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wcd **women corporatedirectors**
best practices in corporate governance globally

2010 Board of Directors Survey

Sponsored by **Heidrick & Struggles** and **WomenCorporateDirectors** (WCD)

Conducted by **Dr Boris Groysberg**, *Thomas S Murphy Associate Professor of Business Administration, Harvard Business School*, and **Deborah Bell**, *Research Associate, Harvard Business School*

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About Boris Groysberg

Dr Groysberg is an Associate Professor in the Organizational Behavior unit at the Harvard Business School. His research focuses on the challenges of managing human capital. In particular, his work examines how a firm can be systematic in achieving a sustainable competitive advantage by leveraging its talent at all levels of the organization from professionals to senior executives and boards.

2010 Board of Directors Survey

Executive Summary and Key Findings

The growing number of women taking a seat in the corporate boardroom has prompted an increased interest in how these directors approach board service versus their male peers. In the wake of the financial crisis, with widespread discussion about board accountability, it is especially important to ask how male and female directors diverge in their approach to the boardroom. How do both genders feel trust in boards can be restored? How do men and women differ – and agree – when rating their boards' effectiveness in handling fundamental board responsibilities? Do either men or women directors believe that quotas are necessary for creating a more diverse boardroom?

Heidrick & Struggles and WomenCorporateDirectors (WCD), in conjunction with Dr Boris Groysberg of Harvard Business School, surveyed men and women corporate directors and found striking differences, as well as predictable similarities, in how the 398 respondents think about these and other critical issues facing boards today. In the survey, three primary trends emerged in the areas of:

Rebuilding trust post-meltdown

As board members across the US and around the world grapple with the issue of rebuilding shareholder, employee, and consumer trust, women and men directors varied dramatically as to how this should be done. Women demonstrated a greater belief than their male peers that more oversight and increased diversity would help to restore trust in boards. However, both men and women agreed that requiring an independent chairman – a development many see as inevitable – would also be effective.

Assessment of board performance

Women directors were, generally, more critical of board performance, especially in the areas of setting

appropriate executive compensation levels and in their own performance assessment process. But at least half of both men and women directors gave less than stellar marks to their boards with regard to succession planning and advancing diversity on the board and in the company. There is clearly, in their minds, more work that needs to be done in these areas.

Diversity and quotas

The questions about boardroom diversity elicited strong responses from directors, with women clearly believing that diverse boards are more effective boards. Most directors, however – women and men – do not support the still-controversial concept of quotas. Ninety percent of female directors, and just over half of male directors, believe that women bring unique attributes to the boardroom. Likewise, the majority of women (62%), versus only 43% of men, supported the new SEC rule that nominating committees should explain in proxies the role that diversity plays in new board member selection.

The gender divide in the boardroom provides insight into the very different dynamics at work as women increase their presence in corporate leadership ranks. With some of the most widespread regulatory changes in a decade now a reality, companies are gradually awakening to a new set of expectations about the role of boards and the transparency of their policies. Moreover, the financial crisis has shifted new responsibility to boards for greater oversight – creating a need for a more “self aware” board that can take a harder inward look at its own performance.

Overall, the survey reveals that women directors appear to be more assertive on a number of hot-button issues, including evaluating their own board's performance and supporting more oversight on boards. This changing dynamic will likely usher in a new era of governance and perhaps more significant changes for US companies and their boards over the next several years.

Key findings

The men and women survey respondents differed primarily in the areas of:

How to rebuild trust in corporate boards after the shock of the financial crisis

Women seem to have much greater faith than men that increased boardroom diversity (65% of women vs. 35% of men), new regulations regarding executive compensation (45% vs. 22%) and proxy access (38% vs. 17%), and, especially, enhanced risk management systems (40% vs. 1%) would help restore trust. “This finding was one of the most revealing of the whole survey,” says Bonnie Gwin, Managing Partner of Heidrick & Struggles’ North American Board of Directors Practice. “Interestingly, a clear majority of women directors expressed their feeling that more diversity in the boardroom would have a positive impact on rebuilding trust in boards. In addition, women directors preferred increased oversight, including a significant number who supported more regulation around executive compensation and enhancing proxy access. The women directors surveyed seem to express a feeling that the status quo has not worked and that they are open to more aggressive changes to rebuild stakeholder trust in boards.”

Boardroom diversity and the impact on board effectiveness

More women directors than men felt that three or more women on a board made it more effective (51% vs. 12%), and that women brought unique attributes to a board (90% vs. 56%).

Diversity quotas and regulations

Quotas continue to be a controversial and divisive topic. While many more women than men (25% to 1%) supported them in the survey, the majority of responses from both genders did not favor instituting these requirements. Women also were much more supportive of the new SEC rule requiring nominating committees to explain in proxies the role that diversity plays when selecting new directors (62% vs. 43%). Men generally were more skeptical that new board governance regulations

would improve diversity on boards. “It is interesting to see in the survey and in our conversations with women directors around the world how the idea of quotas is gaining traction,” says Alison Winter, co-founder and co-chair of WCD, “especially given what is happening in Europe, where various countries are moving toward new regulations that require anywhere from a 20% to a 40% female quota in the boardroom. This alone raises the consciousness of nominating committees around the subject of diversity when considering new board candidates.”

Opinion of board performance and effectiveness in key areas

A significant number of both men and women directors felt that their boards were not highly effective in either succession planning or advancing diversity. Only 59% of women respondents and 61% of men rated their own board’s succession planning process as “good” or “excellent,” and only 51% and 53%, respectively, cited their board’s advancement of diversity on the board and throughout the company as “good” or “excellent.” However, women directors were somewhat more critical than men of their boards’ performance and effectiveness in ensuring appropriate and competitive compensation practices (only 71% viewed their company as “good/excellent” in this area versus 81% of men) and performance assessment processes (59% of women agree that the process is effective vs. 67% of men).

Path to board service

About equal numbers of women and men respondents reported that they had actively sought their first board seats, but, despite the intense public focus on and support for increased boardroom diversity, it still took women a year longer to achieve their seats – 2.4 years vs. 1.4 years¹. Women see their positions enhanced more by board service than men do (31% cited that they serve on boards “for the prestige conferred by sitting on this particular board” vs. 18% of men, while 81% say that “serving on this board has enhanced my professional reputation” vs. 68% of men). Also, more women directors than men have advanced degrees (87% vs. 74%).

¹ All the male directors surveyed were Heidrick & Struggles board placements over the past five years. This 2.4 years vs. 1.4 years statistic reflects the average of what respondents reported as the amount of time that it took them to achieve their first board service, which may or may not have been affected by the involvement of an executive search firm.

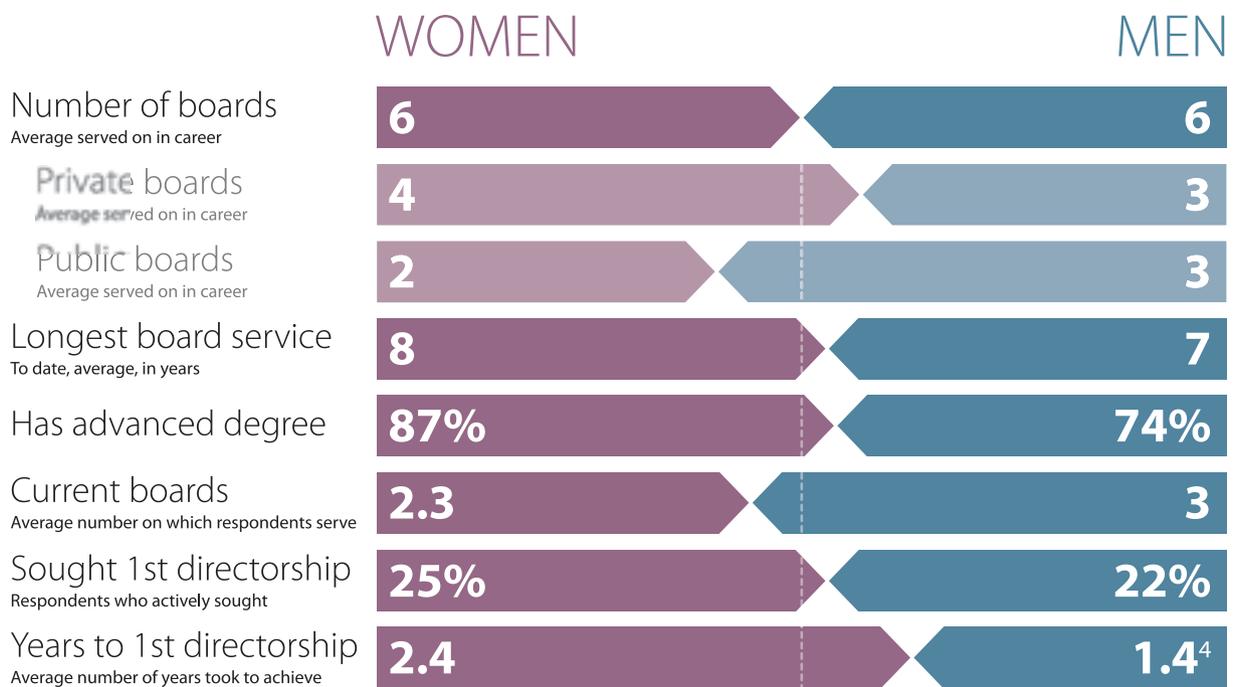
2010 Board of Directors Survey

Survey Questions and Results

Heidrick & Struggles, WCD, and Dr Boris Groysberg and Deborah Bell of Harvard Business School surveyed corporate directors from public and private companies across North America. The survey, conducted from February to June 2010, elicited responses from 294 female corporate directors who are members of WCD and 104 male corporate directors², with a total of 398 respondents³.

The female directors surveyed represent 581 individual boards – 55% private companies and 45% public. The male directors surveyed represent 230 individual boards – 31% private companies and 69% public.

1 Respondent Profiles

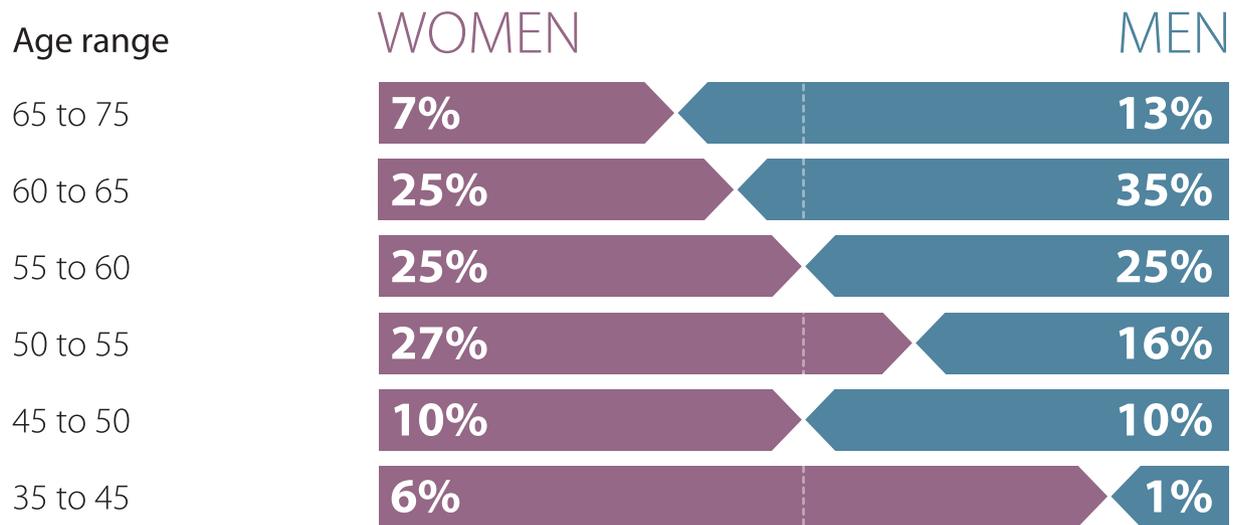


² The sample of men surveyed were directors placed by Heidrick & Struggles over the past five years.

³ The response rate was 45% for women directors and 34% for male directors.

⁴ All the male directors surveyed were Heidrick & Struggles board placements over the past five years. This 2.4 years vs. 1.4 years statistic reflects the average of what respondents reported as the amount of time that it took them to achieve their first board service, which may or may not have been affected by the involvement of an executive search firm.

1 Respondent Profiles *(continued)*



2 Board Profiles

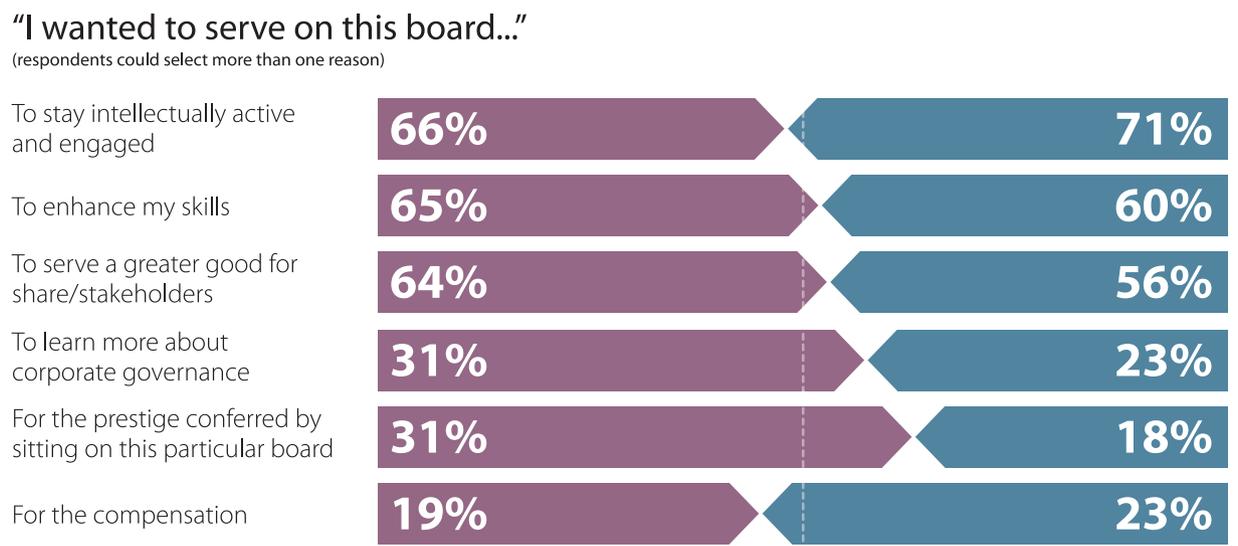
WOMEN DIRECTORS

- The average number of board members on the boards on which they serve is 10.
- Respondents reported that these boards have, on average: 27% women, 9% ethnic minorities, 8% members from other countries, and 35% current or former CEOs.

MEN DIRECTORS

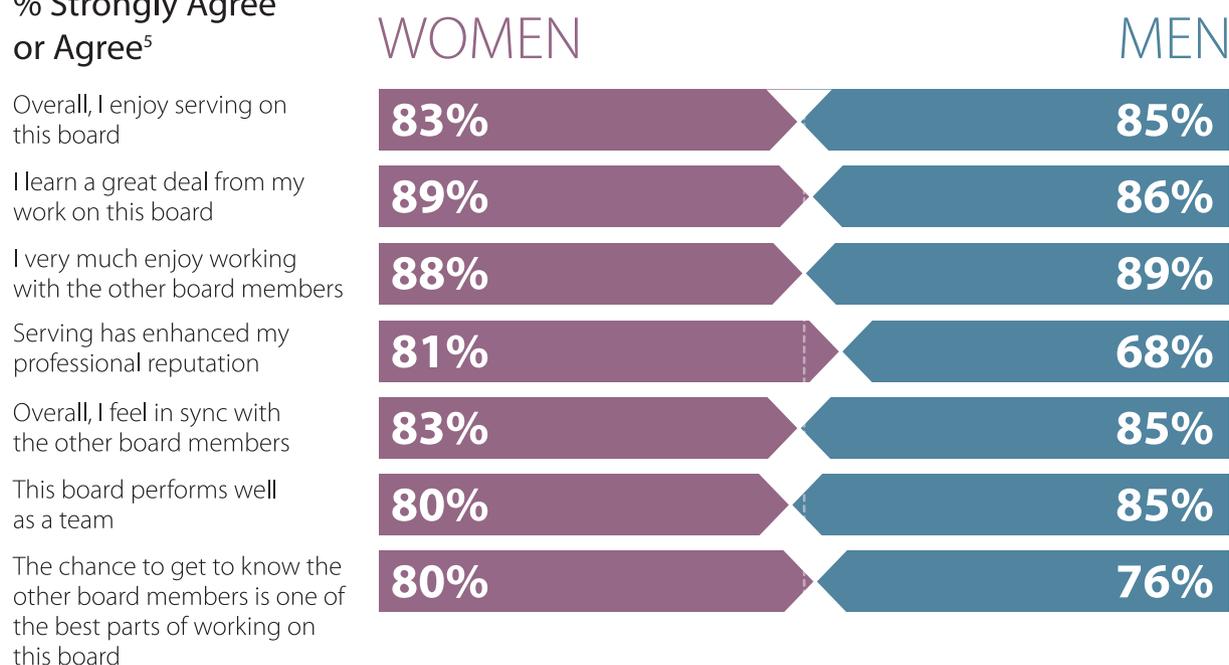
- The average number of board members on the boards on which they serve is 9.
- Respondents reported that these boards have, on average: 13% women, 9% ethnic minorities, 8% members from other countries, and 34% current or former CEOs.

3 Board Service



4 Board Dynamics

% Strongly Agree or Agree⁵



5 Diversity

Nominating committees should explain in proxies whether they discuss and promote diversity when selecting new board members



The various proposed new board governance regulations, such as proxy access, will lead to more diversity on boards



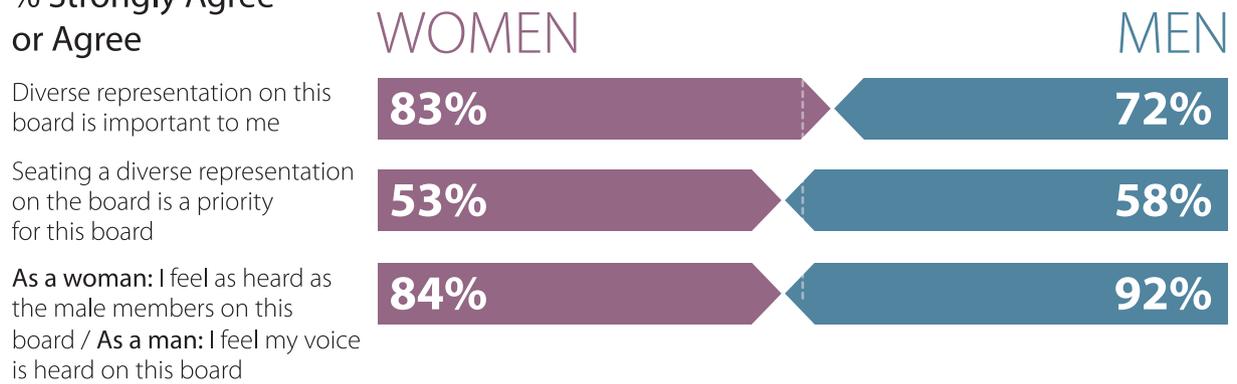
⁵ For most questions, respondents were asked to answer using the five-point scale: 1=Strongly Disagree, 2=Disagree, 3=Unsure, 4=Agree, and 5=Strongly Agree.

⁶ 21% of women respondents and 25% of male respondents answered "Unsure."

⁷ 51% of women respondents and 41% of male respondents answered "Unsure."

5 Diversity (continued)

% Strongly Agree or Agree



There should be a quota imposing a required percentage of women per board



Three or more women on any board make it a more effective board

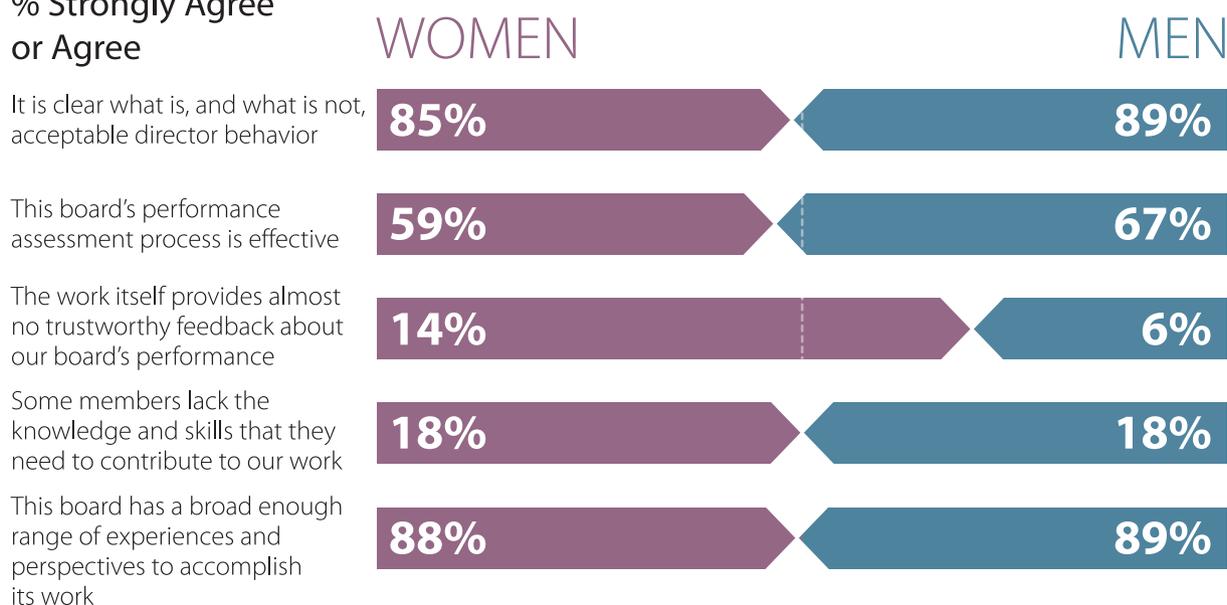


Women bring special attributes to a board



6 Board Performance and Assessment

% Strongly Agree or Agree

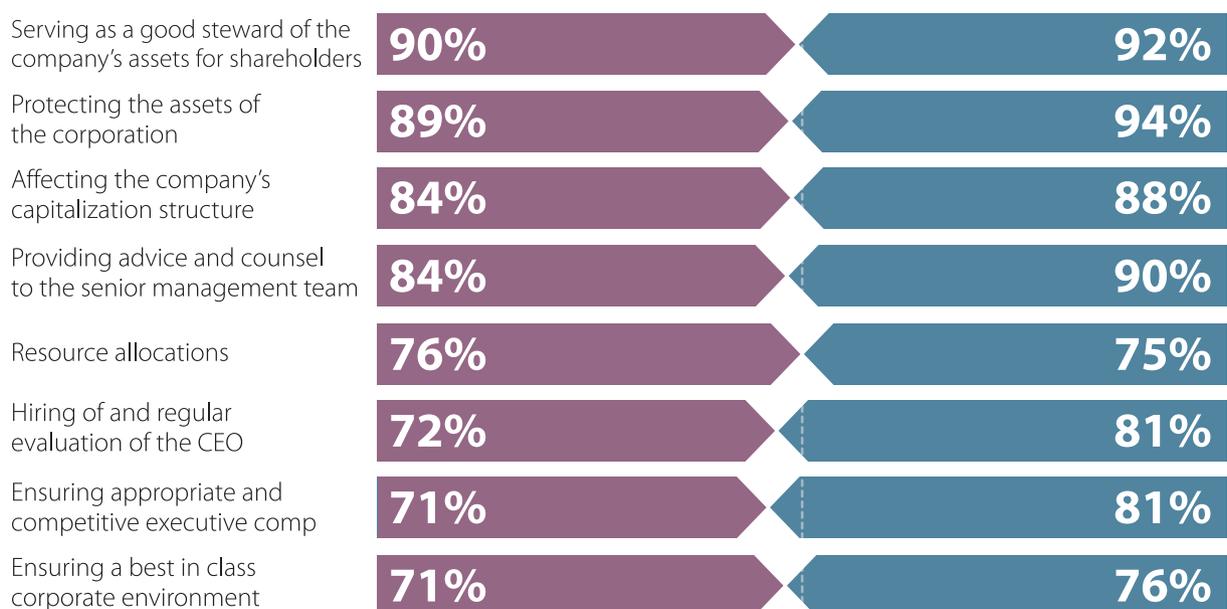


There are missing skill sets on this board



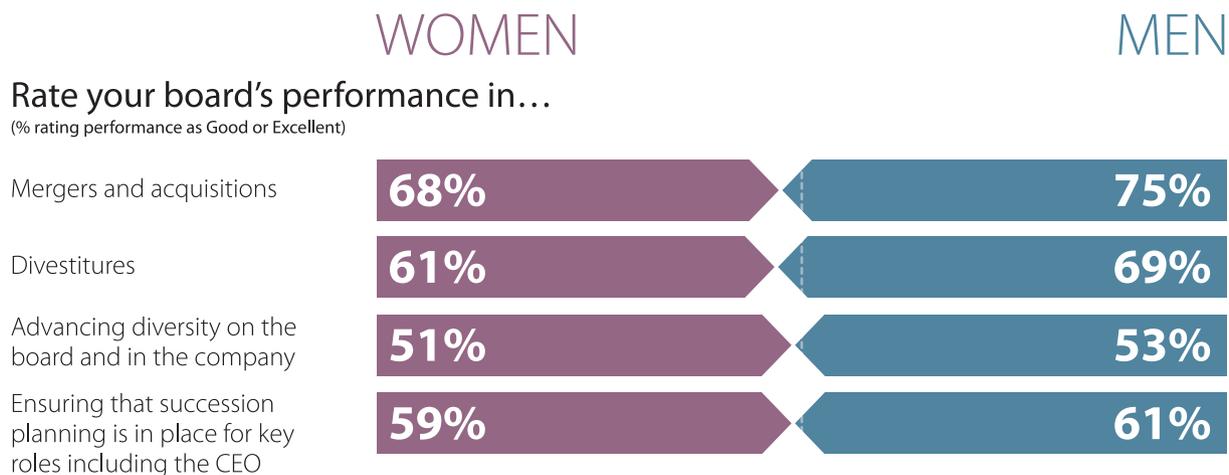
Rate your board's performance in...

(% rating performance as Good or Excellent*)

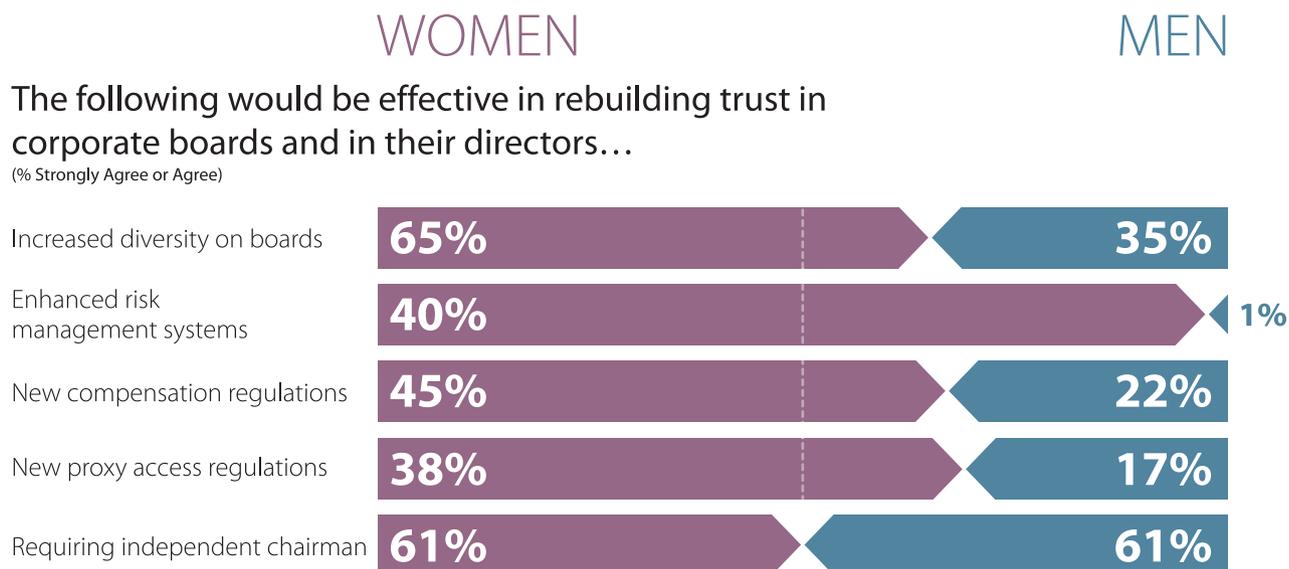


* For the following questions regarding their boards' performance, respondents were asked to answer questions using the following five-point scale: 1=Very weak, 2=Weak, 3=Average, 4=Good, and 5=Excellent.

6 Board Performance and Assessment *(continued)*



7 Rebuilding Trust



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Heidrick & Struggles International, Inc. (Nasdaq: HSII) is the leadership advisory firm providing senior-level executive search and leadership consulting services, including succession planning, executive assessment and development, talent retention management, transition consulting for newly appointed executives, and M&A human capital integration consulting. For almost 60 years, we have focused on quality service and built strong leadership teams through our relationships with clients and individuals worldwide. Today, Heidrick & Struggles' leadership experts operate from principal business centers in North America, Latin America, Europe and Asia Pacific.

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WomenCorporateDirectors (WCD), comprised of over 700 members serving on over 850 boards in 27 chapters, is the only global membership organization and community of women corporate directors. WCD is committed not just to good governance, but to governance with global vision. Smart boards are going global in members and mindset: our members share information and insights in order to ensure best practices in corporate governance around the world.

Our mission is to continue to expand the ranks of women corporate directors by providing leadership, diversity, education, and best practices. WCD provides an intimate and trusted community to learn, brainstorm, and problem-solve global issues, while also helping secure board and advisory board positions for numerous women around the world. We offer local, regional, national, and international forums to generate candid, thoughtful, and confidential dialogue on issues facing directors and their companies. We learn from each other, and in the process help all members navigate the challenges of conducting business in a highly competitive and volatile global economy. The WCD network provides a platform for turning transformative ideas into action.

For more information, please visit:

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