



2025 GOVERNANCE OUTLOOK

Preparing for Risk, Taking Opportunity
Executive Summary



Directors Should Prepare to Address Five Board Dilemmas in 2025

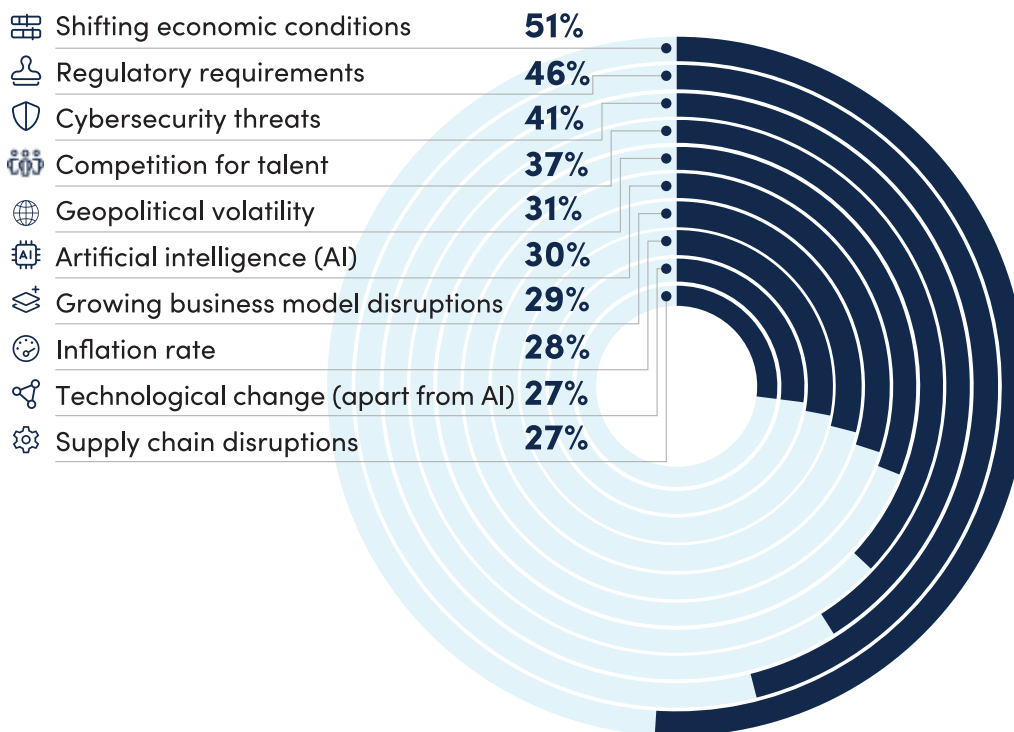
By Friso van der Oord and Ted Sikora

Rarely has the business environment both in the United States and globally seemed so promising and so unpredictable concurrently. Artificial intelligence (AI)-driven innovations are unleashing new opportunities, and business confidence levels about accelerating economic growth are soaring, with IPO and M&A markets poised to recover. At the same time, inflation risk may return due to a major US government reset, including tariffs, while geopolitical volatility is expected to persist.

As a result, boards will likely need to perform a number of difficult governance balancing acts in 2025 as they steer their companies toward long-term success in a rapidly changing operating environment. NACD's 2025 Trends and Priorities Survey, conducted from October 21 to November 14, captured directors' views of the most significant trends in this dynamic environment that will impact their companies in the coming year.

Directors' Top Trends for 2025

Respondents could select up to five trends. The Top 10 most selected trends are shown.



Source: 2025 NACD Trends and Priorities Survey, n=251

Directors' comments from the survey highlight the interconnections between these top trends. (Quotes from directors are presented in italics and without attribution.) Below are some key examples of critical linkages:

Economic conditions and geopolitical developments. "Shifting economic conditions" was the most selected trend among this year's respondents, largely driven by persistent uncertainty stemming from "geopolitical volatility," which was also ranked among the top five trends. Based on campaign promises, President-elect Donald Trump's second term is likely to pursue protectionist economic policies and create a shift in US relations with allies and adversaries alike. The nature and extent of these changes are not yet clear and will be closely monitored by companies going into 2025. Interestingly, when asked what stage of the economic cycle the US economy was expected to be in by mid-2025, less than 10 percent of survey respondents indicated that they felt a recession was imminent.

Cybersecurity concerns driven by AI developments. Cybersecurity threats are also a top-ranked trend in the survey, selected by 41 percent of respondents. As the adoption of AI accelerates, the need for robust cybersecurity practices has become more critical. "Companies must leverage novel AI technologies, while simultaneously earning customer trust and shoring up cyber defenses against growing threats" notes one survey respondent.

This challenges directors' ability to both keep pace with the rapid advancements in AI and to understand the risks. One survey respondent noted that many directors find it challenging to develop a solid grasp of the concepts related to technology, prompting concerns that some directors may disengage, leaving related decisions to a subset of directors.

Meanwhile, another survey respondent proposed that *“technology literacy is becoming as important as financial literacy and should be considered a part of board training and development.”* In what is perhaps an encouraging sign that directors are embracing these new challenges, NACD’s survey found that 78 percent of respondents have personally experimented with generative AI technology.

New business models drive new talent considerations. Thirty-seven percent of respondents highlighted the “competition for talent” as a key trend, making it the fourth most selected. Underlying this trend are “technological change” and the resulting “business model disruptions,” selected by 27 and 29 percent of respondents, respectively. Companies are rethinking how they deliver products, services, and value, making significant technology investments in recent years to capitalize on new opportunities arising from digital transformation.

These shifts impact talent needs. *“Skills profiles are changing as technologies are changing,”* as one respondent notes, highlighting the competition for talent based in highly specialized skills. On the other hand, evolving technology offers *“new ways to accomplish traditional tasks with less labor and more safety.”*

Confronting More Shocks

These interconnected trends amplify each other and ignite shocks to which companies must respond. Nearly half of survey respondents (48%) feel that crisis-like disruptions are more frequent relative to five years ago, and more than half (52%) indicate that such disruptions are more severe.

In this disruptive environment, boards must make many more high-stakes decisions, confront issues that are new to many directors, and guide the development of new, more resilient strategies—all at a faster pace.

The survey responses illustrate that directors already recognize that their oversight of mission-critical issues must keep pace with the blistering speed of change. In particular, a majority of respondents indicated the importance of improving their board’s oversight of strategy development, cybersecurity oversight, and risk management.

Directors also see the improvement of their boards’ own operations as a priority in the coming year. Boards are focusing on improving the rigor of their decision-making and the candor of dialogue in the boardroom, and they are devoting more attention to board succession planning.

Important Board Improvement Areas for 2025

(% respondents indicating an improvement area was “important” or “very important”)

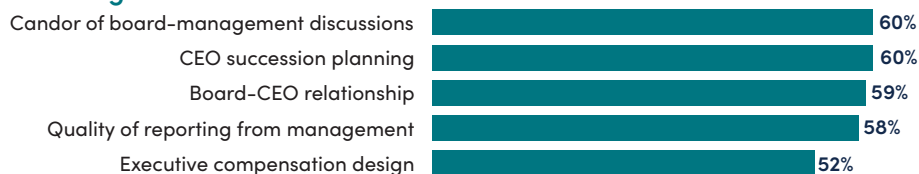
Board Oversight Areas



Board Operations



Board-Management Relations



Source: 2025 NACD Trends and Priorities Survey, n=251

In sum, boards and their companies are navigating complex and often unfamiliar territory and are investing in adapting their governance to these conditions. This work will involve difficult conversations and tough calls in many boardrooms, as directors and management teams weigh different strategic choices. Through survey analysis and member conversations, NACD has identified **five significant dilemmas** that many boards will be confronted with in 2025. Based on their company’s context, each board will make different calculations, but all boards will benefit from thoughtful deliberation (with management) about each of these dilemmas.

1 Going on Offense or Defense (or both)

The specter of protectionism, supply chain disruptions, and geopolitical disorder is forcing many companies to look for new opportunities to grow and avoid higher-risk markets. As their industries and core business models are disrupted by new technologies, management teams and their boards may struggle to grasp the “new game” they are in and how to effectively compete.

For many companies, the growth playbook now looks very different than years ago. For example, in a recent survey by [Oliver Wyman](#), more than 40 percent of CEOs cited not moving fast enough and being left behind by competitors as a top AI-related risk. The stage is set for 2025 to be a year in which companies will look beyond initial experiments with AI and make big investments to scale the use of this technology across their enterprises.

The growing use of emerging and often transformative technologies has also raised expectations about their responsible use. Companies must now drive value and trust through technology. And currently, trust levels are low. Only 59 percent of respondents to the [2024 Edelman Trust Barometer](#) trust business to effectively manage the introduction of innovations into society. Further, there is a discrepancy between trust in business, and trust in specific technologies. For example, while 76 percent of respondents indicated at least some level of trust of technology companies to do what is right, only 50 percent indicated any level of trust of artificial intelligence technologies specifically.

Given the potential scale and strategic significance of technology investments in the coming year, the hard-earned trust from shareholders, customers, and the public at large should not be taken for granted, and it is increasingly important for boards to govern for trust, in particular as it pertains to technology.

This dual focus on rapid value creation and careful protection of trust presents a dilemma for the board. In an environment that puts a premium on rapid execution of new ideas and the effective orchestration of major transformations, boards need to exercise even more critical judgment on when to act as a guardrail (safeguarding trust) and when to demand acceleration—forcing management to take more risk.

Considerations for Boards

To ensure board discussions are neither too risk averse or too risk aggressive, NACD recommends the following:

- ▶ Boards should consider the development and use of risk appetite frameworks to guide decision-making. However, the overall focus should not merely be the maximum acceptable risk to take. An agreement should be reached regarding what early warning signals should be reported to the board and which metrics will be used to gauge progress of innovation bets.
- ▶ Boards should collaborate with management to integrate critical risk and strategy discussions at the full-board level. To enable productive discussions, the format of risk reports from management should be reviewed periodically to ensure they analyze patterns across time and locations, enabling a continuous rather than fragmented perspective.
- ▶ Boards need to make sure that stakeholder trust is part of technology decision-making. They should work with management to ensure that considerations about the company's purpose and values are integrated into the development and use of new technologies.
- ▶ Business continuity and crisis contingency plans should be regularly pressure tested. The plans should account for a variety of scenarios, including responses to geopolitical crises. Regular management-crisis exercises can expose faulty information flows and/or interpersonal tensions that can lead to breakdowns in a time of crisis.
- ▶ The board should regularly invite a diverse group of management representatives into the boardroom to share their views on the future of their business line or function. It is as important to hear from general managers and business unit leaders as it is to hear from risk, legal, compliance, and audit executives in order to reduce risk bias.

2 Social and political issues—to engage or not to engage?

In an increasingly polarized society, how do boards guide the CEO and the company on when and how to engage on social and political issues? In light of broadening expectations about the role of business, companies have grappled with stakeholders' calls to use their position to effect societal

change, including expectations for companies to become involved in issues outside of their core business. Headlines have spotlighted the missteps and challenges faced by companies as they navigate the (often conflicting) expectations of their stakeholders.

Perhaps as a result, companies are wary of entering the public debate—and some even have adapted or abandoned some of their previous commitments and efforts. For example, companies are integrating diversity, equity, and inclusion (DE&I) initiatives into their overall business strategy versus maintaining highly visible, stand-alone programs.

This mirrors a shift in public sentiment about the role of corporations. According to [Gallup survey data](#), 38 percent of Americans believe that business should take public stances on current events, down 10 percentage points from 2022.

Given changing stakeholder sentiments and the potential risks to company reputation, boards have a role to play in guiding the company's voice and actions in this polarized environment. The 2025 NACD Trends and Priorities Survey data show that only a quarter (27%) of respondents' boards have advised the CEO or management regarding public discourse over the past year. Of those that have provided such guidance, one third (33%) promoted active engagement with topics that align with company strategy and the interests of key stakeholders, and 28 percent provided guidance to remain neutral and above the fray.

Considerations for Boards

Given changing stakeholder sentiments and the potential risks to company reputation, boards have a role to play in guiding the company's voice and actions in this polarized environment.

- ▶ Management and the board should proactively set out a decision-making framework on when, and how, the organization will engage on social and political issues and the role of the board. The organization's approach should align to the firm's objectives and strategy, grounded by its mission and values.
- ▶ Management—with oversight from the board—should engage with stakeholders, including customers, employees, investors, and the political arena itself, to understand their interests and expectations. Gaining a full understanding of the values and expectations of stakeholders can help management and the board anticipate the short- and long-term impacts of decisions around social and political speech and help to inform them on how to address a topic.
- ▶ As discussed in NACD's guidance on [CEO activism](#), management and boards should proactively consider the risks associated with their actions when engaging on social and political issues. This should include an assessment of the materiality of risks such as financial or reputational risks, using the company's enterprise risk management (ERM) framework, and consideration of how the company would respond to any backlash or unintended consequences.
- ▶ The degree and timing of board involvement should be carefully considered. Certain sensitive topics may benefit from more board involvement, given directors' expertise, their experience at companies that may be addressing a similar issue, and their oversight responsibilities for the company.

3 Committing to a long-term strategy in a short-term world

Planning horizons are shrinking—about half (46%) of director respondents noted that in the current business environment, it is “very” or “extremely” challenging to develop and commit to a long-term growth plan. Approximately 70 percent of respondents indicated that it is more challenging to develop and sustain a long-term growth plan today, compared to five years ago.

In this environment, the concept of “long-term” strategic planning is changing. About 17 percent of respondents noted that their board set long-term strategic planning horizons of five years or more, and 70 percent set a three-to-five-year time horizon. Notably, a growing number of public companies have adopted time horizons of less than three years for their company’s long-term strategy (2022: 9%; 2024: 13%).

More than half of all respondents (56%) cited “economic fluctuations” as the most significant sources of short-term pressure, and 36 percent cited “technological developments.” Nearly a third (32%) of respondents overall, and 41 percent of respondents from publicly traded companies, pointed to capital market/investor expectations as a key source as well.

In some cases, short-term pressure may be a case of perception rather than reality. For example, in last year’s [NACD Trends and Priorities Survey](#), “board oversight of long-term strategy” was among the most common issues that investors raised when meeting with boards. Every company has its own investor base, but directors may wish to pause and consider, “Are we putting this pressure on ourselves?” Strikingly, 47 percent of respondents to the 2025 survey agreed that the board itself was a source of short-term pressure.

Considerations for Boards

Boards can consider a number of steps to guide their organizations in committing to a long-term plan in the face of short-term pressures and disruptive shocks.

- ▶ The board should consider how it executes its responsibilities for the long-term, sustainable performance of the company and as a steward of long-term value creation for all stakeholders. As highlighted in the [Future of the American Board report](#), the effective board acts as a ballast, encouraging management to maintain focus on the long-term objectives that truly matter to the business even if short-term plans shift and evolve in the face of unexpected events.
- ▶ Many organizations are moving away from traditional long-term planning to a continuous approach to strategic planning. This involves frequently exploring and pressure testing different strategic options. Meanwhile, boards can use scenario planning and have management develop a wide range of scenarios across a range of time horizons. By pressure testing assumptions in this manner, boards will be better prepared to adjust strategies as needed while maintaining a focus on long-term goals.
- ▶ The board should consider recommending a shift away from issuing quarterly earnings guidance, which may reinforce an excessive focus on short-term performance outcomes. A survey by [ECLTGlobal](#) found that the practice of providing quarterly earnings per share (EPS) guidance is now in significant retreat, with only 19 percent of S&P 500 companies offering this guidance in 2024, down from 36 percent in 2010.

4 Maintaining board focus amid expanding governance scope

How can boards remain focused on mission-critical issues for the company as the scope of their governance continues to expand? Although the legal governance responsibilities of boards are not changing, the remit of the board’s mandate continues to grow. In addition to traditional board-level issues, an increase in the number of disclosures required by regulators, topics flagged by stakeholders, and crisis-like disruptions often result in packed agendas, demands for more committee attention, and ultimately the potential for insufficient attention to mission-critical matters.

Nearly three-quarters of directors indicate that both the number of topics on the board agenda and the number of issues that individual directors must monitor have increased (74% and 73% of respondents, respectively). Correspondingly, survey data show that the time commitment of an independent director has increased over the years, from an average annual commitment of under 250 hours in 2015, to nearly 300 hours in this year's survey. Despite the increased time, a third of survey respondents (33%) indicate that over the past five years, it has become more difficult for boards to focus on mission critical priorities for the business. Given that board agendas have grown and the amount of board materials has expanded, there is an increasing risk that directors, particularly those holding multiple board seats, will become overextended.

Considerations for Boards

A rigorous focus on how the board allocates its time and resources is more important than ever. Boards can examine existing processes and practices around board calendars and meeting agendas and board reporting.

- ▶ Effective boards frequently recalibrate agendas for the year, using the previous year's calendar as a starting point. This enables the board and management to holistically plan the full cycle of meetings throughout the year. Boards can make a deliberate effort to ensure that the calendar is not predominantly focused on the past and on compliance and create space for open conversation on mission-critical issues. Any new topics added to committee or full-board calendars should be viewed through the lens of the company's strategy and risk profile.
- ▶ The board can take a strategic and almost mathematical approach to time allocation and agenda development, working with the corporate secretary to track how the board is spending its time in meetings and gathering input from directors. This information can be used to periodically recalibrate the mix of agenda topics, and the time allocated to them.
- ▶ NACD's 2024 Board Practices and Oversight Survey found that only 13 percent of directors rate their board packs as "extremely effective." Directors should work with management and the corporate secretary to set a new standard for board reports.

5 Recruiting for subject-matter expertise or general leadership experience

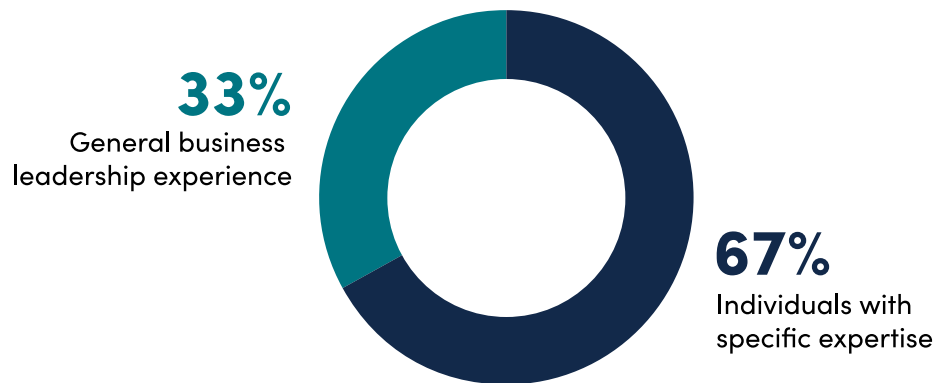
As boards encounter more frequent disruptions on a wider range of issues that demand their engagement, deeper knowledge may be required to effectively govern. This sets up the final dilemma for boards: how does the board strike the right balance between the growing need for specialized expertise (e.g., technology, cybersecurity) and the need for seasoned leadership that can offer broad experience across multiple business functions and strategic issues?

Traditionally, boards have skewed their composition toward proven leadership experience (read CEO or CFO). Domain-specific knowledge may become outdated faster than the leadership and strategic instincts acquired across a career. The current unpredictable business environment creates challenges that demand attributes associated with extensive leadership experience: resilience, ability to work with and balance the needs of different stakeholders, and capability to dramatically pivot strategies and respond to crises. A director may be called to fill in for a sitting CEO on an interim basis.

Data from Spencer Stuart indicates that 30 percent of the newest class of directors joining S&P 500 boards are "active or retired CEOs." This figure has remained steady in recent years, but represents a five percent decrease from a decade ago.

The counterpoint to this argument is that strategic and leadership instincts are less universally applicable than they once were, in a world where value creation and risk are deeply tied to areas like rapidly evolving technology or shifting enterprise value chains. For the time being, it appears that the scale is tilted toward the recruitment of those with specific expertise. More than two-thirds (67%) of the 2025 NACD Trends and Priorities Survey respondents indicate that their board is more likely to seek out an individual with specific expertise than someone with general business leadership experience when filling the next board seat. While approximately a quarter of respondents indicate that technology expertise is a key focus, the most sought after was “industry specific” expertise, selected by 42 percent of respondents. It is notable that the directors with domain specific expertise will in most cases have to be retired to avoid conflicts of interest.

Most Sought After Characteristic in Next Board Recruit



Source: 2025 NACD Trends and Priorities Survey, n=248

Considerations for Boards

A balanced board includes diversity of skills sets, expertise, experience, and board tenure, ensuring the organization has the “right” mix of institutional knowledge, leadership, and insights into emerging issues.

- ▶ Boards should have a dynamic talent strategy, including ongoing reviews of the board’s skills mix. This will ensure an effective board composition while reinforcing a culture of self-reflection about blind spots.
- ▶ While a director may be recruited in part based on a specific area of expertise, it is important to ensure such a director is set up for success. During the recruitment process, the board should seek out the expert director who can stretch into other domains and also bring credible leadership experience. Effective director onboarding experience is vital to position a director to make effective board contributions beyond their specific domain.
- ▶ Rather than creating a collection of single-issue experts on the board, the board should work to improve its collective proficiency on mission-critical issues such as new technologies or industry matters. To this end, boards should consider developing a collective learning plan that will raise the proficiency of all members. The onus will be on individual directors to stay curious and continuously learn.

Conclusion

Twelve-month predictions are difficult, but trends suggest that boards can expect the unexpected in the year ahead. Boards that focus on strengthening their—and their organization’s—capacity to balance a series of competing pressures will be in the best position to navigate the challenges and opportunities in 2025.



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National Association of Corporate Directors
1100 Wilson Boulevard
Suite 2500
Arlington, VA 22209
▶ nacdonline.org