

Indigenous Business Toolkit Project

Building A Board of Directors

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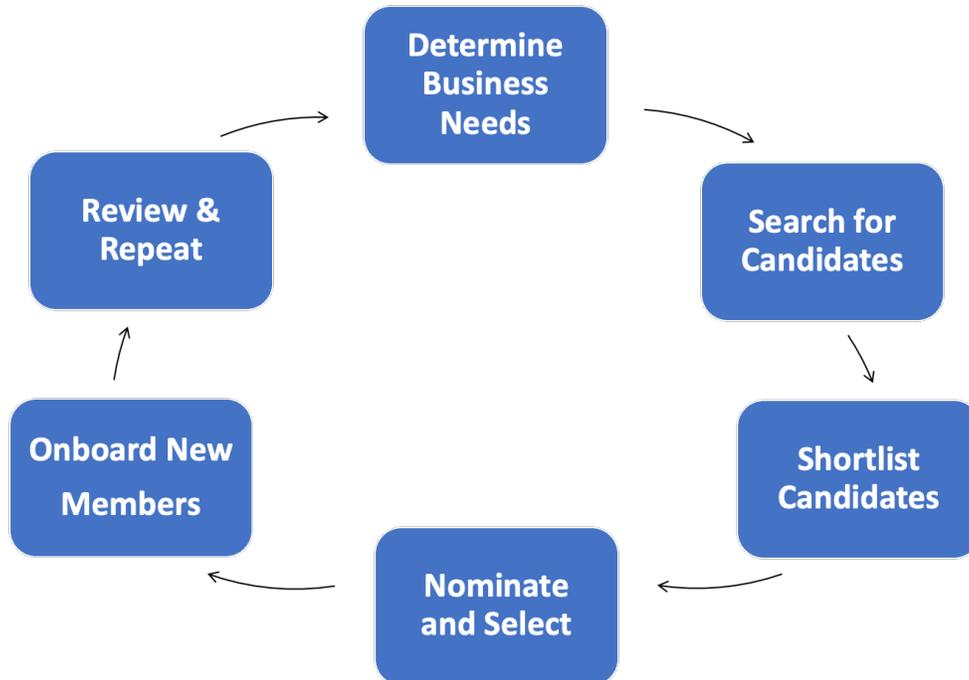
Summary

The purpose of a company’s board of directors is to oversee and advise a company so it meets its objectives. Strong boards of directors are one piece of the business success puzzle. Creating a strong board of directors does not just happen on its own. Having a well thought-out plan for choosing the best people to be directors makes it more likely that the board works well, and the business is successful.

The selection of the directors is the shareholder’s job. The shareholders often rely on the current board of directors (if there is one) to advise it as to what skills the company needs to be effective.

This module sets out a six-step process for building a high-performance board of directors. The key elements of this process include understanding the needs of the business, actively searching for high-quality candidates, and effectively integrating new directors by giving them significant and meaningful roles on the board.

Board Recruitment and Selection Process



Setting the Stage for Board Recruitment and Selection

Board recruitment and selection should take place within a well-defined set of rules and policies. The rules and policies governing the board's composition, qualifications, and term lengths should be spelled out in the Business Charter. Specifically, the Business Charter should specify the following:¹

1. What is the composition of the board – e.g., How many board members? How many from the political leadership? How many community members at large? How many independent members? How many observers (if any)?
2. What are the qualifications for serving on the board? Although specific qualifications are often not included in the charter, but are left to EDC policy, there is usually a commitment that, except for malfeasance, board members cannot be replaced during their terms. The charter would also include language as to whether director terms can be renewed, as well as language related to conflict of interest.
3. What is the length of a board member's term? Are the terms staggered? Is there a maximum to the number of terms that an individual can serve?

In addition to the above policies, it is important to establish the roles and responsibilities of the many parties involved in board selection. It needs to be clear who has decision-making authority, who has recommending authority, and who will carry out the specific tasks of the process (see the Appendix for a template). To these ends, the following people play a role:

1. Shareholders – The shareholders have the legal authority to make board appointments. However, the recruitment process requires a great deal of work and detailed knowledge of the skills that are required, and the shareholders normally ask for advice and input from the current board of directors (if it exists).
2. Nominating/Governance Committee – The board will often establish a Nominations Committee or assign the task to the governance committee (if it exists). If a Nominations Committee is struck, it may include shareholders (e.g., community members), current and past board members, and external people with relevant expertise and experience.
3. Recruitment and Selection Coordinator – Someone needs to be given the role of coordinating the many administrative tasks associated with the recruitment and selection process. Some shareholders have staff they can assign, while others engage a consultant.

The Board Recruitment and Selection Process

The question of who should serve on the board of directors should start with the question:

What skills does the board of directors need to be effective in its role?

To determine the answer to this critical question, it is necessary to review the purpose of the business, the challenges the business is likely to face in the foreseeable future, the skills of the board members who are continuing in their role, and the skills that are needed by the new members.

The following six-step process can be helpful in building a successful board of directors:

1. Determine Specific Skill Sets – A strong board requires people with a diverse of skills. It is obvious that if you are trying to build a successful hockey team, you don't just recruit goalies. You also want defencemen, forwards, centres, and wingers. Similarly, strong boards require people with skills such as:
 - a. Indigenous and Traditional Knowledge: This knowledge is critical in ensuring a cultural match between a business operation and a community's beliefs about how authority should be organized and enforced.²
 - b. Community Knowledge: This includes in-depth knowledge of the shareholder(s) and what is important to them.
 - c. Collective Problem-solving Skills: The ability for board members to listen to others' views, advocate their own views, identify common interests and alternatives, explore new ideas, and be open to compromise is critical in creating the ability for the board to solve problems and find solutions collectively.
 - d. Strategic Leadership and Vision: This dimension includes business strategy, vision, leadership, and management experience. It encompasses the ability to guide the company's direction, make high-level decisions, and lead teams or organizations effectively.
 - e. Financial and Risk Management: This category combines financial acumen with risk management skills. It covers understanding financial statements, budgeting, financial planning, and identifying and mitigating potential risks to the business.
 - f. Industry Expertise and Market Insight: This knowledge is crucial for making informed decisions that take account of industry dynamics. This category includes knowledge of the industry, awareness of market trends, and an understanding of the competitive and regulatory environment.
 - g. Governance and Compliance: This category involves knowledge of corporate governance, legal responsibilities, ethical considerations, compliance issues, and shareholder relations. Knowledge in this area is essential for ensuring the company operates within legal and ethical boundaries.
 - h. Human Capital and Organizational Development: This category includes knowledge about human resources, talent development, and team building, all focused on talent acquisition, retention, development, and overall organizational health.
 - i. Communication and Perspective: This area combines an understanding of relevant economic and political trends and the ability to communicate complex ideas clearly to various stakeholders.

In addition to the mix of skills described above, it is important to ensure there is a good gender and age-group balance on the board. Boards are more effective – e.g., they make better decisions – when board members have different perspectives and ideas. In addition, part of a business’s legitimacy – and hence its success – is derived from the sense that it reflects the make-up of the community and society in which it is situated.

2. The Search Process – The search process step involves identifying and contacting prospective candidates through activities such as:
 - a. Creating an Information Package: The information package should contain basic information on the company, the board, and the shareholders, as well as information on committees, board compensation, and the nature and frequency of board meetings.
 - b. Active Search: Search activities can include posters in community offices, postings on the business website, postings on social media such as LinkedIn, and discussions with knowledgeable people. In addition to receiving applications, invitations may be extended to individuals who are deemed to be a good fit. Candidates should provide their resumes and qualifications.
3. Shortlisting
 - a. Screening: The Nominating Committee, with the assistance of the Recruitment and Selection Coordinator, should screen the applicants using the Board Skills Matrix (see Appendix) to determine which candidates should be interviewed.
 - b. Interviews: The Nominating Committee should meet with potential directors, either informally or formally, in an interview. The meetings should be structured so there is a good flow of questions back and forth between the Nominating Committee and the candidate to determine both skills and fit. It is important to realize that the interview is both about the company seeing if the candidate is a good fit and the candidate seeing if the business is a good fit.
4. Nomination and Selection
 - a. Nomination Procedure: Once the Nominating Committee has conducted its search, it should communicate its recommendation to the board and to the shareholder in writing.
 - b. Selection: The Business Charter and the corporate bylaws will have rules and guidelines on how and when the selection decision can be made. The shareholder may wish to meet the candidates who have been nominated before they make their decision; the board may also be interested in meeting with the nominees.
 - c. Congratulations and Welcome – Take time to congratulate and welcome new board members.
5. Onboarding – It is important to have an orientation for new board members so they can learn about the business and thus contribute to board work as soon as possible.

6. Review and Repeat – Take time to review the recruitment and selection process to reflect on how well it worked and to make recommendations for improvement. It is important to be ready for the next recruitment process, since board member terms may expire and/or there may be unexpected board resignations.

A comprehensive recruitment and selection process can be intimidating. What is important is having a structured process that is well understood by everyone involved – the shareholder, the board, and the candidates. Having a well-understood process is vital to ensuring everyone that the search was thorough, rigorous, and fair.

Resources

Bachiu, V., M.E. Fulton, and K. Jackson. 2024. *Business Charters*. Indigenous Business Toolkit Project. Johnson Shoyama Graduate School of Public Policy, University of Saskatchewan. <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Bachiu, V., M.E. Fulton, and K. Jackson. 2024. *Nation Building*. Indigenous Business Toolkit Project. Johnson Shoyama Graduate School of Public Policy, University of Saskatchewan. <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Endnotes

¹ See Bachiu, Fulton and Jackson, *Business Charters* (2024) for a discussion of business charters.

² See Bachiu, Fulton and Jackson, *Nation Building* (2024) for a discussion of the importance of cultural match in economic development and nation building.

Indigenous Business Toolkit Project

The Indigenous Business Toolkit Project is designed to provide Indigenous communities and individuals with the practical tools they and their advisors can use to undertake successful economic development. Indigenous economic development is more successful when everyone – community members, community leaders, consultants, business professionals, employees, and/or potential partners – understands its many aspects.

The Toolkit provides step-by-step instructions on selected aspects of economic development based on the best practices of leaders in the field. The modules in the Toolkit cover everything from the role of economic development in nation building, to the importance of business charters, to the various legal forms that can be used to pursue economic development, to the steps needed to identify and negotiate beneficial partnerships, to the governance challenges that economic development must address.

The modules are available for free and for use by anyone. The full set of Toolkit modules can be found at: <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

The Indigenous Business Toolkit Project is part of the larger Indigenous Leadership: Governance and Development project designed to support long-term Indigenous economic development. In addition to the toolkit, the larger project involves capturing the economic development experience of Saskatchewan Indigenous communities through a series of case studies. The case studies, along with a description of the larger project, can be found at the website listed above.

Disclaimer

The information contained in this document is designed to provide an overview of a particular topic and should not replace legal and other expert advice. Groups wishing to use the concepts discussed should receive the appropriate professional advice necessary to ensure their specific goals and circumstances are considered and recognized.

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