

How Involved Should a New CEO Be in Board Recruitment?

ARTICLES BOARD/CEO RELATIONSHIP April 1, 2024



0:00 / 6:53

Board chairs and nom/gov committee chairs often ask the question, “When and how should the CEO be involved in board recruiting?” The question is even more important when a new CEO is in the role and there is a need to define working relationships and practices. Over the past couple of decades, there have been a range of practices on this topic, from deep CEO involvement in slate generation through selection, to the board having the CEO interview near the end of the process once the board has narrowed its selection down to a couple of finalists.

The question and timing of CEO involvement is an understandable concern for board leaders. Directors have a fiduciary responsibility to ensure the board runs smoothly and

effectively in their governance responsibilities, and nothing ruins that faster than an independent director who feels obligated to the CEO, a board colleague who is not collegial or a director who oversteps their role and crosses the bright line into management.

At the same time, it is no surprise that almost all CEOs want to be highly engaged in director selection. It is essential that every member of the board can both challenge and support the CEO and senior leadership team. It is not an exaggeration to say that one bad director on a board can make the difference between a successful CEO tenure and a difficult one. For those reasons, CEOs want to have confidence that the right people are sitting around the boardroom table.

Last year, my colleagues and I in the Americas recruited over 500 corporate directors, and we have seen it all: Board chairs that are so overly focused on showing independence that they exclude the CEO until near the end; nom/gov chairs, usually on a board with a combined chair and CEO, who want to control the process and do not collaborate with other directors; and CEOs who want both the first and last word on who joins the board.

We have found that companies with less sophisticated governance practices are more likely to work in less productive ways, with inefficient practices in place, and a focus on activities with low value contribution. Another worrisome observation: The more that the “independent directors” cherish their board seat (especially if it is their first or only board role), the more likely they are to be overly deferential to the CEO or chair’s wishes. As our Gold Medal Board research has shown, critical thinking and productive disagreements are essential to a high-performing boardroom and “independent directors” often fail to deliver in that regard.

What then is the right role for the new CEO to play in this process, and how can a CEO and board leaders work together to reach the best outcome?

Regardless of whether your CEO is long-tenured or brand new to the corner office, consider these insights.

The CEO, independent board leader (board chair or lead independent director) and nom/gov chair should jointly define the list of skills, experiences and abilities they are looking for in new board members. There should be no disagreement about what type of director candidate the company is looking for when they begin the search. Additionally, jointly creating the candidate profile, with the full nom/gov committee’s sign-off and approval, ensures the three major stakeholders and the full committee are all in agreement. As an added benefit, developing the candidate profile together provides an opportunity for these three key leaders to develop their working relationship. They can discuss the board and current directors, what is working well and what is not. The committee weighing in and providing sign-off

ensures a broader range of stakeholders are involved. Ideally, rather than focusing on just the immediate recruiting need, a multiyear, multi-director recruitment plan is created, with the full board weighing in and approving the approach.

The CEO should be involved in the creation of the candidate long list. Potential directors are identified through a variety of methods, from current board members' networks to the use of executive search firms. While the nom/gov committee leads the process, they should ask the CEO about potential director candidates to consider. Assuming an otherwise healthy recruitment process, there is no reason to shut out the CEO and their recommendations. Any director candidate who was recommended by the CEO should be treated like any other candidate – but with additional probing during interviews to ensure they are not beholden to the CEO and can act in a truly independent manner.

The CEO should interview candidates early — not first and not last. Since the CEO was involved in the creation of the candidate profile and had an opportunity to recommend potential candidates, they should be comfortable with the nom/gov chair and either the board chair or another nom/gov committee member conducting the first interview and screening out director candidates who are not the right fit. The CEO should interview next and assess whether the candidate has the right cultural fit and the expertise and insight needed by the company and the board. Do not have the CEO interview any later in the process — if a candidate and the CEO do not align, they should not get appointed to the board. Filter those candidates out early to increase efficiency in the process.

When interviewing director candidates, the CEO should use their pocket veto wisely. Following the second round of interviews, the CEO should be empowered to veto any potential director candidate, but they need to be thoughtful and restrained when doing so. Sometimes a CEO might not hit it off with a candidate in a 60-minute conversation, but that director candidate could add significant value to the board and be a strong partner to the CEO. The CEO and nom/gov chair need to reflect carefully as to how to handle borderline candidates.

The average director tenure in the S&P 500 is just under 10 years. Companies are not quick to remove directors — even bad ones and even when there is widespread agreement that they are not the best fit for the board. The CEO, independent board leader and nom/gov committee chair all have a vested interest in ensuring that, when a director is recruited, they are the best person for the seat. Working together, sharing honest insights and operating with clarity as to what a “great candidate” looks like for the position will go a long way toward making sure the directors sitting around the boardroom table are the best people for the role.

