

GETTING ON BOARD

For Directors and Boards

By Susan F. Shultz, Chair, Global Board Practice
(480) 998-1744 or sshultz@ssaexec.com with
Robert Barker, Managing Partner, BarkerGilmore
(585) 598-6550 or rbarker@barkergilmore.com

Call it the boardroom Catch-22: It's difficult to get on a board if you don't have the experience. But, you can't get the experience without your first board seat.

The solution? If you're really serious about getting on a board, create a strategy and be prepared to do the homework. Getting on board is like getting a job.

Here are the steps:

1. Make sure you are qualified

Serving on a board, particularly a public board, requires a certain level of professional experience and achievement. Regardless of your area of expertise, you need to have the gravitas that inspires confidence in fellow directors and assures them you will be a valuable colleague and partner in discussions and decision-making.

"Professional reputation is really the cornerstone," says Mary Anne Harlan, who serves on The Gorman-Rupp Company board. "If you've done the hard work and have a reputation as someone who thinks strategically and would be an asset in the boardroom, that's really the first step."

Increasingly, significant operating experience is important. Business experience is a must, says T. K. Kerstetter, Chairman at NYSE Governance Services - Corporate Board Member. "A highly desirable director is generally someone who has run a major division of a large company or has been a CEO or CFO, for example. There's just no substitute for that sort of operating experience."

The most desired backgrounds and expertise, in order of preference, are active CEO/COOs, finance, industry specific, international, and minorities and women.

Be clear about the type of board you are qualified for.

- ✓ Do you have special industry expertise? Manufacturing, financial services, technology, medical devices, energy, retail – experience in other sectors?
- ✓ Do you prefer a particular geography? East coast, perhaps international?

- ✓ Do you have particular experience? Perhaps in companies with multiple locations, a regulated industry, mergers and acquisition, IPOs, global?
- ✓ Do you have domain expertise, for example, in finance, legal, marketing, sales, or an area that would be especially helpful on the board committees - audit, compensation and/or governance? At present, executive pay is the No. 1 governance board topic.
- ✓ The most important thing a board does is ensure that the right leadership is in place and has the resources to be successful. Do you have significant human relations experience?

2. Network

If the word “network” makes you cringe, it’s not going to be easy for you to acquire a board seat. 67% of public companies recruit directors with the help of executive search firms¹, However, the primary resource is current board members (over 90%). So, despite an increasing reliance on search firms to recruit directors, many of those directors are identified by word of mouth – by referrals.

Meet with those who can help you acquire a board seat and be clear about your board criteria. As noted, the best referrals are directors, ideally those who currently serve on the type of board you are targeting. Other influencers to contact for board seats include corporate attorneys, audit partners of accounting firms, bankers, venture capitalists, board advisors, corporate officers, and others who work with boards of directors.

Do your homework and identify specific companies on whose boards you could add value. Make a list of ten. Be diligent about researching the companies as well as their management teams and directors. Find out who their outside auditor and law firm are. Then use this information to identify possible connections to people you know who might be able to provide an entrée for you. Your goal is to be referred through networking until you reach a critical decision-maker in the boardroom, such as the CEO, board chair, head of the nominating/governance committee, or another influential director.

Gaining visibility by serving on nonprofit boards may or may not translate into securing a seat on a corporate board. But the opportunity to learn and showcase your skills with those on nonprofit boards may prove quite valuable. Seek the counsel of those in professional associations or nonprofits in which you’ve been involved for leads on boards, suggests Toni Wolfman, executive in residence at Bentley University’s Center for Women and Business (CWB).

3. Be Visible.

All boards expect that new directors will be experienced business people who understand strategy, how to read a balance sheet, and have demonstrated the ability to be consistently

¹ 2012 PWC and Deloitte/Society of Corporate Secretaries and Governance Professionals

valuable, yet collegial, in the boardroom. But, beyond that, they seek a competitive advantage, a unique benefit.

One goal of networking is to showcase your expertise. “I tell people if you’re really interested in being on a board, try to find an opportunity to speak at a professional conference,” says Catherine Allen, Chairman and CEO of The Santa Fe Group. “If you possess the expertise to speak at these events, or to have articles you’ve written featured in the agenda or in a business publication, you can begin to make your name and experience known.”

Establish your credentials as an expert. This includes sharing anything relevant that you have published, such as speeches, interviews, academic, business, or community recognition as well as degrees from prestigious institutions and your track record with leading companies. Ideally, if someone Googles you, your credentials will be apparent. Being known as an expert in a particular industry or functional area that the board has identified as highly desirable is a key advantage. “Gaining that sort of visibility, even if you don’t know anyone on the board, is important. In our nominating committee discussions, we’re talking about that all the time,” says Allen. “Who has the expertise we’re seeking and can add value?”

Gender and ethnic diversity are desired and underrepresented, although not apart from the basics required in a good director and specific competencies the board needs. There is no longer room for tokenism, but, all other things being equal, 50% of boards would like to add more women and minorities.

4. Fit the board culture

You may have an impressive resume and highly desirable skills and experience, but if you’re not perceived as a team player who can work well with other directors already on the board, you won’t stand a chance. The most valuable directors know how and when to voice dissent and ask thoughtful, non-repetitive questions in a way that encourages, rather than stifles, discussion.

“Cultural fit is critical,” says Harlan. “The board needs to work together as a cohesive team.” Everyone’s voice has to be heard, but it has to be respectful and collegial, if the board is to be able to come together as a group to make important decisions. Ultimately, when a board selects a new director, it is the culture that makes the difference.

5. Don’t count on search firms

Remember, search firms that specialize in board searches are working for a particular board of directors and not the individual seeking a board seat. Firms conduct a limited number of specific assignments, and the odds are high that there will not be an exact fit with your background. An example is the search we did for someone to chair the audit committee with operating experience as a CFO, M & A expertise, software expertise, Chinese knowledge, a minority and/or a woman. We recruited the African-American, female CFO of a large software company.

That said, forward your resume to search firms. But don't expect too much – unless you are fortunate enough to closely fit the profile of someone they are seeking for a current assignment or have a particularly high profile.

6. Don't overlook your own company's board

Sometimes the most obvious leads into the boardroom are the directors on your own company's board. They may serve on other boards and know directors on other boards and are ideally positioned to refer you. Particularly if you are a senior executive and have had exposure to the board, directors may provide leads or recommend you for a board spot elsewhere.

Similarly, don't overlook those who head key functions at your company, such as the CEO, CFO, general counsel, corporate secretary or human resources officer. As part of your networking plan, let them know of your interest in serving on a board and ask them to keep you in mind for any appropriate opportunities they learn of.

The greatest opportunities may arise, observes Wolfman, when there is a change of CEOs: "When a new CEO comes on the board, he or she may take a look around and, even if it's not really the CEO's call, may say, 'we've got too many of this sort of director or not enough of this expertise.' Or sometimes it's the voice of one or more independent directors."

With CEOs, still the most in-demand pool of directors, sitting on fewer outside boards and boards seeking to diversify, there should be greater opportunities for those seeking board seats, including first-timers.

7. BE PREPARED

Finally, once a board opportunity becomes available, do your homework. Make sure you understand a company's key issues and the financials, the metrics, the dynamics of the board, and, specifically, how you could add value to the board, including on particular committees. Learn whether there are any contentious issues at the board and if there are split votes. If it is a public company, learn which analysts follow it and what questions they ask. Who are the investors and what are the proxy issues? What kind of ratings does the board have?

You also want to make sure the fit with a board is a good one from your perspective and a good investment of your time. Don't necessarily accept the first board position you are offered. Remember that the average time invested on a board is 200 hours a year. And, it can be much more. For example, during the hostile takeover of PeopleSoft by Oracle, the audit committee met 80 times in 16 months. So, have a passion for the board and the business. Know that it will take some time to find the right board seat. Average turnover at the typical board is only a single director every two years.

Ultimately, gaining a board seat is a combination of hard persistence, timing and luck. The rewards can be immeasurable. As corporate governance continues to improve, board membership will become even more fulfilling – and critical to success.

Please share your experiences in acquiring a board seat with us at sshultz@ssaexec.com.

Susan Shultz founded SSA Executive Search International, Ltd./INAC Global (www.ssaexec.com) in the early 1980s. She has conducted board and senior level searches, nationally and internationally, including assignments in China, Europe and Mexico, and is recognized as a leading expert in corporate governance. She founded The Board Institute, Inc., (www.theboardinstitute.com) to improve and benchmark boards of directors and enhance corporate value through independent, web-based, evaluation and education tools.

Ms. Shultz authored the highly acclaimed *The Board Book, Making Your Corporate Board a Strategic Force in your Company's Success* (AMACOM) and has been featured in the *New York Times*, *The Wall Street Journal*, *Business Week*, *USA Today*, *Strategic Finance*, *CFO Magazine* and numerous other media.