



Board Effectiveness

Portuguese Case Study

2025

ODGERS 

Board Effectiveness

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2025



Board failures are costly



Institutional investors are becoming more vocal

BlackRock[®]



**Norges Bank
Investment
Management**

Allianz Global Investors

AXA Investment Managers

ISS Proxy Advisors



GLASS LEWIS

Board responsibilities are expanding beyond their traditional scope

From:

Traditional oversight

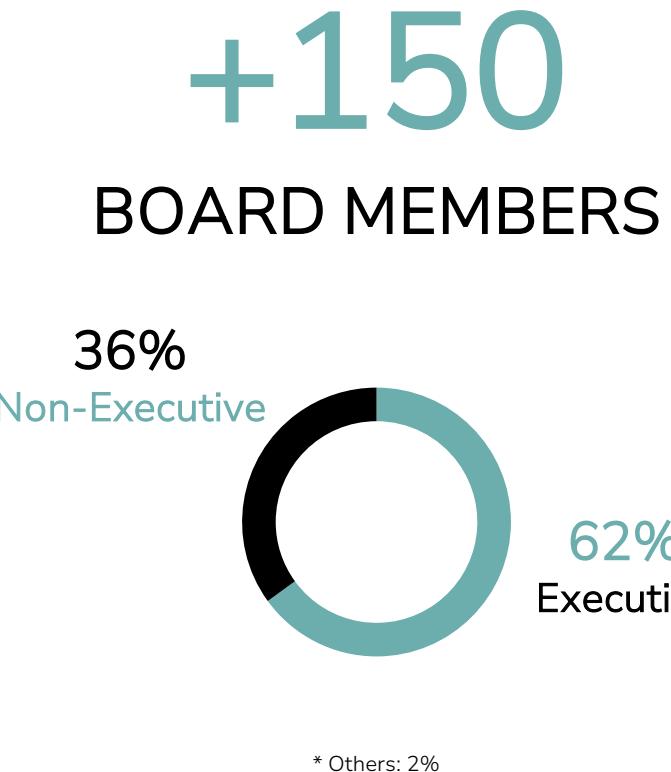
- Comply with fiduciary responsibilities
- Ensure financial oversight
- Promote risk management
- Supervise CEO and Management Team

To:

Driving value-driven discussions

- Assess trends and uncertainties
- Anticipate business disruptions
- Offer strategic guidance
- Evaluate resource allocation
- Serve as a thought partner for the Management Team
- Actively drive planning for the Board and CEO

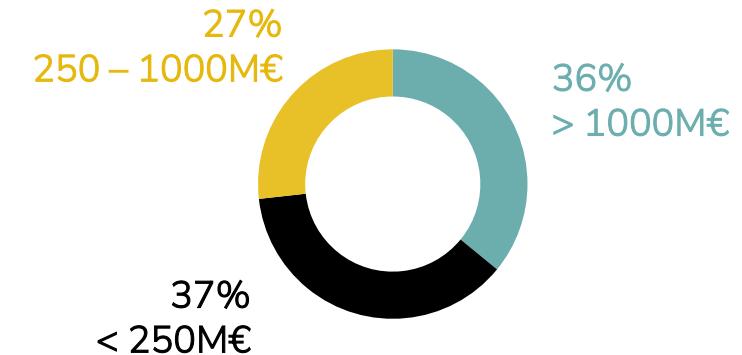
The study aims to assess the Effectiveness of the Boards of Directors in Portugal by putting together the perspectives of Executive and Non-Executive directors



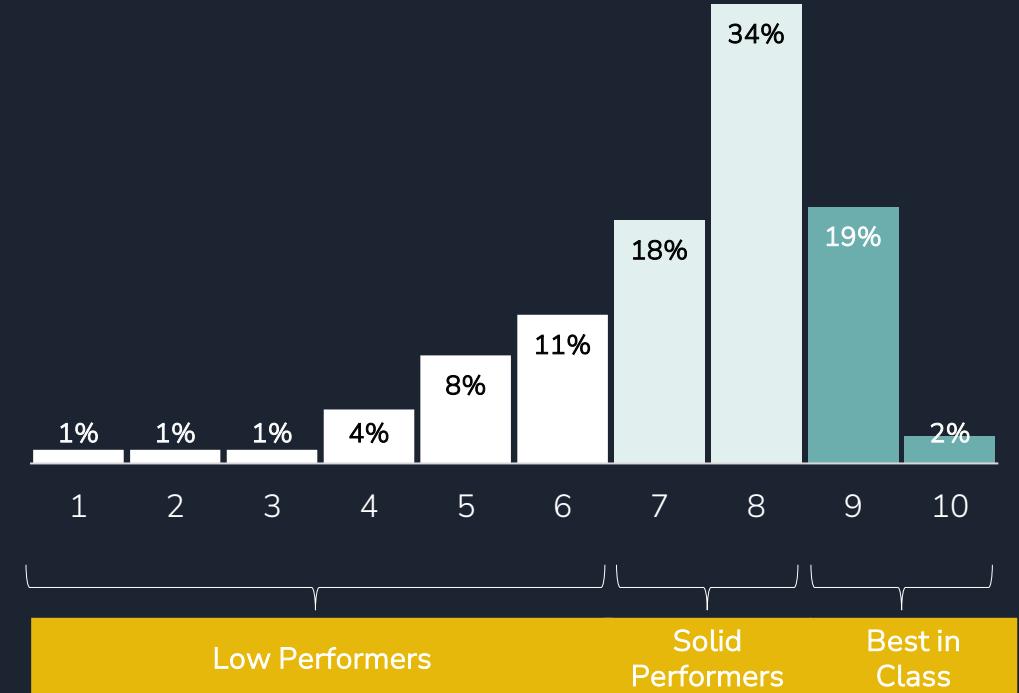
12+
SECTORS

FROM private
companies TO PSI
COMPANIES

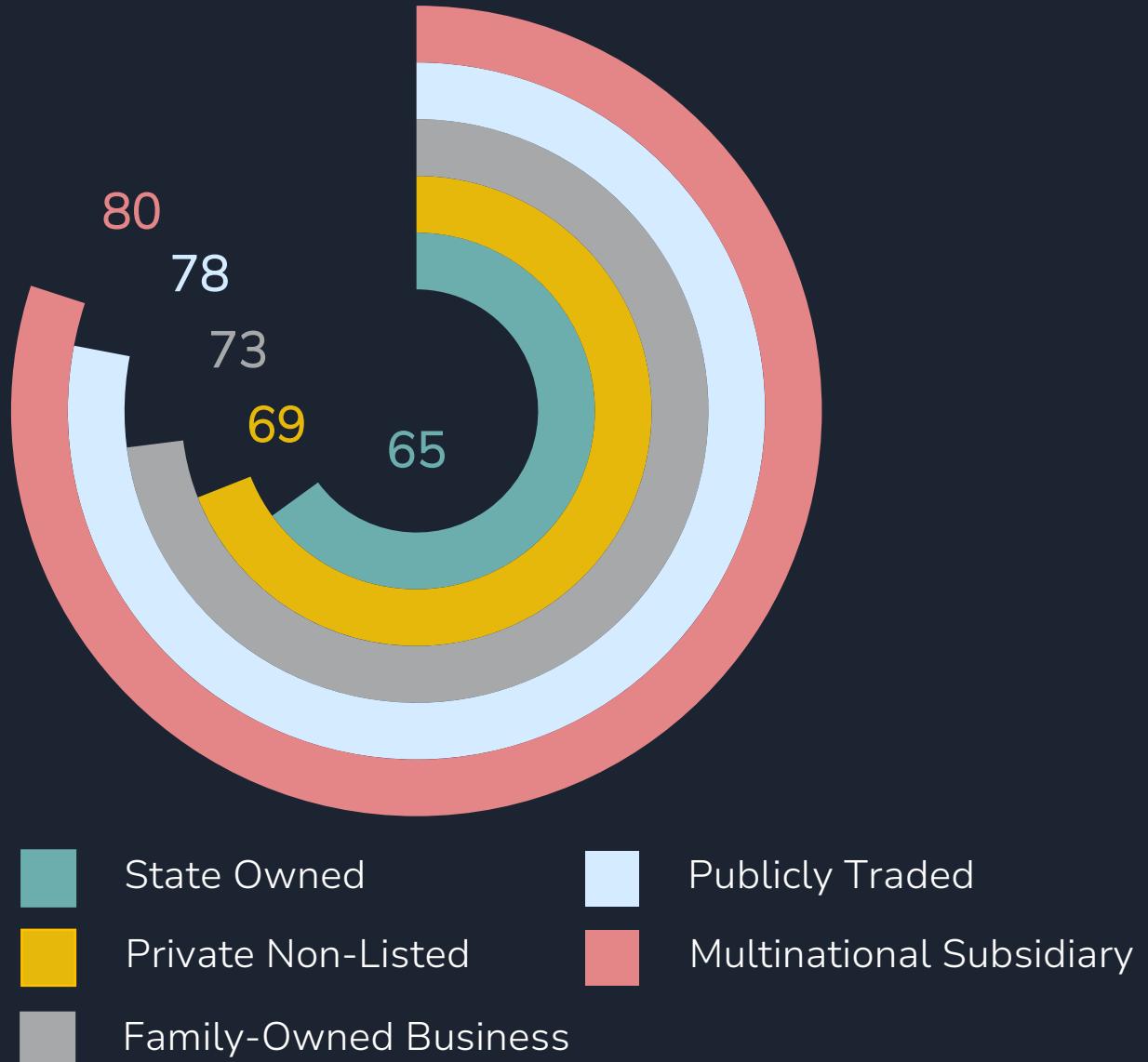
Companies' annual revenue:



There is wide dispersion of Board Effectiveness

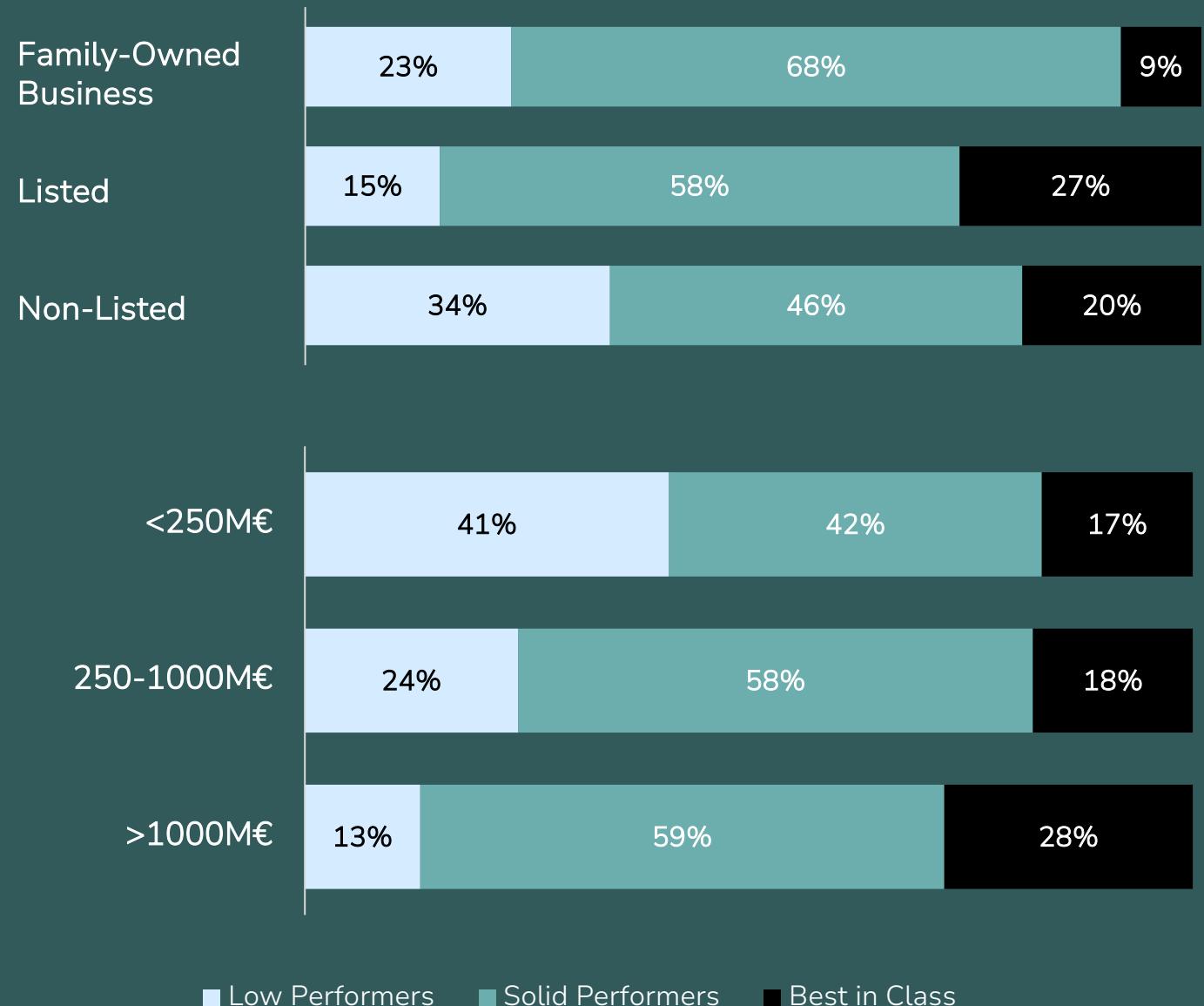


Board Effectiveness increases with the need for transparency required by different Capital Status



Size is not an obstacle to Effectiveness.

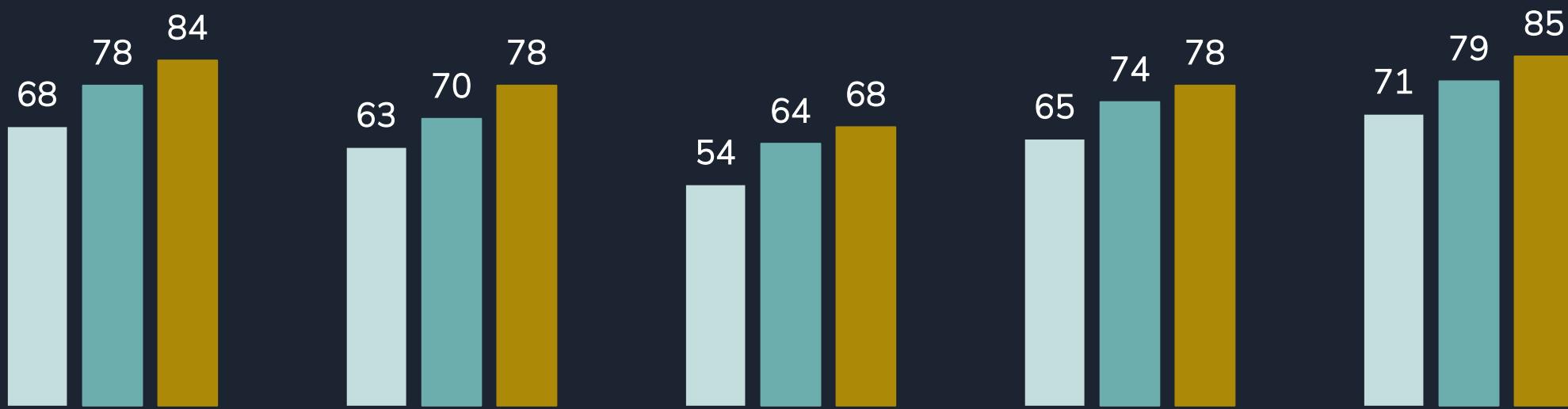
There are *Best in Class* Boards in all segments



Organizations with better performance have more effective Boards and are more ready for future challenges



The 5 Dimensions of Board Effectiveness have an impact on the organizational performance



Performance in the last 2 years of the participating companies*

■ Needs Improvement ■ Meets Expectations ■ Exceeds Expectations

* Based on the self-evaluation of the study participants



THE IMPORTANCE OF THE BOARDS FOR THE FUTURE

How do you rate Board's relevance to the organization's strategic challenges in the future?

79%

More relevant than today

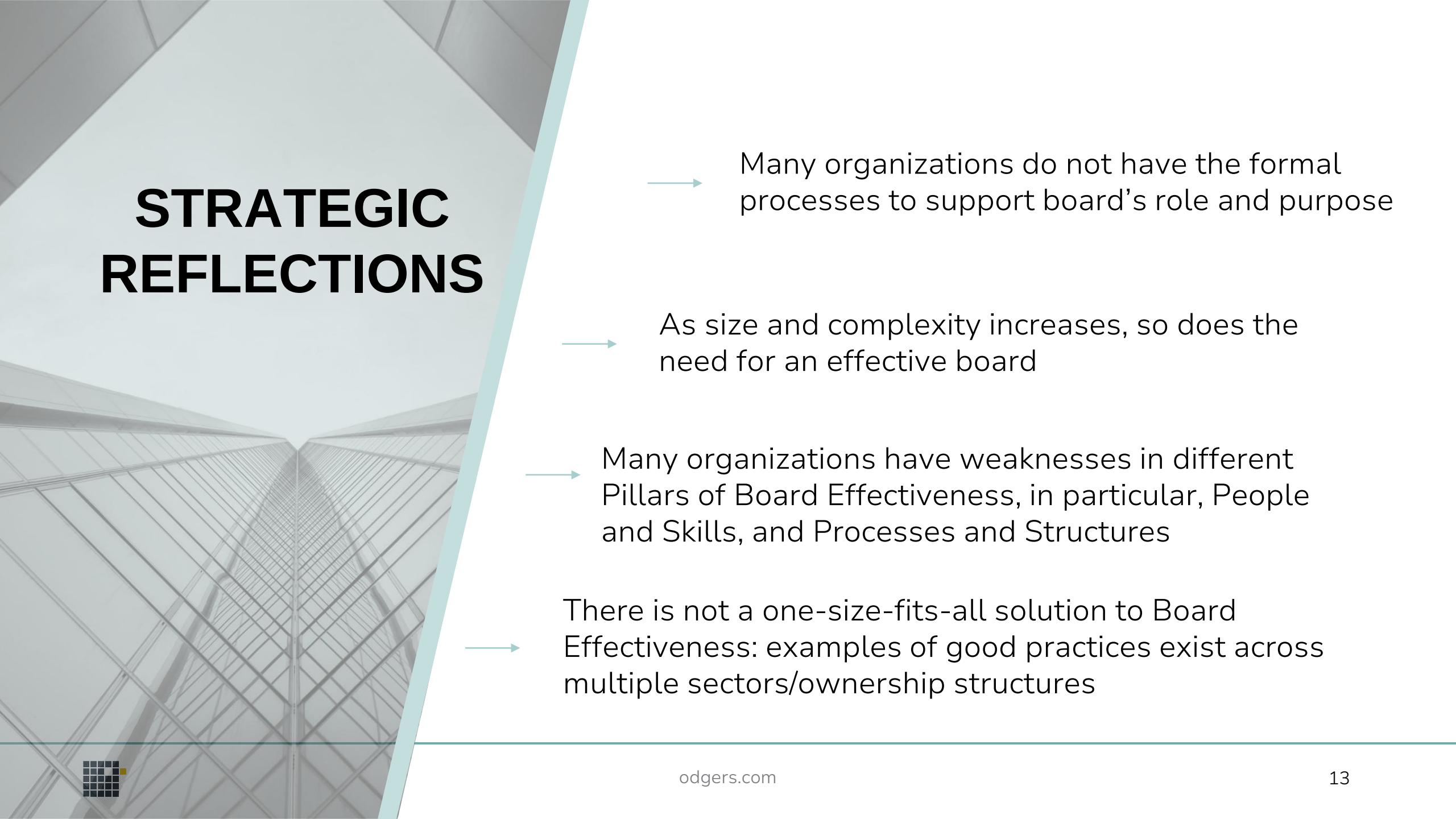
HOWEVER

only

13%

Highlight the Board's readiness to meet future challenges

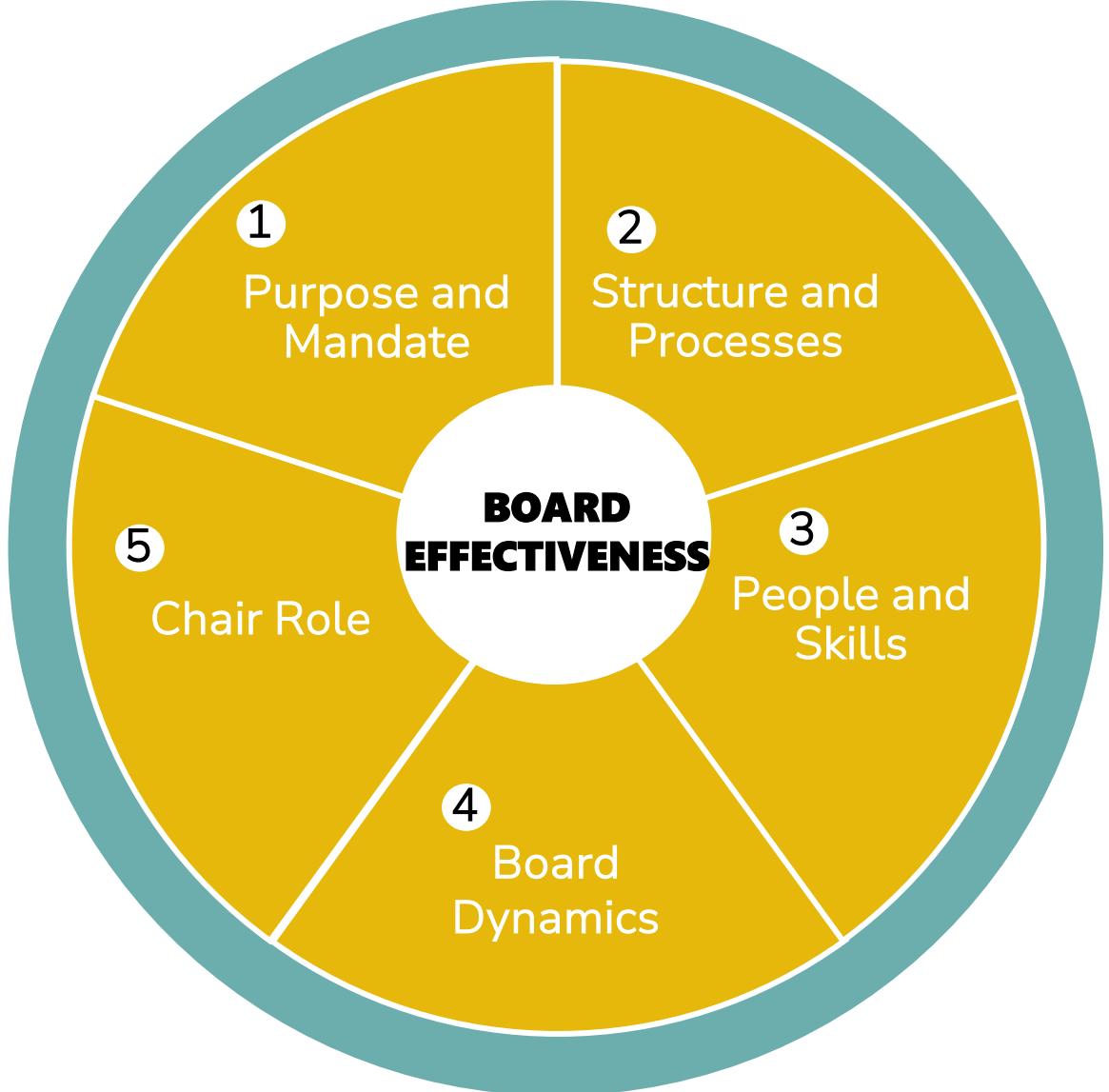




STRATEGIC REFLECTIONS

- Many organizations do not have the formal processes to support board's role and purpose
- As size and complexity increases, so does the need for an effective board
- Many organizations have weaknesses in different Pillars of Board Effectiveness, in particular, People and Skills, and Processes and Structures
- There is not a one-size-fits-all solution to Board Effectiveness: examples of good practices exist across multiple sectors/ownership structures

**Our Board
Effectiveness Model
identifies 5 Pillars of a
high-performance
Board**



Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board

1

Purpose and Mandate

- Purpose and Values
- Compliance and fiduciary responsibilities
- Performance Management
- Strategic Direction
- Risk Management
- Corporate Governance
- Challenger's role

2

Structure and Processes

- Structure and Decision Model
- Information Architecture
- Monitoring and Control
- Onboarding
- Compensation Model

3

People and Skills

- Size and independence
- Skills' diversity and balance
- Focus and dedication
- Board composition for the future
- Succession Planning
- Recruitment Priorities and Effectiveness

4

Board Dynamics

- Meeting's duration and frequency
- Decision-making capacity
- Innovation and Continuous Improvement
- Dynamics amongst Board Members
- Relationship between Board and Management Team

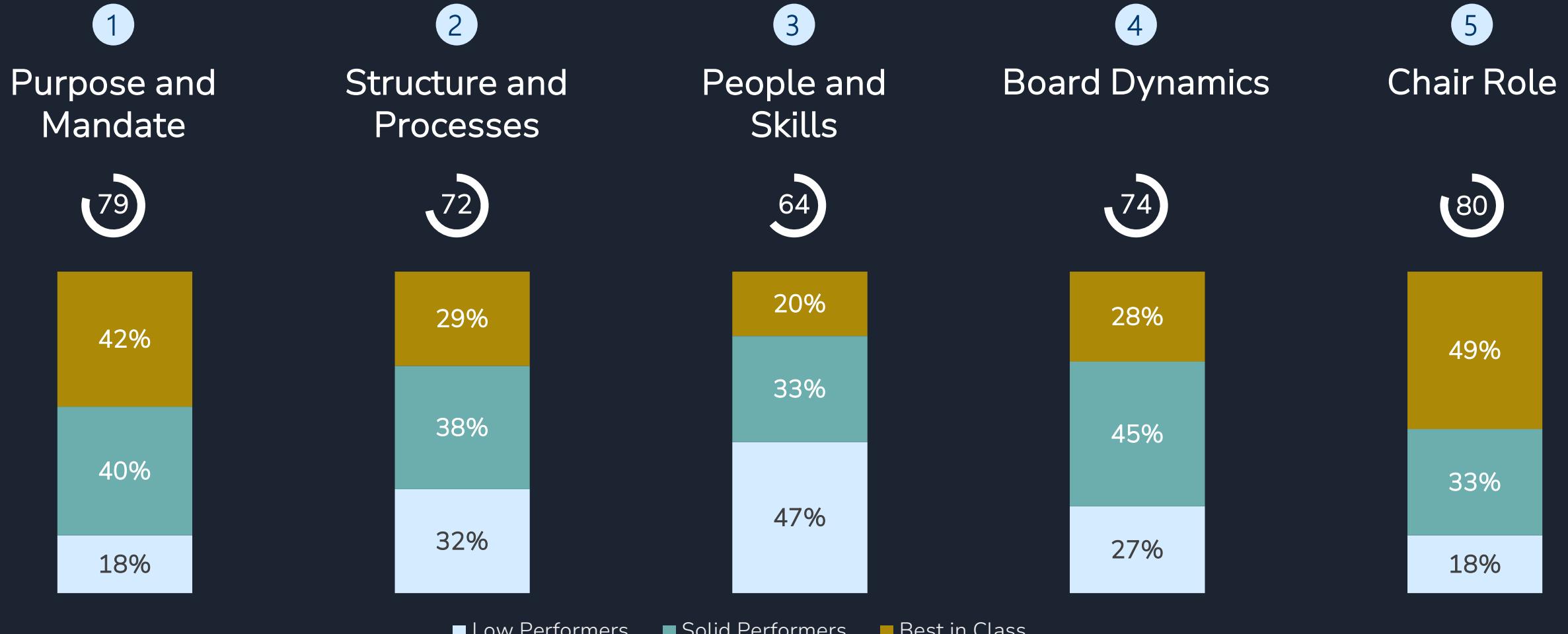
5

Chair Role

- Leadership and Direction
- Meeting management
- CEO & Chair relationship
- Balance Ownership, Board, and Management



The People and Skills Pillar emerges as the lowest of the five Board Pillars



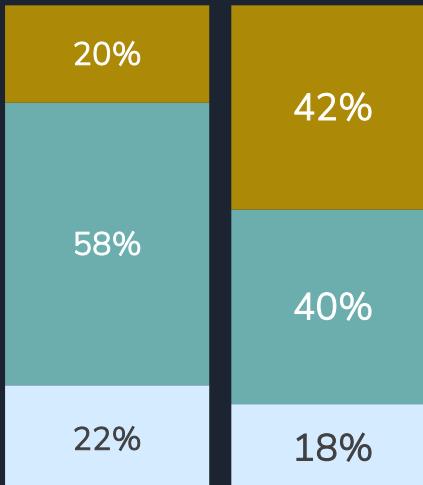
Board Effectiveness has increased across all 5 Pillars, with significant room for improvement

1

Purpose and Mandate

2023

2025

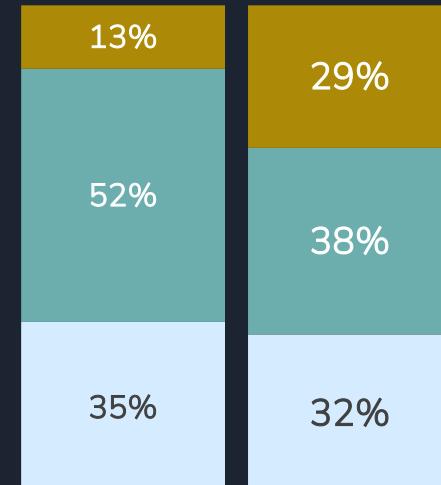


2

Structure and Processes

2023

2025

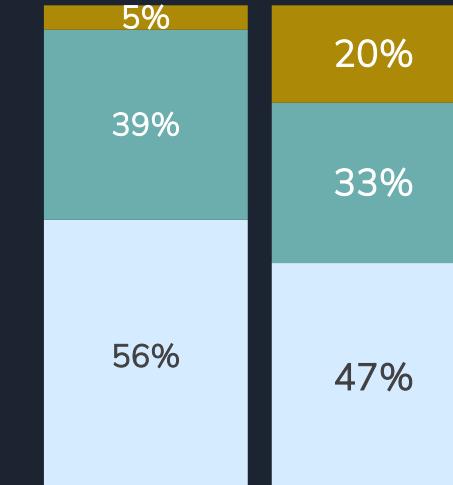


3

People and Skills

2023

2025

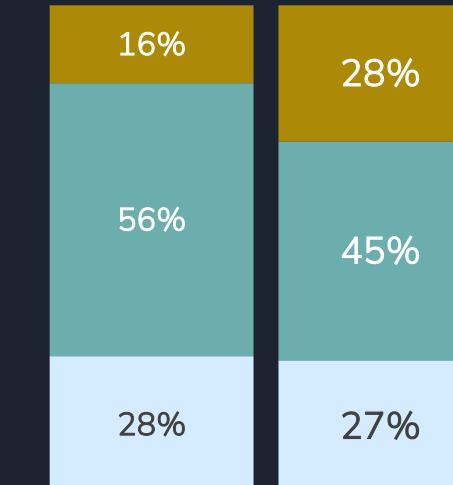


4

Board Dynamics

2023

2025

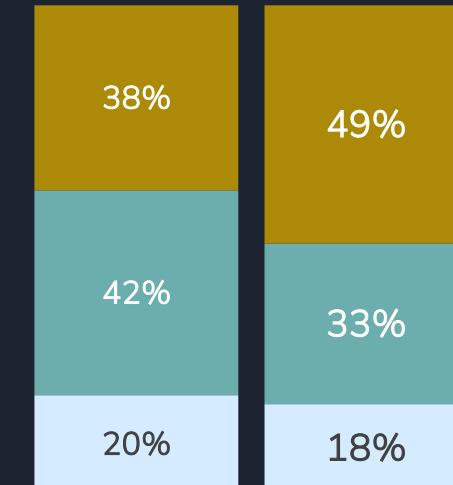


5

Chair Role

2023

2025



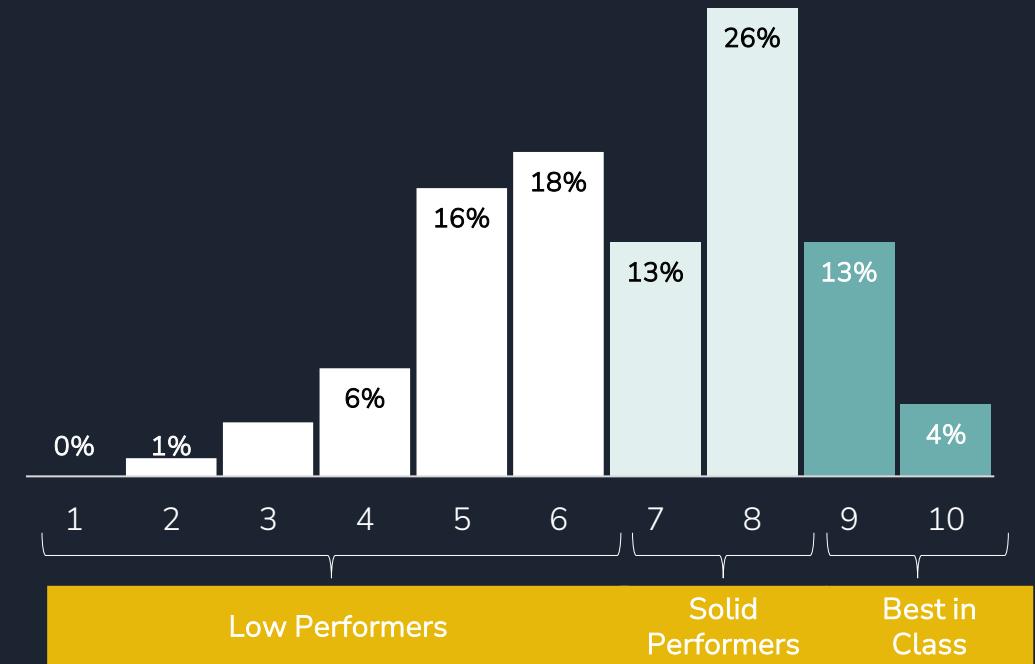
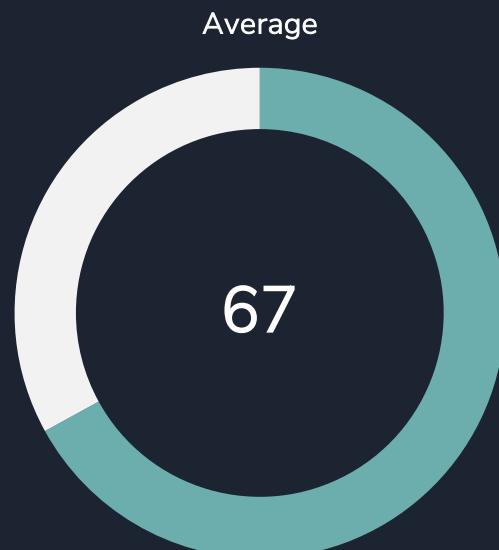
■ Low Performers ■ Solid Performers ■ Best in Class



Does the Board prioritizes anticipating future change over responding to immediate challenges?



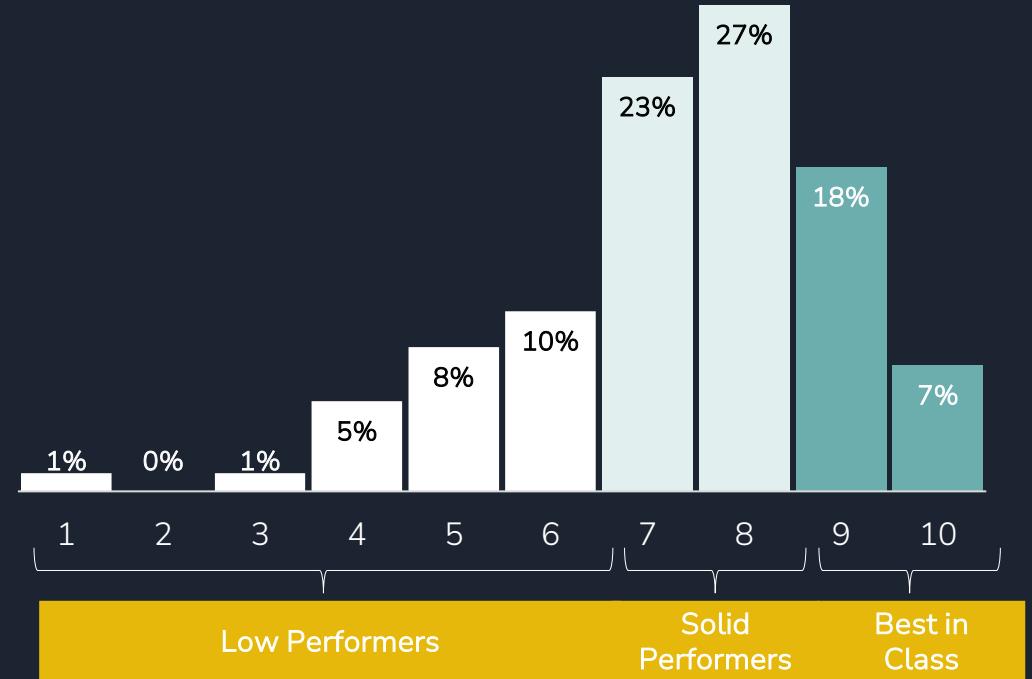
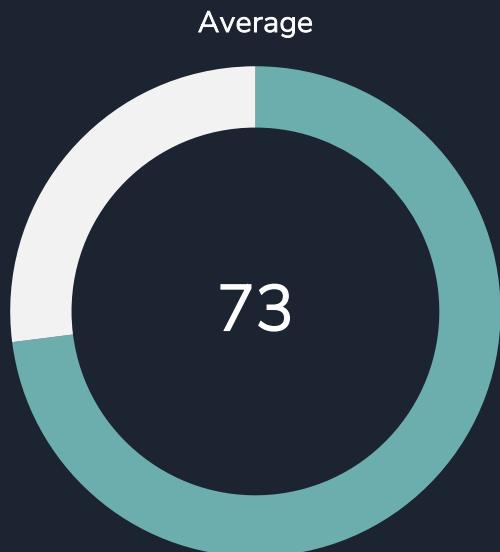
17% of Boards take a more proactive position, focusing on anticipating future changes rather than just reacting to immediate challenges



The quality of discussions and decision-making capacity of the Board is high?

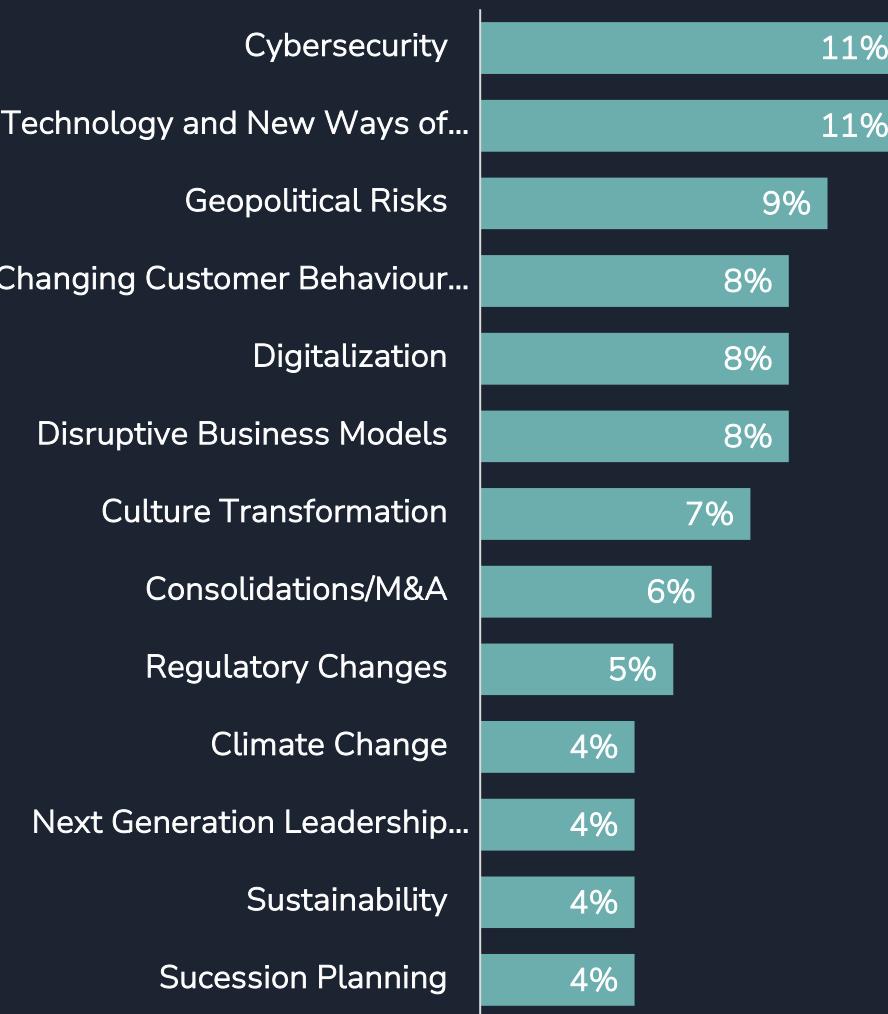


Only 25% of leaders believe that the capacity of discussion and decision making of the Board is high



Although Boards believe they have a clear vision and that risks are being anticipated and effectively managed, multiple issues are arising for the future

Top 10 most relevant issues in the Board's agenda for the future:



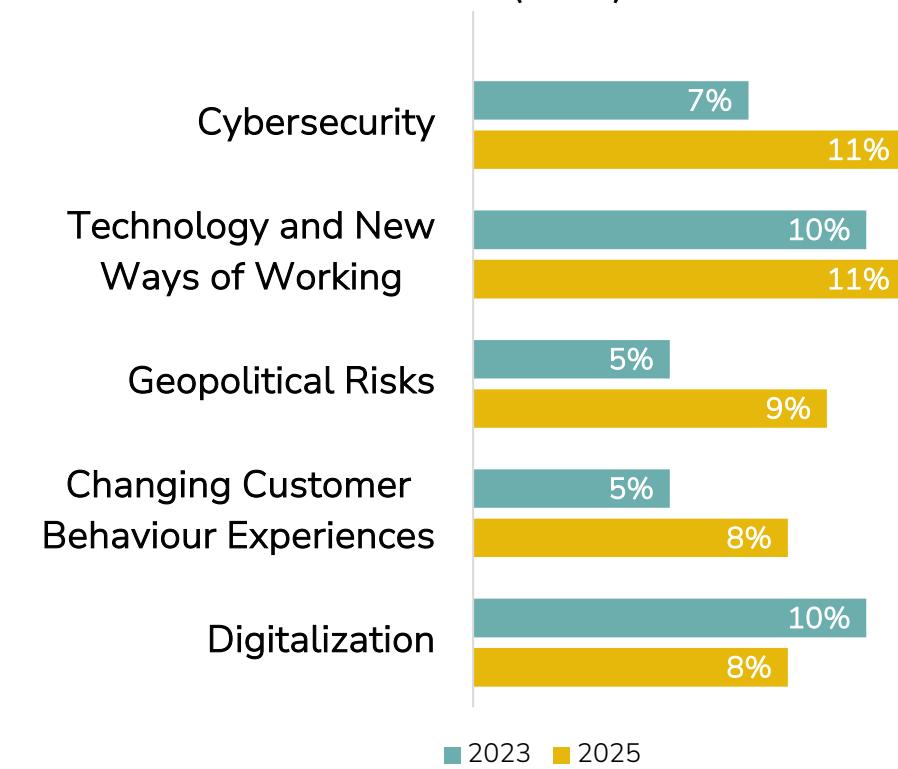
There are emerging issues for the Board to address, when compared to 2023

Of the **Top 5 topics from 2023**, Sustainability, Culture Transformation and Disruptive Business Models are no longer seen as key priorities for 2025

Cybersecurity has risen to become the foremost concern for the future, despite not being among the top 3 priorities in 2023

Geopolitical risks have climbed to the 3rd most relevant issue for the future in 2025, a notable rise from 2023, when they didn't even feature in the top 5

Top 5 most relevant issues in the Board's agenda for the future (2025):

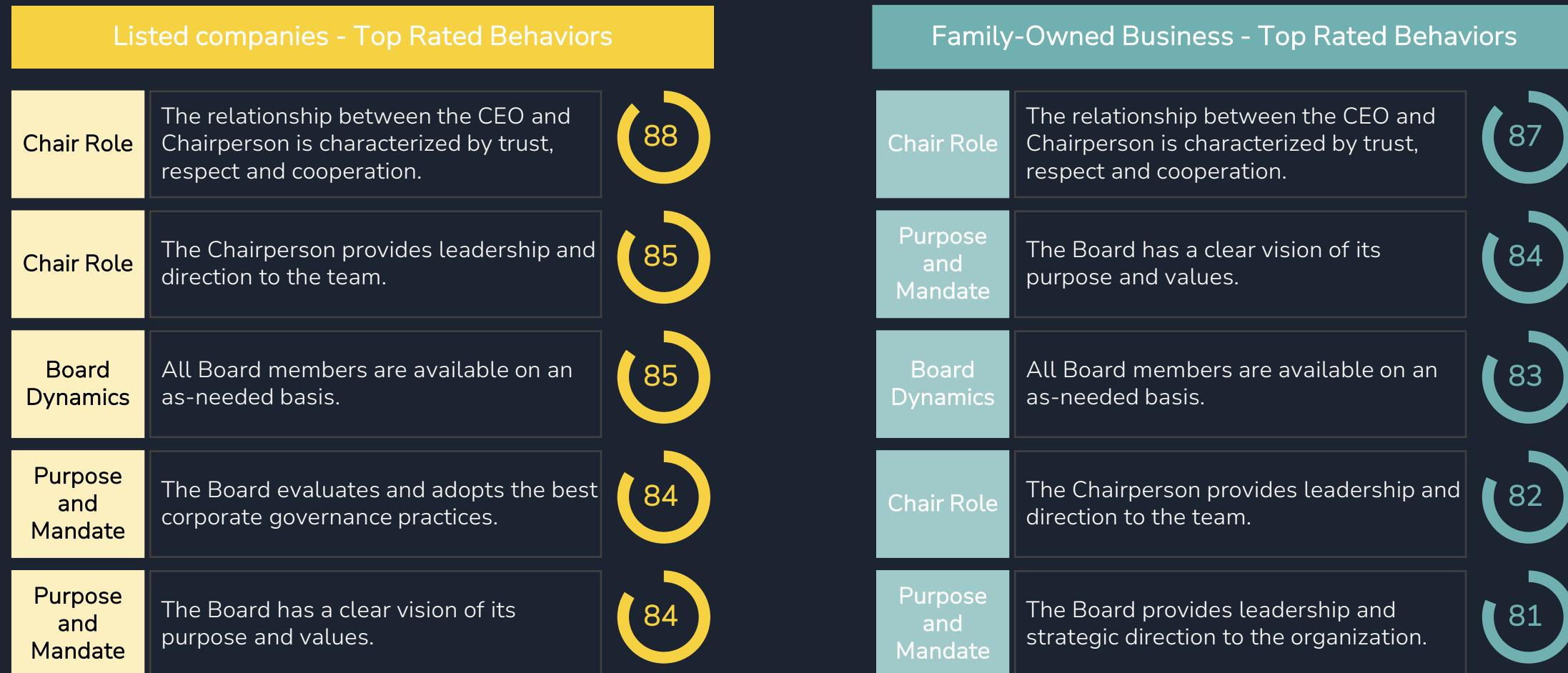


Chair Role has the highest number of behaviors in the top 5, while People and Skills occupy most of the bottom 5

Top 5 - Top Rated Behaviors		Average	Bottom 5 - Worst Rated Behaviors		Average
Chair Role	The relationship between the CEO and Chairperson is characterized by trust, respect and cooperation.	85	People and Skills	The Board has a clear plan for Board/CEO Succession to ensure alignment of its competencies with the organization's strategy.	56
Purpose and Mandate	The Board has a clear vision of its purpose and values.	83	People and Skills	The Board reviews its composition on a regular basis to ensure that it reflects the current and future requirements of the organization.	62
Board Dynamics date	All Board members are available on an as-needed basis.	81	People and Skills	How do you assess the Board's effectiveness in recruiting the best Non-Executive Directors in the market?	62
Purpose and Mandate	The Board provides leadership and strategic direction to the organization.	80	Structure and Processes	The Non-Executive Board has a compensation model aligned with the market and with the performance demonstrated by the organization.	64
Chair Role	The Chairperson provides leadership and direction to the team.	78	People and Skills	The Board has the ideal diversity in the demographic profile of its members.	66

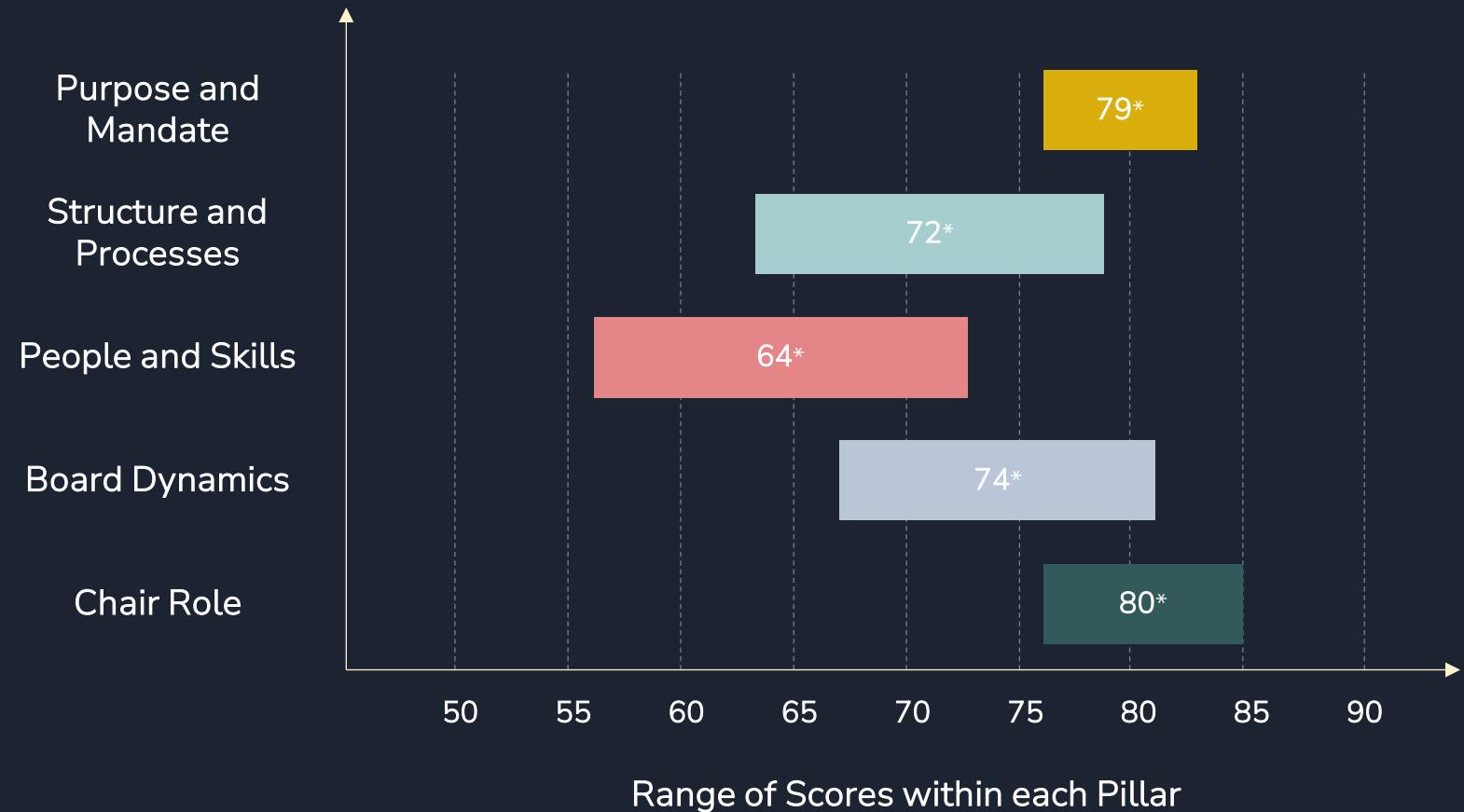


The top rated behaviors are mostly common across listed and Family-Owned companies



People and Skills and Structure and Processes emerge as the lowest rated behaviors

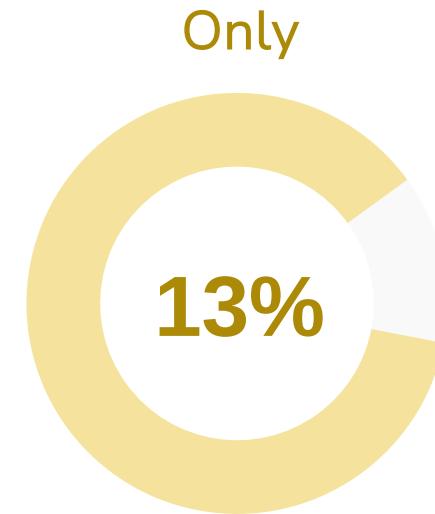
The highest rated behavior in the **People and Skills** pillar (72) remains below the lowest rated behaviors in both the **Purpose and Mandate** (77) and **Chair Role** (76) pillars



* Average score

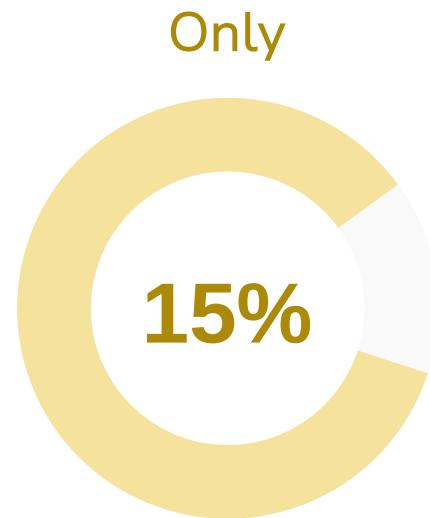
Succession planning, Board Assessment, Composition Review

Only **19%** of the Boards consider themselves best in class in reviewing its composition on a regular basis

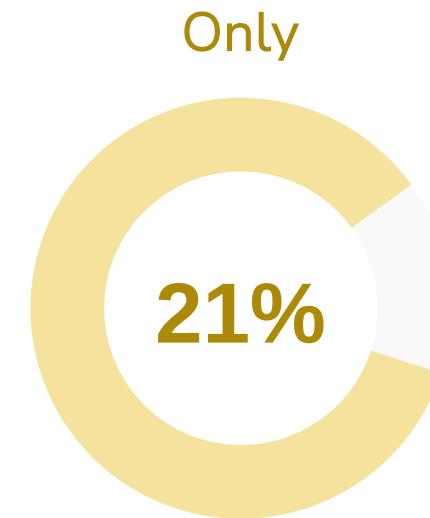


of Boards have a clear plan for Board/CEO Succession to ensure alignment of its competencies with the organization's strategy

Boards are proving ineffective in the attraction and management of NEDs, both critical to ensuring continuity beyond individual shareholders



AND



Show best in class Board Effectiveness
in recruiting top Non-Executive
Directors

Have market aligned, best in class
compensation models for Non-
Executive Directors

Key Development Priorities

BOARD'S REVIEW

Do we know what are our Board's strengths and development needs?

1

RIGHT PEOPLE & SUCCESSION

How can we have the right people with the right skills and diversity of profiles?

2

NEW STRATEGIC AGENDA

How can we keep up with the new challenges arising in the future?

3

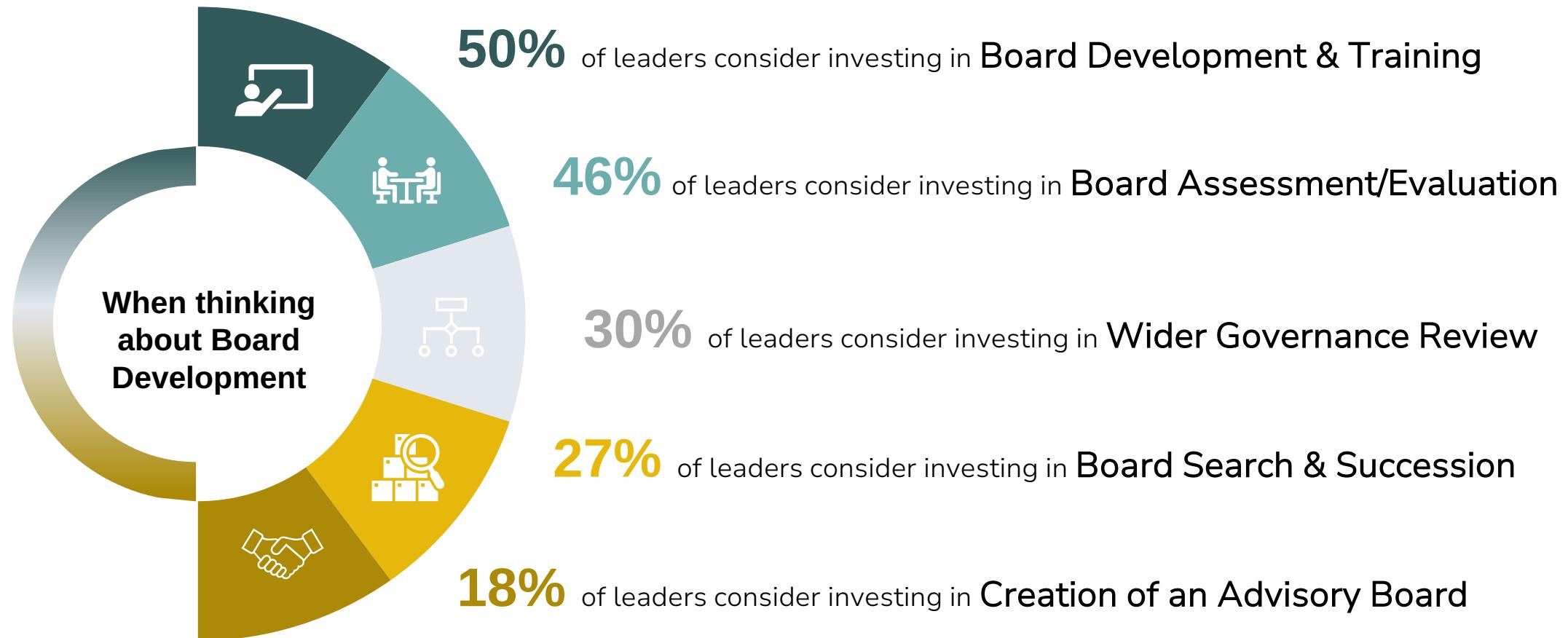
PROCESSES

Do we have the right processes to deliver on our mandate?

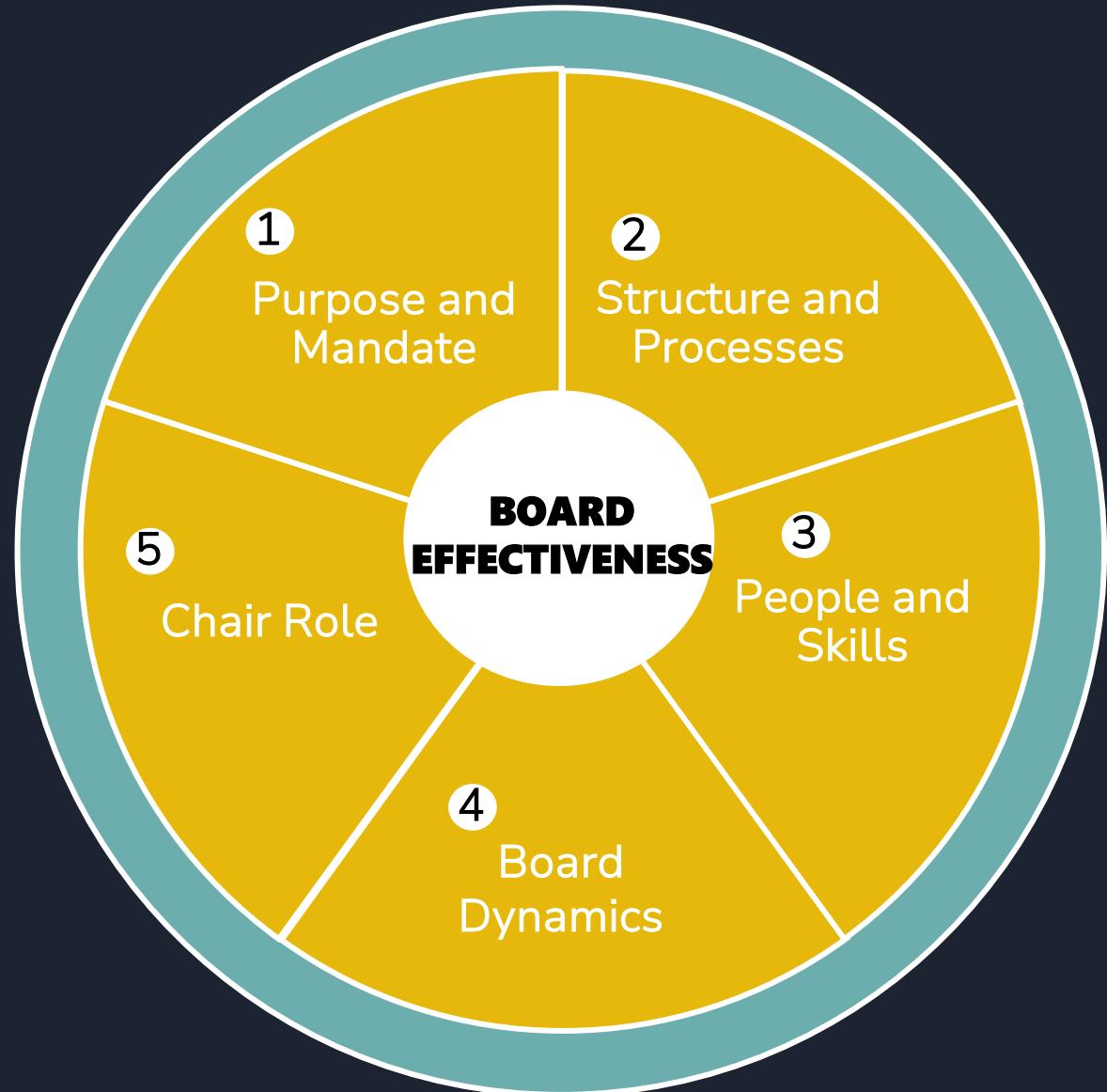
4



The Development Priorities are aligned with the areas leaders identify as potential investment opportunities

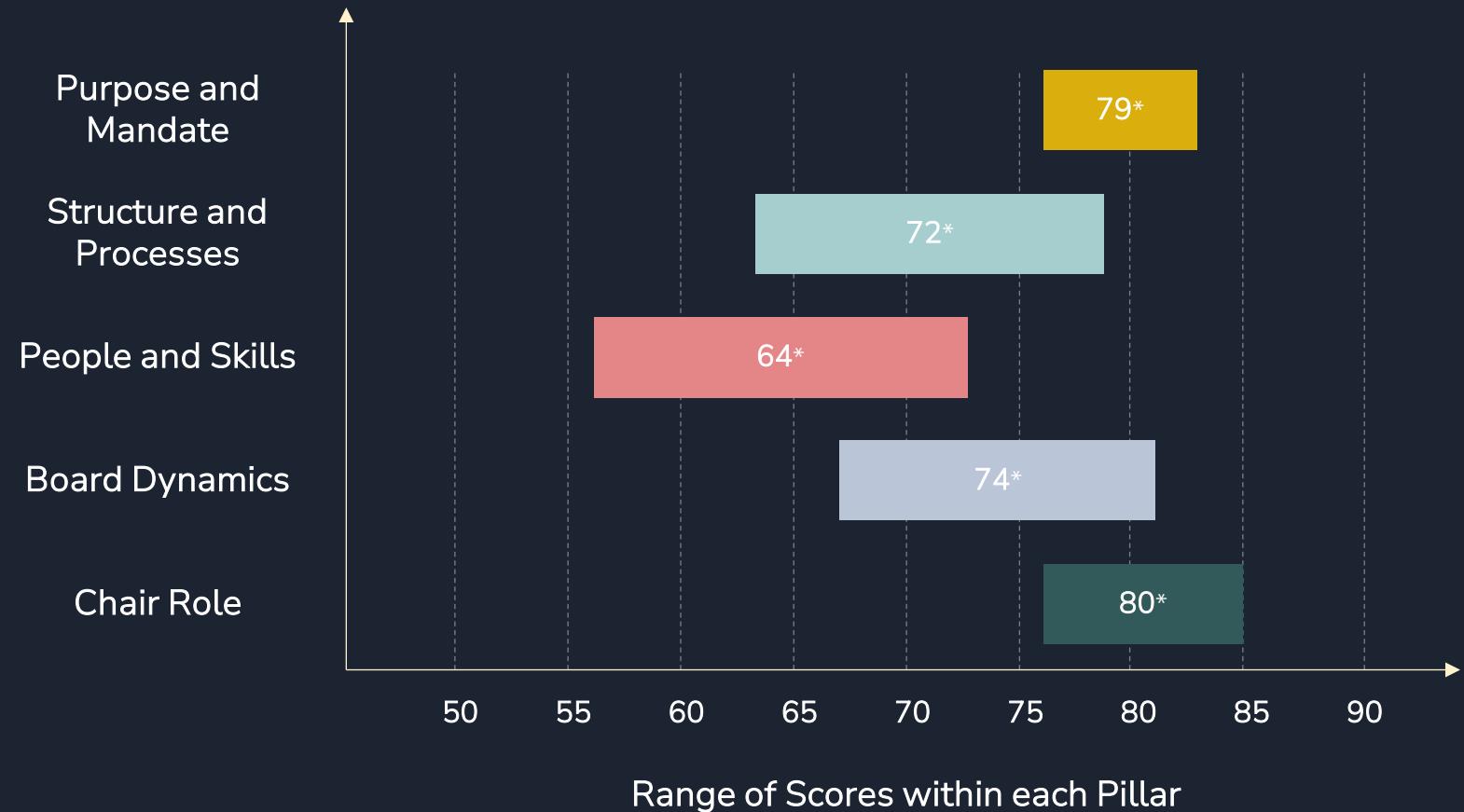


Our Board Effectiveness Model identifies five Pillars of a high-performance Board, with our study revealing different average effectiveness levels across each pillar



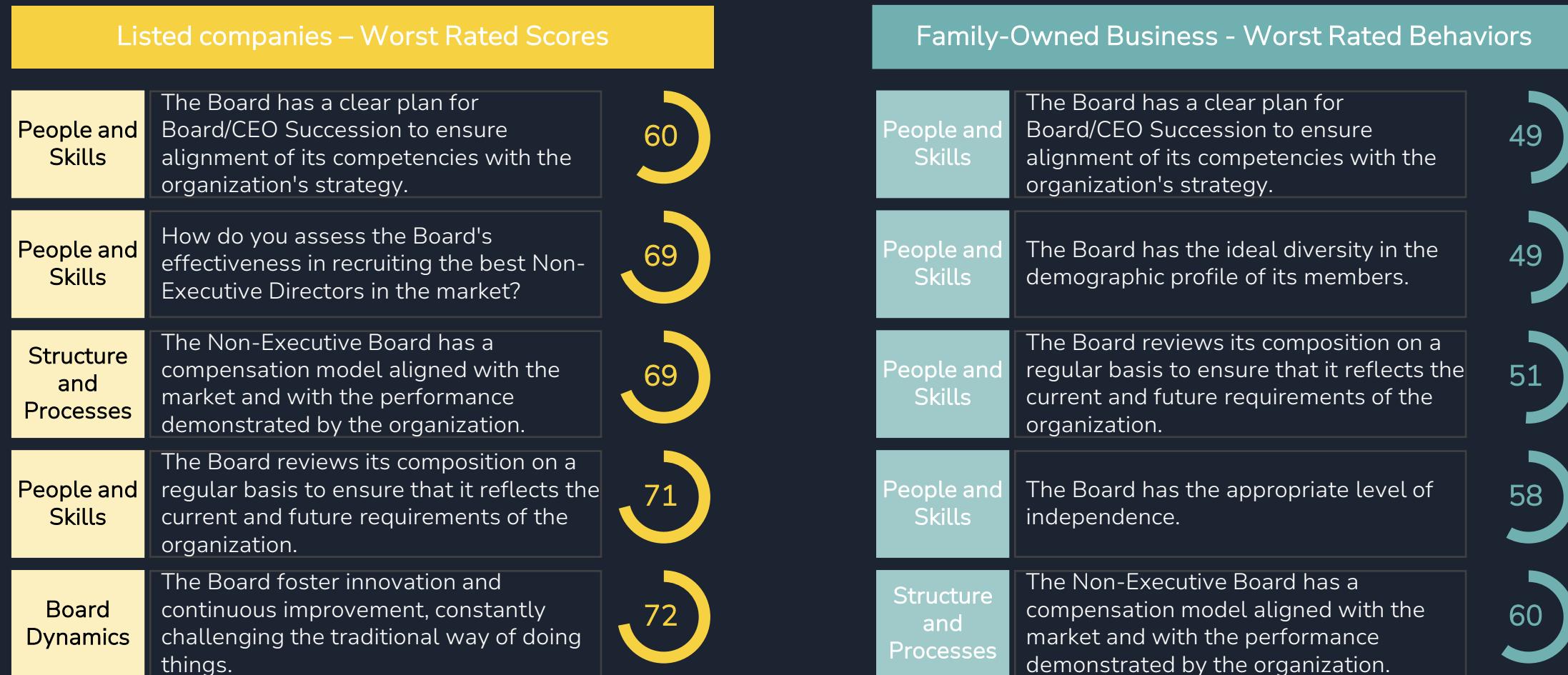
People and Skills and Structure and Processes emerge as the lowest rated behaviors

The highest rated behavior in the **People and Skills** pillar (72) remains below the lowest rated behaviors in both the **Purpose and Mandate** (77) and **Chair Role** (76) pillars



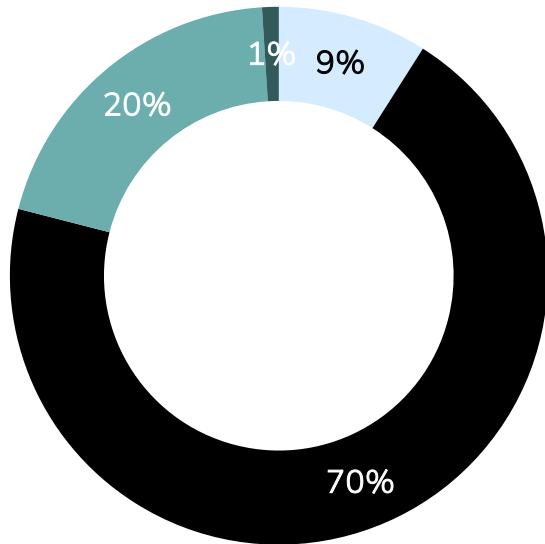
* Average score

In both Listed and Family-Owned companies, the bottom scores are related to People and Skills



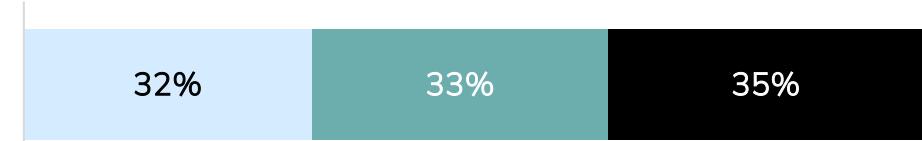
Size is not the issue. Composition yes.

Only 19% of Boards review their composition on a regular basis



- * Smaller than desired
- Right Size
- Larger than desired
- Significant smaller than desired

The Board has the appropriate level of independence



72

The Board has the ideal diversity in the demographic profile of its members



66

The Board **reviews its composition on a regular basis** to ensure that it reflects the current and future requirements of the organization



62

*How do you rate the suitability of the Board's size for successfully fulfilling its mission and meeting the challenges of the future?

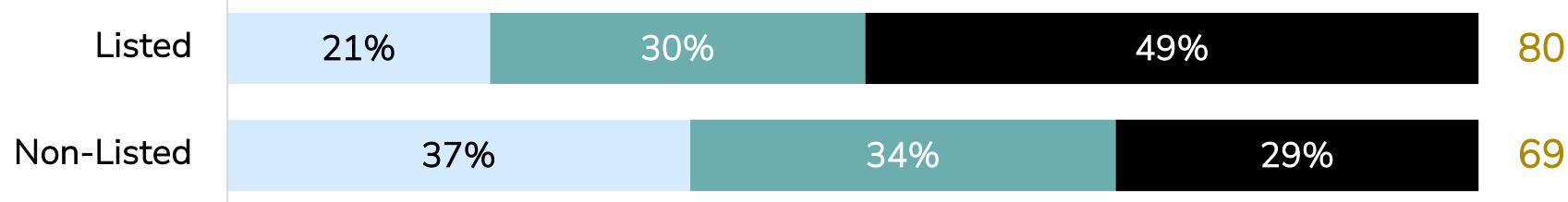
■ Low Performers ■ Solid Performers ■ Best in Class ■ Average



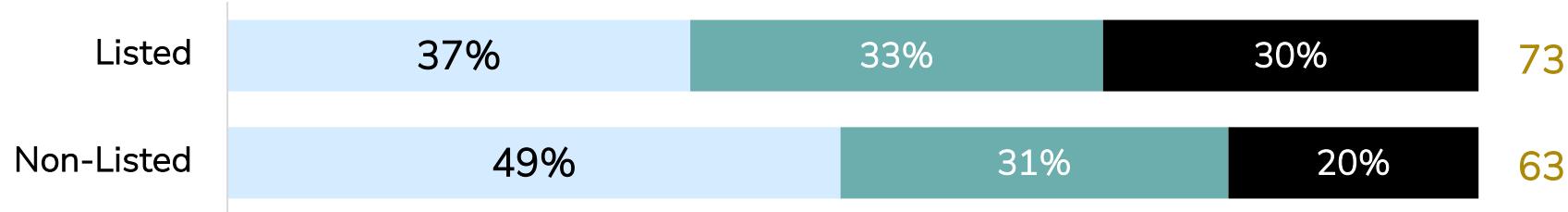
Listed company Boards are typically more structured, yet show wide dispersion



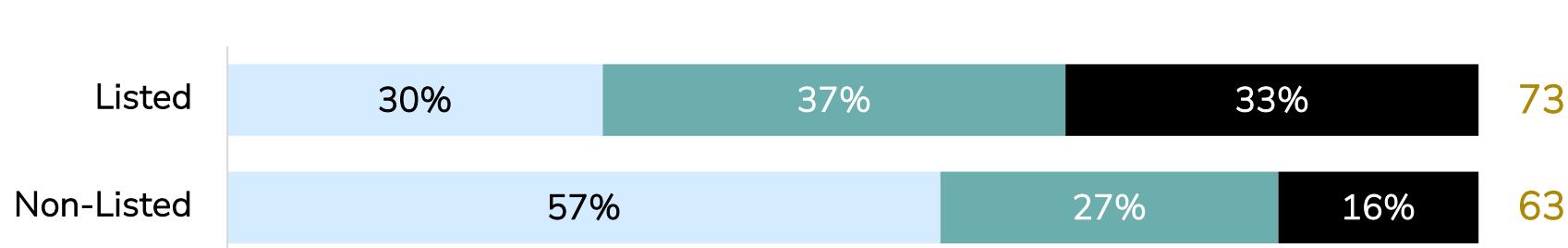
The Board has the appropriate **level of independence**



The Board has the ideal **diversity in the demographic profile** of its members



The Board **reviews its composition on a regular basis** to ensure that it reflects the current and future requirements of the organization



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There are opportunities for improvement in the Boards' own Assessment, as well as in People attraction and management processes



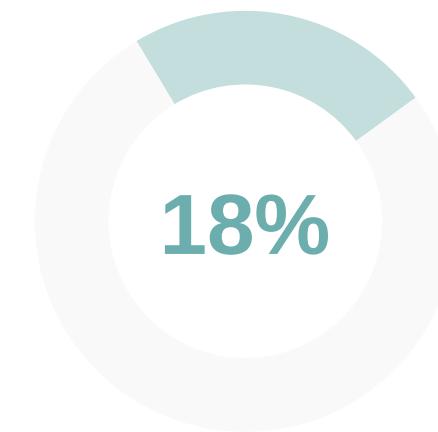
How do you assess the Board's effectiveness **in recruiting the best Non-Executive Directors** in the market?



The Board has a clear plan for **Board/ CEO Succession** to ensure alignment of its competencies with the organization's strategy.

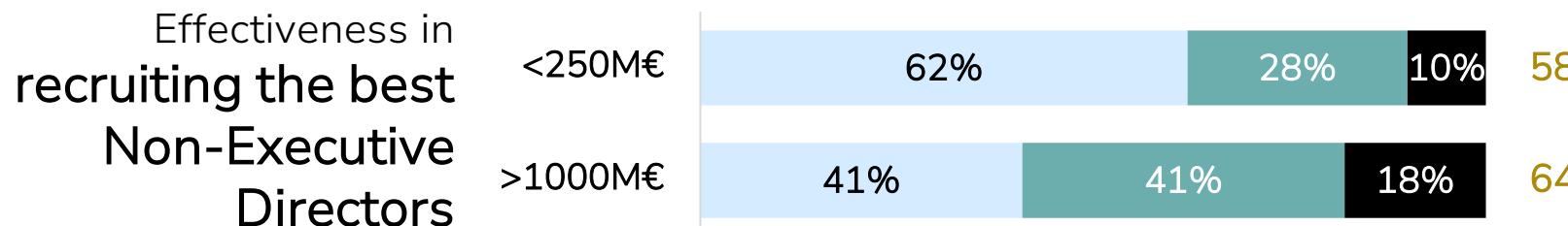


Only

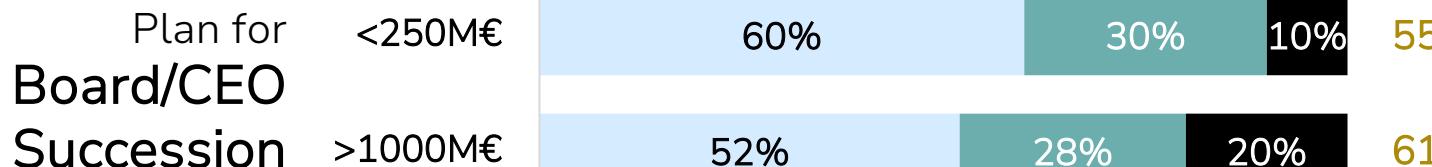
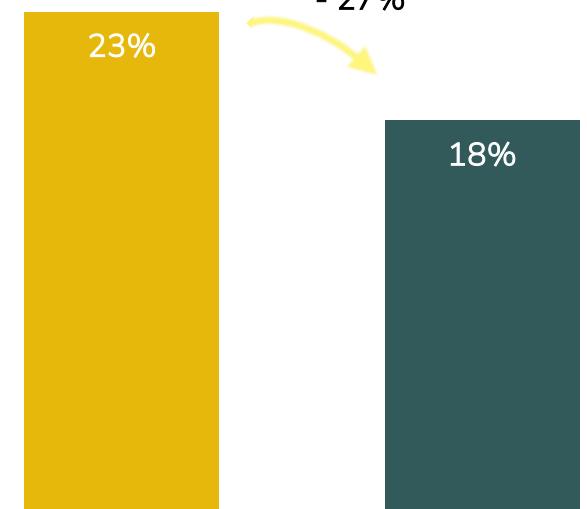


of the organizations has a **formal budget for the Non-Executive Directors' search, assessment and training**

While larger organizations perform slightly better, overall scores remain low



Formal budget for NED's search, assessment and training



■ Low Performers ■ Solid Performers ■ Best in Class

■ < 250M€ ■ > 1000M€

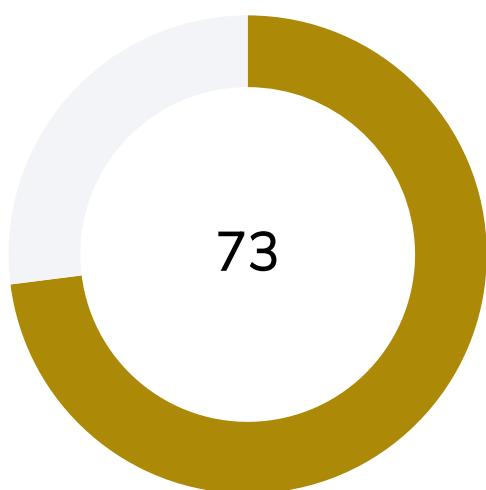


Most Board's compensation models still need improvement

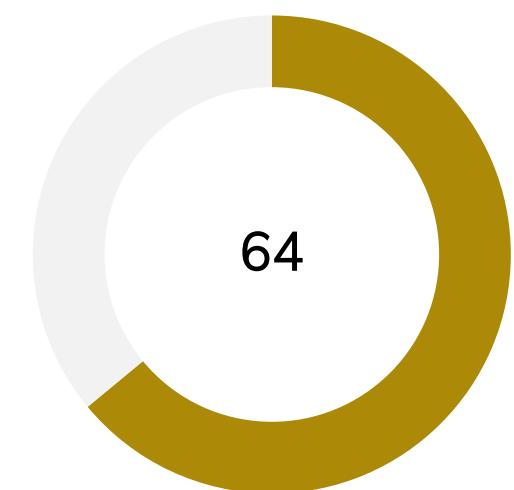
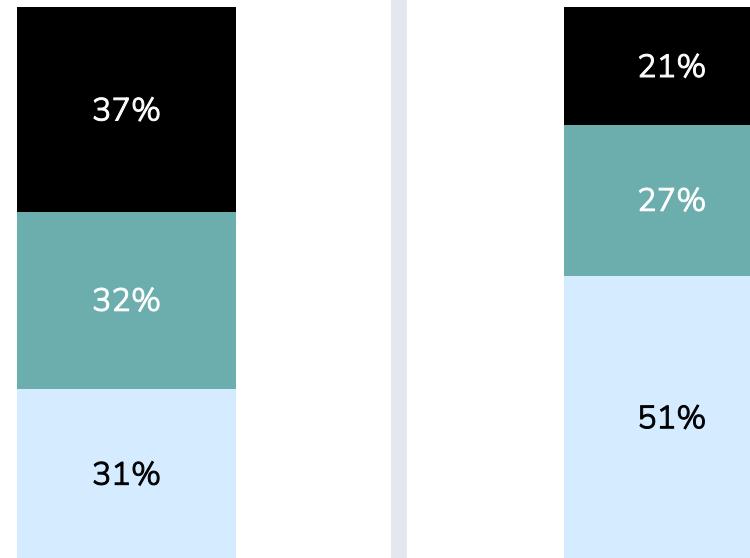
In particular, Non-Executive Directors model



The **Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.



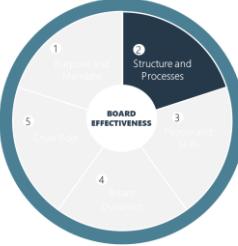
The **Non-Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.



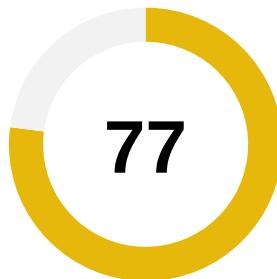
■ Low Performers ■ Solid Performers ■ Best in Class



Despite high aspirations, most organizations lack budget to evaluate or develop their boards



Despite the Boards' stated ability to adopt the best corporate governance practices...



... and to ensure that risks are managed effectively and anticipated...



... Only **49%**

of organizations has a formal evaluation process that allows them to identify its strengths and development needs

New skills arise as key priorities for the challenges of the future

Only 19% of the Boards consider themselves excellent in reviewing its composition on a regular basis to ensure that it reflects the current and future requirements of the organization

Skills at the Top of the Board's Recruitment Agenda



Eficácia dos Boards

Caso Português 2025

Conclusões



THE IMPORTANCE OF THE BOARDS FOR THE FUTURE

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More relevant than today

HOWEVER

only

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Highlight the Board's readiness to meet future challenges



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- Balance Ownership, Board, and Management



CALL TO ACTION

6 KEY MESSAGES



- 01 **81%** of participants believe Boards will be more relevant than today for organizational success. Investors are increasingly vigilant too
- 02 **Board Effectiveness is key**, given the future challenges arising. Board effectiveness is linked with organizational performance and future readiness. However, only **21%** of Boards are working at their best
- 03 **Aspirations** are high. However, many organizations do not have the **formal processes and composition** to support board's role and purpose. There is **not a one-size-fits-all solution** to Board Effectiveness



CALL TO ACTION

6 KEY MESSAGES



- 04 As size and complexity increases, so does the **need for an effective board**. Only **13%** of participants feel highly prepared to face future challenges.
- 05 Board effectiveness is a key pillar of robust governance. However, many Boards lack the formal processes to do that. Only **19%** of Boards are review its composition on a regular basis.
- 06 People and Skill emerges as the weakest pillar in the study. Low results in **Board/CEO succession**, **skills on the Board**, **alignment between leadership competencies and strategy**, raise concerns about long-term **resilience** and **the ability to sustain strategic direction**



We help our clients to improve board effectiveness and performance, through our integrated solutions

For more than 50 years, we have been trusted advisers to organizations looking to build and enhance their boards



**Board
Assessment**



**Board
Search**



**Board
Consulting**



**Advisory
Boards**

ODGERS

Since **1993**
in Portugal

Nº2
in Europe

Nº6
worldwide

Partnership with over **75%**
PSI-companies

Over **90%**
success rate



EXECUTIVE SEARCH

- *CEO Search*
- *Executive Search*
- *Talent Mapping*

LEADERSHIP DEVELOPMENT

- *Leadership Assessment*
- *Leadership Programs*
- *Team Effectiveness*
- *Executive Coaching*

ORGANIZATIONAL & TALENT CONSULTING

- *Organizational Excellence*
- *Talent Strategy*
- *Culture Transformation*
- *Diversity & Inclusion*

BOARD SOLUTIONS

- *Board Search*
- *Board Assessment*
- *Governance Review*
- *Board Advisory*
- *Advisory Boards*

TALENT ACQUISITION (RAY.BBDM)

- *Talent Acquisition*
- *Talent Assessment*
- *Young Talent*
- *HR Tech*



Our Global Reach

59 offices in 33 countries



Thank you

**Board
Assessment**



**Board
Search**

**Board
Consulting**



**Advisory
Boards**



ODGERS BOARD SOLUTIONS

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Odgers Board Solutions
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