

HEIDRICK & STRUGGLES

CEO & BOARD PRACTICE

The Heidrick & Struggles Board Monitor Europe

For the first time, Heidrick & Struggles expands our annual analysis of incoming board directors to Europe, tracking industry experience and diversity in gender and nationality, among other findings, in France, Germany, and the United Kingdom.



The world's largest British, French, and German companies filled 216 vacant board seats with independent directors in 2016. Few leadership positions are more consequential: these boards oversee companies in the top three European countries by GDP.

These newly appointed directors will be joining their boards at a time of considerable turmoil globally and in the region. Pressing issues include the following: the uncertain future of UK–EU trade arrangements, the rise of protectionism in many countries around the world, worries within the European Union about its future cohesion, problems posed by large numbers of refugees, restrictions that could impede employee travel to certain countries, changes in US corporate tax law intended to encourage repatriation of foreign profits, and rising geopolitical tensions. For European companies, these developments could mean disruption in capital flows, supply chains, and global trade strategies. Many companies may also need to rethink their industrial footprint—how and where they invest. At the same time, boards will face the perennial issues of good corporate governance, regulatory compliance, digital disruption, cybersecurity, risk management, CEO succession planning, and corporate social responsibility. And they must continually ensure that their boards are composed of members who together constitute the right mix of competencies to address the current period of increasing volatility, without losing sight of long-term strategy.

To provide a picture of the continuing evolution of European boards, Heidrick & Struggles has inaugurated Board Monitor Europe, a projected series of annual reports designed to provide profiles of new independent directors and track changes in those profiles in the coming years. By “independent” we mean those directors who primarily represent shareholders, whether they serve on supervisory boards in a two-tier board structure or on a unitary board, and excludes company executives and employee and government representatives. In tracking the movement of these directors to their new boards, we took into account all of their substantial industry experiences.¹ (For example, a director who has worked most recently in the consumer industry may also have had valuable experience in the industrial sector or in technology.) And we calculated the overall percentages of those experiences, producing a more comprehensive view of the skills of newly appointed independent directors and a more nuanced picture of the experience that boards actually acquired.

Key findings include the following:

- Of the 216 new independent seats on the boards of FTSE 100, CAC 40, and DAX 30 companies, 70% went to current and former CEOs and CFOs.
- Some 164, or 76%, of those seats were filled by directors with previous board experience.
- Of those 216 seats, 95, or 44%, went to women.
- Only 3 of the 216 seats were filled by appointees with experience in cyberrisk, and only 25 by appointees with digital or social media experience.
- Some 104, or 48%, of new seats went to foreign-born appointees.

¹ “Substantial industry experience” is defined as the individual having worked at a company within an industry for either five years and or at a vice president level or higher for any amount of time.

- The percentage of foreign-born appointees varied widely by country—from a high of 52% in the United Kingdom to 47% in France and 36% in Germany.
- In the United Kingdom, the largest share of new appointees (36%) went to consumer company boards. In France, the largest share (37%) went to industrial companies, and in Germany, the largest share (50%) also went to industrial companies.
- Overall, the largest share of total substantial industry experiences lay in the financial services sector, at 26%.

ABOUT BOARD MONITOR

Overall snapshot of findings:

France, Germany, and the United Kingdom

Produced by Heidrick & Struggles' CEO & Board Practice, Board Monitor Europe tracks and analyzes trends in non-executive director appointments to the boards of companies listed on the FTSE 100, CAC 40, and DAX 30. Data on appointments are tracked through BoardEx, proxy filings, and corporate websites. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

New director seats filled

216

Average age

55

Current and former CEOs



Current and former CFOs



Experience

Previously served on boards

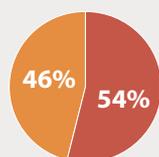


With digital or social media



Retired vs. active

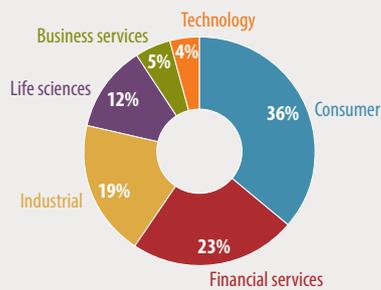
Retired executives
100



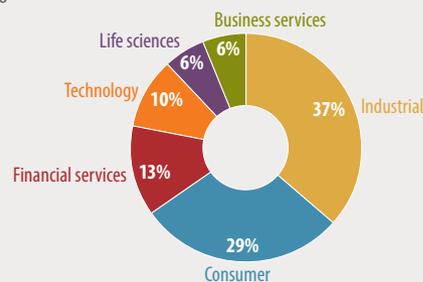
Active executives
116

Distribution of directors by industry

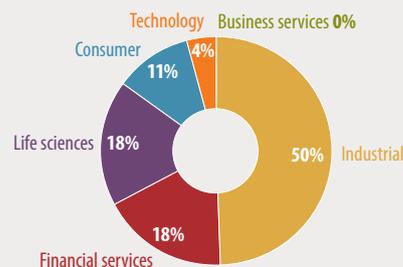
United Kingdom
n = 118



France
n = 70



Germany
n = 28



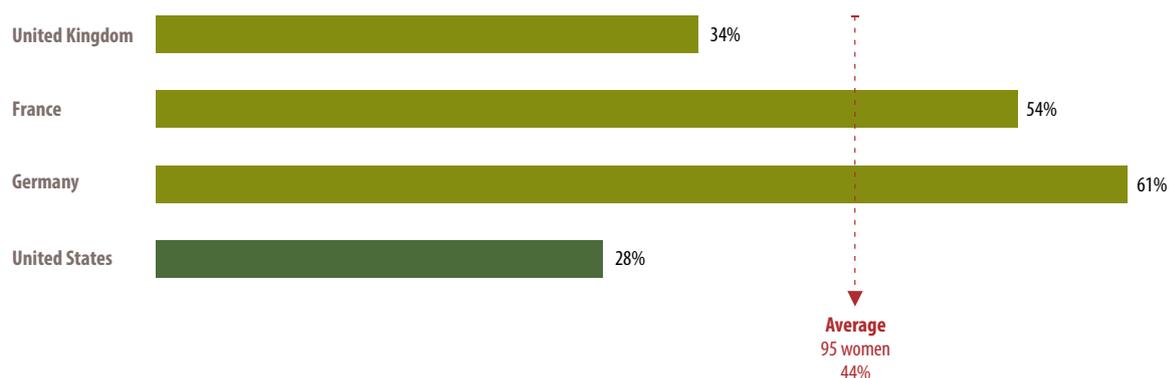
Note: Numbers may not sum to 100%, because of rounding.

Diversity by gender

Germany, at 61%, had the largest percentage of new independent director seats that were filled by women, followed by France with 54% and the United Kingdom with 34% (Figure 1). (By way of comparison, the share of new seats that went to women in the United States was a little under 28%.)

The percentage of seats that went to women should be understood in the context of each country's drive to increase the proportion of female representation on corporate boards. In the United Kingdom in 2011, the government set a voluntary goal of one-fourth female representation on FTSE 100 boards by 2016. During that five-year period, the percentage rose steadily and hit 26%, slightly exceeding the goal, which may account for the United Kingdom's low percentage of new female board members relative to Germany and France. In Germany, where half of the supervisory board members are chosen by employees and the other half are selected by shareholders, a law that went into effect as of January 2016 requires the top 100 publicly traded companies to fill vacant board positions with women until 30% of all supervisory board positions are held by women. In France, CAC 40 boards were legally required to have women account for at least 40% of their members by 2017. In both countries, the relatively high percentage of new female appointees may reflect a rush to meet the legally mandated quotas.

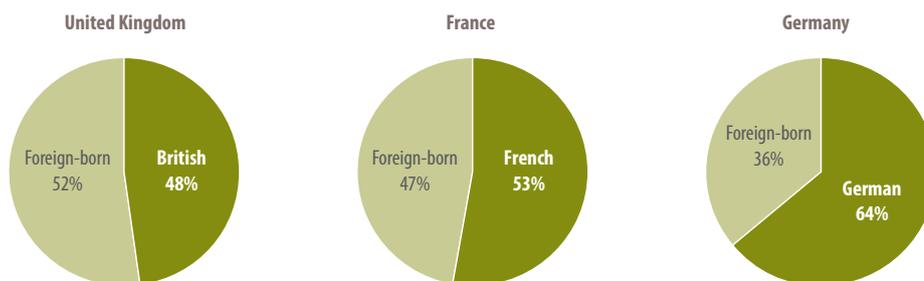
Figure 1: **Proportion of new director seats filled by women in 2016, by country**



Diversity by nationality

More than half of new independent board members at companies in the United Kingdom were foreign-born, while the figure for French boards was 47%, followed by Germany, at 36% (Figure 2).

Figure 2: **Proportion of national vs. foreign-born board appointments in 2016, by country**



United Kingdom

In the United Kingdom, the average age of new independent appointees, at 56, was three years higher than the average for France and one year higher than the average for Germany. Of the 118 seats filled in the United Kingdom, 77% went to former CEOs or CFOs, notably higher than the 66% figure for France and 20 percentage points higher than Germany's 57%. Not surprisingly, then, the United Kingdom also recorded the highest proportion of appointments with previous board experience—some 76%. The consumer sector appointed the largest proportion of new independent directors, at 36%, followed by financial services, at 23%. Of the 184 total significant industry experiences among new appointees, the largest share lay in the financial services sector, at 26%, followed closely by the consumer sector, at 23%. Only 2% of new independent appointees had significant experience in financial risk, and none had experience in cybersecurity.

New director seats filled

118

Average age

56

Current and former CEOs



Current and former CFOs



Experience

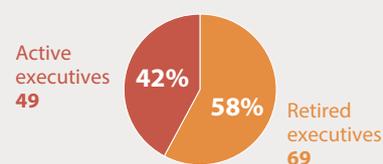
Previously served on boards



With digital or social media



Retired vs. active



Risk experience

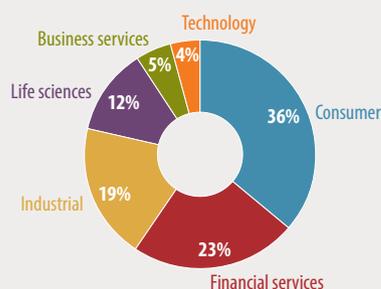
Financial

2%

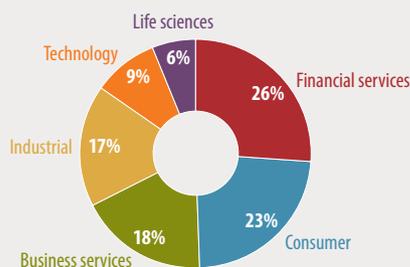
Cybersecurity

0%

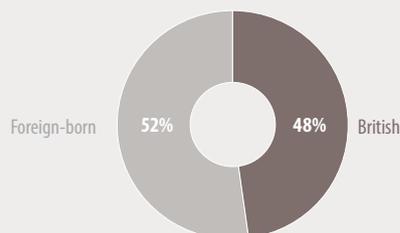
Distribution of directors by industry



Distribution of career experience by industry



Proportion of nationals vs. foreign-born



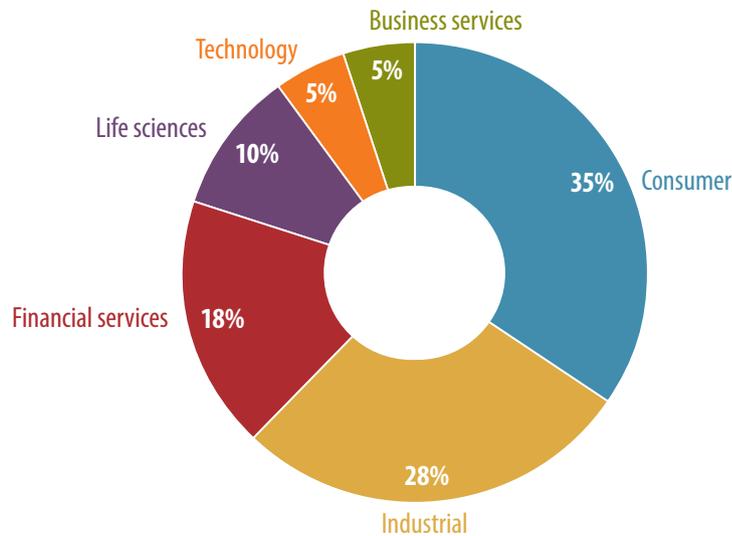
Note: Numbers may not sum to 100%, because of rounding.

Appointment of women directors in the United Kingdom by industry

Some 35% of all female independent directors appointed to FTSE 100 boards in 2016 went to consumer boards, followed by industrial boards, at 28%. Financial services boards appointed 18% of all new female directors, followed by life sciences boards, at 10% (Figure 3).

Figure 3: **Distribution of female appointments to FTSE 100 boards in 2016, by industry**

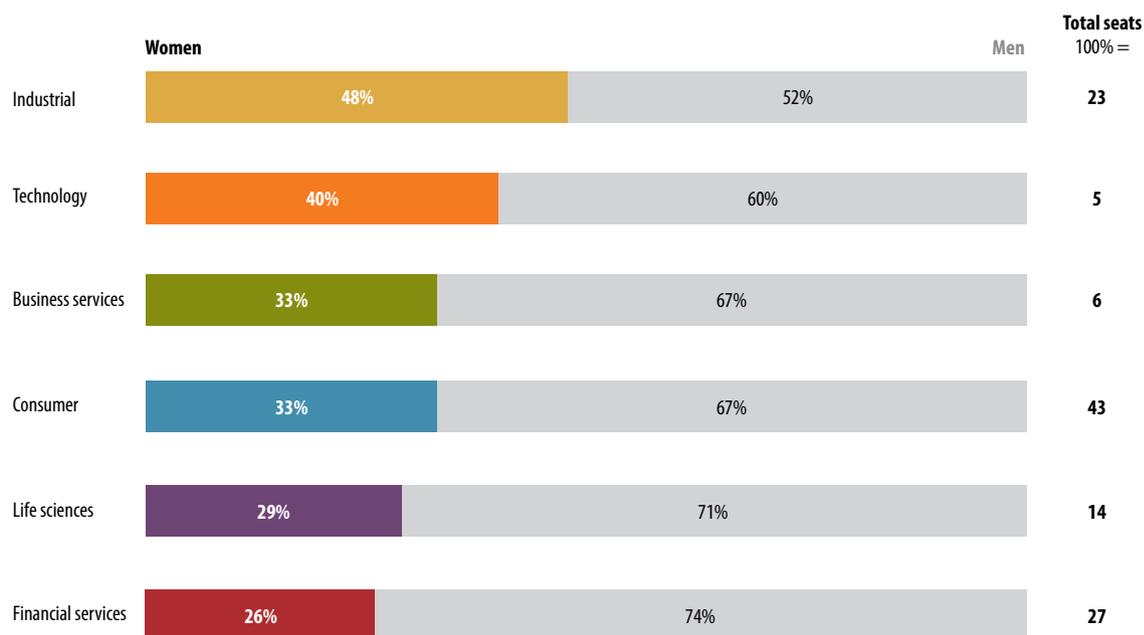
n = 40



Note: Numbers may not sum to 100%, because of rounding.

While consumer boards appointed the largest number of women overall, 33% of new board seats in that industry went to women. In the industrial sector, almost half of all new director appointees were women. In technology, the figure was 40% (Figure 4). The lowest percentage of female directors—26%—occurred in financial services, perhaps reflecting what some companies regard as the difficulty of finding qualified candidates.

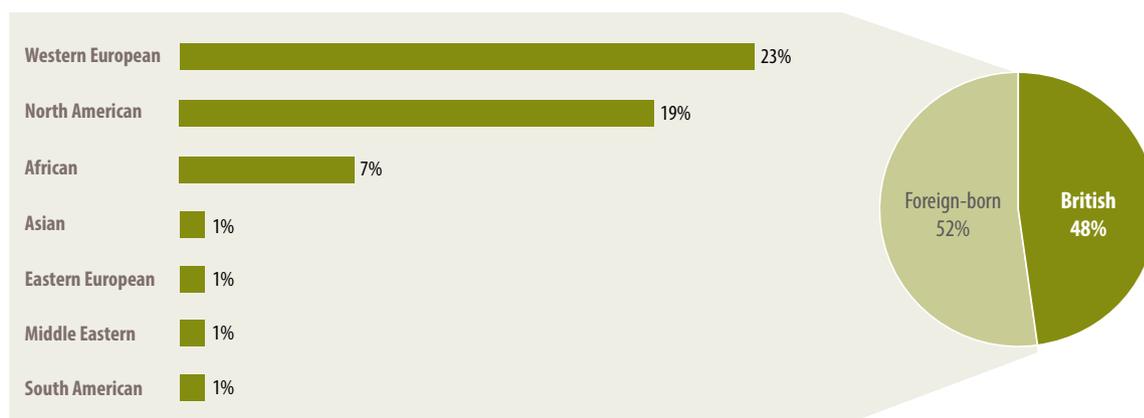
Figure 4: Proportion of new FTSE 100 board seats in each industry, by gender, 2016



Appointments in the United Kingdom by nationality

Slightly more than half of new independent board seats in the United Kingdom went to foreign-born appointees, with 23% coming from elsewhere in Western Europe and 19% from North America (Figure 5).

Figure 5: Proportion of national vs. foreign-born appointments to FTSE 100 boards in 2016, by region



Note: Numbers may not sum to total, because of rounding.

France

In France, the average age of new independent appointees, at 53, was three years lower than the average for the United Kingdom and two years lower than the average for Germany. Of the 70 independent seats filled in France, 66% went to former CEOs or CFOs, notably lower than the 77% figure for the United Kingdom and notably higher than Germany's 57%. Some 80% of appointees in France came with previous board experience, and about three-fourths (73%) are active executives. The industrial sector appointed the largest proportion of new independent directors, at 37%, followed by consumer, at 29%, and financial services, at 13%. Of the 106 total significant industry experiences among new appointees, the largest share lay in the financial services sector, at 26%, followed by the industrial sector, at 21%. Some 6% of new independent appointees had significant experience in financial risk, and 4% had experience in cybersecurity.

New director seats filled

70

Average age

53

Current and former CEOs



Current and former CFOs



Experience

Previously served on boards

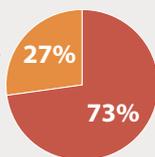


With digital or social media



Retired vs. active

Retired executives
19



Active executives
51

Risk experience

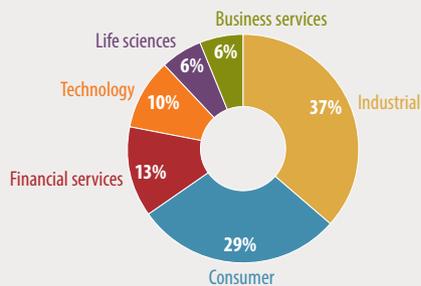
Financial

6%

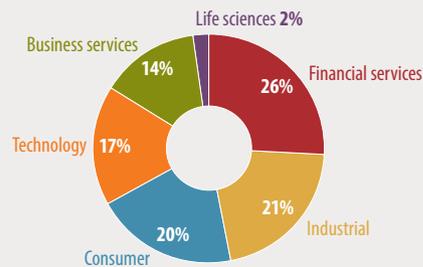
Cybersecurity

4%

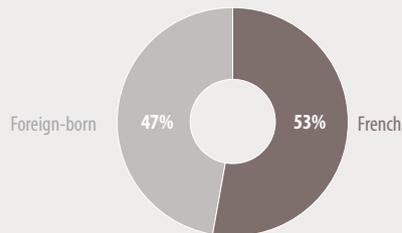
Distribution of directors by industry



Distribution of career experience by industry



Proportion of nationals vs. foreign-born



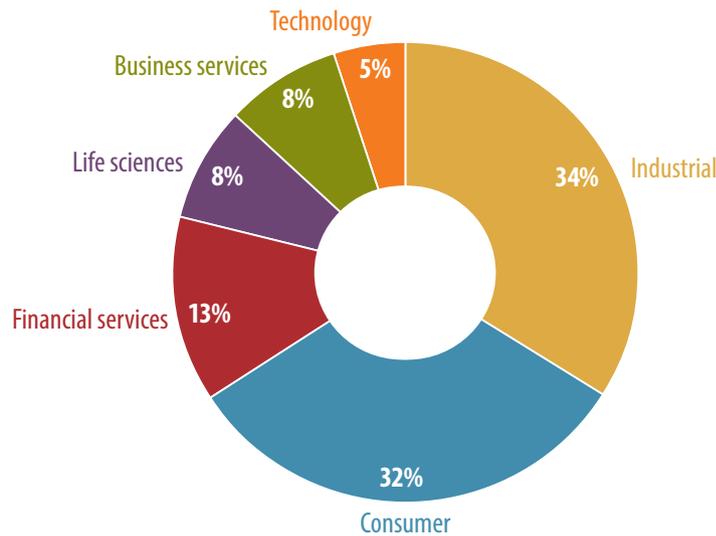
Note: Numbers may not sum to 100%, because of rounding.

Appointment of women directors in France by industry

Some 34% of all female independent director appointments in France in 2016 were made by industrial boards, followed by consumer boards, at 32% (Figure 6). Financial services boards made 13% of all new female appointments, followed by life sciences (8%), business services (8%), and technology boards (5%).

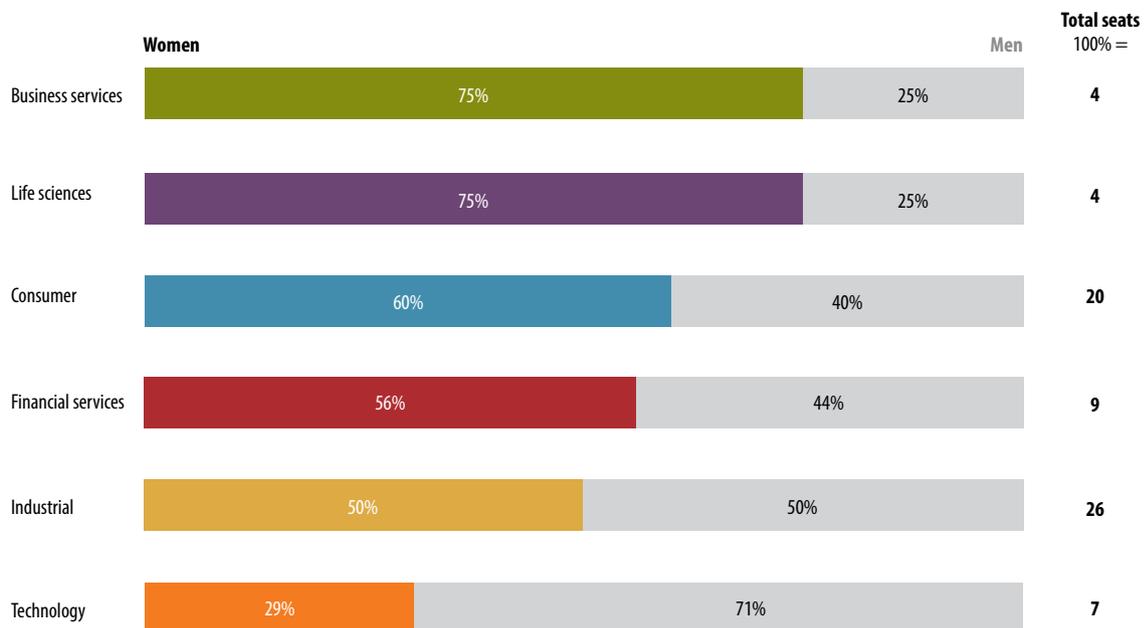
Figure 6: **Distribution of female appointments to CAC 40 boards in 2016, by industry**

n = 38



In terms of appointments industry by industry, women assumed 75% of the new seats in both the business services and life sciences sectors, followed by 60% in the consumer sector (Figure 7).

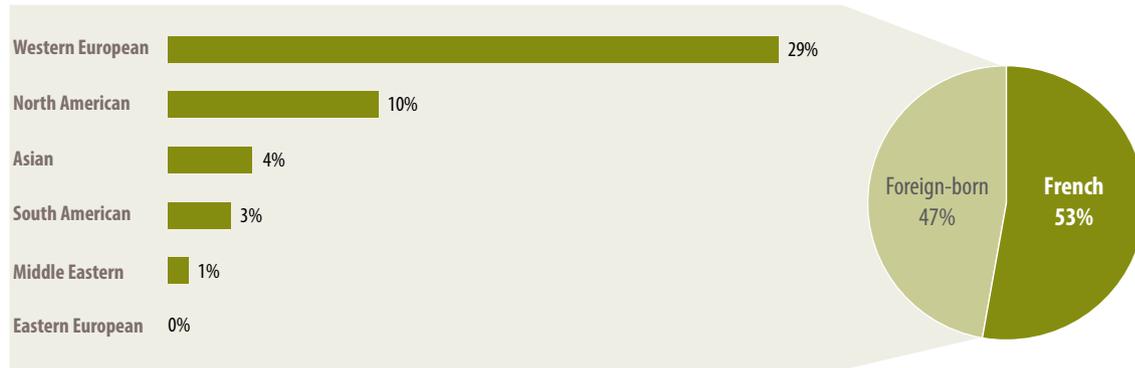
Figure 7: **Proportion of new CAC 40 board seats in each industry, by gender, 2016**



Appointments in France by nationality

Some 47% of new independent board seats in France went to foreign-born appointees, with 29% coming from elsewhere in Western Europe and 10% from North America (Figure 8).

Figure 8: Proportion of national vs. foreign-born appointments to CAC 40 boards in 2016, by region



Germany

In Germany, the average age of new independent appointees, at 55, was one year lower than the average for the United Kingdom and two years higher than the average for France. Of the 28 seats filled in Germany, 57% went to former CEOs or CFOs, notably lower than the 77% figure for the United Kingdom and the 66% figure for France. Some 64% of appointees in Germany came with previous board experience, and 57% are active executives. The industrial sector appointed the largest proportion of new directors, at 50%, followed by financial services and life sciences, at 18%, and consumer, at 11%. Of the 38 total significant industry experiences among new appointees, the largest share lay in the financial services sector, at 26%, followed by the industrial sector, at 24%, and consumer, at 16%. Some 5% of new independent appointees had significant experience in financial risk, and none had experience in cybersecurity.

New director seats filled

28

Average age

55

Current and former CEOs



Current and former CFOs



Experience

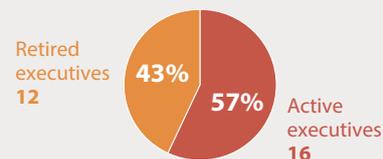
Previously served on boards



With digital or social media



Retired vs. active



Risk experience

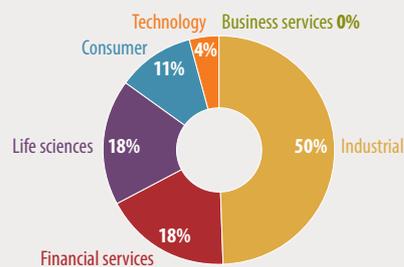
Financial

5%

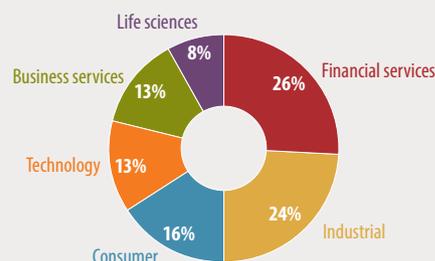
Cybersecurity

0%

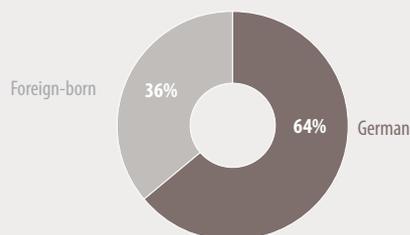
Distribution of directors by industry



Distribution of career experience by industry



Proportion of nationals vs. foreign-born



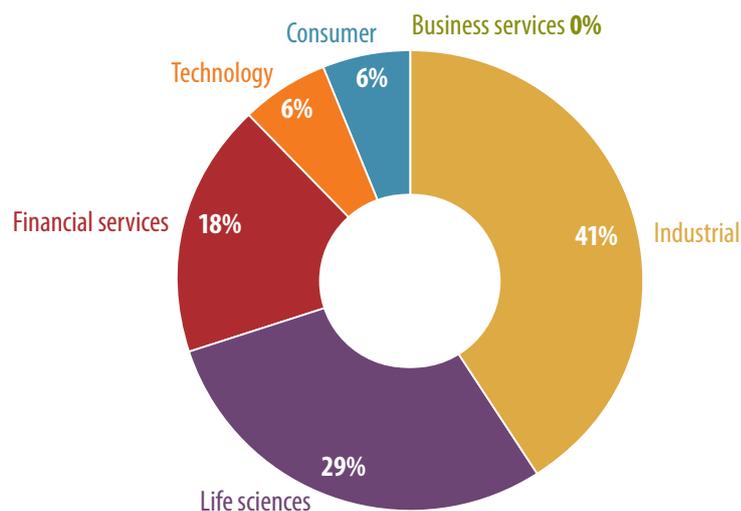
Note: Numbers may not sum to 100%, because of rounding.

Appointment of women directors in Germany by industry

Some 41% of all female independent director appointments in Germany in 2016 were made by industrial boards, followed by life sciences boards, at 29%, and financial services boards, at 18% (Figure 9).

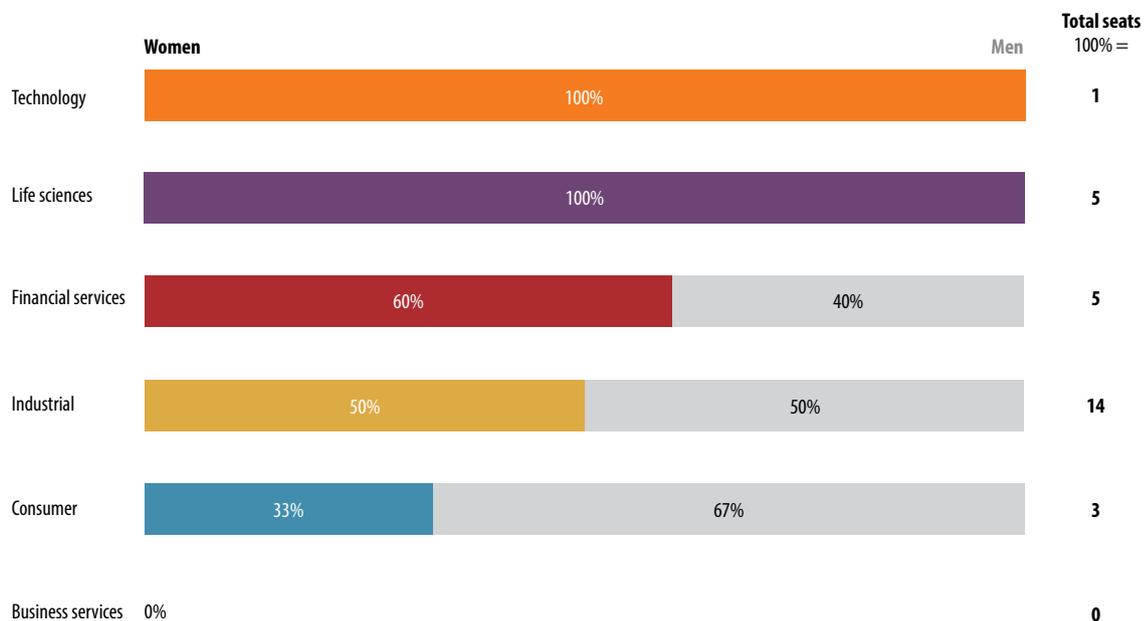
Figure 9: **Distribution of female appointments to DAX 30 boards in 2016, by industry**

n = 17



In terms of appointments by industry, women assumed 100% of the new independent seats in technology and life sciences, followed by 60% in financial services and 50% in industrial (Figure 10).

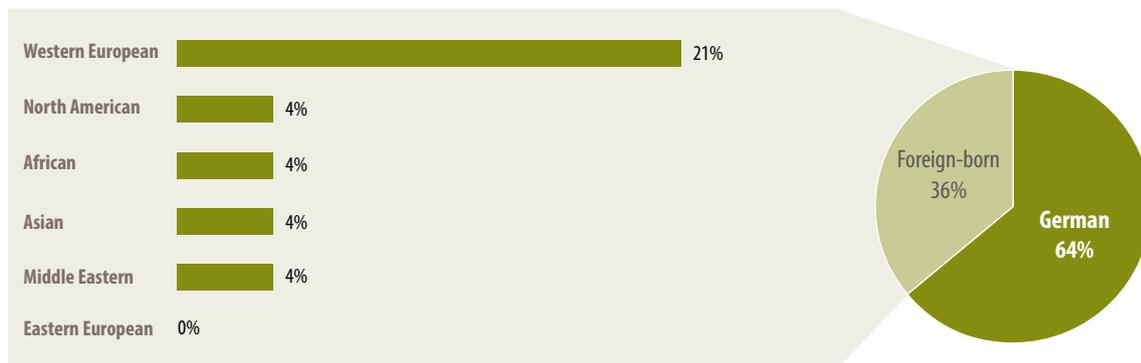
Figure 10: **Proportion of new DAX 30 board seats in each industry, by gender, 2016**



Appointments in Germany by nationality

Some 36% of new independent board seats in Germany went to foreign-born appointees, with 21% coming from elsewhere in Western Europe and no more than 4% coming from any other region. The figure of 36% is notably lower than the figure of 52% for the United Kingdom and 47% for France. ■

Figure 11: **Proportion of national vs. foreign-born appointments to DAX 30 boards in 2016, by region**



Note: Numbers may not sum to total, because of rounding.

CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board-effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital enables us to provide sound global coverage for our clients.

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HEIDRICK & STRUGGLES

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