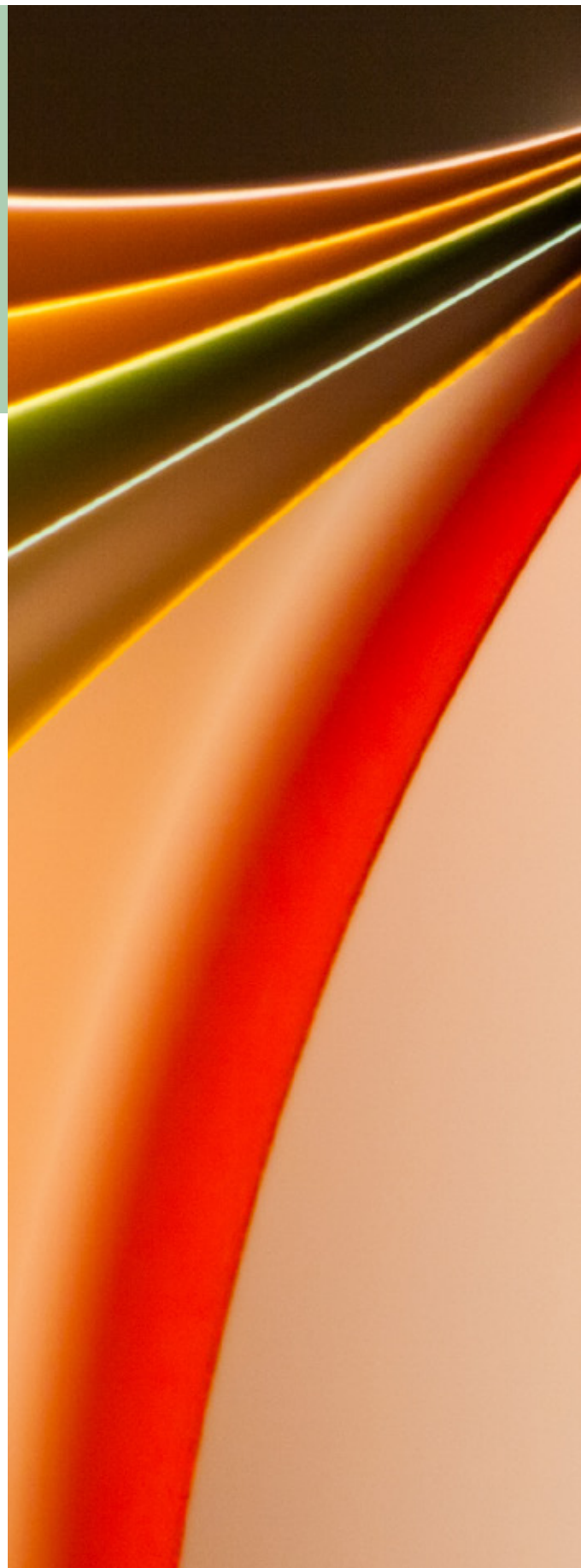


Preparing for a Board Opportunity

Service on a corporate board is a professional aspiration for many successful executives today. Adding value to another organization, learning from other professionals and stretching in new directions are generally cited as primary reasons for interest in corporate board service.

But opportunities to serve on corporate boards are limited, and the process varies by board. This guide is designed for both experienced and first-time candidates for corporate directorships, to help them best prepare for a board opportunity and determine if there is a mutual strong fit.



Directorship opportunities are limited

Boards change slowly. Boardroom turnover is consistently low, with boards balancing the need for new perspectives with the value of continuity. In general, just over half of S&P 500 and S&P MidCap 400 boards add one or more directors in any given year. New directors average less than 10% of all directorships in any given year. The reality: Opportunities for board service are limited.

While year-to-year turnover is low, board composition has evolved significantly over the past few decades. Today, boards are overwhelmingly composed of independent directors with no connection — personal, professional or social — to the company or CEO. And as the risks and opportunities facing companies grow in number and complexity, boards are casting wider and deeper nets to identify directors who can offer new perspectives, skills and backgrounds.

The best boards are also thinking carefully about the skills they need in the boardroom in the context of the company's forward-looking strategies and risks. As a result, boards are seeking directors with a variety of backgrounds. But while boards may be seeking directors with specialized knowledge areas, in our experience, they also want all candidates to be “best athletes” who can contribute to boardroom discussions on many fronts.

Directors with operational or financial experience continue to be highly valued. Just over 70 percent of independent directors joining S&P 500 boards last year were either active/retired CEOs, other top C-suite executives, financial professionals or division/subsidiary executives. These profiles are perennially top recruiting priorities according to our annual survey of nominating and governance committee chairs.

Fit is key

With director tenure averaging just under eight years on S&P 500 and S&P MidCap 400 boards, boards are increasingly strategic and thoughtful about their decisions to appoint a new director. Generally, by the time you are contacted for a board opportunity, your background, skills and capabilities have been evaluated by the nominating and governance committee and deemed of interest. Since professional backgrounds and skills are table stakes, how you fit within the culture of the board and whether you will constructively add value have become leading factors in selecting an individual to join a board.

Determining boardroom fit is more art than science.

Determining boardroom fit is more art than science. While culture and collegiality can be difficult to define, a range of qualities are frequently assessed for fit with boardroom and company culture. These include strong interpersonal skills; an ability to effectively work with other directors and the management team; an understanding of directors' roles versus management's; and the ability to contribute to conversations about the company's strategy, as well as other issues facing boards and companies, such as operations and risk.

Selection processes vary widely, but the best ones assess not just the potential value-add to the boardroom but also personality fit. Nominating and governance committees usually take the lead and interview multiple candidates for a single board seat. Finalists frequently interview with the CEO and the independent board leader (chair or lead director). And some boards involve other independent directors in the interview process.

Preparation is critical

With boardroom opportunities limited, a positive impression throughout the process is key. So how should you best prepare for a board opportunity?

1) Educate yourself about the company

Like any job opportunity, thorough preparation and due diligence is critical for a board interview — whether you are an experienced or first-time director. Director candidates should do the necessary heavy lifting to become knowledgeable about the company and its board, industry, businesses, risks and opportunities, and to understand external views of the company.

For publicly traded companies, you should:

- » Read the company's latest 10-K filings as well as 10-Q's and 8-K's (available from the SEC website) with a focus on company performance and risks.
- » Listen to the past few quarterly analyst calls, generally available on the company's website
- » Review the company's most recent press releases
- » Read recent analyst and rating agency reports about the company
- » Understand how the company's stock has performed over one-, three- and five-year periods, including compared to the overall economy and key competitors (the 10-K usually includes a fiscal year-end comparison)
- » Read news reports about the company, its industry and key competitors
- » Reach out to colleagues in the industry for insights, maintaining confidentiality about the board opportunity

Less information is generally available for private companies. As a result, you should spend time on the company's website and offer to sign a non-disclosure agreement to receive as much information as possible about the company and board in advance of any interview.

Director candidates should do the necessary heavy lifting to become knowledgeable about the company and its board, industry, businesses, risks and opportunities, and to understand external views of the company.

2) Learn all you can about the executive team, directors and board governance practices/policies

Understanding the backgrounds of the management team and directors is important for knowing how you might fit and what value you might add to the boardroom. And understanding governance structures and practices can help you understand your expected roles and responsibilities.

For publicly traded companies, you should:

- » Explore the company's website section on corporate governance to review:
 - The list of current directors, and, as available, their bios
 - Read the board's corporate governance guidelines
 - Review the charters of each board committee to understand how oversight responsibilities are divvied up
- » Read the company's most recent proxy statement (DEF 14a, on the SEC's Edgar system) to find:
 - Detailed bios and tenures for each director and the CEO
 - A list of top executives and, as available, their bios
 - The board skills matrix, if available
 - Committee composition and leadership
 - Number of board and committee meetings
 - Director compensation
- » Review voting results (Item 5.02 on Form 8-K, on the SEC's Edgar system) to assess any relatively high votes for shareholder proposals or against directors, executive compensation or other management proposals

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3) Focus on how you can contribute to this company and board

Boards are single-minded when it comes to identifying boardroom talent: They want directors who can add value to the board and the company, understand their role in the context of management, and fit in the boardroom and company culture. As a result, it is important for you to reflect on your research and be prepared to articulate how your career and experiences — both positive and challenging — would add value to a board and its committees, and how you will be present in the boardroom.

During the interview process, you should always focus on your value-add and how it can help the company's long term strategy, not on how the opportunity might be of personal benefit. You should also understand that director compensation is generally not negotiable nor should board service be considered only for compensation reasons. Use your career history to answer questions with specific examples of the value you can add.

Be prepared to answer the following questions with specificity:

- » Why are you interested in serving on this board?
- » What do you see as your greatest value to this board?
- » Which committees are the best fit for you?
- » What do you see as the role of a director versus management? How would you avoid crossing lines between governance and management?
- » Do you have any conflicts or commitments that might impact your ability to fully perform your duties as an independent director or might impact optics around your independence?
- » Do you have capacity to serve on an outside board? What commitment can you offer this board? What are your expectations regarding time commitment to serve on this board?
- » If you are actively employed, do you have approval to serve on an outside board?
- » What operational and leadership experiences would be of value to this board?
- » What are your key professional highlights? What brings you the greatest professional satisfaction?
- » Can you talk about a time when things needed to change or improve in an organization and how you managed it?
- » Can you tell us about a time when you moved into a new environment and had to get up to speed quickly? How did you go about doing this?
- » How will your area of expertise help us evolve our company's thinking about our long-term strategy?

4) Does the board fit you?

The board interview process is a two-way street. Just as boards are assessing candidates for fit, candidates should also be evaluating whether they think the opportunity is a strong match for them. The interview process can help you understand a full range of governance considerations, including board culture and potential dysfunctions, board strengths and weaknesses, focus areas for the board, and expectations of directors.

Since board service is generally a multi-year commitment, you should feel comfortable with the prospect of serving on the board and with the directors for the near future. And you should feel comfortable with the prospect of overseeing the management team and working with directors during both good and difficult times.

Potential questions for candidates to ask during the interview process include:

- » Why are you considering adding me to the board?
- » How and where do you see me adding the greatest value?
- » What committees do you see as a strong fit for me?
- » What is your onboarding program?
- » How would you describe this board's culture?
- » What have been the most challenging issues facing this board, and how has the board addressed them?
- » What is the expected time commitment for board and committee work?
- » How would you describe the relationship dynamics between the board and the CEO/management team?

Answers to these questions will help you assess whether the opportunity is a good fit.

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Conclusion

By the time you are interviewing for a board, the nominating and governance committee will likely already have a thorough understanding of your skills and qualifications. The interview is their opportunity to get to know you, and to hear about the highlights of your career and the skills you have amassed in your own words.

Thoughtful dialogue — asking good questions and absorbing new information — is a critical part of being a good board director, and the interview process is an opportunity to demonstrate the potential value you can add to a board. Indeed, in many ways the interview process is something of a dress rehearsal for how you will show up in the boardroom.





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