

Women on boards: the US perspective

By Bonnie W. Gwin

Vice Chairman and Co-Managing Partner, North America, for our CEO & Board of Directors Practice.

It is no surprise to anyone that US boards are grappling with increased scrutiny and ever more shareholder activism.

Regulatory reform continues to be debated and planned with special attention given to pay performance disclosures, proxy access for shareholders, broker uninstructed votes and the so called 'say on' pay and golden parachutes provisions.

An unintended consequence of extensive regulatory reform and increased scrutiny, combined with the difficult economy, has led boards to be conservative when adding board members. The majority of new Fortune 500 directors over the past three years continue to be those with CEO/CFO backgrounds – they are executives with traditional operating experience. Women in these roles are few and far between. So, despite years of discussion and support in favour of more women on boards, the numbers have not changed. The percentage of women on US Fortune 500 boards still hovers around 16%.

Director turnover is very low except in instances of mergers, acquisitions and bankruptcies. So, who exactly is joining the Fortune 500? 50% of

appointments are former CEOs or CFOs, with retirees holding a third of board seats in the US. There are a few notable exceptions. Starbucks recently added 29 year old Clara Shih to the ranks and Walmart took on 34 year old Marissa Mayer, now CEO at Yahoo. Both women bring strong social media and digital marketing experience. However, these cases are rare exceptions.

Numerous studies point to the value of diversity in the boardroom. In times of turmoil and economic distress, having broader, diverse expertise on hand contributes enormously to discussion. Nonetheless, boards still struggle with how exactly to diversify their membership. So why aren't there more women on boards? This is one of the questions posed annually by the Women Corporate Directors (WCD), Heidrick & Struggles and Prof. Boris Groysberg of Harvard Business School's collaborative survey of both male and female board directors. In 2011, the majority of men felt that the pipeline of women executives was not big enough, whilst women directors surveyed believed that traditional male networks were the main impediment.

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Real breakthroughs have happened when board leadership take a strong stance on these issues. If the CEO, Chair, lead director or nominating chair makes adding diversity a real priority, it is much more likely to happen. Focusing on the skills and

experiences a director candidate brings, as opposed to just the title, allows a board to consider candidates with a variety of experiences, rather than those who have traditional resumes.

What experience stands out?

Here is a snapshot of what US companies look for in a board member today:

- International experience: Asia is of significant interest to many US companies, as are EU-based executives with experience living in/working with Asia
- Market leadership experience, particularly alongside senior operating experience in the emerging economies of China, India and Brazil
- Experience in digital and social media from an 'up and comer' in the space
- Courage and good judgment. Emotional intelligence is valued when it comes to discussing tough subjects effectively
- Ability to chair an audit or remuneration committee, originating from a financial or HR background
- Experience in IPOs, bankruptcies or operational leadership through major financial events

In seeking a board appointment, there are a few important steps to consider. These include:

- Clarity around personal brand and expertise. The ability to succinctly articulate the experience and qualities that can be brought to the boardroom table. It may be geographical experience, as detailed above.

- Taking strategic roles with non-profits. Significant not-for-profit or advisory board experience is a good proxy for a public board. Participation in one of these boards provides a strong foundation and supports outstanding board skills and experiences
- Networking among existing directors of boards at conferences and events in the US, such as WCD and NACD global conferences
- Clear communication of the fact a board seat is the goal and asking for help and advice

Over the years of advising companies and identifying new board members, we have also observed that the most successful appointments come about when candidates are rigorous in their assessment of the personal fit. The questions they typically ask themselves fall into the following five areas:

1. What do I think of the CEO – do we share values? Are we culturally aligned?
2. Are the board members people I will be proud to work with and will learn from?
3. Is it clear what I can bring to this board in terms of professional expertise?
4. How will I benefit professionally and personally from this experience?
5. Am I truly passionate about this?

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Peter Lever

Managing Partner CEO
& Board Practice EMEA

Member of Heidrick & Struggles
global CEO & Board Practice

+44 (207) 075 4000

plever@heidrick.com

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