

Board succession: Getting it right

A strong board needs a strong director succession plan. Many effective public and private boards employ practices similar to ours.

BY MIKE FUCCI

With a strong board of directors, a company can impact the present and forge the future. But how does a company get a high-performing board? How does it “grow” board members? How does it handle board member succession? Often, the answers are different for public and private companies.

Board candidates for public companies are sourced from outside the organization, many times with the help of recruiting firms. It’s a highly competitive process with many candidates and few openings. These directors come “ready made” and are often former CEOs and financial experts.

As a private partnership, Deloitte is different. Our board consists entirely of our current partners. We don’t use recruiting firms or look externally for directors, so a strong governance-focused leadership development and succession process is vital. I’ve observed that many effective public and private boards employ practices similar to ours. They apply them in ways that are tailored

to their organizations. It takes time, but the rewards far exceed the investment.

One way we identify potential board members is to use a 10-12 person board council. The organization’s nominating committee, management, and board identify candidates by assessing their independent thinking, appetite for tackling tough issues, and willingness to speak up. In consultation with the board and CEO, the chairman selects the candidates. Each candidate attends two board meetings per year as a non-voting observer, sits on a board committee, and attends an annual strategy retreat with management and the board. In addition, each candidate is assigned to lead a group project related to a difficult governance issue and present the group’s findings and recommendations to the board.

Multiple incubators

In my three decades at Deloitte, I’ve learned that it helps to have multiple incubators for developing new directors rather than relying on just the traditional “next-in-line” approach. We focus on both traditional and non-traditional channels for identifying and cultivating leaders and successors.

Here sponsorship can play a key role in director succession planning and board composition. Sponsors are current leaders who identify candidates for key roles and advocate on their behalf.



Mike Fucci is chairman of the board of Deloitte LLP (www.deloitte.com). As chairman, he leads the firm’s board of directors in providing governance and oversight as well as guidance on priority matters such as firm strategy, brand positioning, risk mitigation, talent development, and leadership succession. For the past 33 years he has been a practitioner and principal at Deloitte, with specialties in human resource transformation, talent strategies, and total rewards.

These candidates are then exposed to a wide variety of experiences, where they can develop and sharpen their skills. It's important that candidates are given the opportunity for "horizontal" growth — the ability to do something outside of their comfort zone. Along with their own unique perspectives, they become well-rounded leaders who are groomed to be decision makers and ultimately board directors.

I wouldn't be where I am today without sponsors. As I've developed as a senior leader, I've discovered that one of my strengths is helping others find theirs. I've adopted a personal leadership focus to find hidden "gems" and bring them to the succession table. They weren't "in line" and might not have been considered had it not been for the work of a sponsor.

Diversity is another important part of director succession planning and board composition. For a company — public or private — to operate at its best, diversity of thought should exist in the boardroom. Board composition and succession planning is about inclusion in terms of skills, knowledge, and viewpoints.

Traditional dimensions of diversity, such as race, gender, and tenure are important, but research has found that leveraging unique strengths, perspectives, and experience (inclusion) drives collaboration and increases business growth. Does the board have the right mix of talent, expertise, perspectives, and experience to meet the company's short- and long-term business goals? Does the board include leaders who are open-minded to others' points of view and have the courage to challenge the status quo?

Making the biggest breakthroughs

Great leaders invite difference into the room. Not only because it's the right thing to do, but also because it makes the entire team better. I've seen firsthand how diverse teams make the biggest breakthroughs, have the greatest impacts, and solve the most challenging problems. Different

ideas, opinions, and backgrounds make an organization stronger. Great leaders not only understand that concept but welcome and embrace it.

When clients ask me about creating an inclusive environment where the diversity of each individual is realized and employed in their boardrooms, I answer, first, with questions:

- How effective is your board? Are you recruiting directors with the experience, expertise, and education needed for the collective board to address the key issues facing your organization?

- How diverse is your board? Do you measure diversity solely in terms of gender and ethnicity, or do you consider other aspects of diversity? Do you need to broaden your search for director candidates beyond the communities from which you have traditionally recruited in order to bring a wider skill set to the board?

- Is your drive to diversify your board driven by requirements of regulators or the expectations of your stakeholders? Do you see the full value of a diverse board and does your organization promote an inclusive environment?

Answers to these questions and others help formulate a plan.

A strong board needs a strong director succession plan. And a strong succession plan needs a robust leadership development program. When you get it right — by having multiple channels from which to cultivate leaders and successors, by embedding diversity into the board composition, and by using approaches such as sponsorship — you differentiate yourself as a leader in the marketplace. ■

Questions related to this article can be addressed to Noha Georges at ngeorges@deloitte.com.

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