What Management Really Thinks About the Board and What to Do About It

By Paul Washington, Paul DeNicola

For many companies, 2020 was a transformative year and while that was positive for some boards and management teams, some fault lines were also exposed. A survey of more than 500 C-suite executives by PwC and The Conference Board found stresses that could, if left unaddressed, lead to big problems down the road.

The good news is that, when asked what they thought of their company's board, 90% of executives said their board understands the company's strategy, key business risks, competitive landscape, culture, shareholders and talent pipeline. However, executives do see considerable gaps between the board's performance and its potential, with 40% rating their board's overall effectiveness as fair or poor.

Here are five key steps companies, directors and management teams can take to help address the issues management commonly sees with boards.

Increase the board's expertise and fluency in key areas.
While executives gave boards high marks for their general grasp of the company's business, they see serious shortfalls in certain areas of expertise. Fewer than half of executives ranked director expertise as good or excellent in the areas of IT/digital/data privacy (48%), ESG (47%), and cyber risk (46%).

Some boards may need to focus director recruitment on certain skill sets. But in the short term, management can improve the board's fluency in key areas. This might mean dedicated deep-dive educational sessions with directors to bring them up to speed. It could also mean identifying and then reimbursing directors for attending third-party conferences and training programs. By taking a close look at where the knowledge gaps are, the board and management can work together to address them.

Improve board preparation for meetings.
Only 37% of executives said the board comes to meetings fully prepared. To be sure, some directors may be chronically unprepared because they are over-boarded or otherwise don't have the time and ability to devote to their work.

These issues can be addressed through the board's annual self-evaluation and renomination processes. Directors should candidly assess themselves and others regarding their time and ability to fulfill their board functions.

But management also has an important role to play. They should take a hard look at the board materials and how they could be improved. They should invite the directors' candid thoughts about the materials provided in advance, as well as presentations at the meetings. Doing so would ensure that directors are receiving all the information they need in a clear, concise manner.

Define and communicate the board's role in a crisis.
Fewer than one-third of executives said their board responds well in a crisis, which is striking given the year companies weathered in 2020. For some, this sentiment may stem from a lack of a clear set of rules for how boards and management work together during different types of crises.

Companies can improve their board's preparedness in this area by considering general types of crises and what the board's role should be in each. For some crises, such as an unexpected CEO succession, the board may take the lead. For others, such as a cybersecurity breach, the board may only need to provide active oversight.

Because it's unrealistic to have a detailed protocol for every crisis, companies should adopt a process for deciding what the board's role should be. That can involve consulting with the board chair, lead independent director or relevant committee chairs at the outset of a crisis, to set expectations for the board's involvement, knowing that it may evolve over the course of the event.

Bring in fresh perspectives.
While more pronounced on management's side of the relationship, both executives and directors see the need to bring in new directors. Almost half (49%) of directors said one or more of their fellow board members should be replaced. And most executives (82%) said at least one director on their board should be replaced.

There's even more consensus around the need to increase the diversity of the boardroom. Indeed, both executives (88%) and directors (94%) think a diverse board brings unique perspectives to the board; executives (77%) and directors (72%) generally agree it enhances company performance.

The substantial common ground in refreshing the board and in increasing diversity makes it a good starting point for boards and management to work together to enhance board effectiveness.

Educate management about the board's role.
Among the business leaders surveyed, IT executives dished out the harshest criticism of their boards. Three out of four gave their board a grade of fair or poor. This may reflect not only the executives' view that the board lacks the desired levels of expertise in IT, but also the fact that these executives may have less interaction with the board. And for those reasons, they have unrealistic expectations of what their directors can bring to the table.

Companies can help address this problem by educating executives about the full scope of the board's responsibilities – and what can, and cannot, be realistically expected of directors. The general counsel or corporate secretary can brief the C-suite on the evolving role of the board. They can also provide the C-suite with appropriately redacted briefing materials and minutes of board meetings. Holding more informal sessions between directors and management can also help demystify the board.

Where to start.
Boards can start by asking the management team for its views about the board's performance as part of the annual board and committee self-evaluation processes. In seeking management's feedback, it's important for directors to listen, consider action, but not overreact. After all, the board's role is not to satisfy or serve management. But soliciting management's input, perhaps anonymously or, with the assistance of an outside consultant, can lead to improvement.

Boards can do themselves a service by opening a dialogue with management about the executives' perceptions of the board, creating a road to a more effective board in the long run.

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