

# Women executives: Why they should consider joining corporate boards.



Corporate boardrooms are modernizing. Spurred by social change and the advancement of more women to executive positions, companies are prioritizing diversity and targeting women and minority director candidates.

In 2021, women comprised 43% of the incoming class of first-time directors in the United States, according to the consulting firm Spencer Stuart.<sup>1</sup> Still, significant work remains as companies must update their best practices for the boardroom to reflect the diversity of the workforce and the world at large.

The investment community has added to the drumbeat for diversity. Some of the world's largest asset managers have explicitly called for more women on the boards of the companies that they invest in. Among Fortune 100 companies, women hold fewer than 30% of the seats, according to research by Deloitte.<sup>2</sup>

Given the vocal support for this sea change, now is the perfect time for women executives to consider whether joining a board of directors should be part of their career arc. Due to the historical barriers that have largely excluded women from the boardroom, this proposition might seem opaque, intimidating or impossible for many women.

But if you have gained significant executive experience in your career or are on track to do so, you may be more prepared than you think. Joining a board and participating in corporate governance could be the natural next step in your career and a prestigious opportunity to elevate your profile and showcase your skill set. The following questions will evaluate whether joining a board is right for you, and help identify the right board for the unique expertise and experience that you would bring to the boardroom.

## What does the board of directors do? How is the board different from management?

Both public and private companies have a board of directors, comprising of inside directors, who are typically the company's C-suite executives, as well as outside directors, who are elected executives from other companies and other large shareholders. The board's mandate is to act on behalf of the owners of the company, whether that's public shareholders, private equity, or family

ownership. In addition to meeting as a group, the board breaks out into committees, including Executive, Audit, Finance and Governance, which regularly meet to discuss committee-specific issues.

While the company's management team takes a more tactical approach, executing and overseeing the company's day-to-day operations, the board of directors focuses on the bigger picture. This involves establishing and modifying the company's strategy; approving the budget and monitoring its financials; voting on potential mergers and acquisitions; hiring and firing management; developing succession planning; and evaluating other risks and opportunities that could affect the company's long-term market positioning.

## Why joining a board of directors can advance your career

As you think about your career trajectory and your long-term financial goals, becoming a director can be an inflection point in your progress. Joining a boardroom brings three primary benefits.

**Experience.** Having a seat at the boardroom table gives you the chance to guide a company you care about. Directors deepen their industry expertise and broaden their skill set by navigating the opportunities and challenges the company will face. Directors also sharpen their interpersonal skills, including leadership, public speaking and building consensus.

**Compensation.** Directors receive annual cash compensation as well as stock grants in the company. In 2021, S&P 500 board directors earned an average of about \$312,000 according to the consulting firm Spencer Stuart;<sup>3</sup> however, compensation varies for myriad reasons, including the size of the company, and whether it's public or private.

**Networking.** Directors work alongside some of the most accomplished, well-connected people in business, and regularly interact with prominent shareholders as well as industry executives and thought leaders. These relationships open new doors, including potentially joining a second board.

## When is the right time to join a board?

Board directors come from a variety of backgrounds and join at different junctures in their careers. You don't have to wait until you retire to join a board. Typically, having at least five years in your career puts you in a better position to be a substantial contributor to a board. But even young professionals can add value.

"Youth might be an asset to firms looking to capture the attention of the next generation of customers," says Shannon Kennedy, global president at BMO Family Office. That said, those with "hard skills," such as the ability to comb through financial statements and projections will always be in demand on boards.

"Since it's the board's responsibility to guide a company toward major strategic objective—and to avoid pitfalls—having the ability to understand the company's finances is a skill that boards need," says Kennedy.

But soft skills are also valuable. Board members who can tap into a network of professionals to offer the company advice and guidance, or even potential hires, can be extremely beneficial.

As discussed, becoming a board director can take your career trajectory to the next level, improving your strategic thinking and earning you consideration for a promotion.

One way to assess whether now is the right time for you to pursue a board position is to meet with your peers and mentors who are already on a board. This will help you understand their experiences and where they were at in their career when they joined. Most importantly, don't assume that you aren't qualified for a board. You have a unique skill set and perspective to contribute.

Despite the benefits of joining a board, there are two key potential drawbacks to keep in mind:

**Legal liability.** Directors handle sensitive and complex business matters that can potentially lead to lawsuits and litigation. However, it's rare for a director to have to make any out-of-pocket payments.

**Time and travel.** Directors regularly convene as a board as well as in committee meetings. You must have flexibility in your schedule and be able to travel at a moment's notice should a crisis arise.

Plan to serve on a board for two to six years, says Kennedy. "Three years is a good rule of thumb to commit to board service," she says. "Limiting time helps companies maintain a fresh vantage point."



<sup>1</sup> 2021 U.S. Spencer Stuart Board Index

<sup>2</sup> Deloitte, "Missing Pieces Report: The Board Diversity Census"

<sup>3</sup> 2021 U.S. Spencer Stuart Board Index

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## How does one join a board?

The process can be grueling and stressful at times, but if you establish a plan and understand the selection process, you will be poised and ready for the challenge.

**Self-evaluate.** Determine your strengths and character attributes that will bring value to a boardroom. Weave these qualities and anecdotes into a personal statement that will resonate with prospective boards. Remember that boards are just as interested in your intangibles, such as your ability to collaborate and your emotional intelligence, as they are about your professional accomplishments.

**Know the players.** Boards typically hire headhunters to recruit new directors. Establish face time with these individuals so they can help you strengthen how you frame yourself to potential boards. These recruiters will be crucial to matching your skills with a company's particular needs and preparing you for the interview process.

**Engage your allies.** Boards can feel clubby and intimidating to outsiders. Build a coalition of references who can speak on your behalf, including your CEO, colleagues, mentors and anyone else who can provide specific examples and insights into why you would be a successful board director.

**Widen the net.** For your first board director seat, you don't need to land at a Fortune 500 company. Smaller, private companies have boards, too; they are an excellent launch pad for first-time directors.

Prior to joining any board, do your research so you can make sure you are joining a board that's functioning well. Informally check with your network about the other members of the board, especially the president. Your contacts can provide you with perspective on work styles and personality, which would be good to know before joining, says Kennedy.

Companies are responding to the reality that a successful board requires diversity among its directors. Companies that fail to recognize this will face mounting criticism from shareholders, consumers and employees. Amid this shift, if you are an accomplished woman executive, you may be positioned to immediately contribute your experience and insights to a board, and acquire the financial and experiential benefits that can take your career to unforeseen heights.

For more information about the benefits of becoming a board director, contact BMO Wealth Management.