



Assessing First-Time Director Success:

A Survey of Board Member Onboarding Practices

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INTRODUCTION

Assessing First-Time Director Success: A Survey of Board Member Onboarding Practices

In the complex, ever-changing corporate governance environment, the role of board members has never been more crucial. The COVID-19 pandemic, technological advancements in artificial intelligence (AI), ongoing cybersecurity risks, and heightened attention around diversity, equity and inclusion (DEI) have all had an impact on the shift in the duties of today's boards of directors. Corporations often turn to new board members to expand collective knowledge and bring fresh perspectives to the table—from both a demographic and experiential point of view.

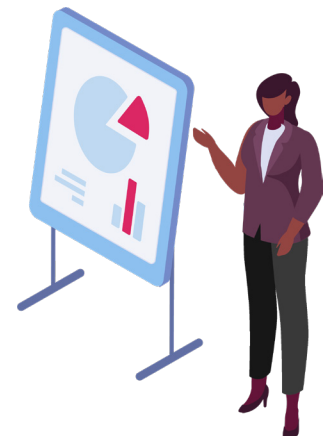
As organizations strive for sustainability and innovation, the selection and integration of first-time directors—new directors with no prior public board service experience—play a pivotal role in shaping an organization's future. However, the addition of first-time directors to corporate boards has recently slowed down. According to Equilar data, the share of S&P 500 board seats appointed to first-time directors was 39% in 2022—down from 44% in 2021 after seeing steady growth since 2018. Similar [research from Heidrick & Struggles](#) shows that there was a drop in the share of Fortune 500 seats going to directors with no prior public board experience, from a record 43% in 2021 to 32% in 2022.

The success of first-time directors is not only instrumental for the effective functioning of their boards, but also the long-term future of their

corporations. To offer insight on the topic, Equilar, Ellig Group, Nasdaq and the Society for Corporate Governance conducted a brief survey of 176 U.S. public companies on the onboarding processes and success of first-time directors.

Recognizing that the transition into a board role can be a challenging and complex journey, the survey results aim to shed light on the various onboarding practices and strategies employed by boards of directors to facilitate the smooth integration of first-time directors. By understanding the best practices in board member onboarding and their direct impact on first-time director success, companies can navigate the evolving corporate landscape and add greater value from their boards with greater confidence.

The largest portion of survey respondents identified as either their company's General Counsel or Corporate Secretary (48%), but responses were also captured from Chairpersons, Lead Directors, Nominating & Governance Chairs, CEOs, CHROs, Board Members and other roles. The companies in the survey span 10 sectors, with most having market capitalizations above \$1 billion.

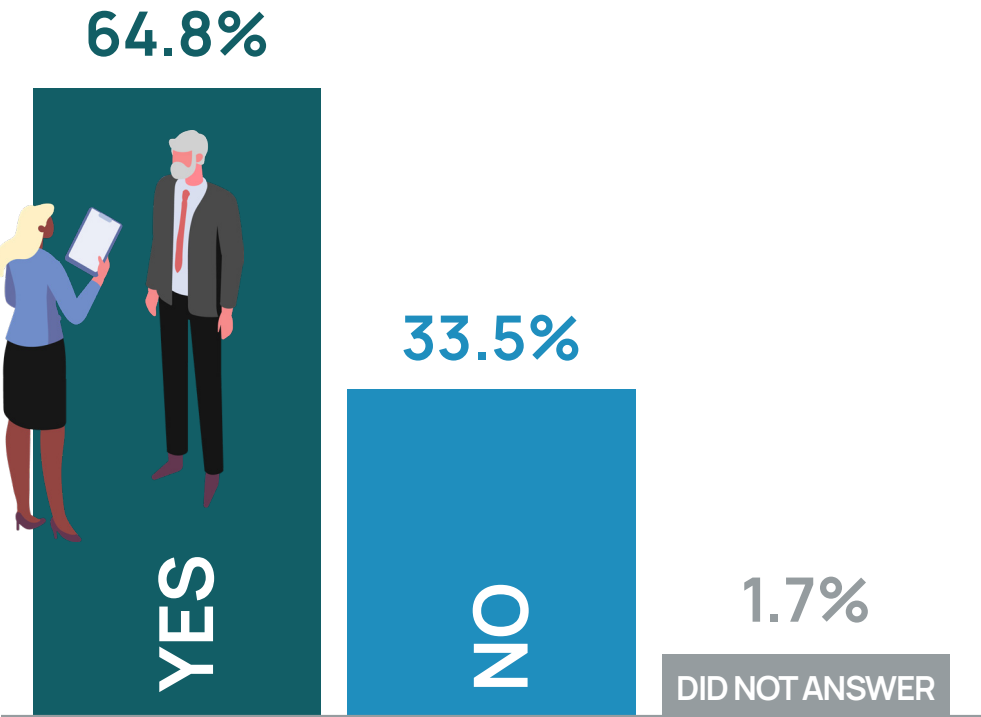


Contact Equilar for more information.

Email: info@equilar.com Phone: (650) 241-6600 Website: www.equilar.com

1

Does the company have a formalized and documented onboarding process for first-time directors?



34%

More than a third of companies do not have a formalized and documented onboarding process for first-time directors.

77%

of financial services companies have an onboarding process, the highest percentage across all sectors.



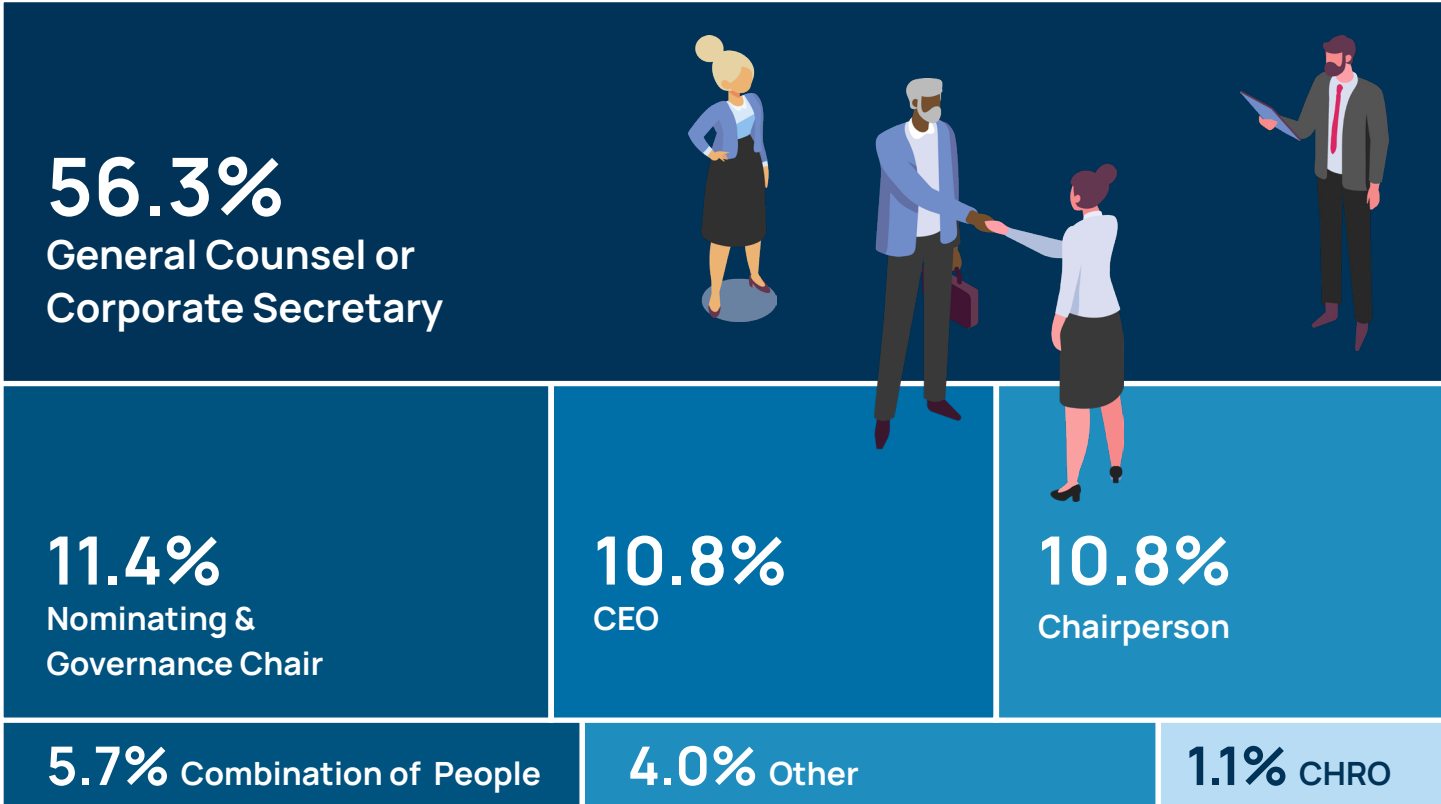
The larger a company's market capitalization is, the more likely it has an onboarding process. 66% of companies with between \$11B and \$50B in market capitalization have a process. Meanwhile, 71% of companies with between \$51B and \$100B in market capitalization have a process, and 83% of companies with over \$100 billion in market capitalization have one.

2

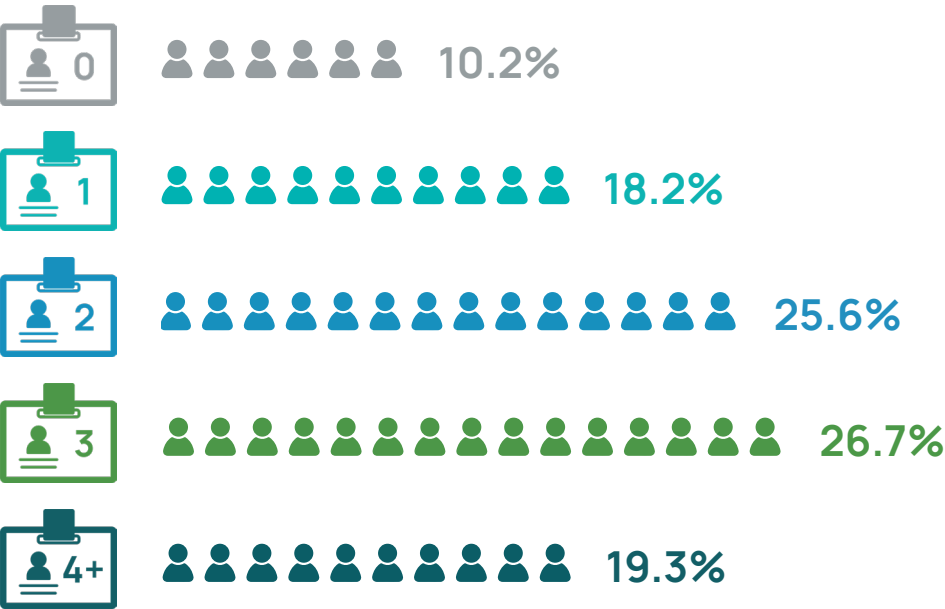
Who leads the onboarding process of a first-time director?



The onboarding process is most commonly led by the **General Counsel or Corporate Secretary (56%)**. The Nominating & Governance Chair is the next most common role to lead the process at **11%** of companies.

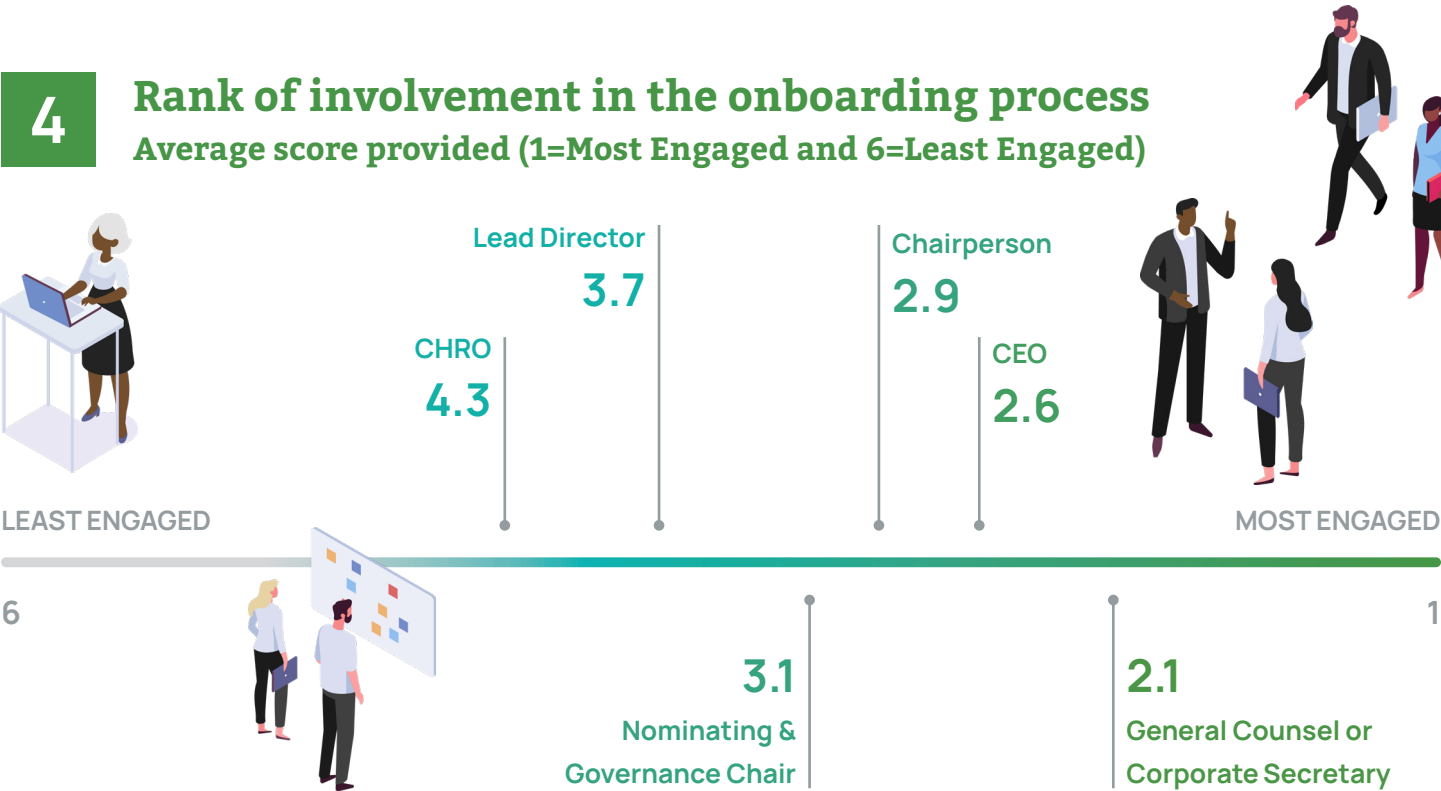


3 How many first-time directors have joined your board(s) over the past three years?



90% of companies added at least one first-time director over the last three years. Just 10% of companies did not add a single first-time director during the same time span.

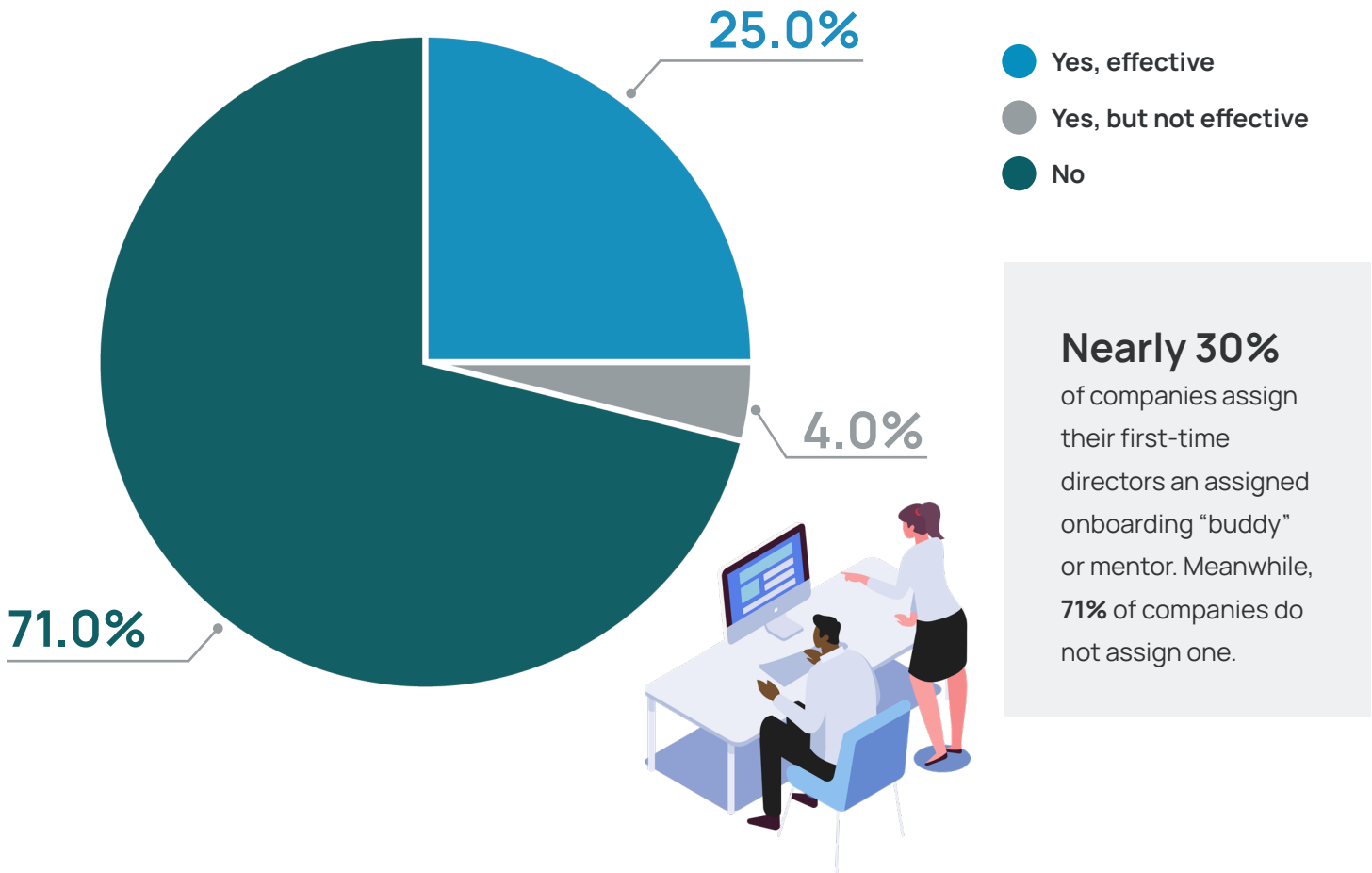
4 Rank of involvement in the onboarding process Average score provided (1=Most Engaged and 6=Least Engaged)



General Counsel or Corporate Secretaries have the highest average engagement score (2.1), followed by the CEO (2.6) and Chairperson (2.9). The CHRO is the least engaged among all surveyed roles, with an average score of 4.3.

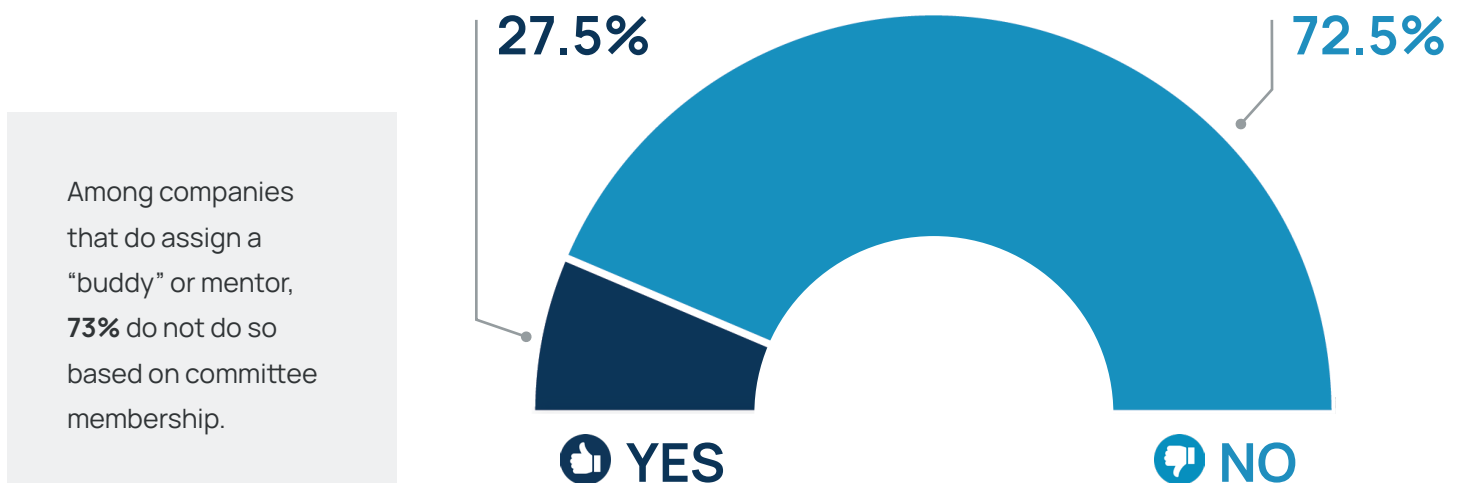
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Do you provide an assigned “buddy” or mentor for onboarding a first-time director?



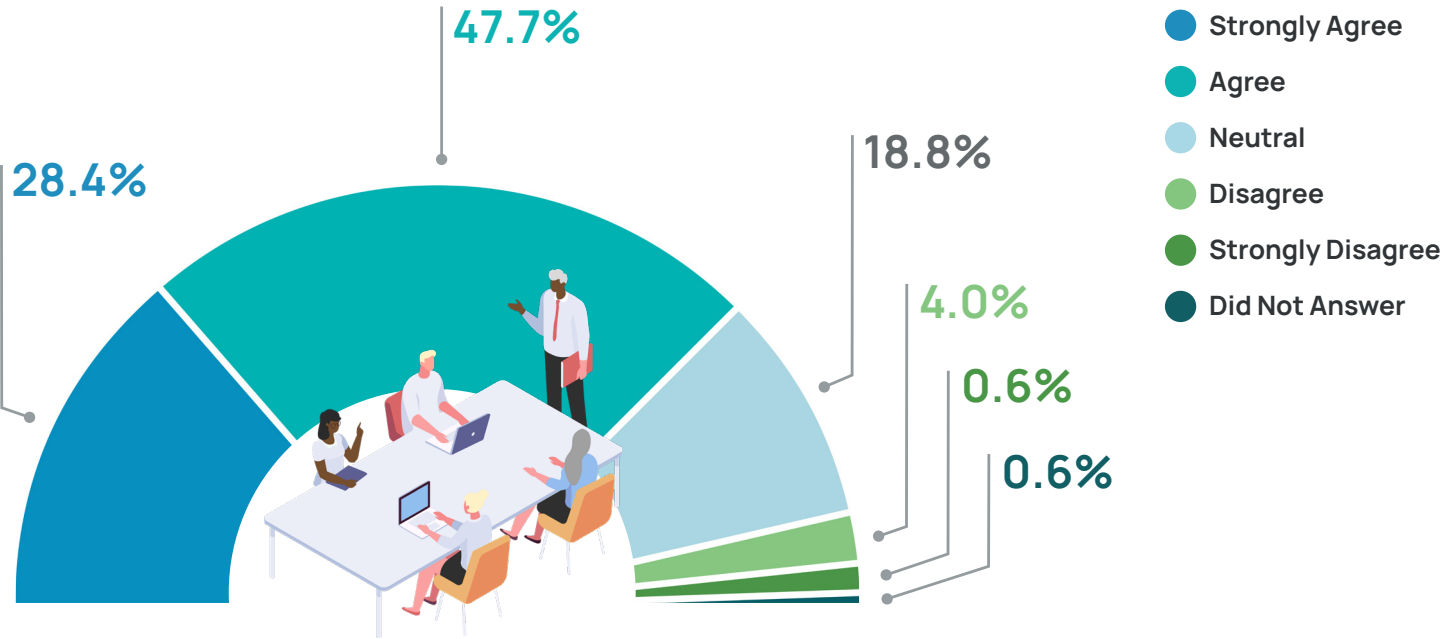
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If you assign a “buddy,” is the assignment based on committee membership of the first-time director?



7

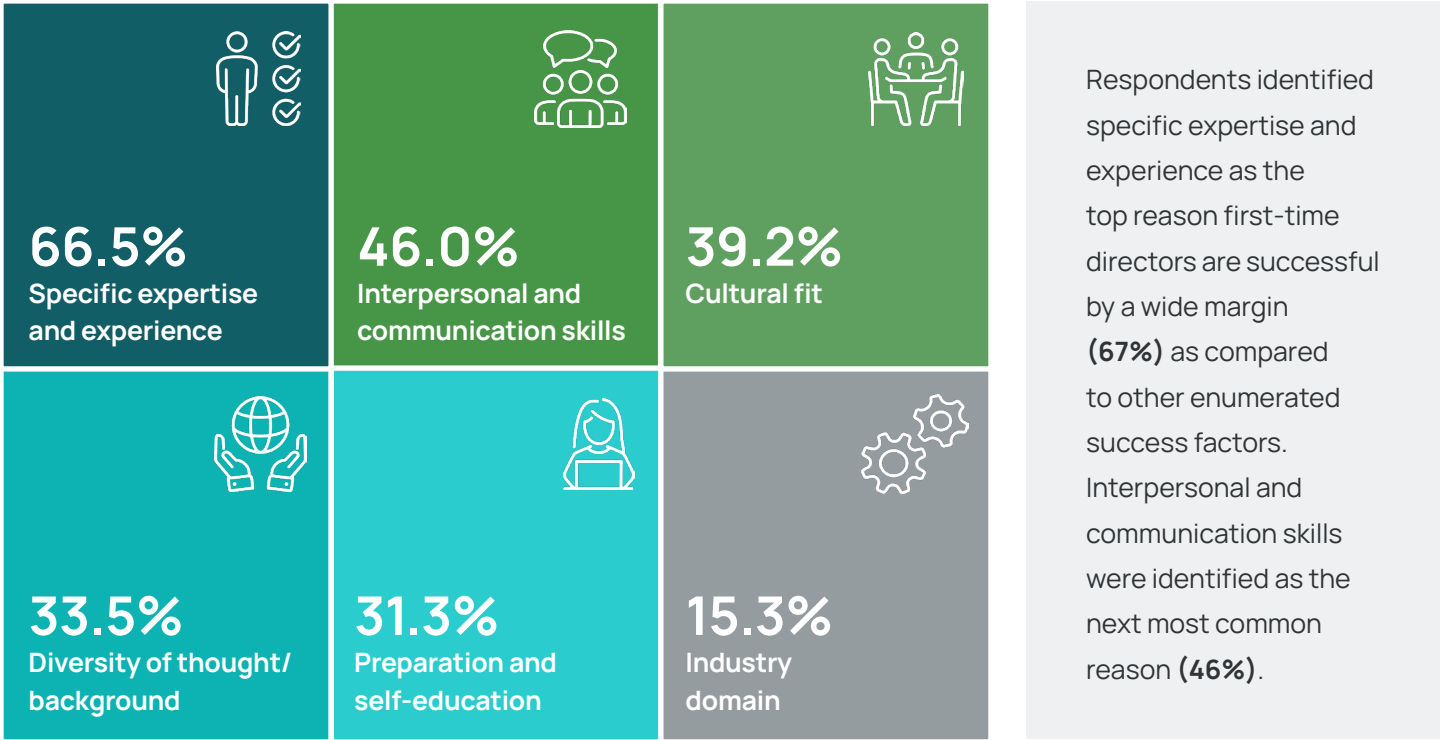
Your first-time directors are engaged and contribute meaningfully in strategic discussions and board decision making during their first year of tenure.



23%
of respondents expressed concern that their first-time directors are not engaged and do not contribute meaningfully in strategic discussions.

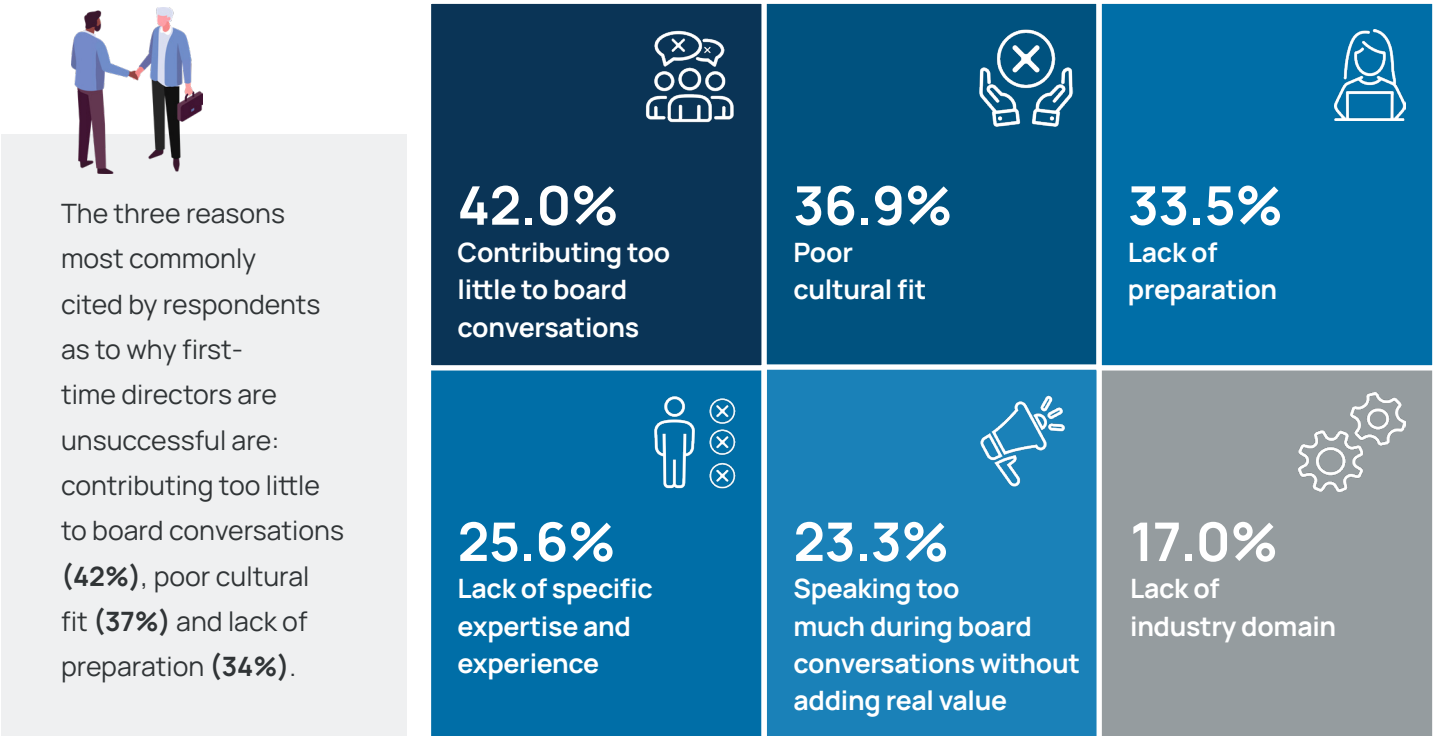
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What makes your first-time directors successful?



9

What are the top reasons that first-time directors are not successful?



CONCLUSION

Corporate boards must take full ownership of both their composition and their culture, as these elements are foundational to success. As part of this process, boards must be mindful of the first-time directors that they select to join their ranks. The ensuing onboarding process is critical to not only prepare first-time directors for board service, but it's also necessary for a board to fulfill its duties and adequately conduct its operations.

For more information about our survey findings, please contact us at info@equilar.com.



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