In your opinion, how many directors on your board should be replaced? Base: 534; 537
Board refreshment: Executives want to reboot their boards

It’s no secret that turnover in US public company boardrooms is low. Almost half of Russell 3000 companies and 37% of those in the S&P 500 didn’t make a single change to their boards during the 2021 director election season. Historically, board refreshment has not always been a priority. That can make it challenging for boards to add new members with needed skills, fresh perspectives, and diverse personal and professional backgrounds.

Executives want board refreshment. Almost nine in ten (89%) say at least one director should be replaced. When PwC’s 2021 Annual Corporate Directors Survey asked directors the same question, more than half (53%) didn’t think any change was necessary at all.

The C-suite’s appetite for board turnover exceeds directors’

In your opinion, how many directors on your board should be replaced?

<table>
<thead>
<tr>
<th></th>
<th>Executives</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>11%</td>
<td>53%</td>
</tr>
<tr>
<td>One</td>
<td>16%</td>
<td>29%</td>
</tr>
<tr>
<td>Two</td>
<td>43%</td>
<td>14%</td>
</tr>
<tr>
<td>More than two</td>
<td>31%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q8. In your opinion, how many directors on your board should be replaced?
Base: 554
*Results for directors are based on PwC’s 2021 Annual Corporate Directors’ Survey

The challenge of long-tenured directors

Experience can be an asset in the boardroom, but executives sometimes view over-committed and long-serving directors as an obstacle to needed changes. More than half (53%) of those surveyed say their board includes members whose long tenure has led to diminished performance. Likewise, 44% of executives see over-committed directors on their board.

It’s only natural that directors who’ve served on a company’s board for a long time are respected by their colleagues. Unfortunately, that respect can sometimes manifest as excessive deference on the part of less experienced directors. They can give extra weight to a veteran director’s opinion, dismissing what others have to say. These are manifestations of authority bias, an often unconscious cognitive bias that can hurt board culture if left unchecked. Board members may not always be able to see it as it’s happening, but many executives say they do. When we asked them to identify unproductive dynamics they’ve observed in their boardroom, the top choice among executives was excessive deference to long-tenured directors (42%).

Executives also view long-serving directors’ unwillingness to retire as a significant hurdle to efforts to bring directors with different skills, experiences, and identities into the boardroom. In fact, this was the most frequently cited impediment to increased board diversity, cited by 60% of executives we surveyed.

When experience ceases to be an asset

Executives say long-tenured directors can hamper board effectiveness

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>Say reluctance to retire is hampering diversity efforts</td>
</tr>
<tr>
<td>53%</td>
<td>Believe long tenure has led to diminishing director performance</td>
</tr>
<tr>
<td>42%</td>
<td>Have seen excessive deference to veteran directors on their boards</td>
</tr>
</tbody>
</table>

Q5. In your opinion, what has impeded efforts to increase board diversity (i.e., why haven’t boards become diverse more quickly)? (select all that apply);
Q7. Do you believe any of the following about any of your company’s board members? (select all that apply); Q9. Which of the following have you observed in your own boardroom?
Base: 544; 552; 555
Executives seek faster action on board diversity

Executives see the value in having a board made up of directors with diverse backgrounds and a variety of areas of expertise. By significant majorities, they also say that their boards fall short in that dimension. Perhaps unsurprisingly given their overall bearish view on their board's subject matter knowledge, just 29% of executives say their board has the right mix of skills and expertise. In addition, only 21% said the board has enough gender, racial, and ethnic diversity.

Directors and executives agree that board diversity is a priority. They don’t always see eye to eye on what's getting in the way of achieving it. As discussed on page 10, the most commonly cited impediment by executives is the reluctance of long-tenured directors to retire. Meanwhile, almost half (45%) of board members say a lack of qualified candidates from underrepresented groups is hampering these efforts. That's a much less commonly held view in the C-suite, with only 19% of executives citing it as a cause.

One thing many executives and directors can agree on: boards rely too heavily on members' personal and professional networks to identify promising candidates—and it's setting back efforts to improve diversity.

### Differing perspectives on board diversity roadblocks

Percentage of executives and directors identifying the following as impediments

<table>
<thead>
<tr>
<th>Impediment</th>
<th>Executives</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-tenured directors' reluctance to retire</td>
<td>60%</td>
<td>39%</td>
</tr>
<tr>
<td>Over-reliance on director networks</td>
<td>44%</td>
<td>38%</td>
</tr>
<tr>
<td>Lack of qualified candidates</td>
<td>19%</td>
<td>45%</td>
</tr>
<tr>
<td>Change on board is not needed</td>
<td>13%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Q5. In your opinion, what has impeded efforts to increase board diversity (i.e., why haven't boards become diverse more quickly)? (select all that apply)

Base: 544

*Results for directors are based on PwC’s 2021 Annual Corporate Directors’ Survey


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In key areas, executives see directors’ acumen lacking

The challenges that companies face are evolving rapidly. Not only do issues like climate change, for example, pose strategic risks to companies of all sizes and in every industry, but stakeholder expectations around how businesses plan to mitigate those risks are also in flux. The result: an uncertain landscape that must be navigated with care.

At the same time, our survey of C-suite executives’ perspectives on their boards reveals that these leaders don’t always feel confident that their directors have the skills and knowledge to fully engage in this work. They’re looking for boards to grow their expertise around these key issues and to deepen their commitment to addressing them.

Q6. How would you describe your board’s expertise in the following areas?
Base: 543-553
Public companies’ most influential stakeholders are intensely focused on ESG matters. The largest institutional investors are taking companies’ response to climate change into account when they make investment decisions and vote their shares. They’re also pushing companies toward greater disclosure around workforce and boardroom diversity data. Many companies are also facing mandates to act on diversity from their stock exchange or the state government where they’re headquartered.

It therefore follows that ESG should be a priority for boards as well. Directors feel they have it covered, with less than a quarter (24%) saying their board needs to spend more time on the matter, according to PwC’s 2021 Annual Corporate Director Survey.

The view from the C-suite is different. Fewer than half of executives say boards are spending enough time on ESG issues like climate change, diversity and inclusion, and corporate political activity. What’s more, executives feel directors don’t truly understand ESG. They gave directors poor marks when it comes to grasping the ESG risks facing their companies—just 47% said board members understand somewhat or very well. That’s a stark contrast with directors’ self-assessment. Four in five (80%) said they have a handle on such matters.

Climate change offers an illuminating example. Directors feel they’re taking the matter seriously. Indeed, PwC’s 2021 Annual Corporate Directors Survey found that 65% of directors said their companies should take climate change very much or somewhat into account when crafting corporate strategy. What’s more, 73% said they were concerned about its effects on the business environment and society. Despite these sentiments, executives say directors aren’t doing enough. Just 27% say their board is sufficiently focused on climate change.

Large companies’ executives are more likely to praise their boards on ESG

Percentage of executives describing their board’s expertise as good or excellent

18% Less than $500m
21% $500m to $1b
34% $1b to $5b
37% $5b to $10b
44% More than $10b

Q6. How would you describe your board’s expertise in the following areas? ESG
Base: 543
Human capital and talent need even greater focus, according to the C-suite

Much like cybersecurity, human capital and talent oversight have become a pressing concern for boards of directors during the COVID-19 pandemic. Keeping employees safe and healthy has of course been of paramount importance. But the pandemic has also forced many companies to speed up their digital transformation in order to facilitate remote working options that sustain employee productivity. In addition, companies have had to develop new strategies to recruit and retain workers as the war for talent intensifies.

Our survey contains some good news for boards when it comes to human capital. This is an area where executives gave directors relatively high marks, with 71% saying their boards’ understanding of talent development and pipeline issues was sufficient. This is especially noteworthy because when PwC polled directors in the summer of 2021 on matters related to the future of work, a significant share of board members said oversight of talent matters became more difficult during the pandemic.³

Executives would still like to see boards spend more time on human capital matters, however. Only about half (48%) say employee health and safety is getting the attention it needs in the boardroom, and 41% feel the same way about diversity and inclusion.

Human capital-related issues need more focus from directors, executives say

Percent saying their boards spend enough time/attention on:

- Employee health and safety: 48%
- Diversity and inclusion: 41%
- Labor rights/human rights: 33%

Q4. Is your board devoting enough time/attention to the following ESG issues?
Base: 496

³ PwC, Directors find themselves a sounding board for future-of-work decisions, August 2021.
Cybersecurity acumen is perceived as a weakness

An increase in cyberattacks amid the abrupt shift by many employees to remote working due to the COVID-19 pandemic has thrust cybersecurity into the headlines and to the top of C-suite and boardroom agendas.

And yet, the grades executives give their boards for their readiness to tackle this issue are mediocre. A significant portion of executives (42%) say directors don’t understand their company’s cybersecurity vulnerabilities very well or at all, according to executives. And 64% of executives describe their boards’ cyber expertise as fair or poor.

Technology and IT executives are even more critical of directors’ cybersecurity acumen. Three quarters (75%) of respondents in those functions say their boards’ cybersecurity expertise is fair or poor.

Cybersecurity knowledge is seen as weak by executives who know the most about it

<table>
<thead>
<tr>
<th>Percentage who say directors understand cybersecurity vulnerabilities not very well or not at all</th>
<th>Percentage who rate their board’s cybersecurity expertise as fair or poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>42%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Q3. How well do you think your board understands the following about your company? Cybersecurity vulnerabilities; Q6. How would you describe your board’s expertise in the following areas? Cybersecurity, data security and data privacy

Base: 538; 549
Executives underestimate virtual meetings’ impact on the board

During the COVID-19 pandemic, most boards shifted from in-person meetings to virtual ones. Just over half of directors (52%) feel this made meetings more efficient, according to PwC’s 2021 Annual Corporate Director Survey, and many executives (41%) concur.

But while only 8% of executives say that virtual meetings had a negative impact on board effectiveness, the share of directors who agree was nearly five times as large at 39%. A significant portion (43%) of board members also reported that these meetings hurt director engagement and a majority (61%) said board culture suffered. Executives were less likely to identify any of those issues.

This divergence of views may be due in part to differences in how the board and C-suite function. Boards are collaborative, organic entities, and directors need the time not just in meetings, but in hallways and during breaks, to connect. They also need to be able to read the full set of their colleagues’ visual and body language cues. When a director thinks management is going off on the wrong course, she or he needs to “feel” whether they are the only one in the room thinking that way. All of that is more difficult, if not impossible, in a virtual setting.

**Directors perceive a greater impact from the shift to virtual board meetings**

<table>
<thead>
<tr>
<th></th>
<th>Negative impact</th>
<th>Positive impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meeting effectiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td>39%</td>
<td>12%</td>
</tr>
<tr>
<td>Executives</td>
<td>8%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Director engagement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td>43%</td>
<td>5%</td>
</tr>
<tr>
<td>Executives</td>
<td>13%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Board culture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td>61%</td>
<td>2%</td>
</tr>
<tr>
<td>Executives</td>
<td>20%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Q10. In your view, how has the shift to virtual board/committee meetings impacted the following? Base: 486–497

*Results for directors are based on PwC’s 2021 Annual Corporate Directors’ Survey

Bridging the gap: Working together to strengthen oversight

Effective corporate governance requires collaboration between boards and management teams. Though the responsibility of oversight belongs to directors, they cannot fulfill it alone. Building a stronger partnership between the C-suite and the boardroom can only benefit companies in the long run.

Executives believe their boards have a good command of the company’s business and are bringing the right level of independent judgment, risk tolerance, and professional skepticism to the roles. Yet they are clearly saying they want more—specifically, a better command of today’s and tomorrow’s biggest challenges.

Here are some steps that can help both directors and executives strengthen their working relationship.

For executives

Help your board stay prepared

Directors need to remain informed to be effective in their roles. When providing data or other information to your board, make sure you’re striking the right balance—it can be just as difficult for directors to have too much information as too little.

Action item: Take a fresh look at the materials you provide to the board. Review them from a director’s perspective. In particular, ask whether the information you provide, as a whole, can reasonably be absorbed by your directors. In presenting data to the board, dashboards can be a powerful tool to collect and visualize important data in a way that’s more digestible than charts in a slide deck. Consider distilling key messages into executive summaries. Ensure that the board has enough lead time to digest whatever you provide.

Foster connections between executives and directors

It can be helpful for board members to not only hear directly from executives who are dealing with high-priority areas on the front lines, but also to have the chance to build relationships with them. It fosters trust while also keeping directors informed.

Action item: Take stock of the relationships between members of the management team and directors overseeing their functional areas. Are lines of communication open between the audit committee chair and the CFO, for example? If those connections aren’t as strong as they could be, commit to a plan for improving them.
**Understand that board education is a shared responsibility—and an ongoing opportunity**

Corporate directors don’t have day-to-day involvement in company affairs and aren’t likely to be subject matter experts in every topic that comes before the board. Presentations should be geared to an educated lay person to be most effective.

**Action item:** Ensure that you devote time to bringing directors up to speed on rapidly-evolving areas that are priorities for the firm and its stakeholders, such as data security and privacy, carbon emissions, and supply chain sustainability. Schedule appropriate times to tackle these topics, as time on board and committee agendas is often at a premium. Consider making company executives and/or outside advisors who are experts on these topics available to directors for briefings or educational sessions.

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**Play an active role in director onboarding**

Executives have a role to play in making sure that new directors understand the essentials of the business from day one. New directors who joined in 2020 may never have met key leaders in person. Those elected in 2021 may have a better chance for face-to-face interaction early in their tenure, but until the pandemic subsides they may still face hurdles.

**Action item:** The C-suite should develop a coordinated onboarding strategy that gives new directors facetime with relevant management functions. Very early in their tenure, each new director should have time for one-on-one discussions with the CEO’s direct reports, as well as other key individuals such as the head of internal audit, chief ethics and compliance officer, and corporate secretary. It can also help for directors to meet C-suite executives’ direct reports over time.

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**For directors**

**Take full advantage of annual board and committee self-assessments**

Boards routinely conduct board and committee self-assessments as required by stock exchange listing standards, but all too often they’re treated as “check-the-box” compliance exercises. And it still isn’t uniformly expected that boards perform individual director assessments. Investing time in a thoughtful, in-depth annual self evaluation can pay dividends in the long run.

**Action item:** In addition to board and committee self-assessments, consider adopting a robust process for individual director self-assessments. Regardless, ensure that your annual self-assessments provide opportunities for candid conversations with each director and among the directors. Provide enough time to discuss the board’s composition, responsibilities, leadership and committee structure, meetings, briefing materials, and education programs—and, of course, overall effectiveness.
Commit to having difficult conversations with underperforming peers

Year after year, PwC’s Annual Corporate Directors Survey reveals an uncomfortable truth: directors know some of their fellow board members aren’t pulling their weight. The persistence of this view shows another unpleasant reality. Candid conversations with underperforming peers can be extremely uncomfortable. However, they are necessary in the eyes of executives and directors alike.

**Action item:** Board and nominating and governance committee chairs should make a plan to address individual director performance issues if one doesn’t already exist. Make sure expectations are clear and know what the next steps will be if they continue to go unmet. Ongoing feedback from board leadership to individual directors is also key.

Don’t shy away from director succession planning

For many boards, the search for new directors doesn’t truly get underway until a vacancy is imminent. That can make it difficult to find candidates with the skills and attributes that are necessary not just to fill the empty chair today, but to help the board get ready for what’s next.

**Action item:** Do the work now to build a pipeline of qualified, diverse board candidates. Having a long-term plan will help make it easier to find prospective directors with the skills and perspectives your board may be missing.

Embrace continuous learning

Executives recognize the board’s mastery of key corporate issues like strategy and risk oversight. Still, it’s a good idea to seek out opportunities to go deeper on emerging topics—especially if they’re areas in which the board doesn’t have much experience. Don’t hesitate to reach out to management to arrange briefings with the company’s executives or advisors.

**Action item:** Before your next board or committee meeting, consider whether there are items that have been making repeat appearances on the board’s agenda, but with which you or other directors aren’t as familiar as you would like. Contact the CEO, general counsel, or corporate secretary to ask them to consider the best way to bring the board up to speed. Don’t hesitate to tap outside experts and advisors to get a fresh perspective.

Get serious about increasing boardroom diversity

Boardrooms are getting more diverse, but even greater change will likely be needed to meet the expectations of shareholders, lawmakers, regulators, and stock exchanges. Many boards will need to rethink their strategies to keep up.

**Action item:** Executives flagged overreliance on directors’ professional networks as one of the top impediments to board diversity efforts. Direct search firms and other consultants to bring the board diverse slates of candidates every time there’s an opening.
Appendix: Complete survey findings

Note: Due to rounding, some charts may not add to 100%.

1. How would you rate the overall effectiveness of your board of directors?

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>10%</td>
</tr>
<tr>
<td>Good</td>
<td>19%</td>
</tr>
<tr>
<td>Fair</td>
<td>55%</td>
</tr>
<tr>
<td>Poor</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 552

2. With which of the following general statements about your board do you agree? (select all that apply)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The board does not overstep the boundaries of its role</td>
<td>43%</td>
</tr>
<tr>
<td>The board is able to respond well in a crisis</td>
<td>33%</td>
</tr>
<tr>
<td>The board asks probing questions</td>
<td>31%</td>
</tr>
<tr>
<td>The board has the right mix of skills/expertise</td>
<td>29%</td>
</tr>
<tr>
<td>The board spends a sufficient amount of time in doing its job</td>
<td>27%</td>
</tr>
<tr>
<td>Members of the board come to meetings fully prepared</td>
<td>23%</td>
</tr>
<tr>
<td>Our board has sufficient gender/racial/ethnic diversity</td>
<td>21%</td>
</tr>
<tr>
<td>My function does not receive sufficient time/attention from the board</td>
<td>18%</td>
</tr>
<tr>
<td>The board appears distracted or disengaged</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 473
3. How well do you think your board understands the following about your company?

<table>
<thead>
<tr>
<th>Area</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Not very well</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key business risks and opportunities</td>
<td>22%</td>
<td>57%</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Competitive landscape</td>
<td>22%</td>
<td>51%</td>
<td>22%</td>
<td>5%</td>
</tr>
<tr>
<td>Strategy</td>
<td>21%</td>
<td>62%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Shareholder base</td>
<td>20%</td>
<td>56%</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Executive compensation plans and incentives</td>
<td>19%</td>
<td>53%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>Talent development and pipeline</td>
<td>17%</td>
<td>54%</td>
<td>23%</td>
<td>7%</td>
</tr>
<tr>
<td>Corporate culture</td>
<td>17%</td>
<td>53%</td>
<td>22%</td>
<td>9%</td>
</tr>
<tr>
<td>Crisis response plan</td>
<td>17%</td>
<td>48%</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>M&amp;A strategy</td>
<td>16%</td>
<td>53%</td>
<td>24%</td>
<td>7%</td>
</tr>
<tr>
<td>Key stakeholders’ concerns</td>
<td>14%</td>
<td>38%</td>
<td>27%</td>
<td>22%</td>
</tr>
<tr>
<td>Cybersecurity vulnerabilities</td>
<td>13%</td>
<td>44%</td>
<td>28%</td>
<td>15%</td>
</tr>
<tr>
<td>ESG risks</td>
<td>12%</td>
<td>34%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Impact of digital transformation/emerging technology</td>
<td>11%</td>
<td>50%</td>
<td>23%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 530–548
4. Is your board devoting enough time/attention to the following ESG issues?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee health and safety</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Sustainable procurement/supply chain policy</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Labor rights/human rights</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Use of natural resources</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Political activity/contributions</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>Climate change</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Base: 496

5. In your opinion, what has impeded efforts to increase board diversity (i.e., why haven't boards become diverse more quickly)? (select all that apply)

- Long-serving directors’ reluctance to retire: 60%
- Over-reliance on director networks to source candidates: 44%
- CEO not invested in board diversity: 23%
- Board leadership not invested in board diversity: 23%
- Lack of qualified candidates: 19%
- Change on the board is not needed: 13%
- Fears that it will negatively impact board effectiveness: 9%

Base: 544
6. How would you describe your board’s expertise in the following areas?

<table>
<thead>
<tr>
<th>Area</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>17%</td>
<td>39%</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>Risk management</td>
<td>15%</td>
<td>28%</td>
<td>49%</td>
<td>8%</td>
</tr>
<tr>
<td>Operations</td>
<td>13%</td>
<td>34%</td>
<td>48%</td>
<td>5%</td>
</tr>
<tr>
<td>Industry trends</td>
<td>13%</td>
<td>30%</td>
<td>47%</td>
<td>10%</td>
</tr>
<tr>
<td>Marketing and communications</td>
<td>10%</td>
<td>31%</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td>Human resources</td>
<td>10%</td>
<td>28%</td>
<td>47%</td>
<td>15%</td>
</tr>
<tr>
<td>Crisis management</td>
<td>10%</td>
<td>26%</td>
<td>53%</td>
<td>10%</td>
</tr>
<tr>
<td>International</td>
<td>9%</td>
<td>22%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>Technology</td>
<td>8%</td>
<td>31%</td>
<td>41%</td>
<td>20%</td>
</tr>
<tr>
<td>Cybersecurity, data security and data privacy</td>
<td>8%</td>
<td>28%</td>
<td>41%</td>
<td>23%</td>
</tr>
<tr>
<td>ESG (environmental, social and governance)</td>
<td>8%</td>
<td>22%</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Base: 543–553
7. Do you believe any of the following about any of your company’s board members? (select all that apply)

- Long tenure has led to diminished performance: 53%
- Serves on too many boards: 44%
- Consistently unprepared for meetings: 35%
- Oversteps the boundaries of his/her director role: 22%
- Interaction style negatively impacts board dynamics (e.g., style/culture/fit): 19%
- Advanced age has led to diminished performance: 19%
- Too risk averse: 13%
- Lacking true independence of judgment: 11%
- Reluctant to challenge management: 11%
- Unqualified to serve on the board: 7%
- None of the above: 13%

Base: 552

8. In your opinion, how many directors on your board should be replaced? (select only one)

- Zero: 11%
- One: 16%
- Two: 43%
- More than two: 31%

Base: 554
9. Which of the following have you observed in your own boardroom? (select all that apply)

- Excessive deference to long-tenured directors: 42%
- Directors who dominate the discussion: 32%
- Directors who do not actively participate in the dialogue: 27%
- Overly collegial atmosphere: 27%
- Excessive deference to executives: 21%
- Excessive deference to directors with specific expertise: 17%
- Reluctance to change course strategically: 15%
- Failure to devote adequate time to important agenda items: 14%
- Inability to remain focused on the discussion at hand: 12%
- Weak board/committee leadership: 11%
- None of the above: 9%
- Not sure/no basis to judge: 1%

Base: 555

10. In your view, how has the shift to virtual board/committee meetings impacted the following?

- Meeting efficiency: Positive impact 41% No impact 51% Negative impact 8%
- Meeting effectiveness: Positive impact 37% No impact 54% Negative impact 8%
- Director engagement: Positive impact 30% No impact 57% Negative impact 13%
- Ability to voice dissent: Positive impact 29% No impact 52% Negative impact 19%
- Ability to challenge/question management: Positive impact 28% No impact 53% Negative impact 19%
- Board culture: Positive impact 26% No impact 54% Negative impact 20%

Base: 495–497
**Demographics**

Your role is (or is within the office of):

- Chief executive officer: 5%
- Chief financial officer: 12%
- Chief operational officer: 22%
- General counsel/chief legal officer: 22%
- Chief human resources officer: 26%
- Chief information/technology officer: 10%
- Chief marketing officer: 3%

Base: 538

Which of the following best describes your company's industry? (select only one)

- Asset and wealth management: 6%
- Banking and capital markets: 6%
- Consumer products: 16%
- Energy (power and utilities): 8%
- Health services: 6%
- Industrial products: 12%
- Media/entertainment/telecommunications: 6%
- Pharma and life sciences: 5%
- Technology: 16%
- Other: 5%

Note: Business and professional services, energy (oil and gas), insurance, real estate, and retail each comprised less than 5%.
Base: 555

What are the annual revenues of your company?

- Less than $500 million: 24%
- $500 million to $1 billion: 18%
- $1 billion to $5 billion: 29%
- $5 billion to $10 billion: 14%
- More than $10 billion: 15%

Base: 553

Which of the following describes your board leadership structure?

- CEO chair: 57%
- Non-executive independent chair: 29%
- Other: 3%

Base: 535
About the survey

PwC and The Conference Board’s study, *Board Effectiveness: A survey of the C-suite*, gauges the perception that C-suite executives at public companies across the US have related to the performance of their boards of directors. In 2021, 556 executives participated in our survey. The respondents represent a cross-section of senior executives from over a dozen industries, the majority of whom help to lead companies with revenues of more than $1 billion.

**PwC’s Governance Insights Center** is a group within PwC whose mission is to provide insights to directors, executives, and investors to help them better understand governance topics and trends.

www.pwc.com/us/governanceinsightscenter

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