

“Do the best you can until you know better.
Then when you know better, do better.”
Maya Angelou

Board succession planning - a look at the process

Governance Perspectives

A board reference tool.
NOVEMBER 8, 2013

How to use the board skills matrix

Mention succession planning to the board of directors and they will immediately think of CEO succession planning – one of the main responsibilities of a board.

However, **board succession planning** is getting increased attention for many reasons;

- the increased potential of an activist shareholder-sponsored director nominee,
- the new emphasis on disclosure of board skills in the proxy statement, and
- increased media attention around the lack of diversity on corporate boards.

Regardless of the reason for the amplified awareness, if asked, **can your board say that it uses a robust process for annually reviewing board skills** and recommending to shareholders a slate of nominees to be elected to the company’s board of directors?

The board skills matrix has been around for a number of years and many governance committees review a skills chart where the chair may have listed board member names down the left hand column of a page, and across the top listed skills such as, “financial expert,” “current CEO,” “industry knowledge,” social media expert, etc.

Succession Planning



Determining the right director skills for your board

Some boards, or governance committees, after completing the template skills matrix, lead a check-box discussion during a board meeting. If this is your board’s process, it is time to upgrade your board skills review.

Rejuvenate your practice by using the following ten steps.

There is not one “right” board mix – directors must consider the company’s current life stage and environment – but, nonetheless, the skills matrix, used meaningfully, is a useful tool.

1. Create the traditional skills matrix. (Exhibit 1).
2. Consider your company’s strategic plan and its customer base; and then add the skills/experiences that may be needed in the future. (Exhibit 2)

3. Using the updated matrix, ask directors to self-assess their own talents and experience.

4. Ask directors to complete a second matrix, marking the skills they think the board, as a whole, currently has in place.

5. Then ask directors where they think the board should be in terms of experience base, and what skills will be needed in the future to ensure the board’s effectiveness.

6. Ask management for their input.

7. Consider the differences between the directors’ self assessments and the total board assessments. Analyze the “gaps.”

8. Allow the governance committee chair enough board meeting time to lead a discussion on the overlapping matrices and the potential skills “gap.”

9. As the board continues its succession planning discussion, consider what skills the board will lose if a director retires. If a new board member is being considered, plot the experiences the nominee brings to the board.

10. Repeat annually.

Every board member has a responsibility to ensure that as

Key Takeaways

- ✓ Take a fresh look at your board succession planning process.
- ✓ Consider the board’s current skill set and its needed skills,
- ✓ Ask if the board represents the company’s customer and employee frame of reference.
- ✓ Analyze the “gap.”
- ✓ To demonstrate its support of value creation, directors must regularly discuss board succession.



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How to use the board skills matrix

a group, it represents the necessary knowledge, experience and viewpoints that allow it to effectively monitor company performance and constructively challenge new ideas and strategy.

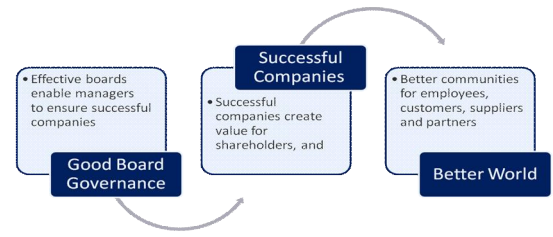
Directors must continually plan ahead to ensure that their boards remain filled with independent, objective and highly skilled professionals.

It's not easy determining the right skill mix for your board, but a planned process will

ensure that your directors bring unique skills, competencies and critical thinking to the table.

At your next board meeting, make it an agenda item to talk about the board's succession planning. Ask, "what's our process for reviewing current and needed board skills?" Along with skills, consider board size and the director performance review process.

Finally, remember that when re-electing



current board members, and electing new directors, that it is not only about skill and experience. Additionally, board members must have a continuing interest in the company and the time to devote to board work.

Board Members		Skills and Experience Matrix												Exhibit 1
Name	Yrs on Board	Independent	C-Level	Industry	Finance/Accounting	Operations	Technology/IT	Risk Management	Marketing or PR	Corporate Governance	Compensation/HR	Ethics & Compliance	Social Media	
Step 1: review the current skills matrix used by the board														

Board Members		Skills and Experience Matrix														Exhibit 2		
Name	Yrs on Board	Independent	C-Level	Industry	Finance/Accounting	Operations	Technology/IT	Risk Management	Marketing or PR	Corporate Governance	Compensation/HR	Ethics & Compliance	Social Media	International	Merger & Acquisitions		Regulatory	Environmental
Step 2: update the matrix																		age,
Step 3: each director self assesses																		tenure,
Step 4: each director assesses board talent, as a whole																		gender,
Step 5: ask, "what's missing"																		racial &
Step 6: ask for management's input																		economic
Step 7: analyze the gaps																		diversity.
Step 8: full board discussion																		Ask:
Step 9: factor in pending retirements, skills of potential nominees																		Does the board
Step 10: repeat annually																		have the skills & knowledge it needs
																		and are there members who have
																		a customer and an employee
																		frame of reference?

í Good governance means good people, with integrity, curiosity, candor and commitment to the company's success í