

How to Get on a Board

CFOs may seem like strong director candidates, but few actually make the final cut. How can they improve their chances?

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By any measure, Geoff Hibner is an experienced financial executive. The 60-year-old Harvard MBA has been CFO of five companies (four public and one private), in industries from consumer products to manufacturing. He's bought and sold companies, done stock buybacks and dividend issuances, and defended against hostile-takeover efforts. Having recently wrapped up a long-term consulting engagement for a major manufacturing company, Hibner has accomplished practically all of his career goals, with one exception: joining a corporate board.

Although he has connected with recruiters who specialize in director searches and informed colleagues and professional contacts of his interest, Hibner says he's had few bites so far. Meanwhile, having sold his last company in 2007, he's seeking another CFO position. "I've drawn the conclusion that I'll be much more likely to find [a directorship] if I am employed than if I am not, because you inherently have more opportunities to meet people if you're employed," says Hibner.

Why should a CFO join a board? For one, it's a practical way to expand a professional network, and to gain a better understanding of different business models. Also, some say the high-level view of operations that a board seat affords can make finance chiefs better at seeing the big picture at their own companies. Others see board service as a way to give back some of what they've learned from their own training. "It's a great way to end a career, where you can contribute without being the CEO or CFO," adds Hibner.

The pay isn't bad, either: last year the median pay for independent directors at *Fortune* 500 companies was \$182,102 (excluding additional fees for sitting on particular committees), according to Equilar, a compensation-research firm. A BDO Seidman survey of companies below \$1 billion in revenue found that in 2009, directors earned anywhere from about \$40,000 to \$140,000, depending on company stage and industry.

Unfortunately, as Hibner has learned, joining a board isn't easy for CFOs. Back in 2003, when companies were first required by the Sarbanes-Oxley Act to disclose whether or not they had "financial experts" on their audit committees, CFOs were a hot commodity in director searches. Now, companies "feel more comfortable [that] they have that [financial-expert] box checked, so we're back to a more typical kind of demand profile, which is replacing those financial experts who are retiring or moving out," says Thomas Kolder, president of executive-search firm Crist Kolder. For general board seats, "we're still being asked for sitting CEOs," he says.

Indeed, "it's not that common that we would serve up a candidate with a CFO background for a board search that's not specifically looking for one," says Robert E. Reilly, a Chicago-based executive recruiter who just placed two CFOs on the board of Westell Technologies.

Few and Far Between

According to a *CFO* analysis last October, only 1.5% of S&P 500 company directors are or have been CFOs; of those directors, about 30% are current finance chiefs. Those proportions change only slightly when considering a set of smaller publicly traded companies, the *CFO* 1,500. For those companies, with revenues between \$100 million and \$1 billion, 2.2% of their directors are or once were CFOs, with about 45% currently in the role.

Sliced another way, the National Association of Corporate Directors (NACD) found last year that 21% of public-company board members considered CFO experience critical — which sounds good in theory, but puts it a distant second behind CEO experience, which 48% ranked as critical.

One thing that hinders some CFOs from being top candidates is that few now serve on their own companies' boards, given the push for fewer insiders and more independent directors. That limited boardroom exposure is also "what limits strong [business-unit] executives from sitting on boards," notes Kolder.

Meanwhile, Hibner's dilemma of whether to keep looking for a CFO job or just pursue board opportunities is the product of two opposing forces in nearly all board searches. On one hand, companies more than ever want someone who is still "in the chair," says Kolder, because they "want to know that whomever they bring in is living through the same chaos they are."

On the other hand, CFOs who have recently left a position may be more marketable if they say they are retiring instead of looking for another job. "Taking on a board seat is a lot of work on top of taking on a new job, so [companies] want the person to be settled in their new gig before joining a board," says Kolder. Also, since that new full-time opportunity could end up being with a competitor, "you'd hate to get conflicted out and have to quit the board before you've really even served on it," adds Reilly.

Becoming Visible

Even more important than job status may be the marketing strategy an executive uses to find board opportunities. "CFOs represent a uniquely talented group of director candidates," says Joseph Daniel McCool, head of The McCool Group, which consults with companies and boards on their recruiting processes. "But having said that, CFOs need to be visible, not only in their organizations but within their own industry circles."

There are both good ways and bad ways of being visible, of course. Having a job is a good way; signing up for a few select databases of aspiring board members might be another. The NACD, for example, maintains a database that is increasingly being tapped by boards, says Doreen Kelly-Ruyak, director of marketing for the group. "We successfully made 50 matches last year," she says. The group expects that number "to increase dramatically as boards become more concerned with employing an independent process" for finding new members, she adds.

However, McCool warns against posting résumés too freely on online networks or databases to avoid being seen as a "wannabe" director. "CFOs need to be judicious in terms of who they're sharing their résumés with and to not be seen as too aggressive in pursuing opportunities," he says.

Indeed, Eileen Kamerick, finance chief of Tecta America, says her first board invitation came indirectly, when an auditing firm she had worked with was asked to provide the CEO of Westell Technologies with director recommendations. She has now been a member of Westell's board for seven years. "There's no way to really plan this; it's a matter of being opportunistic and making your interests known," says Kamerick, who also serves on the boards of Associated Bancorp and Bostwick Laboratories.

In fact, many smaller companies may not use recruiters at all, heightening the need to network. "I have worked with recruiters, but for middle-market firms, it seems that most placements are by word of mouth," says Mark Zorko, CFO of Del Global Technologies and chair of the audit committee for MFRI since last April. His understanding is that middle-market companies are trying to save the search fee by tapping into the networks of current executives and directors. Zorko has served on a number of boards and says "with the exception of two or three times, all of my introductions [to boards] were based on personal relationships."

To be sure, there are good ways to meet the right people. One is to take director-education programs. The NACD offers courses around the country for both established and aspiring directors, and is planning to roll out Web-based versions of some of its programs next fall. Plenty of private business schools, including Northwestern's Kellogg School and UCLA's Anderson School, also offer courses for aspiring directors.

Another way is to serve on nonprofit boards. "It's good in terms of learning how the boardroom works, and it's also a good networking opportunity, since other board members are often on public-company boards," says Kamerick, who is on the corporate board of the Boys and Girls Club of Chicago, along with several other Chicago-based nonprofits.

There's no denying that the search for a CFO board opportunity can be frustrating. Perhaps the brightest ray of hope is that, as the Securities and Exchange Commission requires ever more disclosure about directors' backgrounds, boards are trying to become more exhaustive and objective in their searches. "They're moving beyond their own networks" and taking a more analytical approach to filling board seats, says Kelly-Ruyak, who notes that about 10 companies a week contact the NACD for a list of director candidates who fulfill certain criteria. If that trend continues, "you'll see a little less focus" on a candidate's marquee value, she says, and "a little more focus on skills and expertise."

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