

Do We Have The Right Directors?

Identifying the correct set of director skills and experience is an important ingredient of good governance.

Nominating & Governance Committees do most of the work in this area as part of their normal committee work. They drive the process of identifying the skills and experience needed on the board, identifying candidates, interviewing them and eventually proposing them for election. However, in some companies, this committee is non-existent or may not function very well and the CEO must step up and make sure that he has the right directors.

In any situation, CEO involvement and participation is critical. The CEO is responsible for making sure that those directors can help him be successful through their experience and counsel.

To identify the skills and experience needed, begin with your strategic plan to identify missing director skills. Create a simple matrix listing the most important skills sets required and ranking your directors against them. This will clearly identify gaps that need to be filled. Some examples of the skills and experiences you should consider depending on your business include general management, finance, marketing and sales, operating experience, industry knowledge, customer knowledge, legislative and regulatory affairs, change management, international experience, HR experience etc.

3 Selection Criteria

There are three fundamental criteria you should use for director selection.

- Values
- Behavior
- Experience

Values

The entry point for any discussion of what you are looking for in your directors is unquestioned ethics and integrity. However, you must also check for consistency of values. Do their values match your values and the values of your company?

Each company has established over time a set of their own set of values that management and all employees use to make decisions. Usually, these values are prominently displayed. The initial screen for every director is their agreement in word and deed with your values. In their other activities, do they exemplify and live values that are consistent with yours? These individuals no longer warrant consideration if their values are significantly different from yours.

Behavior

A second dimension is the behavior expected from your directors. It goes without saying that independence, sound judgment, professionalism and commitment to shareholders are mandatory for any director. However, also give careful consideration to their style and how they interact with others.

Consider the behaviors of your current directors, members of your leadership team and outsiders interacting with your team that seem to be very effective. Identify the specific behaviors that work well in your organization and which behaviors create a negative reaction. Use these behavior attributes as the basis for describing the behavior you need in every director.

If you're looking to begin to change the culture and behavior of your company or board, also consider what new behaviors would add value to your effort.

Experience

Begin with your strategic plan and use your leadership team to help you think about what director skills are needed over the next 1-3 years. Just as the strategy defines what you want to accomplish and how you will do it, it will also help you to determine what are the director skills and experiences that will help support successful strategy implementation.

Evaluate the broad topic of experience along several dimensions: Functional experience, management experience and board experience.

- Functional experience
 - Finance, marketing, sales, operations, human resources, international, regulatory affairs, legislative contacts etc.
- General business experience
 - General management (COO, President, CEO), industry experience, customer knowledge, personal leadership, organizational development and succession planning, change management, strategic transactions and risk management.
- Board experience
 - Governance principles and processes, committee participation and knowledge of contemporary committee issues.

Use these and others to formulate a prioritized list of skills and experience needed independent of your current board.

Before you recruit, be sure you can clearly describe the ideal characteristics of a new director on your board in 3-4 sentences.