WHAT 2020-2021 HAS TAUGHT US ABOUT CORPORATE BOARD DYNAMICS AND RECRUITING

By: Laura Woodside & Jennifer Christensen

As we emerge from the global pandemic, corporations are taking the opportunity to solidify what, cobbled together in the melee of make-do, turned out to be positive company transformations. Work from home is now a norm, and routine trips to Europe and Asia for non-specific goals have become a distant ritual no one is keen to revisit. At the same time, there have been losses that can only be recouped in person, and companies are keeping a patient, but vigilant tally. In our corporate board director practice, we have seen similar positive changes as well as losses; this article highlights, in both director recruitment and board dynamics, what boards should hold onto, and what they will need to recover from.

BOARD DYNAMICS

First, let's look at how board dynamics have changed in 2020-2021:

Facetime vs. Face Time: The vast majority of boards we work with have had only virtual meetings since March 2020. **The wins**: many directors have been positively surprised by how well their boards have functioned during the pandemic: in our annual JWC Partners board survey, directors reported that board meetings are well attended, efficient, and had strong overall performance. While companies are considering allowing employees to work 40% of the time from home, boards may continue to meet virtually in the post-pandemic world on occasion. **The loss**: directors report that nuanced influencing and "reading the room" are both less effective on screen. Team building, personal relationships, and mentorship are all suffering in the virtual world. Directors are missing the "front line set of feelers that come from visiting HQ, facilities, and customers." While many companies have invited directors to a broader set of leadership video meetings to compensate, it still feels suboptimal. Boards are eager to recommit to in person connection as soon as possible, and most directors say that only about one in four board meetings will be virtual post-pandemic.

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It's hard to be new: New directors since March 2020 have been introduced to their fellow directors, and the company, 100% on screen. **The wins**: Some new directors have felt that it is easier to be new on screen: you can focus on the business, no need to wonder who you are going to sit with at dinner. **The loss**: Some new directors we spoke with know nothing personal about other board members or the executive team. Our practice has found, again and again, that effective boards have trust-based relationships among the members. Boards, and new directors, will need to double-down to build these relationships. Some directors we spoke with recommended that all new directors should have a virtual coffee with every director and the CEO within the first two months, and as needed to bolster any weak relationships after that. Another recommended that new directors not only attend all committee meetings (a common onboarding practice), but also formally join the audit committee so they are required to take a deep dive into the most important aspect of the company that can be learned from a distance.

I'd rather be golfing/sailing: The aging of the American Board has been a trend for the past decade, but the pandemic has required more time in the board room with an unprecedented level of stress and uncertainty. In our survey, 88% of directors said they spent more time on board work in 2020 than 2019, despite the lack of travel, and they expected the increased time commitment to continue in 2020. This change has accelerated retirement for some more tenured directors. **The wins**: board turnover can be a rejuvenating dynamic on a board; new perspectives and expertise are often welcome. **The loss**: seasoned corporate governance experts who offer institutional knowledge are leaving the boardroom, often earlier than planned.

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RECRUITMENT

Board recruitment has seen some wins and losses as well.

Zoom, Zoom, Zoom: pre-pandemic, board recruiting was an in-person endeavor. In our practice, while hours of research and some initial calls were from a distance, meeting time and interviews were usually face to face. In the beginning of the pandemic, many of our clients questioned how a decision as important as a new director could be made on videocalls. A year later, boards are confirming directors with only Zoom interviews without reservation. **The win**: video interviews for corporate directors are a powerful interview tool, allowing one a timely interview schedule. Similar to a day in the board room, a Zoom interview is intense and engaged. Many Nominating & Governance Committee members plan to make video interviews a permanent part of their initial screening process going forward. **The loss**: many boards who have hired new directors virtually agree that there is no substitute for seeing a company headquarters, walking the hallways, meeting with employees and/or touring facilities. For this reason, they are eager to return to in-person last round interviews.

ESG is here to stay, but metrics and expectations are murky: In 2019-2020, ESG went from being a trend to being a mandate: 82% of directors believe that there will be increasing board investment in ESG over the next 3 years. For years, institutional investors had informed companies that they would no vote boards with no women directors, then with fewer than two women directors. In the last two years, legislatures have seen an opening to claim credit for that, introducing bills at the state and federal level. Then, in the wake of a national civil rights movement the like of which the US hasn't seen since the 1960s, legislatures are considering laws mandating representation on boards of people of color. **The win**: JWC Partners has seen more than half of our searches place people of color and women on boards in the last few years; we see this movement as a win for companies and candidates. The overwhelming response of boards after bringing on a director from an underrepresented group is incredibly positive. Within a year, most boards want to recruit another

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diverse candidate. **The loss**: Unfortunately, different diversity metrics and definitions have left boards scratching their heads about requirements. Unlike the institutional 2 women director bright line, different governing bodies and institutions define diversity differently. Hopefully, clearer standards will emerge because the will to make change is strong.

Embrace the Algorithm: While in-person networking shut down, online forums and connections took off. LinkedIn had 660 million subscribers in 2019, by the end of 2020 they had 740 million. You couldn't go to the club (neither night, nor country), but Clubhouse (a social media app) was always open. **The wins**: research considers far more candidates than any one person or firm could have in their personal network. If a candidate is a perfect fit, but a social introvert or just not inclined to network in person, research will find them. In addition, research brings greater diversity. While in person networking can be birds of a feather flocking together, research is the carrier pigeon that flies the globe. Research brought new faces into the network. **The loss**: Networks through in-person events diminished during lockdown.

As the global pandemic ends, it is a good time to take stock of the wins and losses in the board room, and plan for the years ahead in a way that captures the silver linings while thoughtfully building the relationships and team dynamics that have been paused and lost in the past year.

Note: Many of the observations from this article came from our 2021 survey of corporate directors http://jwcpartners.com/media/24166/corporate%20board%20survey%202021.pdf .


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