

Strategic talent acquisition

KPMG Board Leadership Centre

In the continuously evolving world of corporate governance, the task of recruiting the right board members takes lot of experience. Nomination committees are the cornerstone in defining the leadership landscape of a company, but what exactly falls within their scope and remit can be unique to each company.

Given that there can't be a single blueprint for success, the importance of a well-defined company charter can help in outlining the nomination committee's responsibilities, whilst recognising the collaborative nature of hiring efforts required at board and executive level. For instance, recruitment of some of the senior roles may require involvement of other committees to help screen the right candidates.

A robust company charter is akin to a North Star for directors and corporate leaders, outlining the nomination committees remit and responsibilities with precision.

It is within this charter that the extent of the nomination committee's influence and the parameters around executive talent acquisition are set, guiding the committee's strategic decisions. The nomination committee, therefore, becomes the architect of leadership teams, ensuring that the right talent is in place to steer the company toward its objectives.

This publication aims to share a broad outline of the role that nomination committees can play in strategic hiring - taking a deeper dive into the multifaceted role of the nomination committee and its influence on all facets of hiring, from the board to the CEO and C-level executives.

Role of the nomination committee

While the precise role of the nomination committee may differ from company to company, such committees would generally be responsible for leading the process for appointments, ensuring plans are in place for orderly succession to both the board and senior management positions, and overseeing the development of a diverse pipeline for succession.

The 'Nomination' dimension:

- **Board appointments:** nomination committees are actively engaged in the nomination and appointment of board members. This role goes beyond mere identification; it encompasses a meticulous evaluation of qualifications, alignment with the company's strategic goals, and potential contributions to the board's expertise and decision making capabilities.
- **Key executive hiring:** nomination committees play a pivotal role in the selection of key executives, including the CEO and other C-level executives. They collaborate with executive search firms as well as the internal HR team/ Chief Human Resource Officer (CHRO) to curate a pool of potential candidates, evaluate their qualifications, and ensure they resonate with the organisation's culture as well as its strategic needs.
- **Succession planning:** nomination committees also actively participate in succession planning, ensuring a robust leadership pipeline is in place to meet the company's future needs or manage unforeseen circumstances. It ensures a seamless transition of power and stewardship safeguarding the company's stability and continuity.
- **Onboarding key individuals:** Beyond the aforementioned, nomination committees can also play a crucial role in onboarding key individuals.

Catalyst for strategic talent acquisition

The synergy between CHROs and nomination committees is a strategic imperative for effective talent acquisition of independent directors. This collaborative approach, blending human insights with governance acumen, not only enhances the quality of board leadership but also contributes to the long-term success and sustainability of the organisation.

A suggestive model to improve this synchronisation between the nomination committee and the management can be to encourage every member of the nomination committee to engage with one or more functional leaders while the nomination committee Chair liaises with the CHRO. This critical alignment and collaboration can be a great way to bridge the chasm and create a dynamic framework that not only drives talent acquisition but also aligns strategic goals, nurtures talent pipeline, and fortifies the company's competitive edge.

A strategic enabler

Within the complex machinery of corporate governance, the nomination committee holds a pivotal role in steering the ship of a company's leadership. The committee operates at the intersection of strategy, oversight, and talent acquisition, wielding significant influence in shaping the composition of company's top-tier leadership, including the CEO and independent directors. However, selection, evaluation, and governance of the CEO is a process that involves nuanced measures and several variables to ensure fairness, diversity, and the long-term success of the organisation.

Recognising that the committee's engagement model is not one-size-fits-all, rather tailored to the specific needs of each board or executive appointment ensures that the nomination committee remains a strategic enabler, contributing to a leadership team that not only complements the company's goals but also navigates the complexities of the business landscape with resilience and agility

Nomination committees can stay engaged in the various stages of the appointment process, including:

- **Groundwork:** This foundational stage involves a comprehensive analysis of the organisation's current and future leadership requirements, with a focus on identifying gaps that demand attention. The nomination committee should evaluate the need for any new (or replacement) roles and ensure the hiring process is underpinned by a strategic understanding of the company's evolving needs.
- **Collaborative vision:** To recruit effectively and efficiently, nomination committees engage in extensive discussions with the company's management. The aim is to align their vision for vacant position with the strategic aspirations of the organisation. These discussions lay the foundation for the creation of comprehensive job descriptions, reporting relationships and clear accountabilities.

- **Candidate identification and rigorous evaluation:** At this stage, nomination committees can work in close collaboration with executive search firms and the internal HR team leveraging their networks and industry insights to identify a pool of potential candidates - while also continuously assessing internal candidates from the succession pipeline. Nomination committee members are often involved in conducting interviews, assessing qualifications, and scrutinising candidate backgrounds. Their active participation ensures that candidates align with the company's strategic requirements, and ensures that a consistent candidate evaluation process is followed across all candidates.
- **Formulating the compensation strategy:** One of the critical responsibilities of the nomination committee is to work alongside the remuneration committee in formulating the compensation strategy for the selected executive (or board member). This task involves a careful screening and consideration of industry benchmarks, market dynamics, and the company's performance. The goal is to establish a compensation package that is not only just and equitable but also aligns with the company's strategic objectives while paying close attention to governance and fairness of pay indicators such as comparison to the organisation's average pay levels, key management personnel, consultants, etc.
- **Continuous alignment:** nomination committees exist to help boards discharge their duties. As such, they present their findings and recommendations to the board including their recommendations in relation to appointments and succession planning for board and senior management positions.

Who makes the hiring decision?

The primary responsibility of the nomination committee is to ensure that the executive appointment aligns with the organisation's goals. It's important to note that the nomination committee can only make recommendations – board appointments ultimately require board and shareholder approval.

Shaping future boards

Nomination committees stand at the forefront of shaping the future board composition. By embracing diversity, prioritising strategic talent acquisition, and fostering a culture of continuous renewal, nomination committees can ensure that the next generation of board members propels UK businesses into a new era of governance excellence. This proactive approach will not only navigate the current transition effectively but also set the stage for sustained success in the years to come.

Considerations for nomination committees

Regular communication between the nomination committee Chair and the CEO can prevent conflicts and surprises during the hiring & selection process

Clarity over the role of the nomination committee – among committee members, other board members and the senior executive team – is a prerequisite for good governance

A strong rapport between the nomination committee Chair and the CHRO can help bridge any information gaps

A provision to disclose the company's reasoning in the unlikely event of the board rejecting the nomination committee's recommendations

Formation of a sub-committee or a task force, including one or two industry experts may facilitate discussion on the job profile of position to be filled and facilitate efficient and quick hiring



Questions to consider

- 01** How well does the candidate's leadership style complement the existing leadership team's dynamics and values?
- 02** What are the specific performance expectations and key performance indicators (KPIs) for this role, and how do they tie into the company's strategic plan?
- 03** What is the proposed compensation structure, including base salary, bonuses, and equity? How does it compare to industry benchmarks and median salary of the organisation?
- 04** How does this appointment align with the organisation's succession planning and leadership development strategies?
- 05** Have shareholders or major investors been consulted or provided feedback on this appointment, and if so, what are their perspectives?
- 06** What potential risks or challenges can the candidate face in the role, and how might these be mitigated or addressed?

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

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