

## Help Wanted: Directors with Overseas Experience



**Roger** Kenny, managing partner of Boardroom Consultants, a search firm, received a phone call in early January from a large office products company. The plea: find a director with international experience, hopefully before April's annual meeting. Says Kenny of his client, whom he declines to identify: "They feel a particular need to strengthen the strategic aspect of their international business."

Kenny isn't the only headhunter getting such calls. "People are clamoring for directors with foreign experience," says Andrea Jupina, author of *The Recruiter's Research Blue Book—A How-To Guide*, the bible for headhunters. According to Ned Odegaard, a senior partner at Whitehead Mann Pendleton James, a search firm that operates out of London and New York, the bigger the company, often the louder the clamor.

"The increasing demand is driven by technology, driven by the Internet, driven by the fact that we are now operating in more of a global economy," says Joseph Daniel McCool, editor of *Executive Recruiter News* in Fitzwilliam, New Hampshire. "In order to do business strategically, or on a global basis, companies need directors with international experience or they're missing the boat."

A survey by Korn/Ferry International, a Los Angeles-based search firm, shows that many directors of Fortune 1000 companies believe their boards are structured to compete on the world stage. Nearly 80% of 210 inside directors and 680 outside directors who responded to the survey said their boards were organized to deal with international business, and nearly 60% said they believed that it is "extremely" or "very important" for the board to have a global perspective. Typically, four members of an 11-person board have "extensive" global experience and four have "limited" global experience. Only one board member was a foreign national who lived and worked abroad.

Nevertheless, the survey shows that there's still room for progress. Nearly 200 respondents wrote suggestions about how boards could improve. They wanted more fellow directors with global

experience (some specified foreign nationals) and they asked for briefings on overseas matters by managers stationed abroad and outside experts. Some suggested the companies should create foreign advisory boards, and many wanted to visit regions where the company already does business or hopes to. As one director wrote, companies need to "elevate international strategy as a high priority."

Of course, the boards of big multinationals tend to have better global representation than do those at their smaller counterparts. "If you're a company like GE and you've got plants and people in China, with assets representing a big investment, there are very significant reasons to have someone on board who knows the territory," says Odegaard.

Such knowledge can come from an American who's worked overseas or from a foreign national. Many of the big corporations have a mix. Philip Morris, with its food, beer, and tobacco businesses, has been particularly aggressive in globalizing its 15-member board. Its directors include J. Dudley Fishburn, chairman of

HFC Bank, the British subsidiary of Household International, and a former Conservative member of Parliament; Carlos Slim Helu, chairman of Telefonos de Mexico; Lucio Noto, a retired vice chairman of Exxon Mobil, who has extensive experience in the Middle East; the Australian-born, naturalized American Rupert Murdoch, CEO of News Corp.; and native-born American Harold Brown, a partner of Warburg Pincus & Co. and counselor for the Center for Strategic and International Studies.

Some of the push to globalize board membership comes from shareholders. "More of them are beginning to say, 'Isn't it smarter to have a geographic diversity on the board that bears some resemblance to the underlying business structure of your company?'" says Odegaard, whose own background has an appropriate international flavor. He worked at J.P. Morgan & Co. as an investment banker in Australia, Britain, the Netherlands, and the U.S. before joining Whitehead Mann in late 2000.

Expect to see more shareholder prodding at this year's annual meetings. "You'll hear institutional investors asking questions like 'Why did

this board seat open up and you put somebody on without international experience when what you really need is someone with experience in Asia to be successful there?'" predicts Madeline Condit, a Korn/Ferry managing director.

Just whom are companies looking for? The smart ones tailor their searches to potential directors with specific skills. "Candidates who are international marketing professionals are in particularly high demand," says Condit. "Companies are looking for market intelligence. How do you market software in Germany? How do you introduce a product in China?" Applied Materials faced just such a challenge, as *Corporate Board Member* reported in its Autumn 2000 issue, and signed up two new directors—an American and a Taiwanese—to help the maker of semi-conductor manufacturing machinery build and manage its global business.

Although the requirements and habits of corporate governance vary greatly country to country (see following story), some foreign companies are way

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ahead of the United States in attracting non-nationals to their boards. Some have been actively recruiting U.S. directors for years. According to the National Association of Corporate Directors in Washington, D.C., 88 of the 325 American directors who responded to the 1999 survey said they also served on the boards of foreign companies. "European companies are well ahead of the U.S.," says Odegaard. "They're more internationally oriented in terms of their markets, their culture, their general outlook."

The Korn/Ferry survey found that companies would rather add Americans with foreign experience to their boards than a foreign national, a preference Condit understands. "Having the head of a Japanese company on a U.S. board doesn't happen very often," she says. "It's equally or more effective having someone with international operating experience with a company like Procter & Gamble

or IBM. They bring a dual knowledge of how an American company operates and a global perspective." In addition, distance can make it hard for foreign board members to keep up with U.S. commitments, she says.

That doesn't wash with some. Many U.S.-based directors handle their governance responsibilities by teleconferencing and e-mail—while plenty of others miss occasional meetings.

Besides, in Latin America, Europe, and other regions around the world, knowledge of regulatory restrictions and other local fine print can make or break a business. As Odegaard points out, "It just isn't going to work if you assume it's going to be like the U.S. You want a door opener. You need a Sherpa guide."

by Steve Rhodes

## Directing Differently Abroad

**Just** because more boards have global representation among their directors doesn't mean that they're culturally globalized. So suggests a survey by Egon Zehnder International. The search firm found only one characteristic common to boards worldwide: a commitment to making a profit. All 188 companies in 24 nations surveyed in Europe, Asia, Latin America, and North America ranked this as the top priority of their boards.

Thereafter, how boards operate, and how they are compensated, varies greatly continent by continent. Examples:

**STOCK OWNERSHIP BY DIRECTORS:** Among North American companies, 54% require board members to own shares. Australia came in second with 47%. Asia trailed the field with 10%.

**CEO SUCCESSION:** This is an important issue in North America, where 47% of the companies surveyed said their boards spent time on the subject, yet in the rest of the world, the average is about half that.

**OUTSIDE DIRECTORS:** 82% of the companies in Australia and 74% of those in North America said their non-executive directors met independently of the managers sitting on the board. In Latin America, the percentage fell to 5%. Are CEOs told what was discussed at such meetings? "Always," reported 61% of North American companies. "Sometimes," according to all the Latin American companies.

**NUMBER OF BOARD MEETINGS PER YEAR:** Six to eight is fairly common. However, 33% of the Latin American companies held a dozen meetings or more; only 2% in North America made such a claim.

**THE TIME IT TAKES A DIRECTOR TO GET UP TO SPEED:** About half of all companies said it took six to 11 months. But 43% of the Asian companies said their directors could do the job within five months, versus 7% in North America. In seeming contrast, in Asia only 5% of the companies offer formal training for board members versus 58% in North America.

by Avery Hunt