Endnote: The Nom/Gov Dilemma

Description

With the wide variety of issues today’s directors must address, what’s a nom/gov committee chair to do?

This edition of Directors & Boards features a series of articles suggesting skills that would be valuable for the modern board. And here’s the thing: All of the authors are right.

MLR Media’s chairman, Bob Rock, is right to recommend that boards add international directors, who can offer insights on how global goings-on might affect American companies and their customers.

Charles Elson, Directors & Boards’ executive editor-at-large, is correct when he notes that boards should include more people who are focused on customer service. A director with an eye on the customer experience can alert the board to situations that can lead to erosion of market share. And Jennifer Davis raises the valid point that including more chief marketing officers on boards could lead to a better connection with consumers.

In an era when technology is on the rise and innovation is at a premium, there is no arguing with the stance of Norman Augustine and Sai Mamidala, who decry the dearth of engineers in American boardrooms. And Ted Kennedy Jr. rightly notes that directors with disabilities can ensure that company decisions are made with the needs of this stakeholder community in mind.

Keith Dorsey makes the case for increased board diversity, Rochelle Campbell recommends directors skilled in areas like technology and the environment, and John Borneman and Kathryn Neel explain why the explosion of talent concerns call for more chief human resources officers. You read the pieces and you know that the skills the authors call for would provide an immediate benefit.

But here’s the thing: A board that is too large is hampered in its ability to make decisions quickly and efficiently. Furthermore, as I was reminded when I spoke with Gayle Crowell, director and nominating and governance committee chair for Pliant Therapeutics, as well as executive chairman of the board for both Centerbase and Instinct Science and director of Envestnet Inc. and Hercules Capital Inc., directors are not paid in Monopoly money.
Gayle Crowell

“The first thing is to just step back and look at what the long-term strategic direction of the company is and assess what the company really needs. You have to know what the stage the company is in, what is most important for them and the drivers of value. And then you have to parallel the drivers of value with the risks. That will give you an idea of what the ideal composition of the board is.”

“I've heard comments from some of my public boards about the corporate cost of paying all those directors. We're in an environment where expenses are being scrutinized at every single level. Are you getting value creating that justifies the higher cost?”

To return to the initial question, when confronted with so many talents that could conceivably benefit the board, what should a nom/gov chair do? Crowell believes it is important to zero in on what is most beneficial for your particular company.
Crowell recognizes the changing landscape and the need for directors with emerging skills. She calls out technology and cybersecurity as areas where it is increasingly necessary to have a director with extensive expertise. She calls diversity and inclusion a “mandate,” an area where both customers and employees are increasingly expecting a commitment from the company. However, she does worry about what would happen if the board were to “overcorrect,” substituting specialists for generalists who possess a wide range of skills.

“You could run into silos where individuals who are highly specialized don’t have the necessary business acumen to have a broader global view or long-term strategic view. And then would you have a strong enough chairman to pull out each person’s individual expertise and get the maximum value out of each board member?”

So it turns out that in the face of an increasing number of skills that could potentially be of value to the board, what a nom/gov chair should do is ultimately pretty simple. Understand the needs of your company. Undergo a regularly scheduled skills assessment of your board and its skill sets. And communicate with the chief executive.

As Crowell says, “Talk to your CEO to understand what the ideal board looks like. Where are our gaps? Looking at the skill sets that you have and proactively planning for where you want to go is a very critical piece of the exercise.”

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