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Director Journal has a new publication schedule. In an effort to engage readers more effectively, the ICD has revised the journal's publication schedule to September, November, January, March, May and July. If you have any questions or concerns regarding this change or other matters related to *Director*, please contact the ICD at icdinfo@icd.ca

Connecting The Board With The Business

BY ROCCO CAPPUCCITI

Senior Vice-President, Transactions & Administration and Corporate Secretary, Maple Leaf Foods

ONE OF OUR CORE LEADERSHIP VALUES AT Maple Leaf Foods is “*dare to be transparent, passionate and humble by having the self-confidence and courage to be completely candid and willing to communicate in a trusting manner*”. So, it is a natural fit for our corporate culture to have a “Board Connect” program that gives directors an unfiltered view of our day-to-day operations.

The Board Connect program was created to further engage our Board of Directors in the business and to give Maple Leaf senior leaders the opportunity to interact with the seasoned business people on the Board. The program started in 2005 with the external directors of Maple Leaf Foods and in 2008 expanded to include the external directors of Canada Bread (Maple Leaf Foods owns 90% of the Canada Bread Company). Given the experience and success of the program, the company now sees Board Connect as an integral part of Directors’ continuing education.

Board members are asked to commit one day in the business, when he or she is hosted by a Maple Leaf leader, attending meetings and interacting with the leader’s team. Over 25 different Board Connect days have taken place to date, from budget meetings and plant audits to retail store visits and product development reviews. The day is not a sugar-coated presentation to the board member; the experience is transparent and meaningful, involving regular business activities and challenges.

Richard Powers, Associate Dean of the Rotman School of Management and Academic Director of the ICD Directors Education Program at the Rotman School, says that allowing directors private access to senior management is not common. He notes that many organizations have orientation programs, which include facility tours and on-site visits, but few companies in either Canada or the U.S. take the next step of having directors spend a day in the business. “You need a CEO who is willing

How Psychometric Assessments Can Enhance Board Recruitment and Performance

BY CHARLIE REGAN

President, Customer Care Effectiveness

OUR BOARD MEETING WAS DONE. THE chair had followed the agenda and the members had asked probing, insightful questions about issues and risk. But a few topics took more time than expected and the CEO was occasionally frustrated - and even sometimes defensive - when asked about his report. As the newest member of the board, it seemed to me that interpersonal dynamics were impacting the group's effectiveness. I concluded that this board was not performing to its potential.

The nominating process and interviews I had with the governance and nominating committee were still top of mind for me. The committee had a textbook governance process in place. It included the pre-determined skills and experience required by board members, selection criteria, the right questions to gauge candidates' skills and experience, and the process for evaluating candidates against the selection criteria.

Nevertheless, I felt the board could improve on time management of its meetings. For most items raised at the meeting, we needed extra time. Why was the board not performing to its potential? Was it because of the meeting process, my colleagues on the board, or changed dynamics arising from new members joining the team? Or maybe something else?

No doubt all directors and CEOs can share stories about group dynamics or problems with personalities. In his book *Owning Up: The 14 Questions Every Board Member Needs to Ask*, Ram Charan says: "When you have eight to twelve people around a table, group dynamics and chemistry are fundamental." Of course, organizations must always deal with group dynamics, but we really have no idea about the true cost of board dynamics and interpersonal relations.



The Gallup Organization estimates that companies sacrifice over \$300 billion every year to such productivity issues as engagement, interpersonal issues and group dynamics. Similar productivity issues impact the effectiveness of board meetings and may result in the resignation of board members or high-performing CEOs. Clearly, this is a lot of money, almost twice the total cost of the U.S. Space Shuttle since its inception. What can be done?

Articles about good governance recommend board assessments which can be accomplished through a questionnaire or by having a consultant conduct a review, including interviews with directors, and then coach the board on findings. Both approaches can work. What is critical is that all boards should consider enhancing their governance processes with such assessments.

Modern corporations use psychometric and personality assessments to provide valuable information about potential board candidates, and to help understand the working relationships between directors as individuals.

The information gathered from these assessments helps governance and nominating committees make informative and effective candidate selections. Boards can also use this information to improve individual members' working relationships and to get a better grip on group chemistry.

Psychometric assessments are valuable tools used by corporations for hiring, succession planning, coaching and improving team dynamics. If a board chooses to conduct assessments, quality factors – such as reliability and validity – will come into play, like any other decision. A typical personality style assessment measures how individuals assess themselves and describes how they interact with their work and/or personal environments. These types of assessments help people to understand their personality style and how their style impacts others. For a board of directors, a psychometric assessment can help select new members, provide a better understanding of how new members will integrate with the board and how new members could affect existing group dynamics. Both incumbent directors and the successful candidate(s) will also benefit from learning about their results, thereby making each new member's entry into the boardroom smoother.

Board Member Selection

Psychometric assessments help recruit the right people for the right positions. Incorporating them into the board-nominating process allows a governance and nominating committee to develop an objective understanding of a particular candidate's characteristics and style and helps assess the impact a candidate will have on the board.

Hunter and Hunter¹ studied successful recruiting processes and found that a selection team using only results from face-to-face interviews together with references had a success rate of only 25 percent in selecting the right person. But the success rate improved when the hiring committee had information about a candidate's cognitive and behavioural traits, occupational interests and performance-matching criteria. By including results of the psychometric assessment – with other factors – the rate of recruiting success jumped to 75 percent.

Board Dynamics

Another application of psychometric assessments is in understanding how a group's cognitive and behavioural traits impact the interpersonal dynamics of the board and how the group functions as a team. It is human nature to want to work with people who share similar characteristics and beliefs, but this can be both a strength and a weakness. While like minds and approaches can help board members probe situations and reach consensus more quickly, the notion of independence of thought from diverse perspectives – where members are encouraged to dialogue and probe a topic from various points of view – may result in different conclusions.

With psychometric assessments of all directors, a board can analyze the group's consolidated results thereby obtaining a reading of the board's "DNA". This allows directors to see how different personality characteristics impact the board process, not to mention the interpersonal aspects of board meetings. Such knowledge can shape the approaches of individual board members and help to ensure that all members are involved in the dialogue.

CEO-Board Interactions

Another area for potential conflict is between the board and the CEO. Board members want to use their collective wisdom to advise the CEO, to ensure that the right strategies and actions are taken for the corporation's benefit. Boards grow and evolve through the director selection process, and eventually they develop their own "DNA" which determines how members operate and deal with one another. But if a board's "DNA" characteristics are different from those of the CEO, these interactions may get strained. Only when all parties appreciate the differences in personal characteristics does the working relationship have a good chance to become stronger and more effective.

For example, a CEO whose problem-solving technique is intuitive and who is a quick decision-maker may be perceived as quick off the mark and even perceived as impatient during a detailed discussion about the advantages and disadvantages of a certain decision. This perception occurs because the CEO reaches decisions quickly – precisely because of his/her intuitive and decisive nature – while a number of board members may use a more methodical approach

1 "Validity and Utility of Alternative Predictors of Job Performance", Hunter and Hunter, Psychology Bulletin, Vol. 96 #1, page 90.

to decision-making. No surprise in this case that there could be conflict. But, if these board members recognize these factors about the CEO, they will better engage the CEO in the dialogue by posing questions and taking advantage of the CEO's knowledge and experience. Taking these steps will help engage the CEO with board members, even though different decision-making styles are at play.

Conclusion

Authors of good governance documents suggest obtaining feedback from board members through survey questionnaires. Surveys provide a governance and nominating committee with perceptions about both the individual director and the board's performance, but they do not necessarily capture the characteristics or particular styles of board members. However, understanding personal characteristics and style through assessments can significantly impact the interaction and effectiveness of directors. Thus, assessments are effective tools for boards in gaining information and knowledge about themselves.

We can learn to understand a board member's characteristics and style in two ways: 1) observe the various board members over a long period of interactions, and reach a conclusion about each member's characteristics and style; 2) use objective information tools like psychometric assessments. These assessment tools can be used by a board to improve the success of the nominating process, improve the understanding of a board's "DNA", and improve the dynamics and chemistry of board members.

How to integrate new directors and evaluate the impact they will have on board dialogue and effectiveness are crucial to the success of any board. There is no question that good governance ultimately brings positive change to the board and in turn to its dynamics. Understanding those dynamics is part of good governance too.

Mr. Regan can be reached at (416) 805-8120 or charlie.regan@customercareeffectiveness.com.

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