



Getting on Boards: Worth the Effort?

Yes, there are all kinds of professional benefits. But do you have the time to reap them?

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June 5, 2008

Although money is probably not one of them, outside board service promises CFOs rich rewards: broadened professional horizons, top-flight networking opportunities, and an enhanced résumé.

On the other hand, a company directorship is no longer the sinecure it once was. It requires serious effort from people whose day jobs already demand daunting amounts of time, energy, and dedication.

"CFOs interested in more senior positions need to improve their knowledge of the long-term issues that organizations face," said Milan Moravec, chief executive of Moravec Global, a consultancy on board composition. "By joining a board, they are able to address the big-picture issues. But more important, they have the opportunity to learn from successful leaders and expand their network."

Tom Kolder, president of Crist|Kolder Associates, a finance-executive recruiting firm that also cultivates candidates for board seats, agreed. He said board service "allows CFOs to engage with another group of senior business leaders and bring back to their organizations best practices. Often people make their decision on a board assignment based on who they're going to hang out with."

"It gives you the ability to say you're actually a full-time board member and not just jumping in and out of [internal board] committee meetings," Kolder added. "The marketplace values that."

The recent subprime mortgage meltdown has made many company directors focus on their fiduciary duties and thus heightened the interest in [recruiting people with financial expertise](#) for board seats. The idea of beefing up boards with that expertise is not new, however. Over the past several years, boards' demand for finance experts has increased slowly but steadily, as has CFOs' interest in serving on boards, according to Kolder. About one-third of some 20 candidates that Crist|Kolder successfully recruited for boards last year possessed financial backgrounds, he said.

The heavier workload that companies demand of their board members means that individuals typically serve on fewer boards than years ago, which in turn has contributed to the increased demand for board members of all kinds, according to Kolder.

"In the past, individuals might have sat on three to five boards," he explained. "Now, it's maybe one, two, or three boards. And as the ability to attract board candidates becomes more difficult, number-twos like CFOs become much more in demand."

Although Kolder said that "the CFO today is seen as having broad-based business acumen," Moravec contended that boards view many CFOs as "technocrats." He urged CFOs seeking board positions to improve their interpersonal and leadership skills as well as gain some experience in other organizational areas such as operations, marketing, and human resources.

"Your strongest suit can become your Achilles heel if you don't broaden yourself," Moravec said.

For a CFO earning a large amount of money, joining a board won't be a lifestyle-changing event. Directors earn from \$50,000 to five figures annually, with an average of about \$75,000, according to Kolder. Many board members are foregoing cash in favor of equity such as stock options, which could provide a hefty payday depending on a company's fortunes, he said. But he added that "the financial element is not an overriding factor" in CFOs seeking outside board seats.

The biggest downside to serving on an outside board is the demand on a CFO's time, Kolder said. In addition to attending four or five board meetings a year, including the annual shareholder meeting, and shouldering committee assignments, company directors must of course do their homework — all of which takes time from CFOs who may already feel they give family and friends short shrift.

"Time is the number-one reason people decide not to take board assignments," Kolder said. "The requirements are real. You need to prepare and know your stuff."

Keith Hall, CFO of LendingTree from 1999 to 2007, was well into his 20-year career as a CFO when, in early 2003, he won his first outside board seats, signing on with two small startup companies located near his home in Charlotte, North Carolina.

"I took the initial board assignment with the intention that serving on boards would be my next career step," he said.

A couple of factors conspired to set Hall on his new path. First, he anticipated financial freedom following LendingTree's 2003 acquisition by IAC. Second, a family history of fatal heart disease that struck down both his father and brother in middle age prompted Hall, who is 54, to retire as soon as possible.

"You have to ask yourself what's important in life," Hall said. "Being a CFO was not as exciting as it used to be, but I knew that if I retired I would be bored in three weeks. Board service is a way to stay engaged as well as give something back."

He added that board service could prove lucrative if an incoming director negotiates for stock or options that rise sufficiently in value instead of cash compensation. But, he said, "If you're in it for the money, you're on the wrong avenue."

Hall considered his directorships at the local startups as stepping stones to boards at larger companies. "I started small," he said, "and that enabled me to get on the board of a medium-size company."

That company was NewRiver, whose board Hall joined four years ago thanks to venture capitalists he met in connection with IAC's LendingTree acquisition; they referred him to the company, which markets SEC data. Hall now also sits on the boards of three other companies, two of which he joined within the past month; and the Board of Trustees of Coe College, his undergraduate alma mater. Of the four companies, two are public, two private.

Hall said his biggest surprise about getting into the directorship game is how many unwelcome opportunities come his way.

"For every recruiter that approaches me with a board opportunity," Hall said, "five others want to recruit me for a CFO job. And for every board opportunity where I advance to the interview stage, there are five or six others that I run away from after doing my due diligence."

Hall additionally warned about the potentially weak leadership at small startups ("I was not prepared for how unprepared the officers and certain board members were to run a company") and meddlesome fellow directors ("It's frustrating that some board members don't recognize they are not management").

Hall also affirmed that board service is no cakewalk. "It's a continual learning process," he said. "You can't sit on your laurels. You have to stay on top of new regulations and conditions in the marketplace."

Despite any drawbacks, Hall considers his experience serving on boards as a mentally enriching one.

"I've had the opportunity to serve with brilliant people," Hall said. "I've been exposed to great marketers and HR executives, great philanthropists — people looking at the business from all kinds of disciplines. That's the most exciting part about a board. It's very intellectually stimulating."