Great Companies Deserve Great Boards

Appendices

For AudioBook Listeners

Appendix A: Sample Expectations of the Board and Management

Expectations of the Board	Board Expectations of Management
• Make it a point to learn about the company's business and keep abreast of developments in our industry. • Prepare for board and committee meetings, having read the pre-reading materials and considered some key questions for the discussion of agenda items. • Draw on your experience and knowledge to provide the company with your very best thinking and perspective on the issues we are wrestling with. • Get engaged in the board debates. Don't try to dominate the conversation, but saying nothing in meeting after meeting is not OK, either. • Say what you have to say in the board meetings—don't wait for "the meeting after the meeting" to express your views. • Offer contrary perspectives whenever appropriate, but express your views in a way that demonstrates respect for fellow directors, management, and anyone else who may be presenting to the board. • Give 100 percent of your share of mind in board and committee meetings—don't spend time looking at your phone or reading a memo from some other company. Be fully present and engaged. • Come to decisions on the agenda items—don't keep putting them off. Once the board makes a decision, support it even if you personally held a different view on the issue. • Create a positive board culture where directors and management genuinely enjoy the time spent working together.	• Be entirely open and honest in running the company and in dealing with the board. If there is bad news, share it with the board—don't try to hide it. • Run the company with the highest ethical standards, and deliver on the financial and operating results. If results will differ markedly—in either a positive or negative way—let the board know as soon as possible and provide an explanation for the variance. • Keep the board informed of any significant developments affecting the company. The board should never be the last to know or put in the embarrassing situation of seeing an item about the company in the newspaper before they hear about it from management. • Use the board as a thought-partner and sounding board, drawing on directors' experience as a resource to management in decision making. Don't bring everything to the board fully baked and just ask, "Any questions?" • Provide the board with pre-reading materials that give directors the necessary information for board decision making, framed in a way that can be readily understood. • Give the board exposure to high-potential executives so as to better facilitate board discussions on succession planning and the company's talent pipeline. • Create a corporate culture that is positive and energizing for the employees who work for the company—and take the same approach in your dealings with the board.

Appendix B: A Primer on Individual Director Evaluation

Individual director evaluations can be a useful tool for any CEO and Nominating/Governance Committee to keep their board at the top of its game. Whenever you undertake this process, your goal should be to provide constructive feedback to *all* of your directors as an outcome of this exercise. This helps the best directors understand why they are viewed as particularly valuable—and let's face it, everyone likes a well-deserved pat on the back; most board members seldom get one. It also brings up performance concerns in a way that provides specific examples of the problem so that it can be clearly understood and addressed.

If you are considering implementing an individual director evaluation process, there are three important factors to consider in designing it so as to maximize its value to you and your board:

- **Who Sees the Feedback?**

  If one of the reasons you are considering a director evaluation is to address a director performance issue, this will be the most important issue you will grapple with. While it may seem apparent at first blush that you would want the Nominating/Governance Committee to receive a summary of everyone's feedback so that they can use it in their re-nomination decisions, there is an important alternative to consider. That is to position the director evaluation for professional development purposes only, such that directors receive their own feedback—but it is *not* shared with anyone else, including the Nonexecutive Chair, Lead Director or the Nominating/Governance Committee.

  Most board members respect the comments of their fellow directors and take them to heart, even if they realize that no one else will see their results. The first time I worked with a board who took this approach, one of their directors resigned when he received feedback that he seemed "disengaged" and "unprepared." Although no one else saw these comments, they prompted him to call the Lead Director, admit that he was having significant issues at his own company, and offer to step aside so that the board could replace him with someone who could make a greater commitment. As this example illustrates, this approach enables the director to volunteer his resignation rather than being asked for it.

- **What Format Will be Used?**

  A director self-assessment, where board members rate themselves against a list of criteria such as "I come to meetings well-prepared," or "I ask good questions," has little value in a circumstance in which you plan to use this process to address a performance problem. By contrast, formats that are aimed squarely at the re-nomination question often achieve little in terms of director development. An example of this is a practice in which the Lead Director calls up each director prior to the proxy being finalized and asks, "Is there anyone we shouldn't re-nominate?" There is no discussion of any director's strengths and little dialogue about areas for improvement.

If you are undertaking a director evaluation process, it should not focus entirely on the problematic director; it should provide meaningful feedback to every member of your board. A director peer review, where all board members become engaged in providing comments about the performance of their fellow directors is the best format to achieve this.

There are many factors to consider in the design of a director peer review. Although I have used surveys in the past, I abandoned this practice years ago for several reasons: Providing directors with a score on their performance does little more than highlight a problem without offer any insights about it. One director who went through this type of evaluation came to the next board meeting demanding to know what his peers meant by rating him a 3.6 out of 5. This format also invites some fairly hostile write-in comments such as, “She is a piece of work,” or “Our worst director.” These comments create bad feelings and achieve nothing in terms of professional development. An interview format enables these types of remarks to be followed up with probing questions as: “Can you give me some examples of what she does or doesn’t do that has prompted you to say this person is the worst director you have?” When board members are provided with specific examples, they can understand and potentially address any problems.

- **Who Will Collect and Deliver the Feedback?**

If you have decided that director feedback will be confidential and *not* be shared with the Nominating/Governance Committee, Board Chair or Lead Director, having a third party both collect and deliver the feedback is the only option to preserve this confidentiality. This can also be a worthwhile approach even if you have decided to provide a summary of the evaluation results to the Nominating/Governance Committee and/or board leadership. Where any member of the board becomes involved in gathering the views of directors about their peers, board dynamics that can inhibit candour come into play. Typically, directors hold their fire about the shortcomings of directors considered close friends of the interviewer- or the interviewer, themself - and are often reluctant to raise sensitive issues, preferring to keep the discussion light and superficial.

If a third party collects director feedback to maintain objectivity, this doesn’t mean that the evaluation results have to be delivered by that party. They certainly can be. Alternatively, if the Nonexecutive Chair, Lead Director, or Chair of the Nominating/Governance Committee is skilled and comfortable in delivering performance reviews, this person can be fully briefed to meet one-on-one with each director to discuss his evaluation once the interviews have been completed and analyzed. Some boards—particularly where there are significant performance issues—ask the third party to meet with all directors first to deliver their feedback, following which the Nonexecutive Chair or Lead Director meets with one or more board members for further discussion.

NOTE: *For more information on Director Evaluations, consider picking up a copy of the author’s most recent book: Board and Director Evaluations: Innovations for 21st Century Governance Committees (2021).*

Appendix C: Using Executive Assessments in CEO Succession Planning Frequently Asked Questions

Will an executive assessment that was conducted as part of the company's leadership development program suffice for CEO succession planning purposes?

Many companies have their senior managers and executives regularly undergo third-party assessments as part of ongoing leadership development programs. Reviewing these assessments will undoubtedly provide useful insights about internal CEO candidates. However, what these ongoing assessments lack is a specific evaluation of the candidate against the CEO criteria.

If executive assessments will be a component of CEO succession planning, when should they be conducted?

There are several schools of thought on this issue. The first is to conduct them right after developing the CEO criteria. This will enable the results to be used in creating development plans for the candidates who most closely match the CEO criteria so as to fill in any gaps between their current capabilities and those required. It may even reveal one or more internal CEO candidates who had not previously been considered, but who fit the CEO criteria very well. If this happens, the new candidates can be included in the pool for the purposes of development and ongoing board exposure—something that would not have occurred had the executive assessments been deferred until the decision point.

Another school of thought is that the executive assessments should be part of a final "package" on each candidate and conducted closer to the time when the board will actually choose the new CEO. A third approach is to conduct executive assessments more than once throughout the succession planning process—once at the outset of the process and again later to assess candidate development and aid the board in its final decision.

What's the best way to find a credible third party to conduct these assessments?

Only someone who has experience conducting executive assessments and presenting them at the board level will have the credibility to be effective in working with the senior team and board for the purposes of CEO succession planning. There are many assessment specialists who lack board experience or say they have "done CEO succession planning" when, in fact, their experience has been limited to succession planning for the CEO of a business unit, which is quite different.

It is, therefore, advisable to ask any firm or individual you are considering for this assignment to provide references at three levels for each company offered as a reference: the CEO (either current or former), the CHRO, and a board member. There may be instances in which the CHRO was excluded from the succession planning process (for example, if the board had confidentiality concerns about keeping *all* executives out of the succession process). As such, there is nothing to worry about if this explanation is offered for a lack of a CHRO reference at one or more companies. However, an experienced third party should be able to provide all three levels of references for at least one client.

What are the best executive-assessment tools for CEO succession planning?

Once you've found an experienced assessment professional with whom you're comfortable working, the CEO, CHRO , and whichever board committee is taking the lead on CEO succession planning (be it the HR/Compensation Committee or Nominating/Governance Committee) should discuss in detail with the third party what suite of tools will be used in the assessment process. Some companies use a single executive-assessment tool, such as a 360 or a behavioral event interview tailored to the CEO criteria. Others use a suite of tools to provide multiple lenses on each candidate. In selecting your tool kit, here are some factors to consider:

- **Scientific validity.** The executive assessment specialist should be able to point to data that establish the validity of tools that they use and recommend.

- **Easily understood.** The tools should yield results that both executives and board members can readily grasp and practically utilize. Confusing or vague models, charts, and/or terminology are apt to be misinterpreted or disregarded altogether.

- **Linkage to CEO criteria.** One or more of the tools should be focused specifically on measuring each executive's capabilities against the criteria established for the future CEO.

- **User-friendly for participants.** The process should be interesting, relatively enjoyable, and above all, insightful when participants receive their results. A process that uses *only* web-based assessment tools tends to be too limited for CEO succession planning and is typically poorly accepted by senior officers. There should be some interview or other one-on-one components factored in.

The use of a 360 is often one of the more controversial components in designing executive assessments. Advocates feel that 360s broaden the window on an executive's leadership by gathering feedback from peers and direct reports. Detractors feel that subordinates and peers may be less than forthright in providing 360 feedback, either afraid to say anything negative for fear of retribution, or overly critical due to personal agendas. The use of 360 feedback is typically an important discussion in establishing the final suite of tools in an executive assessment.

Once the assessment tools have been chosen, it can be both interesting and beneficial for the CEO to personally undergo an assessment before any of the candidates do so. This not only enables you to understand the assessment process firsthand and work out any kinks, but the trial assessment can sometimes highlight factors that made you successful in the role of CEO. These may even be capabilities of which you are unconscious but that have significantly contributed to your success. If this happens, it may be useful to reconsider the CEO criteria and modify them to incorporate some key factors that the assessment process may have brought to the surface. Trial assessments have also been helpful to CEOs in giving them information about themselves that can assist them in mentoring CEO candidates**.**

NOTE: *For more information on CEO Succession Planning – white papers, an eBook and an On-Line Workshop on this topic, check out our website:* ***www.boardadvisor.net****.*

Appendix D: Sample Board CV

Jane Doe
85 Canterbury Lane, Seattle, WA 40596
Phone: (444) 555-1212 Email: jdoe@ravenswood.com

Career Summary

Jane Doe is the current Chair and Chief Executive Officer of Ravenswood Energy, a Nasdaq-listed diversified utility based in the Pacific Northwest with a market cap of approx. $1 billion and annual revenues of approx. $600 million. Jane was hired to Ravenswood as President and Chief Operating Officer in 2005 and appointed Chairman and Chief Executive Officer of the company in 2006. She led the company's initial public offering in 2007. Earlier in her career, Jane held executive positions of increasing responsibility with Mark Power, where she served as the senior officer responsible for the company's largest business unit (with annual revenues of $1.5 billion) and the role of SVP, Strategy.

During her tenure as CEO of Ravenswood, Jane has been involved in two major acquisitions—one involving a wind power producer and the other a mining company based in the Pacific Northwest. She has also become extensively involved in the development of regulatory and political policy within the utility industry. She has served on the Board of the Utilities Institute (UI), a utilities trade association, and played a key role in the review of various energy initiatives proposed by the U.S. House of Representatives and the U.S. Senate on behalf of the Institute.

Jane is one of the only CEOs of a Nasdaq-listed company with experience as a human resources executive, having served as Director of Human Resources and a Manager of Labor Relations and Safety for Mark Power earlier in her career. Jane's HR experience provides unique expertise that can be especially valuable to a board's Human Resources/Compensation Committee.

Non-Profit Boards/Community Service

Jane has served as campaign cochair of the United Way of greater Seattle, as a member of the Board of Trustees of Cascadian Women's Hospital, and as a Director of Michigan State University.

Education

Jane graduated summa cum laude with a Bachelor of Science from Michigan State and received her Masters of Business Administration from Stanford University.

Personal

Jane and her husband, Frank, have two children and one grandchild.