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Strategies & Solutions for Your Career Success

A Note From Dave

I was struck by a recent *Information Week* article, "FBI Warns Job Hunters of Online Scams," by K.C. Jones of TechWeb because I am well aware that this stuff goes on and there is even a very well-worn path on this subject in our online forums where our members exchange information and ideas. Nonetheless, almost a day doesn't pass where I don't get a call from someone who has been ripped off by some firm that is selling smoke and snake oil to someone full of the fear and anxiety caused by the pressure of wondering if they are going to be able to make the mortgage payment next month.

Fortunately, more and more of the members we hear from are contacting us BEFORE they have written a check, and one of the reasons I think is the degree to which people are using the "Net" to share experiences and to warn each other.

It can get very, very sad. I recall many years ago a fellow in Florida (and this was long before the Internet) who had been burned (and emotionally scarred) so badly by one of these companies that he literally devoted the rest of his life to trying to discredit the crooks and help people who had been victimized by them.

One wonders in this day and age how it is that really "smart" people can continue to be conned into this stuff, but they are. Maybe ole P.T. was more right than wrong, I don't know, and I am certainly not among those who might be looking for Uncle Sam to get more involved in anything (heaven forbid!); but when I see this sort of thing going on for as long as it has, it certainly drives home the reason that regulators get involved.

Sincerely,

Dave

Dave Opton
ExecuNet Founder & CEO
www.execunet.com/davesblog

Is Your Career Boardroom-Bound?

By Robyn Greenspan

Executives' interest in serving on corporate boards has waned, ExecuNet has found, but both the opportunities and the value to executives still exist. In the *2006 Executive Job Market Intelligence Report,* just two-thirds of executives said they had either already considered or would consider a position in the future to serve on a board of directors, down significantly from 80 percent in 2005 and 2004.

Corporate scandals and disgraced executives have dominated headlines in recent years, and while Sarbanes-Oxley regulations were designed to curb bad corporate behavior, the legislation may also be responsible for executives being wary of serving on corporate boards. Some executives associate the increased scrutiny with high risk and a heavier demand on their time and resources.

"When I look at the transformation around board governance over the past three or four years, the demand placed on boards today is greater than ever before as it relates to time, knowledge and the thoroughness of which board members need to be active participants," says David Nosal, chairman and CEO of San Francisco-based Nosal Partners, an executive-search firm that specializes in board, C-level and senior-management placements.

Executive Inclination to Sit on a Board (corporate, community, nonprofit)

Group	Considering/May Consider	Not Considering
Ages 25-40	55%	44%
Ages 41-50	65%	35%
Ages 51-60	69%	31%
Age 61+	77%	24%
C-Level & above	73%	27%
Director & below	48%	52%
Finance	68%	32%
General Mgmt.	79%	21%
Marketing	69%	32%

Source: *ExecuNet, 2006*

Boardroom-Bound?
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Change From Within

Executives who have become disillusioned with the lack of corporate self-governance and accountability and who hope to restore integrity to the boardroom are perfect candidates for board positions. Not driven by power or ego, these executives can oversee and influence behavior and be part of the sea change in ethics currently underway.

Nosal says that there is a broad group of executives that is unwilling to turn a blind eye toward corporate indiscretion and wants to become more responsible and involved. "We are more global than ever before and global responsibility is important for the next generation of board members."

"There is a notion that board members have an understanding that the enterprise is bigger than they are. The greatest generation [post-World War II] always fought to build something that is bigger than themselves," says Rusher, chairman and CEO of executive-search firm Rusher, Loscavio and LoPresto, based in San Francisco. Rusher notes that age diversity is important to the board "so the next generation can see what's important."

The sense of responsibility that potential board members possess is not without risk, and Nosal reports that those who had a strong appetite for board work are now thinking twice. "Potential board members are spending substantial amounts of time on due diligence for any boards they are considering. They call in outside experts who help them to evaluate and determine that companies they are looking at are as viable as they are told they are. They don't want to step into a hornet's nest."

ExecuNet member David Fann, a venture capitalist who has served on more than a dozen boards (both public and private), says that he doesn't see a lot of individuals who are looking to bring about change, but he does see executives wanting to give something back, as they are often brought on-board to help first-time CEOs. "They can coach on strategic and operational issues and can assist the new CEO with developing strategy, execution and the recruitment of key hires."

The Sarbanes-Oxley Effect

As a result of corporate financial indiscretions and criminal behavior, U.S. Senators Paul Sarbanes and Michael Oxley sponsored the act in 2002, and as of 2006 all publicly traded companies with a US presence are expected to report on their internal accounting procedures to the Securities and Exchange Commission (SEC). Noncompliance could lead to criminal and civil penalties.

"Audit committees, especially, have seen their requirements for service and their workloads increase and CEOs now have to sign-off on all financials — similar to political candidates now having to publicly say that they have authorized their political ads," says Boardroom Bound's Bolliger.

"By and large, being on the board requires people who work. Sarbanes-Oxley requires more due diligence and good board members are doing that anyway," notes Bill Rusher. "The discipline that SOX has brought to the process has made for better officers and a better training ground for board members."

Bolliger says that SOX has changed board service by requiring more independent directors. "Part of the fall-out is that fewer CEOs are taking fewer external board appointments. We're on the leading edge now of seeing less CEO-centric corporate boards."

Self-Imposed Limitations

Self-policing is increasing and boards are recognizing that having members who spread themselves too thin may bring diminished value. "The days of executives sitting on three, four, five boards have been curtailed by their own boards," states Nosal. "Many institutions limit the number of boards their own CEOs can sit in. It is not uncommon for boards to have strict limitations and in many instances their own boards recommend that the CEO only sit on one additional board."

"The time and pressure a CEO and senior officers have in their own institution require their undivided time and attention," Nosal continues. "In the last five or six years — with the amount of scandal, financial improprieties and lack of performance — the boards realize that their own officers need to pay attention to the details of their own company."

"The first priority is to make sure everything is running right in their own organization," says Nosal. "When there is a strong financial base and a highly performing work team, then there is more openness to allow executives to sit on other boards. If there are fires to put out or other issues, they will need to stay put."

Board Diversity

The boardroom may not yet have an optimum diversity balance, but there have been inroads made by women, minorities and younger executives. Silicon Valley and the high-tech industry in particular have influenced board composition, and there have been younger and more minority board members in recent years. Rusher says that it is important to have board members who have a real sense of what is happening in the tech world and to bring in people who understand both the company's product and its relationship to the industry.

However, he says it is still difficult to get women board members, which is reflective of the upper-level glass ceiling. "You can't bring someone onto a board without being in a senior management position. Twenty years ago we were doing board searches that were more interlocking and there weren't women and minorities in senior spots so it was a white male role."

As the makeup of senior management has changed, so have boards. Linda K. Bolliger, founder and CEO of Boardroom Bound, a Washington, D.C.-based non-profit organization that helps companies find pre-qualified candidates for corporate board services, reports that it will now take only 40 years instead of 60 for women to gain parity in the boardroom. Ethnic diversity also lags in the boardroom, but the spread of globalization will eventually necessitate a multicultural composition. Bolliger calls the shortage "a huge detriment to our national economic security since markets are increasingly globalizing and demographics are destiny."

Bolliger continues, "Our nation is rapidly browning and we have no mechanism in place to accelerate the rate by which the next generation of board candidates...who are far more diverse than those currently serving...are tutored by the old guard in the boardroom."

But Nosal says he is excited about what he is seeing in the pipeline. "We're such a global economy, and it is unbelievable the amount of talent that is coming up."

Preparing for Board Work

A combination of experience, visibility and formal training boosts executives onto boards, and there are resources available that specifically prepare one for the rigors of the boardroom.

"I look for people who have been in positions where they have had responsibility and have gone through some adversity," says Rusher. "It is easy to sit in the cheap seats and criticize everyone. When you have to make the decisions it is a lot tougher. I want someone who understands the degree of complexity in the decision-making process."

"Boards require strategic, financial and cultural awareness, and boards are more apt to seek out those who have been involved with mergers and acquisitions," notes Nosal.

In addition to the solid work history and strategic skills, potential board members should have the personal characteristics that will help them succeed in this type of leadership role. "The common denominator in the next-generation of leader is smart, global, intuitive, strategic, and passionate for participation — a real desire to be an active participant instead of reading the materials on the plane on the way to the board meeting. They should be eager to learn with an insatiable appetite to learn from other board members," advises Nosal.

The up-and-coming board leaders should demonstrate that they are motivated to accept the time requirements and risks associated with the positions. "Corporations are recognizing that the next generation of board members are going to be the leadership diamonds," notes Nosal.

"We are looking for people who are eager to learn. Those from new industries with new ideas — the people who are proverbial students and see themselves on a continued learning curve and are willing to take some of the heat," says Rusher.

Fann says that the biggest challenge is to find someone who can add value but who is not already working for a competitor. Individuals who are retired and are not reliant on a high income but want to stay active are good candidates. "The folks that we like are those who aren't doing it for the money and are interested in long-term equity incentives and something that keeps them in the game. They don't want something full-time but they want to be involved and are available to the CEO on a consulting or informal consulting guidance basis," says Fann.

The National Association of Corporate Directors (NACD) offers educational seminars to help prepare executives for board service, as do universities with business schools, companies such as Boardroom Bound and executive-search firms that specialize in corporate-board placements. To learn "on-the-job" and gain experience, executives may want to get involved with nonprofit or community-based boards. "Find something you are passionate about and become an advisory member and see how boards work," suggests Rusher. "It is a great training ground and good for the community. You need people who have a need to contribute."

Public versus Private

"There's not nearly as much upside being on a public board and liability issues are increasing," explains Fann. "The environment has gotten worse for public companies. A lot of the backdating activity that is going on now is because some of the companies were once private and they were able to re-price and backdate options but they didn't change their standard operating procedure when they became public."

Fann notes that while the public side offers stock options, the private side has lots of advantages, particularly if the companies are institutionally funded by venture capital or private equity. "Sitting on a private board allows you to develop relationships with investors who are always looking for good people. It also is a window into what is happening in the marketplace and the industry and can give insight into competitive strategies. Board service can also provide a fair amount of visibility into an interesting market segment and broaden one's knowledge base."

Paid versus Unpaid

According to a just-released study by Mercer Human Resource Consulting, corporate directors received an average 6.1 percent increase in compensation in 2005, compared to 17.8 percent in 2004.

While Mercer found the median base salary for chief executives is $975,000 annually and The Corporate Library (TLC) reported that the average CEO of a Standard & Poor's 500 company received $11.75 million in total compensation; corporate directors earn significantly less.

The median salary for a corporate director in 2005 was $164,637, according to Mercer, which also found:

- At companies with median annual revenue of $1.8 billion, median pay for directors was $128,339.
- At companies with revenue of $20.2 billion, directors were paid $187,348.
- The computer and office equipment category paid directors the highest salaries, with median total pay of $261,704.
- The lowest-paying industry was forest and paper products, which paid a median of $124,000.

Serving on a board without pay offers long-term advantages such as skill broadening and refinement, visibility and connecting with industry influencers. Dick Marshuetz, an ExecuNet member since 1990, notes that his experience as a former president and CFO in several different industries qualified him for audit-committee positions on boards, and he found the assignments to be mentally stimulating. "I had to consider different problems with regularity and it was a broadening experience that helped me with my job."

Marshuetz served on both public and private boards in paid and unpaid capacities. Among these was a five-year stint with a nonprofit organization that helped abused, abandoned and neglected kids. Marshuetz had to leave his role when he relocated.

"Professionally, we had some very interesting discussions about how does one measure success in a nonprofit. If you measure success by whether they go to college, we were failures. They didn't go to college," recalls Marshuetz. "But if you measure success by the fact that we kept them safe and warm and returned them in better shape than they left, we were outstanding successes. We took kids who might have ended up in jail and most didn't wind up in jail."

Other than the humanitarian benefits, Marshuetz outlined the other lessons derived from his tenure on the nonprofit board:

- **Strategy:** "Everyone [in the community] loved what we did but nobody wanted a group home in their backyard. That was a very delicate strategic discussion."
- **Diversity:** "I got to work with people who were not like me. We had elected officials, we had lawyers, public servants, and some who were not accustomed to business. We had some high net-worth people but it was a real interesting learning experience. The disciplinary diversity made a big difference."

Connecting with the Opportunities

A full 70 percent of corporate human resource professionals do not post executive positions with total annual compensation above $200K on their company websites, and board positions are often part of that unpublished job market.

While demonstrated capability, experience and expertise will prepare executives for boardroom positions, a solid reputation, visibility and networking will most likely help one land there. ExecuNet member Tom Matthews, whose experience as a former chairman and CEO for oil, energy and pipeline companies propelled him to the boards of six public firms (three Fortune 250, three small-cap) and three large private boards, explains that he generally wound up in the boardroom in one of two ways. "For the large companies, it was my connections or relationships with other people on the boards, and for the small companies, it was my reputation of expertise and knowledge in that particular area."

Because of his standing, Matthews says that search firms have contacted him as a prospective candidate, but there were times when he was more proactive about board placement. "I have actively sought board positions — both directly with companies where I owned significant stock positions and also directly with search firms that I already had relationships with."

Like any other career-management strategy, executives need to be proactive about connecting with the right individuals while also preparing themselves for their new roles. Nosal, who has been involved with building out boards that range from the largest consumer electronics retailer to hundreds of small- and mid-sized companies, says that his company is so focused on doing board and CEO work that it holds seminars on what is required.

"Interested candidates have to reach out and extend their interest. We spend a lot of time getting to know who they are and their preferences. We then capture all those moving parts and discuss the opportunities we have," adds Nosal.

Before undergoing a formalized prep program, Bolliger suggests that executives first make a commitment to successfully seek a board seat that is based on the value provided to them. "Our program spends two days in-seminar and/or in individualized coaching demystifying the process and assisting director candidates in forming their own strategic plans of action that are designed to take them into the boardroom." ■

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Founder & CEO: David Opton
Executive Editor: Lauryn Franzoni
Senior Editor: Robyn Greenspan
Contributing Editor: Marji McClure
Copy Editor: Carol Hamilton
Layout/Design: 5050Design.com

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ExecuNet
295 Westport Avenue
Norwalk, CT 06851
Phone: (800) 637-3126
E-mail: info@execunet.com

ExecuNet

www.execunet.com