



Getting the Right People On Board

By

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The starting place for the creation of a well-functioning, value adding Board is its composition

George Macharia calls it ‘stacking the Board with talent’. Other writers describe the process as Director ‘competency requirements’. Faith Musa talks about “raw material”. Whichever terms are used to describe the basic Director building blocks and the processes used to transform these into an effective Board, it is not possible to get away from the absolute requirement that there must be the ‘right fit’ between the individual and the role. *Board work is brain work.*

Before focusing on the skills for Directorship it is important to restate the basic premise that ‘Board work is brain work’. Acceptance of this maxim is fundamental to any discussion about the skills and attributes required for Directorship. The Board’s job is a thinking and talking one, and strong conceptual skills are paramount. Directorship demands clarity of thought and an ability to cut through complex issues to get to their essence.

Core Directional Skills

Strategic thinking skills

Highest on the list of Directorship skills is the ability to adopt a strategic perspective, to see ‘the big picture’. In the words of John Carver, “The Board’s job is to create the future, not mind the shop”. Creating the future demands strategic thinking skills. Boards add value to their organisation’s and their CEO’s work by lifting the discussion horizon to the strategic level, by identifying and focusing on the organisational ‘ends’ and understanding the meaning of these and their implications for the various stakeholder groups served.

An understanding of organisational structures and systems

A Director should not be required to have the skills to run the organisation but he or she should know what running the organisation entails. While the Board does not determine the operational management structure, Directors should have a basic understanding of how organisations should be structured and operated in order to deliver appropriate results.

Financial management



Directorship may require only a general understanding of business and organisational life, but there can be no escaping the need for all Directors to have at least some understanding of financial management. Every Director should be comfortable with traditional financial statements. They should be able to read a balance sheet and understand the connection between this and the more detailed profit and loss and cash flow statements. Every Director should understand what is required for organisational financial security and be able to enter into a meaningful discussion about the current financial position, risk and future financial requirements.

Knowledge of the business of the organisation

When Directors join the Board with relatively little sector or sport-specific knowledge, they, and the Board as a whole, are obliged to ensure they have the opportunity to quickly fill knowledge gaps. New Director induction will assist this process. However, don't override the requirement that every Director must accept a personal responsibility to remain up to date in their knowledge about the sport or the sector so this can be applied in the Board's strategic decision making and performance monitoring.

Commitment to the organisation's Mission and Values

It is imperative that all personnel associated with the organisation have a strong commitment to the Mission or Purpose of the organisation and to its Values. It is even more important for the Board to demonstrate tangible commitment because of its stewardship role. Directors not committed to the Mission and Values will often be at odds with the rest of the Board and staff, and could easily lead the Board in a direction that is inconsistent with the organisation's fundamental reason for being. This could have dire effects including a loss of reputation, public support and funding.

Interpersonal skills

Listening to the viewpoints of others, suspending judgement and putting oneself in the shoes of others are all essential Boardroom skills, none more or less important than any of the others. Equally important is the ability to ask probing or exploratory questions. It is imperative that Directors can effectively question the CEO, and other senior staff present at the Board meeting, or outsiders from whom the Board is seeking expert advice. Key here is the ability to 'disagree without being disagreeable'.

Teamwork skills

At the heart of good decision making and a commitment to those decisions is an inclusive and rigorous process of hearing and understanding different information, ideas and points of view, and being part of the team. An understanding of the importance of dialogue (as distinct from traditional debate) and skill in its application are topics that have great relevance to all Boards.



Personal Attributes

Ethical standards

Highest on the list of personal attributes must be those associated with a commitment to personal integrity and corporate governance ethics. The Board has a 'fiduciary' or trusteeship responsibility to the organisation, its stakeholders and, in most instances, the wider community. No organisation exists as an island in the community, isolated from its impact on the wider social and economic environment.

Independence

Independence is a state of mind or an attitude. To ensure the Board does not become captive to 'group think', the Board must reflect a diversity of opinions and experience essential to sound debate and decision making. Collective judgements are enhanced by sound independent thinking brought together around agreement about achieving a shared purpose.

Ability to recognise competing interests

On a personal ethical level, Directors must have the courage of their convictions. They must have the ability to be objective, to view Board issues and processes through the lens of principle rather than the subjectivity of personal impact or implication. One area where this is particularly relevant is in the identification of any clash between personal and organisational interests. It is up to the individual Director to identify and acknowledge any real or potential clash of interests and take whatever steps are appropriate to distance him or herself from impropriety.

Seeing things through

It is important that Directors have a commitment to seeing things through. This is consistent with a strategic or long-term view of the organisation. The Board should not be distracted by short-term imperatives at the expense of the strategic. To this end Directors must be able to distinguish between pressing short-term demands that probably rest with management and the more strategic longer-term issues that belong with the Board.

A sense of humour

Many battle-weary Directors would agree that it is only with a sense of humour that one can hope to survive on a Board and remain emotionally and intellectually intact. Humour is a key antidote to frustration and allows the individual to push through the difficulties in a positive frame of mind without needing to upset or blame others.

A commitment to governing

The Board's job is to govern the organisation, not to manage it. It is therefore imperative that Directors understand the difference between these two interdependent but separate roles and make



a commitment to carrying out their governing job rather than partnering with (or even supplanting) the CEO in managing the organisation.

Appropriate connections

For some Boards, appropriate connections and networks are an essential Director contribution. Directors who can open funding doors or who can assist with advocacy and lobbying by accessing or influencing the target can be invaluable. However, not all Directors will bring such connections and nor should they be expected to.

Appropriate contribution

A more universal expectation is that all Directors will make an appropriate contribution. For some, this will be from the perspective of expert knowledge, while others will bring a broad scope of general knowledge about the industry and some relevant experience.

Getting Governance Structures In Good Shape

The organisation's constitution (its rules, trust deed, etc.) determines the Board's size, how it is formed, and its likely composition. Historically, many organisations have evolved governance structures that encourage practices inconsistent with effective governance and leadership. This has consequently weakened their organisation's performance.

A particular challenge is the operation of federal and representative structures. Many organisations have a president's position separate from that of the Board's chair. The basis for the chair's election (by Members at large or by the Board itself) may also be a significant factor in Board performance. In some organisations, there is a council in addition to a Board. Some Boards are fully elected; others are a mix of elected and appointed. Some Boards are effectively appointed.

No structure is perfect and each organisation should consider what its unique challenges are and ensure its governance structure supports effective governance and leadership. The critical issue is to ensure accountabilities are clear and that each organisation gives itself the best possible chance of electing or appointing (and retaining) people who can contribute to a high-performing Board.

Succession planning

Many Boards acknowledge the growing expectations on them and that they are working to achieve higher standards of governance effectiveness. A key aspect of this is finding people who understand and can contribute effectively to the governance role.

Previous success in other fields or in other organisational roles is no guarantee of governance effectiveness.



Ideally, every organisation will have a process for ensuring its Board has relevant skills and experience. Because governance challenges are not always well understood, most Boards need to proactively communicate these challenges to those who influence Board selection. Otherwise, a Board position may owe more to personal popularity and profile than to an ability to contribute effectively to the Board's work.

There are various structural and procedural issues to be considered here. A common theme is the need to take a deliberate and structured approach to ensure a Board has the people it needs.

A balance is needed between Members with operational experience and those with the ability to operate at a conceptual level. Organisations naturally attract passionate people deeply schooled in the organisation's activities.

There is a critical need to attract Board Members who can stand back from the organisation and exercise a degree of detachment and objectivity.

Each Board should develop a succession plan for the selection and replacement of elected and appointed Board Members, and for office holders such as the chair. This does not mean identifying individuals or lining up replacements, as this may be contrary to the organisation's values and democratic processes. (It may even create distrust if there was a sense the Board was being loaded with cronies and confidants.) Nevertheless, there are advantages if those appointing or electing new Board Members are advised of the Board's strengths and weaknesses, the challenges it is facing, and the Board's view on the skills and experience it requires.

Some organisations have found ways to engage well-qualified people in the governance process who are unavailable for Board selection. A 'chairs' group or advisory council may be convened once or twice a year to bring together potential future leaders of the organisation. The idea is to have these people contribute to the governance 'brains trust' while giving them a taste of the governance role. There are several variations on this theme, some of which have the added benefit of creating a training ground for potential Board Members.

Independent Directors

Many organisations are moving towards having a number of independent Directors. This is consistent with good commercial practice. Aside from the skills they often bring to the table, they will bring an invaluable external perspective on the organisation. Too often, organisations struggle to act objectively as Members' passion and commitment take over. Care should be taken, however, to ensure the right skills are recruited into the Board. Often Boards seek specialist skills that are better obtained on a contracted basis. For example, it's common to hear Board Members saying they need a lawyer among their number. While acknowledging the occasional need for a legal perspective, the most valuable Boardroom contribution many lawyers make is via their questioning skills. When asked for legal advice in the Boardroom, lawyers are more likely to advise that such advice be sought from an independent legal source than they are to offer the advice themselves.



Several organisations now require the independent Directors to be truly independent.

Stipulated in the constitution is a requirement that there be no formal connection with the sport for a fixed prior period. This will include paid employment or holding of office at a national or regional level.

It is not uncommon for there to be a 4/4 or 4/3 split between elected and independent Directors. Recent experience has shown this to have greatly enhanced the range of skills and perspectives around the Board table.

Board selection criteria

Regardless of the appointment/election process, forming a capable Board starts with clarity about what skills, experience, attributes and perspectives are needed.

Boards in the sport and recreation sector have traditionally sought to recruit people onto their Boards with specialist skills (e.g. lawyers, accountants, marketing and business people, etc.). While it is important to access this type of expertise and advice, these are *functional* rather than *governance* skills. Personal attributes like independence, integrity and emotional intelligence are also important. A list of Director competencies is included in the Concepts, Challenges, Structures and Change chapter.

An expert team is needed around the Board table, not a team of experts.

Boards should avoid using the appointment process as a means of sourcing functional and hands-on skills. This ensures clear accountability between the Board and staff, and encourages the Board to focus on *governance*. If an organisation cannot afford professional advice and must rely on volunteers in this regard, the Board should specify the advisers' role, e.g. as Members of an *advisory* Board or panel of experts.

Diversity

A core function of the Board is to consider issues from a range of perspectives. Too many Directors with similar backgrounds can tend to produce 'vanilla thinking'. Sports Boards in particular need to reflect the community they serve. During recruitment, factors including gender, ethnicity and age need to be actively considered.

“What you want around a Boardroom table is an array of perspectives relevant to the business to guide the Board. If you had people around the table all with the same background, you might as well have only one person.”

– John Palmer, Chair, Air New Zealand

A Board Recruitment Process

It is important to adopt a systematic and deliberate process when addressing Board formation. The main steps are outlined below. These can be adapted to either an electoral or an appointment process.



Some sectors will be more suited to appointed roles, although many elected positions are now also widely advertised and open to self-nomination. Times are indicative only.

The key steps can be divided into three phases:

Phase one: Needs assessment

1. Confirm the number of Director positions to be filled (Month 1)

2. Confirm the Board's role, structure and work programme (Month 2/3)

The Board should confirm its structure, role and focus before a recruitment process is started. In some cases, this may require consultation with Members, funders, sponsors or other interested parties. High-calibre candidates will be interested in the expectations stakeholders have of the Board and the extent to which the Board will be empowered to govern.

The Board should identify the key strategic challenges facing the organisation over the next three to five years (the realistic term of appointment of any new Directors) and any other governance matters about which candidates should be aware (e.g. contingencies that may affect Directors' liabilities) before accepting appointment.

3. Create a 'needs matrix' (Month 2/3)

This process is identified as a separate step but may be run in conjunction with step 2 (above). Given a shared view about the challenges facing the organisation, existing Directors are invited to comment on the skills, experience and attributes they feel the Board as a whole requires. They would next be invited to identify relative strengths and weaknesses by assessing the present Board against those requirements. Provided there is a genuine commitment to openness and the Board is comfortable with an honest approach, both tasks can be completed through general Board discussion. An independent survey to gauge views anonymously is useful where open discussion may be difficult. It may also be useful to invest in an independently facilitated discussion of the survey results.

4. Finalise a recruitment profile for each available position (Month 3)

It should be possible at this point to agree on a profile against which the recruitment process can start. In some organisations the Board can control the process throughout. In others, the following steps may be out of the Board's hands. This may be the case where new Directors are to be elected without any vetting process or if an organisation/electoral council has a tendency to appoint without reference to the Board. In these situations, a Board may view steps 1-3 (previous page) as a waste of time. Even then, however, a Board should be able to articulate its strengths and weaknesses.

Even in an electoral process the Board must communicate the challenges and needs of the organisation clearly and in advance. Electors often look for information to help them make



an informed choice. This approach will be negated if there is any sense it is prompted by self-interest or a desire to stack the Board.

Phase two: Recruitment

5. Identify suitable candidates (Month 3/4)

In many organisations there are traditional avenues for obtaining new Directors. However, these are increasingly viewed as relying on personal contacts and existing Directors' affiliations, unlike a diligent process that will identify the best candidates for the job.

Take as much care in appointing new Directors as in recruiting a new chief executive. The process may therefore involve advertising and possibly a professional search. Whichever approach is adopted, the aim is to attract a range of well-qualified candidates from which to produce a shortlist for final selection.

6. Shortlisting of potential Directors (Month 4)

A democratic election for new Directors has its own dynamic. However, where a selection process is involved, applicants can be assessed against the recruitment profile and discussions held with both potential candidates and their referees as appropriate. The ideal is to reduce the list of possible contenders to a medium shortlist, from which a final group of candidates can be selected for interviewing. Responsibility for the various stages of this process, including shortlisting, should be clearly defined early on. This is often allocated to an appropriate Board committee (perhaps the Board's Nominations or Corporate Governance Committee if it has one). It should also be expected that competent external candidates will undertake due diligence on the organisation and the Board itself. This takes time but should be encouraged as it increases the likelihood of a successful appointment.

7. Final selection (Month 5)

The selection panel interviews a final group of candidates to decide who should be offered a Directorship. If this phase has been conducted by a committee to date, a final decision may not be within its mandate and would require full Board agreement. The timeline should take this into account.

8. Appointment and orientation (Month 5)

The final stage is to ensure appointees (or those elected) have clear role and performance expectations, and terms of appointment. Typically, the chair handles this part of the process. It is vital that candidates are clear about the organisational challenges and the contribution they are expected to make to the organisation.



A position description and a letter of commitment are helpful in outlining the desired relationship. A lack of clarity about expectations at this stage may lead to patchy performance among Directors. It is better that someone makes it clear now rather than later that they cannot commit the time and energy. This step would also define an orientation process to ensure each new Director can contribute quickly. Changing even one Member changes the overall dynamic of a Board. This can mean re-assessing how the Board will work together in the future.

Phase three: Succession planning

Successfully filling vacancies is not the end of the process. An effective Board maintains a watch on its performance and composition. One never knows when a new appointment may become necessary. Three further steps can be identified, as follows.

9. Review the Board's performance and composition

An organisation's circumstances and needs change over time. Changes at a Board level are often needed to reflect these changes. The Board should consciously identify and track the need for Board-level changes. This should include a regular review of the Board's performance, both collectively and individually.

10. Maintain the needs matrix and a current Director profile

The needs matrix must be updated regularly (at least annually, if not more frequently in rapidly changing environments). The ideal time is following or during a Board and Director performance assessment. As described in step 3 of this chapter it is important for existing Directors to have shared views about the challenges facing the organisation and the skills, experience and attributes the Board as a whole requires. The Board can then maintain an up-to-date assessment of how well its present composition fulfils emerging requirements and what new skills or experience are required should a new Director be sought.

11. Maintain a list of prospective Directors

With those needs in mind, the Board can remain alert for individuals who might be a good match.

Board appointment panels



In all parts of the not-for-profit sector it is increasingly common to find Boards using specialist appointment panels to assist with the Director election and appointment process. Where the organisation's constitution allows, such panels commonly comprise Board Members and specialist outsiders who bring a particular perspective or set of skills to the process, notably governance expertise. Appointment panels will interview and appoint one or more independent Directors and recommend a shortlist of best-fit candidates seeking Directorial roles through the election process.

The composition of the Board appointment panel might be detailed in the constitution or might be in the form of a Board policy or bylaw.