



# New director onboarding

KPMG Board Leadership Center



For any new director, a learning curve comes with the territory. Just how steep that learning curve is—and how quickly a new director is able to contribute meaningfully to the work of the board and its committees—can hinge directly on the quality of the onboarding process.

Understanding the business—its strategies, risks, financials, operations, management team, workforce, and culture, and its competitive landscape and stakeholder interests and expectations—is a major undertaking for new directors. Developing that understanding of the business and the external forces impacting the business—as well as the priorities and culture of the board and its committees, takes time. A robust onboarding process—including essential information and briefing materials, quality discussions with key people, and a “road map” for getting up to speed—can greatly accelerate a new director’s integration and contribution to the board’s work. Directors joining their first external board face the added challenge of understanding the unique role of a director—and how it differs from that of management—in helping to oversee and guide the business forward.

In today’s business environment—rife with disruption, uncertainty and turbulence—board members need to be ready to contribute from day 1. The onboarding needs for new directors will vary from director to director depending on a number of factors, including the director’s background and experience, and the role the director is expected to play on the board and board committees. As a result, even if there is a formal orientation process, a new director should be prepared to take responsibility for their own

onboarding plan—working with management and others to determine how best to get up to speed on the most important issues quickly and build a strong foundation for informed oversight.

In the following pages, we suggest a number of elements for new directors to consider as part of an overall onboarding framework, including:

- Suggested reading
- An initial orientation session
- Follow-up one-on-one meetings with key people in the organization to develop a deeper understanding of the business, its key governance processes, and its leaders.

Ultimately, a robust onboarding process should help position a new director to engage in a healthy, ongoing dialogue with management, fellow directors, and others with insights into the company and the business environment in which it operates.

## Suggested background reading materials

A new director will want to review a number of background materials early on, including:

### Information about the company

- SEC filings (Form 10-K and 10-Q, proxy statement, Form 8-K)

- Earnings releases and materials used for analysts' calls for the past year or two (including a transcript of the question-and-answer period as well as management's prepared remarks)
- Sustainability reports and public releases regarding the company's ESG activities and initiatives
- The most recent materials provided to the board and the committees to which you will be assigned, as well as minutes for the past few meetings for the board and all committees
- The company's strategic plan, as well as information prepared by management or third parties regarding customer needs, the existing competitive landscape and emerging competitors
- Third-party assessments including analyst reports, vulnerability studies, and any communication from activist or institutional investors regarding the company or the board
- The company's top-level organization chart as well as bios of the company's leadership team and the company's succession plans for the CEO and other key executives
- Recent reports and/or survey results assessing the company's reputation, culture, and the strength of its brand(s); and, if not otherwise included, presentations made to the board during the past year on risk, strategy, succession, and crisis management
- Reports on the company's compliance program as well as any government investigations or significant litigation
- The company's greenhouse gas emissions, EEO-1s, results of its most recent racial equity audit (if any), and its ESG-related goals, risks, and strategies.

#### **Information about the board and its committees**

- By-laws and Corporate Governance Guidelines
- Committee charters
- A description of the company's directors and officers liability insurance
- Policies applicable to directors such as the company's Code of Conduct, conflict of interest policies, insider trading policies, and others as applicable.

## **Initial orientation**

Most companies provide an initial orientation session for a new director. While the length and formality of the orientation will vary from company to company, it should include an overview of:

- The business—including its products and services, customers, and competitors
- The financial status of the overall company and its key business units
- The company's near- and long-term strategy
- The company's risk appetite and its processes for identifying and managing risk as well as the "mission critical" and other key risks facing the company, including financial, operational, legal, and reputational risks
- The company's culture.

Who participates in the initial orientation session will vary depending on how the company's orientation process is structured—e.g., whether the initial orientation is viewed as the first step in a more lengthy process, or whether it is viewed as a more comprehensive orientation session. Depending on the company's approach, only a few executives might participate in the initial orientation session—e.g., the CEO, CFO, and General Counsel—or a number of others might participate as well, including perhaps each member of the C-suite as well as key subject matter experts and external advisors.

## **Developing a deeper understanding of the company and the board**

Regardless of whether it is part of a formal orientation process, a new director will want to have one-on-one discussions with a number of key leaders of the business to gain a better understanding of the company—the culture, strategy, key risks, strengths, areas of opportunity and concern, etc.—and to get to know the leaders outside of the formality of the boardroom.

Initially, it may be helpful to get the "lay of the land" by meeting separately with the nonexecutive chair/lead director, if there is one. How does the company make money? What are the hot-button issues facing the company? What issues have management and the board been spending the most time on? What governance processes work well or not so well? What is the culture of the company and of the board?

The General Counsel can provide information about the board from a legal and process point of view, including the committee structure, the role of each committee, and how the committees coordinate and communicate about oversight activities. The General Counsel can also provide advice on the responsibilities of a director and director independence requirements as well as an update on significant litigation, investigations, or other compliance-related matters.

In the weeks and months following the initial orientation session, a new board member may also want to meet one-on-one with other leaders in the business—CEO; CFO; CRO (Chief Risk Officer or equivalent); CIO; CISO; CSO (Chief Sustainability Officer or equivalent), leaders of sales, supply chain, operations, marketing, investor relations, and HR—to get their views on a number of key company-wide issues, including:

- The company’s strategic direction and key risks to the strategy
- Effectiveness of risk management processes and the overall control environment
- Status of preparation for new, mandatory SEC and global climate and other ESG disclosures
- Tone and culture of the organization including ethics/ legal/regulatory compliance as well as whether the organization is future-focused, innovative, open to reinvention as necessary
- Strengths and weaknesses of the management team and the board
- The company’s acquisition strategy including any potential acquisitions under consideration
- The company’s capital allocation priorities
- The philosophy with respect to investor relations including proactive investor engagement
- The company’s technology profile including any recent or proposed key digital transformation initiatives

The business leaders will also have important insights to offer on issues that are specific to their areas of focus and responsibility. In the Appendix, we have identified possible issues to explore.

Board members can also get a good view of the company by going beyond the C-suite: visit the factories, stores, town hall employee meetings etc., as applicable. Board members can also develop insight into the culture of the board by keenly observing the board dynamics and looking to an experienced and well-respected board member as a mentor.

## No “one size fits all”

Onboarding is not a “one size fits all” process, and may vary considerably depending on the company and the background, experience, and areas of interest of a new director. While management obviously plays a key role in shaping the onboarding program, every new director needs to take charge of their own onboarding in order to make sure that it is properly tailored and focused.

Ultimately, a good onboarding process should provide information about the company that will enable a director to add value based on their own unique experience and perspective. And education should never end. Continually seeking out relevant information (from internal and external sources) and a deeper understanding of the business, the competitive landscape, and emerging opportunities and threats, will be essential to providing effective oversight and bringing insight and foresight to the boardroom dialogue.

## Appendix: Other potential discussion topics

### Lead director/nonexecutive chair

- How the board interacts with the CEO and other officers, and how important decisions are made (formal and informal processes)
- Toughest issues facing the board/committees
- Board culture—including openness and candor of communications and debate among management and the board, and among directors
- Committee chairs
- Expectations and role of the committee members
- Current composition of the committee (skills, backgrounds, experience, and expertise)
- Most difficult/challenging issues facing the committee
- Scope of the committee’s oversight responsibilities
- Strength of the committee’s oversight processes
- Results of the committee’s last two self-assessments

### **Chief Marketing/Sales/Strategy Officers**

- How the company defines its target customers and what methods it uses to understand and develop products that address the customers' needs
- The company's approach to innovation
- How the company monitors and leverages evolving competitive, social, economic, and political trends
- The strategic planning process, the frequency with which the strategy is reviewed, the process by which external trends are assessed with respect to their implications for company strategy, and the measures and metrics used to track progress

### **Chief Operations Officer**

- How the company leverages its supply chain for strategic advantage
- The company's business continuity and crisis management plans and immediate challenges

### **Chief Sustainability Officer**

- The company's philosophy, goals, and results with respect to ESG issues, in terms of both substantive policies and degree of transparency

### **Chief Human Resources Officer**

- The company's compensation philosophy, overview of compensation programs, and linkage between compensation incentives and both long-term and short-term strategic goals.
- How the company attracts, motivates, and retains top talent and the diverse mix of skills, experiences, and backgrounds needed to design and implement company strategy
- History of key challenges including discrimination and harassment issues.

### **CFO and Chief Accounting Officer**

- Company's earnings trends
- Disclosure philosophy, including level of transparency, approach to earnings guidance and use of non-GAAP metrics
- Adequacy of control environment, including fraud controls, pressures, and vulnerabilities
- Capital allocation processes, and degree of alignment between short-term and long-term objectives

### **Head of investor relations**

- The company's key shareholders and its positioning in the market (eg growth or value stock)
- The investor engagement strategy, and any history (or current issues) involving activist investors.

### **CIO and CISO**

- How the company leverages technology for strategic advantage
- How the company manages data security, data ethics, and other "defensive" IT risks
- Nature and frequency of CIO/CISO communications with board, audit and/or risk committee
- Company's programs and resources to identify, protect, and respond to cybersecurity threats
- Company's policies and practices for data governance, use of social media, and adoption of emerging technologies

### **CRO (or equivalent role)**

- CRO's view of the company's risk awareness, "appetite," and "tolerance"
- How the CRO views the tone and culture of senior management
- How the company's risks compare to others in the industry
- Strengths and weaknesses in management's and the board's risk oversight processes
- The degree to which the risk organization has a seat at the table and input into significant business decisions

### **CEO**

- Any significant issues, opportunities, or concerns identified during your discussions with other business leaders
- What does the CEO view as the top opportunities and challenges for the company?
- On what issues does the CEO expect to spend the most time over the next few months?
- What keeps the CEO up at night?
- How can the skills and background of the new board member—and board members, generally—be best leveraged for the benefit of the board and the company?

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### About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC—which includes the KPMG Audit Committee Institute and close collaboration with other leading director organizations—promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and ESG, to data governance, audit quality, proxy trends, and more. Learn more at [kpmg.com/us/blc](https://kpmg.com/us/blc).

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