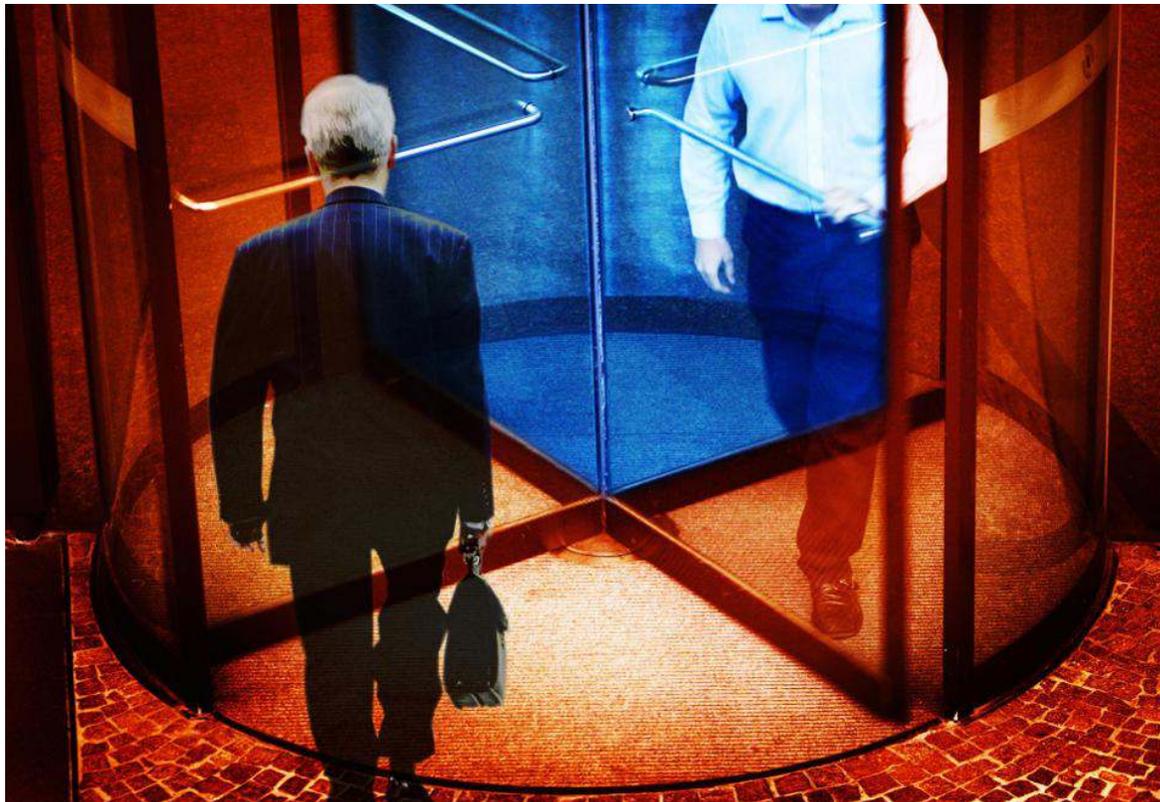


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# Offboarding: The Diplomatic Way To Achieve Critical Board Turnover



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When early departure of a director is necessary, it can be done with minimal disruption.

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As governance responsibilities dramatically evolve in response to today's economic upheaval and social unrest, so too must the board's

approach to necessary turnover among its ranks. The adoption of a thoughtful “offboarding” strategy may allow the board to achieve its turnover goals in a less disruptive, but more accelerated manner than by traditional means. For the many reasons discussed here, it is critical for the board’s governance committee to take a closer look at what offboarding might achieve as a governance tool.

Director offboarding is a focused board process to achieve a structured separation from certain directors without prompting controversy or ill will. It is intended to allow the board to achieve necessary turnover more quickly and expansively than through term limits or mandatory retirement age, and more gently than through removal. These are critical considerations in today’s governance environment.

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Offboarding is not to be confused with “onboarding,” which refers to educational, training and cultural measures to prepare an incoming director for board service. Nor is it to be confused with “overboarding”, which refers to directors whose service on multiple boards potentially limits their effectiveness. *Offboarding* is all about facilitating a director’s departure from the board. *Overboarding* is all about addressing director attentiveness. *Onboarding* is all about facilitating a director’s entrance to the board.

The National Association of Corporate Directors (“NACD”) has been a strong advocate of offboarding, noting that “[T]he concept of directorship is not to serve as long as you want to; it is to serve as long as you’re needed.” As defined by NACD and others, “offboarding” processes are grounded in a shared understanding amongst all directors of why an individual was appointed, and of the board’s expectations of performance. From the beginning of board service, directors are ideally made aware of the potential that they may be asked to leave the board before their term has formally concluded.

A crucial element of an offboarding process is a board commitment to feedback to individual directors on their performance, whether through the regular evaluation process or other governance committee monitoring. It also involves an ongoing evaluation by that committee of the skillsets needed by the board, and conversations on whether individual director backgrounds continue to meet those needs.

Decisions regarding offboarding are typically made by the governance committee, and result in conversations with the questionable director led by committee or board leadership. The specific request is for the director to voluntarily resign, and is not intended to carry a direct threat of removal. Agreements on resignation are implemented through a respectful process that honors the director for his or her service. It is important that all offboarding processes are conducted with the advice of the general counsel for legal compliance.

The interest in offboarding practices is increasing for two primary reasons. First is the concern [that board composition does not change](#)

as rapidly as other governance practices, and that retirement at the end of a fairly long tenure remains (unfortunately) the most common turnover practice amongst many companies. Second is a series of important governance developments which collectively call for near term reconsideration of the board's current makeup.

One of the most obvious of those developments is how board composition is impacted by a company's experience with the pandemic and related economic disruption. Many enterprises are emerging from the pandemic with decidedly different competitive footprints and economic models. They are not necessarily the same businesses they were pre-pandemic and they do not necessarily compete in the same environment. Does the pre-pandemic composition of the board work to lead the business forward through resiliency and beyond?

A second development involves continued concerns with director overboarding. The challenges, status and financial rewards of directorship continue to incentivize many qualified individuals to serve on as many boards as possible. This practice continues despite the highly publicized concerns of some asset management firms and governance observers. With increasingly complex agendas, governance effectiveness may suffer if overboarded directors are distracted from full participation in board affairs.

A third development is a rising concern with individual director performance, especially during the pandemic and economic crisis. These generational challenges have, in certain cases, exposed the limitations of some directors, who may have "come up short" in terms of their governance contributions during the crisis, when they were held to a higher level of expectations. It is difficult for boards to

retain directors who failed to “answer the bell” when the citation called for it.

A fourth development is the continuing focus on boardroom diversity. The vast majority of companies have made a meaningful *commitment* to this pursuit. However, [there remain questions](#) as to whether meaningful *progress* has indeed been made with respect to the diversity of race, background, experience and perspective. In addition, government at both the state and local levels continue to pursue expansive diversity initiatives which are likely to pressure current approaches to board membership.

A fifth development is the emerging conversation on social and environmental change as it has evolved to date. [It is vitally important](#) for boards to consider whether their current composition is sufficient to help the company and its leadership team navigate important issues of corporate social responsibility in general, and overarching concerns with justice, equality and racial identity in particular. There has been a [broad recasting](#) of the voice of business in the nation’s political and social dialogue, to which the board must be responsive.

For some boards, fairly dramatic turnover may be necessary in order to meet these and similar challenges. However, traditional methods such as term limits, mandatory retirement and the re-nomination process may not always offer a sufficient pathway forward. As [the Conference Board’s groundbreaking 2019 survey](#) indicated, “average director tenure continues to be quite extensive, board seats rarely become vacant and, when a spot is available, it is often taken by a seasoned director rather than a newcomer with no prior board experience.” It is in these circumstances that offboarding protocols

may make an important difference.

Today's board composition challenges go way beyond the "pale, male and stale" concerns of recent years. They raise serious questions about whether the board is sufficiently composed to address the new, fundamental changes in the country's economic, political and social circumstances which affect how a company is doing business today and in the future. In such circumstances, a more aggressive approach to achieving director turnover may be necessary. Offboarding protocols may be an effective way of achieving this goal while mitigating related boardroom controversy.

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