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The uphill task of recruiting today's board members

A crucial reminder for organisations that appointment of any board member requires thorough and professional background check



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The Thapars, even though a family business, had taken a great initiative in recruiting independent directors when they revamped Crompton Greaves board, by relying on both external and internal search. Many so-called professionally run enterprises don't show such courage.

Today's boards need leaders with the ability to see around corners. When

adding a new member to a board, it ought not be the friends of the promoter or buddies of current board members. Choosing independent members is important since they represent the interests of minority shareholders. It is not about doing background checks on potential candidates. That is easy. Tighter regulations, activist investors, and the always-on "online" culture mean that a prospective member's history (both positive and negative) is common knowledge. Due diligence on potential directors has tightened and has become more professional and systematic.

Here are some trend-setting ways to select your board members and avoid boardroom embarrassments of tomorrow.

The hot-button concerns for board nominees are similar to those of executive hires today — criminal history, of course, and also civil issues. Has this nominee been involved in personal or business bankruptcy? What is their lawsuit history, both as a plaintiff and defendant? How about personal violations, such as domestic violence, sexual offences, drunk driving or drugs? Any current or past restraining orders, or other mandated limits?

Trusted personal referrals are no longer enough. Beyond the who-knows-who buddy culture, many other "personal reference" approaches no longer work. A decade ago, a candidate would be chosen based on a referral by the company's investment banker or private equity firm, and that was good enough then, but not anymore. There are just too many skeletons hidden away these days.

One of the hottest areas for verification now is puffed-up career/academic history. It's surprising how many people lie about their credentials. Generally, the further past an item is, the easier it becomes to puff a few courses taken into a degree, or buff up a job title. If anomalies are found, weigh how serious they are, motives behind it, and potential consequences.

Due diligence now extends beyond such fact-checking gumshoe work into the prospect's overall public image. Digital persona is important, but very few CXOs manage it well. For instance, people can put themselves in a bad position by posting something inappropriate on their personal Facebook pages.

Instances of people getting fired for errant social media posts (sometimes from years ago) have been on a rise. Something that someone posted five or even 10 years ago can be destructive.

Take a deep online dive now for what the candidate said (as well as what's been said about them), under the assumption someone with hostile intent will take the same dive later. This includes the candidate's other business and board engagements, which can also uncover vulnerabilities. These have become hot items in the hands of activists or competitors. How will it look if someone who had manipulated (read bribed) government officials is on the board of a highly ethical group such as the Tatas? Always check for political, social or legal controversies.

The logistics of board background checks are getting more professional with legal firms hired to dig into a candidate's past. It is recommended that organisations hire external specialists for due diligence. One advantage would be: A professional intelligence firm will likely have licensed private investigators who can gain access to legal and other records that amateurs cannot.

Candidates are also getting more accepting of the fact that organisations need to deep dig, and will sign most approvals required for access. However, your own internal politics may create issues. If, say, a private equity firm names a candidate to a company's board, they can take the view that if they are good enough for us, they are good enough for you. Seek assurance that such candidates have already been vetted. Also, with all the resources available to track information today, the danger of compiling a massive data dump of everything imaginable on a candidate (most of it just background noise) is real. Start with your governance and nominate a committee laying out parameters on what it needs to know, and the top factors that go into making your decisions.

Muneer is co-founder and chief evangelist at Medici Institute and Ralph is a global authority on boards; both of them drive board alignment for corporations. You can get in touch with the author at Muneer@mediciinstitute.org

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