



DIGITAL DIRECTORS

PUTTING YOUR EXPERTISE TO WORK IN THE BOARDROOM

As the technology, communications and media worlds converge to serve digital consumers, the effects are being felt in a variety of industries and companies. This shift has precipitated a need for companies to better connect with their customers through digital means, including social media, or to drive new revenue streams by developing stronger e-commerce capabilities.

Boards have taken notice of the rapid pace of change and have acknowledged the importance of augmenting their ranks with executives at the forefront of these technology advancements. As companies increase their investments in digital technologies and social media and mobile platforms, more boards are looking to recruit “digital directors.” According to the 2011 *Spencer Stuart Board Index*, demand for directors with digital or technology backgrounds has increased more than 20 percent in the past year. For individuals possessing the requisite understanding of the digital landscape, opportunities in the boardroom are at an all-time high.

The greatest demand is for technology-savvy executives who also have broad operational or management experience, particularly in newer digital fields. Executives with these profiles, especially those with prior board experience, are scarce, and, consequently, boards have become more willing to consider candidates with digital profiles even if they have less operational or general management experience.

Drawing on our work recruiting digital talent for corporate boards, we have developed this primer for aspiring “digital directors” on how they can best approach and evaluate an outside board opportunity.

Demand for digital directors

In particular, we are seeing the demand for directors with digital expertise manifest itself in three distinct types of companies. Here are the opportunities potential digital directors are most likely to encounter:



Traditional, consumer-focused companies in a variety of sectors, particularly those targeting younger, more digitally savvy customers, that are looking to leverage new technologies to market to these consumers.



Media and technology companies going through a transformation. These organizations are seeking to develop new revenue streams through the use of digital media and e-commerce channels, which have the greatest growth potential. Some of these are challenged companies going through bankruptcies or restructurings and need to sharpen their digital strategy to respond to changing customer needs.



Private growth-stage technology and Internet companies recruiting independent directors to their boards in preparation for an initial public offering.

Determining fit: A two-way process

Each of the aforementioned opportunities possesses its own set of unique benefits and drawbacks to potential directors. For digital executives preparing for their first foray into the boardroom, the most important consideration when evaluating a board opportunity is their fit with the board and company. Board candidates should consider the current board culture, how the role of the digital director is defined, the expectations and perceptions of the current directors, and their own perceptions and priorities.

Listed are some of the issues that first-time director candidates should keep in mind:

- > The average S&P 500 director is 62.4 years old, an all-time high. As such, many directors are not well-versed in digital technology and may be unaware of its importance in competing in today's marketplace.
- > Boards value prior CEO and general management experience, as well as prior board experience. While some boards are coming around to the idea that recruiting a director from the digital, consumer Internet

or technology fields may require them to be open to executives who do not have CEO or board experience, others are not there just yet.

- > Boards are also more comfortable with fellow directors who have stable career chronologies and have displayed loyalty to their current company. Furthermore, they expect that loyalty to extend to board service, so new directors should plan on committing at least six years (two three-year terms).
- > Lacking a thorough understanding of digital technology's capabilities, some directors may believe that recruiting a director from an influential digital or social media company (i.e., Facebook, Groupon) is the solution to their needs. Oftentimes, it becomes the responsibility of the new director to refocus the conversation away from a specific platform and toward a broader conversation about digital technology in the 21st century and the specific strategic digital opportunities and challenges for the company.
- > Some boards view directors with digital backgrounds more as digital consultants, and, consequently, expect them to spend more time than the average director guiding the company's digital strategy. While some directors are open to this more time-consuming, hands-on role, you should clearly understand the expectations for your role before signing on to a board.
- > Boards are hyper-sensitive to potential conflicts of interest and will be very thorough in vetting intercompany conflicts when reviewing potential directors. Boards expect director candidates to be as diligent in identifying potential conflicts with their own companies.

In addition to understanding the dynamics of the boardroom and the potential challenges you might face once you are there, you also should determine what you hope to gain from your experience as a director. This question is important not only for ensuring that you have a rewarding experience, but also for articulating your reasons for pursuing a seat to the nominating and governance committees.

In particular, you should be prepared to address the following questions:

- > Why are you interested in sitting on a corporate board? Are there specific challenges or governance topics that interest you or that you feel you are especially qualified to address? Boards fully expect that it will be a "career development" opportunity for the new director; however, they don't want to be reminded of it, and career development should never be the sole reason for joining a board.
- > Do you have the capacity to fully commit to serving on a board? Keep in mind that board service extends well beyond the board meetings; you will be expected to serve on at least one committee, and be available if the company experiences a crisis. Be realistic with yourself — if your dedication to further developing your own career takes precedence over all other elements of your professional life, it may not be the right time to pursue a board seat.
- > Are there geographic limitations on your ability to serve? Understand that you will be expected to attend six to eight board meetings in person each year. Imagine flying to that city nearly 50 times over the next several

years. It may sound trivial, but traveling to a distant or out-of-the-way location can add a significant amount of time to the commitment.

- > Which industry or type of board opportunity is most interesting to you? Approach this question from both sides, considering not only what types of boards you find attractive, but also what you can offer those boards. Narrowing the scope of your search to those companies for which your experiences would be useful will help focus your search and make you a more attractive candidate.

If you have asked yourself all of these questions and still feel that a board seat is the logical next step in your career progression, it's time to begin working your network.

Positioning yourself for service

Although search firms are the public face of the director selection process for many companies, and arranging to meet with an experienced search consultant is an important part of indicating your interest in a board seat, there are a number of other resources aspiring directors should tap into.

Here are some ways executives can maximize their network:

- > Test the waters for outside board service with your boss or board. Paving the way for the concept of board service early on is important, and then specific opportunities can be reviewed as they arise. Thinking through with your company which industries would be additive to your current role and which ones may represent conflicts is an important step that will save time later.
- > Express your interest in sitting on a board to like-minded digital colleagues who already serve on one. These individuals are frequently too busy to pursue every opportunity presented to them and will often refer names of interested candidates to the search firm or nominating committee that contacts them about a board seat.
- > If possible, learn more about board dynamics by gaining exposure to your own board of directors. Whether it be working on a special committee created to address a specific venture or simply presenting your work to the board, any exposure to the boardroom will help differentiate you from other aspiring digital directors.
- > Focus on developing the skills of a high-functioning director in your daily professional life. The ability to collaborate, listening skills and strategic insight are all skills you can hone as you approach new board opportunities. As prospective boards ask about your suitability to serve, you'll be ready with examples of how you embody the skill-set of a well-functioning director in your day-to-day executive role.
- > Consider attending director education events, which provide opportunities to become more familiar with the governance issues shaping the boardroom today and to meet well-connected individuals who can offer unique insight into the director selection process. Expanding your own network through these types of events can prove to be invaluable.

While boards today are increasingly seeking more digitally minded directors, the candidate pool they are drawing from is an unfamiliar one, with candidate profiles that are markedly different from traditional director backgrounds. This should not deter you from pursuing board opportunities, but you should be prepared to address the questions outlined in this guide and understand what will be expected of you once you secure your first board seat. Today's boardroom is a rapidly evolving and exciting place, but, ultimately, it's up to the aspiring director to differentiate himself or herself from the competition.

About Spencer Stuart Board Services

The premier firm for board counsel and recruitment, Spencer Stuart conducts well over half of all director assignments handled through executive search. For more than 25 years, our Board Services Practice has helped boards around the world identify and recruit independent directors and provided advice to chairmen, CEOs and nominating committees on important governance issues. In the past year alone, we have conducted more than 400 director searches. We are the firm of choice for both leading multinationals and smaller organizations.

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