

Get on Board

In this tough economy, many CEOs are stepping down from corporate boards to focus on their own companies. Is this finally the opportunity for more women and minorities to take their seats at the table?

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With the economy in a state of flux, many CEOs are deciding they cannot divert attention from running their own businesses and are stepping down from outside board commitments. Now that there's more room at the table, who will sit there? Is this an opportunity for women and minorities to make significant inroads into the boardroom?

The numbers say the gate is open. In 2009, according to independent research group The Corporate Library, 31 of the current S&P 500 CEOs—and 45 of the current Fortune 1000 CEOs—left boards outside of the companies they head. For some CEOs, the challenge of having to deal with their own headaches and shareholders as well as those of another company in this changing economic landscape proved unwieldy. Others are leaving because of retirement or mergers and acquisitions.

But the reality is that board life has changed. It is no longer a place to sit on high like royalty. Boards are under intense scrutiny, and complex issues such as executive compensation, governance, risk management, compliance, sustainability, and increased shareholder activism require long, rigorous hours every month. The number of

board meetings also has increased, to an average of nine a year in 2009, and changes stemming from recently passed financial reform undoubtedly will have major implications for corporate boards.

All in all, the board seat has become the hot seat, and one takes it at some risk. Although there is directors and officers liability insurance in the case of a lawsuit, sitting on a board at the center of a controversy could inflict substantial damage to one's reputation.

Despite the challenges, however, board experience is invaluable and can catapult a career to new levels, both because of the exposure to some of the brightest and best and because of the knowledge and skills gained. So the goods are up for grabs and it's still a seat worth seeking.

"Many believe that serving as an outside director is one of the most challenging and stimulating tasks one can undertake, notwithstanding the increased risks," says Howard Spector,



How to Take Your Place at the Table

Prepping and jockeying for a coveted board seat takes the same savvy as finding an executive position.

"Generally, getting a board seat is not easy. But once you get the first one, others will follow," says Janice Reals Ellig, co-CEO of Chadwick Ellig, an executive search advisory firm. She and other experts offer these steps for getting on a board.

Reach out to influentials in your network.

Reals Ellig recommends contacting those who are on boards and have the connections to help you. Identify your specific expertise, then zero in on an industry sector and look for companies where you can add value.

Do your homework. Learn what good corporate governance means by attending conferences and courses. This also will expand your network. Let people know you want to get on a board, what you can bring to the table and the type of company where you can add the most value. Network, network, network, Reals Ellig adds.

Leverage your experience. "Boards like trophy names, and having a brand in your niche as a result of your accomplishments and expertise is very important," Reals Ellig says.

Consider a firm in the pre-initial public offering stage. Track new offerings (available at sec.gov/edgar.shtml) and approach the attorney or accounting firm early after filing, advises Richard Chess, a managing partner with Chess Law Firm. Even if it is too late for the registered offering, these accounting and law firms all handle multiple public companies.

Give back. Service on a nonprofit board will give you experience and help prepare you for a corporate board position.

Be realistic. "Unless you're a sitting or retired CEO, don't expect to get on a Fortune 100 board," says Reals Ellig. "Look at the Fortune 1000 and get that first board experience. From that track record, other opportunities will follow."

Speak up. Make yourself known to leading executive search firms that work with companies to search for and recommend new directors.



Get involved with civic organizations and professional groups.

If you want to take a strategic approach, identify the top 15 organizations in your own industry or geographic area. Many will have term limits, mandatory retirement age requirements and long-tenured board members, which at some point will require new board appointments, says David Nosal, CEO of executive search firm Nosal Partners. A good resource is the National Association of Corporate Directors (nacdonline.org).

Learn the basics. Several business schools, such as Harvard, Stanford and Chicago, offer courses for board members. These programs not only are good for increasing knowledge and skills but also are a great place to meet other members and to network.

Keep your perspective. "While it is an honor and privilege to be selected for a board position, don't just take the first thing that comes to you," Nosal says. "Do your due diligence. Be sure you are picking the right board opportunity. Make sure the company is financially sound and managed extraordinary well." Is it a seat where you in fact want to sit?

a senior mergers and acquisitions partner in Reed Smith's Philadelphia and New York offices. "If you love business and the challenges of overseeing management, developing new strategies and serving the sometimes conflicting interests of the important stakeholders in a company, you will enjoy serving as an outside director."

But can women and minorities take advantage of the opportunity?

According to the 2009 Catalyst Census of the Fortune 500, women held 15.2 percent of board seats, a number that reflects little growth over the past five years. Women of color held 3.1 percent, compared with 3.2 percent in 2008. Almost 90 percent of the Fortune 500 had at least one woman director, but less than 20 percent had three or more. Women's share of board chair positions remained flat at 2 percent.

Ilene Lang, president and CEO of Catalyst, is not overly optimistic. After the Sarbanes-Oxley Act, which tightened board standards and rules, "we saw that retired male CEOs were tapped in greater numbers to make up for the shortfall of sitting CEOs participating in the boardroom," Lang says. "Boards can, however, seize the opportunity to diversify and appoint qualified women and minorities. Catalyst research shows that companies with more women on their boards, on average, financially outperform those with fewer. And companies with three or more women on their boards do even better."

She adds that the Securities and Exchange Commission has recognized the need to diversify corporate boards, reflected in its recent ruling that companies disclose their diversity policies.

Similarly, a study last year of black members of boards of directors of Fortune 500 companies, commissioned by the Executive Leadership Council, found that the number of board seats held by them has declined since its inaugural board report was released in 2004. Four years ago, they held 449 corporate board seats; today, they hold 413, or 36 fewer.

"I am a public company CFO. I should be a prime candidate with search firms,"

says Cindie Jamison, a senior partner with Tatum, an executive services firm. "The mechanism is broken. Supply and demand doesn't matter. The gatekeepers are the search firms. If they don't go outside the box, they just go with the same people. I am on three boards, none of which I got from a search firm."

Although some organizations have worked hard to recruit women and minorities, others seem not to understand the enormous benefits of a diverse board, says Connie Curran, co-founder and CEO of Best on Board, a firm designed to teach, test and certify nonprofit board members. "Two of the boards I am member of have been very successful in recruiting women, minorities and global members. The depth and breadth these individuals bring to the board is beneficial."

Linda Bolliger, founder of Boardroom Bound, a nonprofit that helps companies find prequalified director candidates, says some of the Fortune 500 CEOs she's been talking to are ready to go beyond the traditional old boys' network.

"Some of them understand that a homogenous monoculture of the elite at a time when we are in global economy is not taking advantage of the talent pool," she notes.

So if the door is open a crack, what's most needed for women and minorities to step right in?

Companies are looking for a variety of skills, and much depends on the type of company. Factors include a company's size, products, markets, employee composition, issues complexity, and strategy going forward.

"The preference is still a sitting CEO or COO," says Janice Reals Ellig, co-CEO of Chadick Ellig, an executive search advisory firm. "But lately there is more emphasis on recruiting CFOs, because of the risk management issues facing companies. Retired CEOs and C-suite executives who had a demonstrated track record are also high on the list." Truthfully though, "comfort is the key factor. Boards are like any other group and want to bring on people they know and [who] will work well with

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the board as a whole. CEOs know other CEOs and want those who have faced some of the same issues."

There certainly are boards looking for strong information technology, marketing or human resources backgrounds, but most companies look for board members with strong financial leadership or operating success and global experience, says David Nosal, CEO of executive search firm Nosal Partners.

Quite frankly, says Shecter, "we are long past the time that being a friend of the chairman or CEO is the only credential one needs to serve as a director. In fact, the SEC now requires a company, in its proxy statements, to identify not only the background of each director but the specific skills that a director has that contributes to the functioning of the board." 🍃