

# DIRECTOR RECRUITMENT AND SELECTION

For a board to be effective, each member's education, experience, and competencies should contribute toward the achievement of the company's strategic goals. The board should identify, select, and retain only directors who will enable it to fulfill its role and discharge its fiduciary responsibilities.

In the past, many boards chose to fill vacancies with individuals who were in the social milieu of the existing directors. While this practice may have contributed to collegiality, it did not serve boards well in terms of the strategic competencies that would help them achieve their goals. Further, new definitions of director independence legislate for searching for candidates beyond what was often the “usual suspects” of either social contacts or currently serving CEOs.

## Overview of the Recruitment and Selection Process

In general, the search process comprises the following steps (these are discussed in much greater detail in the NACD Report of the Blue Ribbon Commission on the [Governance Committee: Driving Board Performance](#)):

### Step 1. The Consultative Process

- Discuss the company's strategy, goals and culture
- Set the specifications desired for the position
- Identify potential sources for candidates

### Step 2. Candidate Identification and Review

- Identify a slate of qualified candidates
- Consider each candidate based on pertinent experience, skills, cultural fit, and potential conflicts of interest
- Approach suitable candidates to gauge interest

### Step 3. The Interview Process

- Ensure each candidate is informed about the company (e.g., via a briefing book)
- Conduct interviews – all board members should be offered the opportunity to meet each candidate

### Step 4. Background Checks

- Check for conflicts of interest
- Speak with current/former coworkers, superiors, subordinates and/or other relevant acquaintances
- Verify credentials

### Step 5. Selection

- Analyze each candidate's strengths and ability to meet the company's current and future needs

- If possible, the board should attempt to reach consensus among all members

## Step 6. Extend the Final Offer

### Finding The Right Candidates

In selecting director nominees, a board should consider both its own needs and those of the organization it serves. Various forces shape these needs, including, among others, company size, stage of growth, financial condition, markets, competition, and technological change. Further, an organization's needs can change over time as a result of these and other forces. Directorship is becoming far more demanding in terms of time, energy, expertise, and information needs.

One efficient procedure for ascertaining the competencies that will best serve the board going forward is to create a skills matrix, which helps match the strategic goals of the company with the skills needed to advance them. The process begins with an analysis of the strategy itself and the specific skill sets associated with its execution. Then, the board looks at its existing members to determine whether the skills are sufficiently present. If not, the governance committee can focus on finding candidates that do have those skills.

Below is a simplified matrix, from the Report of the Blue Ribbon Commission on the Governance Committee:

	Smith	Jones	Davis	etc.	Total
E-Commerce	4	3	6		13
Acquisition Experience	8	7	7		22
International Marketing	2	3	1		6
etc.	6	7	8		21

Legend: Names of current directors are on the horizontal axis and the skills considered important over the next 5 years on the vertical axis. Directors are rated on a scale of 1 to 10, where 1 indicates low expertise and 10 denotes extraordinarily high expertise, for each area. In the above example, the board is weak on International Marketing and might consider seeking candidates with that expertise.

### Candidate Qualities

When screening potential board candidates who have been identified as possessing the needed skill sets for the board's strategic plans, the governance committee should consider the following characteristics and competencies. (Based on the NACD [Report of the Blue Ribbon Commission on Director Professionalism](#)):

#### *Individual Director Characteristics*

- Integrity and accountability (character)
- Informed judgment (wise, thoughtful counsel)
- Financial literacy (able to read financial statements)
- Mature confidence (good listener/willing to take an unpopular stand)
- High performance standards



## ***Collective Board Competencies***

- Accounting and finance
- Business judgment
- Management (including human resources)
- Crisis management
- Industry knowledge
- International markets
- Leadership
- Strategy/Vision

Once you have identified your candidates, it is a good idea to ask each one the same series of questions and compare and contrast the candidates' answers:

## **Questions to Consider Asking Board Candidates**

1. What other boards have you served on? When? How would you describe the experience?
2. What boards are you presently serving on? How would you describe the experience?
3. Have you ever terminated your relationship as a director of a board? If yes, why?
4. With respect to your present board service, how many hours per year do you expend in the service of these corporations?
5. Do you have adequate time to commit to expending at least \_\_\_\_ hours per year as a director of this company?
6. Are you aware of any conflicts of interest that might affect your service on this board?
7. Here is a description of our company's major products and services:
  - Does your current work as an executive or director raise any conflicts of interest with respect to these products and services?
8. Here is a list containing the names and business affiliations of our current directors:
  - Do you know any of them?
  - Do you know of any reason why you could not serve with any of them as a fellow director on this board?
9. One of the reasons you have been considered for nomination as a director is because of your perceived experience in \_\_\_\_\_. Are you comfortable filling this role and are you willing to

provide this company with your expertise while serving as a director in return for your director's compensation only?

10. Are you the subject of any present regulatory, criminal, or civil investigation or proceedings, or are you aware of any threatened investigation or proceedings? If so, please describe in detail.
11. Are you familiar with financial statement analysis and interpretation?

## **The Benefits of Strategic Recruitment**

Strategic director recruitment and selection reaps enormous benefits for boards. Determining the specific competencies the company needs to meet its ongoing challenges, and then seeking candidates who will bring those competencies to the boardroom, is a vital step in ensuring that the board is an engaged, strategic asset to the company it serves.