

Seven Steps to Recruiting Value Add Independent Directors

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Incorporating independent directors into a family firm's board is considered one of the standards for family business success. The prospect of finding independent directors who can both challenge business leaders and represent ownership interests can be daunting. Following these seven steps will help identify directors who will add value to the family business enterprise.

1. Establish a Nominating Committee

Identify three to four people to manage the director search process and recommend candidates to the board, which is responsible for electing a new director. The nominating (or governance) committee can facilitate an inclusive process, incorporating stakeholder perspectives to identify candidates who will support the needs of the business and the shareholders.

2. Collect Stakeholder Opinions

Soliciting stakeholder opinions on the characteristics of a new director gives participants an opportunity to express their point of view and will make it easier to accept the ultimate conclusion of the board. It is helpful to:

- Review strategic challenges and board member expertise: Consider how your industry is evolving and the degree to which the business is prepared. What parts of the strategic plan are new territories

for management? What skills might a new director have to support management in executing the plan?

- Assess the board's culture and function: Clarify what you would like to maintain and what you would like to change. Consider the impact of near term retirements on the board's culture and whether you are seeking a director who might become the chair in the future. What director characteristics are important to enhance the board's functioning?
- Consider family and shareholder dynamics: Independent directors who build relationships with shareholders, spouses and future shareholders can be valuable in creating alignment between the board and shareholders. What characteristics will be important for a new director to relate well with shareholders?
- Explore potential added value for management: Ask management to identify specific skills in a new director that will be helpful to them. Taking into consideration the board's view of management's opportunities for growth, what attributes might a new director have to mentor to management?

3. Create a Board Prospectus

As a tool for recruiting new directors, the prospectus outlines important factors about the business and the

expertise desired, including:

- A summary of the business' history, products, markets served, strategic focus and size
- Rationale for seeking a new director
- Board structure, including number of independents, committees, meeting frequency and board fees
- Board responsibilities
- Desired director experience, attributes and education

4. Solicit and Review Candidate Pool

The nominating committee manages a process of circulating the prospectus to colleagues, advisors and personal contacts requesting candidate referrals. They collect and review candidate resumes to establish a pool of candidates whose background aligns with the prospectus, at least on paper. Using a firm experienced in searching for family business directors can be helpful in expanding the candidate pool.

5. Conduct Interviews

The nominating committee then narrows the candidate field incrementally until a qualified director has been identified. It is helpful to break the interviewing process into the stages noted below to compare candidates and share thinking about the right fit for the board.

- a) Provide candidates with the prospectus and confirm their interest.
- b) Interview each candidate via telephone.
- c) Review the interview outcomes and identify a small group of candidates for in-person interviews.

d) Invite candidates to meet in person with nominating committee members.

e) Review the in-person interview outcomes, determining whether you have the right candidates to choose amongst. If so, move forward.

f) Consider the value of additional interviews or a chemistry fit social gathering with key stakeholders for the final candidates.

6. Decide

When you have identified a board candidate whom you believe has the right skills, values and cultural fit, extend an invitation. At that time determine whether or not the candidate is interested in accepting, contingent upon reference checks.

7. Conduct Reference Checks

Conduct reference checks and any additional vetting to confirm the candidate's value add to other boards, their level of expertise, and, if they have had family business experience, the manner in which they were helpful to the family and business system.

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