How to Build a Successful Director Onboarding Program

By Cindie Jamison and Jennifer W. Christensen

WHILE A STRONG onboarding program is important for any new board member, it is particularly valuable for first-time directors, especially those who may have limited or unsubstantial boardroom and board governance exposure. A board role is often the longest-tenured position one has in their career, so it is very important to get off to the right start.

For a long time, the majority of new directors brought with them deep board exposure and strong governance experience, either from serving as chief executive officer or chief financial officer (CFO), or from other board appointments. However, recent analysis conducted by JWC Partners, a boutique board recruitment firm, shows that only 25 percent of new directors added to mid-revenue company boards (defined here as companies having revenues of $5 billion or less) during the past three years were CEOs. This is largely driven by efforts to achieve racial and gender diversity in the boardroom, and because diversity is still greatly lacking at the CEO level, boards have added more division presidents, general counsel, and corporate controllers—roles more frequently held by people who are women or members of underrepresented groups. Boards also have begun to look to younger executives to bring fresh perspectives and specialty expertise, especially in technology, digital transformation, and marketing.

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At the same time, boards are seeing the departure of experienced directors. While only 25 percent of new directors are CEOs who bring some board experience, nearly 40 percent of board exits were CEOs, suggesting a widening gap in governance experience in boardrooms. This dynamic also impacts the existing board culture, and the board chair may be challenged to adapt and integrate multidimensional diversity.

These shifts signal an even greater need for a strong onboarding program that supplements any gaps in knowledge about corporate governance and board processes that new directors might have.

Board Composition Matters

Boards have pushed to become significantly more diverse as a result of increasing pressure and encouragement from investors, employees, and customers: 93 percent of S&P 500 boards now disclose their racial or ethnic composition, and, in 2022 the Institutional Shareholder Services (ISS) reported that all companies listed on the S&P 500 reached the milestone of having at least one racially or ethnically diverse director, compared to only 89 percent in 2020. When looking at mid-revenue companies, 64 percent of new directors added since 2019 were either members of underrepresented communities or women. Looking at gender diversity specifically, women directors in the S&P 500 have nearly doubled over the past decade from 17 percent to 32 percent with the majority of S&P boards now having at least 30 percent women odirectors, according to ISS ESG's 2022 report, *Diversity on North American Boards: Now and Into the Future*. When looking at the mid-revenue companies in the JWC Partners analysis, the strides are even greater with 45 percent of new directors being women.

In addition, boards also have begun to look to younger, "next gen" executives to bring fresh perspectives and specialty expertise, especially around technology, digital transformation, and marketing. Given these trends, more than half of new board directors in the last three to five years joined with no prior board experience. As these first-time directors make their way onto public boards, it is essential to have robust onboarding programs in place to supplement gaps in knowledge around corporate governance and board processes to ensure new directors make a successful transition to become effective board directors for the future.

As an example, the chair of a Fortune 500 company reflects on how they have noticed these boardroom changes and have adapted onboarding practices accordingly. This board added four new members in 2016, 2018, 2019, and 2021. All were first-time directors, and all were younger than the average age of the existing board members. In addition, three brought racial diversity to the board and one brought gender diversity. The chair noted, "Fortunately for us, the process, while requiring effort and focus, proved successful and all are still active, contributing members of the board. However, over that period of time, we spent as much time rethinking the fulsomeness of our onboarding as we did the recruiting process, which was also quite extensive [all board members interviewed each candidate]. These new members came from differing executive levels and industries. Some had been in boardrooms in an executive role at their companies; some knew nothing about board governance. Our onboarding went from a two-day 'meet and greet' to a thorough and very extensive education package over numerous sessions. We created a lot of materials, which we now update and add to as necessary. I believe we have evolved to a best-in-class program." Nevertheless, when it came time to continue board refreshment and add a fifth new board member in 2022, they chose to go with a seasoned director. "It takes great time and effort to educate first-time directors and we needed the governance depth at this point," commented the chair.

Structure Is Key

While much energy goes into the search to find the right candidate to join the board, many boards are realizing the need to focus more on the next step, which is onboarding. This is a critical step—the strength of a board's onboarding plan can have a dramatic impact on the successful integration of the new director. For those who have years of experience as board members, it may be hard to remember the amount of dissonance involved in jumping from an executive role to a board role: this seeming group of "strangers" meets typically quarterly, is expected to tackle numerous and complex issues, be decisive and unified, and yet not get too involved in the operations of the business. Learning to survive, much less excel, in such an environment can take years.

Therefore, onboarding programs require a strong structure and planning to effectively and quickly educate new directors about a vast amount of company information. Unlike a corporate role, taking a seat on a board offers little time to learn the company's history, current operations, and future strategy, or to build relationships with other directors prior to the first few meetings. People who come from traditional executive roles thrive when a structured onboarding program is offered. However, this is usually true as well even for individuals who have previously served in other public company board capacities.

While the company bears the responsibility of designing the program, it is important to realize that onboarding is a two-way street: the company should lead the process, laying out a formal program

for the first year, while the new director should be prepared to fully engage and commit significant time to the process. Commitment from both sides to execute and engage with the onboarding process will support achieving the highest and best outcome: a successful integration and a long, fruitful board tenure.

To assist in building a successful onboarding program, we have created a list of steps companies can take, with appropriate timing. While all the steps are important, the list should be evaluated in the context of the new director's specific experience, flexing toward areas that may need more attention.

COMPANY-LED INITIATIVES

Post-Offer / Pre-Start Date

- **Corporate orientation:** Set up a one- or two-day orientation prior to the new director's first board meeting. The director should meet with the CEO and senior management team to get an overview of the company's history, operations, organizational structure, strategic plans, and executive incentive plans and performance metrics. The director should also review financials with the chief financial officer and current litigation and legal matters with the general counsel.
- **Board governance:** The board chair and corporate secretary should review the board committees and charters and educate the new director about important governance practices and processes inherent in the board's approach to carrying out its responsibilities.
- **Board minutes and presentations:** Prior board meeting minutes and presentations should be offered to familiarize the director with historical conversation topics and voting items.
- **Board Buddy:** Assign a tenured board member to be a mentor. The Board Buddy should appreciate the gravity of the role and offer a "safe space" for feedback while educating and encouraging the new director as they navigate this unfamiliar world.
- **Committee review:** Set up a meeting between the new director and the general counsel to review each committee, its charter and annual responsibilities, and the approval process for key decisions that need to be made throughout the year.

First Board Meeting

- **Committee assignments:** Committee assignments should be explicitly communicated, but it makes sense for the new director to sit in on all committee meetings for at least the first meeting, and possibly for the entire first year. Many believe it is important to attend the audit committee meetings for the first year.

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- **Pre-/Post-meeting one-on-ones with the board chair and CEO:** Arrange one-on-one meetings for the director with the chair and CEO before and after the first board meeting to explicitly express their expectations and aspects of successful board participation and engagement.
- **Board buddy check-in:** Shortly after the first meeting, when a little time has passed for reflection but while the experience is still fresh, the Board Buddy should schedule time with the new director to hear concerns, answer questions, clarify areas of confusion, and offer encouragement and support. It is not recommended that any constructive feedback be provided this early—most new directors remain quiet in their first few meetings to watch and learn, and should be given the time and space to do that.

First 6–12 Months

- **One-on-one meetings with each board member:** Offer opportunities to have one-on-one meetings in person or via videoconference with each board member. Encourage the new director to understand each member's background, history, and role with the board. These meetings can help the director begin building relationships with their peers in advance of the first board meeting.
- **Operational visits:** As applicable, design a travel program for the new director to visit various components of the company's operations to gain a deeper understanding of operational flow and the organizational structure. These visits may include plants, distribution centers, and retail outlets, and possibly customer visits. The CEO should accompany the new director on some of these visits.
- **Check-ins with the board chair and CEO:** Schedule informal periodic check-in calls or meetings with the chair and CEO to keep communication open, build strong relationships, and ensure the new director feels included and supported.
- **Governance education:** It may be beneficial to recommend additional outside education, customized to reflect the new director's familiarity with board protocol and training needed for expected committee assignments. NACD has a number of programs that can serve directors well. The audit firms offer seminars on ongoing accounting and finance changes that directors, especially audit committee members, should know.

NEW DIRECTOR RESPONSIBILITIES

Now that we have covered the company's responsibility, we turn to the new director's unique responsibilities for achieving a successful integration onto the board. The director should be prepared to devote serious time and energy to prove their commitment and value to the organization. Below is a list of proactive actions to demonstrate their professionalism, self-education, and growth.

Upon joining the board:

- **Learn about the company:** Review the strategic and operating plans and competitive landscape, listen to earnings calls, follow stock and investor relations activity, read press releases, and interact with the product or service (shop in the stores, visit the website, order the product).
- **Research the senior management team:** Before your orientation meetings, research the senior management team and learn their backgrounds. LinkedIn and Google searches can provide insights.
- **Engage in the orientation session:** Fully and energetically participate—ask questions, drill into important topics, and offer ideas where you have expertise that might be useful going forward. However, this is *not* a session to offer advice or counsel. Show deference and treat these interactions as learning and relationship-building opportunities. No one wants a "know-it-all" joining their board!

First 6 months:

- **Build relationships with your peers:** Boards have a unique role that requires trust among their members to make a collective decision. Trust must be established in only a few meetings per year. Getting to know fellow directors on a personal level is critical to building trust to draw on during critical discussions and decisions.
- **Embrace the operational visits:** Do not only attend these trips, but embrace them, asking questions and showing interest and

energy. Pay attention to how you interact with field personnel; they may not understand what a director does, but they will telegraph warmth and enthusiasm (or disdain and boredom), and the CEO or other host will observe and take note of your interactions.

- **Interact with your Board Buddy:** Use your increasing familiarity with the complexities of the business to ask questions and expand your knowledge of the company's history and progression. Tribal knowledge has tremendous value, and access to someone who has lived through the company's various chapters can expand your appreciation for the company's triumphs and challenges.
- **Dig deep on contributing:** After taking the opportunity to listen and learn at the first few meetings, prepare to begin offering opinions and expertise. It is shrewd to offer insights mostly around your functional expertise; however, group participation is a must, and it's time to prove your worth!

First 6–12 months:

- **Stay current:** Read all of the company's press and continue to build competitive intelligence. In the spirit of building new relationships and offering support, it can make sense to send quick texts or emails celebrating wins and applauding milestones.
- **Take director education seriously:** There are high-quality programs available on a wide range of topics, and they offer a chance to interact with other directors, helping you develop a topical, informed point of view.
- **Ask for feedback:** This is perhaps the most important thing any new director can do in the first year. By proactively opening the conversation, you display confidence, curiosity, and humility. By being open to feedback—both positive and constructive—you can take steps to improve your performance, possibly saving a board career that may have fallen off-track.

Research has shown that most boards will add at least one director in the coming years, mainly as current members retire. As the boardroom landscape changes, onboarding programs must change and evolve accordingly. Not only are we learning to embrace greater diversity, but we are also learning to govern in a post-pandemic era. While these changes represent a healthy evolution into the future, time and attention are critical to ensuring governance stability and functionality.

It can be daunting as a nominating and governance committee chair to start reimagining your entire onboarding program. It will likely evolve over time, and that is appropriate. A great source of input would be your newest directors, particularly those who joined during the pandemic. What do they wish they'd learned or been exposed to early in the process? Review the recommended steps listed above with them and ask what resonates. Most importantly, pay attention, analyze, reflect, and then adjust. Getting off to the right start is a critical step for all directors now and into the future. D

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