

What's Coming in Governance in 2025?

By Karen Fryday-Field, Senior Consultant

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As we look ahead into 2025, it's clear that the Board governance landscape is rapidly evolving and is critically important to the future of our businesses, organizations, and communities. The trends that have shaped the last few years – from increased standards of accountability reporting to rising diversity on Boards – are expected to continue... and there are new opportunities and challenges on the horizon.

Modern governance is expected to continue with the same core, important purpose while undergoing transformation given several key trends that are shaping this landscape of Board governance. These trends are driven by a combination of technological advancements, changing societal expectations, a growing desire to make a positive difference, and the evolving nature of business.

Every Board Member, Board Chair, CEO, consultant, and academic will be best served to be learning and scanning in these spaces. Here is a brief summary:

1) Being Purpose-Driven and Future-Focused

Being purpose-driven and future-focused is critical. Boards will be increasingly challenged to be clear about the purpose and outcomes to which they are leading their organization to achieve. Increasingly Boards will be expected to be aware of results/outcomes analytics and to be accountable for the value and return of the investment achieved by the organization.

2) Equity, Diversity, Inclusion, Justice, and Belonging (EDIJ-B)

Boards are placing a stronger emphasis on equity, diversity, inclusion, and justice, recognizing the value of varied perspectives at the table. Boards are recognizing that they must address EDIJ-B matters at the Board level and also shape expectations and policy such that EDIJ-B is an important part of strategy and operations. EDIJ-B is understood to be an important human response to systemic, institutional biases and injustices. It is also understood to not only be an important social imperative and also to make essential and good business sense. Research is backing this premise up. EDIJ-B metrics become integral to governance reporting as organizations implement policies to foster an inclusive Board and organizational culture. This will ultimately have impact on the Boards of all businesses and organizations.

3) Environmental, Social, and Governance (ESG) Integration

ESG considerations become fundamental in decision-making processes. Boards are encouraged, if not pressured, to actively discuss and respond to ESG matters.

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Careholdership/ownership or primary stakeholders increasingly use ESG criteria to assess Board and organizational performance. This trend is increasing despite some push back.

4) Primary Stakeholdership (Careholdership) Engagement

Boards increasingly actively engage with a broader range of stakeholders, beyond shareholders, recognizing the impact on the company's long-term sustainability. Boards connect on Careholdership matters, i.e. long-term systemic governance matters and not customer service matters. Increased transparency and communication with the Careholdership and beneficiaries/customers and broader communities will be considered essential to “purpose” relevance.

5) Board Effectiveness and Evaluation

There will be enhanced focus on Board performance evaluation to ensure effectiveness and alignment with organizational purpose. Continuous learning and development programs for Board Members will become standard ongoing practice. Boards will not be afforded the grace and responsibility to evaluate their organization and their CEO if they are not also evaluating their own effectiveness.

6) Regulatory Compliance and Ethical Leadership

Heightened scrutiny on regulatory compliance will require Boards to invest in robust compliance frameworks. Ethical and effective leadership becomes a core competency for every Board Member, shaping Board and corporate culture, Board decision-making, and Board leader character.

7) Resilience Planning

Boards will prioritize resilience planning, anticipating and mitigating potential disruptors and potential crises. Scenario planning and stress testing future purpose and strategic frameworks will become integral components of governance frameworks. Artificial intelligence will assist with this function.

8) Remote Work and Board Dynamics

The widespread adoption of remote work reshapes Board dynamics, requiring Boards to adapt at least partially to virtual collaboration. Given the leadership challenges of change at the Board level and some continuance of remote Board work, there will be increased emphasis on building strong Board relationships and fostering effective communication among Board Members. Board leadership components will be a key focus of Board development.

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9) Agile Governance Approach

Boards build their governance processes to be more flexible and agile to respond quickly to changing business environments. Agile decision-making frameworks enable Boards to make swift policy decisions, fostering adaptability and innovation.

10) Cybersecurity and Data Privacy

Heightened awareness of cybersecurity risks prompts Boards to prioritize data protection and privacy and policy direction. Increased focus on cybersecurity training for Board Members and the integration of robust cybersecurity measures into governance frameworks and governance electronic systems.

11) Digital Transformation in Governance

Boards are embracing digital tools and platforms for communication, collaboration, and decision-making. Virtual Board meetings are becoming more sophisticated over time with secure communication channels and with the leveraging of AI driven analytics in all sectors.

Boards will invest in advanced governance technologies, including Board management software and analytics tools.

12) Rise of AI in Governance

Boards are integrating artificial intelligence (AI) into governance processes, leveraging data analytics for strategic policy decision-making. AI-driven risk management tools provide Boards with real-time insights into potential threats and opportunities.

In summary, the general landscape of modern governance in 2025 is marked by a convergence of clarity and focus on purpose, technological innovation, a heightened focus on societal and environmental issues, and a commitment to more inclusive governance models. Boards are navigating a complex and dynamic environment where commitment to purpose, adaptability, ethical leadership, and strategic use of technology will be key for success.

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CLARITY OF ROLES/SEPARATION OF “GOVERNANCE STRATEGIC DIRECTION AND STEWARDSHIP” FROM “STRATEGIC PLANNING AND OPERATIONS”

Boards are being pressed to define their roles and recognize that their job and accountabilities are much broader than simple oversight of the CEO. Boards for example are being encouraged to spend time in generative and high-level strategic thinking discussions with their CEO and other related experts. Creating space for this type of Board discussion requires use of modern delegation and clear Board policy.