

Board Monitor Mexico 2023

In 2022, there was a steep increase in seats on top Mexican boards going to first-time public board directors and a decline in the share of seats going to directors with CEO experience.



About the report

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in markets around the world. Produced by our global CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (BOVESPA), Canada (TSX 60), Colombia (COLCAP), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), Italy (FTSE MIB), Japan (TOPIX Core 30), Kenya (NSE Top 40), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Poland (WIG 20), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), South Korea (KOSPI 50), Spain (IBEX 35), Sweden (OMX 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX and DFM), the United Kingdom (FTSE 350), and the United States (Fortune 500). Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

Thanks to the following Heidrick & Struggles colleagues for their contributions to this report:

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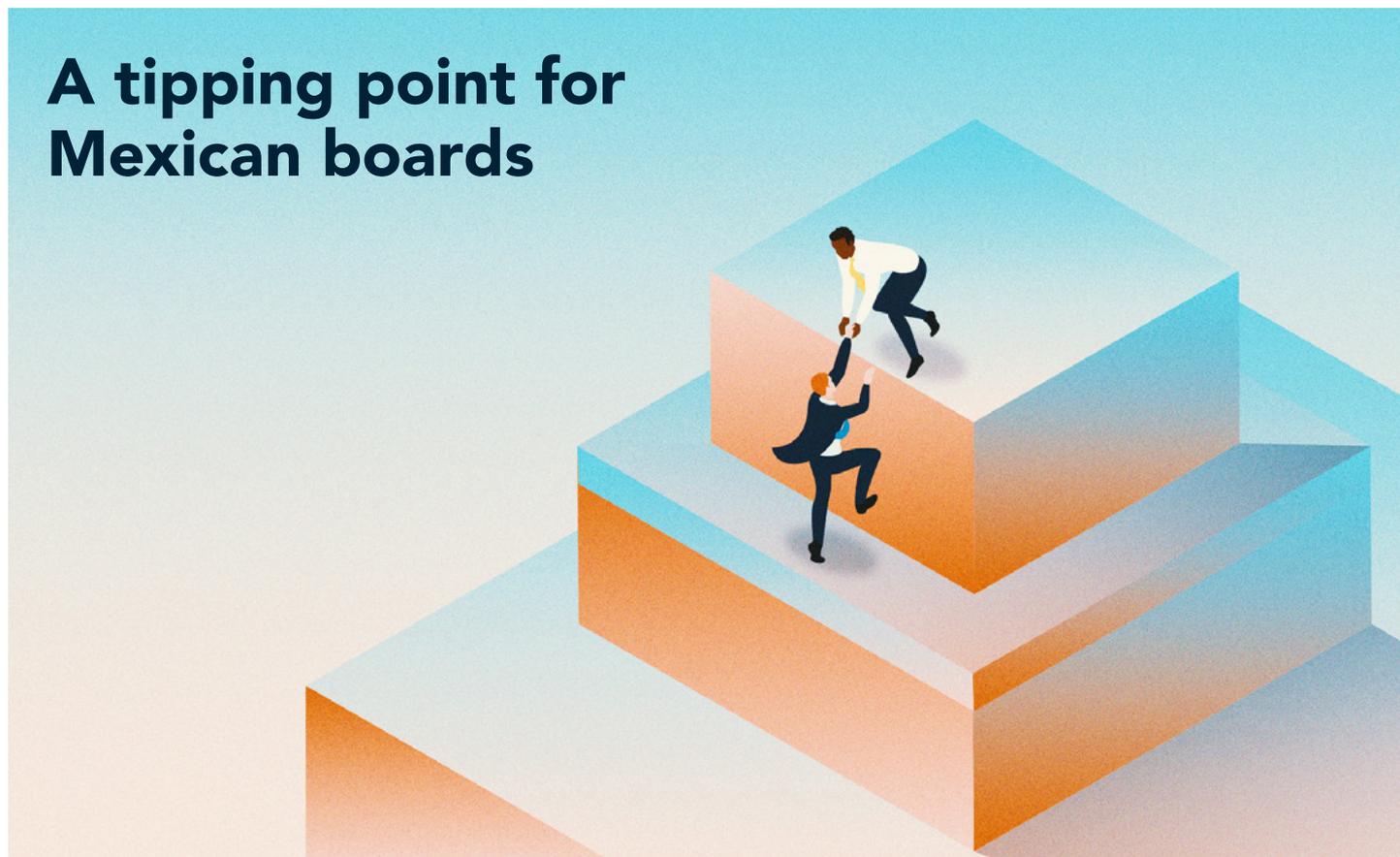
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A tipping point for Mexican boards



As the Mexican economy is easing out of an economic slowdown, this is a critical moment for boards to make a strategic shift from protection measures and cost efficiency into a growth mindset. Many large Mexican companies are at a tipping point: they need to conduct a strategic review and consider expanding into other markets—for growth, greater capital access, and risk diversification—primarily the United States, Latin America, and Europe. Going global, however, will also require companies to rethink their approaches far beyond business strategy and into areas such as talent, culture, and risks including cybersecurity, geopolitics, and sustainability.

Mexico is gradually developing reforms in corporate governance, focusing on independence and diversity of board members, though at a slower pace compared to other regions. We have seen more organizations opening

up their boards to independent directors with no family or other close ties to company leadership, a clear sign of professionalization. We also noted a steep increase in the share of seats going to first-time public board directors and a decline in the share of seats going to directors with CEO experience; boards are more open to complementing existing broad executive acumen with direct experience navigating digitally driven transformations and emerging risks.

When it comes to diversity, gender representation has been at the main focus of DE&I initiatives in Mexico because the country is at a different level when it comes to the diversity of the talent pool: in 2022, the labor force participation rate among women in Mexico was only 45.7%, compared to 50.9% in Colombia and 53.6% in Brazil.¹ But Mexican businesses should also consider how to expand DE&I goals beyond gender

diversity on boards and workforce. Thus far, we have seen only a few, early signs of companies considering a broader definition of diversity.

So how did Mexican boards² approach hiring new directors in 2022?

1 "Gender Data Portal," The World Bank, accessed October 12, 2023, genderdata.worldbank.org.

2 The analysis in this report includes 35 companies from the BMV IPC and an additional 6 companies from the BIVA.

Snapshot of 2022 findings

Number of appointments



Average age



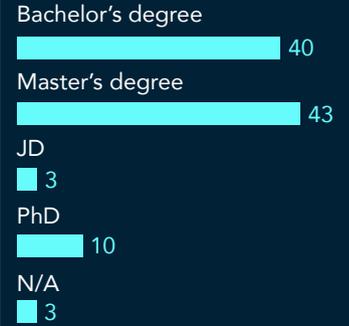
Share of companies with a new appointment



Gender balance (%)



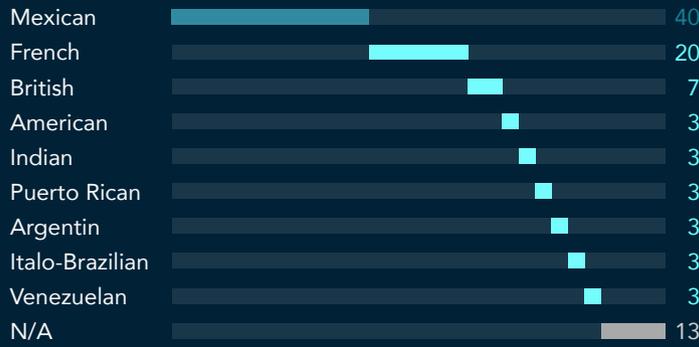
Education (%)



Nationality (%)



Nationality (%)



MBA



Career experience

Experience (%)



Active vs. retired (%)



Other previous experience (%)



C-suite experience

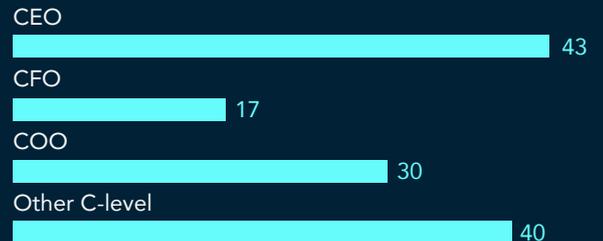
Current or former CEO experience



Current or former CFO experience



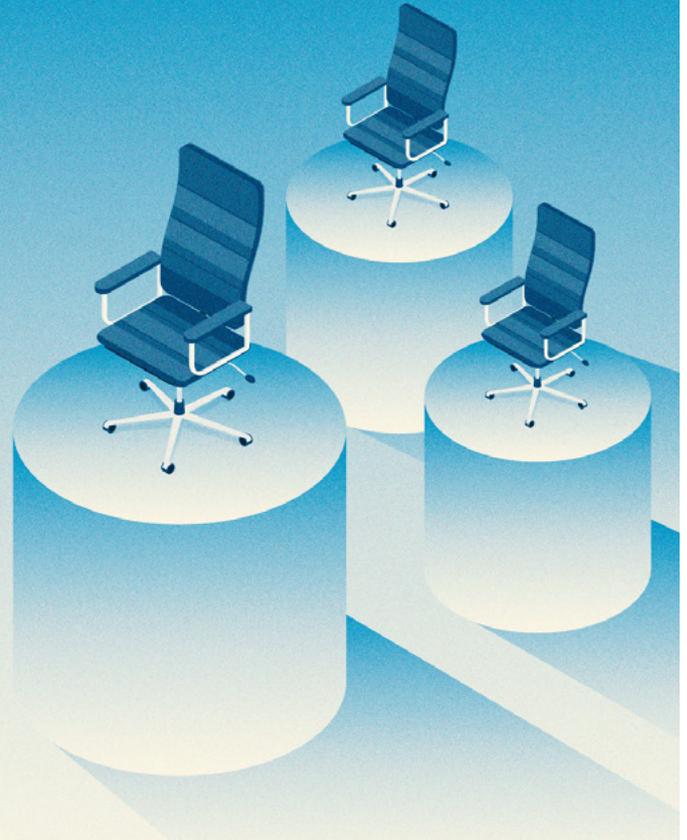
C-level previous experience (%)



Note: Numbers may not sum to 100%, because of rounding.

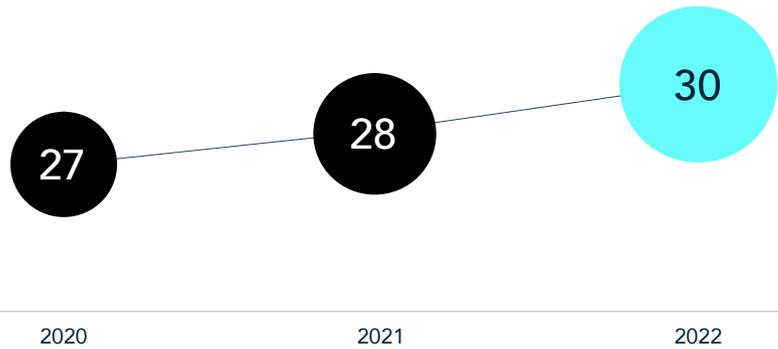
Note: The analysis in this report includes 35 companies from the BMW IPC and an additional 6 companies from the BIVA.

A preference for fresher perspectives



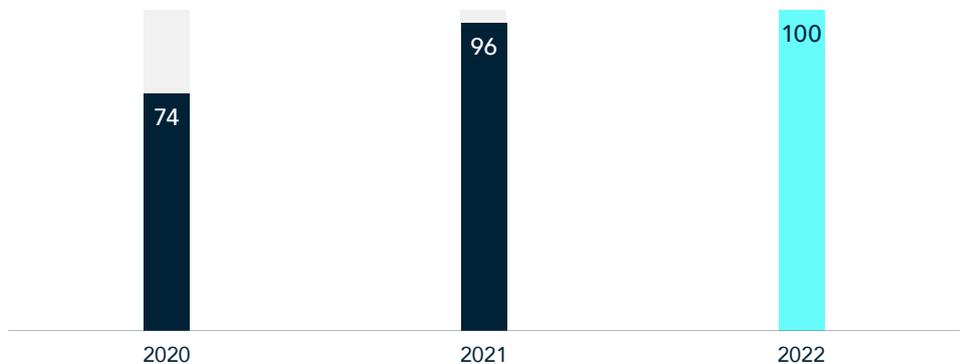
There was a small uptick in the number of director appointments at BMV and BIVA companies.

Number of board seats filled, 2020–2022 (%)



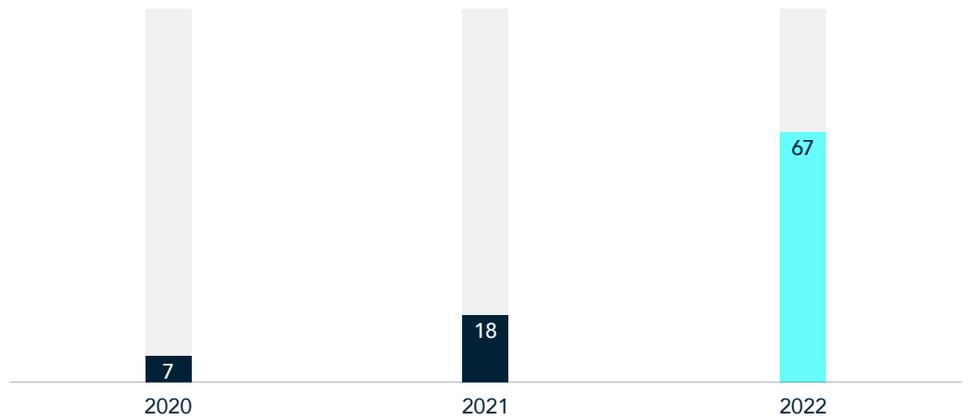
All 2022 appointments went to directors who are active in their executive roles, tapping into the experience of leaders who have to deal with the same challenges as the board in real time. This is an outlier: aside from Mexico, the share of seats going to active directors ranged from 75% in Portugal to 31% in Ireland.

Active executives, 2020–2022 (%)



We also saw a significant increase in the share of seats that went to first-time directors, from 18% in 2021 to 67% in 2022. In our view, both these trends reflect a notably increased appetite for bringing on directors with experience driving digital growth, transformation, strategy, or risk mitigation—issues that are at the top of boards’ agendas.

First-time public board members, 2020–2022 (%)

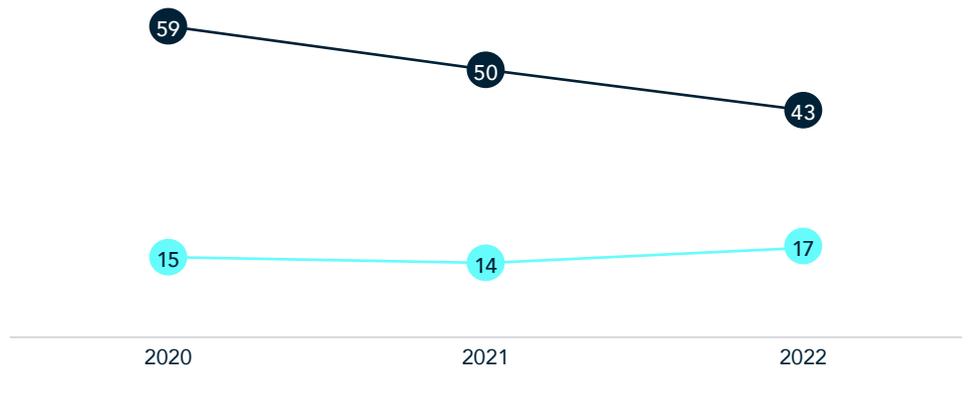


Professional experience

When it comes to professional experience, we saw a continuing decline in the share of seats that went to directors with CEO experience. The share of seats going to directors with CFO experience saw a modest uptick, which follows a trend we have observed on boards in many countries in periods of economic uncertainty.

CEO and CFO trends, 2019–2022 (%)

■ Current or former CEO experience ■ Current or former CFO experience



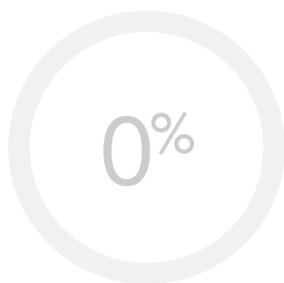
Other in-demand areas of executive experience include operations and strategy, along with regional leadership. The share of seats going to directors with strategy experience is significantly above average compared to the other markets we have analyzed, but in line with many Mexican companies’ market expansion ambitions.

Most frequent executive backgrounds (%)



None of the directors in the 2022 cohort had cybersecurity experience, which is an area in which Mexican boards will likely need to get increasingly involved, because Mexico was one of the countries hit the hardest by cyberattacks in 2022.³

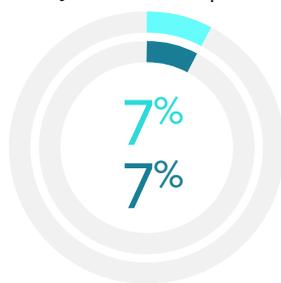
Cybersecurity experience



The level of sustainability experience was also quite low, and at a time when the pressure to act in a sustainable manner has been increasing from regulators, customers, investors, and employees alike.

Sustainability experience

■ Sustainability executive experience
■ Sustainability committee experience



On another note, considering the ambition of many Mexican companies to expand into international markets, it was encouraging to see the share of seats going to directors with international experience jump from 32% in 2021 to 40% in 2022.

International experience



When it comes to industry experience, Mexican boards showed a preference for directors with experience in the same sector as the board and organization; at the same time, financial services backgrounds were highly valued in each sector.

Industry experience, by board industry (%)

	Overall	Consumer	Financial services	Industrial
Business services	43	27	0	100
Consumer	57	87	33	22
Financial services	57	47	83	56
Industrial	37	7	17	100
Life sciences	3	7	0	0
Technology	13	13	0	22
Other	27	7	50	44

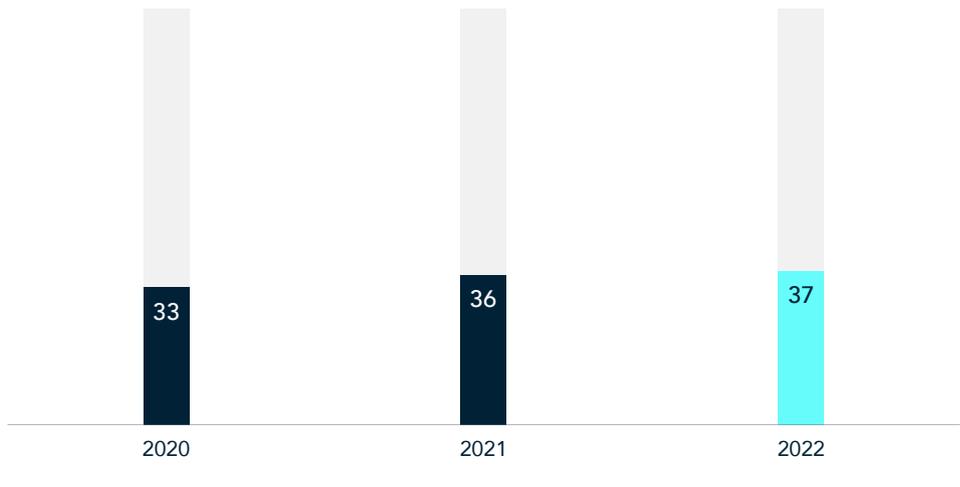
³ "Mexico is one of the top victims of cyberattacks in Latin America," Mexico News Daily, December 27, 2022, mexiconewsdaily.com.

Diversity stalling

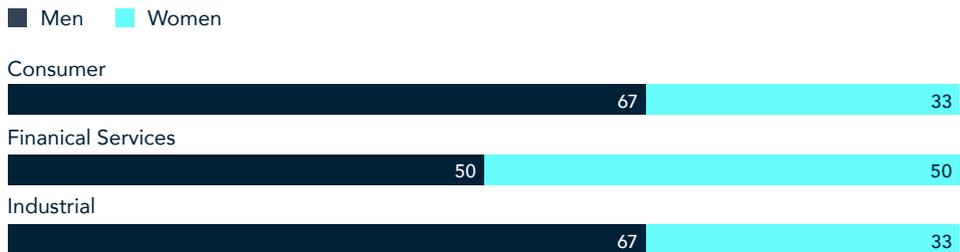


Gender representation among new directors has held almost steady for the past three years. There are some sector variations, with financial services sector reaching parity and only one-third of appointments going to women in the consumer and industrial sectors.

Share of new appointments going to women, 2020–2022 (%)



Gender diversity, by industry (%)

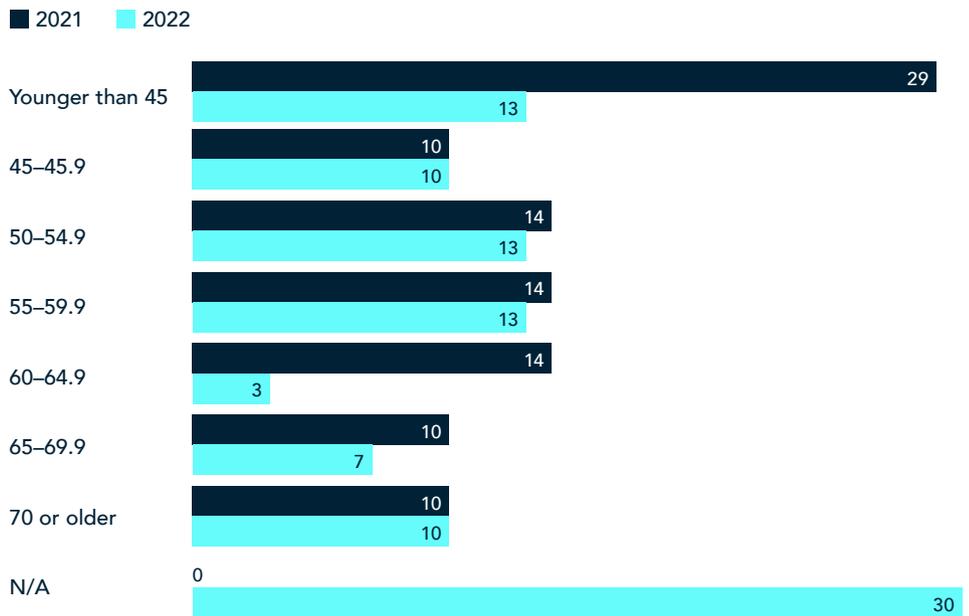


The average age of new directors rose sharply compared to 2021, going from 53 to 56 years. This is despite a significant increase of directors who are active or have no prior board experience. The rise is driven by a significantly lower share of seats going to directors under 45, which is consistent with the need to bring senior-level expertise to review strategic shifts.

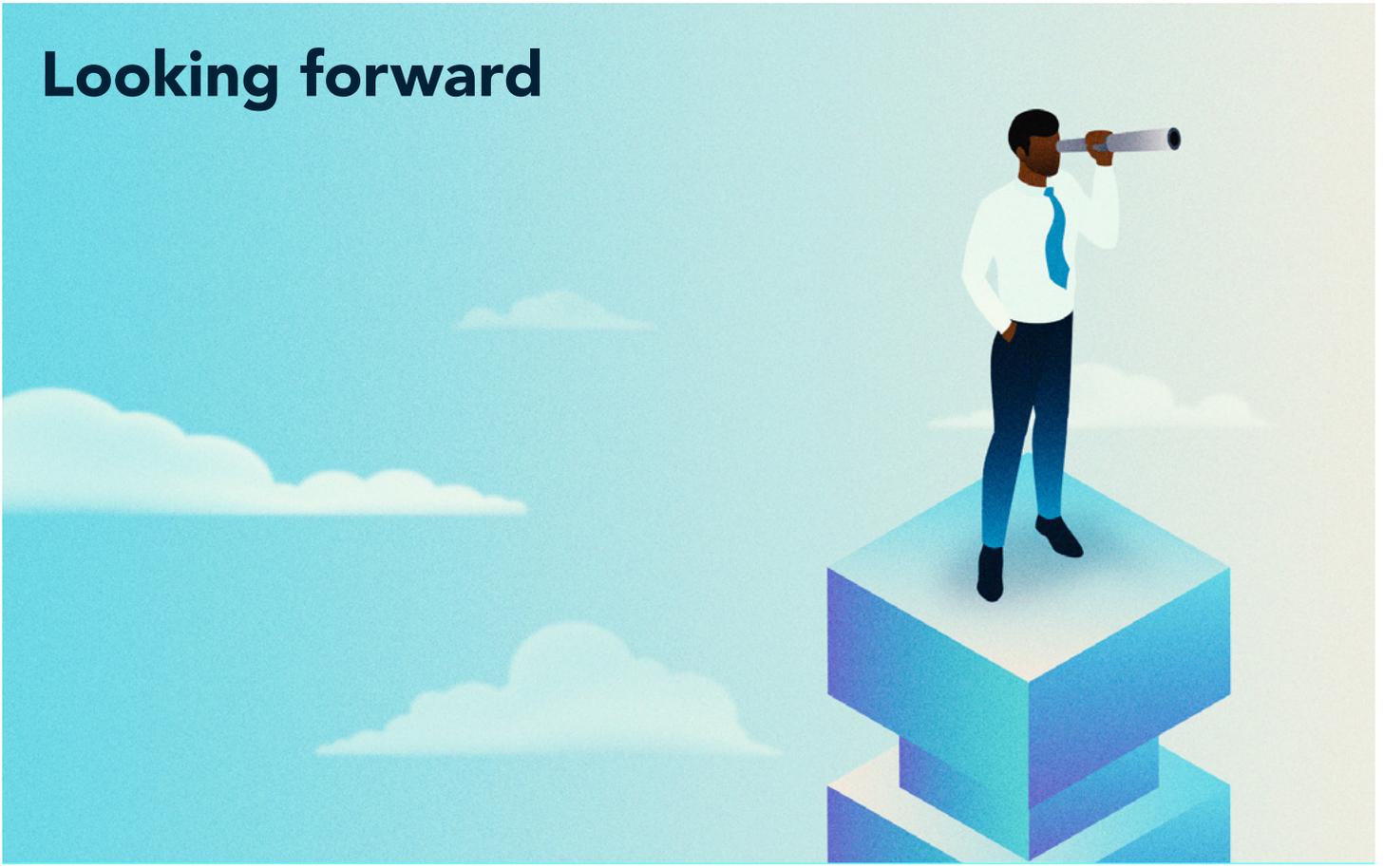
Average age, 2019–2022 (%)



Age distribution, 2021 vs. 2022 (%)



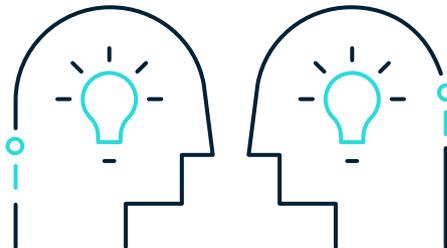
Looking forward



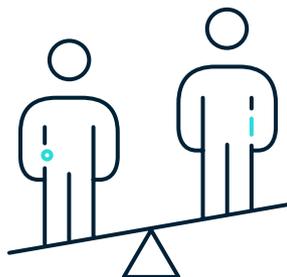
The shift from cost-cutting mode to market expansion is prompting boards to reconsider how their board composition should reconfigure to ensure they are best equipped with the skill sets and experiences needed to make the right decisions for their companies today and in the future.

Among the practices of best-in-class international boards are:

Ensuring a mix of perspectives and backgrounds: The decrease in the share of appointments going to directors with CEO backgrounds opens up the opportunity to bring in executives who could provide critical insights into areas that are shaping business strategy: people and talent, technology, or sustainability. Mexican boards had a strong preference for candidates with a strategy background, in line with a desire to expand their businesses. On the other hand, the low share of seats that went to directors with CHRO or CTO backgrounds (and cybersecurity experience) might hamper the successful implementation of talent strategies, digitization, or dealing with the increasing threat of cybersecurity.



Keeping a tight focus on diversity: Many Mexican companies have made progress on the gender diversity front. However, they still have a significant gap to overcome as only 7.8% of the board seats listed on the Mexican Stock Exchange (BMV) are held by women.⁴ Aside from gender, boards are also increasingly looking at a wider range of ages to make sure that more generations are represented around the table, as many companies now have workforces that include five different generations.



Tapping into international talent: Attracting directors with international experience is vital for companies with ambitions to expand globally, and many board members we talked to are planning to tap into the rich yet underutilized Hispanic and Latino executive talent pool in United States. Forty percent of the board seats in 2023 went to directors with international experience, compared to 32% in 2021.



Conclusion

To build a future-proof board, every company needs to shape its ideal mix of board experience, perspectives, and appropriate governance mechanisms based on its own stage of maturity, strategic goals, and organizational strengths and weaknesses. But the key principle of board composition remains unchanged: for competitive advantage, companies should maintain the overall strategic value of the board in its entirety, rather than focus on individual appointments.

⁴ Sofia Garduño, "Boardrooms in Latin America lack female representation," Mexico Business News, mexicobusiness.news.

CEO & Board of Directors Practice

Heidrick & Struggles' CEO & Board of Directors Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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