



Becoming board ready: Lessons learned for potential board candidates

The Dbriefs Governance, Risk, & Compliance series

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February 9, 2017

Agenda

- Board statistics and the current landscape
- Nominating and governance committee responsibilities
- Board composition
- Identify and interview
- Questions and answers

Board composition diversity

It is not a case of a greater ability of one gender versus the other but that a more diverse group makes for better decision making and corporate performance.

-The CS Gender 3000: Women in Senior Management¹

I have seen first-hand what the research is telling us – boards with diverse members function better and are correlated with better company performance. This is precisely why investors have – and should have – an interest in diversity disclosure about board members and nominees.

-Mary Jo White, Chair of the US Securities and Exchange Commission²

Transforming the board to embrace diversity of experience, thought, voice, and generation could understandably be a significant effort for many organizations. However, those that initiate the process today may realize the value of more dynamic boardroom discussions, a clearer understanding of the changes underway in their business environments, and how to plan and capitalize on them to create shareholder value.

-Deborah DeHaas is vice chair; national managing partner, Center for Board Effectiveness; and chief inclusion officer at Deloitte. Byron Spruell is former vice chair, Central region; and former Chicago managing principal at Deloitte LLP³

¹<https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=8128F3C0-99BC-22E6-838E2A5B1E4366DF>

²<https://www.sec.gov/news/speech/chair-white-icgn-speech.html>

³<http://deloitte.wsj.com/riskandcompliance/2015/06/24/changing-course-on-boardroom-composition/>

2016 general board statistics



5-7% turnover in the US over the last decade; 345 independent directors added to companies in the S&P 500 in 2016; 32% are serving for the first time



32% of new directors are women; while 99% of boards have at least one female director; female representation on boards is 21%



Only 43% of S&P 500 CEOs serve on an outside board, a new low; conversely, there has been a rise in demand for other active corporate executives



15% of new directors are minorities, a decrease from 18% in 2015



8.3 years is the average director tenure; 63 is the average age; 52% added one or more directors in the last year



73% of boards have a mandatory retirement age; 45% of these boards set the retirement age at 72+ years

Source: 2016 Spencer Stuart Board Index

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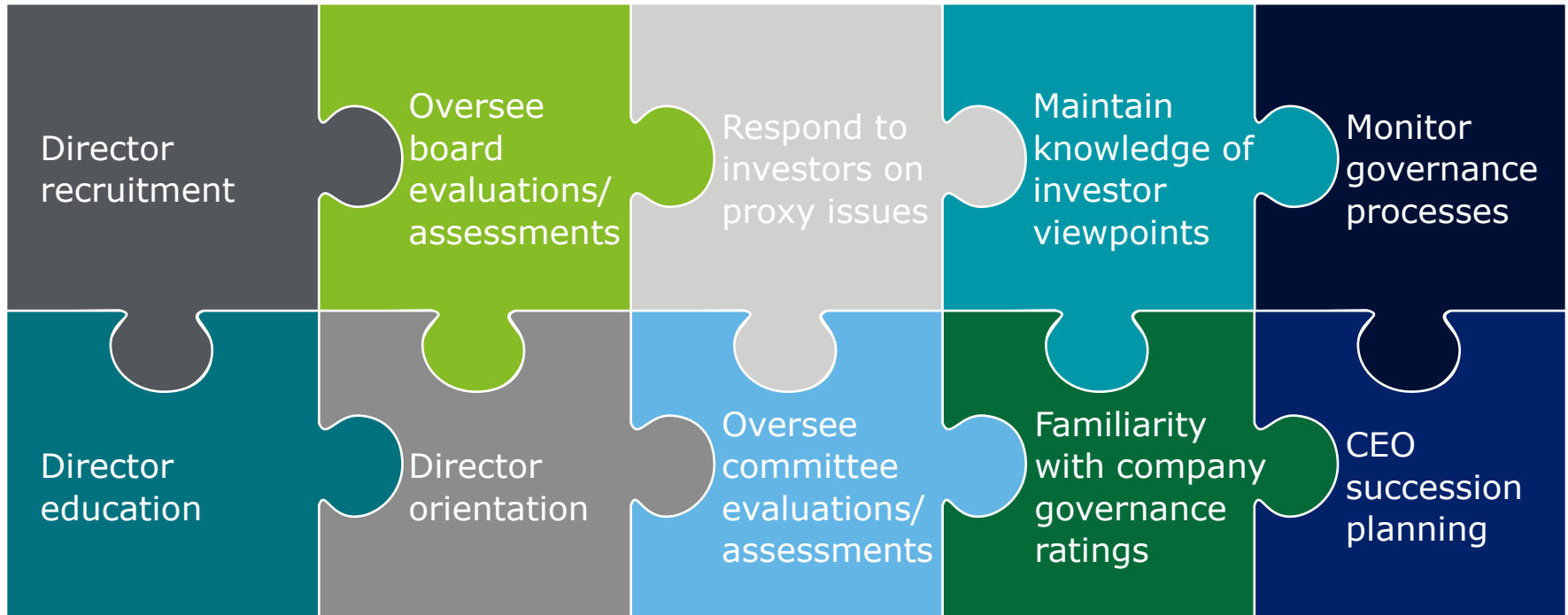
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Polling question #1

What type of board are you interested in joining?

- Public
- Private
- Non-profit
- Advisory
- Academic/University
- Don't know/Not applicable

Nominating and governance committee responsibilities



Heidrick & Struggles board monitor

Snapshot of 2016 findings

67% Fortune 500 new board members have international experience

30% Fortune 500 new board members were women

54% Fortune 500 new board members were current and former CEOs

19% Fortune 500 new board members were current and former CFOs

58 Average age

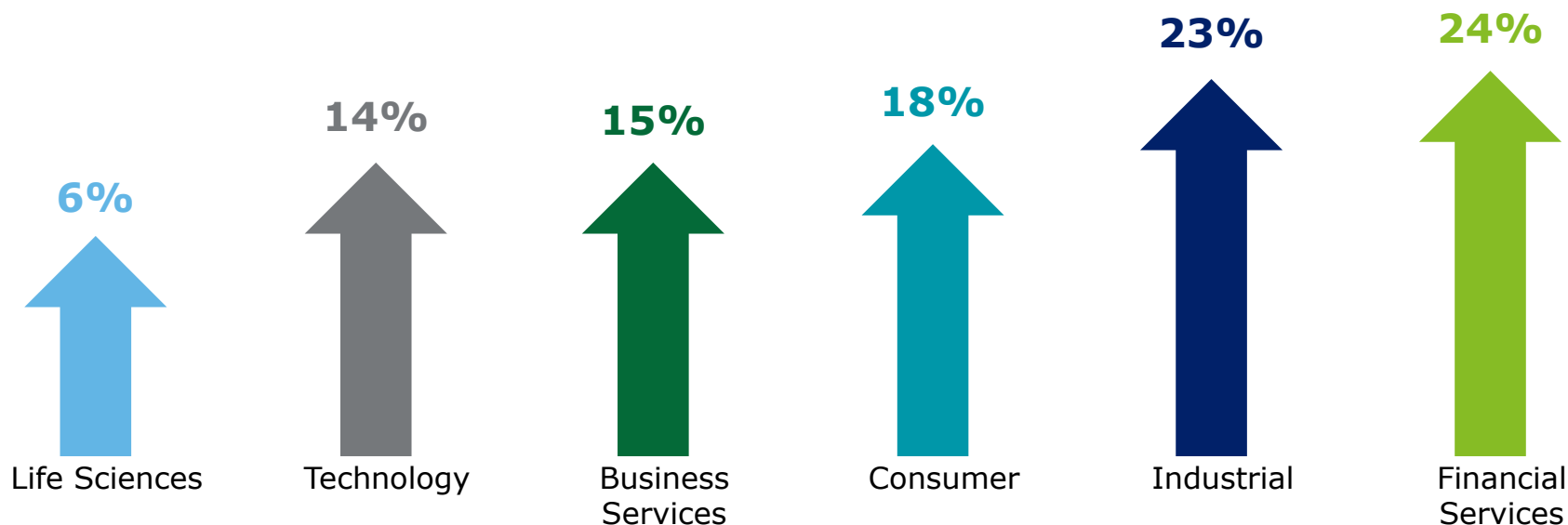
57% Fortune 500 new board members were active executives

Heidrick & Struggles board monitor

Trends

New Fortune 500 board members primarily had career experience from the financial-services, industrial, and consumer industries.

Based on Heidrick & Struggles 2016 Board Monitor: Mapping Incoming Boardroom Talent



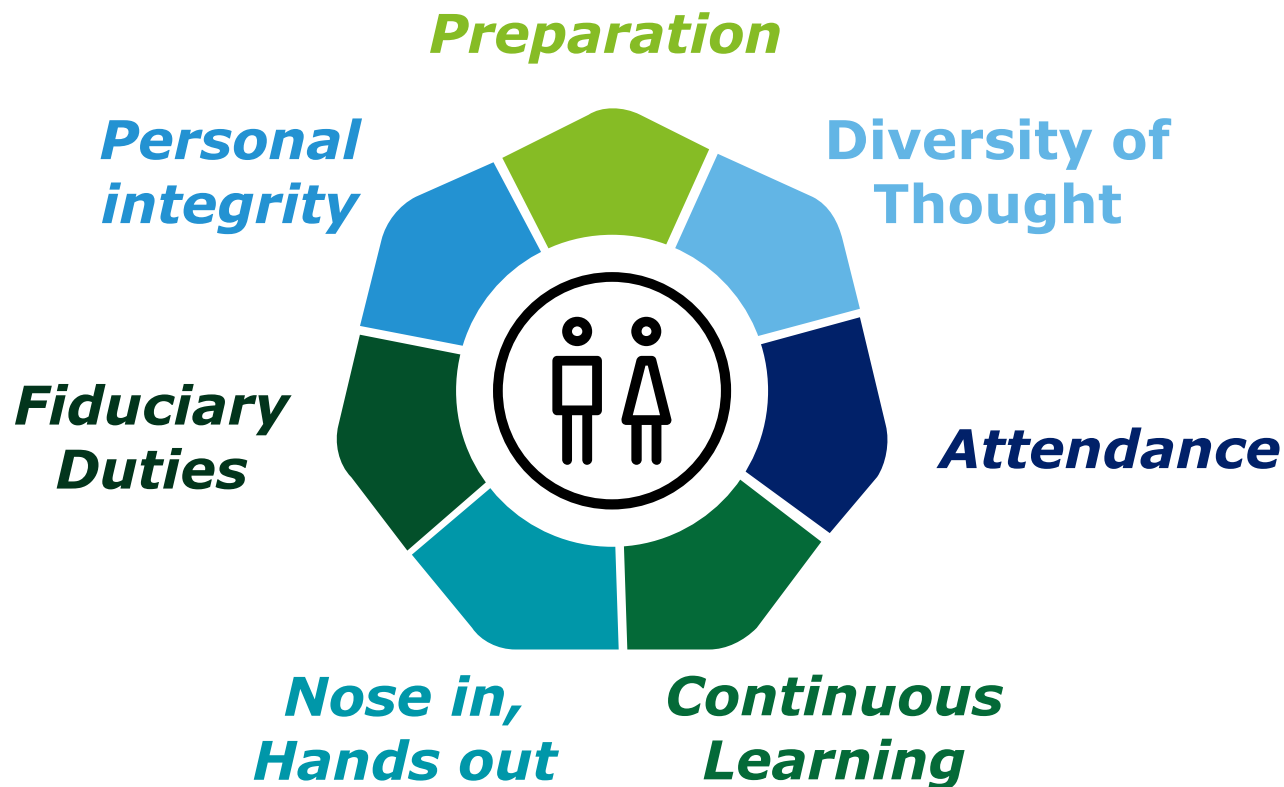
Finding talent

Where do search firms look?



- Soliciting recommendations from executive and board placements and clients
- Strategic partnerships with organizations such as:
 - Executive leadership council
 - National Association of Corporate Directors (NACD)
 - Women Corporate Directors
- Researching our Board database
- Networking with partners throughout our firm
- Attending industry events to meet talented executives
 - Corporate Board Member
 - Fortune Most Powerful Women's Events
 - NACD
 - Outstanding Director Exchange (ODX)
- Media – Articles and top executive listings
- Researching talent proactively from a targeted universe – top executives within a certain industry/function

The ideal board candidate



Polling question #2

My background is:

- CEO/chair/president/COO/vice chair
- Other corporate executive
- Financial background
- Other function executive
- Academic/nonprofit
- Other

Finding talent

What skills are boards looking for?

Sample matrix

Qualification	CEO	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Director 8
Required competencies & expertise									
General management / P&L									
Industry									
Finance									
Marketing									
Sales									
Human resources									
Technical acumen									
Legal / regulatory									
Risk assessment									
M&A									
Manufacturing / operations									
Strategy Development									
Digital / e-Commerce / new Technology									
International experience									
IPO experience									
Activist shareholder / hostile takeover									
Other public company BOD experience									
Personal									
Ethnic diversity									
Gender diversity									
Active / retired									
Board committees									
Audit									
Nominating and governance									
Compensation									

How to secure your first board appointment



Assess your readiness for board service



Approach your “board search” as you would a job search



Develop your elevator pitch

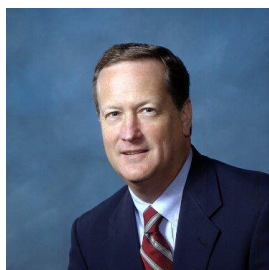


Network, network, network



Seek some preliminary experience on a not-for-profit board

Greg Aliff lessons learned: Getting on that first board



- Time commitment
- Start the process a year before you are ready
- Nobody knows you are interested unless you tell them
- Dedicate the effort to preparing a first class bio
- Network, network, network
- Executive search firms and others forget you in 6 months
- Dedicate the time to know the company before the interviews
- Be selective but do not be picky

Cheryl Francis board history and lessons learned



- 5 public company boards
 - 3 through search firm; 2 through personal network
- Boards will look for strong, trusted references who have seen you in action
- Board is the source of most-trusted candidates
- Easiest to land first Board role from a C-Suite job
- Stay top of mind through engagement and informing influential people
- Check more than one box
- HNI Corporation Board
- Lands' End Board

Polling question #3

I'm currently on a:

- Public company board
- Private company board
- Not for profit board
- I am not on a board

Typical interview process

Interview

- Nominating and Governance Committee (NGC) vets candidates
- Potential candidates interviewed by the NGC and CEO
- Finalists may be interviewed by the full board
- In some instances the full board may vote on recommendations provided by the NGC

Meet

- Auditors
- C-suite executives

Ask

- Primary objectives of the board
- Expectations for directors
- Director time commitment
- Key executives – tenure, backgrounds
- Compensation package for directors
- D&O insurance in place/limits
- Read the company's latest financial statements (and proxy statement for public companies) before you do an interview

Polling question #4

I have career experiences in:

- Business-services or financial-services experience
- Consumer or industrial experience
- Life-sciences experience
- Technology experience
- Other
- Don't know/not applicable

Identifying board opportunities



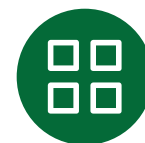
Don't rely on others to "sell" your story — devote the time you would to a job search



Don't assume that search firms are the answer — over 3/4s of boards rely to some extent on 'warm referrals' from their own networks



Don't prepare a lengthy board bio — one to two pages maximum



Be selective — ask questions to understand if the board opportunity would be the right fit

Network, network, network!

Network, expressing specific interest and highlighting your value, with:

- Your business community network, including current board directors
- Your colleagues and targeted contacts in your industry/technical area
- NACD, WCD, Catalyst and other groups
- Lawyers, investment bankers and external auditors
- Executive search firms

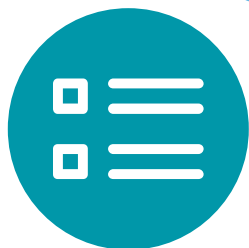
Note: Consider joining a substantive non profit board or private company board as well; can be a great way to build board skills and make an impact

Takeaways and considerations

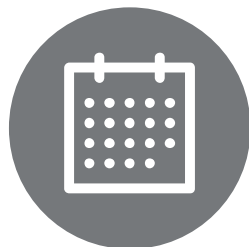
Be open-
minded about
opportunities
that come along



Boards are
looking for
more than 1
box checked



Network,
network,
network!



It can take time to
find the right fit

Question & Answer

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