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Boardroom Leadership Recommendations

Profitability is the Key Topic on the BoD Agenda



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Profitability is currently the most important topic on the BoD agenda, followed by artificial intelligence, skills shortages, and environmental factors. Board members must be fit in terms of strategy and leadership, and improve their technological expertise. They expect CEOs to tackle these issues as strong, agile leaders.

Current topics on the BoD agenda

Based on the BoD Survey 2023/24 by Knight Gianella, four topics dominate the agenda of Board of Directors (BoDs): Profitability, artificial intelligence, skills shortage, and external environmental factors. Profitability is cited by 92% of BoDs as the most critical key topic on their agenda (see fig. 1).

The geopolitical environment, the energy crisis, and the uncertain geopolitical market environment have not only changed the supply chains of many companies, challenged proven business models and consequently increased the need for profitability. They have also massively increased the need for agility and the ability of Swiss companies to transform.

There is a development in “waves”. While profitability is gaining importance, topics

such as ESG (environmental, social, and governance) and diversity are losing discussion time in the BoD and have been transferred to the executive board level. The two most important risk factors (profitability and skills shortage) can even become potential stumbling blocks for CEOs.

Required BoD competencies

BoD committees are in a position to address the issues above. Reflection on business models is omnipresent in BoDs (78% of respondents), and the existing professional competencies in the BoD can address concerns about profitability.

The respondents think that the demands on the expertise of BoDs in artificial intelligence and digitization will continue to increase. Artificial intelligence is considered an aid (e.g., for customer interactions, and integration into existing processes) and can be established via a digitalization strategy or digital committees. Only a few (11% of respondents) think that artificial intelligence will be used for decision-making processes at the BoD level in the next five years. Artificial intelligence is also not expected to turn business models upside down in this period (see fig. 2).

Consequently, the skills profiles of board members will not have to change radically in the coming years. The question of the skills required of BoD committees confirms expectations: Strategy and leadership are mandatory and also legally indispensable.

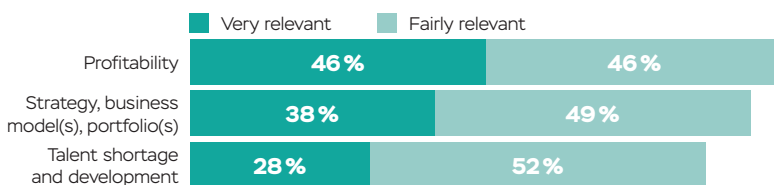


Fig. 1: Current key topics in BoD work (in % of respondents)

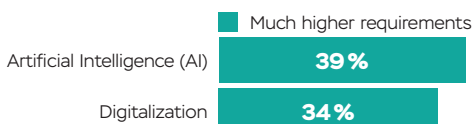


Fig. 2: Requirements for BoD members that will change in the next two years (in % of respondents)

Technological expertise is becoming increasingly important. It remains to be seen whether individual BoD members will have to contribute this technology expertise or whether each member will have to build up or deepen their technology expertise in the coming years.

However, the requirements for BoD members are changing regarding their characteristics (transversal skills). The requirements, particularly regarding the “white vest” (reputation), time availability, and teamwork, continue to increase.

BoD expectations of CEOs

The identified risks require a supplement to the CEO’s expertise, explicitly in strategic thinking and talent management. The BoDs surveyed (>66% of respondents) trust their CEO to acquire this expertise. To ensure profitability, CEOs must also be able to rely on competent and experienced Chief Financial Officers (CFOs) to take on this strategic task. Competent Chief Human Resources Officers (CHROs) with management experience who work closely with CEOs are needed to address talent management.

It is striking that a different understanding of the roles and leadership of the «two» groups on the BoD is becoming increasingly apparent. Women and younger male BoD members (<50 years old) consider the relationship between the Chairman of the Board of Directors and the CEO to be “less relevant” than older, “experienced” men (>50 years old). Younger BoD members also find the “leadership of the CEO(s)” less relevant than older BoD members.

On the other hand, younger BoD members expect CEOs to have greater expertise in transformation and agility. In other words, CEOs need to be agile leaders. If they can lead companies with agility, they need less direct leadership from the Chairman of the BoD, and the Board members trust them to be capable of transformation (*see fig. 3*).

Gender diversity on the BoD

The proportion of women on boards of directors has established at over 30% in the overall population and this study. As a result, the issue of gender diversity is becoming less critical at the BoD level. Men are more likely to vote for stronger expertise and “lower requirements” for diversity, equality, and

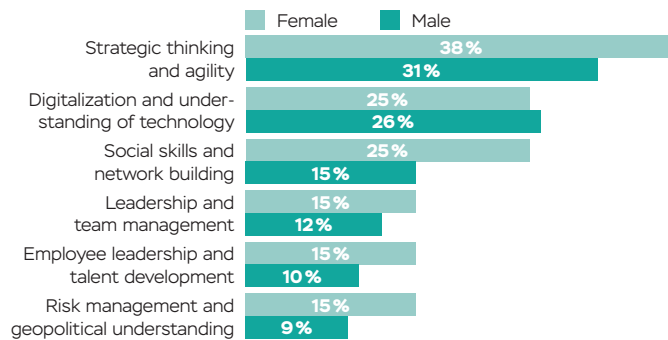


Fig. 3: Current skills profile for CEOs
(in % of respondents, multiple answers possible)

inclusion than women (14% versus 3%). At the operational level, gender diversity is mutating into a perennial issue.

It is interesting to note that, unlike in the previous year, the assessments of women no longer differ significantly from those of men for almost all topics. In 2022, women were still considerably more likely than men to cite the uncertain geopolitical market environment, digitization, and ESG as relevant topics. We can only speculate about the reasons for this convergence and the associated decline in diversity of content.

Conclusion

Four topics dominate the BoD agenda: Profitability as the top priority, followed by the skill shortage, artificial intelligence, and external environmental factors. To address this, the core competencies of board members do not need to change radically. Strategy and leadership are mandatory and also legally indispensable. Technological expertise is becoming increasingly important.

Board members have significantly higher expectations of their CEOs regarding profitability and talent management. The respondents trust their CEOs to acquire this expertise. They expect them to be strong, agile leaders who work closely with the Chief Financial Officer (CFO) and Chief Human Resources Officer (CHRO) to drive these issues forward.

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Since 1965, the executive search consulting firm Knight Gianella has focused on national and international search and evaluation of executives at management,

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Further quality features are our highly professional international research coupled with an exceptional network of contacts. Our success rate over the last years is at a high 98%, the repeat business at over 70%. On average over the last few fiscal years, partners Sandro V. Gianella and Dr. Fabienne E. Meier have successfully and sustainably filled around thirty key positions at executive and board level each year.

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KNIGHT GIANELLA BOD SURVEY

The analysis and the recommendations derived from it are based on Knight Gianella's BoD Survey 2023/24. The study was conducted online in German in the 3rd quarter of 2023 by gfs-zürich (Markt- & Sozialforschung AG) on behalf of Knight Gianella & Partner and in collaboration with Professor Stefan Michel, IMD. Of the 195 participants, 69% hold a mandate at listed companies, 35% at companies with family/anchor shareholders and 15% at state-related companies. The majority work on at least one audit committee (53%), remuneration committee (53%) or nomination committee (50%). In addition, 36% are represented on a risk committee and 15% on a strategy committee. Due to multiple responses and several mandates, the total number is higher than the number of all participants. With a very high response rate of 23% of the 857 BoD members surveyed and a proportion of women of 31%, the study is representative of the population.