McKinsey & Company

The Catalyst Board

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Escalating expectations to Boards the last 20+ years

The Complacent Board

Period of the ‘imperial CEO’; limited focus on effective boards; **boards often seen as ‘rubber-stamping**’

The Compliant Board

Corporate scandals lead to new corporate governance regulation; boards **move from ‘rubber-stamping’ to ‘controllers’**, main focus on fiduciary duties

The Independent Perspective Board

Market and corporate failures trigger tighter regulations; boards expected to have **an ‘independent perspective’,** including effective checks & balances and risk management

The Value-Enhancing Board

Technological shifts require external perspectives; boards **rebalance focus from oversight and control to forward-looking, value enhancing activities**

The ‘Catalyst Board’

Increasingly complex market environment and external pressure accelerates Board engagement & involvement; **Boards increasingly expected to set the ambition level and ‘catalyze change’**, in close collaboration with management

Boards increasingly expected to act as proactive challengers and sparring partners

EXAMPLES

		From once a year …	To ongoingly …
	**Strategy**	Approve strategy	**Raise ambition levels & ’catalyze’ change**; Challenge corporate strategy, portfolio, corporate value add, capital allocation and impact of trends (digital, ESG, geopolitical ++)
	**Investments and M&A**	Approve organic investments and M&A targets	**Proactively engage** in inorganic/ecosystem options to deliver the strategy
	**Risk**	Review Enterprise Risk Management	**Define and exemplify the risk culture** embedding both compliance and the pursuit of profitable risk bearing
	**HR/Culture**	Approve CEO succession and compensation principles	**Ensure ‘talent to value’,** organization and culture to enable strategy delivery
	**Performance management**	Review quarterly earnings	**Monitor long-term KPIs**, capital allocation performance and non-financial measures linked to value creation (organizational health, ESG)
	**Core governance & compliance**	Review reporting and compliance, introduce new control standards	**Challenge reporting and compliance**, review policies and actively ask for policy renewals

Pressure is mounting

Increased stakeholder expectations

Higher business complexity

More intense market forces

Personal reputation

Boards acknowledge their roles are increasingly complex and time-consuming

66%

of board directors believe **complexity of their role and responsibilities has increased**

+5 days

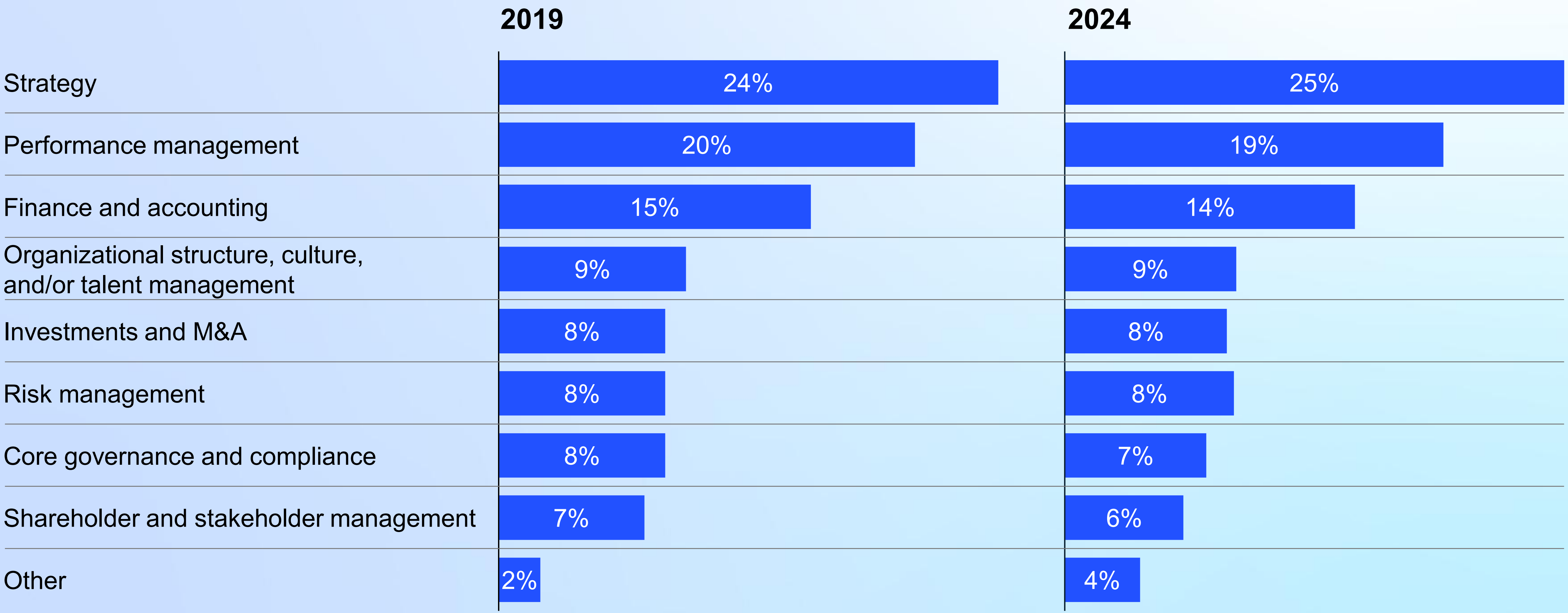
average **increase in time spent** on board activities since 2019[1]

1. The average board director spent 30 days on board activities in 2023, and 25 in 2019

Source: McKinsey Global Board Survey 2024,2020. Total is weighted to reflect proportional representation of the segments. Participants were asked to self-respond for the board

Time allocated to core agenda topics is not changing …

Share of time spent on each topic during board meetings



Source: McKinsey Global Board Survey 2024, 2020. Total is weighted to reflect proportional representation of the segments. Participants were asked to self-respond for the board they were most familiar with

… but the number and variety of topics on the agenda is

- Innovation and growth
- Technology trends
- Corporate resilience
- Geopolitical and/or macroeconomic risks
- Cybersecurity and data privacy
- Corporate transformation / reorganization
- Political risks
- Organization's culture
- Talent management and succession planning
- Corporate social responsibility
- Supply-chain management
- Managing tariff risks
- Active and/or activist investors

Source: McKinsey Global Board Survey 2024.

Delivering on the expanded agenda requires Boards to rethink most aspects of their framework

McKinsey's framework for developing a value enhancing Board

BoD Platform	BoD Activities	BoD Performance Levers
1 BoD composition	6 Strategy	11 BoD material
2 BoD role	7 Investments and M&A	12 BoD/mgmt. dynamics
3 BoD time allocation	8 Performance management	13 BoD decision making
4 BoD committees	9 Talent management	14 Policies
5 Situational context	10 Risk management	15 Continuous improvement

Time allocation: Strengthening focus on strategy in the annual board calendar

Illustrative Example from Financial Institution Board

CEO | Finance | Committees | Strategy | Deep-dives | Training

Time	January	February	March	April	May	June	July	August	September	October	November	December
09:00	**CEO Update** (30’)											
09:30	**5’ Update by every Committee Chair** (30’)											
10:00	**Discuss any questions related to Finance & Risk Updates received as pre-reads and formally approve** (15-30’)											
10:30	**Reflect on strategy implementation in light of long-term strategic direction followed by topic-specific deep-dives** (15-30’ followed by 90’ deep-dive)											
11:00 / 11:30 / 12:00	**Strategic Ambitions Discussion**	**Competitive / industry benchmarks**	**Retail**	**Wholesale,** incl. international business	**Treasury**	**Main subsidiary**	**Technology**	**Strategic plan incl. competitive / industry benchmarks,** trends & market environment review, ESG	**Digital and technology**	**Retail**	**Wholesale**	**Treasury**
12:30 / 13:00			**Talent, organization and culture**	**Broader risk discussion**	**Topic-specific board training/ expert session**	**M&A and investments or ESG**	**Cybersecurity**		**Topic-specific board training/ expert session**	**Expected budget 2025**	**Budget 2025**	**Broader risk discussion**
13:30												
14:00												
…												
18:00												

Strategy – Geopolitics example: Assessing impact of scenarios

Framework for discussion

Current state

As-is exposure and footprint of supply chain and commercials

Geopolitical scenarios

"States of the world" scenarios, describing the geopolitical relationships and macroeconomic developments. Based on third party geopolitical expert input

Scenario exposure and financial impact

Expected impact of different measures in different scenarios for each step in the value chain based on, e.g., geographical footprint

Analyzed per scenario incl. comparison to peer archetypes

Strategic actions and opportunities

Derived from aggregated impact of each measure in each scenario on client and peer archetypes

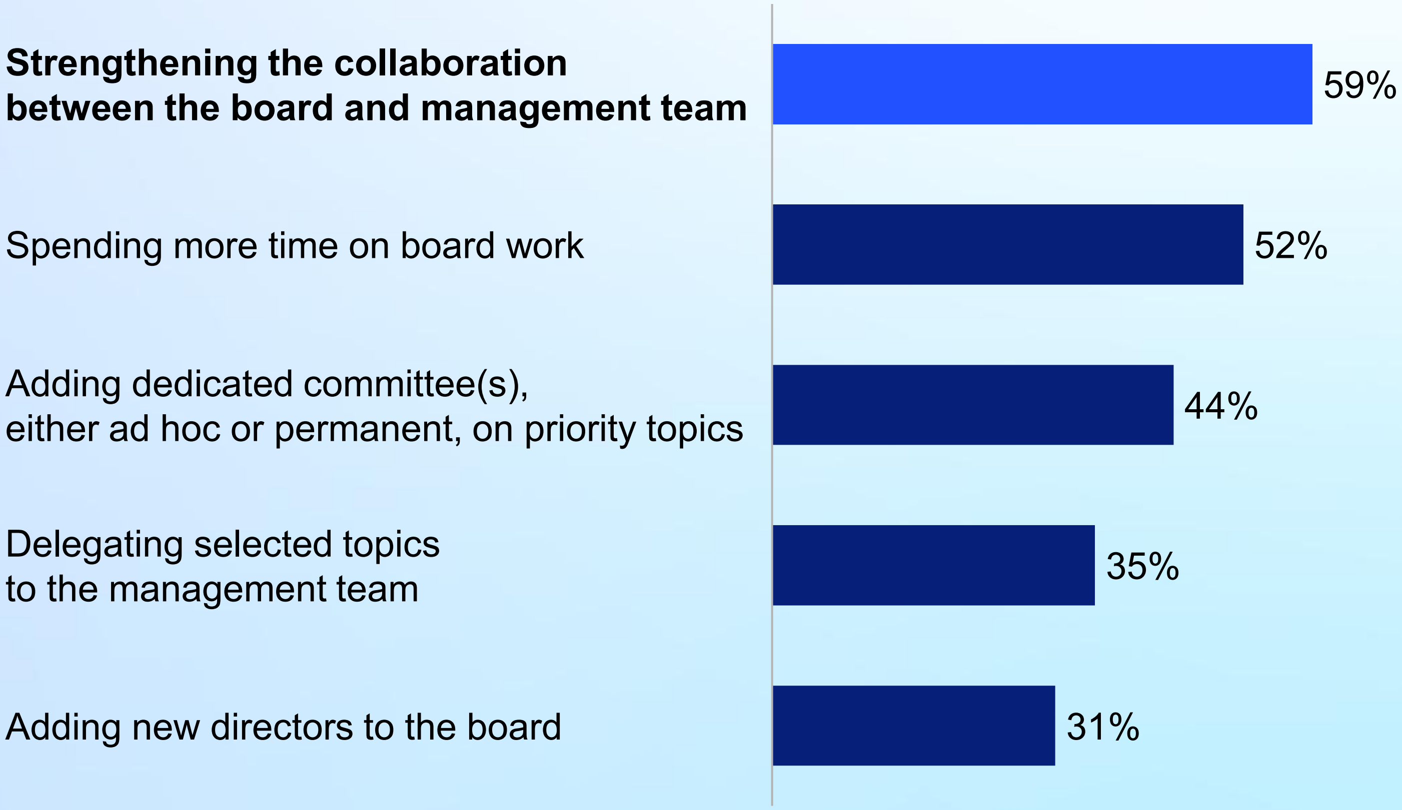
Note: Timeframe next 5 years

Board/management dynamics

60%

of boards facing greater complexity look to strengthen the collaboration with the CEO and management

Actions to manage increased complexity



Source: McKinsey Global Board Survey 2024. Total is weighted to reflect proportional representation of the segments. Participants were asked to self-respond for the board

Strengthening Board/management collaboration

Establish efficient and effective board processes to facilitate fruitful collaboration

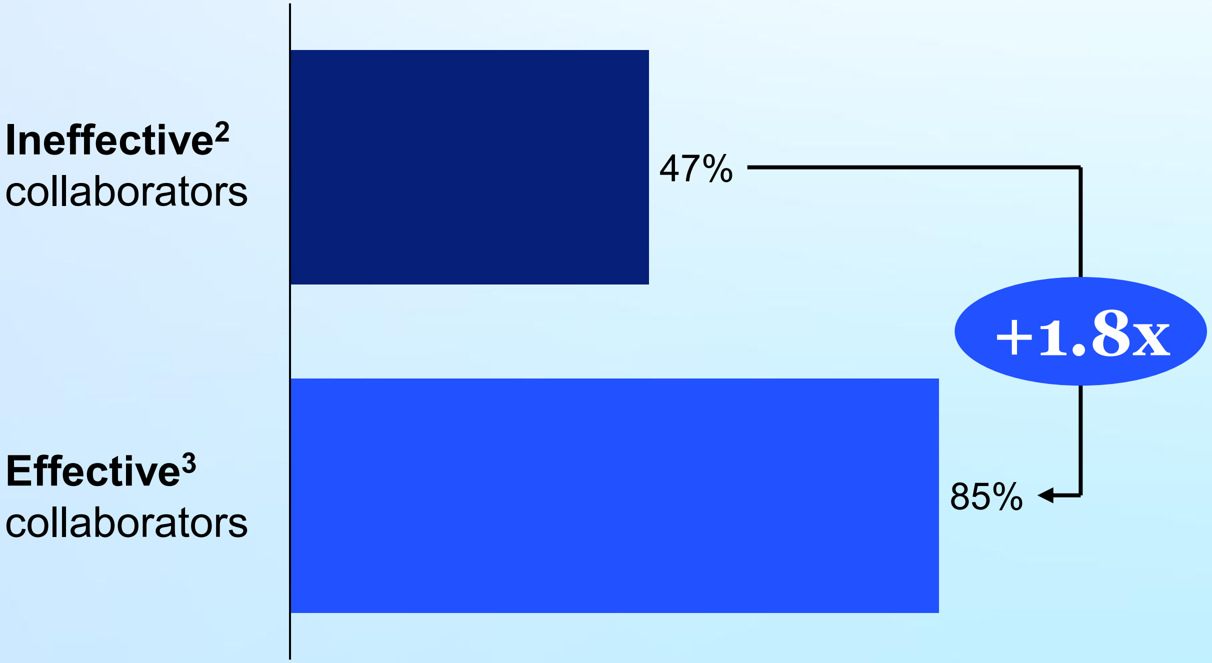
Prioritize board-CEO communication that is frequent and transparent

Foster a strong board culture based on trust and respect

Boards with increased complexity who have an effective collaboration with the CEO/management are more likely to be effective overall

Overall effectiveness of the board[1]

Weighted percentage of respondent, n = 558



1.Question asked: "How would you rate the overall effectiveness of the board?"
2.Board directors who report complexity is increasing and that do not have effective collaboration with CEO (n=94)
3.Board directors who report complexity is increasing and that have effective collaboration with the CEO (n= 464)

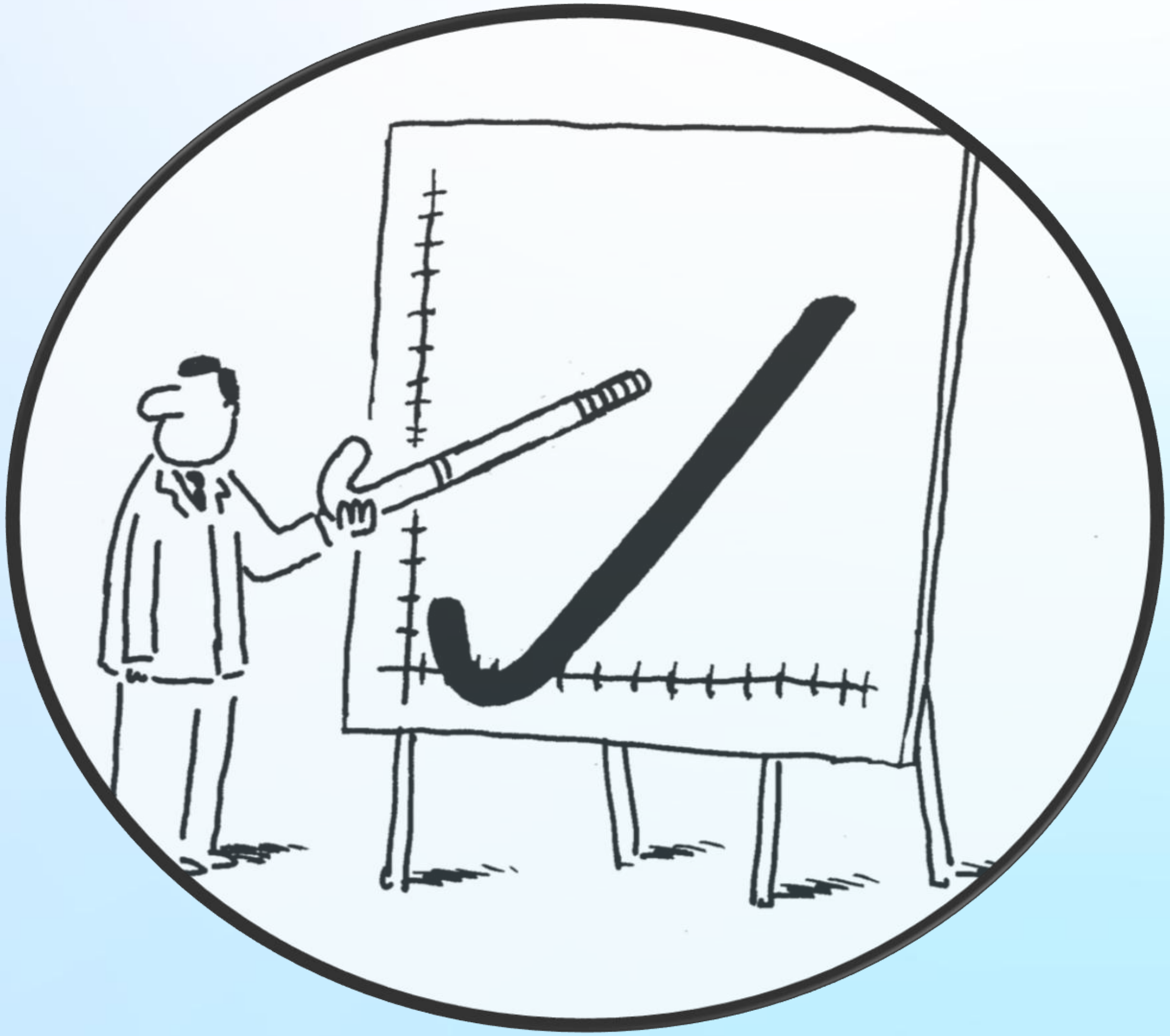
Source: McKinsey Global Board Survey 2024. Total is weighted to reflect proportional representation of the segments. Participants were asked to self-respond for the board they were most familiar with

Three questions to consider for your next board meeting

1) How can you **lift the ambition** for your Board- and **become a ‘catalyst for change’**?

2) How can you engage even deeper – and more continuously – on strategy, to **help set direction under unprecedented uncertainty**?

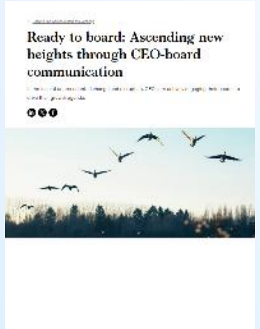
3) How can you **collaborate even more effectively with management** in navigating our turbulent surroundings?



Thank You!

Further reading

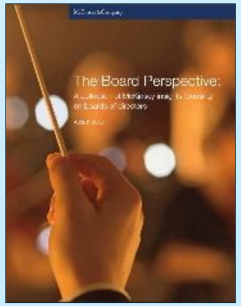
Better together: Three ways to boost board–CEO collaboration
C. Huber, F. Lund & N. Spielmann
September 2024



Ready to board: Ascending new heights through CEO-board communication
D. Honigmann, C. Huber, E. Sherman & N. Spielmann
April 2024

The rising complexity of board directorship
K. McLoughlin, S. Sterin & F. Lund
March 2024

Four essential questions for boards to ask about generative AI
F. Lund, D. Maor, N. Spielmann & A. Sukharevsky
July 2023



'The Board Perspective' compendia

www.mckinsey.com/boards