

Do You Have The Right Directors?

Businesses continuously change and evolve and so must their boards. There is a continuous need to evaluate board composition and evolve your board along with your business.

In the early stages of business growth or in industries experiencing fast technology change, the evolution is much more rapid than in older established businesses. However, one thing is perfectly clear. A business as usual type of board can jeopardize good corporate governance and not provide the CEO with the support and counsel needed for success.

Strategy drives everything

Board evolution is driven by company evolution and company evolution is driven by company strategy. Company and CEO success is directly correlated to a clearly articulated, thoughtful strategy approved by your board. Almost every issue a CEO faces can be linked back to either a poor strategy, a strategy that is not agreed to or a strategy that is poorly executed. That's why a large component of CEO success is the ability to develop and implement a cogent strategy.

Very early in my career, I was making a presentation on a new project to a senior executive. After what I thought was a very persuasive and eloquent presentation he asked me one very simple question that I use for all-important decisions. "Is it on strategy?" If the answer is yes, do it. If the answer is no, don't!

Answer These Two Questions

Two questions focus directly on the current and composition of your board.

- Do I have the right board members?
- What director skills and experience do I need to help me address the issues my company is facing?

These are critical questions for every CEO, regardless of company size. Larger companies with established and functional Nominating & Governance Committees should be discussing these questions annually as part of their normal committee work. Highly effective boards have an annual board evaluation process in place and should always be thinking about refreshing and updating their board.

However, what about the smaller companies without an N&G Committee to do the work or those where the N&G Committee functions poorly? What is a CEO to do?

CEO Leadership Is Required

CEO leadership and involvement is a necessity. The fiduciary responsibility of board governance and the need for CEO support and advice are not mutually exclusive. Boards must ensure that directors are competent and that there are good governance processes in place. The CEO must make sure that these directors can help him be successful through their experience and counsel.

The solution

Effective solutions can be achieved with some hard work and coordination using three steps.

1. Determine what skills and experience are needed
2. Assess your current board
3. Develop a plan to evolve your board and fill any gaps

Let's look at each in more detail

Determine What Skills And Experience Are Needed

Identify the skills and experiences required over the next 3 years or the time period consistent with your strategy. Just as the strategy defines what you want to accomplish and how you will do it, it will also help you to determine what director skills and experiences will help support successful strategy implementation.

Some thought starters include deep experience in operations, leadership and organization development, financial acumen, general management experience, risk management, industry experience, external relations in target markets, strategic transaction, corporate governance etc. Use these and others to formulate a prioritized list of skills and experience needed independent of your current board.

Assess Your Current Board

In the absence of a formal board performance appraisal, prepare a simple matrix with the prioritized skill sets and experience on one axis and directors names on the other. Check off on the matrix where you think each director adds value and can add value in the future. Directors should add considerable value in multiple areas. This simple exercise will help identify areas that are weak or where there is a clear gap that needs to be filled.

Develop Your Plan

Work with your current directors to identify a list of potential director candidates that will provide the skills you need. In addition to finding directors with the right skills, consider their style and compatibility with the remainder of the board.

Repeat as Required

Any major change in your business or business strategy requires a thoughtful assessment of your board composition. It's best to do this annually so that it becomes part of the overall board governance process. However, if there are extenuating circumstances that require expertise on your board that is lacking, don't wait for the normal annual discussion. Move immediately to fill the gap and if necessary, bring on the missing skills and experience as an advisory role. You can always move that individual to a director later, especially if you need to make room on your board for an additional director.