FORTUNE.com

MAY 10, 2023 CUSTOM REPRINT

LEADERSHIP · THE MODERN BOARD

These 25 companies have the most 'modern' boards. Here's what that means

FORTUNE 2023 MODERN BOARD 25

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What's expected of a top-performing board guiding a company through today's deluge of risks? Or the whirlwind of forces shaping our future economy?

Fortune's Modern Board 25 launched last year to begin answering those questions. It acknowledges that, over the past decade, boards have largely shaken off their reputation as networks of powerful insiders with a profit motive as their sole North Star. Today, the best boards operate as an advisory team, almost player-coaches, who manage multiple pressures, including traditional expectations around increasing revenues and building strong leadership succession plans, but also newer requirements, such as shrinking a firm's carbon footprint, boosting social equity, and complying with increased regulations.

To track how corporate governance—while still imperfect—is evolving, *Fortune* used information gathered by Diligent and ESG data from Refinitiv to quantify board success across several dimensions. This year's ranking, published today, measures board independence, sustainability, diversity, financial performance, and more.

In the end, no single industry was found to dominate the list. Boards of every category are progressing toward an updated model, if at different speeds. In conversations with CEOs and board members of this year's ranking companies, *Fortune* also found that while there isn't one board that's fully emblematic of a "modern" template, there are recurring themes among the top companies.

Modern boards are diverse

Diversity in the boardroom, though still aspirational at many companies, has become table stakes.

True, some external structures have moved boards to embed diversity and inclusion into good governance.

François Locoh-Donou, CEO of F5, says the word that defines board culture at his firm is "humility." FORTUNE

But the idea that gender, racial, ethnic, age, and other forms of diversity are competitive differentiators is now self-evident to today's top directors, including François Locoh-Donou, CEO of F5, the Seattle-based cybersecurity firm that tops our list this year.

Locoh-Donou is one of 11 directors on the F5 board, seven of whom identify as part of an underrepresented group. Locoh-Donou himself grew up in Togo, was educated in France, and holds an MBA from Stanford University. He took over F5 in 2017, joining the board that same year. At the time, he says, "I felt strongly that the technology industry at large had been apathetic to the issue of creating more diverse and inclusive environments." He inherited a C-suite that lacked diversity; now, half his executive team hails from underrepresented populations. F5 also recruited a diverse set of directors who have, in turn, helped attract key executives to the company, the CEO says.

Top boards also prize diverse experiences and expertise. Valerie Jarrett, a director at Ralph Lauren (No. 22) and CEO of the Obama Foundation, tells *Fortune* that her experience in the Obama White House—Jarrett was a senior advisor to former President Barack Obama through his two terms in office—meant that she arrived at the fashion retailer steeped in knowledge about working with the U.S. government and reading the geopolitical climate. Diversity of all kinds is a strength, she says. "For a company competing in a global marketplace, making sure that voices around the table are not just an echo chamber, but bring to the table the rich diversity of their life experiences, enables our board to be strategic." Gathering diverse views, she adds, allows boards to look past the next quarterly earnings and ask, "What's our moonshot?"

At Gen Digital (No. 4), directors Sherrese Smith, managing partner at Paul Hastings, and Emily Heath, who formerly held C-suite cybersecurity roles at United Airlines and DocuSign, credit the board's global nature for the company's recent successful, yet complicated, $8 billion acquisition of Avast, a consumer cybersecurity firm based in the Czech Republic. "At one point, we had about 12 to 15 different agencies across the world weighing and deciding whether they were going to approve it," Smith says of the merger. It helped to have board members weighing in with EU, U.K., and U.S. experience.

The board at Gen Digital, which was formerly known as NortonLifeLock and now goes by Gen, falls short of reaching gender parity, though, with four women on its 10-director team. But women do hold power: The four female directors make up the board's technology and cybersecurity committee. Heath says she also makes a point of being "out and proud" to support the company's LGBTQ+ employees. "It's important that employees see people who are comfortable in their own skin, who have been successful and have navigated the business world in a way that helps them understand that not only is this achievable for them, but it's something that the company cares deeply about," she says.

Among all Modern Board 25 companies, Citigroup (No. 12)—where seven of 13 directors are women—has the top gender diversity score. However, none of Citi's directors are women of color.

Modern boards are all in, all the time

A once common stereotype paints board directors as disconnected, passive players who watch presentations and collect a paycheck for showing up. That image was somewhat merited years ago, says Lorenzo Simonelli, CEO and chair of Baker Hughes (No. 5). "Boards used to be a lot more static," he says. "You get together for the board meeting, you come in for a day and a half, you leave, and then you come back again in a quarter." Today, Baker Hughes's board interaction with management is continuous, and Simonelli is in touch with directors biweekly. "We're constantly asking, 'What are some of the black swan events? What are some of the lessons learned, and what are some of the areas where we need to stay vigilant based on what's happening in the world?'"

Directors are also expected to be knowledgeable about the companies they oversee and those companies' sectors, often while managing separate day jobs. "I think the stakes are higher for directors today," says Locoh-Donou. "The bar for governance, which includes regularly assessing the performance of members, ensuring the right representation of board members, the practice of succession planning for directors, issues related to ESG—all of these things have moved up a notch year after year. Being a director today requires being quite an athlete on all these topics."

Maria Morris, a board member at S&P Global (No. 3) and former head of MetLife's global employee benefits business, similarly emphasizes that directors at the markets data and information management company have to understand the markets, too. The company takes time to understand emerging risks that may raise concerns for S&P Global and those that could impact clients. The board also invites experts to most meetings to share outside views; the day Morris spoke to *Fortune*, it had heard from two economists about world markets.

Marie Myers, a director at F5 and HP's CFO, points to the A.I. debate as just one of many issues requiring boards to quickly pivot. "How do you navigate this path ethically? How do companies think about this from a governance perspective? Years ago, you could have time between board meetings and maybe take months to sort of evolve [your thinking]," she says.

Myers adds that boards can no longer solely relegate technological awareness and acumen to committee work. "Relevancy," she argues, "is a new skill set for today's board members."

Modern boards master productive disagreement

Like diversity, independence is now a bare minimum expectation for modern boards. Companies with a high number of nonexecutive directors, and typically those that separate the chair and CEO roles, landed elevated spots on the Modern Board list. Those with the fewest "overboarded" members (sitting on several boards at once) also won points.

But independence alone is not enough to ensure that boards are stress-testing management decisions and challenging the CEO. Some boards still hesitate to wield their influence and push back against a domineering chief executive, according to PwC's Annual Corporate Directors survey. Then again, the opposite problem can also be true: Board members can be too bombastic and performative when voicing their opinions, meaning only a few people dominate a discussion.

Boards must create the right culture to exercise their power effectively. At F5, "humility" fuels the boardroom, and directors leave behind big egos, according to CEO Locoh-Donou: "They are there to contribute where they can, learn where they can, and most importantly, serve the company." Serving the company means sometimes being "quite vocal" when the board feels management isn't doing enough to mitigate risks.

The F5 board's skepticism, advice, and openness were "absolutely critical" as the company moved away from its history as a hardware player and focused on digital transformation, acquiring five companies (to the tune of $2 billion) in recent years. That took courage from the board, says Locoh-Donou.

Gen's Smith says the board's chemistry is unmatched. It's not an egoless bunch, Heath admits, but directors are respectful and open. "[We have] such a transparent and inclusive kind of free-flowing conversation," she says. "Instead of sharing slides constantly, we spend a lot of time on healthy discussions. Because of that, there's a certain element of trust."

Modern boards collaborate with the C-suite

Boards exist to guide strategic risks and guard against reputational ones—but modern boards do both in collaboration with management rather than at a distance. In fact, directors often gain visibility into a company beyond the CEO or CFO by attending town halls and industry events and making site visits, according to directors who spoke with *Fortune*. In some cases, directors will pair up with their counterparts within the company. For example, a veteran chief information security officer director will become a sounding board for a chief technology officer.

Baker Hughes's Simonelli says a board member recently met with the company's leader for field services and equipment because the director happened to be in the area. And at Gen, Smith and Heath plan to walk the hallways in the company's new Prague office and meet employees when the next board meeting is held there.

Such ties pay dividends by enriching and expanding a management team's knowledge and confidence. It can also protect a company from missteps. Case in point: When Ralph Lauren launched two new lines of clothing last year in partnership with Morehouse College and Spelman College, two historically black U.S. academies, the executive team first asked its two Black board members, Ford Foundation president Darren Walker and Jarrett, for feedback. "They said, 'We just want to pressure test this against you,'" says Jarrett. The company had designed sweaters and suits that spoke to the colleges' past and distinct identities. "It was such a good example of Ralph as a creative genius giving deference to his team, who had subject matter expertise, to come up with something unique and bespoke, to not just create clothing but create clothing that was a part of the historic fabric of an institution," says Jarrett. "We ran out of product too quickly. That's the only thing where we could have planned a little bit more."

Modern Boards create good corporate citizens

As it happens, Ralph Lauren's collaborations with Morehouse and Spelman were inspired by a commitment the company made following George Floyd's murder in 2020 as brands faced scrutiny for their contribution to the long history of racism in the U.S. "We will examine how we portray the American dream," Ralph Lauren's founder and its CEO wrote in an open letter to employees.

Consumer reaction to the HBCU line, the brainchild of a Morehouse alum at Ralph Lauren, was somewhat skeptical but mostly positive, according to the *New York Times*. The board's involvement is just one example of how effective directors now use their influence to support CEOs who want to be good corporate citizens—and hold them accountable when they fall short of their pledges. Despite the rising anti-ESG movement, modern boards understand that social and environmental goals, reputational risk, performance, and longevity, and the ability to recruit and retain employees are all interlinked.

Directors are themselves motivated to find purpose in their boardroom work, too. "We understand that if we're successful, we are making a profound impact on people's lives," says Theodore Samuels, lead independent director at Bristol-Myers Squibb. Similarly, Smith at Gen says she feels fortunate to serve on a company's board, helping consumers, especially young ones, think about using digital products responsibly. At Baker Hughes, formerly a company strictly focused on oilfield services, leaders foresaw that pursuing green tech and supporting companies as they switched from fossil fuels to cleaner energy was the right transformation strategy for the company, Simonelli tells *Fortune*. Now the firm is recognized as a sustainability leader, singled out for its investments in geothermal energy by Politico. It's also the least vulnerable to activist interest among companies on our ranking, according to Diligent's data.

Modern directors appear aligned with the growing share of employees who want to work for an employer that shares their values. But the boards on our ranking don't take employee support for granted—they're constantly running surveys to get a pulse on employee satisfaction levels, several directors noted.

Shareholder returns are important, says Jarrett, but high-performing boards realize that companies are also corporate citizens who "have a responsibility as [part] of a democracy to do what we do best and to play a responsible role."