



PDA Newsletter October 2015

How to Effectively Search for the Right Board Candidates

Upcoming Events



100 Years of Success at Three Mid-Market Companies

October 28, 2015
5:30 PM to 7:30 PM
Katten Muchin Rosenman LLP
525 W Monroe Street
Chicago, IL 60661



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So you have finally decided it is time to add qualified Independent Directors to the Board of your company. Or you have decided to replace the dead wood from your Board. Now what? Where do you start? What will it cost? Where will you find good candidates? How do you know you have selected the Right Candidate? How many Board members should you have? How do you go about asking some of your current Board members to resign?

These are excellent questions. Here is my list of the top ten things to do in your search for the right Director.

1. A good starting point is to determine the "Skill Gaps" that exist amongst you current Board members. Make a list of the expertise or skills you think are essential to have on your Board. Ask your current Board members if they agree with your list and to rank themselves for each category as to an A B C level of expertise. Through this process you have identified the skill gaps of your current Board.
2. Establish a **Nominating and Governance Committee**. Pick a few (3-4) members of the current Board to be on the Committee. If possible pick a family member of the Next Generation to be Chairperson of the Committee. It is a great learning experience and they will have buy-in to the new Board members. One of the roles of the Committee is to search for, interview and recommend to the Board their choice for the new Board member. Another role is to recommend the retirement of a Board member who no longer fits the needs of the Board.
3. Draft a Nominating and Governance **Committee Charter**. The charter should include the Board Role and Responsibilities and the process to be followed in selection of the Board Chairman, Board size and Composition, Director Qualification Standards & Selection, Frequency of Board and Committee Meetings, Content and Process of Board Meetings, Board Term and Turnover, Board and Committees Evaluation Process, Board Compensation, Attendance at Board, Committee and Stockholder Meetings.
4. Establish **Board Member Qualification Standards**. When searching for qualified Directors be sure each director has the capabilities and professionalism needed to earn and maintain credibility with stockholders, the financial community, Board colleagues and company employees. Board members should individually have the following skills:
 - a. **Intelligence:**
 1. **Outlook:** Contemporary viewpoints about: relevant business operations, international scope and perspective
 2. **Analytic skills:** Realistically and objectively dissects seemingly complex problems into clear critical elements that can be evaluated, prioritized & addressed
 3. **Incisive:** Sees the heart of the matter; able to separate the relevant from the irrelevant; recognizes and focuses on true priorities.
 - b. **Character:**
 1. **Confidence:** Willing to exercise judgment; assumes accountability for decisions & actions
 2. **Committed** to the company: Motivated by, and works toward, predictable profitable long-term growth of the business
 3. **Even-tempered:** Deals with matters calmly & dispassionately.
 - c. **Social Style:**
 1. **Collegial:** Identifies with the Board members; responsible and reliable in meeting Board commitments & expectations,
 2. **Influential & Persuasive:** Poised, comfortable and appropriately confident dealing with Board colleagues and constituents; diplomatic & tactful; viewed by others as capable, honest & open,
 3. **Communication skills:** Clear, articulate & direct in statements; initiates and responds as appropriate to the circumstance; strong with give & take dialogue; adept using current communication/information technology.
5. Determine the desired **Board Collective Strengths**. You should consider having a Board with some of the following collective strengths: Experienced in running a business (managing partner), Experienced in strategic planning, Experienced in mergers and acquisitions, Experienced in international business, Experienced in accounting and financial control requirements, Experienced in family business matters.
6. Determine the desired **Number of Directors** for your Board. A good rule of thumb is six to nine members. Private companies should have a mix of family, (both senior and next generation) and Independent Directors. Diversity will always be a plus if they are qualified candidates.
7. Determine your expectations regarding the **Time Commitment and Fee Structure** for Board members. It is important to reach consensus among your Board members as to the realistic time requirements of Board service including committee meetings and preparation time. The right candidate must have the required time available to devote to the Board activities. The appropriate fee structure for your Board members can be determined through an internet search. There are many Board compensation surveys available for public and private companies. You might consider hiring a compensation consultant.
8. Prepare your **List of Questions to Ask**. The Nominating and Governance committee should prepare a list of questions to ask during preliminary telephone interviews and in-person interviews. The questions should cover the information generated in the seven points above and be structured to stimulate dialogue, not an interrogation.
9. Begin the **Search for Candidates** by networking with your contacts for possible candidates. In addition, if required there are many qualified search firms specializing in searches for qualified Board candidates. The information mentioned above will help you in the review of candidate resumes, and preliminary telephone screening interviews so that valuable interview time will be spent on candidates who appear to be excellent qualified candidates.
10. Be sure to **Check References** prior to making an offer. I suggest you do this for the top candidates after you have successful in-person interviews.

Midwest Family Business Advisors founded in 1998 www.MidwestFamilyBusinessAdvisors.com, advises clients on succession planning, conflict resolution, strategic planning, employee recruitment and retention strategies, and work/life benefits. Dennis has assisted companies establish Corporate Boards, Advisory Boards, Board Evaluation and Searches for New Board Members. DennisKessler@earthlink.net