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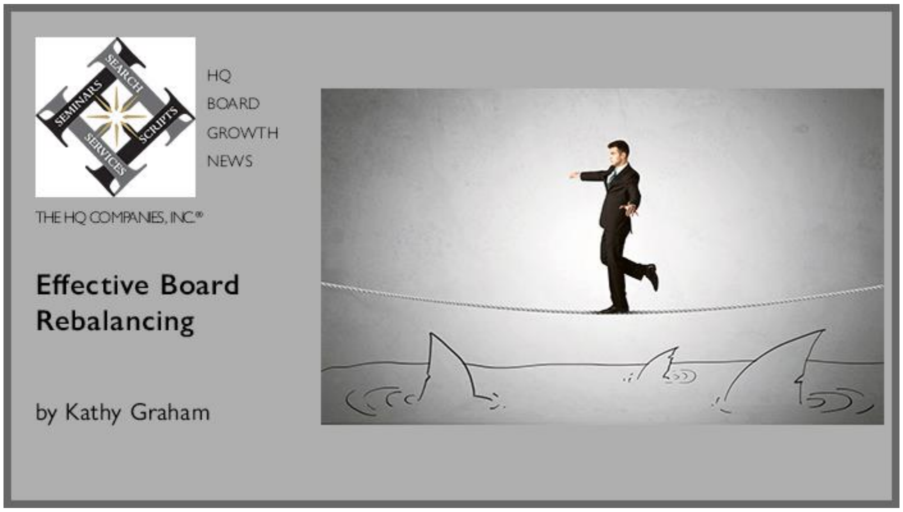

EFFECTIVE BOARD REBALANCING

by Kathy Graham

Companies have had to dramatically change their marketing, supply chain, operations, etc. strategies as they’ve faced global pandemics, digital impacts, China and Russia declarations of intent to expand their physical borders, divided political parties/major changes in government practices/people, ESG impacts, corporate shareholders now including all stakeholders, etc.

Public, private, and nonprofit companies that have fiduciary boards—i.e., boards with a real legal voice in providing direction, strategy, risk/marketing oversight, and succession planning—are now facing that their board size is perhaps no longer optimal AND/OR that their board directors might not have the skill sets needed to optimally face these fast-changing market/economy situations.

The question is what does a company do to confront this dilemma?

If large enough a company, many are choosing to do nothing except perhaps add a few more seats to the board that are filled with individuals with the appropriate skills/mindset.

However, if a company has gone through serious rightsizing and/or is small without the option of adding a few more new board directors, the following is an approach many are taking to rebalance their board appropriately.

1. Determine the company’s next growth goal strategy.
2. Using a skills matrix, determine each skill that will be needed from a strategic/risk-opportunity oversight board lens. Mark down next to each skill what its importance is in achieving that next growth goal strategy.
3. Review each board director, noting which of the needed skills each individual has, then focus on those directors missing the desired skills.
   - Can the person pick up the missing skill(s)? If the person is a valued director otherwise, it’s worth enrolling the person in a 3–5-day upskilling training course.
4. For those directors missing skills and upskilling is not an option, a one-on-one private individual conversation with each affected director is essential.
   - Discuss the skills matrix and ask what the director thinks would be the best way to proceed to remedy this disconnect.
   - Have some options to discuss, including the person leaving the board in some positive manner with their past services lauded and a recommendation to other boards where the person’s skills would be a great fit.

     After all, the person is still a great director, it’s the company and the market that has changed, so the fit between the person’s director skills and the board’s newly needed strategic skills is all that’s changed.

Avoiding such conversations does not bode well if the company is public, given that the universal proxy card now makes it easier for activists to suggest directors to replace those with skills disconnected from the board’s best direction.

Being a private company and/or a smaller company doesn’t make such conversations any less necessary as there are always investors looking for companies to acquire, roll up, etc., plus the threat of disappearing as a legal entity is high in such an unsettled world.

In addition to using a skills matrix, another tool to review at this juncture is an appropriate board portal, which come in many different types that fit large/small, private, public, and nonprofit companies and have a range of features, including automation of data collection to minimize scarce human capital time that could be much more valuably employed elsewhere.

Starting the New Year off with an appropriately conducted board review can be a great way to ensure that 2023 truly will be a HAPPY & PROSPEROUS NEW YEAR in a world of continuing tumultuous change.