2021 Roadmap for Nominating and Governance Committees

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Overview

In 2011, I authored *Great Companies Deserve Great Boards*,[1] which was named **Corporate Governance Book of the Year** by *Directors & Boards* magazine. In the ten years since that book came out, I've continued to work with the boards of public companies across North America and around the world. I'm delighted to share two new tools developed during that time frame from my work with boards in the S&P1500: Board 2.0 and the New Director 360. For me, the silver lining of the COVID-19 lockdowns was the time it gave me to work on a new book on board evaluations, which is now being finalized. I'm hoping to have the book available on Amazon sometime in 2021 – so please "stay tuned".

The three "hot topics" we'll discuss in this *Roadmap* are:

a) Board Diversity: Proposed Nasdaq listing requirements and proxy voting guidelines from ISS, Glass Lewis and others will undoubtedly make board diversity an important topic for many Nom/Gov Committees in 2021. I've taken three "case studies" from actual client situations to illustrate the learnings of three different public company boards that have tackled board diversity recruitment – successfully and unsuccessfully. The bottom line: Pre-Work to define the optimal background/expertise considered priorities for new board candidates can be an essential factor in successful recruitment. Using your board's network to supplement your search firm's efforts in sourcing diversity candidates has also been a great strategy for many boards.

b) Director Orientation: Director recruitment is likely to be significant in 2021. Some of this will be in response to the board diversity initiatives just mentioned; but in many cases, the COVID-19 crisis may simply have caused the board to put off director recruitment in 2020. If your board's planning to recruit in 2021, it's timely to review your Director Orientation Program as well. This segment will discuss approaches that other boards are adopting in this area – phasing, Zoom/videos, Board buddies, and the New Director 360, a tool developed from my work with a Fortune 100 board in 2019 that may be a worthwhile consideration as the final component of any Director Orientation Program.

c) Director Performance Management: The 2020 PriceWaterhouse Coopers *Annual Corporate Directors' Survey* underscored yet again that director performance management is one of the greatest shortcomings of corporate governance today: 49% of US public company directors told PwC that at least one of their fellow board members should be replaced and 21% said that two or more need to go.[2] We'll discuss some of the shortcomings of age and term limits as a performance management vehicle and explore four different approaches to director performance management – highlighting the circumstances in which each is best applied.

2021 Board Evaluation: This section outlines three key areas that boards might do well to explore in their 2021 board evaluation– along with relevant questions to consider in each area. Many boards are looking at ways to redesign their board evaluation to make it more worthwhile, engaging, and impactful – and Zoom may provide an excellent new vehicle to transition from a survey to interview format.

The two new tools I mentioned earlier will also be outlined in this Roadmap:

a) Board 2.0: Originally developed for boards undergoing transitions, this board succession planning tool focuses on creating the optimal board composition in 3–5 years' time and engages all directors in the process – squarely addressing another concern relative that emerged in the 2020 PwC report.[3] Board 2.0 can establish and create alignment around current director recruitment priorities and may also be used as a mechanism to deal with director performance issues rooted in expertise, which are often better addressed in this way than through a director evaluation process.

b) The New Director 360: This is a 360 process developed for new directors who have served on the board 12–18 months. It differs from a standard director evaluation in that it has both an evaluative and developmental component. It can nip performance problems in the bud, reinforce strengths, and help new board members continue their professional development after the orientation process is complete.

About Board Advisor, LLC

Our mission is to inspire and empower boards to serve as a beacon of excellence at the top of the organizations they govern. We work with boards across the United States and around the world. Board consulting is our core business; it's not a sideline to an executive search, compensation, or leadership coaching practice. The areas where we can best serve as a valuable resource to you and your board are:

- ***Board Evaluations*** – Our board evaluation methodology is the best tool we've found in 25 years of working in the boardroom. We conduct board evaluations and provide advice to board leadership on board evaluation design and related issues. (***Note:*** We do not review or design surveys as we do not recommend this methodology; however, we are happy to help design and support a robust interview-based board evaluation process - using Zoom or otherwise.)

- ***Director Evaluations/New Director 360s*** – Our expertise in director evaluations dates to 1996. We design and conduct director evaluations, including the New Director 360, and provide advice to board leadership on a range of director performance issues.

- ***Board 2.0*** – We work with clients to design and undertake a Board 2.0 exercise, either for board succession planning or board transition events (IPOs, mergers, etc.).

The Board Champions Circle

The Board Champions Circle is a new program for 2021 strictly limited to 10 board leaders (Board Chairs, Lead Directors and/or Governance Committee Chairs) who are genuinely committed to leading, developing and maintaining outstanding boards – and who love fresh ideas and boardroom innovation. It includes two hours per month of confidential individual consulting on board leadership issues – and a monthly webinar with the entire Circle in which one Champion each month shares their perspectives and insights on key governance issues for the benefit of the entire Circle followed by analysis and Q&A. Board leadership can be exciting, rewarding, and challenging; the Board Champions Circle can help you to navigate some of those challenges and develop new approaches to optimizing your board. If you'd like to apply to be a part of our Board Champions Circle and/or get more details about the program, please email me at: Beverly.behan@boardadvisor.net.

Three Hot Topics for 2021

a) Board Diversity

Starting in the 2021 proxy season, ISS plans to start voting against Nom/Gov Chairs of all-male boards and Glass Lewis plans to flag boards with only one female director.[4] Both firms will broaden their diversity campaigns in 2022, when ISS plans to vote against Nom/Gov Chairs of boards with no racial or ethnic diversity. Meanwhile, the Nasdaq has proposed new rules requiring their listed companies to have at least one director who "self-identifies as female" plus one board member from an underrepresented racial or ethnic group or from the LGBTQ+ community.[5]

These diversity initiatives will have some Governance Committees hitting the panic button if their board composition currently falls afoul of these guidelines – which is largely what happened in Case Study #1. In Case Study #2, another board made greater headway by changing their approach. In Case Study #3, a determined board clearly defined what they wanted, leveraged their network, and ended up recruiting an outstanding diversity candidate who became their Lead Director a few years later.

Case Study #1

The board of a midcap energy company had an outstanding female director named Barbara, an engineer who'd run a large operating division at a regulated utility. The board knew they should recruit another woman, but "never got around to it". Then, the unthinkable happened: Barbara's husband was diagnosed with a debilitating illness; she resigned from the board to focus all her attention on taking care of him and spending whatever time they had left together.

Barbara resigned just before Christmas – and the board was desperate to find a new female director by February, so as to avoid presenting an all-male slate of director candidates in the company's proxy circular. In their haste to recruit, they gave almost no thought to the background/expertise they'd actually value in a new female board colleague. They simply bewailed the fact that they'd "probably never find anyone like Barbara" and hit the panic button.

When their headhunter recommended Valerie, a polished former public relations executive who specialized in crisis communications, the board members were immediately impressed. Valerie was attractive, articulate, and engaging. And, board members rationalized, it's probably not a bad idea to have a PR expert at the board table, as you just never know when this might come in handy – especially someone with Valerie's impressive credentials. Valerie's nomination was unanimously approved.

In less than two years, however, most board members felt they'd made a mistake. Valerie was well-liked and affable. But she had very limited financial acumen, knew almost nothing about the energy sector and had never worked in a large company, apart from her first job, 30 years earlier. She liked to weigh in on corporate culture and human resources issues, but had no background in either of these areas, which often became evident in Compensation Committee meetings.

"Valerie is one of the leading experts in the country when it comes to crisis PR," the CEO explained, "But, thankfully, we don't have many crises to deal with at this company. And Valerie doesn't really have much else to bring to the board. In fact, her comments on a recent M&A transaction and some capital structure issues were so 'off the wall' that I think the other board members were astonished by what she said. I certainly was – and so was my Chief Financial Officer."

The board's haste to find a "replacement" for Barbara had led them to recruit a new director who met their diversity criteria – and who was intelligent, professional, and polished. Because Valerie impressed the board, they rationalized that her PR background would add value. But Valerie's expertise was seldom utilized – and because her background was deep and narrow, she was unable to contribute very much in other areas. There's no easy remedy for a problem of this nature, such as sending Valerie to a training course. As one Fortune 500 Board Chair explained, "You can teach people about governance; there are plenty of courses for that. But you can't change what someone has spent 20 or 30 years doing in their executive career."

Case Study #2

An NYSE-listed financial services company had recruited an African American director in the late 1990s when he retired from a Wall Street firm. Eventually, he hit the board's mandatory retirement age. The Nominating Committee sought to replace him – but the ex-Wall Streeter who rose to the top of the candidate list this round was a Caucasian woman, who impressed board members with her expertise on capital structure issues. They invited her to join to the board.

Having another female director was considered an asset. But the board remained sensitive to the fact they now lacked a director of color. Consequently, they asked their search firm for a list of African American board candidates, with little else to go on in terms of background or expertise. The headhunter dutifully produced a list of highly accomplished African American lawyers, ex-politicians, academics, and executives from various industries. Interviews commenced – but none of these candidates seemed to get any traction.

Around this time, the board undertook a board evaluation that incorporated a Board 2.0 exercise (see Tool #1). This enabled the board to reach consensus on skills and expertise they needed to prioritize in director recruitment: A SOX financial expert who could back up and eventually replace the Audit Committee Chair when he retired, preferably a current or retired Chief Financial Officer – and optimally, someone with a banking background.

They returned to the search firm and asked for a list of candidates who met these criteria – specifying that several African American candidates should be included. When the new candidate list was compiled, the Chairman circulated it to all board members and corporate executives, asking if they knew any of the proposed candidates. One of the corporate SVP's immediately called the Chairman. He was excited by one of the names – a female African American Chief Financial Officer with a banking background who he'd worked with in the past. He offered a ringing endorsement: "Donna is one of the most intelligent, insightful, and genuinely nice people I've ever had the pleasuring of working with. If we could bring her onto our board, she'd be outstanding!"

The Chairman immediately placed Donna at the top of the interview list. After they met her, directors quickly reached consensus: "Donna was night and day compared to the lawyers and professors we'd been talking to earlier! She ***really*** knows our business – she understands the market issues, she knew our competitors, she talked a lot about the implications of some proposed regulatory changes. You could tell right away that Donna would be an amazing director who'd add a lot of value to our board."

"Our problem," the Chair reflected, "Was that we initially went about our recruitment process the wrong way: We knew we wanted to see African American director candidates, but we never specified what we were after in terms of background or expertise. Consequently, our headhunter gave us a range of accomplished people – but none of them seemed like a good fit. Once we defined the type of experience we needed and ***then*** asked the headhunter to include African American candidates who met these criteria, we found a great candidate very quickly."

Case Study #3: The board of an athletic retailer had clear priorities for their next board recruit: They wanted someone with deep technology expertise, specifically a very senior role in digital marketing at a large organization. They wanted a younger director; most of their board was over 55. They wanted an African American; they had two Hispanic board members and several female directors, but this was a gap in their board's composition. And a big "nice to have" was that this person should be somewhat athletic – a runner, a cyclist, a swimmer, someone who plays pick-up basketball or coaches soccer as a hobby, or who was a competitive athlete in their youth.

When the Nom/Gov Committee Chair gave the board's search consultant a "head's up" that they'd be starting this search once the full board had discussed it, she replied, "You guys are looking for a unicorn!" But the board stuck to their guns. As one director said, "Look, we've defined the person we really want – and we all agree. So let's shoot for someone like this! If we can't find anyone who fits, okay, then we'll make some compromises. But let's at least give it a shot and see what happens."

After the meeting, directors and executives gathered in the hotel bar and started brainstorming. As wine and beer flowed, so did the suggestions. To her surprise, the Chair of the Nom/Gov Committee walked out with four recommendations that "seem pretty close to what we're after". Moreover, these names surfaced because someone on the board or in the company's executive team knew each of these four candidates – and offered to contact them to explore their interest in being considered. As a result, the board recruited an African American executive in his 40s who had been a college athlete. He ran a major division of a large Silicon Valley technology company. Not only did he prove to be an outstanding board member, in a few years' time, he became the Lead Director.

Key Learnings:

- **Pre-Work is essential** – take the time to define the expertise/background that would add value in director recruitment before rushing into a search. Board 2.0, a new board succession planning tool that can supplement or replace a Board Skills Matrix, may be useful in that pre-work.
- **Leverage the board's network** – once you've defined the criteria, expand the search firm's efforts in sourcing diversity candidates by leveraging the board's own network: directors, executives, board advisors (comp. consultants, auditors, etc.). Many boards have used this approach on "diversity searches" with excellent results – not only more nominations, but nominations from people who knew the candidate, knew the board, and saw "a good fit".

b) Director Orientation

If director recruitment is on your Nom/Gov Committee's 2021 agenda, then the Director Orientation Program is something to review as well. Here are some ideas you might want to consider:

- ***Phasing:*** Many director orientation programs have become a "drinking from a firehose" experience, with the new recruit sequentially meeting with each of the company's top executives over the course of 1–2 days. The COVID lockdowns required most director orientations in 2020 to be conducted by Zoom – which may be an improvement over the whirlwind "office by office" meetings of a traditional orientation program and something to continue going forward. It also facilitates meetings with a broader range of executives phased over weeks or even months.

  Before the lockdowns, many boards had already moved to a two-phase orientation program, with Phase 1 consisting of a meeting with the CEO and some other executives prior to the new director's first board meeting and Phase 2 a few months later, after the new recruit had attended a few board meetings. Phase 2 is often designed with the new director's input and/or targeted to their subject matter expertise: For example, a new director who was a former CIO might spend some time with one the company's technology teams. Some boards stage their entire orientation program over the course of the director's first year, with various components scheduled quarterly.

- ***Site Visits/Videos:*** Site visits can be an invaluable part of director orientation. Nothing gives a new board member – particularly someone who is not from the industry – a better "feel" for the business than walking through the plant, touring the laboratory, viewing the orchards, standing in the shipping bay, or going on a "ride-along" with a customer service rep. Director orientation programs have become increasingly creative in this regard, with some new directors "working" for a day in customer service roles, meeting with a key supplier or even being sent to shop on 10 competitors' websites. While the COVID-19 lockdowns will continue to play havoc with site visits into 2021, last year, many boards simply found new approaches to overcome these challenges, such as substituting videos for site visits – which were often shared with incumbent directors as well.

- ***Board Buddies:*** This involves a new director being assigned to an incumbent board member as a "Board buddy" for their first year. It works best when the two regularly schedule a call or Zoom after the board materials come out but prior to the meeting; this enables the incumbent to provide the new director with some background on key agenda items, including any board politics around a specific issue. A Board buddy program can be a particularly useful vehicle for new directors with no prior board experience; one of the greatest challenges for many involves navigating the "line between management and governance". The scheduled call allows the newbie to "test out" their questions with the incumbent to ensure they're targeted at a governance level – or reframe them, if not. With this type of support, by year-end, most new directors will have mastered the "governance/management line" and become adept at formulating oversight-level questions.

- ***New Director 360:*** With both evaluative and developmental components that focus on continuing the new director's professional development beyond orientation, this vehicle may be worth considering as the capstone of your Director Orientation Program (see Tool #2).

c) Director Performance Management

The 2020 PwC Corporate Directors Survey found that 49% of the participants (almost 700 US public company directors) believe that one of their fellow directors should be replaced; 21% thought that two or more should go.[6] Participants gave board leadership their lowest marks in the area of director performance management; one in four (25%) rated board leaders either "not very" or "not at all" effective in dealing with director performance issues.[7] Only 12% said their board had not re-nominated a director in the past year and only 14% indicated that the board (presumably the Chair or Lead Director) had "provided counsel to a director".[8] And the problem has worsened over the past decade: in 2012, 31% of directors told PwC that one of their peers should be replaced[9] – a number considered jaw-dropping at the time. But it's climbed steadily ever since, and remained at 49% for two years in a row.[10] Director performance management has clearly become one of the greatest shortcomings in corporate governance today.

Why do boards tolerate underperforming directors? Largely because director performance problems are awkward to deal with, particularly given the fact that most board members are successful, accomplished businesspeople; it's not easy to sit down with the former CEO of a Fortune 500 and tell him or her that they need to raise their game in the boardroom – or offer their resignation. Boards value collegiality. They hate the idea of "voting someone off the island", as the PwC numbers confirm.[11]

Shortcomings of Age and Term Limits

Most boards rely on age and term limits to stimulate board turnover.[12] Retirement ages and term limits are tidy; you hit the specified age or term of service and you're off the board! These policies can spur board refreshment and force the board to regularly reconsider its composition. But they seldom get to the heart of director performance issues.

If a board member thinks that one of their peers should be replaced, it's probably because they either arrive at board meetings unprepared, send the board into off-topic segues, take an abrasive or patronizing tone in challenging management, fail to respect board confidentiality, or simply don't have the background or expertise to make worthwhile contributions in board discussions; their input is marginal, at best, and some rarely speak. None of these things typically have anything to do with the director's age or length of time they've served the board.

Case Study #1 involving Valerie, the crisis PR expert, provides a good illustration: Valerie's shortcomings had nothing to do with her age; she was 56. The board had a retirement age of 72, which meant that Valerie could continue to be nominated for another 16 years. Nor was she unprepared or difficult to work with; the core issue was Valerie's professional expertise. She was at the top of her game in an area that simply wasn't that germane to the company's business. Had Valerie been recruited by another board with numerous PR problems, she'd have been a boardroom star! But as things were, the board, the company, and its shareholders would probably all derive more value by replacing Valerie with someone whose expertise was more relevant to the issues this board was actually facing.

One of the factors that distinguishes a Board Chair/Lead Director as a true champion is that person's willingness and ability to confront director performance management issues effectively.

Director Performance Management Tools

There are four director performance management tools Nom/Gov Committees should know about:

i) Director Expectations: Creating a set of Director Expectations is an easy performance management tool to implement. But it has relatively low impact – and almost none if the Nom/Gov Committee simply creates and circulates a draft of the Expectations, which typically gets a cursory glance at best. However, if every director becomes engaged in developing the Expectations from scratch, it's not at all uncommon to see some results. Some directors prepare more diligently. Others make a point of listening more carefully – and showing greater respect for contrary positions. Still others increase their efforts to keep abreast of industry developments. However, this tends to be a short-term phenomenon.

ii) Director Evaluations: Director Evaluations are a highly effective director performance management tool to address behavioral issues, which are the most common type of director performance problems. When properly designed, an effective director evaluation process provides constructive, actionable feedback that board members can readily understand – and most respond to, almost right away. If the director is either unwilling or unable to address a major problem, the director evaluation process sets the stage for the Nom/Gov Committee to make a "tough decision" on the director's re-nomination or for the director to reconsider standing for another term; the director's been made aware of the problem, feedback has come from the entire board (so it can't be dismissed as a "personal grudge"), and it's been specific and actionable, not vague and personal.

I've been conducting director evaluations since 1996. For the first five years, I used a 1–5 rating form with space for write-in comments. The shortcomings of this approach were immediately apparent – and I've *only* used interviews for individual director evaluations for the past 15 years. I believe that the key to an effective director evaluation is to deliver constructive, actionable feedback that recipients not only understand but address; interviews more readily facilitate this. Scores simply make people angry; even if they're high scores, they do little to reinforce the specific contributions or strengths that are admired. And the nasty comments some directors "write-in" never ceased to amaze me. So, I stopped all of that.

Confidentiality is essential; no matter how well-respected any Chair/Lead Director may be, it's always an open question as to whether directors will be completely forthright in expressing their views about another director to anyone internal, given the politics and dynamics at play in most boards.

Director evaluations can and should be more than a trap for underperforming board members. When properly designed, the process can help ***all*** board members better understand their strengths and enhance their boardroom effectiveness. A truly worthwhile director evaluation not only takes aim at performance problems, it reinforces the contributions of your boardroom stars – which can be every bit as important in building your board into a high-performing governance team.

Few of us genuinely like getting feedback. But there's nothing more important for professional development. Boards that conduct director evaluations nearly always earn kudos from senior management, so long as the process is credible and robust. It demonstrates accountability, openness to feedback and a commitment to continuous improvement – setting a positive "tone at the top".

iii) Board 2.0: Board 2.0 (Tool #1) is an excellent tool to consider when the "performance issue" you need to address is rooted in the director's professional expertise, as with Valerie in Case Study #1. Valerie's shortcomings had nothing to do with her "performance" per se; she undoubtedly read the materials, was congenial to work with, and tried to offer her perspectives in board meetings. There's nothing Valerie could do any differently that would remedy the "problem"; the heart of the issue was Valerie's core expertise in public relations – expertise the board didn't draw upon and, frankly, didn't need. Because Board 2.0 focuses on board composition and director expertise, it's typically a better methodology to address and resolve problems of this nature than director evaluation.

Board 2.0 is a board succession planning exercise that engages all directors in developing a working model of the optimal board to govern the company in 3–5 years' time, in terms of its mix of skills and expertise. The result is "Board 2.0" – the next generation of the company's Board of Directors. If the board in Case Study #1 undertook this exercise, it's unlikely that "PR Expertise" would be included as one key background/skill considered optimal on their version of Board 2.0. And this puts Valerie "on notice" – her expertise isn't part of the future board. That doesn't mean Valerie needs to leave the board next week; Board 2.0 is a long-term plan to be achieved in 3–5 years. But it does mean that Valerie's remaining tenure will be limited; she certainly won't be re-nominated for 16 years!

This is what typically happens: The Nom/Gov Committee starts recruiting one or two directors to fill in the gaps necessary to create Board 2.0 – and the board size expands temporarily to facilitate the Board 2.0 transition. Using the example in Case Study #1 yet again, this board should focus on recruiting female directors who fit the specs developed from their Board 2.0 exercise.

Within 6–12 months, some recruitment is typically accomplished. Board 2.0 is seldom fully developed at that stage – but one or two of gaps in board expertise necessary to create Board 2.0 have been filled and the "writing's on the wall" for any director whose background is not reflected in Board 2.0, although, as described later on in the discussion of Tool #1, this pacing is entirely at the Nom/Gov Committee's discretion. Valerie is a sophisticated executive; in all likelihood, she'll depart graciously, by either submitting her resignation or informing the Committee that she's decided not to stand for another term. If Valerie doesn't resign, the Committee will likely take the initiative when it comes time for Valerie's re-nomination. But the conversation is now fairly straightforward: "As you know, we need to make this change sooner or later. Now that we've recruited two new board members . . ."

iv) New Director 360s: The New Director 360 (Tool #2) is a relatively new director performance management tool. It's basically an expanded director evaluation process conducted 12–18 months into a new director's tenure on the board. It highlights any potential performance issues early on – so that they can be addressed before they become established patterns. It also reinforces the new director's strengths and contributions. As noted earlier, the New Director 360 has both an evaluative and a developmental component; it provides recommendations to continue the new director's professional development beyond orientation. The New Director 360 may serve as a useful final component to conclude the Director Orientation Program. It also sets a good "tone at the top" with new board members – the exercise supports their continued development and reinforces the importance of director performance.

Three Key Questions for the 2021 Board Evaluation

Boards dealt with tremendous challenges in 2020. The 2021 board evaluation should both harvest directors' insights from this experience and explore critical issues that will continue to be important in the year ahead. Three key questions to consider including in the 2021 Board Evaluation are:

- **What are directors' most important learnings and insights from the risks and challenges the company faced during COVID-19?** What do they feel the board did well in addressing those challenges and/or supporting the CEO and management through the crisis? What significant risks most concerned them in terms of the fallout of this situation (logistical issues, credit/banking/capital structure concerns, impact on major customers, employee issues, etc.)? Do they believe the board needs to strengthen its oversight in any of these areas – and if so, what would be helpful in this regard? For example, should this become a regular board agenda item in the near term? Should KPI's be developed around this topic? What, if anything, should the board do differently if it finds itself coping with an unusually tough situation in the future?

- **Do directors feel well-informed about diversity and inclusion policies and programs at the company – and do they have a good handle on whether these programs are having meaningful impact?** What changes, if any, do they believe should be implemented in terms of board oversight of these issues? For example, should the board or a board committee be talking about diversity and inclusion issues as a more frequent agenda item? Should the board be getting different or better data relative to these issues than it got in the past? Is there value in creating a board/management task force on diversity and inclusion? Are there steps that should be addressed in this regard relative to the composition of the board itself, and if so, how should the Nom/Gov Committee move forward in this regard?

- **What have directors seen as both the challenges and upsides of migrating board and committee meetings to a videoconference format?** What, in their view, has worked well with the board meetings held via videoconference? What have been the downsides? What could be done to make these meetings/videoconferences more effective going forward? Are there implications for the Board Chair in how they conduct these meetings? Are there implications for management in terms of their pre-reading materials and presentations when the board or committee meeting is held by videoconference? When the COVID-19 crisis subsides and the board can go back to meeting in person, would they recommend that some or all of the meetings continue to be conducted by videoconference – if so, why? Or why not?

These questions clearly lend themselves much better to an interview format than a survey. Directors' newfound comfort with Zoom will enable many boards to transition to an interview-based board evaluation if they wish. Board evaluations are underutilized by many boards and can be redesigned to become more relevant and worthwhile. If you'd like more information on redesigning board and/or director evaluations, please email me at Beverly.behan@boardadvisor.net for a complimentary copy of our updated ***Board Building Toolkit***.

Two New Tools for Nom/Gov Committees

Tool #1: Board 2.0

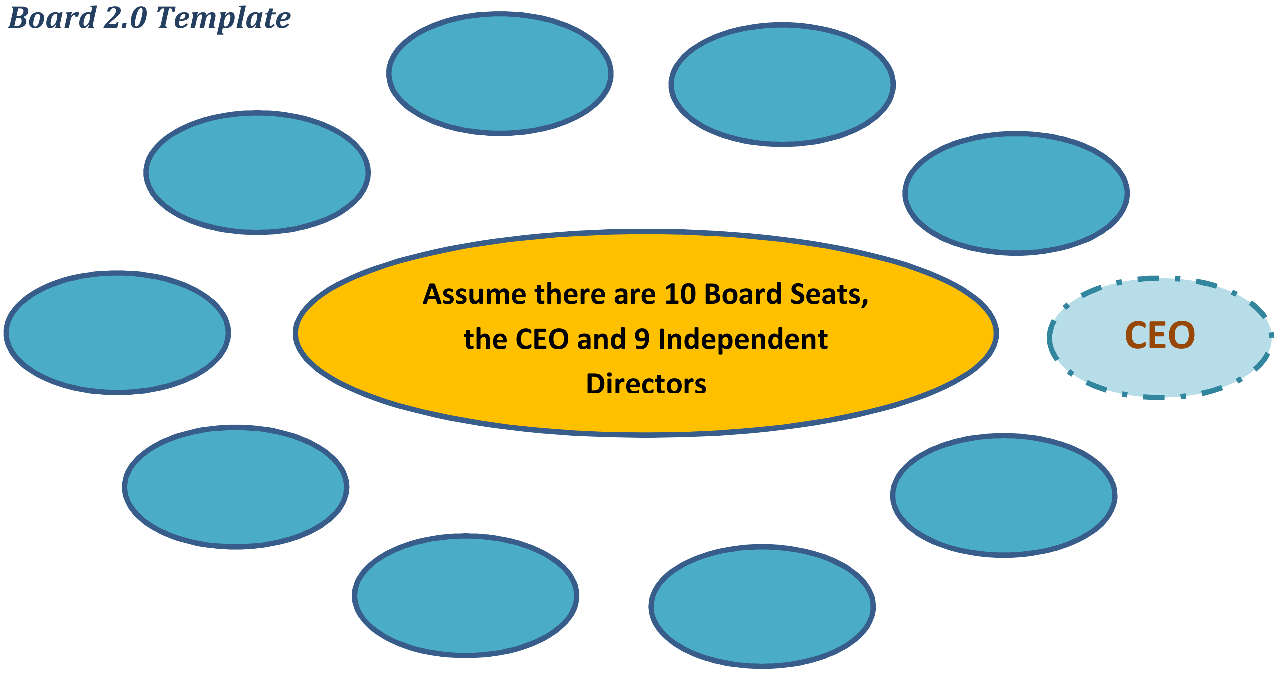
The Genesis of Board 2.0

The Board 2.0 concept originated during a client project in which three boards were merging into one. Politics was running rampant around the thorny issue of who would stay and who would go in the creation of the "new board" to oversee the merged entity, which we referred to as Board 2.0. We wanted to cut through the politics by having some objective and practical criteria for director selection. Most importantly, we wanted to create a truly outstanding board, with the right mix of skills and expertise to add real value in overseeing the merged company.

Many boards at that time were using a Board Skills Matrix. However, for various reasons, I didn't think this approach would achieve our aims. Instead, I took a different tact – one that engaged all directors and executives personally, forced prioritization, and focused on optimizing the mix of expertise on the new board. I sat down individually with every director on each of the three boards, the CEO who would lead the merged company, and several members of his executive team. I told each interviewee to assume that the new board (Board 2.0) would consist of a total of 10 directors, with one seat allocated to the CEO, leaving nine for independent board members, one of whom would serve as Chair.

I drew the Board 2.0 Template below and asked each respondent what skills, experience, and/or background they'd want in each of these nine seats to create the best possible board to effectively govern the new company.

Board 2.0 Template



In working through the Board 2.0 exercise with each interviewee, I found I needed to do two things:

- First, keep the respondents from giving too much consideration to the people already sitting on the three predecessor boards. I wanted them to focus only on the best possible board composition for the board of the future, in terms of the skills/expertise to govern the new company in light of its business model and strategic direction. Sometimes, this resulted in recommendations of backgrounds not found among ***any*** of the directors serving on the three predecessor boards.

- Second, avoid generalities. I wanted to understand the reasoning behind the background each interviewee was recommending: How did it relate to issues that Board 2.0 would be grappling with? For example, if the respondent said, "I'd want two people with experience in our industry," I'd ask how they were defining the "industry" Some respondents had a narrow definition ("medical insurance"); others saw this question more broadly ("anything in healthcare"). I would ask what sort of job within the industry the individual should have held: A Chief Executive Officer or Chief Operating Officer? A Chief Medical Officer? What were the reasons for their recommendations?

It was also important to use a finite number of board seats. This forced interviewees to prioritize how best to spend the "nine" available seats. There's no magic in the number 10; this was simply the size of two of the predecessor boards and what the client thought the size of Board 2.0 should probably be.

Out of more than 35 interviews, no two "charts" of Board 2.0 were the same. However, an optimal board make-up began to emerge: Of the nine independent director seats, there was strong alignment on the background/expertise that should be in six of them. As for the others, there were several pockets of agreement. In the end, it was not difficult at all for the three boards to reach consensus on the design of Board 2.0. And while more than 20 people ended up without a board seat, there were few complaints.

Using Board 2.0 for Board Succession Planning

The Board 2.0 exercise worked so well that I began adapting it to other client scenarios where boards were undergoing major transitions: significant changes in business strategy, high levels of director turnover, and initial public offerings. Then, I started using it as a long-term board succession planning tool where no major transition was involved. In these instances, I'd simply ask, "If you consider the optimal board to govern this company in 3–5 years' time, what would be the background/expertise, you'd want in each board seat at that time?"

I'd ask respondents to consider the implications of long-term corporate strategy on this question. For example, in 3–5 years' time, a US hospitality company may anticipate having developed several properties in Mexico and the Caribbean; a biotech currently focused on scientific research and FDA approvals may have succeeded in taking a drug to market. Would these changes impact their views on the expertise they'd want to have at the board table to create the possible governance team to oversee the company in three years' time? I'd also ask them not to get terribly hung up on the expertise at the board table today – Board 2.0 represents the next generation of the company's Board of Directors.

Factoring Diversity into Board 2.0

Board diversity will be a major focal point of board composition in 2021. And some boards might respond by allocating a "diversity seat" in creating Board 2.0. But this implies that not a single seat at the optimally designed Board 2.0 could be filled by a diversity candidate. Not only is this largely untrue in the 21st century, it's an approach that smacks of tokenism, as if to say, "Here's the core board in terms of optimal expertise – plus a diversity director." Directors who diversify the board's composition need to be every bit as core to the board's make-up as all of the other directors at the board table.

As the earlier case studies illustrate, taking some time to define the background/expertise the board would truly find valuable in any new director, then seeking diversity candidates who fit these requirements, has been a productive strategy for many boards. If you take this approach, Board 2.0 becomes the pre-work to an effective diversity search; if you simply "add on" a diversity director, you're no further ahead in defining your real needs. Practically speaking, a large pool of diversity candidates may not exist for ***every*** board seat developed in a Board 2.0 exercise. But for any board consisting of seven directors or more, it's hard to imagine a scenario where strong diversity candidates couldn't be found for at least three or four of the board seats developed through this exercise – if not many more.

The key in achieving diversity objectives while optimizing board composition involves balancing talent pools against recruitment priorities. Some talent pools, such as technology and finance, may be far deeper for diversity candidates than others. Any Board 2.0 exercise typically surfaces a number of skills/expertise gaps; if the diversity talent pool is shallow for your top priority, simply move down the list. But making an effort to prioritize expertise requirements at the outset can be very beneficial in the diversity search process. And with screen sharing on Zoom, it doesn't take long to create Board 2.0.

What Happens If an Incumbent Director's Expertise is Excluded from Board 2.0?

Some momentary drama can emerge when some of the current directors' backgrounds are omitted from Board 2.0. But this outcome is almost inevitable because Board 2.0 is focused on the board to govern the company in the future: Of course there will be some different skill sets considered important in Board 2.0 than those resident at the board table today.

There are two things to bear in mind when this occurs: First, Board 2.0 is the optimal board designed to govern the company in three years' time – not next week. Second, this outcome has an upside – particularly given the propensity of many boards to ignore director performance issues: The Nom/Gov Committee has full discretion to accelerate or defer board turnover, as they deem appropriate – with Board 2.0 serving as a useful lever that the Committee can use in this regard. In practical terms, it is nearly always the director's performance as a board member that determines this timing.

Again using the illustration from Case Study #1, the Nominating Committee in that instance would undoubtedly have accelerated Valerie's replacement once they found some new female board members who fit Board 2.0, because Valerie wasn't seen as a strong contributor. But if Valerie had been a boardroom star, her tenure would probably have continued for many years – even if "PR expertise" hadn't been included in Board 2.0. Does anyone really care if the board size expands by one seat if that means that one of the board's most outstanding directors continues to serve?

Tool #2: The New Director 360

This process is specifically designed to provide new board members with practical feedback 12–18 months into their tenure. The concept emerged from a client project involving some very sophisticated new directors with extensive board experience. The Nom/Gov Chair in this instance wanted to upgrade the current director evaluation process to make it more worthwhile for directors of this caliber.

The New Director 360 involves interviews not only with other members of the board, but also with senior executives who regularly attend board and committee meetings as well as the board's external auditors and compensation consultants. Appendix A provides a sample of a New Director 360 Feedback Report, which is more comprehensive than a typical director evaluation report because of the expanded range of interviewees. A New Director 360 exercise can serve three important functions:

(i) It reinforces where the new director has already made strong contributions: Receiving positive and specific feedback from the rest of the board is especially meaningful to new directors. It reinforces what they're doing well and lets them know that their efforts have been appreciated. Actual examples in the comments that describe instances where a new director has made a particularly insightful or important contribution are valued far more than generic remarks like, "You've been a really great addition to our board!" which is typically all that new directors get without a structured process like this one.

(ii) It nips any problems in the bud. Some directors do get off to a rocky start – and it's much easier to address those problems early on. At the start of their tenure, board members are particularly appreciative of constructive feedback alerting them to areas where they might do well to change their approach. And again, specificity is key – this is what enables a new board member to take some appropriate action to resolve the situation; vague, general comments such as "Things don't seem to be going as well as we had hoped" aren't helpful at all.

(iii) It offers well-considered recommendations for continued director development. One of the unique facets of a New Director 360 is that it has both an evaluative ***and*** a developmental focus. Interviewees are asked for suggestions that might be useful for the new director(s) to consider in continuing their development. Sometimes this involves innovative ideas to learn more about the company's business or industry. Other comments may focus on how the new director could best leverage their subject matter expertise. These can range from recommended visits to a particular company site ("As Rachel is not from our industry, I think she'd do well to visit the shipyard in Los Angeles; I know that's what gave me a real feel for our logistics issues.") to meetings with specific employees ("Jack is a tech guru, and it would be awesome if he'd have coffee one day with the people on the new digital team; I am sure they would love that – and it would give Jack more insights about what we're doing in this area than he'd ever pick up in a board meeting.").

The New Director 360 is a new process in the world of director evaluations – and one with tremendous potential. Even a board that has yet to incorporate director evaluations into its governance process may nonetheless find it valuable to use a New Director 360 as the final component of the board's Director Orientation Program.

Appendix A: Sample New Director 360: Individual Director Feedback Report

Prepared for: Deborah Richards

Overview

This individual director feedback report has been compiled to reflect themes and sample comments (*in italics*) from the New Director 360 for Deborah Richards. This process involved a series of interviews with all members of the ABC Board of Directors, four members of the ABC executive team, and a representative of Ernst & Young, ABC's external auditor. The interviews were conducted by Skype between Oct. 26 and Nov. 8, 2019.

Interviewees were asked to provide their views on Deborah's strengths and contributions as a new director of ABC based on their experience working with her over the past 12 months, since she joined the board. They were also asked to offer advice or identify any areas for improvement that could further enhance Deborah's effectiveness and contributions to the ABC Board going forward. Over 100 individual comments were generated from the interviews. These have been summarized, analyzed and grouped into key themes presented in this report.

Major Strengths/Contributions

Deborah's major strength, as the sitting Chief Financial Officer of a large global company, is clearly her wealth of expertise on a broad range of financial issues. She has already added tremendous value to Audit Committee discussions and in her meetings with internal audit, where she served as a sounding board for the IA team on a broad range of issues. Most of Deborah's board colleagues cited her contributions to the board's discussions about changing ABC's dividend policy as one of her most significant contributions to date; Deborah drew on her experience to challenge ABC's long-standing views around this issue – and changed the board's thinking.

- *"We are very fortunate to have someone with Deborah's vast array of financial expertise at our board table. And the fact that she is a sitting CFO is really the "icing on the cake" because she is so current on the issues and brings such insightful perspectives. I particularly commend her for making the time to sit down with Internal Audit not only at her orientation session – which lasted two hours longer than it was supposed to – but also at another meeting later on. She spent time getting to know the people in IA and created a nice, informal environment where everyone was comfortable just kicking around some of the issues and getting the benefit of her wisdom."*

- *"Deborah has rejuvenated our Audit Committee. Everyone in those meetings – particularly our own IA team and even E&Y – are benefiting from her contributions. She backs them up, at times, and you can tell they appreciate that because she comes at these issues from a very solid knowledge base. She is also respectful of our Audit Chair – and I feel that's important to mention, as well. Deborah is clearly very conscious not to overstep and essentially 'take over the committee', which she could easily do. That shows a lot of maturity and professionalism; it's something I've really admired about her."*

- *"The reason we recruited Deborah to the board was for her financial expertise – and she has already gone above and beyond in this domain. Her comments and questions, particularly in the Audit Committee, reflect her depth of knowledge and currency; she challenges the way we've viewed things in the past. Perhaps the most evident example of this relates to the board debate around the dividend where she encouraged the board to consider some different perspectives – and, as a result, we changed our policy. I also think it was Deborah's approach that made all the difference – clearly, she had wrestled with this issue personally, as a CFO, and could bring all of that to bear. But she offered her views in a generous way, by which I mean she didn't feel the need to make the people who held a different view "wrong" so that she could be "right".*

- *"When Deborah speaks – particularly on financial issues – people listen. In her first or second board meeting, an issue about our dividend came up and Deborah made some great points about the changing dynamics of our shareholder base. This was the kind of issue where a new director could actually get out on a limb and lose credibility, as she was challenging some long-standing views. But she triumphed! That was the moment that Deborah kind of 'earned her wings' with this board, and she hasn't looked back."*

- *"The dividend has been a sacred cow at this company for as long as I can remember. And Deborah literally took that bull by the horns – and changed the board's thinking. That, in my view, is her most significant contribution to date, but it's the most significant of many. Deborah is well on her way to becoming one of ABC's best directors, in my opinion."*

Deborah's contributions to discussions on M&A integration have also been particularly insightful – and notable because the most important of these related to corporate culture, rather than finance. This demonstrated Deborah's breadth as a director and prompted the board to engage in a critical debate that added significant value for the management team, leveraging, among other things, her own learnings from another M&A integration experience.

- "*One of the things our management team has really struggled with is M&A integration. Everybody wants to do the deal–- but the integration piece hasn't always gone smoothly. This is an area where Deborah can and already has made major contributions – and interestingly, this was not related to finance. She spoke up about the cultural integration issues of the XYZ deal and explained, in very practical terms, how this became a huge obstacle in a deal she had worked on a few years back, which also involved the acquisition of a founder-controlled company. Everybody on the board was absolutely riveted when she described this and she brought up points that I don't think anyone else on the board – or in management – had even considered."*

- *"Deborah has had a long track record of doing M&A deals as a CFO and even before that. She understands deal structure, and she is particularly well-attuned to the issues involved in successful MA& integration, which is something we've struggled with in the past. Having the benefit of her insights in these discussions is incredibly valuable not only to the board, but also to the management team."*

- *"One thing that perhaps surprised me – because I tend to think of Deborah as a finance expert – is that she really gets 'people issues', too. This came to the fore in our discussions around the XYZ acquisition. She made some great points on financial issues involved in the deal – and I kind of expected that. But then she weighed in on the 'people issues' involved in integrating a founder-led company into a large public company, recounting her experience when 123 acquired 456. She described what she learned from this – and what 123 should have done differently. This opened up a terrific board discussion, and I think management walked out of that meeting saying, "Wow! That's what a good board does for a management team!" And we wouldn't have had that discussion, had Deborah not raised the points that she did."*

- *"Probably most people will say that Deborah's most significant contribution to the board to date involved the dividend issue. But I actually think it was the conversation she initiated around the integration of the XYZ deal. We tend to look at the deal financing and the projected synergies – but Deborah really got us to look 'under the covers' at some of the practical issues of trying to merge a proud, successful founder-led company into a F500 and that was one of the best board discussions I think we've had this year."*

Deborah clearly does her homework for board meetings and is extremely well-prepared. It's evident that she has not just read the materials but has given considerable thought to the issues at hand. She 'picks her spots' and tends to weigh in only where she has a different perspective or new angle on the topic, rather than simply reinforcing and building upon the comments of others.

- *"It's very apparent from the questions Deborah raises and the comments she makes in board meetings that she's not only read the board briefing materials, she's actually reflected on the issues and has taken some pains to try to think of an angle that we may not have considered. She also picks her spots; she doesn't weigh in everything – when she dives into the board discussion, you know she's going to raise a new perspective that nobody else has mentioned or probably even thought of. Every so often, the point she makes is a bit 'off the wall' – but that's fine; that's refreshing sometimes, and it doesn't happen much. Eight times out of ten, she's spot on and is making a big difference in terms of our discussion*."

- *"One of my biggest concerns when we were recruiting Deborah was whether she'd really have the time to be on our board*; *after all, she's a sitting CFO at a large, global company. But any fears I may have had on that front have been long dispelled. Not only does she come well prepared, it's evident that she's really thought about the issues and has made some decisions about where she's going to weigh in, so as to try to add real value. That, in my view, is what a really top-notch director does, and she's already got it down cold*."

- "*There are two things that really drive me nuts in board meetings – and maybe they drive Deborah nuts too, as a CFO at her own company, because she is studiously avoiding both: The first is people who have clearly not read the board package – they waste everybody's time asking questions that were already covered in the briefings. Deborah would never dream of doing that; it's evident that she's read it all and she's made notes. The second is people who take up a lot of* *board time agreeing with what someone else has said – rather than offering a different view. Sometimes I think these people just want to say something to get their name in the minutes. Well, that is certainly not Deborah's style and that is very much to her credit. When Deborah speaks up, she is nearly always injecting a fresh perspective or raising a point that no one else has mentioned. I think that's one of her most important strengths as a board member."*

Deborah's colleagues describe her as "warm, friendly and approachable"; they genuinely enjoy working with her. She's viewed as professional, respectful of others, a good team player, and a terrific role model for female executives.

- *"Deborah is a very warm person who's enjoyable to be with – and to work with. You get the sense that Deborah genuinely wants to contribute to the board as a team player, she's not someone who has to be a star. Now, in fairness, she's becoming a star and I think that's great – but she doesn't seem have a lot of ego in the room. She's respectful of everyone."*

- *"I think one of Deborah's strengths is that she's a good team player. She doesn't try to dominate the board discussion and you don't get the sense she's going to walk out the door in a huff if the board doesn't agree with her point of view; she's mature and professional."*

- *"The more I get to know Deborah, the better I like her. She's funny, warm and inclusive – she brings people into conversations and makes a real effort to be part of the team. We could not have made a better choice than recruiting Deborah to become a member of our board and we're extremely fortunate to have her."*

- *"I expected to be kind of intimidated by Deborah because hey – she's Deborah Richards, the CFO of 123 Corp. Well, I could not have been more pleasantly surprised! She's approachable and friendly – a really warm person who is very enjoyable to be with. She demonstrates respect for everyone – even the catering lady that comes into the board meetings. There is no better role model for our female executives than Deborah."*

Advice/Potential Areas for Improvement

The more that Deborah continues to learn about ABC's business and the unique facets of its industry, the more she can contribute. This is the area where her colleagues would encourage her to focus and made a number of constructive suggestions for her consideration, including site visits, discussions with operating executives below the C-suite, learning more about ABC's regulatory environment, attending an industry conference and/or reading trade journals. As a sitting CFO, Deborah is extremely time-constrained – something her board colleagues recognize. They nonetheless believe that, if she can manage it, some further investment in her learning will yield tremendous benefits to Deborah personally, and to the ABC board.

- **"***Deborah is very time-constrained because she is a sitting CFO – and I recognize that. But she has the potential to become one of our best directors. Making that step to what I'll call 'the next level' in her board development will require Deborah to invest more time in learning about the operational side of ABC's business. She's a quick study and I don't think it will take that long. But she has no background in this industry and frankly, it shows in some of her comments. The more she understands the business context and the industry fundamentals, the greater her contributions will be. I'd encourage her – in the very strongest terms – to try to make some time for this. I believe it will yield significant benefits to her, personally, as well as to the board, in terms of her contributions."*

- **"***I hate to even say this because Deborah has so much on her plate – but if I were going to give her any advice, it would be to invest the time it takes to learn more about the operational side of ABC's business. I don't think she's been to any of the plants, yet. And I know personally that just one or two site visits can give you a very different perspective – one site visit is worth a hundred PowerPoint slides! So if I were her, I'd make that a priority. We run our operations 24/7 and if it's easier for her to go on a weekend, that's fine. We have a corporate jet – we'll pick her up and fly her there. We realize she's busy and we need to make this easy for her. But it's something that we should try to arrange in the next few months."*

- *"I think the obvious advice to Deborah at this stage is to continue to learn about ABC's business. She's got the finance part down cold. And, as a director, she could just stay in that mode as one of the board's "finance experts" and still add a lot of value. But from what I've seen – especially some of her comments on M&A integration – Deborah has the potential to engage more broadly on strategic issues and really become someone who can guide this company's future. If she wants to make that leap – which I'd personally encourage her to do – then she needs to get a solid feel for this business and the critical factors in this industry: Who are the players and what are the global trends? What are the implications of our regulatory environment in practical terms? One 'quick and dirty' way to get up to speed is to go to the annual conference in Las Vegas – even for one day; that's a 'master class.' But if she can't find the time for that, then make an effort to read the trade journals, get out to the sites and try to spend time (even on a video conference) with some of the operating folks at the regional level."*

- *"Orientation is a 'drinking from a firehose' experience for most directors – and I'm sure it was for Deborah. Her Orientation was focused on finance – meetings with E&Y, the finance team, etc. The operational part of the business was kind of a 'flyover' – and that's where I'd encourage her to focus now. She has no background in this industry and there's a lot to learn. She's extremely smart and has picked up a lot already – but I'd encourage her to work with the GC to plan out an Orientation Part Two now that she's been on the board for a year. It shouldn't be a one-day thing – it should extend over the course of the year and respect her limited time. It could involve a couple of site visits, one now and another six months from now – an old plant and one of the new ones. I'd have her meet with some of the operations people and some of the regulatory people; she has never worked in an industry with this level of regulation. I know this will require a concerted effort on her part, but I'd look at it as an investment that will pay back huge dividends over the coming years."*

- *"When we recruited Deborah, she told us that she wanted the experience of serving on an outside board so that she could be a better CFO at her own company – and as professional development if she ever became a CEO. Having seen her in the boardroom, there is no doubt in my mind that a CEO role lies somewhere in her future. I think she can help herself achieve her development goals if she invests the time to learn more about ABC's business – so that she can become a true strategic partner of our CEO and our board rather than just "a finance specialist".*

- *"Deborah has earned a lot of fans on the board in the short time she's been with us. But what's getting in her way is the fact that she clearly doesn't understand certain facets of the business – and every so often she'll make a comment that underscores this and detracts from her credibility. What she needs to do is make an effort to continue to learn about the operational side of the business. You're not going to become an expert overnight – no one expects that! But if she organizes a few meetings with our top operational people as a sort of second phase of orientation, I think that would cover a lot of ground. She should also get out to the plants."*

- *"I think the obvious advice to Deborah, having only been on the board a year, is to continue her learning journey about ABC's business. But one piece of advice I'd mention in conjunction with that is: Part of what's been really terrific about Deborah's contributions to date is that she's challenged our thinking about how ABC does things. And I believe that the reason Deborah can offer fresh perspectives has something to do with the fact that she comes from a different industry. I don't want her to lose that! But I don't think she has to. Learning about ABC's business shouldn't mean that she can't continue to challenge its norms."*

At times, Deborah has allowed herself to become distracted by her electronic devices in board and Audit Committee meetings. While this temptation can be difficult to avoid – particularly for a sitting CFO – she would do well to become more cognizant of this issue and try to curtail it somewhat.

- *"Deborah is a terrific director and I have no advice to give her other than to be a bit more mindful about what I'll call electronic distractions. She's constantly reading and returning emails during the Audit Committee meeting – maybe less at the board meeting, but I've seen it there,* *too. I don't really think it's a case of not paying attention – all her questions are right on point. It's more the optics of this to the people presenting to the Committee."*

- *"Deborah is awesome! She is a fantastic addition to our board. She is so good that the one thing that drives me nuts is the fact that we never seem to have her full attention in the meetings, particularly the Audit Committee. She's fully present in the meeting one minute – and then she's focused on her iPhone. And really focused – like you can see in her face that something is going on that is not good and seems pretty urgent. And that distracts you, too. You start to wonder, "Hmm. . . I wonder what's happening over at Deborah's company; must be some problem." And then you realize that you need to revert your own attention back to the Audit Committee. Is it a huge problem? No. Is it something she should try to curtail a bit? Probably, yes."*
- *"I serve on another board where we all have to place our phones into a box before we go into the board meeting. They implemented that policy because people were getting too distracted with emails during the meetings. I don't want to implement this sort of policy at ABC; people need their phones, they're a fact of modern life. I think it's far better to put people on notice that they're doing a bit too much phone-checking during the meetings and they will stop. So, I guess I'm putting Deborah on notice: She needs to watch the amount of time she's spending on her iPhone during the meetings."*
- **"***My only advice to Deborah can be summed up in 4 words: Turn off your iPhone. I realize she is a sitting CFO and she can't 'go dark' on her own team for hours on end. But it's evident that she gets distracted by emails and texts during our board meetings – and frankly, she's such a good director that we want her full attention."*
- **"***When the board meets, there is a row of chairs behind one side of the board table where some members of management sit during the meetings. The people sitting there can all see what is on the iPads of the board members sitting in front of them. And when they look at Deborah's iPad, they see that she is frequently checking the stock price of her own company and reading articles in the* Wall Street Journal*. In fairness, some peoples' presentations in our board meetings drone on and on – so, I really can't blame her. But she should try to limit that a bit."*
- *"Repeat after me: My name is Deborah, and I have an iPhone problem."*

About the Author

Beverly Behan has the greatest job in the world.

She's had the privilege of working with Boards of Directors of the S&P1500 and listed companies around the globe for the past 25 years – some of the smartest, nicest, most fascinating and accomplished people in the world, who keep her at the top of her game. Her clients are typically boards that want to get to the top of ***their*** game – and stay there.

To date, she's worked with nearly 200 boards, ranging from the Fortune 500 to recent IPOs – from New York and Toronto to Bogota, Kuala Lumpur, and Tel Aviv.

For more than two decades, Bev has not only watched but led much of the evolution of board and director evaluations, dating back to 1996 when she conducted the first director peer review for a major North American bank. In 2001, she incorporated management input into board evaluations for a Fortune 500 publishing company. In 2015, she conducted the first board and director evaluations for one of the largest conglomerates in Southeast Asia – overcoming the concern that individual director evaluations couldn't be effectively adapted to Asian business culture. Over the past decade, she's worked with a number of boards on the development of Board 2.0, an innovation to help boards optimize their composition and manage that transition effectively. And in 2019, she worked with the board of a Fortune 100 company to create what became the New Director 360, an innovation in director evaluations that has both an evaluative and developmental component.

Beverly is the author of *Great Companies Deserve Great Boards* (Palgrave MacMillan, 2011) named **Governance Book of the Year** by *Directors & Boards* magazine and ranked #1 for four weeks on the *Globe & Mail* business best sellers list in Canada. A former partner at Mercer Delta in New York and Global Managing Director of the Hay Group's Board Effectiveness practice, Beverly started her own firm, Board Advisor, LLC, in New York in 2009. She can be reached at Beverly.behan@boardadvisor.net.

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Endnotes

[1] Beverly Behan, *Great Companies Deserve Great Boards* (Palgrave MacMillan, 2011).

[2] PwC, "Turning Crisis Into Opportunity", *Annual Corporate Directors Survey* (October 2020), 14. Accessed December 14, 2020, www.pwc.com/us/en/services/governance-insights-center/assets/pwc-2020-annual-corporate-directors-survey.pdf

[3] Ibid., 14: "Ten percent of directors say their board doesn't have a succession plan at all and 33% say it's 'ad hoc'. For boards that do have a plan in place, less than half (49%) of directors actually share that plan with the entire board. So for many directors, they simply have no idea what the next chapter of the board will look like and no input into those decisions."

[4] Shirley Westcott, "2021 Proxy Advisor Policy Updates", *The Advisor* (Bloomfield, NJ: Alliance Advisors), December 2020. www.allianceadvisors.com/newsletters/2021-proxy-advisor-policy-updates-december-2020

[5] Nasdaq proposed listing rules to the SEC are found at https://listingcenter.nasdaq.com/assets/RuleBook/Nasdaq/filings/SR-NASDAQ-2020-081.pdf

[6] PwC, "Turning Crisis Into Opportunity", 14.

[7] Ibid., 15.

[8] Ibid.

[9] PwC, "Insights from the Boardroom 2012", *Annual Corporate Directors Survey* (October 2012), 8. www.pwc.com/us/en/corporate-governance/annual-corporate-directors-survey/assets/pdf/pwc-annual-corporate-directors-survey.pdf

[10] PwC, "The Collegiality Conundrum: Finding Balance in the Boardroom", *2019 Annual Corporate Directors Survey* (October 2019), 5.

[11] PwC, "Turning Crisis Into Opportunity", 14.

[12] Amanda Gerut, "Board Recruitment: Herculean Task Facing Nom/Gov.", *Agenda*, December 14, 2020.