



Building a better  
working world

EY Center for Board Matters

## How to accelerate board effectiveness through insight and ongoing education

Today's business environment is continuously resetting the bar for effective board oversight. New business models, impacted by new technologies and consumer behaviors, are emerging, while industry boundaries disappear. At the same time, sustainability risks and social awareness are increasing, driving a reprioritization of stakeholder and corporate values.

These developments underscore the need for boards to evolve and learn by incorporating the appropriate external perspectives into their agendas to stay ahead of the curve and position the board as a strategic asset.

How can the board of the future keep pace? To help boards stay agile and relevant, board education practices should adapt to

reflect the rapidly evolving external developments and strategy, risks and talent oversight needs. We frequently hear from boards who have a growing interest in tailored education and onboarding sessions for individual directors, committees and boards. We offer the following considerations for boards as they challenge how to strengthen their effectiveness in this area.

## Tailor board education to company and individual needs

A robust, future-focused board education plan that is codeveloped by board and committee leaders and informed by the views of management and external advisors is key to advancing board effectiveness. Annually, board leadership in consultation with the CEO and other members of management should consider establishing a formal and customized learning plan for the board, its committees and individual directors. Such learning plans should have qualitative and quantitative goals and objectives. They should flex and adapt to changing market dynamics and regulatory developments, with a focus on meeting the unique learning needs of individual directors, committees and the board. While board and committee sessions should address current and future-focused topics, individual directors may need more baseline learning to bring them up to speed. Individual directors should play a proactive role in communicating their education needs to board leaders.

Boards should embrace the benefits of the full board and committee members collectively participating in education sessions on issues specific to the company's business and circumstances. That collective education provides a shared experience and terminology that can help the board more effectively apply that learning to its oversight role.

Today's virtual business environment makes bespoke online education for the board and committees easier and more effective than ever to schedule and conduct. These sessions can occur outside of the board's regular meeting cycle, allowing for a deeper dive into education topics without taking away from the board's already crowded meeting agenda.

## Understand how investors view board education

Understanding the complexity in today's markets is a significant challenge that requires seeing beyond management's perspective. Investors are looking to understand how the board is obtaining this external view. In our conversations with more than 60 institutional investors in the fall of 2020, a point we heard consistently is the opportunity for boards to access more external expertise to help management look forward and see how business trends and stakeholder expectations are changing over time.<sup>1</sup>

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<sup>1</sup> What investors expect from the 2021 proxy season, EY Center for Board Matters, February 2021.

## Closing the information gap for board members

**67%** of directors say that staying on top of emerging issues is a significant challenge, but it is critical to demonstrating value as a board member

**49%** of directors believe their board does not allocate enough time for director education

**33** average amount of hours per year spent by individual directors on education-related activities (up by more than a third year over year)

**77%** of new directors are serving on their first public company board

Sources: 2020-2021 NACD Trends and Priorities of the American Boardroom; 2019-2020 NACD Public Company Governance Survey.

To meet investor expectations and accelerate board effectiveness, boards should adopt a continual learning mindset and regularly embed external data and insights into board and committee agendas, along with tailored board education programs. Seeking diverse views from inside and outside of the company is key to understanding opportunities and risks, along with other leading oversight practices. An external perspective can help address any company bias or blind spots and provide insight into lessons learned from other companies and industries.

## Make continual learning part of the board culture

Board culture and the actions of every board member should communicate a mindset of continual learning and commitment to personal performance improvement. While full board and committee sessions should anchor the education program, board and committee leaders should set the expectation for self-directed participation in continuing education programs on an ongoing basis to enhance director performance and to oversee emerging challenges and issues, reimbursing directors for the expense of such participation. These opportunities can include academic programs, as well as conferences, training programs or webcasts sponsored by various governance-focused associations or service providers.

External training programs and conferences also offer an opportunity to network with directors of other companies, which can promote ideation and innovation across multiple dimensions, from board governance practices, to how different companies and industries are approaching different strategic opportunities and risks.

## Consider periodic re-boarding sessions

Director onboarding presents an important opportunity to orient directors to their duties and familiarize them with the company's strategy and culture; management structure; various key policies and practices; industry trends and insights; and any significant financial, accounting and risk management issues. It is also an opportunity to ground directors in the company's purpose and the value it creates for a broad range of stakeholders and to proactively develop and foster the board's desired culture.

Boards may consider providing a periodic refresh of that deep dive every few years given the pace of change. Beyond helping the board keep up with transformation across the business environment and refresh its knowledge of foundational company matters, such re-boarding sessions could help regularly and collectively reconnect directors to the company's purpose and long-term vision for building stakeholder value and revitalize the board's work and relationships.

These sessions can be asynchronous and include prerecorded videos from executive leadership, offering flexibility on when and where re-boarding sessions occur. These sessions also offer an opportunity to hear from potential future leaders within the organization, deepening the board's view into the talent pipeline for succession planning purposes.

## Consider the role of education in board assessments and governance disclosures

Boards should consider making education a significant part of regular board assessments, including how those practices are serving the unique learning and information needs of individual directors, committees and the full board. Management should be included in this process to obtain their views on what would best benefit the board from an education perspective. As part of the assessment, boards can be asked to confirm that they are getting access to the right information and people at the right time to help them understand external developments and challenge status quo thinking.

Coming out of the assessment, board and committee leaders should codevelop with management individual and collective learning opportunities to address any identified gaps and enable directors to stay on top of current trends and leading practices.

Communicating the board's education program as appropriate, to stakeholders can also build trust that the board is staying future fit.

### Board insight sessions

#### Key topics of focus

Regular education sessions across key areas of board oversight, such as strategy, risk, human capital and culture; long-term value; and audit and governance practices, can help boards keep pace with emerging trends and identify new priorities. Within these broader oversight areas, recent topics of focus for the EY Center for Board Matters board insight sessions include:

- ▶ Audit committee effectiveness
- ▶ Cybersecurity and data governance
- ▶ Diversity, equity and inclusion
- ▶ Enterprise risk management
- ▶ Environmental, social and governance
- ▶ Shareholder activism and engagement
- ▶ Strategic workforce issues
- ▶ Strategy and innovation

## Questions for the board to consider

- ▶ Does the culture of the board support continual learning and improvement?
- ▶ How is the board enhancing ongoing director training and education programs to strengthen board competence regarding emerging trends and risks for the business?
- ▶ How are directors playing a proactive and directive role in communicating their education needs to board leaders?
- ▶ Has the board set specific learning objectives for the board, committees and individual directors, and how are those goals being assessed?
- ▶ How does the board assessment process consider information and education practices? Is management's perspective considered?
- ▶ How is the board communicating its education activities and goals to stakeholders?

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Effective corporate governance is an important element in building a better working world. The EY Center for Board Matters supports boards, committees and directors in their oversight role by providing content, insights and education to help them address complex boardroom issues. Using our professional competencies, relationships and proprietary corporate governance database, we are able to identify trends and emerging governance issues. This allows us to deliver timely and balanced insights, data-rich content, and practical tools and analysis for directors, institutional investors and other governance stakeholders.

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