

The talent war: Changing faces of the boardroom

By Gill South

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Nicki Crauford, CEO, Institute of Directors. Photo / Supplied

Gone are the days when old, white-haired men took on directorships to keep themselves busy at the end of their working lives.

These days directorships are more likely to be offered to active, successful working executives who want to expand their horizons.

Peter Ross, principal of executive search company Sheffield, says: "It's a baby boomer thing. It comes with the territory."

The would-be directors coming to see him are typically aged from 55 and are looking at either doing contracting or directing. As Ross puts it: "Either the company's been sold or they've been pushed out, and they're looking for meaningful things to do." The ones he often manages to place are former chief executives and chief financial officers – people with industry experience.

Not everyone walks into the directorship they had in mind. The larger companies are going to play it safe when they look for a new board member.

"People want name players in large corporations, they want to say, 'We've got Wayne Boyd'.

That may not be appropriate but it looks good – but when it comes to new people it's a lot more of a challenge."

However, things are changing. More small to medium-sized businesses are looking for board directors once they reach a certain size.

"There is no better time for many executives, there is no better chance of getting a directorship," says Jens Mueller, associate professor of entrepreneurship and strategy at Waikato University and co-founder of the online director match-making service finddirectors.com.

In the next five years, New Zealand companies are going to be looking for 10,000 independent directors, he says.

Why? "Small and mid-sized firms are beginning to understand a director adds value," says Mueller. Companies are realising having a good independent director is better than an external consultant – they

cost less and know the company better.

Not everyone can be a director. As it says in 2007 Directions – Understanding Governance, a report by Waikato Management School MBA participants:

"Independent directors with a proven track record of business success, global experience and practically relevant work experience, are of the greatest interest to stakeholders."

Companies want working managers, and are less interested in portfolio directors who are retired, says Mueller. They are looking for someone who has already been a director in their own company.

Although board directorships are generally advertised, more than 60 per cent are recruited through existing directors of the firm, says Mueller.

Many aspiring directors register with the Institute of Directors. Nicki Crauford, CEO of the institute, says while accountants and lawyers have always made good directors, experienced CEOs are popular, as are people who have worked in multinationals.

"Boards are looking for expert knowledge, people who have 'been there, done that' in a particular industry," she says.

"A lot of people think that they are suitable for a directorship position when they are not necessarily. They can't value-add. They think very limited experience enables them to be a director in an active organisation, and frequently it's not true," says Crauford.

Boards are "looking for people with a lot of experience who have experimented in business themselves, made mistakes and come through it," she says.

The institute provides directorship training at all levels, including listed companies, state-owned enterprises, government organisations, and not-for-profit organisations.

Typically, a director's pay would be about a third of the salary they'd be getting as an executive.

Listed company rates vary from \$60,000 to \$120,000 for a non-executive director; a chairman would be double that.

But being an independent non-executive director these days is far more onerous than it was. Around 30 meetings a year is not unusual, and many directors take out liability insurance and put their houses in a trust in case things go wrong.

"At the moment many directors are finding that the reputational risk is not worth the remuneration," says Crauford.

Iain McCormick, managing director of the Executive Coaching Centre and founder of the director evaluation website www.directorevaluation.com, recently conducted a board review for a Hong Kong company.

"There were four main things that a director was valued for: strategic thinking, operational experience, accounting knowledge and legal knowledge.

"People who are looking for directorships and don't have one of these areas of skill probably need a while to hone up," he says.

If you are offered a board position, do your due diligence before you accept, warns McCormick. "Have a careful read of annual reports; you need to find some insider information from someone on the board or someone who works there. See what the marketplace is telling you about that board." And it's important to look at the chairperson, and how effective they are.

The executive coach also has a warning about the liability directors face today. "The risks are real; you need to be prudent about this – put your house in a trust, make sure that you have good insurance. You have to be willing to stand down if you don't think there is appropriate behaviour.

"If you are doing it for the money then you are doing it for the wrong reason; you'd be better off doing consulting," says McCormick.

On the Web

www.iod.org.nz: Institute of Directors. Education and support for directors.

www.finddirectors.com: Match-making site, linking would-be directors with companies and other organisations with vacancies to fill.

www.directorevaluation.com: Evaluation tools for directors and senior management.

www.ccm.au.govt.nz: For those interested in becoming a director of a Crown company.

www.womendirectors.co.nz: Help for women seeking directorships, and companies seeking directors.

www.mwa.govt.nz: Ministry of Women's Affairs site, for information about serving on state sector boards and committees.

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