

# EgonZehnder

**Path to the Boardroom**



## Part I: Positioning Yourself for First-Time Board Service

The Path to the Boardroom is a three-part series of Executive Briefings designed to help first-time aspirants for a board seat negotiate the difficult route to success. Part I addresses the thorough preparation required to begin the process. Part II provides successful strategies for meeting the unique challenges of interviewing for a directorship. Part III offers guidance on getting off to a good start as a new director.

Board service can provide some of the most rewarding experiences of a career: the opportunity to see from the inside how another company works at the highest levels and to work with, and learn from, some of the most accomplished, articulate, and intelligent people you are ever likely to encounter. Given those rewards, it's not surprising that a great many leaders we encounter in our work aspire to board service.

What's surprising is the widespread notion that there are many board seats available, to be had almost for the asking by someone who is reasonably well-qualified. In fact, the number of vacant seats in any given year is miniscule. In 2012, for example, only 90 first-time directors were appointed to the boards of S&P 500 companies. The numbers are similarly low for the boards of other publicly-held and privately-held companies, private equity firms, and other large companies. Even a generous estimate would put the total for all of these vacancies at a very low number compared to the thousands of accomplished leaders who are eager to serve; and in this buyer's market, boards can set the bar exceptionally high.

As a result, the path to the boardroom can be long and arduous, requiring patience and persistence. Nevertheless, you can better position yourself on that path, beginning with the first big step – being invited to an initial interview – by conscientiously undertaking three critical tasks:

**Objectively assess your readiness and qualifications.** While the appeal of board service is obvious, its demands are considerable. Ask yourself if you are genuinely ready to meet those demands: the significant number of hours spent preparing for and participating in full board and committee meetings, the relentless public scrutiny, and the increasing liability and reputational risk directors face. Are you 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 to your qualifications. Boards still overwhelmingly seek very senior executives who have been responsible for a significant P&L, who know how to read a balance

sheet, who understand how a business works, and the range of functions that make it work. Typically, these include CEOs, CFOs, and presidents of large divisions. If you lack that big-picture experience, you should offer some other compelling qualification of the type that a number of boards are seeking today: exceptional expertise in one of the specialized disciplines like digital or big data that many companies now need, scientific knowledge for science-intensive companies, or experience navigating Washington, D.C., for companies in heavily regulated industries. Further, the more recent your experience – executive or otherwise – the more it is likely to appeal to boards.

**Create a “board-readiness bio.”** 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. While you could rely on a traditional CV, a document consciously constructed to make a case for the board-relevance of your experience and competencies can be far more effective. As you construct your bio, follow these three guidelines:

- Articulate what you really bring to the table. Board searches today are highly specific. If you are a divisional President, consider what sets you apart from other divisional Presidents – 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, M&A, a turnaround, or creating innovative capital structures. If you are offering special expertise, be sure it truly is special and in what way. If part of your value might lie in the diversity you could bring, be prepared to say, beyond glittering generalities, precisely how that might be relevant to a particular board.

- Do not rely only on your self-assessment. In the course of our work with board candidates, we have found that many leaders often overlook some of their greatest strengths, or have not given thought to how to articulate those strengths in terms that appeal to boards. Only under probing discussion with an objective third party do they arrive at a compelling personal and professional story. Further, leaders who have never served on a board and have therefore never been involved with a board search 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: addressing CEO succession, setting compensation for top management, validating strategy from the point of view of shareholder value, 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.** You cannot of course apply for a board seat, but you can let it be widely known that you are interested in board service generally. If you are a current executive, your company’s CEO and board members should be engaged on your behalf – asking their permission to serve on an external board is a diplomatic way to begin. Whether you are active or retired, 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 generally. Expand your network by joining one of the organizations 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. With talking points from your board-readiness bio firmly in mind, you will be well prepared for whatever turns

these discussions take. Further, consider raising your profile by seeking speaking engagements, media exposure, and opportunities to publish thought leadership. Remember, too, 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 honest self-assessment, a compelling bio, and a higher profile, you can increase the chances that your effort will eventually bear fruit, though it may require several years. Should you get the call, your next task is to prepare for the interview. It is a conversation like no other, with unique challenges and little room for error. Engaging in it successfully is the subject of the next installment in this series.

## Part II: Interviewing for First-Time Board Service

The Path to the Boardroom is a three-part series of Executive Briefings designed to help first-time aspirants for a board seat negotiate the difficult route to success. Part I addresses the thorough preparation required to begin the process. Part II provides successful strategies for meeting the unique challenges of interviewing for a directorship. Part III offers guidance on getting off to a good start as a new director.

As with any top-level role, interviewing for a public board directorship may involve a series of conversations rather than a single encounter. You may receive a preliminary phone call to test your interest. You may be interviewed by the head of the Nominating Committee, the Chairman, or the CEO – most likely by all three, though the sequence may vary. But there the similarity to other interview processes ends. As we say in Part I of this series, these conversations are like no others. Whether you undergo one interview or run a gauntlet of many, you will be far more likely to win the directorship by adhering to the following ten principles

than by treating it as just another job interview:

- **Keep the conversation on the right plane.** A board interview is not about your strengths as a manager. In tenor and tone it is a higher-level conversation about the company and your readiness to help oversee it. It may also encompass 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 highly nuanced and controversial – you should be well

versed in them so that you can discuss them deeply as well as diplomatically.

- **Ask the right questions.** You should be thoroughly prepared to ask questions about the company that demonstrate your detailed knowledge of it – and doing it in the form of questions is far better than presuming to tell the company its business. For example, you might ask what risks the company faces. What opportunities does it foresee? How will economic conditions affect those plans? All good questions. But it can also be impressive 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.

- **Remember that the issue is 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 comes in 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 justly conclude that you are interested on 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

usefully engage as a board member? Having created your “board-readiness bio,” you should be well prepared to discuss the specific value you could add.

- **Do not gush about the company.** At the other extreme, lies another common gaffe: over-enthusiasing about the company. As fortunate as you might feel to be interviewing with the board of a company you greatly admire, refrain from too lavish 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 the hard work of board service.** Board service is not for the faint of heart. It is time-consuming, including not only four or more scheduled meetings yearly and the travel time to each, but also many hours of preparation. A sudden crisis, an unexpected CEO succession, or other unforeseen event can require many 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 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.

- **If you have board experience with a non-for-profit or private/venture-backed board, take care not to overstate its value.**

**Public** company boards differ in many important respects from other kinds of boards. For first-time candidates a truly successful career track record and deep expertise are going to be much more important.

- **Suggest references who are credible at high levels and can discuss your readiness. Ideally,** these references will include people who are themselves experienced public board members.

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

or longer as searches for top executives, with long stretches of time between steps. Don't become 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 your accepting a directorship.** As we advise in Part I, making your aspirations known to the board 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.

As these principles make clear, interviewing successfully for a board seat is a subtle matter of both substance and style, of depth and demeanor, gravitas and grace. So is 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.

## Part III: Getting Off to a Good Start

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You have successfully positioned yourself for board service, made it through a rigorous vetting process, and won appointment to a highly desirable board. Even if you have extensive experience 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 its 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

ensure that you get off on the best foot possible.

*To speed your assimilation take these simple steps before you attend 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, too, 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. Prior to your first board meeting, seek orientation from the General Counsel in the legalities and nuances that govern those deliberations.

- **Allot sufficient time for thorough preparation.** Even for a veteran director, thorough preparation can require many hours of sifting through financial reports and other materials that directors are sent in advance. These will include minutes, agenda items, and material related to those agenda items, the content of which will 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 with little experience of the company, you will likely need even more time to prepare. In some cases, you may already know what committee you will serve on, which requires additional preparation. Nevertheless, there should be no excuses – 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

Chairman. Because you have no day-to-day working relationship with him or her, you should begin to forge a bond, getting together for dinner or the like within the first month of your appointment, if possible, and with the CEO, too, if the roles are split. If you know what committee you will serve on, you should also get together with its chair, not only to initiate a personal relationship but also to get a feel for your responsibilities. Remember, these relationships could last a decade or more, so you have every reason to establish them on a firm foundation.

- **Request a mentor, if one hasn't been provided.** Many boards have created comprehensive on-boarding processes for new board members, including mentors to help fledgling directors get their bearings. Surprisingly, however, many boards have not. If that's the case with your new board, ask the Chairman to arrange a mentor for you. Mentors can be invaluable guides to the culture, composition, and comportment of the board.

*To win the respect of your new colleagues, keep in mind these principles of conduct during meetings:*

- **Know 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. But it does not include second-guessing every management decision or meddling in day-today operations.

- **Maintain the appropriate demeanor.** A board meeting is not a staff meeting where you are in charge, soliciting reports, and making unilateral decisions. Rather, it is a collaborative enterprise, requiring modesty, a willingness to listen to multiple points of view, and considered judgment.

- **Represent the shareholders.** Collegiality, however, does not mean capitulation. 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. Conscientiously exercising that responsibility does not require confrontation, but it does sometimes require courage.

- **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 about which you have doubts or want to know more, you should pose questions that invite fact-based answers.

- **Begin to orient yourself in the dynamics of the group.** All boards have their particular 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 observing closely 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.

*To enhance the quality of your contribution, begin to take these steps no later than six months into your tenure:*

- **Seek feedback on your performance.** Many board evaluations are pro forma, check-the-box exercises that have little impact on the performance of 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 colleague 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, resist its mechanical aspects and take advantage of the opportunity for additional feedback.

· **Continue to build relationships outside the confines of the meeting room.** In addition to nurturing your relationships with the CEO and/or Chairman 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 engagement. Seek similar engagement with management. Boards usually do find ways for directors to meet periodically with management; but if you find that it is infrequent or superficial, ask the Chairman for additional opportunities.

· **Keep your game sharp.** Continuing education programs for directors offer you the opportunity to maintain and improve the skills necessary for the performance of your responsibilities. 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 embark on board service will not only help you make a good first impression but, more importantly, enable you to do the best possible job you can do from the outset. Board service makes unrelenting demands, but it also offers the immense satisfaction of knowing that you are fully discharging the highest responsibility in our corporate system.

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