



## New Director Onboarding: 5 Recommendations for Enhancing Your Program

As the spotlight on boardrooms continues to intensify, corporate boards are evolving in new ways. They are increasingly taking steps to enhance the diversity of backgrounds, experiences and perspectives in the boardroom. They are appointing more women, minorities and executives with experience in international markets. They are prioritizing new areas of expertise, recruiting nontraditional candidates, especially younger, active executives, with specialized knowledge of areas such as digital, technology or other emerging areas. The end result: companies are increasingly appointing directors without experience serving on a public company board or even reporting to a corporate board. More than a third of directors appointed to an S&P 500 board in the past two years had no experience as a public director.

With these fresh perspectives come new challenges. The ability to recruit the right directors and integrate them successfully is always one of the clearest indicators of a high-functioning, effective board. But, if a new director has never served on a board, more may be required.

Too often onboarding programs fall short. A lack of focus is one culprit. Boards concentrate on the recruitment process, which can be difficult and time consuming. When the process is finally complete and a new director has been nominated, there can be a natural tendency to relax, “take a breath” and pay limited attention to the onboarding process. Another problem can be that boards hold onto an old assumption that onboarding programs aren’t necessary.

Other derailers can impact onboarding programs. If a board hasn't added a new director in several years, the established process may be outdated or no longer focused on the most relevant topics. Boards may have failed to assign ownership of the onboarding program to a committee or company executives. A major event may occur and shift attention away from onboarding. And some directors may consider themselves too busy or too experienced to need formal onboarding.

Bringing a new director up to speed as quickly as possible is an imperative in today's world of heightened expectations of corporate directors. In the past boards may have expected new directors to take a back seat and observe proceedings for a year or so before making an active contribution. Today's boardrooms don't have that luxury, and regardless, new directors want to contribute from day one. A thorough yet tailored onboarding process is essential for all new appointments.

## ONBOARDING — A TWO-WAY STREET

Boards have a responsibility to ensure that all directors, not just those joining a board for the first time, are given proper support so they can jump up the learning curve as quickly as possible. Frequently boards delegate this responsibility to the nominating committee, which, along with the independent board leader, generally oversees onboarding processes. Execution is often the responsibility of the corporate secretary.

Similar to any educational effort, onboarding is a two-way street. While the board has responsibility for overseeing a robust onboarding program, in all cases new directors should “own” their onboarding experience and request the information and insights they need to quickly get up to speed in the boardroom. They should be proactive in identifying areas and issues for onboarding attention and in requesting supplemental materials and/or meetings to address gaps in the onboarding program.

## Onboarding Responsibilities

### New Director

- » Study public disclosures, including website, regulatory filings and governance documents (committee charters, corporate governance principles)
- » Become familiar with industry and competitor trends and risks
- » Understand key governance issues in general and
- » Identify programs to supplement understanding of governance issues, director responsibilities, industry considerations

### Board/Company

- » Provide insights on public disclosures
- » Share and provide deep dives on non-public materials (such as board meeting minutes, forecasts, budgets, strategic plans, etc.)
- » Introduce key executives and senior management team
- » Arrange site visits

## THE IMPORTANCE OF TAILORING

One size does not fit all when it comes to director induction programs. The best programs are formalized and tailored to take into account the unique backgrounds, experiences and expected committee responsibilities of each new director. These bespoke programs should be designed to familiarize a new director on key topics, ranging from the board's structure, governance, and responsibilities to the company's strategic objectives and key performance indicators (KPIs), financial reporting, and relationships with investors and management. They should also be structured to assist less experienced directors in developing the skills and knowledge required for their service on the board and its committees.

Director induction programs are a natural extension of the recruitment process. Candidates for a board seat will have done their own due diligence in preparing for interviews, and through the interview process, they will have enhanced their understanding of the company and the board. By providing deeper dives into company strategies, challenges, risks and competitors and offering access to company executives and functional and business leaders, an effective onboarding program will help a new director feel more fully immersed in the company, board and the industry and know where to go for additional information.

Certain components of onboarding programs are relevant for all new directors. Meetings with other directors, key executives and business leaders to gain business insights –about the company, its strategies, KPIs, challenges, products, services, key customers, key players, major investors, the wider business context; and the culture of the board and how it operates — are of value to any new director.

Programs for directors without previous board experience must also include general training on the role of the board and individual directors, governance regulations and listing requirements, and issues affecting boardrooms today. A common difficulty for first-time directors, especially senior executives, is adjusting to the oversight role of a director. Some first-time directors take longer than others to understand the distinctions between management and governance. Chairs/lead directors need to be sensitive to the challenges in making this transition and advise a new director on the nuances involved.

Any new director shoulders an immense responsibility to understand a business and its culture, to become familiar with the executive team and to assimilate onto a board. A day or two of meetings with the management team and a full library of reading materials are first steps to onboarding a new director. But the best induction programs go beyond and are intentionally ongoing, designed to support and strengthen a new director during at least the first 12 months on the board. Calendaring onboarding activities (such as site visits) throughout the year is one way to foster an ongoing onboarding programs.

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## NEW DIRECTOR EXPERIENCES

Spencer Stuart conducted an online survey and interviewed recent placements to understand their insights on their onboarding experiences and their views of best practices. Nearly two thirds (63%) of the respondents are serving on their first public company board.

The surveyed directors were generally satisfied with their onboarding experiences. Several reported receiving no onboarding.

**RECOMMENDATION:** Directors value formal onboarding programs that clearly detail processes and expectations, include a robust library of pre-reads well in advance of the first board meeting and any meetings with directors or company executives and provide channels for follow-up questions. Formalized and structured onboarding programs enable new directors to understand onboarding expectations and proactively identify potential gaps.

The onboarding programs of nearly all of the surveyed directors included meetings with the CEO, independent chair/lead director, chief financial officer, corporate secretary and/or other corporate executives (such as chief technology officer, chief human resources officer) after their board appointment. These meetings were frequently considered the most valuable component of their onboarding experiences. However, while meeting with other directors was also highly valued, less than half of the surveyed directors reported meeting with committee chairs or other directors after joining the board.

**RECOMMENDATION:** Meetings with the executive team, key senior managers and all other directors should be a core component of all onboarding programs. Formal meetings with directors and informal get-togethers for the full board enable new directors to better understand boardroom dynamics, board culture and director backgrounds and perspectives.

Information on the company, its strategies and financials was another highly valued and generally standard part of the surveyed directors' onboarding. More than three quarters received an overview of company strategies on a historical and forward-looking basis. Materials provided frequently included strategic plans, board books/historical board information, and financial information. Just over half received briefings on company investors or visited company operations (with the lion's share of these visits scheduled by the company). Many of the surveyed directors said their onboarding experience would have been enhanced by even more information than they received during onboarding.

**RECOMMENDATION:** More rather than less should be the guiding principle when it comes to onboarding efforts to acquaint new directors with company strategies, financials, organizational structure, business units, key performance indicators, competitors, risks, industry considerations, regulatory environment, investors, Wall Street views and board history (past agendas, minutes, etc.).

Another common feature of onboarding meetings is committee meeting attendance. A significant majority, 83%, reported regularly attending all board committee meetings. Several surveyed directors identified committee meeting attendance as the highest-value component of their onboarding experiences.

**RECOMMENDATION:** With so much board work delegated to committees, encouraging new directors to attend all committee meetings can be an effective approach for accelerating their understanding of the company and the board.

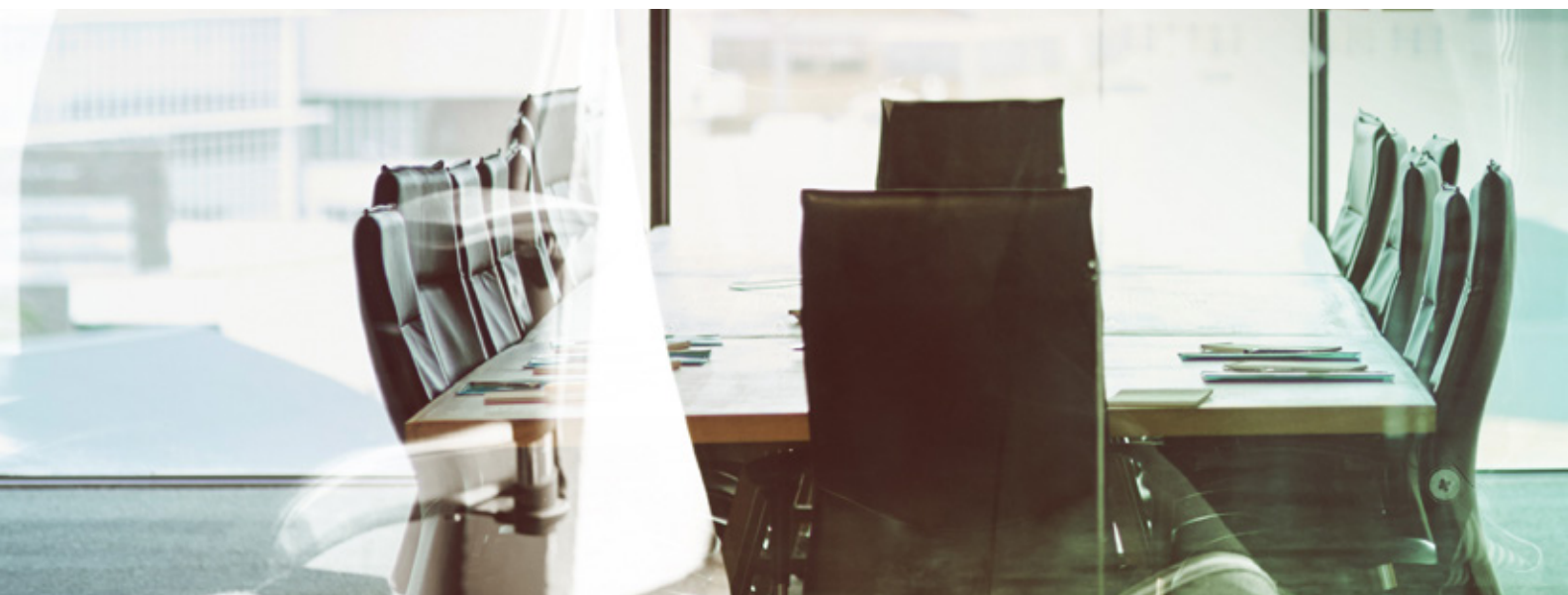
Just over half (51%) of the surveyed directors met with one or more external advisors as part of their onboarding. Of that group, meetings with external auditors were most common, reported by 62% of the directors. Only about a quarter of the directors meeting with external advisors reported meeting with either the compensation consultant or outside counsel to the board. Surveyed directors did not prioritize enhancing this aspect of their onboarding experiences.

Only 12% of the surveyed directors reported having a mentor on the board, and of those, slightly more than half (57%) were formally assigned. However, a number of the surveyed directors said they would value some sort of board mentor.

**RECOMMENDATION:** Directors find value in being assigned a more experienced director mentor to provide coaching and feedback and offer insights on board culture and dynamics.

## ONBOARDING CHECKLIST

- » Share a document formalizing the onboarding program tailored for each new director and ask for input on gaps
- » Distribute a library of pre-reads of governing and other core background documents
  - Director profiles and contact information
  - Committee assignments
  - Board and committee calendars
  - Prior 12 months' board materials and minutes
  - Company charter and bylaws
  - Board committee charters
  - Board corporate governance guidelines
  - Company code of business conduct and ethics
  - D&O policy
  - Strategic plans
  - Financial reports, including annual report, budgets and projections
  - Past earnings releases
  - Investor presentations for the past year
  - Analyst reports for the past year
  - Executive incentive plans (annual, long-term, other)
- » Review board-specific “nuts and bolts”
  - Director roles and responsibilities (key for first-time directors)
  - Board portal
  - Board/committee activities — not just what the next board meeting is about, but the key processes of the board/committees over the course of 12 months of board meetings
  - Director compensation and perquisites
  - Stock ownership expectations
  - Travel, expense reimbursement and other policies
- » Schedule meetings with key business executives and functional leaders, including finance, marketing, IT, HR, legal, IR, internal audit and other key areas for presentations on topics such as:
  - Business model, KPIs, profitability and performance, with a review of both past performance for context purposes, current objectives and projections and long range plan
  - Industry insights, including trends, comparisons, key competitors, potential disruptors
  - Company operations, operational challenges and underlying infrastructure



- Organization chart
- Results of most recent employee survey
- Capital strategies, resources and covenants, including lines of credit and longer-term credit facilities
- Risk profile, including how the board views sector and company risk; and how management assesses, presents and articulates risk
- Regulatory, legal and governance issues
- Key customers, opportunities and vulnerabilities
- Company investors, with insights on investor perspectives of the company and summaries of feedback from engagement with investors
- » Schedule one-on-one meetings/calls with all directors, prioritizing independent chair or lead/presiding director and chair of each board committee
  - Most recent board evaluation (with appropriate independent board leader or committee chair)
  - Most recent committee evaluations (with appropriate committee chair)
  - Most recent CEO evaluation (with appropriate independent board leader or committee chair)
  - CEO succession plan (with appropriate independent board leader or committee chair)
  - Committee roles and responsibilities
- » Calendar one-on-one meetings with external advisers such as accountants, compensation consultants, outside counsel to the board
- » Schedule an informal “meet and greet” for directors to socialize before commencement of the new director’s first board meeting
- » Encourage new directors to attend all committee meetings for the first year of board service
- » Plan site visits to enable new directors to get a better sense of how the business works and an opportunity to meet people on the ground
- » Invite new directors to attend industry tradeshow
- » Encourage new directors to attend investor day and listen to quarterly investor calls
- » Assign an experienced board member as a mentor to coach and share feedback, provide perspective on boardroom activities and dynamics, help with meeting preparation, explain aspects of board papers, and debrief and act as a sounding board between meetings
- » Support participation in third-party educational programs for directors; recommend specific programs as appropriate

## CONCLUSION

Since space is limited in the boardroom and each director is a strategic asset, successfully integrating new talent and perspectives is critical. The best boards recognize that a formalized onboarding program is key, and they know that the best onboarding programs require a commitment from both the board and the new director.

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