

Directors, Don't Overlook Board Succession Planning

New director recruitment should be no different than a CEO search

by Peter Browning

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As boards focus on CEO succession planning, too often the challenge of how directors select their own replacements gets overlooked. Such oversights create governance risks, as the wrong person can dramatically affect a high-performing group. After all, effective board members develop a special chemistry, allowing them to debate amongst themselves and with management, creating a competitive advantage.

So, how can directors prevent board-succession planning missteps from derailing strong governance cultures? First, directors can review the organization's guidelines for board retirements. Most companies dictate that directors must retire upon reaching a prescribed retirement age. Board members should know when peers are set to retire or want to leave the board.

From there, directors should assess whether the firm's existing board recruitment processes help identify replacements who can enhance the board's constructive engagements by adding diverse and proactive views to board debates. This system should also identify individuals with the specific backgrounds and skills the company needs.

The process must also weed out poor fits. Too often, this is someone who never had an unexpressed thought or is often wrong but seldom in doubt. The new director must complement an effective board, instead of diluting its performance.

Directors can strengthen these processes by putting together what is called a board experience grid.

Across the top is a list of the current board members, moving left to right, from the most veteran member to newer ones. On the vertical axis is a list of skills and experiences the board and management should develop in describing current capabilities as well as desired ones. Once everyone agrees on the traits, the board can develop a job description for the replacement candidate.

Next, conversations can turn to whether any board member knows someone who fits the profile. This is

not an effort to engage "the good old boys" network, but rather to determine if a board colleague can identify someone who can constructively engage in debates and discussions.

The objective is not to produce one name but several candidates. Additionally, boards may want to retain an executive search firm to add additional names to the list.

The first choices are often unavailable or not interested. Therefore, the nominating and governance committee and board should begin reviewing other candidates.

Board Mandatory Retirement Table/Skills Matrix

Board Members	Director A	Director B	Director C
When Director Is Not Eligible for Re-Election	2015	2016	2017
Director Since	1996	1997	1998
Age	71	70	69
Board Committees	Audit; N&G	Comp; N&G	Audit
Independent	✓	✓	✓
Financial Expert	✓		✓
Financial Literate	✓	✓	✓
International		✓	
Marketing		✓	

Source: Peter Browning Partners

The normal process is for the lead director or non-executive chairman to meet with the prospective candidates.

This leadership team can provide a full screen for the board, while encouraging the interested candidate to know more about the board, its members and how it functions.

After those first series of meetings, the board should meet with the candidate, again to ensure the board is retaining someone who will truly be a constructive, thoughtful and productive board member.

Also, in this era, individuals considering joining a board should do their own due diligence on the company. They must believe the board under consideration is, in fact, one with which they would like to work. ■