

Best Practices for Director Recruitment

The composition of the board should be viewed as a strategic asset. Boards add value through the collective judgment of members — resulting from a robust discussion of issues — and from the deep expertise a single director has on a specific topic. Particularly in the areas of strategy and risk, this diversity of perspectives is valuable. To ensure they have all the skills and experience needed for the range of governance and strategic issues they face, boards should embrace the following best practices for board recruitment.

Think holistically and continually about director succession and boardroom composition

The corporate boardroom has entered a new era, with directors overseeing an unprecedented pace of business change and disruption, a growing number and variety of risks, and a changing investor climate. This new era demands a thoughtful, longer-term approach to boardroom composition, with boards holistically viewing director recruitment in the context of the company's long-term strategy and the current business environment. Instead of falling into the trap of “fighting the last war” and simply replacing the skills and experiences of retiring directors, boards should identify the skills needed for the company's forward-looking vision and perform a gap analysis to identify particular needs in the boardroom. Boards should always be planning ahead, evaluating how expected director retirements will impact refreshment needs. Two overarching questions should be asked by every board navigating succession planning: (1) Does the board's current composition give the company its best shot at long-term success? (2) Would additional, and perhaps different, skills significantly enhance the board's ability to do its job?



Supplement board succession planning with robust and regular board, committee and director evaluations

Successful boards use evaluations to assess the effectiveness of the board, committees and individual directors. This process can help identify opportunities for improvement, gaps in boardroom/committee skills and perspectives, and misalignments involving directors whose skills no longer represent the best fit with the strategic direction of the corporation. Done well, evaluations can promote meaningful conversations in the boardroom and with individual directors about board refreshment.

Understand how investors might view the board

Institutional investors, including activist investors, are increasingly scrutinizing the composition of corporate boards and evaluating a variety of factors beyond director independence, such as boardroom diversity (particularly gender diversity), director tenure and ages, and director skills and qualifications. Understanding how investors are thinking about boardroom refreshment can help a board anticipate and proactively address potential concerns that might be raised by activist and other institutional investors.

Ensure alignment in the boardroom on new director specifications

Before any director search begins, the board and the governance committee should be aligned on the prioritization of desired skills and experiences. A lack of alignment can prolong searches, with directors disagreeing on boardroom needs and candidate fit. One effective strategy to help boards assess overall board composition and prioritize candidate qualifications is to develop a skills matrix with each square of the matrix reflecting a “must-have” or “nice-to-have” skill or experience. The matrix should be bespoke and tailored to the company’s businesses and strategy. It can be an invaluable tool for the governance committee to construct a strong board with the right mix of diverse perspectives and experiences.

Avoid overly narrow specifications for director candidates

While identifying desired skills and qualifications for director candidates is a must-do step for any director search, too-narrow specifications can be an impediment to efficient searches and significantly shrink the talent pool. Striking the right balance in candidate specifications can maximize the effectiveness and efficiency of the search by opening the door to a wider range of talent.

Formalize the board recruitment process by defining each step and establishing a timeline

Recruiting new independent directors can be difficult and time-consuming. To minimize the potential for problems, before commencing any search, directors should agree on the search process, including the sequencing of events; the responsible parties for each stage; the location and timing of meetings and interviews; and the communications strategy.

Consider a large pool of candidates

Boards should be open-minded about casting a wide and deep net during the initial phase of any search. Many great candidates — including diverse candidates — may lack a visible public persona or may not be part of the directors’ circles of contacts. Directors should commit to extending beyond their rolodexes to identify potential candidates, and if the board is using a third party to assist with the search, it should press the firm to think “outside the box” to identify and present a broad array of talent.

Commit to a vigorous interview strategy

To best understand a candidate’s skills, style and potential fit in the boardroom, multiple directors should spend time with candidates, and if possible, interviews should take place in a variety of settings or formats. Ideally at least one director should see the candidate twice to allow for more in-depth conversations on substantive issues.

Understand the boardroom culture

A key part of the recruiting process is assessing how well candidates will work alongside existing directors. Assessing a candidate's fit with boardroom culture and dynamics requires a board to understand its culture — how directors make decisions, handle disagreements, share information and the spirit in which they do these things — and to strategically think of director recruitment as a way to reinforce or evolve culture.

Maintain momentum by adhering to a communications strategy

Good candidates have professional options, including other board opportunities. Boards should always remember that the interview process is a two-way street, with candidates assessing the board at the same time the board is evaluating candidates. To put the best foot forward, boards should be transparent about the process, the expected timeline and the decision-makers. The board should share decision-timing expectations with the candidate and assign responsibility for “keeping the candidate warm” to one or more directors or other leaders.

Maintain a direct line of communication between the committee and any search firm

The task of selecting and appointing new director candidates falls to the governance committee, which frequently enlists the assistance of corporate staff. The involvement of corporate staff is oftentimes crucial to the success of a search. However, in cases where a third party is involved with recruitment, an open line of communication should exist between the corporate governance committee chair or other designated directors and the search firm in order to avoid the “game of telephone” that can prolong a search.

Reference check all finalists

Boardrooms are small, and every director is an important resource. To avoid making a misstep by adding a director who doesn't fit with the boardroom culture or doesn't contribute as expected, referencing is a critical step in the recruitment process. Gathering information from people with firsthand knowledge of a candidate can help a board assess a candidate's fit and competence and should be a key part of the decision-making process.

Discuss tenure expectations at the outset

The new era in corporate boardrooms necessitates a fresh mindset about board service and tenure. Part of the dialogue with all directors, including new directors, should be to set expectations that director service is reviewed and discussed on an ongoing basis as part of the board's regular succession planning. Communicating that director service is contingent on a director's performance and fit with the skills needed in the boardroom can curtail expectations that directors are guaranteed a seat at the board table until triggering refreshment policies such as mandatory retirement ages.

Create a robust, individualized onboarding process

Director recruitment doesn't end with a candidate's appointment to the board. A thorough, tailored, post-appointment onboarding program is critically important to ensure a director's early contribution. Boards have a responsibility to ensure that all newly appointed directors, especially those joining a board for the first time, are given proper support. The corporate secretary frequently leads onboarding efforts, but the board has a key role to play in overseeing the program and assisting with its execution.

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