

# Finding Your Next Board Seat

## In Brief

The limited number of seats available on public company boards—and a low rate of turnover for the directors already occupying those seats—means that obtaining a corporate board seat can be difficult. Understanding the various types of board seats and adopting key search strategies can streamline the process of obtaining a directorship. This memo provides an overview of the current demand for corporate directors and includes practical recommendations for strengthening your personal brand, networking, and devising a search strategy.

**Q: I am a director of a nonprofit board and a seasoned corporate executive. How do I land a seat on a public company board?**

**A: This memo outlines five key strategies for landing a corporate board seat:**

1. Evaluate the current demand for board seats and what company type your corporate experience is most suited to.
2. Strengthen your personal brand.
3. Formulate a comprehensive networking approach.
4. Match your skills to the type of company you're targeting.
5. Consider your time availability and any conflicts of interest that would compromise your independence.

### **1. Evaluate the current demand for board seats and what company type your corporate experience is most suited to.**

Nonprofit organizations, private companies, and public companies all provide opportunities for board service. Competition for a board seat at a public company is the most intense and often requires corporate experience in a similar industry or at a company with a similar revenue size. Private company boards are a great place to gain director experience, and nonprofit board service can provide networking opportunities that may eventually lead to a corporate board seat. The right starting place for you depends on your own skills and corporate experience. Keep in mind that it often takes many years to find a board seat. Start mapping out your plan to get on a board long before retirement.

#### Nonprofit Boards

There may be more opportunities available to serve on a nonprofit board than at any other type of organization. There are about 1.5 million nonprofit organizations in the United States—the majority of these have term limits in place and an average of 16 seats per board.<sup>1</sup> Although most nonprofit directors are not compensated for their service, nonprofit board service can be rewarding in its own right. It is a great way to meet people serving on other boards who can, in turn, be points of introduction for other board seats.<sup>2</sup> According to Betsy Berkhemer-Credaire, author of *The Board Game: How Smart Women Become Corporate Directors* (2013), an overwhelming majority of the



women she interviewed found their board seats through recommendations from fellow directors on large nonprofit boards such as the American Cancer Society.<sup>3</sup> Take note of the other directors serving on the board and whether or not they could provide useful introductions or possible entrée to additional board positions.

Keep in mind that serving on nonprofit boards that lack proper governance structures can be very time consuming and may not offer the experience you need to help build good directorship skills. Scrutinize potential nonprofit board positions carefully. Large nonprofit boards with bigger revenue sizes can help new directors learn about board dynamics as they gain fiduciary experience.

In addition to nonprofit boards, there are other potential starting places for director skill building:

- **Reporting to an advisory board or a committee** creates an opportunity to learn more about the information that gets funneled to boards and the areas of oversight a board may have.
- **Credit union boards** typically have volunteer directors elected from within the membership. Getting to know other board members who serve on corporate boards may open up opportunities for future board positions.
- **Commissioner appointments to advisory boards and committees of the state or local government** can increase your public exposure and help you build a track record of leadership and group decision making.

### Private Company Boards

More than 99 percent of all U.S. companies are privately owned and range in size from small start-ups to larger private companies such as Cargill and Dell.<sup>4</sup> More and more companies are delisting from public stock exchanges or foregoing an IPO due to the regulatory burden of being publicly traded, so the number of private companies will only continue to grow.<sup>5</sup> As having independent directors on the board has become a recognized pillar of good corporate governance—particularly after the passage of the Sarbanes–Oxley Act of 2002—there are many opportunities to serve as an independent director on these private company boards, especially as they mature and seek outside expertise.<sup>6</sup>

Serving on the board of a start-up or small private company owned by a venture-backed or private equity firm can also be a great place to learn how to be a director, with the venture-backed and private equity firms establishing the governance structures at these companies. Board service at a start-up is also more hands-on than in later-stage companies; directors are heavily involved in strategic planning and there are more frequent board meetings. To be successful, directors must clearly understand their role versus that of management (i.e., providing oversight, not managing), be informed about current governance issues, and have at least a basic understanding of finances (even if they don't plan to serve on the audit committee). Growing a small start-up or family-owned business as an independent director can be very challenging but can greatly prepare you for public company board service.

### Public Company Boards

Obtaining a public company board seat is a numbers game, and following the [recommended action steps](#) that appear later in this memo can help tip the odds further in your favor. Approximately 4,381 public companies are listed in the United States, each with an average of nine board seats.<sup>7</sup> If about 1.5 seats per board are held by executive direc-

## Board Seats by the Numbers: Fortune 500 Boards in 2014<sup>15</sup>

Number of nonexecutive directors

4,998

Number of seats turned over

339

Percentage of new seats filled by current and former CEOs

47%

Percentage of new seats filled by current and former CFOs

20%

Percentage of new seats filled by those with international experience

35%

Percentage of new seats filled by those with financial services experience

25%

Percentage of new seats filled by those with industrial experience

23%

tors, that leaves 7.5 seats per board for nonexecutive directors.<sup>8</sup> Using the average director tenure for the S&P 500 (8.5 years), approximately 3,866 public board seats become open each year for independent directors on public company boards ( $7.5 \times 4,381 / 8.5$ ).<sup>9</sup> For the Fortune 500, just 339 new director seats were filled in 2014.<sup>10</sup> Recent National Association of Corporate Directors' (NACD) survey data indicate that 72 percent of public companies added at least one new director to their boards in the past year—up from 41 percent in 2012.<sup>11</sup>

Although the opportunities to serve on public company boards are limited, non-U.S. companies that are headquartered and conduct business abroad, but are listed on U.S. exchanges, may be particularly interested in directors who understand U.S. listing requirements and who can help satisfy independence standards. As of May 31, 2016, the New York Stock Exchange had 501 non-U.S. issuers from 46 countries,<sup>12</sup> and as of June 16, 2016, the Nasdaq had 423.<sup>13</sup> Also, nearly 10,000 companies are listed on the over-the-counter (OTC) market, with some tiers requiring companies to have a board of directors.<sup>14</sup>

## 2. Strengthen your personal brand.

When the nominating and governance committee members of a board on which you would like to serve are discussing new potential board nominees, you want to be at the top of their minds. Having a strong, well-known personal brand is key to making it onto their list of candidates. Taking the following steps can help you develop a healthy personal brand:

- **Become a recognized subject-matter expert.** Demonstrate your expertise by speaking at conferences or publishing articles that have high visibility to others in your industry, such as trade/industry association conferences or magazines.
- **Conduct an Internet search of yourself and analyze the results.** Is there any publicly available information that is damaging to your reputation? If so, how can you mitigate any negative fallout?
- **Keep your LinkedIn profile current and include a photo of yourself.** Having an up-to-date LinkedIn profile demonstrates your understanding of the importance of social media and having a strong online presence. To make your profile more visible to recruiters, include keywords in your profile such as *corporate governance, board, director, audit committee, marketing, analytics, and finance*.
- **Design your résumé for a directorship position, not an executive position.** Translate your professional experience into what you can bring to the boardroom. Include three to four lines at the top of your résumé describing the value you bring to a board and to an organization as a whole. In summaries of your professional experience, include the company types (i.e., public, private, or nonprofit) and their annual revenues.

## 3. Formulate a comprehensive networking approach.

When searching for a board seat, you can attract new opportunities by talking to those around you and letting them know about your desire to serve. In the *2015–2016 NACD Public Company Governance Survey*, 38 percent of respondents indicated that personal networking or word of mouth were the most valuable methods of identifying their most recently nominated director. Search firms were listed as a close second at 34 percent.<sup>16</sup>

“Boards are searching for diversity, but if you don’t work hard to be found, you won’t be found. Take directors who currently serve on boards out to coffee and become visible and memorable for your area of expertise.”

– Betsy Berkhemer-Credaire  
Author of *The Board Game: How Smart Women Become Corporate Directors* (2013)<sup>17</sup>

When networking, you should target a number of individuals:

- **Your CEO.** If you are a junior- or senior-level executive, in order to serve on a board, you will likely need your CEO’s approval. Express your interest in board service to him or her and ask for recommendations on where you might serve that would be complementary to your current role. Your CEO may also be able to put you in touch with people among his or her contacts that could possibly assist you.
- **Executive assistants.** When attending a conference or event, be sure to network with any executive assistants you meet. Executive assistants are often able to put you in touch with board members you would otherwise be unable to track down.
- **Your working relationships.** In everyday business, you work with a variety of stakeholders, such as law firms, consulting firms, PR firms, and banks. Tell the contacts you have at these firms that you are looking for a board seat and ask them to pass along your information to other businesses with which they work.
- **Shareholder activists.** Activist funds hold more than \$100 billion in assets under management and are looking for independent directors to place on the boards of the firms they target.<sup>18</sup> Reach out to hedge funds through your financial advisor or become known to them by demonstrating your industry or business expertise when networking at conferences and events. Give specific details about the industry you’re in and the size of your company, as well as examples of M&A deals you’ve led. Hedge funds often nominate retired executives from the same industry as the board they’re targeting.<sup>19</sup> Discuss recent news affecting the industry or how your company has overcome recent challenges.
- **Venture capital and private equity firms.** If you’re interested in serving on a private company board, venture capital firms and private equity firms also need independent directors to place on the boards of the companies in which they invest. As venture-backed and private equity company boards grow, they need directors with public company experience who can objectively oversee strategy and lead the company toward an IPO. When speaking with representatives from venture-backed and private equity firms, pinpoint specific companies, company sizes, or industries you’re interested in serving, and ask if you might be well suited to serve there. Don’t put people on the spot by asking which boards might be looking for new directors.
- **Contacts at potential boards.** Target a board you’re interested in joining and look at the proxy statement to see if any board members are likely to retire in the next few years. Ask people in your network if they think you would be a good fit for that board and if they know anyone who is currently serving on the board. Invite one of the board members out for coffee and ask them if they think you would be a good fit for serving as a director of a company with that profile.

#### 4. Match your skills to the type of company you’re targeting.

Boards are recruiting for particular skill sets that match the future strategic needs of their companies. According to respondents to the *2015–2016 NACD Public Company Governance Survey*,<sup>20</sup> the most desirable types of experience for director candidates to possess were specific industry experience, leadership, strategy development, and finance (see page 5).

**What does your board consider to be the two most desirable types of experience for a director candidate to possess?**



SOURCE: 2015–2016 NACD Public Company Governance Survey

If you're a corporate executive, using your industry experience to serve as a director in a similar industry may also be beneficial to your executive career. (Be sure to abide by Section 8 of the Clayton Act and the Federal Trade Commission's [thresholds for interlocking directorates](#).) Board service signals to others that you have professional value, facilitates the development of leadership skills, and increases your chances of being promoted and/or receiving a salary increase.<sup>21</sup>

Know the specific type of company you want to serve, including its industry, size, financial state, and geographic location (i.e., how far you're willing to travel). Note that to serve on the board of a large, global, public company, you must have experience working for large, global, public companies. Read proxy statements of those particular types of companies, identify the major problems they're having, and consider how you could add value to that board. Ensure your skills and background are an appropriate match to the company you'd like to serve, and carefully craft a plan for marketing yourself to that board.

**5. Consider your time availability and any conflicts of interest that would compromise your independence.**

Aside from being a strategic fit for the board, you should consider your ability to fulfill fiduciary duties and provide independent, objective oversight to a potential company. Accepting a directorship position comes with legal obligations that place both your reputation and personal assets at stake, should you ever become involved in a lawsuit or investigation. Analyze your available time in light of other major commitments, such as responsibilities for other boards or your full-time job.<sup>22</sup>

In addition to your outside commitments, if you're being considered for a board seat, you will also be vetted for any conflicts of interest that may compromise your independence as a director. According to the *Report of the NACD Blue Ribbon Commission on Director Professionalism*: "Boards should require that independent directors fill a substantial majority of board seats...[and]...ensure that any director candidate under consideration, with the exception of their own CEO or senior managers, is independent."<sup>23</sup>

While the New York Stock Exchange (NYSE) and Nasdaq have specific independence requirements (e.g., a majority of the board must be composed of independent directors), nonprofits are also required to disclose the independence of voting board members, and private companies place more independent directors on their boards as they grow in size and/or move closer to an IPO.<sup>24</sup> Consider your relationship to the company where you seek a board seat, whether you or an immediate family member has recently received compensation from the company, and/or whether a significant business relationship exists between you or an immediate family member and the company.

## Recommended Action Steps

1. Begin planning your journey to join a board long before retirement; it takes years to find a board seat. Start joining nonprofit boards in your 30s, private boards in your 40s, and public boards in your 50s.
2. Update your résumé and LinkedIn profile to attract a directorship position, not an executive position. Highlight what you can bring to the boardroom.
3. Network and utilize a search firm—these are the top two ways that boards identify their candidates. Don't underestimate the value of a recruiter, especially as boards seek to increase diversity and look outside their personal networks for director candidates.
4. Target a list of specific companies with which your industry experience and skills are best aligned.
5. Evaluate your outside commitments and ensure you have adequate time to devote to board service. Write out a 15-month plan for how you will tackle your goal. Divide your objectives among five quarters and list specific strategies you will use (e.g., make 200 LinkedIn connections, hold two speaking engagements, publish an article) in each quarter. Check your progress at the end of each quarter.

## NACD Services and Programs

- [NACD Directors Registry](#), an exclusive benefit for NACD members, is the proprietary database used by NACD's Board Recruitment Services to match directors with boards seeking independent candidates. NACD members are able to control and regularly update the information listed in their profiles.
- [Board Recruitment Services](#) provides a fast, cost-effective alternative to traditional search firms to deliver exceptional director candidates from among the NACD membership.
- [How to Become a Director](#) is an online course offered by NACD in collaboration with the John L. Weinberg Center for Corporate Governance. This self-paced course is designed for C-suite executives, those seeking public company board seats, and other professionals entering the corporate governance environment.

## Endnotes

- <sup>1</sup> According to unpublished data from the *2015–2016 NACD Nonprofit Governance Survey*, there are an average of 16 directors on a nonprofit board, compared to an average of nine directors on a public company board and eight directors on a private company board. Fifty-nine percent of nonprofit boards use term limits, whereas only nine percent of public company boards and 12 percent of private company boards do so. The [National Center for Charitable Statistics](#) indicates there were 1.5 million tax-exempt organizations in 2015, including public charities, private foundations, chambers of commerce, fraternal organizations, and civic leagues. The [World Bank](#) indicates there are 4,381 listed domestic companies in the U.S., and the [United States Census Bureau](#) places the number of corporations and S corporations that aren't publicly traded at 3.8 million.
- <sup>2</sup> According to unpublished data from the *2015–2016 NACD Nonprofit Governance Survey*, 82 percent of nonprofit directors are not compensated for their service.
- <sup>3</sup> Comment taken from a discussion at “Landing Your Next Board Seat,” a session at NACD’s 2015 Global Board Leaders’ Summit in Washington, DC, on September 28, 2015. Featured speakers included Betsy Berkhemer-Credaire, Martin Coyne, and Patricia Lenkov. Also see Betsy Berkhemer-Credaire, *The Board Game: How Smart Women Become Corporate Directors* (Santa Monica, CA: Angel City Press, 2013), p. 69.
- <sup>4</sup> Mary Ellen Biery, “[4 Things You Don't Know About Private Companies](#),” *Forbes*, May 26, 2013.
- <sup>5</sup> Telis Demos and Corrie Driebusch, “[Forget Going Public, U.S. Companies Want to Get Bought](#),” the *Wall Street Journal*, November 29, 2015. Peter Eavis, “[Public Companies Trying to Mimic Private Firms](#),” the *New York Times*, November 4, 2015.
- <sup>6</sup> EY, “[Private company board service](#),” *BoardMatters Quarterly*, September 2013.
- <sup>7</sup> Data for the number of public companies sourced from The World Bank’s [World Federation of Exchanges database](#). Numbers include listed domestic companies and foreign companies that are exclusively listed. Average board size data from the *2015–2016 NACD Public Company Governance Survey*, 2015, p. 11.
- <sup>8</sup> Average number of executive directors per board sourced from John Touey, “[How to Get On a Public Company Board](#),” *CFO*, February 5, 2015.
- <sup>9</sup> Spencer Stuart, *2015 Spencer Stuart Board Index*, 2015, p. 5.
- <sup>10</sup> Heidrick & Struggles, “[The Heidrick & Struggles Board Monitor: Four Boardroom Trends to Watch](#),” *CEO & Board Practice*, 2015, p. 2.
- <sup>11</sup> NACD, *2015–2016 NACD Public Company Governance Survey*, 2015, p. 25.
- <sup>12</sup> NYSE, [International Listings: Documents and Reports](#), May 31, 2016.
- <sup>13</sup> Sourced from the Nasdaq’s [list of companies](#), filtered by region.
- <sup>14</sup> Sourced from the [OTC Market Group Company Directory](#).
- <sup>15</sup> Data on Fortune 500 board additions in 2014 sourced from Heidrick & Struggles, “[The Heidrick & Struggles Board Monitor: Four Boardroom Trends to Watch](#),” *CEO & Board Practice*, 2015, pp. 2 and 5.
- <sup>16</sup> NACD, *2015–2016 NACD Public Company Governance Survey*, 2015, 45.
- <sup>17</sup> Betsy Berkhemer-Credaire, in a phone interview with NACD Research Analyst Katherine Keally, July 13, 2016.
- <sup>18</sup> JPMorgan Chase & Co., *The Activist Revolution: Understanding and Navigating a New World of Heightened Investor Scrutiny*, January 2015, p. 1.

- <sup>19</sup> Schulte Roth & Zabel, “Activist Investing,” *The Hedge Fund Law Report* 7, no. 16 (April 25, 2014): p. 2.
- <sup>20</sup> NACD, *2015–2016 NACD Public Company Governance Survey*, 2015, p. 26.
- <sup>21</sup> Steven Boivie, Scott D. Graffin, Abbie Oliver, and Michael C. Withers, “[Serving on Boards Helps Executives Get Promoted](#),” *Harvard Business Review*, May 20, 2016.
- <sup>22</sup> See the *Report of the NACD Blue Ribbon Commission on Director Professionalism* (pp. 10–12) for more guidance on time and board commitments, as well as *A Practical Guide: Fundamentals for Corporate Directors* for information on fiduciary duties and liability concerns.
- <sup>23</sup> NACD, *Report of the NACD Blue Ribbon Commission on Director Professionalism*, 2011 ed., (Washington, DC: NACD, 2011), p. 9.
- <sup>24</sup> For nonprofit disclosure on director independence: Department of the Treasury, Internal Revenue Service, “[2015 Instructions for Form 990 Return of Organization Exempt From Income Tax](#),” 2015, p. 64. For the evolution of venture-backed company boards, see Working Group on Director Accountability and Board Effectiveness, “[A Simple Guide to The Basic Responsibilities of VC-Backed Company Directors](#),” January 2007, p. 1. For independence tests and definitions of independence, see the *New York Stock Exchange Listed Company Manual* (303A.02 Independence Tests) and the *Nasdaq Continued Listing Guidelines* (IM-5605).

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