



Developing a structured Board Member recruitment process

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How we select and recruit board members, by identifying, competent, committed and inspiring individuals, has a great deal to do with whether members serve or sit.

A board of directors is a body of elected or appointed members who jointly oversee the activities of a company or organization. The role of the Board is to oversee the management of the Corporation and to represent the interests of all the Corporation's stockholders. A Board of Directors (BOD) forms the highest level of authority in the governance of a company and includes elected individuals who represent the interest of the shareholders.

The board of directors forms one of the pillars of a robust corporate governance framework. In short, board diversity aims to cultivate a broad spectrum of demographic attributes and characteristics in the boardroom. The best boards are composed of individuals with different skills, knowledge, information, power, and time to contribute. Given the diversity of expertise, information, and availability that is needed to understand and govern today's complex businesses, it is unrealistic to expect an individual director to be knowledgeable and informed about all phases of business. It is also unrealistic to expect individual directors to be available at all times and to influence all decisions. Thus, in staffing most boards, it is best to think of individuals contributing different pieces to the total picture that it takes to create an effective board.

A board needs to have directors who possess a broad mix of skills and experience to be effective. An entity should have a board of an appropriate size, composition, skills and commitment to enable it to duties effectively. In general, we tend to surround ourselves with people that look like us, think like us, and who value the same things we do. Keep your board diverse by having some people who are older than you, some who are younger than you, and some who are in your field as well as some in different fields. Establishing a diverse group of people with different backgrounds will provide you with unique perspectives that you may not have otherwise had.

To be effective and fulfill their fiduciary duties, boards need to have diversity of thought and perspective around the table. Just as each person has a frame of reference they see the world through, the goal of board recruitment and selection should be to increase that frame as much as possible by bringing in people with different skills and perspectives. Diversity has been discussed for many decades but boardrooms do not necessarily reflect that belief. If our boardrooms still look like an 'old boys club' rather than a melting pot of ethnicity, then that board could be missing valuable expertise which would contribute to its success.

International perspective

Research points to strong challenges in filling board seats with qualified candidates. A 2012 study showed that 58% of corporate leaders found it difficult to recruit new members. A new study, Leading with Intent 2015, shows that only 73% of

chief executives state that they have the right board members to effectively govern their organizations. At a conceptual level, the selection and nomination of board members raises questions about how knowledge markets operate: how are candidates with the desired qualifications and experience located by those responsible for nominating candidates? The traditional approach such as in Korea and Indonesia essentially revolves around informal networks and personal acquaintances, especially of the controlling shareholders. In the Netherlands, personal acquaintances ("old boys' networks") of supervisory board members have traditionally played an important role but use of placement agencies is now common. Even without the predominance of controlling shareholders as in the United States and the United Kingdom, one study found that "the risk of litigation for lapses of personal integrity is a major reason why boards tend to find directors who are already well known to at least one sitting director when looking for replacements". At its worst, this practice is often called the "old boys' network" and has led to reduced board diversity and often to locality-based boards. In some jurisdictions such as the Netherlands and the United States, companies are more frequently resorting to formal board evaluations to set requirements for potential candidates, and then using advisors to locate them. It is said that such agencies are becoming more active. In the technology start-up area, venture capitalists are very active in determining what skills a board needs and then locating such talented individuals from their own networks. In Europe, one study concludes that boards are now using defined competencies to create member profiles rather than simply a CEO/CFO standard background. This is compatible with an increased use of board evaluations, outside consultants and stronger nomination committees.

Why develop a Board recruitment process?

Do top-performing corporations excel because they have a great, dynamic board, or does their strong performance attract a strong board? The answer is both.

Board member recruitment and selection is the key to getting a great team of effective people around the board table. While the task of recruiting board members might seem a little daunting, it's important to take the time to find candidates with the right values, skills, attitude and commitment. After all, even though this is a volunteer job, being a board member is a crucial leadership role! These folks are going to be responsible for the financial and cultural well-being of your organization. They are defending and promoting your mission; acting as key spokespersons. For small organizations, the board may be managing the day-to-day operations as well.

In going through a structured application and review process, you can take the time to really get to know the potential board members and lay the foundation for building a strong relationship. It's not about "filling seats". An established recruitment process (that includes a well-defined role and

expectations as well as an application and screening process) ensures that all candidates are qualified and evaluated using consistent criteria and process. So it won't come down to a question of a referral gone wrong, an awkward situation or even worse, the desire to "uninvite" a candidate who turns out to be a bad fit or poses any potential conflicts of interest.

Finally, this not a one-time exercise - you are building a long-term relationship. Although you might be thinking about filling a one-person gap right now, there will always be turnover of the board. So it's important to have a process in place rather than a stop-gap measure. While you'll want to revisit the specific criteria on a regular basis to ensure they suit your current needs, having a recruitment process in place takes the pressure off. And if your process includes maintaining on-going applications and leads, you may be able to jump right to the screening process when a board position comes available!

Key determinants of competencies for Directors?

There is no absolute list of competencies that apply to all boards. Each board must review its own special requirements. The competencies required will be impacted by a number of factors:

- Size of the board
- Committee structure of the board
- Whether the organization is for-profit, not-for-profit or a government instrumentality
- Complexity of operations - geographic spread of operations, lines of business,
- Shareholder / member structure
- Size, nature and financial position of the company
- The organization's strategy
- The competencies of senior management
- Risks and challenges of the business

While some organizations have recruiting protocols similar to hiring paid staff such as advertising and interviewing, others keep the process more informal. Regardless of the approach, boards at a minimum should:

- Assess their needs in terms of skills, experience and diversity
- Have clear board job descriptions
- Have an application and screening process

The first thing you have to do is stop thinking of board members simply as "The Board."

Start by understanding your board members one at a time-as individuals-each with his or her individual motivations, talents, interests, and values. Yes, they've agreed to help lead your organization to greatness-but it's up to you to discover what each board member's abilities are, and what drives him or her to put those abilities to use. Otherwise, you can't ever expect to get the best of them working for your organization.

Managing the selection and recruitment process

If you don't know what you are looking for in a board member, or you don't know how to qualify prospects once you find them, you're not ready to look! If you are willing to take anyone who is willing to serve, you are not ready to recruit. And if your whole recruitment process is to ask someone "Will you serve?", and if they say "yes," they're on the board - well you are nowhere near ready to recruit.

Is it better to have several vacant board seats than to have those same seats filled by ineffective board members? Is it better to risk giving a "yea" vote to a board candidate that could generate divisiveness among the board than to leave the seat vacant? There are no easy answers to either question. Yet, it's not productive to have vacant board seats either. To have the best of both worlds, board members need to think about board member recruitment in two ways-it's a plan and a process

Much of the literature on boards fails to mention that creation of a value adding board is a managed process. If your board is no damned good, it's your own damned fault. Board member selection and recruitment are as important a management function as Finance, operations, and marketing. The key to successful Board member recruitment is the nominating committee, performing the human resources function of a board. The unsung hero of all board committees, the nominating committee is rarely given the respect that it deserves. The benefit of following a structured process is worth the extra time and effort. In fact, the success of an organization can often be correlated to the quality of the effort put into the management of the board member selection and recruitment process.

Defining your needs

The board is responsible for ensuring that the skills, knowledge and experience needed to effectively steer the organization both now and in the future are represented on the board. An analysis of the current board's skills and experience in relation to organizational strategy and future goals will help in identifying gaps in knowledge and targeting selection criteria. First, one needs to look carefully at the current roster of board members. Whom Do We Have Now? Taking an inventory: How many will be rotating off? Which committee chair positions will need filling? Which committees will need more personnel? Who is currently holding a board place and is not contributing? How many members of different categories are required / permitted as per law and guidelines? This inventory process will help delineate the task ahead.

Effective board structuring starts with the right match - the right match between an individual with the talent and commitment to make a difference and an organization that is in need of that individual's unique blend of skills and attributes. But how can you know a candidate is a good match unless you've identified what you are looking for? This is done using a board skills matrix. In a board skills matrix the board sets out the specific skills it requires. These skills include industry related competencies, specific technical skills such as accountancy or legal, specific work-related experience such as being a CEO or risk manager, governance related skills, diversity attributes and behavioral skills. The skill set of existing directors is then mapped against this matrix, identifying any current gaps as well as allowing a specification for new directors when a vacancy arises. Directors should be appointed for their special skills and knowledge that will assist with the issues and opportunities the company is facing.

Board assessment and visioning

The board's needs will alter as an organization reaches a new stage in its lifecycle. Therefore, when defining needs, consider where the organization is heading as well as where it is now. Expanding operations into new product/ service or geographic areas, planning acquisitions, staving off a growing competitive threat etc, will impact on the skills and knowledge required by

the board. Use a Strategic Needs Analysis, listing strategic goals and the skill sets needed to execute the strategies involved. By implementing an intentional process for discerning strengths and gaps on the board, vetting candidates and prioritizing them appropriately, you'll find not only that your candidates are better suited to the work at hand, but that new members will begin their tenure with clearly-defined roles.

Write a Board Director job description

A written job specification for one of the most important people you will hire is essential. You should write up what you would optimally want for a board member as a check list. More and more organizations have found it helpful to develop a written statement or agreement for board directors. This statement serves as a job description and clarifies board responsibilities. The job description, in very clear language, sets forth the expectations that the organization has of its board directors. The most effective job descriptions are those that state in behavioral terms precisely what board directors are expected to do. Along with the specific job responsibilities, you need to think about the type of skills sets you need on the board - which skills are missing that are required to round out the board's framework? It would be great to have a diverse board composition - with members from different backgrounds and with different skills-sets that complement one another

How does a Board find candidates for a board position?

In the past, boards have typically relied on their informal networks to find suitable candidates to fill board positions. The demand for accountability is now making the selection of directors more open and transparent. Boards can no longer rely on personal networks and retiring senior executives from their own industry to provide the range of skills and experience they need. A good professional search firm will suggest candidates from further afield. The issue of using search firms is discussed further below.

Should search firms and specialist recruitment consultants be used?

Boards may find search firms useful when seeking a new director with the right skills and experience for their business. Search firms can make recommendations from a huge array of contacts, from highly experienced directors to new directors with a breadth of practical experience. They can introduce candidates whom the board might not have considered and can increase success in finding a director with the right skills.

However, the use of such advisors depends on the nature of the business and the skills that are needed on the board. If a search firm is used, the board must actively manage the involvement of the search firm in the process. Boards will either use the nomination committee, if one exists, or appoint a small group of directors to liaise with the search firm and then in conjunction with the firm to develop the initial list of potential candidates to a short list of three to five persons. The whole board should be involved in the selection of the final person. The search firm can then do a thorough background check to ensure that the person has not embellished their curriculum vitae and meets any other requirements, as set out below, required by the board

Should personal networks be used?

Personal networks can be a valuable source of information about potential candidates. The chief advantage of using a network is

that there is first-hand knowledge of a candidate's working style. This will assist in determining whether a director will be able to work in a collegial manner with other directors.

Caution is needed, however, to ensure that the board is not filled with 'mates'. A key feature of an effective board is independence of mind. A board full of directors always agreeing with each other will not function efficiently. The board must be comprised of people who fill a defined need, challenge the status quo, ask appropriate questions and are persistent in getting answers. Just relying on the contacts of exiting directors has been identified as a major reason for the historic lack of diversity of many boards of major companies. You can also search for prospects by: Asking the board members (past and present), CEO, staff and volunteers for suggestions. Scanning local and other media (including professional association journals) for stories about interesting or motivated people who might suit your organization, checking the board reports from similar groups or organizations.

Application form

The application form will help you gather and collect information about each applicant such as: biographical information, why they want to join this board, what they hope to bring to the board, what they would like to get from their board membership and any questions they might have. Although board members may refer or recruit colleagues or friends, it's important that all candidates or prospects go through the full application and screening process to ensure consistency and to avoid any conflicts of interest or potential issues down the road.

Screening / interview process

Once you've reviewed the applications, you need to develop a process for screening potential candidates so you can develop a short-list for interviews. Think of this application process as you would if you were hiring an employee. You want to get to know the applicant just as they want to get to know you, all to determine if there is a fit.

Conduct first round of personal contact with top recruiting prospects

The first contact may be made by means of printed materials mailed to the prospect. The mailing consists of: A personalized cover letter that informs the prospect of the board's interest in them, a brief description of the recruitment and nominations process, and asking if they would like to be considered for board directorship? A copy of the position description described earlier that details the roles and responsibilities of a board director? Additional material about the company board and its responsibilities? A response form that the prospect can return indicating they would like more information and/or they want to be considered for board directorship

Interview tips

Holding an interview with all potential candidates offers an opportunity to discuss the role and find out about the candidate's: background, skills, interests, qualifications, personal goals. And, generally, to see if he or she is a good fit for the role, the board team, and the organization as a whole.

In preparing for the interview consider:

- Developing a standard set of questions (these should include questions around: skills to meet job description;

values and attitude; time commitment; potential conflicts of interest based on career or other volunteer activities; discussion of any legal and financial commitments, etc.)

- Start the interview with an overview of the selection process
- Provide an overview of the organization and its mission/objectives
- Go over the board role description (even if they've received it beforehand)
- Create a form to document responses consistently across all applicants

What aspects should be considered when interviewing potential candidates ?

- Does the candidate have skills that would add value to the board or fill a gap?
- Does he or she have sound business instincts and judgment?
- Does he or she have a proven track record?
- Is the candidate genuinely interested in the organization, its business and people?
- Is the candidate honest and a person of integrity?
- What other directorships and commitments does the candidate have?

In the interview look for :Expertise in a specific area, leadership and management experience, strategic thinkers, Innovators and creative problem solvers, time and energy, and lack of conflicting interest.

Short-list potential candidates

Some organizations develop a short-list of candidates through the screening and interview process and actually invite them to attend a board meeting. Since the selection process may have only involved a few of the board members, this meeting offers an opportunity for the board to meet and interact with the candidates. It also lets the individuals see first-hand what a board meeting is all about.

Should the Board do background checks?

As mentioned above, there are now standards which are required of directors of different classes of companies such as listed companies and charities. Also given the legal responsibilities that directors face and the collegial nature of an effectively functioning board, directors must trust and respect each other. Therefore, it is advisable to substantiate information provided by a candidate about themselves

Selection of Board Member

The final step in the screening process is for the nominating committee to choose the finalist from among the short-listed candidates. Again, the final selection should be made based on a set of criteria in terms of a skills-set fit, as well as a discussion of the candidate's ability to fit with the board and the organization in terms of values, attitude and personality. Some organizations also require that screening of board candidates involves a police record check.

Once the choice has been made, each of the candidates needs to be notified (preferably through a personal call from the chair of the nominating committee) to officially invite them to join the board, or else to thank them and let them know if their services aren't required. If, however, any of the other short-listed candidates were considered a good fit, consider letting them know you'd like to call on them if there are any future openings on your board. Along with the call, the new board member

should receive a letter confirming his/her invitation to join the board and outlining the role, timelines, commitment and all pertinent details.

Provide an orientation for new Board Member

Congratulations - you've selected a new board member. But the process isn't quite done yet - you need to orient the new member so they are ready to take on their new role. The orientation format can be done through providing a welcome package of information, an orientation video, a presentation or a training session - depending on your organization and its specific resources and needs. However, at a minimum, new board recruits should receive the following information:

- An overview of the organization - its mission, vision, values
- Organization chart - outlining structure (e.g., board, committees, staff roles & responsibilities, etc.)
- Organization's annual report and any other pertinent financial reports
- Role description (and any additional documentation or forms that need to be completed)
- The organization's strategic plan
- Most recent board meeting minutes
- The organization's most recent newsletter and/or brochure
- Schedule of board meetings (and locations), annual meetings and any other events he/she is required to attend
- Contact information - board chair, members, staff contacts etc.

Bringing them on is only the beginning

We don't know if this board will turn out to be the "dream team" we envisioned at the beginning - or maybe we do know, because it's not realistic to think any group will ever operate perfectly. But what we are sure of is that regardless of how great the individuals we brought on are, they won't be successful without engaged leadership from the staff and existing board, lots of help getting "up to speed", and a sincere effort by everyone on the board to build the team, which will take some time. Voting people on is where the real work starts, not the end of the process.

In conclusion

Great boards don't just happen. First, the right people are recruited and oriented, Then, they are provided with the opportunity and support to do great things. Board recruitment efforts are not achieved overnight. It's a long term initiative that you can begin today. Board recruitment doesn't have to be a challenging and urgent task to "fill a gap". While you may have one seat open right now, there will always be turnover of the board, so it's important to have a process in place rather than a stop-gap measure. While you'll want to revisit the specific criteria on a regular basis to ensure they suit your current needs, having a structured and managed recruitment process in place takes the pressure off. It is envisioned that this article provides guidance in getting started with or refreshing your board recruitment process. To sum it all up, choosing your board members will be one of things that could impact the future of the company substantially. You should be thoughtful about who you are adding and why, and take the time to be thoughtful about who you add.