

## **Building the Capable Board: How to Develop and Use a Board Competency Profile**

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How do you strengthen your board of directors? One director at a time. It may sound like a punch line but it's true. The single biggest determinant of the quality and competence of governance is who you have serving as directors.

In recent years, there has been an increasing interest in applying the same techniques to recruiting board members as to recruiting employees. Nominating committees are now deliberately searching out and enlisting candidate directors with the skills and experience to match the requirements of their organizations.

Even if a board is comprised of directors elected by constituencies and/or appointed to the board, a nominating committee can influence the process by communicating the skills and experience especially needed on the board in a given year. Most people want their boards to be effective, and nominators may well consider filling these gaps with the people they put forward.

How do we start down this path? The first step is creating a Board Competency Profile.

A competency is the ability to apply skills and knowledge effectively. When expressed in behaviour, competency contributes to successful performance and can be measured favorably against accepted standards.

A Board Competency Profile describes the competencies needed on a board of directors based on both what current board members believe are important skills, attitudes and knowledge areas and what the organization requires to meet future challenges. A Board Competency Profile reflects the talent needs of a board and should change from year to year, because needs do.

### **Identifying the Essential Competencies**

A Board Competency Profile can be developed either using the organization's own resources or with the help of a consultant. In the first case, a nominating committee may simply identify what, in its view, are the essential skills and knowledge needed on the board. A more thorough process involves engaging a consultant who interviews current board members and management and reviews the strategic plan's requirements. The advantage of this method is that senior staff and members can have frank conversations with the consultant about who the board really needs.

The following format of a Board Competency Profile has been found to be particularly useful. This profile consists of three basic types of competencies, which are then entered into a Board Matrix:

1. **Personal/Interpersonal Competencies** describe those personal and interpersonal skills that individuals should exhibit when they come onto the board of directors. For example, being able to communicate well, be a member of a team, being honest, and so on. They are foundational competencies, in that very few nominating committees will put forward a candidate if the individual does not have these most basic desirable traits.

2. **Governance Competencies** describe the governance competencies applicable to the role of all directors. In today’s environment all board members should acquire these competencies over the time they serve. Thus, they are “developmental”. Examples are thinking strategically, appreciating the difference between governance and management, understanding risk management, and so on.

3. The next type, **Specific Competencies**, are of two kinds:

a) *Technical skills* which assist the organization with specific and ongoing aspects of organizational or governance business. Not all individuals are expected to develop and demonstrate technical knowledge such as of accounting, marketing, human resources, law, or information technology.

b) *Strategic competencies* which are specialized competencies that will help propel the organization forward in its strategic direction. Again, not all members are expected to bring these competencies. Strategic competencies usually relate to issues facing the organization and the knowledge, experience or access to resources required to face these challenges successfully. Examples are competencies related to creating new partnerships, developing entrepreneurial activity, and so on. These knowledge and skill-sets are not meant to supplant management’s expertise. Rather, directors with these competencies will contribute substantially to strategic conversations and help the board better coach and support staff.

Optional Section: Sometimes representation is important. If so, there can be a section for the Sector or Geographic Origin of directors. These aspects are not so much “competencies” but considerations.

Not all of these sections are mutually exclusive. They do however force thinking along different lines and the resulting list of competencies can be quite illuminating. After reviewing the Profile for her organization, one member of a nominating committee said: “I actually hadn’t understood before now what a director can, and should, bring to our board.”

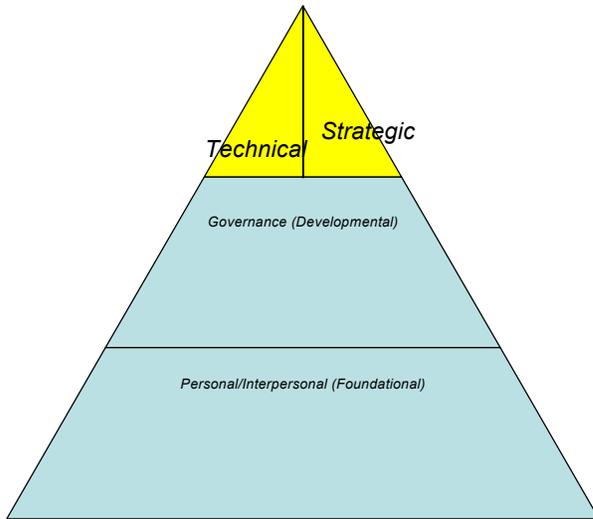
For an even more nuanced profile, competencies can be listed in order of importance, or weighted. However most profiles start out as a simple list.

**SIDEBAR**

**Model of Board Competencies**

The bottom part of the triangle, the widest section, indicates the interpersonal competencies that should be possessed by all directors. Governance, the mid-section, is a shared set of competencies most, if not all, members of the board

should demonstrate. The narrow peak of the triangle indicates that not all individuals on the board need demonstrate technical or special strategic competencies but these are needed in the overall mix.



Next, create a Board Matrix grid in Excel. Plot the names of the competencies along one axis (the rows) and the names of and data on individuals along the other (the columns).

### Using the Board Competency Profile and Matrix

Let's now put this tool to work:

- 1. Understand the Competency Profile of the Current Board:** Populate the Board Matrix by gathering and inputting information about current board members. Name a column for each board member and then indicate by a checkmark whether or not he or she has the competencies listed in the various rows. Use the Board Competency descriptions to reflect on that board member.

A nominating committee may do the assessment or alternatively, individuals can identify their own skills. Although we all know that there are board members who will judge their own competencies at a higher level of competency than others observe, the process reminds all of the requirements of their board. Everyone can improve their competencies and this should be emphasized.

Once all of members of the board are plotted into the Matrix, the nominating committee reviews the results. If board members are retiring, then any gaps in competencies with their departure will be revealed.

The nominating committee identifies where the strengths are and what competencies/attributes are especially needed. This will involve their prioritization of the competencies.

With this information in hand, the committee now can actively search for candidates.

## **2. Consider New Candidates**

Next, use the Board Matrix to consider new candidates. Enter candidates into the Matrix and see if they match against the identified gaps and to the overall requirements of the Board Competency Profile.

The challenge is to glean from the resumes or nominations material what you need to know for putting the candidate into the Matrix. What often happens is that questions are generated for the candidate or nominator. This contributes to an improved screening and interviewing process. There are now specific questions to ask.

Ideally, members of the nominating committee should interview a candidate. This ensures that he or she understands the responsibility and commitment involved, and that there is a good fit. In one organization, candidates said afterwards that they were highly impressed with the diligence and professionalism of the nominating process. They said the interviews (and the Competency Profile) made them take their board position more seriously.

## **3. Determine Board Training**

A Board Competency Profile and Matrix can also be used for identifying the full board's professional development needs. After completing the Board Matrix, the nominating committee may learn that the board is weak in a competency that is important for all members to demonstrate. Board training can be organized to address these areas.

## **4. Develop Board Evaluation**

Use of the Board Competency Profile and Matrix for the evaluation of individual directors is more sensitive. This is a judgemental process and raises questions as to who should legitimately do this evaluation and with what information. Nonetheless, a Board Competency Profile can contribute to an evaluation process for the board as a whole. After all, the Profile points to the skills the entire board should be demonstrating. However, because the competency profile does not speak to board processes (meetings' and orientation processes for example) or its performance (strategic planning success, actual financial stewardship, etc.) it is not, in itself, a sufficient tool.

## **5. Strengthen Accountability**

It is impressive transparency to be able to point to a distinct and objective board nominations process. Any idea that there is an "old boys' network" at work can be dispelled. Rather, there are clear stated competencies allowing individuals to know what experience and skills they must possess to be considered as directors. The process builds confidence in the board of an organization.

### **Conclusion – A More Capable Board**

The process of building a Board Competency Profile and Matrix is not difficult. It takes focus and, yes, a little more time and effort. Yet many organizations are taking this path because -- with this information in hand -- recruitment is targeted and more effective. Their nominating committees are thinking deliberately about their boards' capacities and only recommending solid nominees who truly "add value".

We would not think of going out and hiring an employee without considering those employed currently, their skills and knowledge, and the gaps of competencies amongst them. Let's bring this same diligence and care to board recruitment. Our organizations will be better served and we will enjoy more vibrant and successful organizations as a result.

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