

# ACCU Forum Colombo, Sri Lanka

## *Recruiting & Retaining Effective Leaders*

Saturday, September 23, 2006

11:00am – 12:30pm

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Frameworks For Change

# Impact of Regulatory Reform -

Renewed focus on:

- Board Effectiveness
- Key Element impacting Board Effectiveness is the Director Recruitment Process
- Director Recruitment & Retention – a key Board responsibility

# Changes in Director Recruitment -

- A cohesive & effective Board seen as a “competitive asset” for an organization
- Enhancement of recruitment process
- More methodical & transparent
- More complex & time-consuming

# Director Value Proposition

- **Value Proposition - Reward/Cost Balance**
- Rewards - learning, networking, prestige, sharing of expertise, compensation (if applicable)
- Costs - time, ongoing development, effort, risk (legal liability/financial/reputational)

# Recruiting Directors -

- As Value Proposition improves, so does the organization's ability to attract/retain high quality directors.
- Need commitment to effective governance
- Demonstrated by having sound governance policies, practices and appropriate people in place

# Evidence of Effective Governance -

- Organization Vision / Mission / Strategic Plan
- Defined decision-making and accountability guidelines for Board & Management – bylaws, Board & operational policies & procedures, performance standards & measurements
- Process to assure that directors are well informed on a timely basis
- Clear charters and job descriptions for the Board, its Officers & its Committees
- Board level training and development
- Process for evaluation of the Board and the CEO

# Other Decision Factors -

- Beyond governance, liability & compensation issues, potential candidates will consider:
  - Organization's reputation
  - Confidence in the CEO
  - Ease of location of meetings
  - Frequency of meetings
  - Fit of organizational values with personal values

# From a Recruiter's Perspective -

- Need to align Board composition with role & needs of the Board
- Skills, knowledge & experience required given the organizational strategy being pursued
  - Ability to carry out fiduciary responsibilities and be a valuable resource to management
- Personal qualities which will fit with desired Board culture
- Reflective of constituencies, community and mission of organization



# “Problem” Directors -

- CEO Wannabe
- Pit Bull
- Superdirector
- Management Lapdog
- Checked-out Director
- Overwhelmed Director

# Skills & Experience -

- Develop full-Board profile of necessary skills and experience that are required given organization's strategic direction/issues/core technologies
  - Resist temptation to adopt another board's profile
  - Consider if any skills should be “purchased” (e.g. legal)
  - Create “ideal” profile without regard to current Board composition
- Review current Board's skills inventory to identify gaps to be filled in recruitment of directors
- Delegate function to Board Committee – e.g. Nomination Committee

# Individual Attributes -

- Define individual attributes that all Board members should demonstrate – e.g.:
  - Independence
  - Financial acumen / business credibility
  - Action orientation / spirit of inquiry
  - Courage to raise challenging issues
  - Ability to manage one's ego
- Include attributes in Job Description for Directors

# An Engaged Board -

- Exhibits following cultural values/norms:
  - Independence and integrity
  - Openness
  - Accountability
  - Action orientation
  - Mutual trust and respect
- Takes time to develop culture

# Representational Factors -

- Address such factors as demographic and geographic diversity on the Board
- Review representational factors currently addressed by Board to identify gaps to be filled in recruitment of new directors
- Include target requirements in recruitment materials along with skills & experience and individual attribute requirements

# Recruitment Process -

- Develop information package for distribution within the membership (through branches, on website, etc.) including:
  - outcome of internal assessment of gaps to be filled at the Board level - across 3 key areas outlined
  - information regarding overall Board role & responsibilities
  - individual Director role & responsibilities (Job Description)
  - Board Committee Structure & responsibilities
  - Board meeting/Committee meeting schedule for year
  - ByLaws
  - Minimum requirements to be met related to training courses
  - Overview of Board self-evaluation process followed annually
  - Application form and/or resume to be submitted by candidates

# Director Job Description -

- Legal / Legislative / Regulatory Compliance
- Role & Responsibilities
- Confidentiality
- Conflict of Interest
- Code of Conduct
- HANDOUT

# Enhanced Recruitment Processes -

- Engage Board members in identifying and approaching potential candidates with appropriate profiles
- Distribution of background information to members regarding eligible candidates prior to election
- Pre-screening of candidates (by Nomination Committee):
  - Personal interviews of eligible director candidates
  - Reference checking of director candidates
  - Short-listing of director candidates for election based on suitability in filling identified “gaps” on Board



# Retention of Directors -

- Orientation
- Ongoing Training
- Board Process / Communications
- Board Self-Evaluation
- Term Limits
- Compensation

# Board Orientation & Ongoing Training-

- Orientation
  - Background materials
  - Meetings
  - Director role / responsibilities
  - Use of Mentors
- Internal/External Training
  - Board Committee rotation
  - League training / Conferences

# Effective Board Process -

- Annual schedule of Bd/Ctte meetings
  - frequency of meetings & length of meetings
  - No “board within a board” through Cttes
- Agenda / Materials
- Use of in camera sessions
- Opportunities for informal meeting time
- Minutes / Chair Highlights
  - thoroughness, confidentiality
  - external communications - consistency
- Meetings held at different locations over year

# Board Self-Evaluation -

- In general, purpose is to:
  - ensure that the Board executes its roles and responsibilities effectively;
  - identify and optimize strengths in the Board's organization and functioning;
  - identify and address impediments to Board effectiveness and efficiency; and
  - ensure shareholder accountability.

# Areas For Evaluation of Board -

- Board Structure
  - Business Knowledge & Understanding
  - Leadership
  - Board Process
  - Board/Management Relationship
  - External Relationships
  - Board Renewal & Development
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- Input as to ways in which Board performance can be improved in each of the key subject areas above

# Further Considerations -

- Term Limits
  - Learning curve factor
  - Implication for Board size and staggered Director terms
- Compensation
  - Responsibilities / liabilities of directors
  - Recruitment / retention impact

# A Few Final Thoughts...

- **Need for strong & well-defined governance structure** - understanding of roles/responsibilities
- **Reassess governance structure for sustainability** - evolve with organization's needs
- **Review governance practices** -
  - keep pace with best practices & changing business environment
- **Develop/maintain a sustained organization-wide culture of governance** -
  - one that fosters a deep respect for responsibility, transparency and integrity