PREPARING FOR BOARD SERVICE
A guide for aspiring board directors

A Caldwell Whitepaper
THINKING ABOUT JOINING A BOARD?

Serving on a corporate board can provide executives with valuable perspective and insight beyond your own company. However, before embarking on a search for a board seat, it is wise to do your homework.

After all there are many things to think about before you join your first board:
- Do you fully understand the role and responsibilities?
- Do you have the right credentials?
- Are you able to give the time board service will require?
- Do you have permission to serve?
THE ROLE

In the post-Sarbanes-Oxley world, the role of a board director has become more regulated, involved and important. Directors have more accountability to a varied group of constituents—from shareholders to employees, to customers, to the public at large—as well as increased wide-ranging responsibilities. Modern boards are considered a strategic asset to the company.

Today’s directors are primarily responsible for:
- Protecting the assets of the corporation and promoting the interests of the shareholders
- Ensuring the continuity of the corporation
- Seeing that the company is well managed
- Making non-delegable decisions

The board is expected to provide oversight and share its judgment and wisdom in several key areas:
- Strategy – objectives, policies, plans
- Financial matters – capitalization, resource allocation and other financial matters
- Business composition – diversification, mergers, acquisitions and divestitures
- Executive compensation
- Talent management – recruitment, retention, appraisal process, development and succession planning for senior leadership team
- Miscellaneous – marketing programs, manufacturing procedures, distribution, etc.

So where do the responsibilities of the board end and those of the CEO begin? John Nash, Founder and President Emeritus, National Association of Corporate Directors, coined the phrase “Nose in, Fingers Out” (NIFO) to describe the role of a board director. When in doubt, simply referring to the acronym can help boards and management distinguish between their respective roles and determine who is ultimately responsible for a particular decision.

WHAT BOARDS ARE LOOKING FOR?

According to Boardex, in 2012, only 151 of fortune 500 board seats turned over. This marked a 10-year low in turnover of board seats.

Companies use a variety of resources to identify and recruit new board members:

<table>
<thead>
<tr>
<th>Sources public companies use to recruit new board members</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other board members’ recommendations</td>
<td>90.7%</td>
</tr>
<tr>
<td>Search firms</td>
<td>67.2%</td>
</tr>
<tr>
<td>Management recommendations</td>
<td>54.8%</td>
</tr>
<tr>
<td>Investor recommendations</td>
<td>10.7%</td>
</tr>
<tr>
<td>Public databases</td>
<td>4.1%</td>
</tr>
<tr>
<td>Others</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: PwC Annual Corporate Directors Survey, 2012

The most desired attributes for public company boards:
- CEO experience
- Specific industry experience
- Financial expertise
- Diversity (gender and ethnicity)
- Public company experience
- Previous corporate governance experience
- Strategy development experience
- International/Global experience
- Risk expertise
- Information technology knowledge
- Medical/Scientific/Technology expertise
- Government experience
- Human resources expertise
- Legal expertise

“PUBLIC COMPANY BOARDS TYPICALLY LOOK FOR TRUE P&L EXPERIENCE WITH REVENUE OR SALES TARGETS, NOT JUST A COST CENTER P&L, IDEALLY 3–5X THE REVENUE OF THE COMPANY YOU’RE HOPING TO SERVE AS A BOARD MEMBER.”

Source: Board Leadership, National Association of Corporate Directors, 2013
REFLECT

Why do you want to serve on a board?
For each potential board member, the motivations differ. The most common reasons executives seek out board seats include:

- Intellectual stimulation
- Encouragement from above (CEO or board)
- Professional development plan
- Time commitment
- Post-retirement strategy
- Trusted advisor role
- Prestige
- Giving back
- Compensation

How would serving on a board benefit you?
What are the benefits of serving on a board? Evaluate the pros and cons associated with sitting on a corporate board.

Do you have time?
Board service requires a significant investment of time. Between personal preparation, travel, meeting time and committee work, the average director spends 200-300 hours per year on board matters, so it is important to decide in advance if this is a realistic commitment you are ready and willing to make.

<table>
<thead>
<tr>
<th>Public Board Time Commitment</th>
<th>Number of in-person</th>
<th>Hours per in-person meeting</th>
<th>Number of Telephone meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attending meetings</td>
<td>5.5</td>
<td>6.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Executive Session</td>
<td>15.0</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>5.2</td>
<td>2.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>4.3</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Nominating/Governance Committee</td>
<td>3.8</td>
<td>1.7</td>
<td>1.1</td>
</tr>
</tbody>
</table>

What unique skills and experiences do you bring to a board?
Know your strengths—do you bring a specific knowledge or experience in a particular business, technology or function? Are you able to clearly and succinctly articulate your strengths?

<table>
<thead>
<tr>
<th>Experience</th>
<th>Functional Expertise</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>CEO</td>
<td>B2B</td>
</tr>
<tr>
<td>Regulated Industry</td>
<td>Qualified Financial Expert</td>
<td>Consumer</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>COO/President</td>
<td>Financial Services</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Retired Audit Partner</td>
<td>Government</td>
</tr>
<tr>
<td>Turnaround</td>
<td>Academia</td>
<td>Healthcare</td>
</tr>
<tr>
<td>CEO Succession</td>
<td>CIO/CTO</td>
<td>Industrial</td>
</tr>
<tr>
<td>Business Transformation</td>
<td>Distribution</td>
<td>Media and Entertainment</td>
</tr>
<tr>
<td>Start-up/Venture Backed</td>
<td>Legal</td>
<td>Not-for-Profit</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Human Resources</td>
<td>Professional Services</td>
</tr>
<tr>
<td>High Growth</td>
<td>Capital Markets</td>
<td>Retail</td>
</tr>
<tr>
<td>IPO</td>
<td>International</td>
<td>Technology</td>
</tr>
<tr>
<td>Family Business/Private</td>
<td>Strategic Planning</td>
<td>Supply Chain/Logistics</td>
</tr>
<tr>
<td></td>
<td>Brand Management</td>
<td></td>
</tr>
</tbody>
</table>
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What type of board are you interested in serving on?
- Not-for-profit
- Advisory
- Privately held small/medium
- Privately held large
- Pre-IPO
- Small/mid-cap/Fortune 1000
- Large cap/Fortune 100

Board of Director vs. Advisory Board

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Board of Advisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance, binding advice</td>
<td>Flexible in term length (minimum one year)</td>
</tr>
<tr>
<td>Fiduciary and legal responsibilities</td>
<td>Guidance, non-binding advice</td>
</tr>
<tr>
<td>Regulated by Sarbanes-Oxley (SOX)</td>
<td>No fiduciary or legal responsibilities</td>
</tr>
<tr>
<td>Majority of directors need to be independent</td>
<td>Flexible in mandate (Can be created to address specific organizational needs and disbanded as soon as goals are met)</td>
</tr>
<tr>
<td>Committees (Audit, compensation, nomination)</td>
<td>Less commitment of time by directors and management</td>
</tr>
<tr>
<td>Fixed terms</td>
<td>Flexible in compensation</td>
</tr>
<tr>
<td>More commitment of time by directors and management</td>
<td>Skills and experience more important than rank</td>
</tr>
<tr>
<td>Higher fees to directors</td>
<td>Can attract people companies can’t afford to hire</td>
</tr>
<tr>
<td>Directors &amp; officers insurance</td>
<td>Lesser fees, creative compensation, or stock</td>
</tr>
<tr>
<td></td>
<td>Candid, forthright advisors</td>
</tr>
<tr>
<td></td>
<td>No directors &amp; officers insurance</td>
</tr>
</tbody>
</table>

Beyond your skills, where in the company’s lifecycle could you add value?

<table>
<thead>
<tr>
<th></th>
<th>Start-up / New Rapid Growth (Functional Specialization)</th>
<th>Maturity</th>
<th>Distressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Hands-on Relationships Investors</td>
<td>Financial expert Compensation Legal Digital HR Risk</td>
<td>Broad experience M&amp;A Knowing when to sell</td>
</tr>
<tr>
<td>Pre-IPO</td>
<td>IPO experience Capital markets Venture capital Hands-on Time intensive Relationships</td>
<td>Financial expert Compensation Legal Digital HR Risk Technology</td>
<td>Broad experience Industry knowledge</td>
</tr>
<tr>
<td>Public</td>
<td>Relationships with the financial community Hands-on Time intensive</td>
<td>Financial expert Compensation Legal Digital HR Risk Technology</td>
<td>N/A</td>
</tr>
<tr>
<td>Mature Public</td>
<td>N/A</td>
<td>N/A</td>
<td>Broad industry experience M&amp;A R&amp;D New-product development Life cycle management Corporate governance</td>
</tr>
</tbody>
</table>

Source: WomenCorporateDirectors / PartnerCom
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MAKE A PLAN
Employ a targeted approach
Identify the companies and/or industries where you could add the greatest value.

Conduct your due diligence
- Review SEC filings and company websites
- Read analyst reports and news articles
- Connect the dots—does anyone in your personal network know the CEO, CFO or members of the board?

BOLSTER YOUR PROFILE
Get educated
There are numerous organizations that offer director education and training courses that can prepare you for boardroom service. Increasingly, they are offered as self-paced online courses, making it easy for you to participate on your own schedule.

Get experience
Start local—serving on a small local board will give you valuable experience that will translate well to a corporate board down the road. Look for experiences that will provide you with both depth and breadth of perspective and responsibilities.
- Non-profits
- Private companies
- Social/welfare organizations
- Universities
- Endowments
- Hospitals
- Community leadership roles

In your current role, do you have the opportunity to present to your own company’s board or a committee? If not, how can you increase your exposure?

Create a dossier about yourself
Prepare chronological and narrative bios highlighting your experience and interests. These documents are critical to marketing you to prospective boards.

EXPAND YOUR PRESENCE ON SOCIAL MEDIA
LinkedIn
Build your LinkedIn profile; join relevant groups:
- 20/20 Women on Boards
- Board Member Services
- Board Position Exchange
- Boards & Advisors
- Canadian Board Directors
- Global Board Ready Women
- The Global Leaders—Board of Directors of Private USA Companies (TGL)
- NACD
- NYSE Governance Services
- Women in the Boardroom

Twitter
For keeping up with corporate governance happenings on Twitter use the hashtag #CorpGov when searching for relevant tweets.
- NACD @NACD
  The National Association of Corporate Directors (NACD) advances exemplary board leadership. blog.nacdonline.org
- StanfordCorpGov @StanfordCorpGov
  The Corporate Governance Research Initiative at the Stanford Graduate School of Business & The Rock Center for Corporate Governance at Stanford University.
- Governance Center @tcbcorpgov
  The Conference Board Governance Center provides research, programs, director education on all corporate governance topics. The center also produces a blog.
- Theo Francis @theofrancis
- Stephen Davis @SDavisCorpGov
  Associate director and senior fellow, Harvard Law School Program on Corporate Governance and Institutional Investors.

Joann Lublin @JoannLublin
A veteran WSJ journalist who covers corporate governance, management succession and executive search. Also writes a wsj.com career advice column or execs.

Simon C Y Wong @SimonCYWong
A practitioner of corporate governance and visiting faculty member at London School of Economics.

Nell Minow @nminow
Nell Minow is co-owner and board member of GMI Ratings, which provides data and analysis of corporate governance, accounting, and executive compensation.

James McRitchie @corpgovnet
The editor of CorpGov.net
Capitalize on your network

Re-connect with current and former CEOs and C-level execs with whom you have worked. Identify key influencers who you know, who regularly interface with boards. Possibilities include audit partners, lawyers, bankers, compensation consultants, private equity partners, venture capital partners, hedge fund partners, institutional investors, and executive search consultants.

... and approach them

Come prepared:
Don’t ask your influencers to do your homework. Know the industries and geographies of greatest interest to you.
Be specific:
Choose the top 10 companies that you admire and to which you think you could add value.
Respect their time:
Remember they have “day jobs.”

THINGS TO CONSIDER

Do you have permission to serve?
If you are actively employed, confirm that you have permission to serve—check with CEO and/or board to determine whether your company allows executives to serve on outside boards. Also check with your general counsel to determine possible conflicts of interest and to better understand what industries or suppliers are off limits.

What are your current (non-negotiable) calendar items?
Check your calendar ahead of time and be aware of potential date conflicts.

What industries and companies are off limits due to conflict of interest?
Knowing in advance the companies and industries that would be an issue saves everyone’s time. If you can’t consider an opportunity due to conflicts, “pay it forward” by recommending others who might be a fit.

Be strategic. Be selective. Be patient.
Finding the right board position takes time. The quality of your first board dictates subsequent “asks,” so don’t compromise quality for speed.

Most important ...
Do you really have time, especially if you have a full-time job? What would you do if any of the following occurred (re: the company on whose board you sit):
- Hostile (or friendly) takeover
- Stock price movement (significant downward move)
- Stock offering, debt offering (or other financial move) which consumes inordinate amounts of time (usually because it went poorly)
- Management “scandal” (improper behavior which becomes widely publicized; loss of one or more critical members of the management team)
- Environmental disaster caused by your company: British Petroleum (Gulf Oil spill), Exxon Valdez, Bhopal, Tylenol scare

ADDITIONAL RESOURCES

Global Network of Director Institutes (GDNI)
GDNI is an international collaboration of membership organizations to share expertise in corporate governance and professional director development. GDNI enables directors worldwide to stay abreast of leading practices as well as current and emerging governance issues. GDNI is designed to foster closer cooperation between its members, who are globally recognized for their pre-eminence in board and director development activity and collectively represent more than 100,000 individual directors.

Canada – Institute of Corporate Directors (ICD)
Represents the directors of Canada’s public, private, Crown and not-for-profit organizations. The ICD is committed to serving the director community in Canada, primarily by acting as a “body of knowledge” and fostering excellence with a view to strengthening the governance and performance of Canadian corporations.

United States – National Association of Corporate Directors (NACD)
Provides members with exclusive insights to confidently navigate complex business challenges and enhance enterprise value, access to a prestigious director network and a voice in policy affecting the boardroom. NACD is the recognized authority on boardroom practices, with 35 years of boardroom experience, a vast portfolio of boardroom resource and only one agenda: advancing exemplary board leadership.

Additional organizations
Catalyst
www.catalystwomen.org
The Chicago Network
www.thechicagonetwork.org
Committee of 100
www.committee100.org
Committee of 200
www.c200.org
The Conference Board
www.conference-board.org
Corporate Governance
www.corpgov.net
Business Roundtable
www.businessroundtable.org
Executive Leadership Council
www.elcinfo.com
Hispanic Association on Corporate Responsibility
www.hacr.org
Leadership Education for Asian Pacifics
www.leap.org
New America Alliance
www.naaonline.org
Women Corporate Directors
www.womencorporatedirectors.com
DIRECTORS EDUCATION PROGRAMS

NACO Board Leadership Program
www.nacdonline.org

Director's Consortium (sponsored by Stanford Graduate School of Business, the Stanford Law School, the University of Chicago Booth School of Business, and the Tuck School of Business at Dartmouth) www.directorsconsortium.com

Harvard Law School Program on Corporate Governance
www.law.harvard.edu/programs/corp_gov

Harvard Business School Program on Corporate Governance
www.exed.hbs.edu

University of Southern California Corporate Governance Summit
www.uscsummit.com/#about

UCLA Anderson School of Management

Kellogg School of Management
Corporate Governance Conference
www.kellogg.northwestern.edu

London Business School Centre for Corporate Governance
www.london.edu

University of Pennsylvania CEIBS/Wharton Joint Programme: Corporate Governance and Board of Directors
executiveeducation.wharton.upenn.edu

University of Delaware John L. Weinberg Center for Corporate Governance
www.law.udel.edu

PRINT

Corporate Governance
Robert A.G. Monks

The New Corporate Governance in Theory and Practice
Stephen Bainbridge

The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public
Lynn Stout

Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences
David Larcker

The Board Game: How Smart Women Become Corporate Directors
Betsy Berkhemer-Credaire

8 Steps to Company Directorship: A Practical Road Map to the Boardroom Based on Personal Experience
Prieur du Plessis

Becoming a Public Company Director (Board Guru Handbook)
Tracy E. Houston, MA

Owning Up: The 14 Questions Every Board Member Needs to Ask
Ram Charan

Boards That Deliver: Advancing Corporate Governance from Compliance to Competitive Advantage
Ram Charan

The Board Book: An Insider’s Guide for Directors and Trustees
William G. Bowen
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