
Boards Must Build Bench Strength



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Recent events have shaken up many boards of directors. Amid accusations of corporate malfeasance in the United States and uncertainty created by terrorism and talk of war, shareholders, management and employees are understandably nervous.

Aside from regulatory measures aimed at tightening corporate governance, companies are feeling compelled to re-examine the structure and composition of their boards to ensure that they are fulfilling their responsibilities and to

assure investors that their interests are being properly represented.

These assessments are occurring in corporate boardrooms as well as at not-for-profit organizations.

Modern corporate boards have concentrated on delivering value to shareholders.

Over all, a board should establish an organization's vision and direction, and ensure its financial health through close oversight of management.

In recent years, however, demands on board members have increased considerably.

A broader base of shareholders and more effective business journalism have made directors more accountable and forced them to

take on new roles as representatives and political advocates for their organizations.

They must also master a wide range of technical competencies.

David Brown, chairman of the Ontario Securities Commission, recently stated that he is considering regulatory reforms that, among other things, may see directors sent back to school to certify their "financial literacy."

Directors have moved from the passive to the active, from caretakers to doers, from approving strategies set by management to setting the direction and then letting management implement the strategy.

The bottom line is that stakeholder demands from every quarter mean the bar is being raised in terms of the quality of people serving in boardrooms.

Boards are responsible for ensuring a process for selecting and reviewing the performance of directors.

Organizations must recruit new members with a balance of skills to augment the board's collective roles and responsibilities—often a daunting task. Against recent calls for "independent" directors to offset the enormous power of the CEO, one must balance the need to create a harmonious working unit. Organizations today want directors with specialized skills—experts in government relations, communications, e-commerce and other functions that go beyond the traditional

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disciplines of law and accounting. As well, most boards realize that they benefit from expertise in areas such as branding and image. But acquiring the needed skills while keeping the board at a manageable size is challenging.

Forward-thinking organizations now frequently turn to professional counsel to help them recruit and select directors.

Moreover, a formal search process is more transparent to all stakeholders and avoids any charge of cronyism—real or imagined—arising from reliance on the “old boys’ network” as a recruitment tool.

Developing a large, varied pool of candidates is particularly necessary for a public sector or not-for-profit board to create a board “reflective of the community it serves.”

As that community evolves, it is vital to bring in fresh talent, and directors must look beyond their established business and social circles.

Talent at the board level that is more competent, better developed and more effectively utilized provides a tremendous opportunity to build and

sustain competitive advantage. The current environment of close scrutiny of boardroom decisions escalates this new war for talent.

It won't get any easier. Researchers at the Rotman School at the University of Toronto note that a significant proportion of existing directors among top Canadian companies are approaching retirement age.

“The labour market of eligible directors in Canada will change over the next several years and have a profound impact on Canadian boards—their composition as well as their behaviour, effectiveness, and performance,” they conclude.

Organizations have always upgraded their staff resources through well-developed talent selection processes.

Similar concepts, strategies and tactics are now being utilized for board recruitment.

Ultimately, these practices will produce boards that are more accountable and effective in achieving organizational aims, whether in the private, public or not-for-profit sectors.

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