

Board Recruiting: When Playing It Safe Is Risky

By German Herrera



Given the performance pressures public company boards are under these days, I'm not surprised when nominating committees make prior public company board experience a requirement for director candidates. By limiting the pool to known, proven quantities, nominating committees hope to minimize the chances of a board appointment that doesn't live up to its promise in either perception or reality—thus exposing the board to potential attacks from activist investors, analysts and the media.

The limits of yesterday's logic

The impulse is understandable but relies on outdated logic. I would argue that in the current environment, it's sticking to the usual director-candidate suspects that is actually the riskier strategy. Doing so assumes that the company is unaffected by the disruptions that have rearranged entire industries, and that a board with the competencies and experiences that spelled success a decade ago is perfectly equipped to protect shareholder value and advise the CEO in an age of radically new business models and continual innovation.

Many times, in other words, the ideal director candidate isn't from today's Fortune 500, but tomorrow's—and given the pace of change today, that isn't a synonym for the bottom half of the Fortune 1000. Mark Zuckerberg was running Facebook out of his dorm room a dozen years ago; Uber, which has yet to go public, was only founded in 2009. When companies can catapult from whiteboard to global dominance in a decade or less, you can't hope to wait until a company is a household name before attempting to recruit one of its leaders for your board—he or she will long be fully committed by then.

The risk and return on forward thinking

Is there risk in looking ahead to spot tomorrow's boardroom leaders today? Of course. But mitigating that risk is what director recruiting is all about. You don't need a recruiter to work through a list of Fortune 500 directors. A recruiter generates the most value when he or she can bring to the table someone who isn't already inundated with directorship opportunities and yet who has the experience and perspective that matches the evolving challenges and opportunities the company faces.

Given how slowly most boards tend to evolve, recruiting someone to a board seat is an exercise in forward thinking. Forward thinking always involves some uncertainty, but that uncertainty can be countered with a thorough understanding of the company's key strategic issues, the board's culture and the candidate's

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track record and potential. The return for taking that risk is being first in line for a new generation of director candidates who have the experience and mindset to help legacy organizations navigate a radically new set of challenges and opportunities. Playing it safe, on the other hand, is to cling to incrementalism—a recipe for falling behind as boards retool themselves in a period of rapid change.

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