WOMEN IN THE BOARDROOM

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BOARD FAQs

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WHAT ARE THE FOUR MAIN TYPES OF BOARDS?

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Public company boards approve the business plans of management and then they hold management accountable for performance, for companies whose shares trade on a public market such as the New York Stock Exchange or Nasdaq. The board oversees the performance of the company on behalf of the owners, who are the shareholders. Public company board members can expect intense scrutiny in a climate that demands transparency and accountability, and they must follow a strict and expanding list of rules from the Securities & Exchange Commission and other regulators. The largest public company boards offer the most prestige and compensation, and require the most preparation and credentials.

Private company boards provide the same oversight function as public company boards, but they are not required to follow such a long list of regulations and they tend to operate out of the spotlight. Board members act in the best interests of the shareholders, who may be family members, venture capitalists, a tight group of insiders, equity fund members, or other private groups, and the characteristics of the board will vary greatly depending on the makeup of the ownership group. The best privately held boards tend to follow all of the rigorous practices of public company boards, even though they are not required by law to do so.

For-profit advisory boards tend to be ad hoc boards, formed to add experts who can address a specific issue that a company is facing, for example, or to add credibility and contacts to a company at a crucial phase of its life cycle. This type of board may or may not be compensated, but many say those advisory boards that do offer compensation tend to function better because management takes advice more seriously if they are paying for it. The key difference of advisory boards is that management is not required to do what the board says. Advisory boards give advice that the company can follow or ignore, a fact that frees such board members from the litigation worries that affect private and public company boards.

Not-for-profit boards provide oversight of the financial and operational performance of a notfor-profit organization, community group, academic institution or government commission. Such boards tend to be much larger than the three types above: perhaps as many as 40 members, compared to perhaps 7 to 10 for public or private boards. The board size relates to a key function that distinguishes this type of board: the requirement at many such boards that members donate or raise from others a certain amount of funds each year. Not-for-profit boards are considered a good way for people to get experience, and those who perform with excellence can often gain notice from fellow high-profile directors who can provide connections to for-profit board seats. The guardianship of mission often takes a prominent place at a not-forprofit institution, and people who pursue such board seats only where their passions lie say they have the most rewarding experiences.10 of our members are now serving on corporate boards (as of March 2015).

WHAT ARE THE DIRECTOR'S RESPONSIBILITIES?

The main responsibilities of the board are: to hire, evaluate and fire the CEO and to make sure the company has a succession plan in place for key executives; to redirect, approve and oversee strategy (notice this does not say "set" or "execute" strategy; that is management's job); to bring in other directors, which at public companies and at many private companies has now become a formalized process; to monitor and approve audit, governance, compensation and other processes so they comply with all regulations and best practices; and to oversee financial performance on behalf of the stakeholders, primarily the owners of the company's shares.

The last point bears expansion. Shareholders are very active today and let directors know when they have concerns. On public company boards, in particular, they are also litigious; public company directors say they expect to be sued whenever a company's share price falls significantly, and they add that their fiduciary responsibility doesn't necessarily end even when they leave a board.

Directors have three basic duties: First is the duty of loyalty, which is acting in the best interest of the shareholders. This effort has to be balanced with broader stakeholders, such as employees, community members, vendors, etc., which makes it more complicated than it seems. Second is the duty of independence, which means directors must serve that board without any conflict of interest. People should not serve in dual roles, such as attorney or consultant, while serving as a director. Third is the duty of care, which means to act in good faith and to be diligent in performance. Directors can make errors, but they must have done the work and documented the process to show that they faithfully tried to act wisely. These duties may seem simple and logical, as one veteran director says, but on any given day anyone can look at the Wall Street Journal and read about a director accused of breaching them.

Directors must be able to commit roughly one month to six weeks of every year, or 250 to 300 hours average for large public companies, in preparing for and attending quarterly meetings and committee meetings; board members usually serve on one or two committees, such as audit, governance, compensation or other specialized topics, where the detailed board work gets done. Preparation time can be as long or longer than the meetings themselves; directors are expected to understand the materials sent to them in advance of meetings, and to develop probing questions meant to add value to management's thinking on the issues to advance company performance. Directors must drop everything and ramp up additional time, as much as triple the regular time, when the company faces unexpected crises or opportunities. One experienced director sums it up this way: "Be aware that you are subject to forces well outside your control, and that these events can take a terrible toll on your time and energy."

HOW DO I GET ON A PUBLIC COMPANY BOARD?

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The first step is to achieve a reputation for excellence in your main job and industry. Realize it is not enough to become excellent; you must get others to notice your performance. Know that people are constantly watching and evaluating you, so bring your "A" game to every endeavor: dress well; pay attention; speak up; make a difference; emphasize measurable performance; be authentic. The most sought-after public company board directors are sitting CEOs, or senior executives running large operational divisions with profit-and-loss responsibility. Aim your career toward such roles. Look for opportunities to speak and to write articles, so your name comes up on Google with significant pedigree attached.

One path is to start with not-for-profit, academic or community board service, but recognize that not all such boards are created equal. Get some experience at a smaller organization that matches your passions. But then aim for the large not-for-profit or academic boards and those with a national focus, or the commissions formed by high-profile people deciding major issues. Look for such boards with many CEOs sitting on them; people will notice if you are an effective board member, and start thinking about you when their board seats open up. Note that nonprofits are seldom a direct path into the boardroom; fewer than 8 percent of directors follow that route, so know you will have to bridge the gap.

For-profit advisory boards are also good pathways, as are board seats at privately held companies. Talk to your friends who are entrepreneurs; volunteer to sit on an advisory board for their companies. Venture capitalists are excellent people to know; they are regularly forming boards to run the companies in which they invest. So are attorneys, accountants, bankers and other financiers; they are looking for people to help their client companies succeed.

Remember, if you gain any board seat at all, even at your local church or obscure county committee, step up and perform. Chair the governance committee and introduce best practices to your board; change the annual fund-raising event so it raises double the money of any year before. Use any board seat as a chance to make a difference. You will gain satisfaction from helping your organization succeed, and people will notice your effective efforts.

Networking should be at the heart of your journey toward public company board service. You must let people know of your interest. Tell your company's CEO, your accountant and banker, all of the people mentioned above. When boards seek new directors, they are always looking for someone with particular skill sets, so know what yours are, back up your achievements with hard numbers, and be able to sum up in two minutes what you uniquely have to offer. Recognize that if the majority of board seats are held by white men and sitting or former CEOs (and they are), those are the people you need in your network. One last tip: find all the women directors at local or regional publicly held companies and meet them; many women directors make it their mission to invite other women onto boards.

HOW DO I CHOOSE THE RIGHT BOARD FOR ME?

Veteran directors say that it's not so much that you choose the right board; rather, they say the right board chooses you. What they mean is that directors are looking for certain skill sets, backgrounds and personalities when they open a board search, and they will likely write a detailed set of such characteristics and instruct a search firm to find qualified candidates to match. Also, getting your first board seat at a for-profit firm, especially a publicly held one, can take a long time. Some panelists say they networked in earnest for as long as four years before the first invitation came along. All agree that after you gain the first seat, assuming you perform admirably, the invitations tend to come frequently from the new connections you are making.

Still, you shouldn't simply leap at any board seat offered to you. Avoid the tendency of the never-before-seated person to be grateful for any invitation. You must use the time when the recruiters, board members and executives are checking you out to check them out. Talk to as many other board members as possible, to see what their personalities are like and how they think. Talk to the lead director and the chair of the audit committee, and be absolutely convinced of their integrity and knowledge. Including former board members in these talks may be fruitful, because they are likely to tell an unvarnished story about the company.

Talk to the CEO and CFO for sure, as well as a few other members of senior management as possible. To be an effective board member you must respect and trust management, while at the same time maintaining your independence and your commitment to holding them accountable. Ask for and understand company documents such as financial statements and annual reports, especially those that aren't available to the general public. You will have to sign a confidentiality agreement to see those, and they are invaluable in your efforts. Ask the general counsel about pending litigation, and remember: a reluctance on the part of directors or management to share such information with you is a red flag. Read all media reports about the company. Work your network to identify customers and vendors, and check in with them.

Do think about cultural and personality fit with these board members and this management team. You will be spending a lot of time with them, working intensely through difficult issues. Do you like them? Do they seem capable, smart and hard-working? Do they have values that match your own? Can you be proud of the products or services that this company sells? Do consider whether you have the right skills to add value to this board, that you offer something truly necessary to advance the company's mission. And do consider whether your temperament and experience match the company's stage in its life cycle. For example, some directors enjoy the heady days of a fast-growing high-tech startup, racing to get to market and go public before the competition. Others excel at setting the highest levels of strategy at a mature company, perhaps by analyzing acquisition targets. Like each person, each board is unique, so spend your time during the interview process learning how this particular board fits you.

WHAT IS THE COMPENSATION FOR BOARD SERVICE?

Compensation for publicly held corporation boards depends on the size of the company. For those with under $1 billion in annual revenue, compensation ranges from $75,000 to $200,000 a year. For revenue up to about $5 billion, compensation averages $250,000. For revenue well above $5 billion, compensation can reach $500,000 and higher.

That amount is usually divided between cash and stock or stock units/options. Directors can generally defer their income, and they are expected and/or required to hold the stock for the long term. Directors are generally paid a monthly retainer, plus a cash amount for each board meeting, plus an additional amount for each committee meeting and more for committee chair positions. Perks can be added, such as health insurance, life insurance or a match for charitable contributions. All expenses to travel and attend board meetings are reimbursed.

All compensation details are available in the proxy statements and tend to be closely scrutinized by shareholders in this era of activism. The governance or compensation committees set the packages, and they benchmark the corporation with others in the industry. Compensation for board service is non-negotiable. While veteran directors acknowledge that compensation can be substantial, especially on larger publicly held boards, they warn against becoming a director "just for the money." The time required to be an effective board member is considerable, and any prospective board member who is deemed to be interested only in the fees will likely not get an invitation to serve.

Compensation for privately held company boards mirrors that of public boards at larger, well established companies only; such boards often set compensation packages based on similarly sized publicly held companies in their industry. The key difference is the fact that the stock is not liquid, although while a director is serving that point is usually moot because of numerous restrictions against public company directors selling stock. For smaller companies and especially for young companies, compensation can vary widely but will almost certainly not rise above $15,000 per year in cash and in many cases will be nothing or nominal.

Directors recommend that people avoid companies that pay nothing; even a small stipend of $2,000 per meeting shows that management takes its board seriously. Keep in mind that many start-ups offer stock options only to their board, which routinely end up being worthless or, worse, underwater. On the other hand, fortunate directors become shareholders in the likes of Google or Groupon, which is of course what makes the whole game attractive to so many.

Advisory boards are often compensated, but these vary even more than small, privately held boards. Some service may be completely volunteer. You might get an annual stipend of $2,500 a year. You might get $500 to attend each of three meetings a year; you might get stock in the company; you might get $5,000 to attend a one-day focus group soliciting your opinions on a company's new products. The bottom line: Be sure to get specifics in writing before agreeing to serve.

Not-for-profit boards usually pay nothing, although they may cover expenses for attending meetings and some may offer a small stipend per meeting. Many not-for-profit boards require a substantial contribution that directors are required to "give or get"; that is, they must either donate the amount themselves or get contributions from others or both. Again, be sure to get the specific requirements in writing before agreeing to serve, to avoid a truly awkward moment down the line.

WHAT ACTIONS CAN I TAKE TO GAIN A BOARD SEAT?

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No one is going to hand out a board seat of any kind without trust and confidence in the candidate, and no one jumps from an obscure professional association to the board of Exxon or Target. Women interested in serving must take targeted actions to reach their goal. But exactly what actions tend to be the most fruitful?

Veteran directors offer the following Top 10.

1. Develop a reputation for excellence in a significant operating role in your main job and industry. It is not enough to be good; others have to notice you are good. Be able to compellingly summarize your skill sets and back up your accomplishments with hard numbers.
2. Tell people whom you know and respect, especially sitting directors or those who interact with directors, that you are seeking a board seat, and ask well-placed people in your network for introductions and sponsorship. This includes your company's CEO, accountants, bankers, attorneys, search firm executives, venture capitalists. Post your intentions on LinkedIn; tell the business person next to you on the airplane. Many veteran directors say they never expected a chance encounter to lead to a board seat.
3. Work to get on a government commission or committee, whether local, county, state or national. Many government bodies are looking for citizens to serve, and such efforts often gain press coverage and offer valuable introductions to prominent people.
4. Seek out acquaintances who own their own companies, and volunteer to start or serve on their advisory boards. Not only will you gain board experience at a for-profit company, but you will also offer advice that can help that company succeed.
5. Pursue a board seat at a not-for-profit organization, starting with a small, local group that matches your experience, education and accomplishments with personal and professional interests. Then target larger non-profits with prominent CEOs as fellow members. If you perform well, they will think of you when board seats open at their companies.
6. Serve on the board of a professional association or trade group. If you get such an appointment, become chair as soon as possible. Your goal is to show leadership.
7. Identify and meet all women directors in your city or region, because women directors often make it their mission to get other women on boards. Identify and meet any associations and people who advocate for getting diverse candidates on boards. Identify and reach out to any companies in your city without any women board members; they are likely to be under pressure to add at least one.
8. Fill in any gaps in your background with the necessary skills. All effective directors need a strong working knowledge of financial statements such as balance sheets, profit and loss statements, income statements and the like; take a course so you are ready when the board invitation comes.
9. Volunteer for an internal board or committee at your company or your company's foundation. Even if that board doesn't have formal voting rights, it will still give you practice in providing oversight and open you to new people and ideas.
10. Bring your "A" game to whatever you do because people are watching you. Dress well, be prepared, show up for every meeting. Do not work the BlackBerry under the table; people always notice. If something doesn't seem right to you, speak up with intelligent questions. Volunteer to lead a project, and then execute results that are better than ever before. People who consistently perform with excellence will stand out.

HOW CAN I BE AN EFFECTIVE BOARD MEMBER?

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Prepare extensively before each meeting. You will be sent a packet of information, a very large and detailed one if it's a sizable publicly held company, and you must read it until you understand and can ask intelligent questions. But don't stop there. Read everything about the company's history, competitors and industry trends, and then expand to learn board best practices and changing regulations. You will gain great insight by visiting the company's plants or stores or distribution centers or offices. Veteran directors say they like to be the best-informed person in the room because they gain confidence in themselves and respect from other directors.

Get along with your fellow board members. Most board meetings begin with a dinner or similar social time the evening before. Get to know your fellow directors; ask about their families and interests and companies. Find out what is on their mind about the company right now? Your sincere interest in knowing your fellow directors as trusted colleagues will help immensely when tense topics come up in the boardroom. Don't worry if you're the only woman; women directors say they expect respect in the boardroom and nearly always get it. Be your authentic self when interacting with others; you were chosen for your unique background and personality. Most importantly, don't spring any surprises in the boardroom; phone calls to other directors before the meeting are a must to discover and refine points of view.

Speak up, selectively. Experienced board members say it is not easy to find the perfect balance between speaking too often and not enough. They'll complain about directors who wander off topic or talk just to show off their expertise or ask basic questions that should have been learned from the reading materials. On the other hand, when directors share regrets about their board service they often say they wish they would have spoken up sooner and more loudly when they felt something was wrong. Some follow this rule of thumb: speak only when you have something valuable to add, and always when you are concerned about any topic.

Be a director, not the CEO. Your job is to provide oversight and guidance to management's decisions, not to carry out operations yourself. This shift in focus can be difficult to make for people who have been CEOs, CFOs and COOs. You must support and encourage your CEO and management team, but always challenge their thinking and hold them accountable for performance.

Develop the art of influencing peers. People used to being the boss can find life in the boardroom to be perplexing at first. You are in a room with smart, accomplished people as their peers. Although you have a lead director and a board chair, other forms of hierarchy don't exist, and your and their operational titles are irrelevant. That fact can be exhilarating, too, part of the intellectual and communications challenge that makes board service so attractive to many.

Be there, and be there triple time in a crisis. When you serve on a board you become part of that company's DNA, a person important to its success. You must be present at every meeting, with all your attention and focus only there. When crisis hits or opportunity knocks, you must be willing to spend whatever time it takes to attend ad hoc meetings and phone calls to see the issue through. In the worst of times, your loyalty and diligence will be crucial to the company's survival.

D&O Insurance

Public company directors can expect to be sued whenever the stock price sinks and for a growing list of other reasons, directors say, as shareholders scrutinize their every move and file lawsuits upon any question. Good D&O insurance is a must; that stands for directors' and officers' insurance, and all public companies are required to have policies in place. Be sure to check your company's before joining a board, and once you're on a board be sure the policy grows along with your company's revenue and risks. A good general and outside counsel is a must; be sure your company's legal advisers are top-notch. Sound business practices are a must, too; be sure your management team is scrupulous and your audit and governance committees are skilled. Directors who diligently perform their duties cannot be held personally liable for board or company decisions that turn out to be mistakes, but they must be able to show they followed responsible processes.

Many privately held companies and some non-profits, especially the larger ones, carry D&O insurance policies on behalf of their directors. Many directors say you should not consider joining a board that doesn't have such a policy, although others say that high-tech start-ups, for example, are often lax in this area but can be attractive boards on which to serve anyway. Some directors recommend you buy your own D&O coverage, particularly if you are drawn to serving on boards without adequate policies or in industries with especially litigious people. It is not expensive, and many brokers can teach you what you need. Although lawsuits at privately held companies and non-profits are probably less common than at public firms, that may seem true only because such litigation usually stays out of the spotlight. Anyone who has witnessed a nasty fight between generations at a family-owned firm, for example, or survived a valuation battle at a venture capital-backed company, knows the necessity of director protection at all types of companies.

Your Reputation

The risks to your reputation, however, cannot be covered with an insurance policy. Directors must be prepared to see their names in the Wall Street Journal if something goes spectacularly wrong. (Conversely, and unfairly, one director comments, if everything goes right no one ever says, "What a hot board!") The time to assess whether you can trust the integrity of the management, the audit committee, the directors and the advisers of the company is during the due diligence phase, before you join the board. Once a company is in crisis you must not resign from the board because such a departure will cause further damage. Recognize, then, that becoming a director means accepting responsibility for better or for worse. Your personal reputation will rise or fall based on the company's fortunes; be sure you have the thick skin needed to accept that fact.

Balance

One final risk lies in the area of balance. If you have an intense job, family and friends, personal interests and health needs—in others words, if you are human—you will find board service to be an additional commitment that takes considerable and often unpredictable amounts of time. Can you handle it? That's a crucial question to honestly answer before starting this journey.

HOW CAN I SAY NO OR EXIT A BOARD?

The best time to turn down a board invitation is during the due diligence process before you join, because exiting afterward outside of the normal term limits causes problems. Veteran directors say it's OK to say no for a variety of reasons, from the practical, such as lack of time, to the philosophical, such as a lack of fit with other members. Do spend plenty of time researching the company, reading media reports, and talking with other board members, former board members and management, to get a good feel for how the board works. Consider it a warning sign if people are reluctant to talk to you or provide you with information.

When you have collected all the information you can, pay attention to your gut feeling: Is this a company you can feel proud to serve? Are you confident about the integrity of the company's and board's processes? Does management share your values? Did you enjoy your conversations with other directors? Most importantly, consider whether you can add value to this board because of your unique skills and background. If you are just a "token woman" member but cannot bring value to the board you may be frustrated.

Say "no" if these things don't feel right, but do so respectfully and with gratitude to the people inviting you. Do not let self doubts cause you to turn down a board, however; many directors say they worried at first if they could perform, but gained confidence over time. "Just do it" is the mantra they encourage other women to adopt. Realize that the first board seat is the most difficult to obtain, so you might err on the side of acceptance if you are unsure, in order to gain entrée into this elite club.

Once you are on a board, the best way to exit is to announce your intentions to leave the board to the lead director several months in advance of the expiration of your term. That way the nominating committee can begin its board search. Resist resigning at any other time except for dire circumstances. People will understand if health problems or other personal reasons cause you to resign. And, at times you will uncover unethical conduct once on a board that forces you to resign early. But leaving a board in a time of crisis, especially, sends negative signals to the shareholders and community.

An abrupt departure also leaves behind your fellow directors and the company you have pledged to serve, just when they need support and guidance most of all. If you are frustrated with board dysfunction, try to work on the problem by talking with the person in question and by enlisting the help of your lead director. Consider introducing best practices in board performance to your board, perhaps bringing up difficult issues in a retreat setting. But do not abandon lightly your commitment.

WHY WOULD I WANT TO PURSUE BOARD SERVICE?

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Intellectual challenge is the top reason experienced directors cite. They enjoy working with smart, talented people on complex issues that require sharp thinking and deft persuasion. Directors learn about industries, products and services they may have never encountered before, or they stay on top of the latest developments in their own fields. Effective board service involves sophisticated communication skills in order to influence high-powered people who are peers, and directors often say they enjoy polishing those leadership chops.

Service to others is another top reason. After a couple of decades of skilled management at their own companies, many directors take pride in lending guidance and advice to other CEOs, and helping those companies reach their best potential. Or, they feel passionate about furthering the mission of a non-profit organization or community cause. Directors get to know a company's employees; they believe in their products or services; they guard carefully the interests of shareholders. Helping to maximize a company's performance to benefit all those groups is a satisfying way to give back.

A fulfilling "second career" is a third reason. Some directors serve on boards exclusively, usually after several decades holding management positions. They want to follow a different lifestyle from the day-to-day intensity of an executive job, whether for family, age or other reasons, but still apply their skills in a stimulating way. Such people tend to be most satisfied with the compensation offered at boards, because the money looks better when it is considered a "second income" rather than a primary pay package. A note to people considering board service as a second career: directors advise you get your first for-profit board seats while you are still holding executive posts, because that is when you are the most attractive.

An enhanced resume and reputation is a fourth reason. Directors who serve with distinction enjoy access to and recognition from an ever-growing circle of powerful people. Although each director might describe the motivation for board service in a different way, nearly all agree that they believe they get more out of every meeting than they give. One Women in the Boardroom panelist says it best of all: "I do it for the privilege of taking the knowledge I learned, and giving it to the corporation through guidance or tough messages, and having the fun of doing that without the responsibility of customers waking me up in the middle of the night. I have the fun of being in the room with very smart people and being part of that process. It's a lot of responsibility but also a privilege and a lot of fun." Note her use of the word "fun" three times in that statement; perhaps that is the best reason of all to dedicate yourself to board service.