

SPRINGBOARD SERIES

BUILDING YOUR BOARD PORTFOLIO



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Introduction

We present a series of articles that look at some of the myths surrounding the building of a board portfolio and provides some practical tips, from current Chairs, on how you might build your portfolio. These were originally published on LinkedIn.

Four Tips from the Chair

In this article, I provide you four tips, from experienced Chairs, about practical steps you can take to build your NED portfolio.

1. Know what your board value proposition is.

Why would you be a compelling board member? Where is your experience of most value? Do you identify with the company's vision and mission?

If you cannot be clear about what you bring to a specific board those who are part of the selection process will be equally unclear.

2. Make sure your CV/LinkedIn/Online profile conveys your board value proposition.

Is your CV a board CV or an executive CV? Having gained personal clarity about what you bring to the boardroom, has that translated into your more public profile?

You have to create a view of you as a board member... not just as a senior executive.

3. Ensure you are cut out to be a Director.

Are you happy having your hands out of the business and ceding control? Can you operate in a more advisory and coaching manner? Are you ok earning less than as an executive? Do you fully appreciate the fiduciary duties of being a Director and are you comfortable with those?

If the answer to any of those is no...you are at a point where you should reconsider your NED path.

4. Develop your Network

Have you kept your network, of those you have worked with and come into contact with, vibrant? Are you a reciprocal networker? Are you clear about what you are asking for, or looking to get, from a network meeting?

Your network is a critical part of being on that initial list (the 'long list' in executive search-speak). It won't secure you the role, but it often puts you in the frame.

On a final note:

Treat the process of building your portfolio in a reflective, honest, disciplined and logical manner and much more will happen

*To build your portfolio apply the 4 Ps:
Pragmatic, Planned, Persistent and Professional.*

Four more tips from the Chair

In this article, I provide you with another four tips, from experienced Chairs, about practical steps you can take to build your NED portfolio.

1. **Let your network know that you are seeking NED roles.**

Have you let the recruiters, referees, mentors and your broader network know that the NED path is an active choice you are pursuing? If you are not overt about your wish to contribute to boards, your network will not necessarily have you in mind as opportunities arise.

This is not the time to 'hide your light under a bushel'.

2. **Go to a Networking event, coffee or catch-up with a clear purpose.**

It sounds obvious because when we go to a meeting there is invariably an agenda of some sort. When we go to a networking event, catch up with a fellow director for advice or have a coffee with a Chair you have been introduced to, we tend to be less structured. That's fine to an extent BUT everyone is busy and we don't all have time for a 'chat'.

Go to each event with a clear idea of what you want to get out of it and explain that to the person, or people, you are meeting with.

As one Chair said, "I will catch up with anyone once...but only once if it really is a bit of a waste of time."

3. **Gain some board knowledge**

Have you made the investment to become educated about how boards operate? Have you taken the time to complete any AICD or Governance Institute education? Have you made the decision to contribute to a Not-for-Profit Board?

Apart from giving you some new knowledge, building out your network and potentially gaining some practical experience, it demonstrates your commitment to your NED career.

4. **Wear your emotional body armour**

Are you prepared for a lot of No's and periods of frustration when things are not moving as quickly as you thought they would? Have you honestly undertaken all the work you need to do to start your board career?

Do not take a polite 'no' personally. See if you can gather information from the process and adjust for next time.

As one Chair said, on starting to build their NED portfolio, "I'd never had to pitch myself before. People had always approached me and the first 12-18 months of building a board portfolio was quite an adjustment."

On a final note:

Following on from the last article treat the process of building your portfolio in a disciplined and persistent manner and you will get more out of it.

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Myth 1: There are not enough Board roles to go around

I talk to a lot of Directors who are looking to build their portfolio and there is a common view that there are so few Non-Executive Director (NED) roles around, that their chances of building a portfolio are limited. Let us have a look at the facts about what is available.

There are just over 2,000 board roles in the ASX300 alone, of the order of 4,000 Government board and committee roles in NSW and VIC and around 6,000 board roles for the larger (\$1M+) Registered Charities. There are even more board roles if you add private company boards, boards of international subsidiaries, advisory boards and the other 1,964 listed companies.

Not all these roles are up for appointment every year.

If we assume that a director serves for at least one term and that the term is four years (*the bulk of them are between three and five years...some Government and advisory roles are as short as one year*) then around 1,400 Government and listed company roles (in the ASX300) come up for appointment in NSW and VIC every year.

Extrapolating the Government board roles across Australia (on a population basis) and adding in the Not-for-Profit board roles, you have a total number of board roles up for appointment at somewhere between 3500 and 4000 per year, and that is without even considering the 1,964 listed companies outside the ASX300.

In summary, there are many board roles up for appointment every year. It is also true that a large number of people are interested in serving on a board... so not everyone is going to get a role every time.

On a final note:

There are literally thousands of board seats that come up for appointment every year. Do not call 'time' before you have even really started the process of building a board portfolio.

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Myth 2: It is not worth responding to advertisements or direct approaches for NED roles

In talking with Directors there is often a weariness around responding to Ads and meeting Executive Recruiters...so is it worth it?

Many government roles must be advertised...so when you see them being advertised you know there are roles to be filled and you should take the opportunity to respond to the Ad.

Not for Profits will often run advertisements. They are looking for directors willing to make an investment in their organisation and most often on a pro-bono basis. If you are aligned with the cause of that NFP...respond to the Ad.

Industry Associations will often advertise for independent directors...again, if you are aligned to the Association's cause, respond to the Ad.

Listed companies will sometimes advertise a board role but often will use a more targeted process either in-house, with the Remuneration Committee undertaking the work, or through a third party such as Watermark. If you are approached, start from the premise that there is a desire to go through a thorough process to select the best candidate for that board ...not to rubber stamp a predetermined outcome.

Responding to an approach, or advertisement, is only the first step and success is by no means guaranteed. However, what I do know with certainty is that not responding to an Ad for a NED role, or not responding to a direct approach, is guaranteed to succeed every time!

On a final note:

It is only not worth responding to an Ad or approach if you do so without putting your best foot forward. Tailor your CV to show what a good fit you are, be clear about the value you can add and do your homework on the organisation.

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Myth 3: The boardrooms of Australia are a club. I am not in the “club”, so I probably won’t get a board seat

In this article I look at the facts behind the myth that the boardrooms of Australia are a tight-knit group and entry is via a secret handshake or phrase. The comments last week from the Federal Treasurer, Scott Morrison, about the perception of a 'Director's Club' point to the timeliness of this article.

I will concentrate on the ASX300 boards, for which information is more readily available and on which we have completed some analysis. Of course, these are not the only organisations with boards. There are around 7,000 Government Boards across the country and of the order of 6,000 Board roles for registered charities. In addition, as of the 1st of June 2018, there were a total of 2,268 companies listed on the ASX. All of those require some form of corporate structure that has Directors as part of the equation.

If we concentrate on the ASX300, as at the 1st of January 2018, there were 2030 Board roles and 1627 individual directors filling those seats... so there is some consolidation. Looking a little further 1348 (82.8%) Directors held one board role and a further 190 (14.1%) had two roles. Only 89 Directors held two or more roles and they form only 3.1% of the Directors sitting on ASX300 boards.

Maybe that ‘club’ does exist amongst that 3.1%... but it is a pretty small ‘club’ and by far and away the vast majority of ASX300 board seats are widely distributed.

On a final note:

Many Board appointments are made to Directors who do not hold other board roles and are not part of any ‘club’. Do not assume you are out of the running before you even start... or you will be.

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Myth 4: It is ALL about 'who you know' that gets you a board seat.

In this article let us look at the facts behind the view that it is all about who you know, not what you know, that gets you that board seat.

It is definitely not all about who you know that gets you a board seat in the vast majority of cases for ASX listed companies, it is somewhat the case with a number of the Government boards and more so the case with many of the Charities. **BUT**, even those cases where who you know does have an influence it is very rarely **THE** reason you are offered a role on a specific board.

Having said that 'who you know', or rather less contentiously, 'your network' is extremely important in being considered for a board role. Your network, amongst others, includes your peers, your bosses, your mentors, clients and search firms. Being known to at least one of those groups, assuming they have some connection with a specific board, will undoubtedly increase your odds of being on a 'long list' for consideration. There is nothing nefarious about this...it is how human beings tend to work. We are more comfortable interacting with people we know or have been referred to us by people we know...there is an actual, or implied, level of trust.

BUT, and it is a big **BUT**...you still need to have the attributes and skills that the Board is looking for and even more importantly the other board members need to feel that you are a 'good fit'. That you will be culturally similar enough to be an active contributor without alienating your fellow board members for the next 8-10 years.

On a final note:

Who you know **IS** an important contributor in being considered for a board role **BUT** is not enough...your cultural fit and capabilities are every bit as important. Prepare well and do not rely on your 'inside track' to get appointed.

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Myth 5: If you are a mature male executive you will not get a board role because they are all going to younger women now.

In 2017 134 men and 68 women were appointed to board roles in the AS300. That translates to 66.3 % of the roles going to men and 33.7% to women. Interestingly for companies entering the ASX300 men were even more strongly represented with 82% of the directors being men and 18% of them being women.

Now I could stop there and say “Myth Busted” however it is true that the replacement rate for women in the ASX300 is higher than the exit rate. 40 women left ASX300 boards and 68 were appointed whereas 151 men left and 134 were appointed.

There is also an age difference with women being, on average, 4.3 years younger than their male counterparts; 56.7 years of age vs. 61 years of age. Yes, the women are younger, but it is hardly a rampant charge towards filling our boards with millennials!

Government Boards in NSW and Victoria have been notable in moving more rapidly than the commercial sector to a 50:50 gender balance on a wide range of boards. As a result, during this process of achieving more gender balanced boards more women have been invited to join Government Boards than men. This shift is largely complete and so we can expect the future replacement rate to be much closer to a 50:50split.

On a final note:

More men than women are being invited to join boards and there are more men (at a ratio of approximately 4:1) in the ASX300.

Government boards are much closer to a 50:50 balance and NFP boards often have a higher representation of women as NEDs

The men might feel hardly done by but a) appointments have previously been inordinately skewed in their favour and b) the men are still appointed to many more board roles than their female counterparts.

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Myth 6: As a woman you cannot get an NED role because they all go to the men

As covered in the previous article, the above is simply not true. More men than women **are** appointed to ASX300 board roles however the replacement rate for women is higher than it is for men and this has been the case for some time. It is also expected to continue for some years to come.

For roles on Government boards, it is a much more even playing field and has been for a while. For instance, at the Federal level women held 44.5% of Australian Government Board positions as of the 31st of December 2017. Likewise, Not-for-Profit boards are a more balanced gender landscape.

What is however true, based on the potential NEDs that we see at Watermark, is that more women executives are actively seeking a transition to a 'portfolio career' and this includes board roles. In my view there is an increased competition for board roles and that comes more from women actively seeking those roles than it does from any other quarter.

On a final note:

There are more men in board roles, especially ASX300 roles BUT the replacement rate of women is higher. 40 women left the ASX300 boards in 2017 and 68 were appointed.

Government Boards (State and Federal) are strongly committed to a 50:50 gender balance and Not for Profit Boards also have a high representation of women.

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Myth 7: Are Government and Not for Profit Board roles a useful step in building your board portfolio?

For the most part the answer is a resounding **YES**...but there are some additional things to consider.

Firstly, do NOT view either Government or NFP boards just as potential 'training grounds'. There might well be some lessons in governance, risk, finance and the like that you pick up, but you need to go into these boards thinking 'What can I do for this board?'...not 'What can this board do for me?' (*with a nod to JFK*).

Government organisations are often responsible for State or Federal matters and for 10s of millions of dollars of taxpayer's funds. NFPs are dealing with hard won dollars in a sector that is going through significant structural change. Neither sector can afford for you to just 'turn up' because it helps you build your portfolio...in fact no sector can.

Secondly do not take on an NFP or a Government board role unless you have a personal bond or strong alignment with the specific cause. The expectation is often that you are open to doing a lot more than just being well prepared for board meetings. If you do not have some form of personal alignment, the board's agenda will soon become uninteresting and you will either resort to doing the minimum, do more but resent it or resign from the board.

Thirdly take the opportunity to attend a board meeting before formally accepting an invitation to join the board. This might be harder to do with a Government board but should be achievable with an NFP Board...if not let the warning bells ring. A number of Chairs found themselves signing up to NFP boards, where they had a strong alignment to the purpose, but found the way the board interacted with each other and/or the politics to be unworkable.

Fourthly you might feel a pro-bono board role will be easy to pick up. Surely there are not that many people interested in investing their time for no financial recompense? I can tell you firsthand that an awful lot of people are looking to make a contribution and have very impressive executive backgrounds to bring to bear. You will not just 'swan' into a Government or NFP board role. You need to do your homework, bring your 'A' game and expect serious competition.

Finally, the larger NFPs and Government Boards tend to be more useful in building your board skills. Smaller NFPs, for instance, can tend to see you as unpaid executives ...nothing wrong with that, but it does not allow you to develop the recommended 'Noses in, fingers out' (NIFO) modus operandi of good boards.

On a final note:

The Chairs I spoke with, by a large margin, felt Government and NFP Boards were valuable contributors to building your board expertise and, in time, your portfolio. As with all boards, there are several things to consider before 'jumping in'.

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Myth 8: Can I build my Board Portfolio whilst a full time Executive?

For most executives, the answer is **NO**... but it depends on how you look at it.

For a start most executive roles are full time roles and they don't normally accommodate a parallel board portfolio. The board of the company where you are an executive rightly expects your commitment to them as your primary employer. That board also has an interest in ensuring any extracurricular activities are not in conflict, from a business perspective, and do not pose the potential for reputational risk or embarrassment. In light of the above, building a board portfolio of three or four roles is very difficult to achieve...and probably not desirable.

On the time side of the equation, the assumption is that board roles take up a lot less time than executive roles. When everything ticks along that is a fair assumption...when things are not going so well it is a poor assumption. When a company faces some significant shift in the business environment such as a takeover or merger, a dramatic fall in market value, an executive scandal or sudden shift in the regulatory regime it will be looking to the board for advice, guidance and strategy. So, what do you do at that stage? Put your executive role on hold or resign from the Board? Neither of these are particularly practical approaches and neither of them will be well received.

So, if you can't really build a board portfolio whilst in an executive role how can you gain experience at the board level? The key phrase here is 'board portfolio' and not being able to build a portfolio does not preclude you from joining one or two boards. Most forward-looking boards will encourage their senior executives to add a board onto their executive role. Why would they do that? For two reasons, firstly to provide a form of ongoing learning and development to their executives and secondly to help those executives appreciate the role of the board and be better aligned to their own board's mode of operation.

One Chair I was speaking to said "You need to choose one track. Is it the Executive track or the NED track?" Apart from the time demands they were also talking about the difference in approach of the two roles. The 'Noses in Fingers Out' approach of a board member is very different from the "Fingers all over it" approach of the executive. Some senior business leaders find those two roles difficult to. To be frank being a good executive does not mean you will be a good board director. Nor does it need to be a natural progression with the alternative seen as 'failure'.

Joining a board, maybe even two, is a very good way of helping an executive really come to grips with the role of the board. It is also an excellent way of understanding whether building a portfolio of board roles is the path you should be taking. Finally, if it is right for you, it is a base on which you can build further roles when the time comes.

A few tips for you if you are looking to take on NED roles in addition to your executive role:

- Make sure your contract allows you to take on board roles in addition to your executive role. Do that either when you commence your executive role or approach the Chair to have your current contract modified.
- Think carefully about potential conflicts before getting too far down the track with a specific opportunity.
- Not for Profit and Government directorships are more likely to be acceptable to your board than listed company NED roles.
- Make sure you keep the communication lines open with your Chair about any impending news that has the potential to surprise or embarrass them.
- If there is a director's fee due from a board role be transparent about how that is to be handled.

On a final note:

Taking an external board role, whilst still an executive, is beneficial (to both parties), common practice and should be encouraged. However, do not expect to build a board portfolio whilst you are in an executive career. It is unrealistic and will either cause you to overextend yourself as a director and/or not perform at your peak as an executive.

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