Getting on board

Seven action steps — accompanied by a big dose of persistence, timing and luck.

By Susan F. Shultz and Robert Barker

Call it the boardroom Catch-22: It's difficult to get on a board if you don't have board experience. But, you can't get the experience without your first board seat.

The solution? If you're really serious about getting on a board, create a strategy and be prepared to do the homework. Getting on board is like getting a job. Here are the steps.

1. Make Sure You Are Qualified

Serving on a board, particularly a public board, requires a certain level of professional experience and achievement. Regardless of your area of expertise, you need to have the gravitas that inspires confidence in fellow directors and assures them you will be a valuable colleague and partner in discussions and decision making.

"Professional reputation is really the cornerstone," says Mary Anne Harlan, who serves on the Gorman-Rupp Co. board. "If you've done the hard work and have a reputation as someone who thinks strategically and would be an asset in the boardroom, that's really the first step."

Increasingly, significant operating experience is important. The most desired backgrounds and expertise, in order of preference, are active CEO/COOs, finance, industry specific, international, and minorities and women. As boards recognize escalating cyber risk, digital media and IT expertise are becoming more important.

Be clear about the type of board you are qualified for:

• Do you have special industry expertise — manufacturing, financial services, technology, medical devices, energy, retail? Experience in other sectors?

• Do you prefer a certain geography? East Coast? International?

• Do you have particular experience, perhaps in companies with multiple locations, a regulated industry, mergers and acquisition, IPOs, global?

• Do you have domain expertise, perhaps in finance, legal, marketing, sales, social media, mergers and acquisitions? Or in an area that would be especially helpful on the board committees, such as audit, compensation and/or governance? At present, executive pay is the primary focus of shareholder activists, so compensation knowledge is especially helpful.

• The most important thing a board does is ensure that the right leadership is in place and has the resources to be successful. Do you have

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significant human relations experience? Have you been engaged in strategic planning that provides the context for evaluating your CEO and her successor?

2. Network

If the word "network" makes you cringe, it's not going to be easy for you to acquire a board seat. Surveys show that two-thirds of public companies recruit directors with the help of executive search firms. However, the primary resource is current board members (over 90%). So, despite an increasing reliance on search firms to recruit directors, many of those directors are identified by word of mouth — by referrals.

Meet with those who can help you acquire a board seat and be clear about your objectives and criteria. As noted, the best referrals are directors, ideally those who currently serve on the type of board you are targeting. Other influencers to contact for board seats include corporate attorneys, audit partners of accounting firms, commercial and investment bankers, venture capitalists, board advisors, corporate officers, and others who work with boards of directors.

Do your homework and identify specific companies on whose boards you could add value. Make a list of 10. Be diligent about researching the companies and their management teams and directors. Find out who their outside auditor and law firm are. Then use this information to identify possible connections to people you know who might be able to provide an entrée for you. Your goal is to be referred through networking until you reach a critical decision maker in the boardroom, such as the CEO, board chair, head of the nominating/governance committee, or another influential director.

Gaining visibility by serving on nonprofit boards may or may not translate into securing a seat on a corporate board. But the opportunity to learn and showcase your skills with those on nonprofit boards may prove quite valuable. Seek the counsel of those in professional associations or nonprofits in which you've been involved for leads on boards, suggests Toni Wolfman, executive in residence at Bentley University's Center for Women and Business (CWB).

3. Be Visible

All boards expect that new directors will be experienced business people who understand strategy, how to read a balance sheet, and have demonstrated the ability to be consistently valuable, yet collegial, in the boardroom. But, beyond that, they seek a competitive advantage, a unique benefit.

One goal of networking is to showcase your expertise. "I tell people if you're really interested in being on a board, try to find an opportunity to speak at a professional conference," says Catherine Allen, chairman and CEO of strategy consultancy The Santa Fe Group. "If you possess the expertise to speak at these events, or to have articles you've written featured in the agenda or in a business publication, you can begin to make your name and experience known."

Establish your credentials as an expert. This includes sharing anything relevant that you have published, such as speeches, interviews, academic, business, or community recognition as well as degrees from prestigious institutions and your track record with leading companies. Ideally, if someone Googles you, your credentials will be apparent.

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Being known as an expert in a particular industry or functional area that the board has identified as highly desirable is a key advantage. "Gaining that sort of visibility, even if you don't know anyone on the board, is important," says Allen of The Santa Fe Group. "In our nominating committee discussions, we're talking about that all the time — who has the expertise we're seeking and can add value?"

Gender and ethnic diversity are desired and underrepresented, although not apart from the basics required in a good director and specific competencies the board needs. There is no longer room for tokenism, but, all other things being equal, 50% of boards would like to add more women and minorities.

4. Fit the Board Culture

You may have an impressive resume and highly desirable skills and experience, but if you're not perceived as a team player who can work well with other directors already on the board, you won't stand a chance. The most valuable directors know how and when to voice dissent and ask thoughtful, nonrepetitive questions in a way that encourages, rather than stifles, discussion.

"Cultural fit is critical," says Harlan, director of Gorman-Rupp. "The board needs to work together as a cohesive team." Everyone's voice has to be heard, but it has to be respectful and collegial if the board is to be able to come together as a group to make important decisions. Ultimately, when a board selects a new director, it is the cultural fit that makes the difference.

5. Don't Count on Search Firms

Remember, search firms that specialize in board searches are working for a particular board of directors and not the individual seeking a board seat. Firms conduct a limited number of specific assignments, and the odds are high that there will not be an exact fit with your background.

An example is the search we did for someone to chair the audit committee of an NYSE technology company. We sought operating experience as a CFO, M&A expertise, leadership at a sizable software company, China knowledge, a minority and/or a woman. We recruited the African-American female CFO of a large software company.

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That said, forward your resume to search firms. But don't expect too much, unless you are fortunate enough to closely fit the profile of someone they are seeking for a current assignment or unless you have a particularly high profile.

6. Don't Overlook Your Own Company's Board

Sometimes the most obvious leads into the boardroom are the directors on your own company's board. They probably serve on other boards and know directors on other boards. They are ideally positioned to recommend you, particularly if you are a senior executive and have had positive exposure to the board.

Similarly, don't overlook those who head key functions at your company, such as the CEO, CFO, general counsel, corporate secretary, or human resources officer. As part of your networking plan, let them know of your interest in serving on a board and ask them to keep you in mind for any appropriate opportunities they learn of.

The greatest opportunities may arise, observes CWB's Wolfman, when there is a change of CEOs: "When a new CEO comes on the board, he or she may take a look around and, even if it's not really the CEO's call, may say, 'We've got too many of this sort of director or not enough of this expertise.' Or sometimes it's the voice of one or more independent directors."

With CEOs, still the most in-demand pool of directors, sitting on fewer outside boards and boards seeking to diversify, there will be greater opportunities for those seeking board seats, including first-timers.

7. Be Prepared

Finally, once a board opportunity becomes available, do your homework. Make sure you understand a company's key issues and the financials, the metrics, the dynamics of the board, and, specifically, how you could add value to the board, including on particular committees.

Learn whether there are any contentious issues at the board and if there are split votes. If it is a public company, learn which analysts follow it and what questions they ask. Who are the investors and what are the proxy issues? What kind of ratings does the board have?

You also want to make sure the fit with a board is a good one from your perspective and a good investment of your time. Don't necessarily accept the first board position you are offered. Remember that the average time invested on a board is 200–250 hours a year — and it can be much more. For example, during the hostile takeover of PeopleSoft by Oracle, the audit committee met 80 times in 16 months.

So, have a passion for the board and the business. Know that it will take some time to find the right board seat. Average turnover at the typical board is only a single director every two years.

Ultimately, gaining a board seat is a combination of unflagging persistence, timing and luck. The rewards can be immeasurable. As corporate governance continues to improve, board membership will become even more fulfilling — and critical to success. ■

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