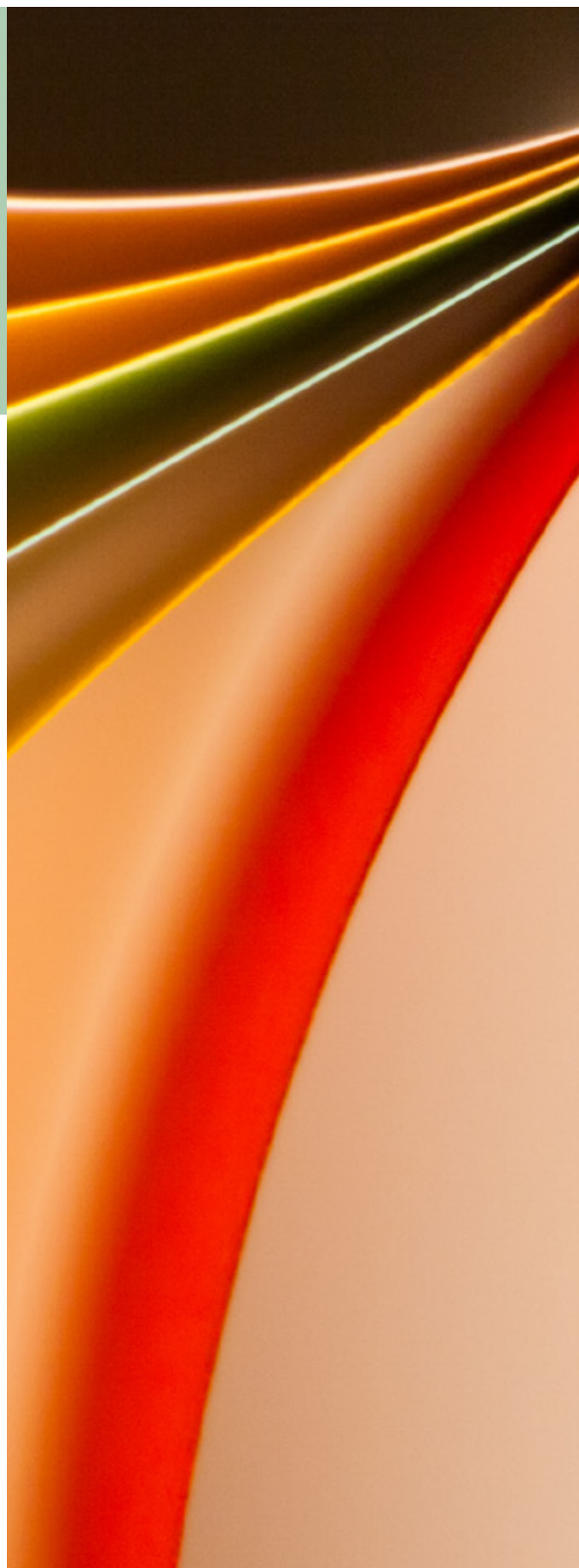


## Preparing for a Board Opportunity

Serving on a corporate board is a professional aspiration for many successful executives today. Adding value to another organization, learning from other professionals and stretching in new directions are generally cited as primary reasons for interest in corporate board service.

Opportunities to serve on corporate boards are limited, and the process varies by board. This guide is designed for both experienced and first-time candidates for corporate directorships, to help them best prepare for a board opportunity and determine if there is a mutual strong fit.



## Why corporate board opportunities are limited

Board turnover is consistently low: Just over half of S&P 500 and S&P MidCap 400 boards add one or more directors in any given year. And new directors average less than 10% of all directorships in any given year.

While year-to-year turnover is minimal, board composition has evolved significantly over the past few decades. Today, boards are overwhelmingly composed of independent directors with no connection — personal, professional or social — to the company or CEO. And as the risks and opportunities facing companies grow in number and complexity, boards are casting wider and deeper nets to identify directors who can offer new perspectives, skills and backgrounds.

**While boards may be looking for directors with specialized knowledge areas, in our experience, they also want all candidates to be “best athletes” who can contribute to boardroom discussions on many fronts.**

The best boards are also thinking carefully about the skills they need in the boardroom in the context of the company’s forward-looking strategies and risks. As a result, boards are seeking directors with a variety of backgrounds. But while boards may be looking for directors with specialized knowledge areas, in our experience, they also want all candidates to be “best athletes” who can contribute to boardroom discussions on many fronts.

Directors with operational or financial experience continue to be highly valued. Over 85 percent of independent directors joining [S&P 500 boards](#) last year were either active/retired CEOs, other top executives, financial professionals or division/subsidiary executives. These profiles are perennially top recruiting priorities according to our annual survey of nominating and governance committee chairs.

## What boards look for when assessing director fit

Generally, by the time you are contacted for a board opportunity, your background, skills and capabilities have been evaluated by the nominating and governance committee and deemed of interest. What sets you apart as a candidate is how you fit within the culture of the board and

how you will add value. Indeed, with director tenure averaging just under eight years on S&P 500 and S&P MidCap 400 boards, boards are thoughtful and careful about their decision to appoint a new director. They understand that a director will likely serve on the board for several years.

**Selection processes vary widely, but the best ones assess not just the potential value-add to the boardroom but also personality fit.**

Determining boardroom fit is more art than science. While culture and collegiality can be difficult to define, a range of qualities are frequently assessed for fit with boardroom and company culture. These include strong interpersonal skills; an ability to effectively work with other directors and the management team; an understanding of directors’ roles versus management’s; and the ability

to contribute to conversations about the company's strategy, as well as other issues facing boards and companies, such as operations and risk.

Selection processes vary widely, but the best ones assess not just the potential value-add to the boardroom but also personality fit. Nominating and governance committees usually take the lead and interview multiple candidates for a single board seat. Finalists frequently interview with the CEO and the independent board leader (chair or lead director). And some boards involve other independent directors in the interview process.

## How to prepare for a corporate board interview

With boardroom opportunities limited, a positive impression throughout the process is key. So how should you best prepare for a board opportunity?

### 1) Research the company before your board interview

Whether you are an experienced or first-time director, candidates should do the necessary heavy lifting to become knowledgeable about the company and its board, industry, businesses, risks and opportunities, and to understand external views of the company.

#### For publicly traded companies, you should:

- » Read the company's latest 10-K filings as well as 10-Qs and 8-Ks (available from the SEC website) with a focus on company performance and risks
- » Listen to the past few quarterly analyst calls, generally available on the company's website
- » Review the company's most recent press releases
- » Read recent analyst and rating agency reports about the company
- » Understand how the company's stock has performed over one-, three- and five-year periods, including compared to the overall economy and key competitors (the 10-K usually includes a fiscal year-end comparison)
- » Read news reports about the company, its industry and key competitors
- » Reach out to colleagues in the industry for insights, maintaining confidentiality about the board opportunity

Less information is generally available for private companies. As a result, you should spend time on the company's website and offer to sign a non-disclosure agreement to receive as much information as possible about the company and board in advance of any interview.

## 2) Learn about the management team, directors and board governance practices/policies

Understanding the backgrounds of the executive team and directors is important for knowing how you might fit and what value you might add to the boardroom. And knowledge of governance structures and practices can help you understand your expected roles and responsibilities.

### For publicly traded companies, you should:

- » Explore the company's website section on corporate governance to review:
  - The list of current directors, and, as available, their bios
  - The board's corporate governance guidelines
  - The charters of each board committee to understand how oversight responsibilities are divvied up
- » Read the company's most recent proxy statement (DEF 14a, on the SEC's Edgar system) to find:
  - Detailed bios and tenures for each director and the CEO
  - A list of top executives and, as available, their bios
  - The board skills matrix, if available
  - Committee composition and leadership
  - Number of board and committee meetings
  - Director compensation
- » Review voting results (Item 5.02 on Form 8-K, on the SEC's Edgar system) to assess any relatively high votes for shareholder proposals or against directors, executive compensation or other management proposals

### 3) Communicate your value as a board director candidate

Boards want directors who can add value while operating effectively within the boardroom, management context and company culture. To communicate your value, reflect on your research and be prepared to articulate how your career and experiences — both positive and challenging — would equip you to meaningfully contribute to a board and its committees, and how you will be present in the boardroom.

During the interview process, focus on what you offer and how it can help the company's long-term strategy, not on how the opportunity might be of personal benefit. A word of caution: Director compensation is generally not negotiable nor should board service be considered only for compensation reasons.

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#### Be prepared to answer the following questions with specificity:

- » Why are you interested in serving on this board?
- » What do you see as your greatest value to this board?
- » Which committees are the best fit for you?
- » What do you see as the role of a director versus management? How would you avoid crossing lines between governance and management?
- » Do you have any conflicts or commitments that might impact your ability to fully perform your duties as an independent director or might impact optics around your independence?
- » Do you have capacity to serve on an outside board? What commitment can you offer this board? What are your expectations regarding time commitment to serve on this board?
- » If you are actively employed, do you have approval to serve on an outside board?
- » What operational and leadership experiences would be of value to this board?
- » What are your key professional highlights? What brings you the greatest professional satisfaction?
- » Can you talk about a time when things needed to change or improve in an organization and how you managed it?
- » Can you tell us about a time when you moved into a new environment and had to get up to speed quickly? How did you go about doing this?
- » How will your area of expertise help us evolve our company's thinking about our long-term strategy?

## 4) Assess whether the board fits you

Just as boards are assessing candidates for fit, candidates should also be evaluating whether the board opportunity is a strong match for them. The interview process can help you understand a full range of governance considerations, including board culture and potential dysfunctions, board strengths and weaknesses, focus areas for the board and expectations of directors.

Since board service is generally a multiyear commitment, you should feel comfortable with the prospect of serving on the board and with the directors for the near future. And you should feel comfortable with the prospect of overseeing the management team and working with directors during both good and difficult times.

### Potential questions to ask during the board interview process include:

- » Why are you considering adding me to the board?
- » How and where do you see me adding the greatest value?
- » What committees do you see as a strong fit for me?
- » What is your onboarding program?
- » How would you describe this board's culture?
- » What have been the most challenging issues facing this board, and how has the board addressed them?
- » What is the expected time commitment for board and committee work?
- » How would you describe the relationship dynamics between the board and the CEO/management team?

Answers to these questions will help you assess whether the opportunity is a good fit.

## Conclusion

By the time you are interviewing for a board, the nominating and governance committee will likely already have a thorough understanding of your skills and qualifications. The interview is their opportunity to get to know you, and to hear about the highlights of your career and the skills you have amassed in your own words.

Thoughtful dialogue — asking good questions and absorbing new information — is a critical part of being a good board director, and the interview process is an opportunity to demonstrate the potential value you can add to a board. In many ways the interview process is something of a dress rehearsal for how you will show up in the boardroom.





## Our board services include:

### **Board advisory**

We advise board and committee chairs on governance best practices and counsel them on succession planning, director orientation and ongoing education.

### **Board assessment**

Using a methodology refined over many years, we conduct board assessments for clients around the world that result in high performing, more effective boards.

### **Director recruitment**

With our unparalleled access to and knowledge of the candidate pool, we place outstanding non-executive chairs and directors who add value to the boards they join.

### **CEO search, succession planning and post-placement support**

We help clients navigate all aspects of CEO succession planning and search, from building a forward-looking CEO profile and a diverse candidate pool to designing a fair and inclusive selection process. Our Performance Acceleration program helps support new CEOs as they align their teams and organizations.

## About Spencer Stuart

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