



## GETTING ON BOARD

### *How Executives Can Position Themselves for a Seat at the Table*

Many successful executives view serving on the board of a major public company as a logical step in the progression of their careers. There are numerous benefits to serving on a public company board. Not only can the experience expose executives to different leadership styles, corporate cultures and business models, it can help them to see issues from a board-level point of view. Board assignments also extend individuals' professional and personal networks, introducing them to senior executives from other industries, some of whom may serve as sounding boards. Board service can also prove to be an excellent transition into a post-retirement career, providing an outlet for experienced executives to continue to use their business experience.

Meanwhile, many boards argue that it is harder than ever to identify and recruit new directors, especially active CEOs, the most desired candidate pool, and those with proven director experience. One reason for this shrinking talent pool is the changing nature of board responsibilities. New regulations have increased both the time demands and potential risks of serving on a board. As a result, many CEOs (47 percent of S&P 500 CEOs) are electing not to serve on any outside boards, and many current directors are scaling back, focusing on only one or two boards instead of several. In response, many boards have increased director retirement ages to allow experienced directors to stay on longer. The average retirement age for S&P 500 company boards is now 72, and 24 percent have a retirement age of 75 or older.

On the surface, it might appear that there should be great demand for experienced executives and, thus, ample opportunities for board service. In reality, however, there are few board director openings in a given year. In fact, boards of S&P 500 companies added only 339 new directors in 2013 and only 130 of these were new to serving on a public company board. Complicating the search for new directors is the fact that boards usually are looking for directors who meet very specific criteria.

Clearly there is a disconnect between the many executives eager to serve on boards and those responsible for recruiting them. While boards should recognize that they need to look outside their narrow definition of the ideal director and consider what a broader range of executives may have to offer, executives seeking board seats need to do more to position themselves as attractive candidates. If you are an executive who is interested in board service, there are several things to consider.

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## The board selection process

For the most part, the search for new board members is both thoughtful and carefully planned, since boards know well in advance when a director will be retiring or leaving. Unlike the process for recruiting most corporate leaders, the search for board directors generally takes place in confidence. Boards don't announce when they are looking for directors and don't publicly seek nominations. The nominating committee runs the selection process, usually in collaboration with the CEO. Some boards enlist the services of an executive search firm, however, many still manage the process on their own and reach out to their own network.

Before considering candidates, boards first review their near- and long-term strategies, and determine what knowledge and skills will help them achieve the company's goals. They perform a gap analysis based on the skills of the existing board and on which of those skills they might lose with upcoming retirements.

### Desired skill-set

Boards want active or recently retired CEOs to serve as directors, ideally younger executives who will bring current business experience. They are also looking for individuals with specific expertise — executives with global experience or technology backgrounds, financial experts, those with proven digital chops, or people who have served at the top level in Washington. In particular, demand is growing for finance executives for the audit committee. In 2003, just 7 percent of audit chairs were financial executives such as CFO, treasurers and public accounting executives, compared with 35 percent today.

As a practical matter, boards prefer senior-level operating executives and rarely set out looking for heads of staff functions, lawyers or consultants. Diversity is also an important objective for many boards, not as an end in itself, but because different perspectives are invaluable to the decision-making process. Female or minority executives with operational experience are in high demand.

### Identifying directors

After boards determine their needs, they then discreetly cast a wide net using their search firm or their own networks to identify people with those skills. They will begin an interview process that includes the chairman of the nominating and governance committee, the CEO and the chairman, if separate. They will generally interview two or three people for each opening. On some boards, the entire nominating and governance committee interviews candidates and, in some cases, the entire board gets involved in meeting the final candidate.

Because many boards are now interviewing several candidates and not just one person who they know, more first-time directors, and people with different experience, are being invited into the process.

## Determining interest and fit

If you are an executive who would like to be considered for a board seat, make sure you have a firm grasp of both what you expect to get out of the assignment and what the work entails. Board work today is far more demanding than it was a mere decade ago, and as public and regulatory scrutiny has increased, the risks have intensified. Test your readiness for board service by asking yourself the following questions:

**Why are you interested in sitting on a corporate board?** The role of a director is very different from that of an operating executive. Much of your time will be spent reviewing and assessing strategy, risk, financial reporting and management performance. Executives should be comfortable with this high-level involvement and not aspire to run the company. Being clear about your interests will also better prepare you for speaking with nominating and governance committees: They will be keen to hear your reasons for wanting to join their board, particularly the specific business challenges or governance issues that interest you and where you can provide valuable perspective.

**What types of boards interest you?** Approach this question from both sides, considering not only what types of boards you find attractive, but also why those boards would be interested in you. For example, think about industries relevant to your own career, but not competitive. Narrowing the scope of your search to companies for which your experiences would be useful will increase your chances of being considered.

**Do you have capacity to fully commit to serving on a board?** Board service extends well beyond a few board meetings; you will be expected to serve on at least one committee and to be available when unexpected issues arise. Factor in travel time for six to eight meetings per year. Can you easily travel to the location eight or so times per year? Be realistic with yourself: If developing your career within your own company takes precedence over all the other elements of your professional life, it might not be the right time to pursue a board seat.

**Does this fit into my plans for the longer term?** Recognize that this is a long-term commitment. You must be willing to serve on the board for at least 10 years.

## Increasing your chances

**What can you do to increase your chances of being considered for a board? The following guidelines will give you a head start:**

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**Do your homework.** Serving as a director is a time-consuming activity, so you want to be sure the investment is worthwhile. Think carefully about the industry sectors or business issues that are of greatest interest to you, and consider where there could be potential conflicts of interest. Do you prefer private equity-backed or public companies? Go through the Fortune 1000 and/or Russell 2000 and compile a list of the companies that are the best fit. Organize the list into categories, prioritize it and, for your top picks, identify the board members of each. You may be surprised to find that you already know some or have contacts who do. Consider and acknowledge any restrictions that would prohibit service with certain boards, such as geography or competitive situations.

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**Be realistic.** Although you might find the Apple board interesting, you need to be realistic about what is an appropriate board for you, based on the experience boards are looking for and what you have to offer. People can't help you if you aren't practical. Once you set appropriate expectations,

you can recognize that there are other places where you can get useful experience and put your knowledge to work.

- 3 Develop advocates.** You can't apply for the job of director, so you need people in the boardroom who will speak on your behalf. Express your interest in serving on a board to colleagues who already serve. These individuals are frequently approached about other board opportunities and may be too busy to pursue them. They will often refer names of interested candidates to the search firm or nominating committee that contacts them. Reach out to other people who may be influential in director selection, including executive search firms that focus on director recruitment, lawyers, investment bankers involved in deals, accountants and, especially, private equity firms. A word of caution: Expressing interest in a board seat is different than asking for a nomination. The former can often open doors, while the latter will almost certainly close them.
- 4 Develop your pitch.** Create a succinct biography. Highlight experiences and unique skills that boards will find relevant, such as involvement in governance activities, leadership experience — including the size and type of businesses you have run — and any global track record you might have. Focus on operational successes such as how you turned a company around, grew a business or overcame any notable challenges during the course of your career. Every board has an audit committee, so if you have financial expertise, make sure that is a key selling point. Many companies are wrestling with the impact of digital and social media and are looking to bring that knowledge into the boardroom. Others are seeking candidates with on-the-ground experience and relationships in the BRIC (Brazil, Russia, India and China) countries and or other markets. And, of course, if you have current or previous experience serving on a board or interacting with a board of directors, highlight that as well.
- 5 Get some board experience.** The chances of becoming a board director for a major public company without some prior board experience are very low. For many, serving on the board of a smaller company may be a logical first step. Boards of smaller or private companies are more willing to recruit knowledgeable executives who are new to board service, and the experience gained through these assignments can improve your odds of being asked to serve on the board of a more prestigious company down the line. It also may be both pragmatic and fulfilling to pursue a directorship with a nonprofit, such as an educational, healthcare or social services organization, as you build your board resume. While such assignments do not provide public governance experience, serving on a nonprofit board can provide access to a network that might ultimately lead to the right corporate board opportunity. If you are an excellent director in these settings, adding value and working collaboratively with others, you are more likely to be top-of-mind when one of your co-directors hears of an opening on a public board.
- 6 Educate yourself.** Director education events for existing directors offer the opportunity to become more familiar with the governance issues shaping the boardroom today and to meet well-connected individuals who can offer unique insight into the director selection process or recommend you at some point in the future. However, board training classes are not seen as qualifying you for board service.

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Board service can be professionally and personally rewarding and boards need executives who are both experienced and dedicated. As the pool of traditional board candidates shrinks, opportunities exist for motivated individuals to position themselves favorably for nomination when boards find themselves in need of a new director. Understanding how to match your skills and experience to those that boards are seeking may increase your chances of gaining a seat at the board table.

## About Spencer Stuart Board Services

Spencer Stuart is one of the world's leading executive search firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 55 offices in 30 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

The premier firm for board counsel and recruitment, Spencer Stuart conducts well over half of all director assignments handled through executive search. For more than 25 years, our Board Practice has helped boards around the world identify and recruit independent directors and provided advice to chairmen, CEOs and nominating committees on important governance issues. In the past year alone, we have conducted more than 400 director searches. We are the firm of choice for both leading multinationals and smaller organizations, conducting more than one-third of our assignments for companies with revenues under \$1 billion.

Our global team of board experts work together to ensure that our clients have unrivaled access to the best existing and potential director talent, and regularly assist boards in increasing the diversity of their composition. We have recruited more than 1,100 female directors for clients worldwide. During the past three years, nearly 25 percent of our placements have been women.

In addition to our work with clients, Spencer Stuart has long played an active role in corporate governance by exploring — both on our own and with other prestigious institutions — key concerns of boards and innovative solutions to the challenges facing them. Publishing the *Spencer Stuart Board Index* (SSBI), now in its 28th edition, is just one of our many ongoing efforts.

## About the author

[Julie Hembrock Daum](#) leads the North American Board Practice and serves on the board of directors of Spencer Stuart.

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