



#BOARDBUILDING

Building a High Performance Board

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Build the Board That Your Company Deserves

I. Elements of an Effective Recruitment Process

- A. Establish a Committee:** This is truly is an ongoing, year-round function: prospecting, contacting, recruiting, orienting, supporting, providing ongoing training, and evaluating board directors.
- B. Define your High Performance Board:** It is important to link board recruitment with the new requirements and demands called for by the strategic plan. The ideal time to do this is right after the strategic planning process has been completed.
- C. Evaluate the Current Board:** First, assess the current overall effectiveness of organization's board using a matrix designed for this purpose. Then using a skills, experience and competency matrix, define the weighted importance of each skill, experience, and competency you want to measure, and rate each current director accordingly.
- D. Create a New Director Framework:** After identifying the gap between the skills, experience and competencies needed on the board, and what board directors currently possess, the Board Search Committee can now create a framework of skills, etc., that are focused on the company's key drivers and toughest strategic and operating challenges.
- E. Develop a Written Board Director Job Description:** The job description, in very clear language, sets forth the expectations the organization has of its board directors; state in behavioral terms precisely what board directors are expected to do.
- F. Identify a Slate of Prospective Board Directors:** The Search Committee, if done internally, or a 3rd party consulting firm, such as an AESC (www.AESC.org) recognized retained Search Firm, develops a slate of qualified, and interested, prospective board directors. It is important to "throw the net wide" and "think outside the box", and move outside the personal networks of the current board. Not only will this ensure your board does not come under scrutiny for cronyism, but you can be confident you have developed the best possible, well-rounded slate of outstanding, talented candidates with a diversity of perspective. In terms of how many candidates make a slate, a good rule of thumb is 3-4 times the number of directors you are seeking to place.
- G. Personal Contact with Top Prospects:** First, do not underestimate the importance of making a professional recruiting packet. This should include:
1. A personalized cover letter that informs the prospect of the board's interest and a brief description of the recruitment and nominations process.

2. A copy of the position description described earlier that details the roles and responsibilities of a board director.
3. Additional material about the board and its responsibilities, as well as marketing material from the company

Second, follow this up with personal calls from designated members of the Search Committee to respond to any questions the prospect may have as well as determine the prospect's level of interest in being considered for board directorship. If both the Search Committee and the prospect want to move forward in their consideration for board directorship, the prospect is invited to an in-person meeting with the Search Committee. Additional meetings with the Search Committee, and/or Full Board, and even one-on-one sessions with the Chair may be scheduled.

H. Assessment/Selection/Appointment of New Members: After the Search Committee has met all prospective board directors, they meet to review their findings, particularly focused on their recruiting priorities set earlier in the process. At this time, referencing should take place, and if possible, should be conducted in-person with each referee.

In evaluating the prospective board directors, the Board Development Committee should ask the following questions:

1. Does the prospect appear to be committed to the mission of the organization?
2. Can the prospect contribute the time necessary to be an effective board director?
3. Does the prospect possess the key skills, experience and competencies and other assets that match the board's recruiting priorities?

The Search Committee makes a recommendation to the full Board, where a selection, nomination and appointment may be made according to the Board's By-Laws.

II. Summary

While it is more time-consuming, if you utilize this approach to board director recruitment, the results will include:

- A more accurate assessment of the organization's current board effectiveness, current director talent, and the board leadership needs of today and the future;
- An organized process to identify a broad pool of prospective directors, and contact and secure commitments from the best qualified individuals to fill those board needs, and,
- A solid beginning on an orientation process for new board directors that has already begun with their first contacts with the organization during the recruitment process.

Board Effectiveness Assessment

Ratings Guide: 1 – Completely False 2 – Generally False 3 – Generally True 4 – Absolutely True NA – Not Applicable

| Section 1. Structure & Composition of Board | Ratings 1 2 3 4 NA | Comments/Action Plan |
|--|-----------------------|----------------------|
| 1. Board Size. The current size of the Board (# of members) is appropriate. | | |
| 2. Board Committees. The Board has at least 2 Board Committees. The Board has an appropriate number of formal committees given the company’s current stage of development. | | |
| 3. Board Composition. The board has the appropriate balance and breadth of backgrounds, business experience, skills and expertise in areas vital to the Company’s success given its present markets served and stage of development. | | |
| 4. Director Performance. Independent directors are adequately contributing to the Board. | | |
| 5. Director Performance. VC directors are adequately contributing to the Board. | | |
| 6. Director Performance. Management directors are adequately contributing to the Board. | | |
| 7. Familiarity with Company. The Board is appropriately familiar with the Company, the markets it serves (including competitive factors) and its strategies and business plans and reflects this understanding on key issues throughout the year. | | |

| Section 2. Board Culture & Communication | Ratings 1 2 3 4 NA | Comments/Action Plan |
|---|-----------------------|----------------------|
| 8. CEO–Board Communication. The Board members individually communicate informally with the CEO on a regular basis in advance of board meetings in order to have advance knowledge of issues that will be discussed at the meeting. | | |
| 9. Director–Director Communication. The Board members communicate with each other informally and are well informed about each other’s positions on issues affecting the company. | | |

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| 10. Overall Effectiveness. The Board grasps and deliberates on the important issues and brings decision topics to closure in a timely manner. | | |
| 11. Board Initiative. The Board asks the penetrating questions necessary to uncover serious problems. | | |
| 12. Board Support of Management. The Board is appropriately balanced in challenging and supporting management. | | |
| 13. Board Candor. The Board encourages a culture that promotes candid communication. | | |
| 14. Board Collegiality. The Board and management work together to achieve a constructive decision making atmosphere that encourages a respectful examination of different views. | | |
| 15. Board Relationships. There is a relationship of mutual trust and respect among Board members. | | |

| Section 3. Board Information | Ratings 1 2 3 4 NA | Comments/Action Plan |
|--|------------------------------|-----------------------------|
| 16. Accuracy of Information. The information provided to the Board by management and outside advisors is accurate and reliable. | | |
| 17. Relevance of Presentations. Presentations to the Board are appropriately focused on the key issues for Board consideration. | | |
| 18. Digestibility of Presentations. Presentations to the Board are appropriately “to the point” and do not contain an inappropriate amount of unnecessary data and/or analysis. | | |
| 19. Timeliness of Information. The information provided between Board meetings is timely, enabling members to fully prepare. | | |
| 20. Access to Management. The Board has appropriate access to the Company’s senior management. | | |
| 21. Director Requests. Director requests for information from management are reasonable in amount and time frame and are responded to appropriately. | | |

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| 22. Board Meeting Agendas. The Board has appropriate input into the preparation of the agendas and there is proper priority of agendas. | | |
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| Section 4. Board Process | Ratings 1 2 3 4 NA | Comments/Action Plan |
|--|------------------------------|-----------------------------|
| 23. Time Allocated for Board Meetings. Ample time is allocated for Board meetings to assure full discussion of important matters. | | |
| 24. Number of Meetings. The Board has an appropriate number of meetings per year and schedules its meetings at appropriate times. | | |
| 25. Conduct of Board Meetings. Board meetings are conducted in a manner that ensures effective utilization and prioritization of the time available. | | |
| 26. Executive Sessions. There is sufficient time and opportunity for outside directors to meet independently during the time allotted for the formal board meeting. | | |

| Section 5. Board Assessment <i>(Answer Yes or No)</i> | | |
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| 27. Board Review Process. Are we doing a good job at assessing and improving the performance of the Board through this self-evaluation process? | | |

Board Director Skills & Experience Matrix

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| Competency | Weight | Directors | | | | | | | | Total Score | Avg. Score | Prospects | | | |
|---|--------|-----------|---|---|---|---|---|---|---|-------------|------------|-----------|---|---|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | 1 | 2 | 3 | |
| Communications: Public, Shareholders | | | | | | | | | | | | | | | |
| Corporate Governance | | | | | | | | | | | | | | | |
| Corporate Sustainability & Responsibility | | | | | | | | | | | | | | | |
| Entrepreneurial Experience | | | | | | | | | | | | | | | |
| Executive Compensation | | | | | | | | | | | | | | | |
| Financial Literacy | | | | | | | | | | | | | | | |
| Financing & Capital Allocation | | | | | | | | | | | | | | | |
| Global – Political/Cultural Awareness | | | | | | | | | | | | | | | |
| Government – Public Policy & Regulatory | | | | | | | | | | | | | | | |
| Industry Knowledge | | | | | | | | | | | | | | | |
| Investment | | | | | | | | | | | | | | | |
| Legal | | | | | | | | | | | | | | | |
| Operations | | | | | | | | | | | | | | | |
| Marketing & Sales | | | | | | | | | | | | | | | |
| Mergers & Acquisitions | | | | | | | | | | | | | | | |
| Privacy – Data Protection, Cyber Security | | | | | | | | | | | | | | | |
| Risk Assessment | | | | | | | | | | | | | | | |
| Strategic Planning & Analysis | | | | | | | | | | | | | | | |
| Talent Management | | | | | | | | | | | | | | | |
| Technology – Digital, Social, Cloud, etc. | | | | | | | | | | | | | | | |

Step 1: Weight Each Skill/Experience: A=Critical, B=Important C=Minimally Important, D=Not Important

Rate each director 1-10 for each Skill/Experience: 1 = Minimal Proficiency, 5= Moderate Proficiency, 10 = Expert.

**To ensure confidentiality, do not disclose the individual scores from each respondent to the full board. Only disclose an overall average score.*

Board Competency Matrix

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| Competency | Weight | Directors | | | | | | | | Total Score | Avg. Score | Prospects | | | |
|-----------------------------------|--------|-----------|---|---|---|---|---|---|---|-------------|------------|-----------|---|---|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | 1 | 2 | 3 | |
| Analytical | | | | | | | | | | | | | | | |
| Business Acumen | | | | | | | | | | | | | | | |
| Caring & Compassionate for Others | | | | | | | | | | | | | | | |
| Collaborative Intelligence | | | | | | | | | | | | | | | |
| Composed, Respectful | | | | | | | | | | | | | | | |
| Creative Thinking | | | | | | | | | | | | | | | |
| Culturally Literate | | | | | | | | | | | | | | | |
| Dealing with Ambiguity, Flexible | | | | | | | | | | | | | | | |
| Decisive: Strong Decision Making | | | | | | | | | | | | | | | |
| Disciplined | | | | | | | | | | | | | | | |
| Ethics, Integrity, Trust | | | | | | | | | | | | | | | |
| Intellectual Horsepower | | | | | | | | | | | | | | | |
| Listening vs. Speaking | | | | | | | | | | | | | | | |
| Motivating/Inspiring Others | | | | | | | | | | | | | | | |
| Open, Inclusive, Transparent | | | | | | | | | | | | | | | |
| Organizational and Planning | | | | | | | | | | | | | | | |
| Priority Setting | | | | | | | | | | | | | | | |
| Process Orientation | | | | | | | | | | | | | | | |
| Results-oriented | | | | | | | | | | | | | | | |
| Strategic Agility | | | | | | | | | | | | | | | |

Step 1: Weight Each Skill/Experience: A=Critical, B=Important C=Minimally Important, D=Not Important

Rate each director 1-10 for each Competency: 1 = Minimal Aptitude, 5= Moderate Aptitude, 10 = Deep Aptitude.

**To ensure confidentiality, do not disclose the individual scores from each respondent to the full board. Only disclose an overall average score.*



New Board Director Framework

Mission: To build a high-performing Board whose focused commitment is to be a strategic asset of the company and source of continuous competitive advantage.

Establish the “Director Framework”, utilizing the information learned from the Board Effectiveness Assessment and the Director Skills/Experience and Director Competency Matrices.

Key considerations should include:

- ✓ Specific skills and intellectual capital aligned with *the company’s* future toughest strategic and operating challenges. (See pg 2)

- ✓ Core Skill and Experience Needs
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____

- ✓ Core Competencies that maximize group dynamics
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____

- ✓ Other important considerations
 1. Enthusiastic about *the company*
 2. Time availability to become fully engaged
 3. Independent and free of conflicts
 4. Ability to serve on Board for X years
 5. _____
 6. _____
 7. _____
 8. _____

Specific Skills and Intellectual Capital Alignment

Focused on the Company's Key Drivers and Toughest Strategic and Operating Challenges

| <i>Challenges/Key Drivers for Success</i> | <i>Aligned Board Skills & Intellectual Capital</i> | <i>Current Status 1-3</i> | <i>Future Priority 1-3</i> |
|--|--|----------------------------------|-----------------------------------|
| Drive to be world class in operating efficiency and effectiveness | Executives with first-hand exposure to driving operating excellence | | |
| Creation of New Growth Platforms: (successful innovation) Must create culture, processes & discipline that enables company to consistently innovate and bring new products to market | Has led successful innovation in a company known as an innovative leader in the marketplace (in related industry a plus) | | |
| Globalization Must maximize global growth opportunities | Has successfully led Global expansion and/or possesses deep experience in emerging markets, particularly Asia | | |
| Technology / Digital Must keep abreast of where technology is going and the implications on future opportunities, changes in competitive landscape, obsolescence, etc. | Executives who have deep technology expertise, and are driven by technical innovation and can anticipate dynamic shifts in the industry as a whole | | |
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| <i>Challenges/Key Drivers for Success</i> | <i>Aligned Board Skills & Intellectual Capital</i> | <i>Current Status 1-3</i> | <i>Future Priority 1-3</i> |
|--|---|--|---|
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