

RIGHT SEAT, RIGHT TABLE

An Outsider's Guide to
Securing the Ideal Board Role

PAUL SMITH

Profits from the sale of the book are donated in a selection of Paul's favorite causes around the world.

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INTRODUCTION

YOUR IDEAL BOARD ROLE

Stepping into a boardroom can be an intimidating experience, even if you're a seasoned executive from a large publicly listed company. For the outsider, it can be difficult to know what's expected of you and how to go about getting into the boardroom—not just any boardroom, but the one that best matches your value and your values and represents your passions, your interests, and the stakeholders you wish to serve. This is what I mean by "ideal". It's whatever suits you—and the board. It's a balance, a match, and a meeting of needs.

An ideal board role will be different for each person. It could be on what I'd call a traditional governance board, with all the legal responsibilities that come with that. Or it could be on an advisory board or subcommittee that comes with other non-legal responsibilities. It could involve a full-time commitment as a professional director with a portfolio or, more likely, a part-time responsibility along with your day job. It might be a paid role with a company in a sector that interests you or a voluntary position on a charitable board of trustees for a cause that is close to your heart.



Tip: *Ideal = a balance of your passions, interests, and skills and the needs of the boardroom that best matches your value and values.*

This book is designed to help you develop a clear strategy for accelerating your journey to these ideal board roles. You might only be researching what the boardroom and being a director are all about, or you might be ready to step into your first board role. Wherever you are in the process, remember that it's better to know now what you'll need than to wait until you think you are ready.

This book is designed for the outsider. If you are not already inside the boardroom or don't fit the traditional mold, then you'll find this book especially helpful. It is based on the combined wisdom drawn from numerous board journeys made by me and by hundreds of people just like you. I've tried to make this roadmap as simple and easy to follow as possible, but I encourage you to read the entire book first, and then return to the parts that require key practical actions (highlighted at the end of specific chapters).

In the book, I cover:

Basics of the boardroom and being a non-executive director

- » Top reasons people want to become directors
- » Myths surrounding the boardroom
- » CONNECT: our proven methodology for finding your ideal board roles
- » Case studies from our community that bring our method to life and will inspire and empower you on your boardroom journey

- » Mistakes to avoid as you attempt to find and secure your ideal board role
- » Common challenges faced by new directors and how to overcome them
- » Finally, key attributes and skills that will make you an effective, successful, and influential director in any boardroom—and, perhaps, a Future Director!

Are you ready? Let's do this!

But first....

PREFACE

WHERE IT BEGAN, AND WHERE WE'RE GOING

At the Future Directors Institute, we aim to nurture a diverse next generation of talent for the boardroom. Our belief is that diversity extends far beyond gender, age, and cultural background to skills, thought processes, personal experiences, and individual perspectives.

The boardroom of any entity, be it a large corporation, nonprofit, startup, school, or community organization, has a critical influence on a wide range of stakeholders and, therefore, can be a conduit for progress and change. Decisions made in the boardroom about strategic direction, risk management, workplace culture, products, and services impact not just customers and employees but the wider community, society, and the often-overlooked environment. The extent of that impact depends on the scope and influence of the organization. But even the most local organization can have an effect that ripples out beyond its stakeholders.

Many years ago, I recognized the potential for boardrooms to better address and solve individual, organizational, and societal challenges. I also recognized that, in many boardrooms, the status quo was stagnating innovation and collaboration and was preventing businesses from evolving into forces for positive and inclusive progress.

My conclusion: We need more “outsiders” in the boardroom, people with new skills and from different backgrounds. We need more diversity and inclusion.

I first publicly pitched the idea of Future Directors at a conference in front of hundreds of young professionals and impact investors. The name of the conference was “Nexus” and my ideas and reasoning resonated with more people than I expected. From there I was inspired to gather like-minded people together to examine how to address this issue.

Through these first initial steps and discussions, I also met my (eventual) co-founder Warwick Peel. Together, we established Future Directors (initially called XY on Boards). We made it our mission to cultivate a new level of diversity and inclusion in boardrooms by building a strong, supportive community of people who aspire to be catalysts for meaningful change.

Our aim was to enable these change makers to be successful in gaining positions in the boardrooms where they could make the greatest impact and then, over time, to help them influence the change that is needed.

Consider your commitment
Own your unique value
Nail your assets
Network your value
Execute the right plan
Conduct your due diligence
Thrive in the boardroom

Over the past several years, we have helped hundreds of diverse professionals to kick-start or accelerate their non-executive boardroom careers using our CONNECT method, workshops, online courses, and award-winning programs. Our specialty is helping the younger professional, generally aged 25 to 45. But we do not discriminate and we welcome anyone who wants to make a difference in the boardroom. For example, we've helped baby boomers seeking to transition to professional directorship. As you'll discover, the route to the boardroom is difficult if you don't know what you are doing.

Whether you're simply curious or you're a brand new, emerging, or experienced board director, there will always be a place in the Future Directors Institute for fresh thinkers and doers who share our vision of a better world led by better boards. This is what excites us: the energy, the purpose, and the motivations of our growing community.

Why and how did the Future Directors Institute begin?

The concept came to me 15 years ago when I was first exposed to the boardroom. In my late 20s, I was working in London on a project with a large global investment company and dealing closely with the company board. My first impression of that board fit the stereotypical image that most of us have: all white, all male, and all older than the average professional.

Let me be clear from the outset. There is nothing wrong with being an older white male. (I'm not that far from being one

myself.) The problem, in my opinion, is that they hold too many leadership and board positions, which makes boardrooms too homogenous in thought and too masculine in nature. What's lost are the different perspectives and skills that are brought by non-typical board directors (although this is not to say that gender, age, or cultural diversity necessarily guarantee a different or better boardroom culture).

If you look at some stereotypes that often make traditional boardrooms nervous about outsider candidates, you'll see that those "weaknesses" can actually create a better and more balanced board. Young directors are often dismissed as inexperienced, rash, or overconfident. But they bring fresh ideas and knowledge, such as digital savvy. Women are often thought as too indecisive and lacking the leadership skills to be effective board directors. In actuality, many women are more collaborative as decision makers, and it's rare to find a group of men that consistently makes well-considered decisions.

It's important to remember that, whether young, old, male, or female, we are not our stereotypes. So what makes the real difference is what the individual brings and how boards are recruited.

Now, back to my first boardroom encounter. The board in question was predominantly composed of legal and finance professionals. I found it peculiar that this group was making strategic decisions about the company's global rebranding, something of which they had little knowledge or experience.

The group's homogeneity seemed normal and unchallenged, and diversity among the directors didn't seem to be an option. But the experience planted a question in my mind that would lie dormant for the next decade: Why wasn't there more diversity among board members when their decisions impact such a broad spectrum of people?

After I moved to Australia in search of a bit of sunshine, I embarked on a journey of personal development. I lacked direction, an agenda of my own, and, frankly, a reason for being. I wanted to *do* something, and I tried to figure out what that might be. This period of self-discovery taught me more about what I was good at *and* what the world needed more of. I started to see business not just as a vehicle for profit and employment but also as a vehicle for socially responsible influence and change. I joined groups advocating for impact investment, conscious capitalism, social enterprise, and benefit corporations.

However, even within these communities, I continued to see an element of disconnect between what the world needs and how businesses were being led. In so many organizations, it was still profit above all else. But I also saw that there were businesses that were driven by more than profit alone—by doing good work, treating employees well, and providing customers with great products and services—and they were performing better. And that begged the question: Were they governed better?

In my early thirties, I had the chance to join my first board, a purely fortuitous opportunity (so I thought). While I was attending a company-sponsored event, the organizer

I'd been working closely with recognized my strategic potential and mentioned that I would be a great fit for that organization's board. After an introduction to the CEO and interviews with the chair and other directors, I was offered a position and accepted it.

I soon noticed that my new board had ample passion but lacked a coherent strategy. It also had (in my opinion) low governance standards. After listening to them and assessing things over the first few months, I communicated my misgivings and ideas to the chair. To her credit and the board's credit, they recognized the need for refreshed leadership, innovative thinking, and new blood. Within a year, I was elected to the position of board chair and set about bringing new people into the organization to deliver what was missing.

As my tenure on that board continued, I kept coming back to my early question: Where was the diversity and inclusion? And where was the connection to the wider, real world? The board's intentions were good and the group was smart and dedicated, but it was becoming difficult to ignore that we were standing on shaky ground. I began to wonder whether the lack of clarity and direction was specific to this board or whether this was the general status quo.

Ever curious, feeling disruptive, and inspired to assist with change wherever I could, I began investigating more of the governance world. As I spoke to other directors, peers, and colleagues, I came to realize that rudderless, disconnected boards were common.

The notion of Future Directors ultimately came to me during yet another board presentation, to a board I was working with at the time. The chairman, who had recently discovered and was utterly enamored with social media, effused endlessly about it and monopolized most of the meeting. Maybe this seems minor, but I was so angry that this board was wasting time on ego and vanity.

That moment crystallized my observations that boardroom culture had become shallow and disconnected and was in desperate need of an overhaul. My own beliefs and philosophies were evolving around both my own purpose and what was needed in the world. I saw more clearly a formula for businesses, indeed all organizations, that could inspire change from within. As all these ideas and thoughts converged, the blueprint for Future Directors was born.

Once I began exploring this opportunity, I found many other board directors who were equally discouraged by this status quo: the lack of diversity, inclusion, and connection to the real world. They too could see that the kind of pioneering change they envisioned had to start in the boardroom.

I have an innate ability to see potential in people. I thrive on helping them figure out where they want to be and how they can get there. How better to help steer meaningful change than by cultivating a group of people who have the potential and the motivation to do so?

When I first set up Future Directors with Warwick Peel in 2015, one of our main goals was to create a community where like-minded individuals could be assisted in their

pursuit of a board role. Our intention was to encourage diversification of the boardroom, and over the next few decades, successfully disrupt its status quo, introduce fresh thinking and new blood, and evolve the boardroom into a place of innovation and societal progress. Although we were starting in Australia, we knew our project had to be international. We had and still have very international aspirations and are working on projects and opportunities in Asia and North America. The plan is to introduce the concept of Future Directors to all parts of the world in partnership with businesses and communities who share our vision that the boardroom can be, and is, a conduit for change.

In realizing this vision, our main ambition is to accelerate the inclusion of outsiders in the boardroom and to help shape boards whose work benefits all, rather than a single set of stakeholders. We want to see this at all levels and across all types of organizations, not just corporate boards. Nonprofits are not exempt from the need for change. This might seem like an uphill journey, especially given our human instinct to resist change, but it's one that drives me forward every day.

There are people in every community who are working daily toward making a difference, even on a small scale. These are the people that the Future Directors Institute is looking for. We want to continue building a community of support and understanding that will help these people advance not only in their personal careers but in roles on a broader scale too.

What is a Future Director?

In your journey into and through the boardroom, we try to help you move toward becoming what we call a “Future Director”, a concept I explain below. This journey starts with your aspirations, and this book covers the steps you need to take to progress from Aspiring to Developing Director.

Let's first go over how we define these stages.

Aspiring Director: You are starting out on your boardroom journey, and you are developing your skills, networks, and credibility. Perhaps you have been inspired by a Developing or Future Director, someone who started at a young age and shares your values. Your motivations are a combination of developing new skills and networks, giving back, and making a difference. Money can play a part, but it's not your primary motivator.

Developing Director: You are relatively new to the boardroom and have made it there within the past few years. You are probably experiencing some challenges, but you can already see the opportunities to influence and deepen the impact you are making, especially because you bring something unique to the group.

Future Director: You are the influencer in the boardroom. You are driven by a deeper purpose and can motivate others to better express their ideas and be more effective. Others look to you for your opinion and guidance. On a personal level, you have discovered your natural talents and turned them into your core strengths. You earn more money, have

more fun, and attract more opportunity. You are highly credible and visible in the world of governance because your diverse perspectives, new ideas, and collaborative mindset bring value. You are ethical, responsible, and proactive. You are highly motivated to keep growing your skills and your ability to shape the future from the boardroom, and indeed, to shape the boardroom for the future.

Would you like to become a Future Director? This book is an invitation to take the first step in that journey: finding and securing your ideal board role. I also give you some insight into what it takes to move from being a Developing Director to a Future Director.



PART I

An Introduction To The Boardroom

CHAPTER 1



BOARDROOM BASICS

What is a board director anyway?

Before you start this journey, it's important that you know what will be expected of you as a director. Because the topic has been covered extensively elsewhere, including in our training programs at the Future Directors Institute, I won't go into too much detail here. But I'll give you enough so you'll know what you're getting into.

There are two types of directors on a board. Executive directors are employees of the company or organization and are responsible for management and operations. Non-executive directors have no responsibilities for the company or the organization's operations, but they do play a key role in its strategic direction, risk management, and financial stability.

We are going to focus on becoming a non-executive director. Depending on the type of entity being served, a board director may be known by different names: trustee, member, councilor, and governor are a few common titles.

For the purposes of this book, we'll use the term "director" to encompass all similar roles, no matter what the naming convention is.

The strategies and methods illustrated in this book will work for you regardless of the type of board you wish to join. People following these strategies and methods have secured paid roles on listed company boards as well as volunteer roles with small nonprofits. They've become advisors to startups and joined school boards and philanthropic foundations.

Why do boards exist, and what do they do?

Boards, or governing bodies, have been around for thousands of years. The Greeks and Romans had governing groups creating their laws and defining the direction of civil society and the economy. More recently, entities such as the British East India Trading Company in the 17th century gave rise to today's corporate board. These company boards were established to act on behalf of the owners and to be responsible for their financial interests. It was and still is all about *trust*, hence the term "trustee".

Today, the typical duties of a board of directors include:

- 1. Selecting**, appointing, supporting, evaluating, removing, and remunerating the manager of the organization. There are many titles for 'manager'. Typically, the manager is the CEO, the executive director, or the president.

- 2. Providing** strategic direction for the organization. The board has a strategic function in deciding the purpose, vision, mission, and goals of the organization, most commonly in collaboration with management.
- 3. Establishing** a policy-based governance system. Each organization is regulated by the government and oversight bodies, such as stock exchanges, but the board has a responsibility to develop the policies, rules, and frameworks for how the organization will function, guiding not just the board's own actions but the actions of management.
- 4. Governing** the relationship with the CEO and establishing systems for their interactions, including setting objectives, measuring performance, and reporting needs. Typically, board members meet with each other and key members of management on a regular basis, and the board is kept informed of what's going on in the interim through different forms of communication.
- 5. Exercising** fiduciary duty to protect the financial interests of owners or members. These might include physical assets, intellectual property, and the human capital (employees). The board is responsible for ensuring that adequate financial resources are available for the organization to conduct its business and achieve its strategic objectives.

6. Monitoring and auditing the organization. The board is responsible for the audit process, hires the auditor, and ensures the audit is done in a timely manner each year.

Currently, there are no universally recognized or observed governance standards. Many groups have their own set of policies and standards that impact the extent to which the above duties are managed by the board or by management.

Are there different types of boards?

"All boards are the same, and all boards are different."

This is the book's first lesson, and in my opinion, one of its most fundamental lessons.

What do I mean by this? The only thing common to all boards is that they are a group of human beings. Therefore, by extension, they are also all different because each of us is unique, and the boardroom is a unique combination of personalities, experiences, ages, genders, backgrounds, skills, biases, and gaps.

Most organizations within the private, nonprofit, and public sectors have some type of governance body, but that body can vary significantly in size, structure, and function. In general, the processes and the level of integrity and ethical judgment are (or should be) the same, regardless of the type of board. However, boards operate slightly differently in each sector.

Private and corporate sector: This sector is largely profit-driven, and governance roles with these organizations are often (but not always) remunerated. The sector covers a broad range of organizations from publicly listed companies to small businesses and family-owned operations. It also includes the increasingly popular sectors of startups, B corps, and social enterprise, whose companies may not be solely profit-motivated.

Board appointments are usually made by owners (or voted on by shareholders), but the board of directors leads the process. The appointment process is highly competitive, particularly for businesses that are national in scale or publicly listed on a stock exchange.

Nonprofit sector: These boards support organizations that may serve the community. They cover many sectors, including human and community services, sports and recreation, culture and arts, environment, and heritage, to name a few. Appointments to a nonprofit board are usually endorsed by the membership at an annual general meeting or by election.

Being a board member of a nonprofit organization can be challenging, but it is a good entry point for learning about governance. As most positions are unpaid, board members are generally motivated by their desire to give back. Board roles for nonprofits can be far more hands-on than roles on corporate boards.

Public (or government) sector: The stakeholders for these boards are generally taxpayers and citizens (and their government representatives), so public sector boards are driven by considerations of the public interest.

These boards must work within a legal framework. Board members are often remunerated, but generally at lower levels than board members of large corporations. The boards can be political and very process-driven, although they are generally concerned about positive efficacy.

Appointments are usually made by government officials.

Are there different roles in the boardroom?

Most boards include a group of office holders. These generally comprise at least a chair (also known as chairperson, chairman, or chairwoman), deputy chair, treasurer, and secretary, whose roles are described below. Many boards also have subcommittees that focus on particular issues, such as audit, risk, finance, recruitment, and fundraising. Directors are often asked to sit on one or more board committees.

Each of the roles below can be either executive or non-executive. It depends on the structure and ownership of the organization.

Chair: The chair leads the board and serves as its main spokesperson. The chair manages board meetings and ensures that the discussion remains focused and members observe meeting rules. Some chairs are also given an additional casting vote to use when votes on the board are evenly divided. With most boards, the chair acts as the intermediary between the board and the CEO. The relationship between the CEO and chair is vital. A strong bond between them will enhance the effectiveness of any board.

Deputy Chair: Many boards appoint a deputy chair to support the chair and to fill in when the chair is absent. The deputy chair is also expected to play a major role in board leadership.

Treasurer: The treasurer is responsible for the integrity of the financials. They monitor the organization's financial position and keep other board members informed of financial matters. In many companies, this is an executive role and the responsibility of the chief financial officer.

Secretary: Often known as company secretary (whether nonprofit or corporate), the person in this role ensures that an organization complies with its legal and regulatory obligations and that decisions made by the board of directors are implemented. In many companies, this is also an executive role because of its complexity.

Administrative Support: A board can be provided with administrative support through the organization's management structure or as a board role. They may be known as a secretary or executive officer. This role is responsible for tasks such as maintaining records and preparing and distributing meeting agendas and minutes.

Is “Chairman” a sexist term?

It may seem trivial to some, but I do not believe in using the term “Chairman”, even if the role is filled by a man. Some argue that it's now a gender-neutral term, like “human”, and it's commonplace for men and women to go by “Chairman”. But I would argue it's just as gender specific as “Chairwoman”,

and I haven't known any man to adopt "Chairwoman" as his title, have you? "Chairperson" is another increasingly used term, but it's just too much of a mouthful. So, I'm sticking with "Chair".

Why am I so passionate about this? It's about the message the choice sends. Whether intended or not, for some people, "Chairman" tells them this is a male role. In fact, good chairs are guides who nurture boardroom cultures and build key relationships. These are distinctly *female* traits.

If you think I'm being too politically correct, then you're not going to like Future Directors at all! Being PC is about doing right by others. It's about social justice, equality of opportunity, compassion, and above all, respect. Indifference, apathy, and outright discrimination have no place among Future Directors.

There you are. Rant over. On with the book.