

Getting that next board seat

Domini Stuart finds out how some prominent Australian directors got that next board seat and provides some tips on how to secure your next role.

A boardroom career is not for the impatient.

"When people approach me about becoming a professional non-executive director (NED), I tell them it's a long, slow path," says Belinda Hutchinson AM FAICD, chairman of QBE Insurance Group and a director of AGL Energy.

Most directors sign up for three terms of three years, so there isn't a rapid turnover. It also takes time to build skills, experience and contacts.

"Once you're on a board, you will generally start to develop a network through your colleagues," says Dale Simpson FAICD, managing director of Bravo Consulting Group and an experienced director who facilitates the Australian Institute of Company Directors' course on finding board positions. "Then you need to work to your strengths. If you have a special interest, let your fellow directors know; they may have contacts in that field. You can start to build a reputation for work in a particular area – for instance, I particularly enjoy working with start-ups. You can also create opportunities by joining and offering your skills to special interest groups."

Hutchinson was fortunate in having a network in place at the start of her career. As a vice president of Citibank in project and corporate finance and then head of Macquarie Equity Capital Markets, she had developed strong working relationships with some of Australia's most senior business leaders.

"My first board position was with Sydney Water," she says. "I knew the then chairman, John McMurtrie, and he approached me when he needed someone with a finance background.

My finance experience also led naturally to QBE, while Sydney Water led to other utilities, including Energy Australia, Snowy Hydro Trading and eventually, Telstra."

Wendy McCarthy is chairman of McGrath Real Estate Agents, Headspace Mental Health Foundation and Circus Oz, as well as a director of Goodstart Early Learning and her family company, McCarthy Management. Her career as a NED began in 1972 when she was voted onto the board of the Family Planning Association.



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"I had put myself forward and I knew the area well, but I wasn't expecting to get the job," she says.

Within a couple of days, the organisation was placed in administration. "We had to trade out of it and frankly, when I think of what I did, it appals me," she says. "I didn't know anything other than that I wanted the organisation to change and that the only way that could happen was if we had a new group of directors. The person running it at the time was a retired army major and as a feminist in the full flight of motherhood, I felt that was inappropriate.

"I think the most interesting thing is how ignorant I was about governance but how correct I was in believing that, if you have a board of

HOW TO APPROACH A RECRUITMENT FIRM

Directors Australia's Kerry Newton provides these tips on how to approach a recruitment firm:

- ▶ Have a clearly articulated statement about the type of roles you are seeking, the industries and company types you are interested in and how you can add value to a board.
 - ▶ Prepare a succinct directors' resume that focuses on skills and expertise relevant to a board. If you don't have board experience, relate your skills and experience to board functions.
 - ▶ Keep the firm updated on relevant changes, such as additional skills or positions acquired.
 - ▶ Be realistic in your expectations and use a variety of strategies to seek out board roles.
- If you are applying for a specific role:
- ▶ Read the selection criteria thoroughly and be sure you meet all the requirements.
 - ▶ Check that there are no impediments to taking on the position, such as a conflict of interest.
 - ▶ Research the role and tailor your resume to the company and the skills required.
 - ▶ "Selling yourself" doesn't mean talking about yourself, what you've done and how you would change the board and company. It means listening to what the company is looking for and being clear about where you can contribute at board level.



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KERRY N NEWTON



directors with a great passion for an organisation, change can happen very quickly."

The turnaround in the association's fortunes helped establish McCarthy as an agent for change. She was deputy chairman of the Australian Broadcasting Corporation when it was in transition from a commission to a corporation. She helped instigate radical shifts in higher education, including the introduction of a university education for nurses, and for a decade, was Chancellor of the University of Canberra. She was also a member of the team bidding for the licence to run the Star City Casino.

"People who know me nearly fainted when I joined that board," she says. "But Star City was in a very precious part of Sydney's heritage and as I was the CEO of the National Trust at the time, I thought a voice like mine could be very useful. I also knew our bid team was intending to take on the long-term unemployed as the first tranche of employees and provide fair terms and conditions for women who were attracted to work there. I wanted to be part of that."

Fiona Balfour FAICD is a professional NED whose boards include Metcash and TAL Australia. In her experience, the recruitment process varies from board to board.

"For my first listed company, the directors drew up a list of candidates and then interviewed everyone on the shortlist themselves," she says. "For the second, the chairman approached me directly. He was looking for someone with technology leadership expertise. He referred to the list of female mentees participating in the Australian Institute of Company Directors' *Chairmen's Mentoring Program* and spoke to several potential candidates before settling on me. For my third, I was one of several candidates contacted by a leading global search firm. And, all my pro bono and not-for-profit appointments

resulted from a direct approach from the chairman of each organisation."

NETWORKS AND BEYOND

While the "old boys network" may not be as impenetrable as in the past, McCarthy still considers Australian boardrooms to be a very macho club. "When I open up annual reports with pages and pages of photographs of white men I despair," she says. "Boards should reflect the communities they serve - from the micro community, which is the business of the board, to the macro community, which is the nation."

Simpson believes professional recruitment firms could help to develop greater equity in this space. A professional search has the potential to identify talent well beyond the board's own networks and the Australian Securities Exchange's push for more open and objective director searches might prompt more companies to consider outside help.

"At Directors Australia, we encourage companies to attract a wide candidate pool using a range of director-specific networks, databases and other search strategies," says Kerry Newton FAICD, an experienced NED and managing director of Directors Australia. "In our experience, many companies are surprised by the breadth of expertise that can be brought to their board by going beyond known sources."

Recruitment should begin with an evaluation of the board's collective skills set and the identification of any gaps a new director needs to fill.

"The make-up of the board, and how greater diversity might enhance the perspectives brought to the table, should also form part of this initial assessment," says Newton.

A professional search will then vary according to company needs and factors, such as the nature, stage and strategic direction of the company, the size of the candidate pool sought and the specific skill sets required. At the end of the process, there is also a need for director-specific credential and referee checks and management of candidates' due diligence requirements before they accept the duties and liability associated with the position.

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Directors' advice to tomorrow's directors

Zilla Efrat reviews some of the findings from the Australian Institute of Company Directors' Emerging Directors survey.

NETWORK, NETWORK AND NETWORK! THAT was the most common tip given by respondents to a recent survey when asked what single piece of advice they would give to an emerging director.

The *Emerging Directors* survey, conducted by the Australian Institute of Company Directors across four Australian states in November 2011, drew over 1,500 respondents, almost 72 per of whom already had at least one board position.

Some respondents noted it is not always what you know but, rather, who you know when securing a board seat. Many advised emerging directors to ensure the right people knew who they were, how capable they were and that they were interested in a board role.

Many respondents stressed the need to do one's due diligence thoroughly on the company and board before taking on any role.

"Your focus should be on the calibre of your prospective fellow directors, the quality of the senior management team (especially the CEO) and the business itself. Get involved in a business that interests or excites you," said one. "Undertake due diligence before you take the appointment process too far," said another. "Know your board members - a dysfunctional board is not worth being on," advised another. "Look before you leap, because it's going to be harder to get out of the role," warned yet another.

The time required to get that first directorship role was also a common theme, with emerging directors advised to take their time in picking the right organisation and to wait for the right opportunity. "Start planning this career transition at least 18 months before leaving your full-time executive role if possible. It always takes longer than you think to get your first role," said one respondent.

Indeed, emerging directors were repeatedly advised to have perseverance and patience and not to give up.

"Don't be discouraged by knock backs and slow progress," said one respondent. "Be realistic. There are a lot fewer positions available

than there are aspiring candidates," added another.

Many respondents also advised aspiring directors to become a member of the Australian Institute of Company Directors and to complete its *Company Directors Course*. Finding a mentor was considered important, as was understanding directors' duties and responsibilities and keeping abreast of corporate governance issues.

Many also recommended cutting one's teeth on a not-for-profit (NFP) board to get a foot in the door. "Start with an unpaid or voluntary position and work up," said one. But another warned: "If it is an NFP, be passionate about the charity."

Aspiring directors were counselled to view directorship as a new career and prepare for it as such. Having a clear plan and marketing oneself were considered vital. Comments included:

- ▶ Make yourself well known to search firms
- ▶ Find and promote your "value-add", what makes you different and how this is relevant to the enterprise
- ▶ Clearly understand what you can offer and target boards where what you offer might be missing
- ▶ Understand the supply and demand for directors with your background and skills set
- ▶ Have a good CV and keep applying for positions in the same way you would for a full-time job.

Other tips for emerging directors included:

- ▶ Learn to read a balance sheet
- ▶ Gain as much management experience as you can, in as many business environments and industries as you can
- ▶ Be clear about the difference between executive and non-executive roles
- ▶ Be the best you can be in your current role
- ▶ Ensure you share the organisation's values
- ▶ Be choosy - it's the start of your branding as a director
- ▶ Your first board sets the tone for any other. Make sure it is the best company you can possibly join

- ▶ Be yourself and very willing to learn
- ▶ Help others and maybe one day they will help you
- ▶ Make sure you can commit the time to do the job properly
- ▶ Don't take on too much too quickly
- ▶ Ensure that being on a board is compatible with work and family
- ▶ When in doubt, say no. ☎

WHEN I BEGAN LOOKING TO START MY DIRECTORSHIP CAREER, THE BIGGEST BARRIERS WERE...

I didn't know how to position myself for board roles	45.2%
I didn't know where to look for board roles	30.4%
I did not have enough board experience	39.7%
I was seen as too young	10.6%
I was male	4.6%
I was female	6.8%
I didn't know the "right" people - it is a hidden network	54.3%
Insufficient professional development opportunities	4.2%
Ethnicity background	1.5%
There didn't seem to be any positions	6.3%
The location of my residence (i.e. living far away from a regional centre or at a smaller metropolitan city)	6.5%
Insufficient opportunities in my field/geography	9.3%
Lack of mentoring and guidance	21.8%

Source: Emerging Directors survey results

HOW DID YOU OBTAIN YOUR FIRST DIRECTORSHIP?

Not applicable	15.8%
Required to do it as part of my primary employment	25.5%
Family business	5.4%
Advertised position	5.4%
Personal/professional network	15.8%
Member of charity/sporting club etc - election process	3.7%
Member of an association - election process	6.1%
Invited by chairman/CEO	16.3%

Source: Emerging Directors survey results

ESSENTIAL DUE DILIGENCE

Due diligence is an arduous and time-consuming process that demands scrupulous attention to detail. Again, patience is required.

"I have learned that the more due diligence you do the better," says Hutchinson. "Looking back, I can see times when I was less thorough than I should have been and had a less enjoyable experience as a result. On the other hand, good due diligence has prevented me from joining boards that would have got me into an awful lot of trouble. In the dot-com period, for instance, I turned down a number of positions because I couldn't see how the model could be sustainable. For a year or two, it looked as though I had missed a huge opportunity, but it eventually was obvious that I'd made the right decisions."

'I always ask what skill sets a board is looking for and what it would expect me to deliver within the confines of the board's strategy' TREVOR ROWE



Balfour has developed a comprehensive process to help her establish the financial health of an organisation, its operational performance and its cultural values. "I make sure I meet all of the directors - I strongly believe you need to form your own view as to whether the overall chemistry will work," she says. "At the same time, I conduct the paper-based due diligence, which generally means looking at board

papers for the previous 12 to 18 months, along with all press releases and publicly available documentation. I also acquaint myself with any regulatory issues that might be on hand and, if necessary, take advice on these.

"I usually spend time with the appointed auditors, lawyers and other key advisors, as well as the CEO, CFO and risk officer. As I'm from a technology background, I also like to meet the CIO. Finally, I speak to some key suppliers; you can find out a great deal about key cultural issues by observing how an organisation treats its suppliers. If I uncover anything that makes me feel I shouldn't join the board, I don't."

There is also the question of whether you are the best person for the board. "Of course, you need to know the company is in good standing,

has a sound strategy and a proper management focus," says Trevor Rowe AO FAICD, executive chairman of Rothschild Australia. "But, once those kinds of issues have been taken into consideration, my decision is based on whether I believe I could make a positive contribution on behalf of the company's shareholders because, in the end, that's who you're acting for. I always ask what skill sets a board is looking for and what it would expect me to deliver within the confines of the board's strategy. I also need to be interested in the business and feel passionately aligned to the strategy. Due diligence is becoming increasingly complex but with experience, you learn to make judgements as to what the company is about. You need an intuitive and instinctive approach rather than becoming hostage to the process."

A mentor can be invaluable, but should not just be a stepping stone to a directorship.

"If you only want a mentor to help you to get on to boards, your thinking is flawed," says Simpson. "Good mentors provide an external point of reference - a safe space to have the discussions about your own vulnerabilities. They help you gain the knowledge and wisdom required to perform in the role and hold you accountable for being your best. There is a significant spiritual component to being a good director. More than skill and experience, it's about having a deep and abiding understanding of our purpose, what we're actually there to do - to serve the organisation, those who work for it, shareholders and the community at large." ☐

HOW WE CAN HELP

Company Directors can help you secure your next board role in a range of ways:

Developing Your Director Career: A half-day course designed to assist you with the transition from management to directorship.

Finding board positions workshops: To be held in Sydney (4 May) and Melbourne (25 May).

Chairmen's Mentoring Program: A 12-month mentoring relationship aimed at boosting boardroom diversity.

ACT Public Sector Mentoring Program: Designed to increase the number of women on public sector boards and audit committees.

Directorship Opportunities: An online listing service for members. You can search a listing of vacant board positions and organisations can place advertisements for board vacancies.

How to Find a Directorship: A Q&A available online aimed at assisting aspiring directors in finding directorships.

For more information, visit our website at www.companydirectors.com.au

'You can find out a great deal about key cultural issues by observing how an organisation treats its suppliers' FIONA BALFOUR



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