

Board recruiting sucks

Shouldn't the boards be concerned about not having the right talent?

Over the course of the last several years, we have discovered the most popular cliché of corporate governance: To talk about how this trend or that idea will lead to the 're-invention' of board governance. This has not happened and we wonder if it ever will!

This failure is quite obvious, given how often our current corporate governance models fail. You only have to look around in Google to see enough examples from Satyam, DHFL and Crompton Greaves to Tata, Infosys and Reliance ADAG. The powerful families in Indian business are pushing the regulators to the back foot in implementing reforms that are only copy-paste from the developed world regulations and best practices.

Boards misunderstand and misinterpret risks, disasters, fraud and, of course, the pandemic. It will wake up, only when it is too late. How often have you seen corporate defences shutting out shareholders; corruption and self dealing; weak, archaic board structures, meetings and talents?

What if we were to start reinventing corporate governance with the one aspect that has seen the most recent attention (and the most real regulatory action)? That is, board recruiting and membership. Because, as uncomfortable as it may make directors worldwide to admit, the way we find, train and utilise corporate board members simply sucks. The lack of diversity in global boardrooms has drawn sharp criticism, and a rising tide of quota and disclosure reforms. But that is only one of the board recruitment flaws that we need to address.

Boards of today need leaders with the ability to see around corners and plan scenarios. When adding a new member to a board, it ought not to be the friends of the promoter or buddies of current board members. Choosing the independent board members is important, since they represent the interests of the minority shareholders.

It is not just about doing background checks on potential candidates. That is easy. Tighter regulations, activist investors, and the always-on 'online' culture mean that a board prospect's history (both positive and negative) is common knowledge. Due diligence on potential directors has tightened, become more professional and systematic.

One of the hottest areas for verification now is buffed-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 the



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potential consequences.

The worse part of the cliché is that the talent pool under consideration is getting too shallow. Despite all the noise on opening up board search, worldwide, most directors are named because someone already on the board or the CEO knows them from their own narrow circles – either they are friends or relatives or their investment positions carry weight. Why would you expect the outcome to be anyone who differs from folks already in the boardroom?

Sometimes, we wonder if board recruitment is done based on titles. CEO and CFO titles rule in board search because.... well, just because they are C-suites! Nonsense! There are savvy people with strong P&L and leadership bones (for want of a better word than another b-word) deeper in organisations or running their own companies. They are younger, more diverse, committed and eager to serve. Yeah, but they do not already have board experience and, that too, in large corporations. So what? There is nothing special about the role these rising leaders cannot pick up fast. Or, maybe it is time you make board talent development a priority in your organisation. Current 'member of the board' status is just one more title that stunts board renewal and governance rejuvenation.

Shouldn't the boards be concerned about not having the right talent? Your company is wrestling with some new disruptive technology threats and opportunities. Global markets are imploding with trade barriers; talent shifts and talent loyalty problems; restructuring business models, et al. Everyone feels your board needs people who can contribute fresh first-hand guidance and make connections on these demands (plus, they're more diverse). Yet, you still start your board search with 'we want a former CEO who...'. How cool this can be!

Finally, you are still doing it all yourself. Your audit committee is not the body who performs financial audits for the company. Your compensation committee depends on outside experts for pay advice and peer groups for all the groundwork. So, why on earth should your board's nominating committee do its own amateur job of seeking board talent? The cost of having an outside search firm to come up with a list of great prospects that meet the specifications above is modest. And they have endless connections to current, diverse stars that your present board members don't even know existed. Just last week, a recruitment agency head reached out to one of us for our help in connecting with a specialised executive for a board role in a family-owned business. ♦

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