

EXECUTIVE INSIGHT

Building a World-Class Board

Best Practices in Board Member Selection and Onboarding

WHAT WE THINK

Selecting new board directors is a high-stakes, public endeavor.

Given the need for a board to work together effectively as a team, a rushed decision or mistake could mean years of opportunity lost—or worse.

Furthermore, membership on a board is a highly demanding role. The depth and breadth of materials to analyze, the critical thinking required, and the emotional and interpersonal demands require a unique profile; this is easily underestimated when boards feel pressure to bring in new expertise.

In the past, new board candidates were often sourced from the networks of existing board members. Candidates were known quantities, thereby reducing risk to a board climate of trust, candor, and alignment. These trends, however, have pushed boards to consider new best practices: heightened regulatory scrutiny causing boards to seek more firepower, recruiting unfamiliar candidates who bring specific content knowledge (e.g., complex products and distribution strategies, investment expertise, audit and regulatory expertise), and the recognition that greater diversity can lead to better results.

Because of one too many selection errors and/or an awareness that onboarding could be done more effectively, boards are increasingly upping their diligence

around board member selection and making improvements to their onboarding practices. They are adopting disciplines that ensure exceptional fit—on both the “hard” and “soft” capabilities—and a planned onboarding process that accelerates new member contributions to the work of the board and helps preserve a healthy board dynamic. This paper, based on our experiences with boards, addresses these best practices with this unique type of board member onboarding.

Before the Selection

Strong nominating and governance committees avail themselves of selection and onboarding disciplines that ensure a board populated with thoughtful, diligent members who bring relevant technical capabilities. Increasingly, more sophisticated boards are taking a page from talent management practices in corporate America and using the services of third-party assessment providers to reduce the risk of error in the selection process. A deft third-party assessment provider adds to the search committee’s understanding, providing an

objective picture of the intellectual, interpersonal, and emotional attributes of the candidates and their fit to the board norms and dynamic. The selection is better informed, particularly with regard to the human risks that are often easily obscured in a résumé and in the course of candidate interviews.

In addition to providing the committee with an objective view of candidate fit, the process also

- Accelerates the search firm’s sourcing by explicitly incorporating board-specific behavioral requirements into the “position spec,” narrowing the candidate funnel and saving the selection committee time
- Provides a check and balance on the search firm’s presentation of apparently strong candidates
- Presents the board in the best possible light to candidates by demonstrating diligence in selecting directors and maintaining best-in-class board effectiveness

- Creates a personal roadmap for onboarding: the new board member benefits from understanding at the outset where he or she may want to subtly adjust behaviors to put the best foot forward in order to quickly adapt to the norms of the board and to accelerate impact in the boardroom

Onboarding New Members

After months of diligent effort and time spent by the search committee and the full board, a new director is selected and welcomed to the board. Then what? Creating and executing an onboarding plan will make the difference in helping a board member avoid missteps and help them to quickly achieve their best contribution.

Orientation to the Business

Qualified board members will likely bring some investment industry perspective, but the depth and relevance of knowledge varies widely. Achieving a shared, baseline body of board-specific knowledge is critical to the early success of new directors. New board members will benefit from dedicating time and having a well-thought-out approach to knowledge acquisition. Among the most successful methods is having new board members spend a day or two onsite with a mentor, undergoing an orientation where specific content areas are presented verbally, discussed with management, and preserved in an orientation manual. These meetings typically occur in the months prior to the first board meeting and are coordinated and led by the chairman.

Topics might include:

- How the board operates
- Role and expectations of the SEC
- Fiduciary duty and board responsibilities
- Best practices in board oversight
- Company-specific matters (structure, product details, fees information, etc.)

Thorough presentation and discussion of these topics is extremely valuable to the board members we interviewed. They noted that the timing of these meetings—six to eight weeks in advance of the first board meeting—is important for allowing the material to be absorbed and consolidated. Furthermore, some indicated that they would accept the opportunity to repeat the business orientation component of onboarding a year or two into their new roles, once a deeper context has been established. Given the accelerating complexity of technology products and risks in every industry, ongoing board education relative to (a) cybersecurity, (b) the changing regulatory landscape, (c) accounting practices, and (d) ensuring market relevance and competitiveness are at the top of most boards' agendas.

Finally, the business orientation process begins important relationship building between new board members and their peers. The new directors begin to understand the integrity, commitment, and priorities of the people with whom they will work. Subsequent to the foundation established in the business onboarding session(s), the new board members

could also benefit from arranging one-on-one follow-up meetings with members of the team to deep-dive into content and to further develop an understanding of management's thinking, perspectives, etc. These intentional knowledge- and relationship-building activities establish a path for a respectful and collaborative, yet well-defined, working relationship and facilitate the ongoing evolution of that relationship over time.

Integration into the Board

Taking a thoughtful approach to integrating new directors into the existing group norms, dynamics, and practices of the board differentiates truly exceptional boards. Few boards have a well-planned discipline for new members around the first months and year with the board. Best practices that we have observed and that have been lauded by board members include:

- 1. Provide feedback from the interview and assessment process.** When third parties are used to provide selection assessment input, leverage the experience fully by ensuring that the new board member benefits from assessment feedback. Experienced consultants are skilled at presenting the feedback in a respectful, inviting, and developmental manner; the feedback session is a positive experience, and the new director walks away with the sense that they've been set up to succeed by virtue of knowing more about the board and their own fit/gaps prior to the first board meeting. The candidate benefits from having a knowledgeable and confidential partner whose


only agenda is the success of the candidate and the board. The consultant can invite and address questions that the new board member may not voice to others and help them plan intentional steps to mitigate any integration risks, and to accelerate a productive board experience.


2. Establish an explicit, semiformal mentoring relationship.

The difference between an informal, in-name-only mentoring effort and one in which the mentor role and process are explicit is profound. By adding only slightly more structure, new board members will have a trusted partner and forum for discussion and learning in a nonjudgmental and semiprivate way where ideas and reactions can be tested, and where informal learning is accelerated. Critical elements of a productive mentoring relationship include:


- a. Mentor is formally introduced, and mentor and mentee agree on expectations, cadence, and confidentiality. There is no guessing about “Who is my mentor?”
- b. Modest content structure is established to ensure ease of conversation and to invite the mentee to ask questions. For example, the mentor might say, “This works well if you track questions in the course of meeting preparation and during meetings; then we’ll work through your questions when we are together,” or, “Over the course of the year there is a set of topics people typically find useful to cover, including (a) board history and current dynamics, (b) input on product and

DIRECTOR’S PERSPECTIVE: BEST PRACTICES WE SEE REGARDING INTEGRATION INTO THE BOARD

Boards on which new directors are expected and encouraged to fully contribute immediately.  80%

Boards that systematically identify additional skillsets needed on the board.  66%

Boards that effectively identify, cultivate, and integrate new directors.  64%

Boards with an evaluation process that is highly effective at generating actionable feedback.  47%

service offerings, (c) norms for time investment and expectations of board discussion, and (d) clarity on the board’s philosophy.”

- c. Front-load contact, including dinner prior to the first board meeting, calls/meetings to debrief each board meeting, explicitly finding time to meet when in each other’s cities, etc. Investing to establish openness and candor in the first six months creates a more productive relationship.
- d. Consider giving feedback as a standing agenda item for meeting debriefs. Have an established norm of the mentor always providing good and constructive feedback: “Your most useful contributions in this meeting were X because of Y. One piece of advice is to do Z.” Establishing this norm at the outset permits the mentor to delve into sometimes difficult—but often the most important—topics of discussion.

3. Explicitly address how to prioritize, pace, and scope the volume of issues and materials addressed. The most common concern of new board members is how to learn, manage, pace, and bring value to the vast and

detailed content of board matters. Pace committee membership and leadership. Many boards benefit from new board members serving as consultants for up to a year. This allows new members to be in a learning role, resolving any pressure to actively contribute to board discussions or to serve as committee leaders. The volume of learning—specific content, management interactions, and committee norms—is typically substantial. Explicitly defining the first nine to 12 months as the learning and observing phase allows new board members to learn without the pressure (or distraction) of contributing expertise when they lack adequate context. This approach has proven to be a relief both to new members and to boards and committees.

4. Intentionally build board

relationships. Productive boards know that individual, specialized knowledge and capable leadership are important but not sufficient for achieving the “special sauce” that some boards enjoy. The truly deft and productive discussions, and wise and efficient decision making that happen with great boards is also due to the trust and relationships that have been intentionally prioritized and established. Thus, new board

members will benefit from (a) having an expectation and invitation to build relationships and (b) taking on the task to ensure this happens. Small behaviors of new directors, such as arriving early and staying late (versus dashing to a waiting airplane) and making a point of meeting individually with each colleague in the first six months are efforts that will produce individual and group dividends.

5. Make director learning and continuous board improvement a priority. Lastly, several boards indicated that establishing a broader board norm of ongoing learning and development creates a climate that fosters openness and productive onboarding for new directors. Examples of such behaviors that create a developmental climate include:

- a. Intentionally define, document, and create alignment on the board's values and philosophy vis-à-vis ongoing learning and development. Share and discuss these materials with new board members and examine them over time. Demonstrate a discipline of reflection, learning, and adaptation.
- b. Periodically engage in deeper board evaluation—for example, using a third party to examine committee and leadership effectiveness, feedback to the board as a whole, peer feedback to each board member, and feedback from the chair.
- c. Ensure a robust board discipline of assessing the external landscape and implications for the board. Annually review matters of risk and opportunity

to ensure the board agenda, board education, and succession planning are relevant and adaptive.

- d. Demonstrate a commitment to ongoing education. Regularly invite vendors and outside experts to present and discuss relevant content. Set board expectations on, and facilitate continuous education outside of, board meetings (e.g., new SEC reporting requirements).

Taken together or in component parts, these onboarding disciplines have been shown to improve board effectiveness. In a climate of increasing complexity and demands on boards of both public and private companies, and increasing board scrutiny, adopting such disciplines is an investment many see as worthwhile and well timed.

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