

conversations on leadership

Activist, Strategist, Counselor: Today's Board Member

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By Sanjay Gupta,

More than ever, organization leaders need committed counselors – individuals who will push them to greater heights and encourage them to pursue transformation. They need objective individuals who can advise, envision and strategize for long-term success.

To find these advisors, companies are looking to their boards. Yet at the same time, the role of the boardroom is changing dramatically.

In eras past, leaders looked to their boards to reflect and support their efforts. More recently, boards have been called upon to have more active oversight of the wave of risk and regulatory challenges. But today's board is being asked

for still more. Navigating through a period of constant and fast-moving change, corporate leaders need a cast of engaged, insightful, curious supporters – people who are willing to press for innovation and contribute creative, strategic thinking. It is demanding new territory for board members. And it calls for a demanding new process to identify and engage the right individuals for the job.

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To understand this process better, we conducted in-depth interviews with a dozen directors – all high profile current and former executives whose board experience covers more than 40 publicly traded companies across a wide range of industries. What we found was a great deal of change in board needs – and a tremendous difficulty in articulating that change. We found that companies want and need directors with a mix of activist and strategist skills. At the same time, they have been slow to realize that what they want is a new breed of director—and that finding these new individuals will require not just a change in attitude but also a change in tactics. Boards must change their thinking now if they want any hope of being ready for the future.

What Has Changed

What we learned was that the expectations of the new board member are not so much *different* as they are *expanded*. Boards need more from their members.

In the past, ideal competencies of a board member might have been insight, intellectual curiosity and strategic advisory skills. Yet in our interviews, directors said they need new members with all these skills – plus. They need insights plus an abstracted way of thinking, curiosity plus the ability to adapt, the ability to advise plus engage. This is not a job that can be filled by someone seeking to boost a resume. This calls for someone who sees board membership as an opportunity to learn and grow as a person. It calls for individuals with the time and desire to invest in the board and make the business successful.

Because of the expanded demands, the search for the right board member must expand as well. Instead of reviewing the usual candidates – CEOs (former or current) with prior board

experience, often from the same industry – today the search must span out across a wider range of experience, with more diversity in geography, job function and company status. And while a new board member must still be compatible with the existing roster, the “fit” must be considered in the context of change-making. New members will be judged on what they can bring to the board—not just to help with current problems, but to help the company think about what’s next.

“A decade ago, there was more a focus on board collegiality — everybody getting along, feeling this was such a great board,” says Phil Martens, who has served on boards such as Graphic Packaging Holding, Trinseo SA and Plexus Corp. “Today, what’s required is very different. The whole dynamic has changed. What’s required is now is all about what you bring — your confidence to speak up and provide input, your point of view.”

The New Board Member

As boards wrestle with these new demands, a profile for the new, ideal board member is emerging:

- Recently retired CEO: Our research found there is a “sweet spot” in the experience level of the ideal board member. The individual should not be active in his or her own company. That intense responsibility leaves them too little time to devote to this new, more demanding board role. On the other hand, an individual too far out from active leadership may be out of touch with the fast-changing business world. Therefore: look for recently retired or about to retire candidates. Zero to five years out from their leadership position is ideal for many directors.

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- Originating from both in and outside the industry circle. Boards should have a mix of backgrounds with some directors from the company's traditional orbit and some from other industries and geographies.
- Active counselor mentality: Rather than solely focused on containing risk, board members should be focused on helping to get the most out of the business.

Some experienced directors already take this new process to heart. Edward D. Breen, CEO of DowDuPont, has over two decades of board experience including prior roles as the chair of Tyco International and E.I. DuPont de Nemours & Co. and currently as the Lead Independent Director of Comcast Corp. His watchword is "options."

"The question I bring up in meetings is: what could you do to create long-term shareholder value and how to create options around this?" he says. This is a key role of the director, says Breen – to ensure the CEO and executive team are thinking about a range of possible futures and paths forward. If that's not coming from the CEO, then the board has to push the subject.

There are many reasons why boards have not pressed CEOs in this manner in the past, he says. Some boards were just too nice to the CEOs. In other cases, the CEO may have been insecure or arrogant and discouraged that sort of input. But a CEO today needs directors who think like activists. "The board needs to be thinking ahead."

One director, who served on the board of a century-old manufacturer, has seen this forward-thinking board help executives make necessary changes. When he first came to the board, the director recalls management was stuck in old patterns, clinging to old product lines and markets. But the board was able to take a more forward-thinking perspective. He and other board members pushed management to be more aggressive in M&A activity and to prune lower margin product lines. Today, the company sports a wide array of new products and a renewed focus on innovation.

Directors can also provide support for companies wrestling with regulatory demands. One director joined the board of a financial services firm soon after the financial crisis of 2008. While regulatory and oversight responsibilities were still present, the director says, the board helped the company to see a broader strategy. That plays out, for example in the company's acquisition of a regional competitor. The board was able to provide advice, support and counsel during a time of change. This is the way the new and improved board member should approach the job, the director says.

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First Steps

This new, active, counselor/director is not a pipe dream; it is possible to find these individuals. But it will require a new set of board search tactics:

- A more thorough assessment, interview and onboarding process lead by the board or the search partner. This differs from traditional processes, which may have been less detailed and demanding.
- An increased willingness and openness of the board and the CEO to look at potential board members outside the traditional board member profile, reaching out to candidates in different industries and different geographies.
- A realization that times have changed and with them, the requirements of board members.
- A commitment to develop the existing current board to adapt to this new profile of board director. Does that imply removing some directors?

There is no one-size-fits-all process for boards today, but the overall goal is universal: Like the fast-moving business world around it, the search for new directors must also grow and change to meet new demands.

Boards are recognizing their need for a more nuanced profile of directors. They are acknowledging that the traditional insightful, curious, advisor who has been a CEO is no longer enough. What they really need requires a deeper level of insight into the individual candidate, a

greater level of assessment of the potential board directors, more time invested into the selection. Done correctly, the results will make a significant impact on the performance of the company. The board will be working as an internal activist force to think about the future of the business and push shareholder value. It is a level of engaged support and advice no organization can afford to be without.

Art Suggestion: Side-by-Side Resumes

Traditional Director

- Retired CEO
- From existing industry circle (supplier, customer, competitor)
- Compatible with existing board
- Motivated to connect with peer group, enhance reputation with a board seat, collect a director's fee

Transformational Director

- Still in leadership role or recently retired (0 to 5 years out)
- From outside the industry circle
- Compatible with existing board but bringing a transformation skill set
- Motivated by self-improvement goals as well as the opportunity to engage, advise and build a better business

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