

# AGENDA

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## More Directors Selected for Sector Expertise

By Katie Wagner

**B**oards at companies including Boeing, BJ's Wholesale Club and Armstrong World Industries have been appointing directors with experience in their industries or sectors.

This effort to find new directors with specific backgrounds that are relevant to a company's business is a trend that has been building over the last several years. But the economic crisis has given the trend momentum, especially at companies that have received assistance from the Troubled Asset Relief Program.

Economic turmoil has brought the composition of boards into the spotlight. In some instances, boards have even been blamed for their companies' failures. Critics have questioned whether such boards had the right kinds of directors. Indeed, banking regulators have pushed bank boards to appoint directors with financial experience. Almost all of the recent director appointments at Bank of America and Citigroup have been either bankers or bank regulators.

Failed companies are asking what kinds of directors are needed to get them back on their feet and achieve long-term success, experts say. Industry or sector knowledge is one of the director attributes board recruiters have recommended. Having such directors on a board can be "like having very senior people at a company that have been there or done that serving as mentors to management," says Dora Vell, who served as a partner in the Heidrick & Struggles technology practice for seven years.

"A lot of my clients ask, 'How do I win in the marketplace?'" says Vell, who is currently CEO with the boutique firm Vell Executive Search. "The CEO is often thinking, 'How do I get strategic advice to help me move out of the potholes?' and that's where industry expertise on the board can be used as a positive tool for growth and advice."

Individuals with expertise in the same sector but different industry are often selected to help a company break into a new industry, Vell adds.

Regulators are taking a closer look at the qualifications of board members. Over the summer, the SEC expressed increased interest in the backgrounds of individuals serving on boards in all sectors. Specifically, the commission has proposed that boards be required to disclose the experience, attributes and skills that qualify each director candidate to serve on a specific board.

Experts expect the SEC to issue a ruling in favor of the proposal as early as November, just in time for the 2010 proxy season.

It's not just boards caught up in TARP that are recruiting directors with industry or sector expertise. At Boeing, the board elected former vice chairman of the Joint Chiefs of Staff and retired admiral Edmund Giambastiani as a new director on Oct. 7. The new director's "substantial experience on both the acquisition and operational sides of the U.S. military will significantly support the ongoing strategic evolution" of the company, according to a Boeing press release.

Armstrong, a global producer of flooring products and ceiling systems, appointed a partner in charge of the manufacturing/industry division of TPG to its board last month. The new director, Kevin Burns, has a mechanical and metallurgical engineering degree. Burns also previously served as the executive VP and chief materials officer of Solectron, an electronics manufacturing company that was acquired by Flextronics International in 2007.

The newest director for warehouse food retailer BJ's Wholesale Club, Leonard Schlesinger, is a leader across the retail sector, according to a company press release. He has served in several executive positions at Limited Brands, including vice chairman and chief operating officer and president of the company's beauty and personal care group.

Computer hardware-focused Advanced Micro Devices, meanwhile, recently appointed former computer software executive Craig Conway. A Sept. 28 company press release announcing Conway's appointment mentions that during Conway's stint as president and CEO of PeopleSoft, the company "grew into the world's second largest provider of enterprise business application software."

### Recruiter's Tip

During September approximately 66 new director appointments and departures were announced by the boards of public companies with annual revenues of greater than \$3 billion, according to Audit Analytics data. About 47 new directors were appointed last month. The departures comprised roughly 16 resignations, two retirements and one death. The total number of board changes that occurred in August at companies of similar sizes was fairly consistent with the September total. There were approximately 43 appointments, 14 resignations, and eight retirements announced in August.

Dora Vell is the CEO of Vell Executive Search, a premier retained technology executive search firm in Boston. Ms. Vell is an internationally recognized expert in recruiting technology executives including: CEOs, COOs, CTOs, CMOs, CROs, board members and others. She works with VC-backed, PE-backed private companies and public companies. She can be reached at [dora@vell.com](mailto:dora@vell.com).