

Corporate Board Survey Results: 2019 Trends & Insights

February 2019

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Strengthening boardrooms and executive teams

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2019: Summary

JWC Partners' 2019 survey of board directors reveals new insights about board challenges with diversity and skill development; we are delighted to share these with you. More than 125 board members contributed, from boards of all sizes, with the majority from public companies in the United States with revenues >\$1 billion. Key findings:

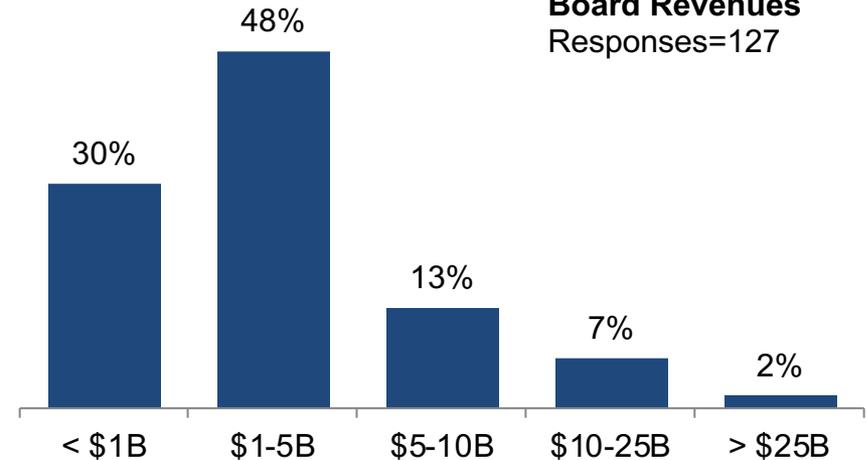
Strategy, Leadership, and Technology in the Boardroom

- Strategy and Leadership Succession continue to be pressing issues in the boardroom, and directors see both growing in importance in the next 5-10 years.
- Technology continues to top the list as the boardroom issue for the future.
- IT and digital company expertise are the most under-represented skills in the boardroom. Diversity has held the second spot for several years and dropped to fourth on the list this year as many companies added diverse members in 2018 (see below).
- Directors are largely satisfied with their annual board assessment process.

Diversity Gains in the Boardroom

- Most boards have added diverse board members in the last two years.
- When diversifying boards, functional expertise is a primary goal for new members, followed closely by industry expertise and gender.
- Many boards added women in 2018; some in response to government mandates but most as a result of shareholder and market pressure. There is little support for government playing a direct role in diversifying corporate boards.
- Diversity has been effective in the boardroom, expanding board perspectives and deepening discussions.
- Search firms are an important resource in the diversification process.

Board Revenues Responses=127



Strategy and M&A Experience are Key Issues in the Executive Suite

- Strategic perspective remains the dominant focus for the executive suite of the future.
- M&A experience moved up the list for the third year to become the next most needed executive skill, followed closely by global experience.
- Boards assess potential internal CEO successors in large part through individual observations and interactions, mainly at board presentations and board dinners.

Please contact JWC Partners for further information about the survey and results. We thank all of the directors for sharing their perspectives.

For the past several years, directors have considered corporate strategy and CEO succession the most important boardroom topics

IMPORTANCE OF TOPICS IN BOARDROOM

Rating (1-7 scale)



Trends: financial management moved down the list several spots while technology climbed

Directors identify technology, CEO and leadership succession, and corporate strategy as increasingly important board topics of the future

IN THE FUTURE, WHICH TWO TOPICS WILL BECOME MOST IMPORTANT, REQUIRING MORE TIME IN THE BOARDROOM?

Percent selected as top two most important topics



Trends:

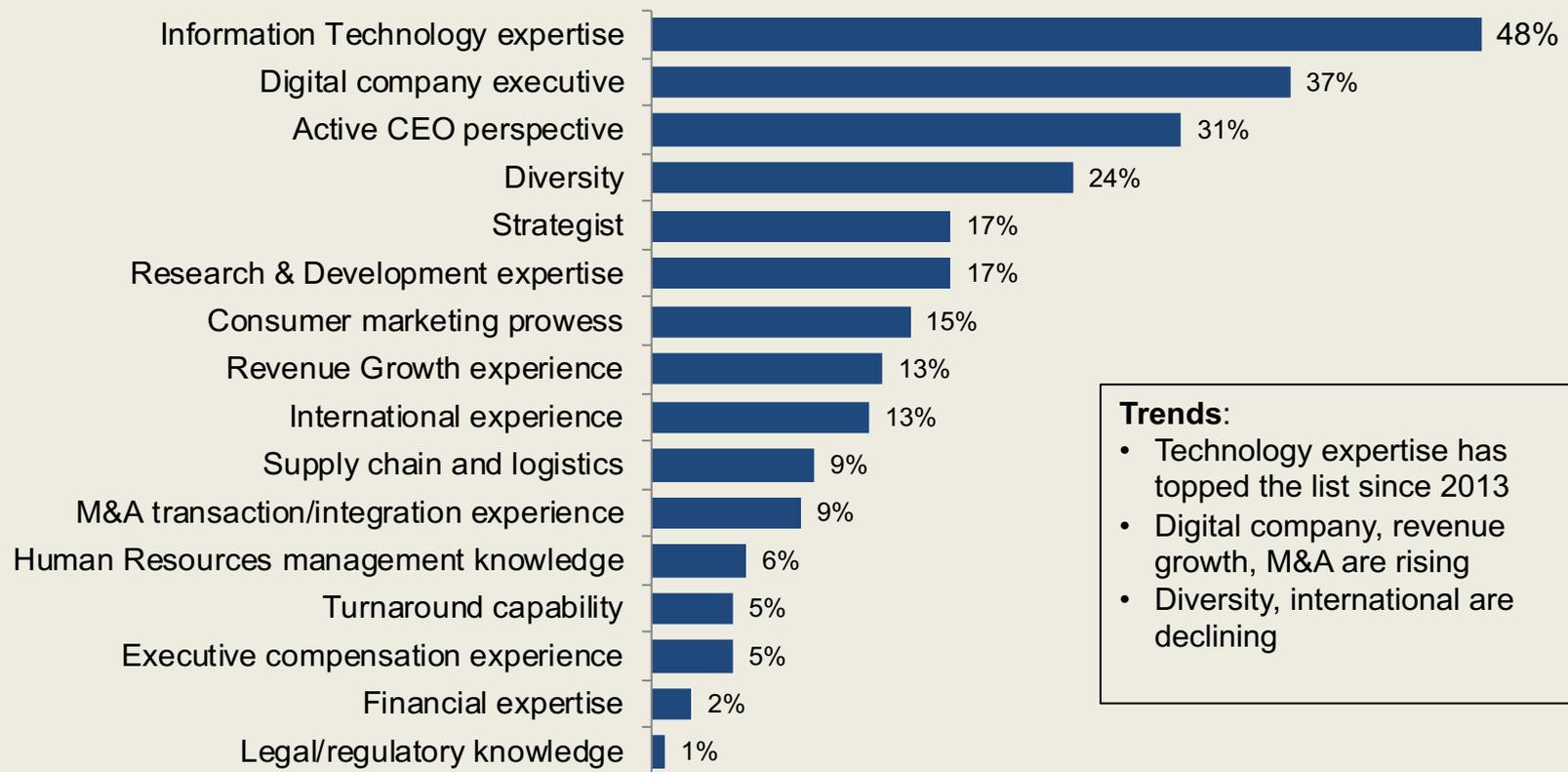
- CEO evaluation, executive compensation are rising
- Legislative, group dynamics, financial management are declining

Other: M&A; integration of newly acquired businesses

Directors identify IT expertise, digital company experience, and active CEO perspective as the most underrepresented skills in the boardroom today

UNDERREPRESENTED SKILLS AND EXPERIENCE

Percent selected as top three most important topics



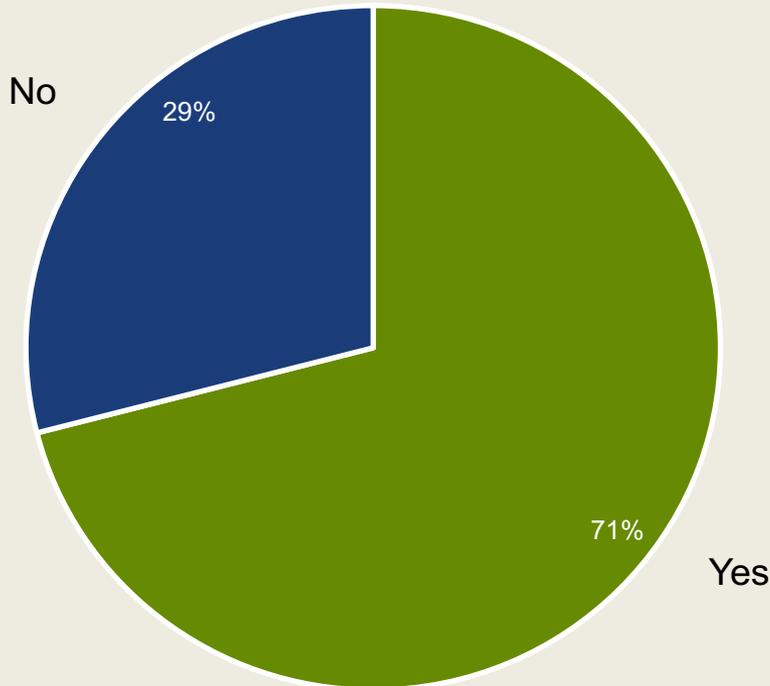
Trends:

- Technology expertise has topped the list since 2013
- Digital company, revenue growth, M&A are rising
- Diversity, international are declining

For the past several years, directors have identified diversity as a focus when adding new members

HAS YOUR BOARD INCREASED DIVERSITY IN THE LAST TWO YEARS?

Percent of Responses

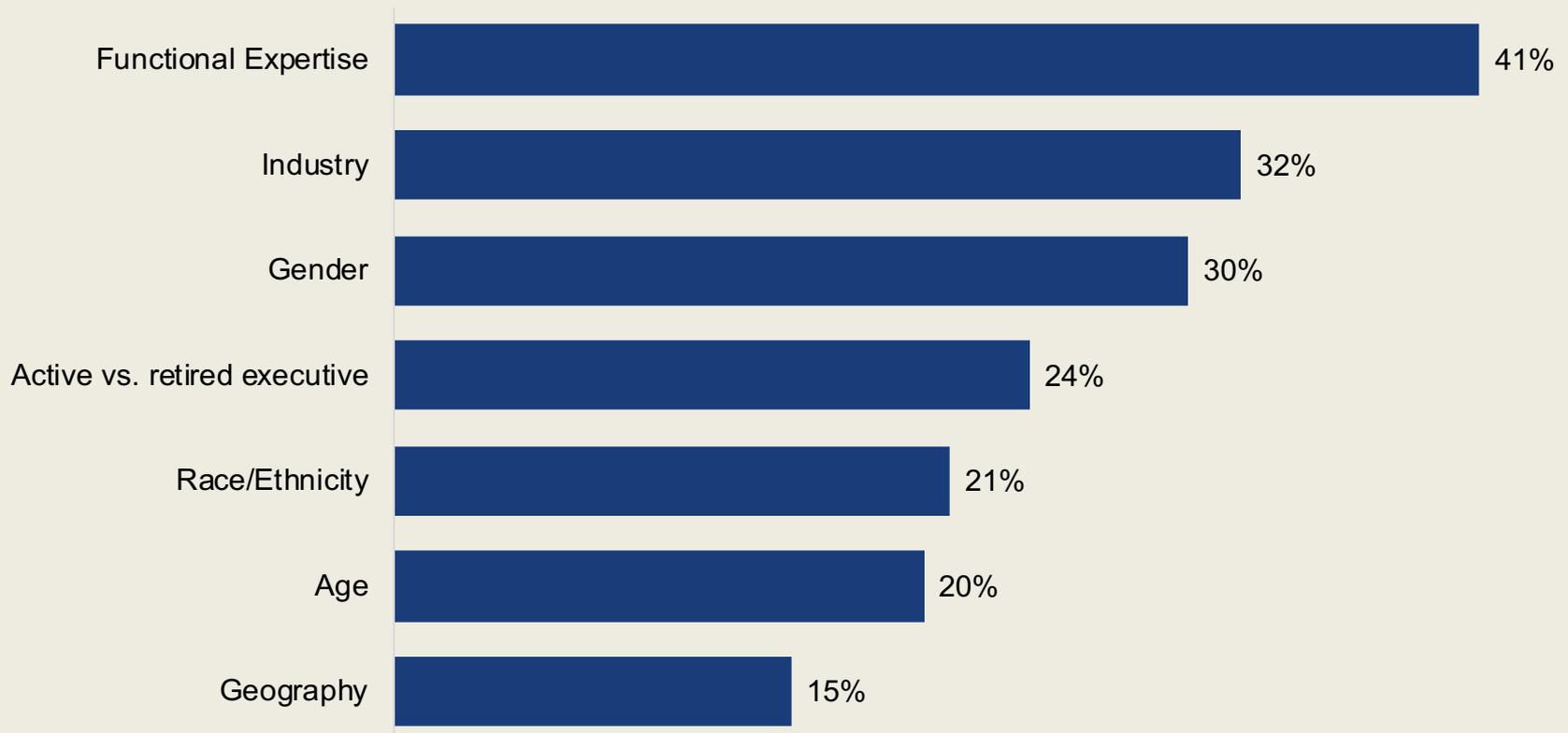


HOW HAS YOUR BOARD BECOME MORE DIVERSE?

- Added women, a person of color, younger board members and people with different backgrounds
- Added industry expertise
- Added ethnically diverse directors with relevant functional and industry expertise
- Went from 1 to 3 women in 3 years
- Went from 1 to 3 racially diverse directors
- We now have 5 women out of 11 directors

Diversity is defined across several dimensions

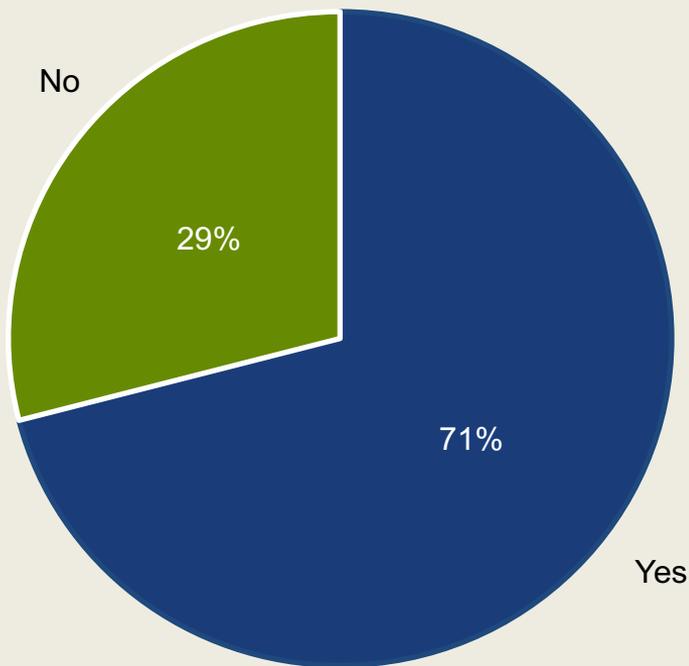
WHAT TYPES OF DIVERSITY ARE MOST IMPORTANT WHEN ADDING BOARD MEMBERS?



Directors believe that increasing diversity on boards is useful and that search firms are an important tool in the diversification process

HAS INCREASING DIVERSITY MADE YOUR BOARD MORE EFFECTIVE?

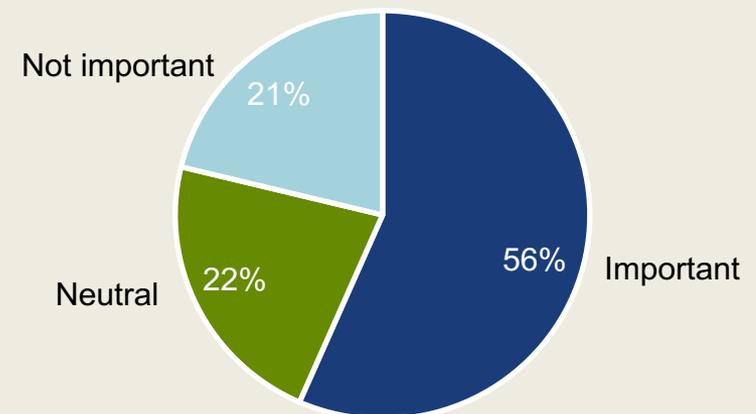
Percent of Responses



HOW IS YOUR BOARD MORE EFFECTIVE?

- Encourages more debate and brings in different perspectives
- More complete discussions
- Increased viewpoints and challenges group think
- Different tone, more questions
- Finding the right person where individual courage can neutralize historical male bias has been the challenge

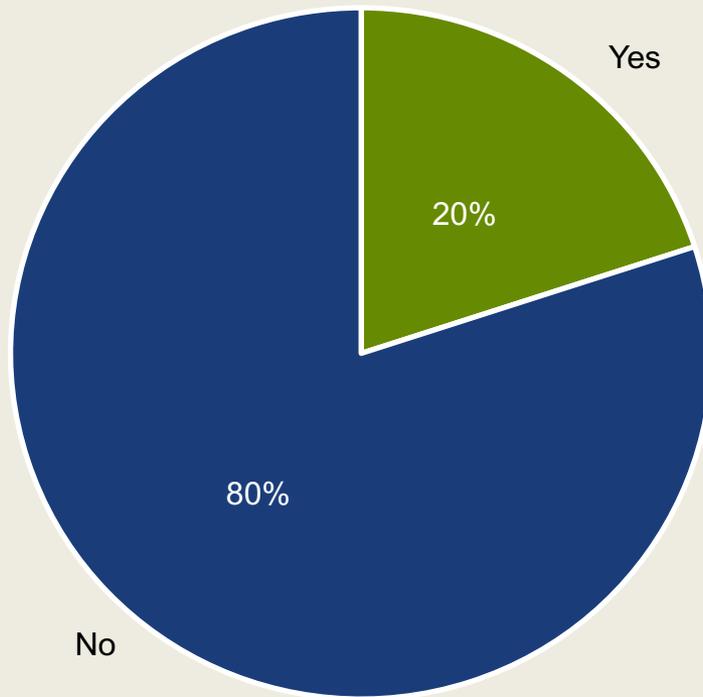
HOW IMPORTANT IS IT TO USE A SEARCH FIRM TO ENSURE A DIVERSE BOARD?



Directors overwhelmingly do not support government mandates of board composition

SHOULD THE GOVERNMENT MANDATE THAT COMPANIES ADD WOMEN TO THEIR BOARDS, AS RECENTLY LEGISLATED IN CALIFORNIA AND SEVERAL EUROPEAN COUNTRIES?

Percent of Responses



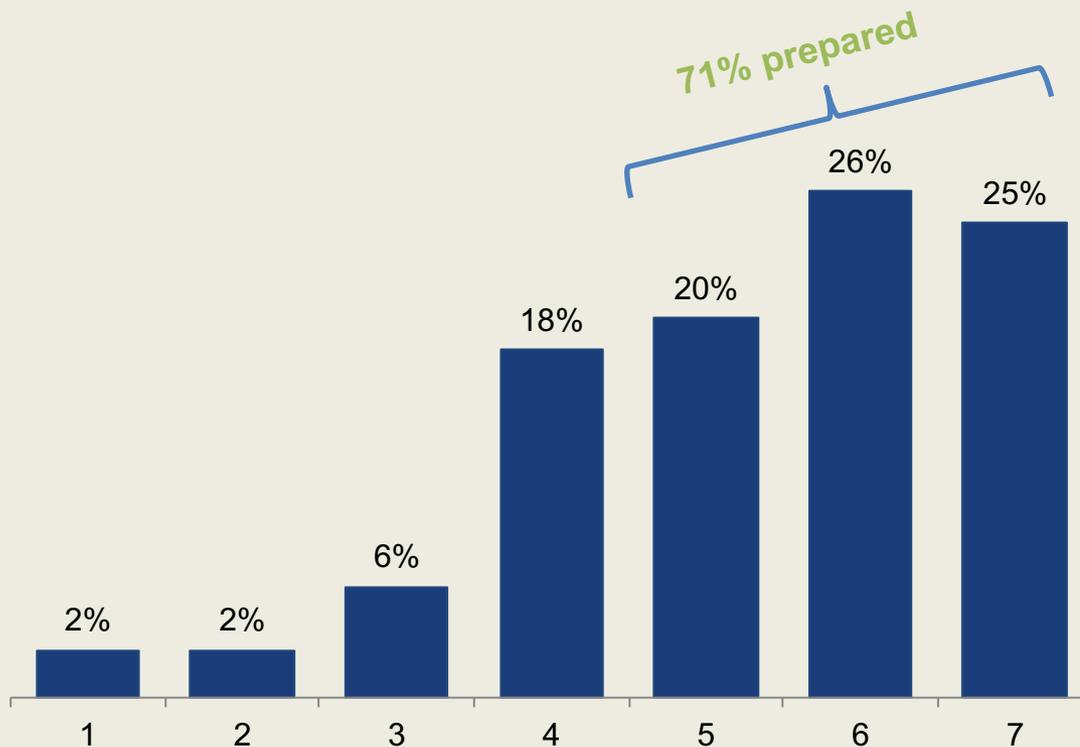
Comments:

- Shareholders should drive the process through the board chair or nominating committee.
- The companies should have that responsibility and the exact percentage is not the government's responsibility. And yet, there should be market pressure to do so!
- Government mandates dilute the perceived value of women on boards.
- There simply are not many women in technology, acting or retired, from top executive ranks. If a law is required, it should be to add diversity in education and in executive ranks so we can create a pool of board candidates in the future.
- Unfortunately, diversity is not valued until 1) the diversity of the board is improved and you witness the result or 2) it is mandated.

Boards are ready for any potential fallout from the newly mandated pay ratio disclosures

HOW PREPARED IS YOUR BOARD TO MANAGE THE IMPACT OF THE NEW CEO-TO-MEDIAN-EMPLOYEE PAY RATIOS DISCLOSURES THAT CAME INTO EFFECT IN 2018?

(1 = not prepared; 7 = extremely prepared)



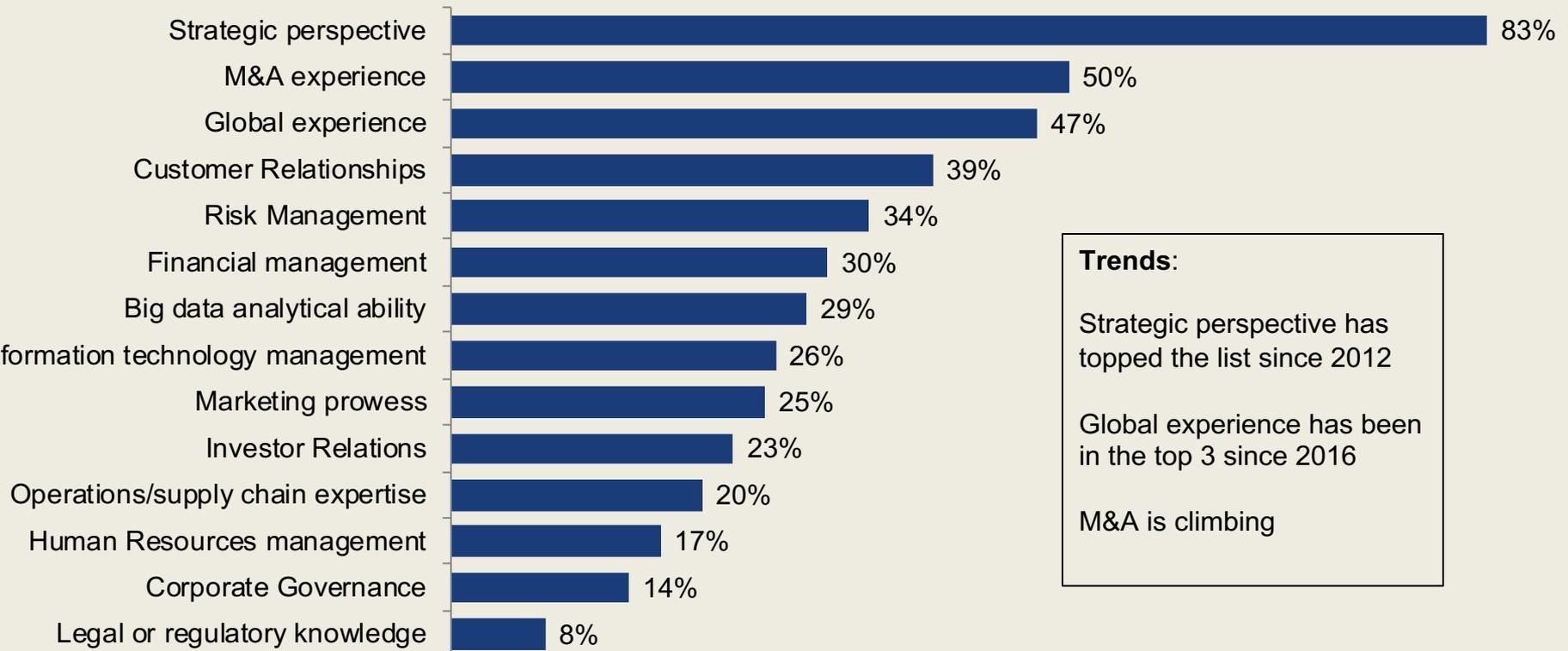
Comments:

- Silly exercise and provides little insight.
- Not sure what the impact will be - so far not much "splash" to it .
- While I am a huge advocate of pay for play, this stat does nothing to help performance.
- We will be ready, as required. But, why the requirement?

Strategic perspective and M&A experience stand out as skills that will become increasingly important in the executive suite

INCREASINGLY IMPORTANT SKILLS IN THE EXECUTIVE SUITE IN THE NEXT 5-10 YEARS

Percent of Responses



Trends:

Strategic perspective has topped the list since 2012

Global experience has been in the top 3 since 2016

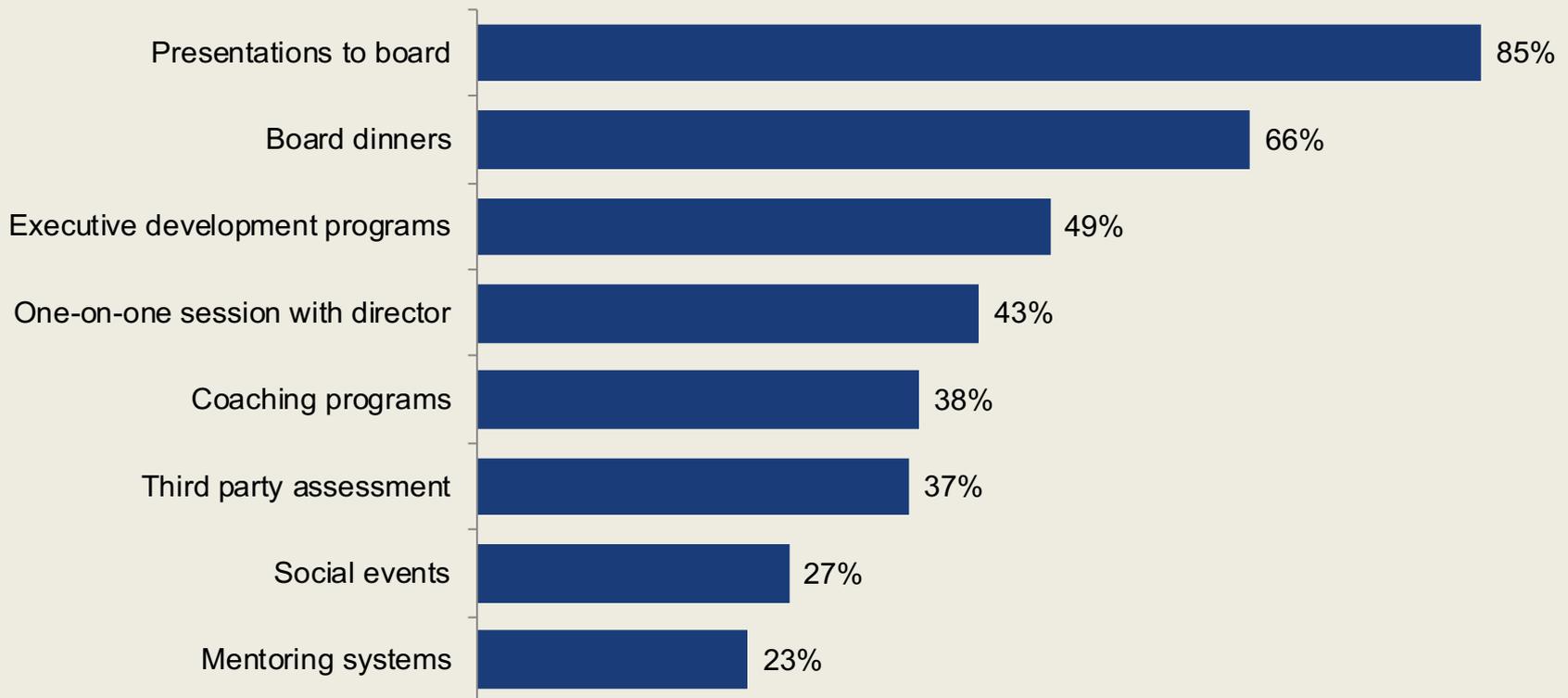
M&A is climbing

Other: leadership, successful transformations, new product/service development, digital/subscription

Board presentations are the primary tool when evaluating internal CEO successors

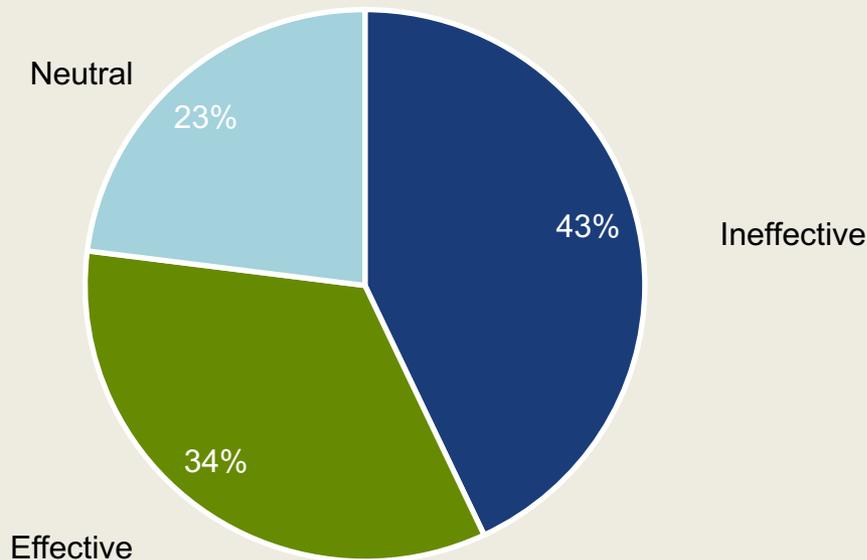
HOW DOES YOUR BOARD ASSESS POTENTIAL INTERNAL CEO SUCCESSOR CANDIDATES?

Percent of Responses



Directors are split on whether annual meetings are effective but the vast majority have no plans to change them

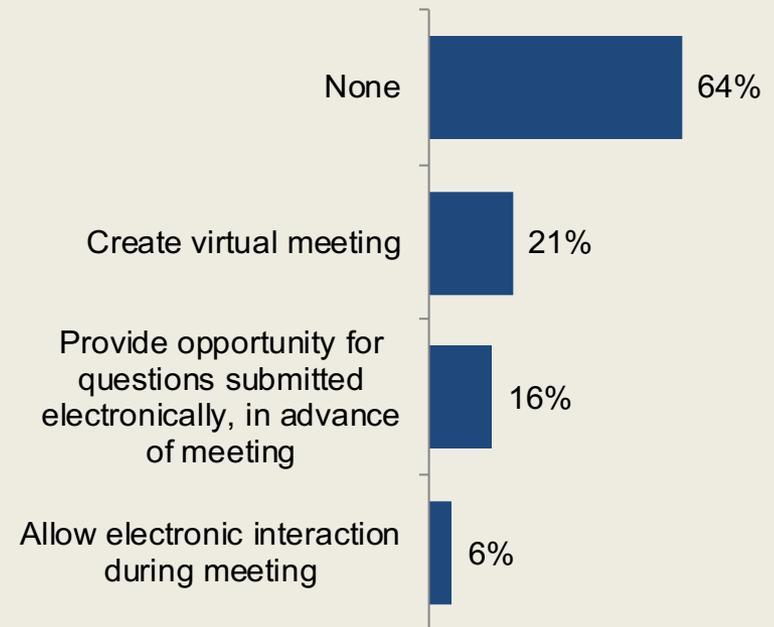
HOW EFFECTIVE ARE YOUR ANNUAL MEETINGS? (7 = extremely effective; 1 = completely ineffective)



Comments:

- I think the world will/should move to virtual meetings
- We just created a virtual meeting and it is still a waste of time. Today people can access everything online.

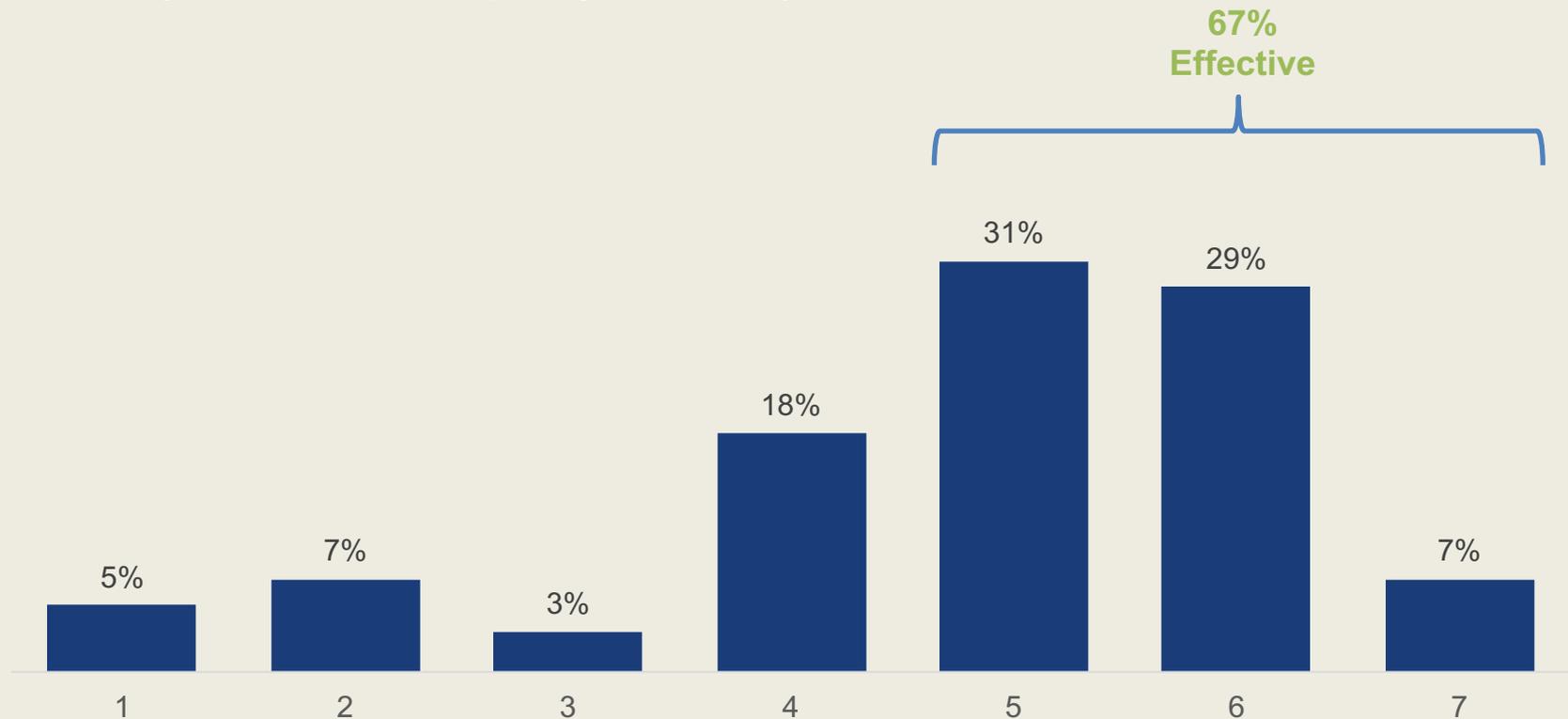
WHAT CHANGES ARE YOU CONSIDERING FOR YOUR ANNUAL MEETING?



Most Directors believe their annual board assessment process is effective

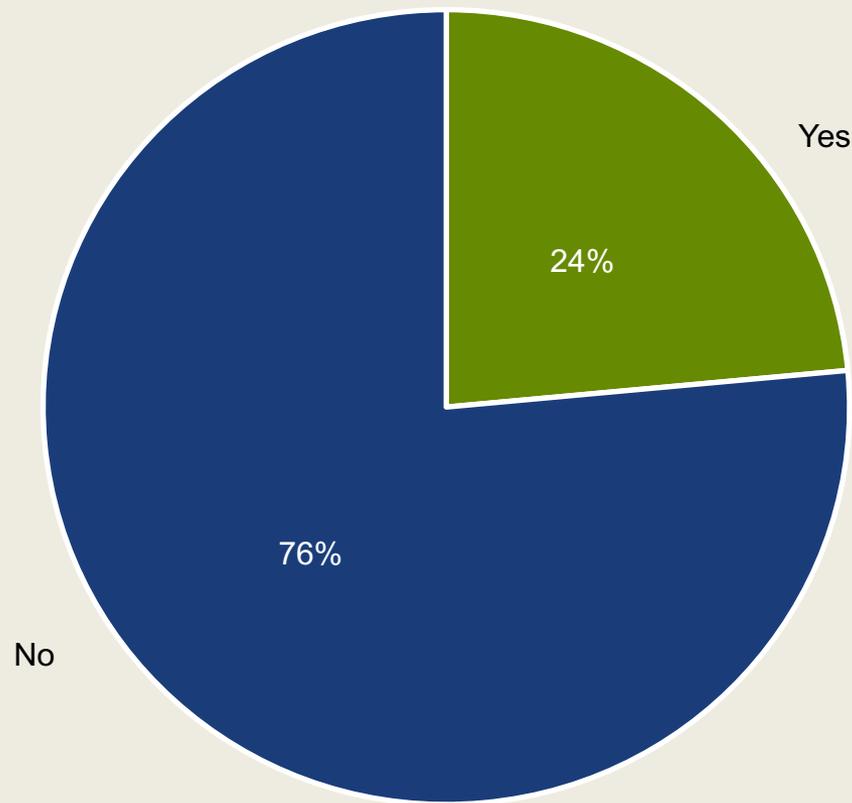
HOW EFFECTIVE IS YOUR ANNUAL BOARD ASSESSMENT PROCESS?

(7 = extremely effective; 1 = completely ineffective)



Those that use outside consultants in the board assessment process are very satisfied with the results

DO YOU USE AN EXTERNAL FIRM OR CONSULTANT TO ASSIST YOU IN YOUR BOARD ASSESSMENT EFFORTS?



Comments

- More than 70% who use an external firm express satisfaction

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