

CFO Insights

So you want to be a corporate director...

For many CFOs, joining a corporate board makes a lot of sense. Board service represents a valuable opportunity for a CFO to gain boardroom experience beyond his/her own company. Further, such service may be a capstone to a long career, help position a CFO for a CEO role, or enhance a resume.

However, before making the leap, you should know that getting on a desired board is likely to take longer than you might expect, your personal time investment in the search will be significant, and once you join, it could be more work than you anticipate. These realities are simply part of a process that could be rewarding, nonetheless.

Part of the problem is statistical: There are only so many corporate board openings. According to Heidrick & Struggles Board Monitor, there are approximately 5,500 board seats in the *Fortune* 500, and of that number 14.5% are held by CFOs or retired CFOs.¹ In addition, the candidate pool is very specific and typically includes sitting and recently retired CEOs, COOs, and presidents, followed by other corporate executives—often business unit leaders—and then those with financial backgrounds, including CFOs. And since many board positions are filled by word-of-mouth referrals, opportunities may prove elusive if your network cannot connect you to boards.

This does not mean landing a board seat is impossible, nor does it mean that you are not the correct board member for a particular company. In this issue of *CFO Insights*, we will look at the benefits of board service, the requirements necessary for candidacy, and offer advice on how to assess your own readiness.

Taking stock

From a CFO's perspective, there are pros and cons to sitting on a corporate board. On one hand, such service offers an opportunity to gain both outside perspective and industry experience that could be valuable in your current position. For finance executives who want to continue to leverage their financial experience, board service may also offer a way to give back. The compensation isn't bad, either, with the average pay for independent directors at the 200 largest U.S. companies topping more than \$250,000 annually.²

But board service also takes time, typically more than 200 hours a year—even more if you sit on the audit committee.³ In addition, by accepting a board position, you are accountable both ethically and legally to fulfill your responsibilities, particularly your fiduciary duties—no matter the future challenges a company faces. That's why (particularly if you are an active CFO) one of the first steps toward board service is to understand your own company's policy. You want to make sure you have the support and approval of your company's CEO, board, and other leaders in taking on this commitment. With that in hand, you can start assessing your readiness by asking yourself the following five questions:



1. What is my value proposition? As CFO, you obviously have multiple skills that are vital to your own company. But why should they be vital to another organization? Before embarking on a board search, assess how you have truly created value—that is, what skills and experiences do you have that could be valuable for a target company. Further, beyond completing your own skills assessment, conduct an assessment of the size, state of maturity, industry, and ownership structure of companies that may benefit from your experience. And given that board composition is one of the leading topics in corporate governance, be prepared for your qualifications to be vetted not only by the target company, but by analysts and the media, as well.

2. Do I have the time—and the team—to take on a board position? One of the main components of board service is time commitment. Many CFOs may be perfectly willing to attend six meetings a year, but those demands could easily double or triple if the company enters into a major transaction or encounters a problem. Given that you have already received the support of your CEO for this outside service, make sure you have a strong team that will ensure everything runs smoothly in your absence. The time commitment is not just about showing up either. It includes extensive pre-reading and preparation, joining analyst calls, understanding competitive markets, and a host of other responsibilities.

3. Is my current board experience adequate? As CFO, you have likely attended board meetings and presented to your own directors. But do you understand the difference between managing the business versus assessing it from an oversight perspective? As part of another company's board, you need to understand the governance process and the level of discussion that exists in a boardroom setting. You need to be mindful of not stepping over the fence into management's territory. And you have to deal with the tension in the boardroom that comes from the board's fear of not getting the full story.

4. Do I "fit"? Boards have individual personalities, and your contributions are vital to its accomplishments. Assessing fit, however, is very company specific. You may have the applicable qualities, knowledge, and independence of thought for a particular board, but do you want to serve in a specific industry? Or while a board in Albuquerque may see you as a vital addition, do you want to make 80 trips to New Mexico over the next 10 years if you live in Philadelphia? Geography, industry, company-specific management, and risk need to be factored into your due diligence. As a financial executive, you may be well suited to conducting that due diligence, but keep in mind that it is a two-way process, and you rarely know why a company does not believe you "fit." If it is apparent on your end, however, speak up as soon as you know. There is no point in continuing the process only to walk away at the last minute.

5. Can I make a long-term commitment? Once you commit to a board, you are in for the long haul. Board service is not something to merely try. In fact, if a board member leaves, it sends a negative signal to the marketplace which can impact the company's reputation and potentially its stock price. Moreover, since your service is also tied to your personal reputation and that of your current employer (if you are a sitting CFO), exiting a board position could harm your chances of future board positions or other advancements.



Steps to board membership

As mentioned earlier, having the applicable value proposition is essential to landing a board position. But how do you determine what you have to offer? And how do you polish those attributes? The following steps, while not inclusive, will at least jumpstart your journey to a board directorship:

Write your board resume. One of the first steps in understanding your own readiness is the development of a board resume—a document that lists the skills, experiences, and value you bring to the table. Be as specific as possible. If you've instituted a risk process at your company, write it down. If you've completed multiple acquisitions or divestitures, detail them. The same goes for pension reform, talent assessments, or a strategy refresh effort you may have led. Then match those skills against the specific company you are targeting. If you have led a multi-year transformational process, that may be experience a company changing its product mix or going private might need. And if you have skills that add value specifically to an audit, compensation, risk, or nominating and governance committee, make note of them since directors are typically expected to sit on one or more standing committees during their tenure.

Define your elevator pitch. Your resume may be long, but having a concise story is vital. Simply saying that you are a CFO is not enough. Boards want to know what your cumulative experience adds up to. Are you a demonstrated leader? Are you an innovator? In two or three sentences, you should be able to summarize the elements of your experience that demonstrate the leadership, integrity, and diligence required for corporate board members.

Network. Network. Network. Given that many board opportunities are often communicated via word of mouth, the importance of networking cannot be overstated. As soon as you start thinking of seeking a directorship, begin networking appropriately. That means reaching out to board members you may know, C-suite executives, and others who work with boards, including, attorneys, CPAs, bankers, and executive compensation consultants who may be in a position to recommend you. Set up meetings with board members you already know, including those at your own company. Assure them that your CEO and board are supportive of your efforts and outline the industry or company type that you believe may be the better fit for you, your skills, and your experience. Then, ask the board members in your network if they will introduce you to other directors, especially those on nominating and governance committees.

Identify a mentor. If there is a trusted member of your network who currently sits on a board, leverage his/her knowledge and advice. Inquire about his/her journey. Ask questions such as: What surprised you from your first board experience? What were your top three takeaways from having served on boards for 10 years? Such insights will help you formulate your own picture of what board service really means—and determine if this is a path you want to take. Moreover, this person can also help you with a candid assessment of your “board readiness” and identify gaps that may need to be addressed.

Join a nonprofit board. Without board-specific experience, it is difficult to become a board candidate. Plus, in many cases, experience in your own boardroom as a member of management may not be enough. Not-for-profit boards offer a way to bridge the gap and provide an opportunity to learn governance firsthand. Such service can also assist with your networking; after all, the people who serve on non-profit boards tend to be community business leaders who may later recommend you as a board candidate. To start, consider where your passions lie and which organizations you may want to serve. Even reach out to CEOs of nonprofits you respect about potential board openings. Additionally, you can also search current opportunities on third-party websites, such as VolunteerMatch (www.volunteermatch.org).⁴

Attend board-specific training. Joining a board is a journey. Once you sit on a nonprofit board, for example, that is one way to qualify for the National Association of Corporate Directors, an organization that offers specific training at regional and national conferences, as well as master classes on topics such as enterprise risk, C-suite succession planning, and executive compensation. Other opportunities to bolster your knowledge of board service include “Directors’ Colleges,” such as those offered by UCLA Anderson School of Management and other universities.⁵ In addition, Deloitte’s Center for Corporate Governance also offers an array of board-related events that can be accessed at www.corpgov.deloitte.com/site/us/events/.

There is no one way to go about a board candidacy, recruitment, and preparation process. It takes time—often up to two to three years—and a targeted plan. A good resume is not enough, and neither is board-specific education; ditto for nonprofit board experience. But these things, woven together over time, can make the difference for qualified candidates—provided you are board ready.

End notes

¹ Heidrick & Struggles Board Monitor, Heidrick & Struggles International, Inc. 2013.

² National Association of Corporate Directors 2012-2013 Director Compensation Report.

³ Heidrick & Struggles 2013-2014 NACD Public Company Governance Survey

⁴ VolunteerMatch, San Francisco, California.

⁵ Director Education & Certification Program, Executive Education, UCLA Anderson School of Management, Los Angeles, California.

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