

What will be the board and C-Suite talent requirements? V2

What is the purpose of this article?

Enable the board of directors and C-Suite to have a discussion regarding their talent requirements and how to manage those requirements.

What are the critical learnings in this article?

- 1) A company without a competitively differentiated board of directors and C-Suite will not survive.
- 2) Define the current and future value contribution required from each role. Assess each candidate's capabilities in terms of their historical impact on value and their future potential to impact value.

What type of company is this article appropriate for?

- 1) Public companies with no controlling shareholder or group of shareholders (e.g. no founders with dual class shares, no voting trust).
- 2) This article is not designed for private companies with a unanimous shareholders agreement reserving key decisions (e.g. CEO appointment, value creation/strategic plan approval) for shareholders or investors.

Your company's future is uncertain.

- 1) The future global environment is uncertain. (e.g. technology, politics, the economy, climate change)
- 2) Both the future members of your company's ecosystem, and their interactions are uncertain. Members of your company's ecosystem include: customers, employees, local communities, society, and investors.
- 3) Becoming or remaining a large company requires understanding the problems and needs of customers who are willing and able to pay. These problems and needs often change over time.
- 4) Becoming or remaining a large company requires creating and maintaining competitively differentiated solutions and assets. These solutions and assets will be constantly changing and evolving in your company's uncertain future.

Why do you need a talented and competitively differentiated board of directors and C-suite?

- 1) It is your company's competitively differentiated talent which develops competitively differentiated solutions and assets based on a competitively differentiated understanding of your company's ecosystem members.
- 2) Capital availability has grown dramatically over the past 10 years, and is close to unlimited. The availability of quality talent has had little growth. The scarcest talent of all are those people who are able to grow and develop the capabilities of others. Great teams need great coaches and advisors.

What drives talent requirements for the board of directors?

The director can enable long-term success and value creation via the decisions they make; and the actions they take.

The decisions may include:

- 1) Appointment, termination, and compensation of the CEO.
- 2) Review and approval of the CEO's value creation plan (often referred to as the strategic plan)
- 3) Ensuring there is a pool of successors for the CEO and the C-suite.

The value creation actions may include:

- 1) Representing the company with key members of the ecosystem such as government.
- 2) Introducing the company to the directors' network of relationships such as: investors, potential employees (including CEO and C-suite successors), suppliers, business partners.

The directors must have history of enabling value creation.

- 1) Directors are like airline pilots. They aren't needed when the company is smoothly executing the flight plan. The directors are needed when there are problems, crisis and black swan events. E.g. replacing the CEO.
- 2) Each director needs a history of decisions which have resulted in major value creation. For example, past appointments of CEOs who successfully executed their value creation plans. If a director has no history of appointing CEOs, or approving C-suite members, then you need to carefully consider whether they should be nominated. Director education is insufficient. You cannot learn to ride a bicycle by only reading about it. You actually have to get on the bicycle and ride it, and perhaps fall many times.
- 3) If directors are expected to directly create value by their own actions, then they should have a history of actions which have created value.
- 4) The directors as a whole need relevant current understanding of: customers, target markets, adjacent markets, key components of the company's ecosystem, and the global environment.

What drives talent requirements for the CEO?

There are three things only the CEO can do, and no one else in the company:

- 1) Create and maintain alignment of people with the purpose of the company.
- 2) Nurture the company's values, morals, and ethics (often referred to as culture).
- 3) Hire the leadership team and ensure they work well together.

The CEO must be able to oversee the creation and execution of the value creation plan for the company, and modify the plan quickly as circumstances change.

What are the common talent characteristics of the board and C-Suite?

- 1) They must have fluid intelligence. Fluid intelligence is the capacity to think speedily and reason flexibly in order to solve new problems without relying on past experience and accumulated knowledge. The uncertain future means that decisions must often be made for which past experience and knowledge is obsolete.
- 2) They must be able to quickly learn new facts, knowledge, processes etc. and unlearn what is obsolete.
- 3) They must be passionately curious to understand the world around them.

What are the other sets of critical talent supporting the board and C-Suite?

- 1) World class teams need world class coaches. The athletes who win gold at the Olympics also have the best coaches in the world.
- 2) The CEO needs a coach or advisory board, as part of the ongoing development of the CEO. The board of directors cannot coach or mentor the CEO due to conflict of interest. E.g. A director could not vote on something which the director has coached the CEO to create – the director would be voting on themselves.
- 3) The board chair also needs a coach or advisory board.
- 4) Some members of the C-Suite may also need coaches, especially if they are potential CEO successors

What are your next steps?

Create ongoing process for managing Board of Directors, CEO, and C-Suite talent.

- 1) Outline the members of your company's ecosystem, including customers.
- 1) Describe the components of the global environment which may impact your company's ecosystem.
- 2) Create multiple future scenarios for your company.
- 3) What are the implications for the talent you may need: board of directors, C-Suite, CEO advisory board, and Coach(es) for directors.
- 4) A company without a competitively differentiated board of directors and C-Suite will not survive.
- 5) Define the current and future value contribution required from each role. Assess each candidate's capabilities in terms of their historical impact on value and their future potential to impact value.
- 6) Determine whether or not the board has a role and accountability for value creation. e.g. relationships with 3rd parties. In private companies, the board and shareholders/investors often have a role and accountability for value creation. In many public companies the board does not have a value creation plan. The only value creation plan is the one the CEO is accountable for.
- 7) Prior to a new director being nominated, they should be a compensated board observer for one year. This allows them to be evaluated.

What further reading should you do?

Why are values, morals, and ethics important?

<http://koorandassociates.org/values-morals-and-ethics/why-are-values-morals-and-ethics-important/>

What is the purpose of your company?

<http://koorandassociates.org/corporate-governance/what-is-the-purpose-of-your-company/>

Is your company planning to fail?

<http://koorandassociates.org/avoiding-business-failure/is-your-company-planning-to-fail/>

Traditional strategic planning dooms companies to failure.

<http://koorandassociates.org/strategy-and-strategic-planning/traditional-strategic-planning-dooms-companies-to-failure/>