

# The Path to the Boardroom

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The path to the boardroom is different for every executive. After years of experience and honing specialized expertise, it's natural to want to share your wisdom and help companies and shareholders by serving as a board director. We at Egon Zehnder would like to help you on your journey to board service. This three-part series, "The Path to the Boardroom," is designed to help those who are seeking their first corporate board seat. Part I focuses on the thorough preparation required to begin the process; Part II shares successful strategies for interviewing for a directorship; and Part III offers guidance to getting off to a good start as a new director. We have also created a guide, *Writing Your First Board Biography*, which can help you craft your Board biography. Please contact us to request a copy of this guide.



# The Path to the Boardroom - I Positioning Yourself for First-Time Board Service

Board service can be one of the most rewarding career experiences: It's the opportunity to see first-hand how another company operates at the highest levels and to work with -- and learn from -- accomplished, articulate, and intelligent people. It's why many leaders decide to start down the path to the boardroom. It's also why the number of qualified boardroom candidates outweighs the number of board seats available in a given year. However, the landscape for first-time directors is improving. In 2018, shareholders elected 428 new directors to S&P 500 boards -- the largest number of new directors since 2004. Egon Zehnder's Global Board Diversity Tracker found that globally 11.4 percent of board appointments in 2018 were new appointments, and of that number 27 percent were women. Additionally, legislation is increasing the number of available boardroom seats, specifically for women. California's quota law requires public companies domiciled in state to have at least one woman on their boards by the end of 2019 and three by the end of 2021. This means 692 board seats will be open for women in this time frame.

Although more opportunities are open than in previous years, one of the major factors in the

limited number of boardroom seats is the slow rate of board turnover. Tenure limiting mechanisms vary by board -- some use term limits or age limits -- and some companies choose not to implement any limits, contending that age and time are not indicators of when a director stops making valuable contributions to the board.

As a result, the path to the boardroom can be long and requires patience and persistence. Estimates put the average length of time for finding your first corporate board seat at more than two years. This is not meant to discourage you; only to help you realistically set goals and expectations. Our Path to the Boardroom guide will help you better position yourself in your journey to directorship.

## The first step is to tackle following three tasks:

- I Objectively assess your readiness and qualifications.
- II Bring the same objectivity you used to assess your readiness to thinking about your qualifications.
- III Raise your profile.

## Objectively assess your readiness and qualifications.

While board service is appealing, it is a demanding job with a significant time commitment. It's often described as a part-time job with full-time responsibilities. The National Association of Corporate Directors puts the average number of hours directors spend on board matters at 244.9 annually. It's also important to keep in mind that this time commitment assumes there are no large-scale changes impacting the company. If there is a crisis or some type of corporate turnaround, the time commitment would increase. Ask yourself if you are genuinely prepared for the significant number of hours spent preparing for and participating in full board and committee meetings, and the public scrutiny and increasing liability and reputational risk directors face. Once you join a board, you cannot readily disassociate from a crisis or scandal the company could undergo. You will also want to ensure you are prepared to make the mental and emotional commitment required to mentor and monitor management, to act as an ambassador for the company, and to work unstintingly should a crisis arise.

Bring the same objectivity you used to assess your readiness to thinking about your qualifications. Boards usually seek very senior executives who have been responsible for a significant P&L, who know how to interpret a balance sheet, and who understand how a business works and the range of functions that make it work. In the past, the sought-after roles have typically been CEOs, CFOs, and presidents of large divisions, but that profile is expanding. In fact, research shows that in 2018 only 35.5 percent of new directors appointed to boards were CEO-level (active or retired CEOs, chairs, vice chairs, presidents or COOs). Today's environment needs different skill sets on the board for companies to thrive, so do not count yourself out of board service if you haven't been a CEO, especially if you have expertise in an area such as digital, scientific knowledge for science-intensive companies, or experience with regulators for companies in heavily regulated industries. One other consideration is the more recent your experience – executive or otherwise – the more likely it is to appeal to boards.

## Create a Board Biography.

Your initial self-assessment lays the foundation for creating a focused, comprehensive story about your potential value and why you are interested in board service. This is not just a revised version of your CV. You want to focus on the board-relevance of your experience and keep it succinct.

As you construct your biography, here are some guidelines to follow:

- Articulate what you really bring to the table. Board searches are highly specific. Think about what sets you apart from others who have held your role.
- If you are a President, what unique strategic triumphs, market knowledge, operating experience, and leadership competencies you can vividly document? Having successfully planned your own succession, for example, would be highly appealing to boards – many boards have never been involved in a succession.
- If you are a CFO, you should be clear about what that has entailed, whether it's international experience, a turnaround, or creating innovative capital structures.
- If you have special expertise, be sure it truly is special and that you can explain how. If part of your value might lie in the diversity you could bring, be prepared to say precisely how that might be relevant to a particular board.
- Do not rely on only your self-assessment. In our work with board candidates, we have found that many leaders often overlook some of their greatest strengths or have not explained those strengths in terms that appeal to boards. Having a discussion with an objective third-party can help you tell a compelling personal and professional story. These discussions can be especially helpful to leaders who haven't served on a board and haven't been involved with a board search. They can benefit from the experience of sitting directors or executive search firms who have been deeply involved in the process many times.

- Do not overlook the unique responsibilities of directors. While your story should be specific, it should also speak to the central duties that all boards must discharge: CEO succession, setting compensation for top management, validating strategy from shareholders' point of view, and ensuring corporate integrity and sound risk management. What has prepared you for these demanding roles? What qualities of temperament do you bring to them?

### Raise your profile.

While you cannot apply for a board seat the way you would apply for a traditional job, you can let your networks know that you are interested in board service. If you are a current executive, see if your company's CEO and board members might be able to provide some guidance. (You'll want to first ask their permission to serve on an external board before you get too far into your board search.) You should also network with any other board members you know, with mentors or champions you have had, and with people in your business circles. You can also

expand your network by joining an organization that focuses on board service. Reach out to private equity executives and management consultants you know, and alert corporate directors with whom you serve on not-for-profit boards that you are seeking a corporate directorship. You can use the talking points from your Board Biography to help guide your conversations.

You may also want to consider raising your profile through speaking engagements, media exposure, and publishing articles and research. Keep in mind that many board appointments come about through the work of executive search firms who, when conducting searches on behalf of boards, present candidates that the board would have otherwise been unaware of.

With an authentic self-assessment, a compelling biography, and a higher profile, you can increase your chances of landing a board seat. If you get a call for an interview, your next task is to prepare for that discussion. It is a conversation like no other, with unique challenges and little room for error. How to successfully interview for a board seat is the topic of the next installment in this series.



## The Path to the Boardroom - II

# Interviewing for First-Time Board Service

The process of interviewing for a corporate directorship is similar to interviewing for a traditional executive role: The interview process for a board seat typically involves a series of conversations rather than a very formal HR interview and often begins with a phone call to gauge your interest. You will likely be interviewed by the head of the Nominating Committee, the Board Chair, and the CEO if the roles are split. But the tone and content of these discussions is what sets a board interview apart, as we noted in Part I of this series.

Based on our experience working with boards of directors, we have developed guiding principles to help you ace your boardroom interview(s):

### **Keep the conversation focused on boardroom matters.**

A board interview goes beyond discussing your strengths as a manager; it is a higher-level conversation about the company you are hoping to join the board of and your readiness and potential to help oversee company. The interview will also likely focus on the chief responsibilities of directors: protecting shareholder value, addressing CEO succession, setting compensation for top

management, safeguarding corporate integrity, and ensuring enterprise risk management. The issues surrounding these responsibilities can be nuanced and controversial, so you will want to be well-versed in them so that you can discuss them deeply and diplomatically. Be sure to do your research on the company – see how it has been portrayed in the news and on social media. You will also want to spend some time ensuring you fully understand your responsibilities as a director. A great place to start is by reviewing fiduciary duties.

### **Ask the right questions.**

You should be prepared to ask questions about the company that demonstrate you have detailed knowledge of it. Showing that you have “done your homework” in the form of asking insightful questions is more diplomatic than presuming to tell the company its business. For example, you might ask about how the company is overseeing specific risks, such as data security. How are economic conditions affecting plans for growth? How does the company create and foster a culture of innovation? You may also want to ask questions about boardroom culture and dynamics, the role management plays at meetings, and how the board walks the fine line

between oversight and interference. You may also want to ask what role does the board play in strategy – do they simply receive reports from management or do they offer suggestions and see what strategies were rejected and why?

### **Focus on your value to the board; not the board's value to you.**

In our experience, the gaffe most frequently committed by first-time board candidates is the answer to this question: Why do you want to be on this board? Many interviewees have been known to reply: Because it's a great learning opportunity for me. Some may be even more explicit: Because of what I can take back to my own company. Or: Because I think it's the next logical stage in my career. From these and similar answers, interviewers will conclude that you are interested in getting on a board – any board – purely for its value to you professionally. What they really want to know is why you are interested in their board. What is it about the company that intrigues you? What issues does it face that you could help with as a board member? Having created your Board biography, you should be well prepared to discuss the specific value you could add.

### **Do not gush about the company (even if it's genuine).**

At the other extreme, is another common gaffe: over-enthusing about the company. As fortunate as you might feel to be interviewing with the board of a company you greatly admire, refrain from over-the-top praise, which, no matter how sincerely you may believe it, could be taken for empty flattery. Boards are not looking for cheerleaders; they are looking for members with the requisite seriousness and incisiveness about the responsibilities of governance.

### **Demonstrate your commitment to board service.**

Board service is not for the faint of heart. It is time-consuming, including four or more in-person meetings yearly and the travel time to each in addition to telephonic meetings, and also many hours of preparation. A sudden crisis, an unexpected CEO succession, or other unforeseen event can require more hours of intense work. You must also be willing to withstand the pressure that comes with today's greater liability for directors and the sometimes

unwanted glare of the spotlight. Demonstrate that you understand and welcome the rigors of board service. Ask about the opportunities to serve on particular committees – Audit, Compensation, Nominating and Governance, and any committees that might be unique to that board.

### **Draw on your experience interacting with your company's board.**

If you are a member of senior management, you likely have a great deal of experience presenting to your board. Synthesizing insights and impressions from those experiences and weaving them into the conversation indicates that you are no stranger to the boardroom and understand the level on which it operates.

### **Suggest high-level, credible references who can discuss your board readiness.**

Ideally, these references will include people who are themselves experienced corporate board members.

### **Be prepared for a lengthy vetting process. Director searches take as long,**

or longer, as searches for top executives, with stretches of time between steps. Don't be unnerved by the length of the process or assume that you've been rejected. Boards have their own cadences for adding directors and they often advance the process in a deliberate, iterative way.

### **Be certain, in advance, that your board and CEO approve of you accepting a directorship.**

As we advise in Part I, making your aspirations known to the board and CEO of your current company is a key first step in positioning yourself for board service. Otherwise, you might find yourself in the uncomfortable position of having to turn down an offer, which could hurt your chances with other opportunities in the future.

Interviewing successfully for a board seat is a subtle matter of substance and style, of depth and demeanor, and gravitas and grace. The same can be said for successful board service. How to establish the right balance of these interdependent characteristics in your first several board meetings is the subject of Part III in this series.



## The Path to the Boardroom - III

# Getting Off to a Good Start

You have made it through a rigorous vetting process and have been appointed to a corporate board. Congratulations! You are embarking on a new journey where the decisions you make will have a significant impact on the company and beyond. You will want to take your new responsibilities seriously, and even if you have extensive experience interacting with the board of your current company, you should approach taking your place among this set of new and distinguished colleagues with care. Each board has a distinctive culture, cadence, and way of conducting business. For a new director, absorbing all of those nuances is partly a matter of time. However, there are a number of things you can do – before your first meeting, during meetings, and in the first six months of your tenure – to help you get off on the best foot possible.

### **Before your first meeting:**

- **Familiarize yourself with the rules and regulations governing board operations.** Almost everything that transpires in board meetings and board committee meetings is subject to a web of federal and state laws and regulations, as well as the bylaws of the corporation, which lay out the rights and powers of shareholders, directors, and officers.

As a director, who is presumed to be liable for the company's actions, you should be familiar with these regulations and corporate bylaws. Remember that discussions and actions of the board and its committees are recorded in the minutes. While discussions are confidential, minutes can sometimes come under the scrutiny of interested shareholders or surface in court proceedings, and directors exercise great discretion in their deliberations.

Before your first board meeting, find out if there is a formal board orientation program. If not, schedule some time to meet with the General Counsel to get a better understanding of the legalities and nuances that govern board deliberations.

- **Give yourself enough time to prepare for your first meeting.** Even veteran directors need extensive time to thoroughly prepare for board meetings. It can require hours of reviewing financial reports and other materials that directors are sent in advance (usually through an online board portal). Materials will include minutes from the prior board meeting, agenda items, and materials related to agenda items. Agenda

items depend on where the board is in its annual cycle, what new issues might have arisen, and what regularly scheduled presentations are due. As a new director, you will likely need more time to prepare. In some cases, you may already know what committee you will serve on, which requires additional preparation. You will want to be able to participate in your first meeting, and thorough preparation will be the key to diving in. Additionally, few things put a new director under a darker cloud than showing up for a board meeting unprepared.

- **Begin to get to know the board leaders well.** During the interview process, you may have spent no more than 90 minutes or so with the Chair. Since you won't have a day-to-day working relationship with him or her, you should begin to forge a bond before the first board meeting. Try to get together for dinner or the like within the first month of your appointment. (You will also want to meet with the CEO if the chair and CEO roles are split.) If you know what committee you will serve on, you should also meet with its chair, not only to initiate a personal relationship but to get a feel for your responsibilities. Remember, these are long-term relationships that you are forming, and you want to establish them on a firm foundation.
- **Request a mentor, if one hasn't been provided to you.** Many boards have created comprehensive onboarding processes for new board members, including mentors to help directors get their bearings. If that's not the case with your new board, ask the Chair to arrange a mentor for you. Mentors can be invaluable guides to the culture, composition, and conduct of the board.

#### At your first meeting and beyond:

- **Understand your role as a director versus the role of management.** The role of directors is to govern -- not to micro-manage the company or its executives. Governance includes a broad set of oversight activities: monitoring performance,

ensuring compliance, maintaining ethical standards, acting as a sounding board on strategy, selecting the CEO, and making key compensation decisions. It does not include second-guessing every management decision or getting involved in day-to-day operations.

- **Maintain the appropriate demeanor.** A board meeting is a collaborative environment that requires modesty, a willingness to listen to multiple points of view, and thoughtful decision making. It's a basic rule to follow, but treat your board members as you would like them to treat you.
- **Represent the shareholders.** Collegiality does not mean you shouldn't ask probing questions or voice dissent. You have a fiduciary duty to use your best business judgment to represent the interests of the shareholders and to oversee the creation of long-term shareholder value. Exercising that responsibility does not require confrontation, but it does require courage to speak up.
- **Know when and how to contribute to the discussion.** You may have been appointed to the board for your specialized knowledge or specific experience and can reasonably be expected to contribute when a relevant issue arises. Avoid lecturing or assuming a tone of superiority in such discussions. When topics arise that you have doubts about or want to know more, you should pose questions that invite fact-based answers.
- **Begin to orient yourself to the dynamics of the group.** All boards have their own dynamics, which can range from exemplary cohesiveness to faction-riven dysfunction. Because these dynamics are often rooted in long histories, they may not be immediately apparent. But by closely observing the way members interact, being alert to undercurrents in the room, and trying to discern the past in the present, you can begin to determine how you might best contribute to a balanced and productive discussion over the long term.



**Take these steps within the first six months of your tenure:**

- **Seek feedback on your performance early on.** While many boards have established thoughtful and objective evaluation processes, they do not always provide enough specific feedback on individual directors. In addition, the formal evaluation of your board may not be due for another six months or longer. Don't wait for it. After you have participated in two or more board meetings ask for feedback from the board member you feel most comfortable with. It might be your mentor or it might be another director you've come to admire in the course of the board's work. Make it clear that you are looking for candor, not reassurance. When the formal board evaluation does occur, take advantage of the opportunity for additional feedback.
- **Continue to build relationships outside of the meeting room.** In addition to nurturing your relationships with the CEO and/or Chair and your committee chair, try to get to know the other directors as well, through dinners and on other occasions that allow informal, one-on-one conversations. Seek similar engagement

with management. Boards usually find ways for directors to meet periodically with management, but if you find that it is infrequent or superficial, ask the Chair for additional opportunities.

- **Stay current with boardroom matters and trends.** Continuing education programs for directors offer you the opportunity to maintain and improve the skills necessary for the performance of your responsibilities. There's no handbook on how to be a director, and these programs can also help keep you current on best practices in governance and on emerging issues for boards. Some boards make these programs available to directors, often as part of the onboarding process for new directors. But if your new board does not do so, consider seeking a program on your own.

Taking these steps and adhering to these principles as you begin your board service will not only help you make a good first impression but, more importantly, will enable you to do the best possible job you can do from the outset. Board service comes with many challenges, but it also offers the opportunity to make a difference in the way companies run, which impacts all of us.

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