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

2011 Board of Directors Survey

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

Conducted by **Dr Boris Groysberg**

Professor of Business Administration, Harvard Business School
and Researcher **Deborah Bell**

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About Boris Groysberg

Dr Groysberg is a Professor of Business Administration 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. He is the author of "Chasing Stars: The Myth of Talent and the Portability of Performance" (Princeton University Press, 2010).

2011 Board of Directors Survey Executive Summary and Results

As boardrooms lead corporations in challenging economic times, more than ever, directors are pressured by internal and external stakeholders to deliver results. Indeed, with continued turmoil in the markets and increasing scrutiny of governance, board accountability remains top-of-mind in the business and financial communities. One front-line question on those observing boards today is the role of diversity, not just in the United States, but globally.

Is the board diverse across both gender and skill sets?

To what extent does gender play a role in interpreting risks and evaluating trust, particularly in light of increased scrutiny from shareholders and regulators?

How do women and men approach boardroom composition and should shareholders take steps to ensure large institutions offer a more diverse board mix?

Heidrick & Struggles and WomenCorporateDirectors (WCD), together with Dr Boris Groysberg of Harvard Business School, surveyed corporate directors, both women and men, within and outside the United States. They identified meaningful differences, as well as agreements, in attitudes, perceptions and functionality in the boardroom. In a departure from last year's study, the survey expanded from 398 responses to 721, and includes data from global directors in 25 countries in addition to the United States. Significant findings in this year's report are distributed among several distinctive categories: quotas and board diversity, overall board effectiveness and board governance.

Key Findings

Quotas and Board Diversity Profound differences between the sexes

Boards are responsible for overseeing businesses around the world. And studies show that a diverse board make-up can actually improve a company's bottom line. Yet, female entrée onto these boards is as difficult now as it ever has been.

Quotas continue to be a controversial and divisive topic. Consistent with last year's findings, the issue of diversity illustrated acute differences between female and male directors. In 2011, there was greater support for quotas among both female and male directors. The difference between female and male directors' support, however, was once again striking. Although the majority of female directors (59%) did not personally support quotas,

a majority (53%) did agree that they seem to be working. This was not true for male directors, with only 18% of men agreeing that quotas were effective for increasing board diversity.

To further highlight the gender differences, respondents were asked about the quota systems applied to corporate boards, such as those that have been implemented in Europe.

- Only 10% of male respondents believed that this approach is a net positive for corporate boardrooms.
- Women, on the other hand, showed much more support for quotas and 37% agreed that this system is positive.

Also, women and men directors clearly disagree when operational performance is linked to female quotas. Globally, most women (70%) believe that a greater number of women “at the top” improved operations, but most men, a substantial 79%, did not agree.

Women in the Boardroom

The journey can be a longer one

More female than male directors actively seek out their board seats, and it takes them longer to achieve. In 2011, there was an increase in the percentage of women (29% in 2011 versus 25% in 2010) who said they actively sought out their board service, whereas the percentage of men who did so is less (19% in 2011 versus 22% in 2010). In fact, there was conversely a small decrease for the men from last year. Finally, it took women six months longer in 2011 to achieve their board service than it took men (2.3 years for women versus 1.7 years for men).¹

Women and men also attributed different reasons for gender disparity in the boardroom. About one third of women directors around the world believe that the primary reason that the percentage of women on boards is not increasing is the prevalence of closed off traditional networks that inhibit their access to director appointments. Men, on the other hand, believe that fewer women are currently in executive roles, meaning a smaller pool of female executive candidates in the talent pipeline for the board room.

Overall Board Effectiveness

Diversity = Impact and Trust

The study found that women and men hold different views across key areas of boardroom dynamics. In fact, most female corporate directors (76%) believe that increased diversity among directors will lead to greater trust in corporate boards. But, far fewer men (42%) felt the same way.

In addition, the study also revealed that women were more inclined to identify specific areas where corporate boards could improve and took clear positions that emphasized the need for broad-based diversity among the executive ranks of businesses.

For example, the majority of male directors (51%) expressed that diversity in the company is a high priority for the boards they served on; however only 40% of women felt the same way. Additionally, compared with men (74%), a lower percentage of women (59%) agreed the current board on which they served had both an optimal and diverse mix.

And there were differences between US and outside US directors. Outside the US, significantly fewer female respondents (only 40%) believe that the boards on which they serve have prioritized diversity. When asked if the respondents’ boards actually took steps to promote board diversity, relatively fewer directors agreed that this is a priority.

One area women and men did agree – differing from last year’s findings – was the belief that risk management is essential to regain trust in boards and their directors. Both gender groups also shared the same opinion that serving on boards is both challenging and rewarding and provides great personal satisfaction.

¹All of the male directors and 30% of the female directors surveyed in 2011 were Heidrick & Struggles clients, placements or contacts. This 2.3 years vs. 1.7 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.

Board Governance

Regaining stakeholder confidence amid difficult economic challenges and addressing the gap between female and male perceptions

For the 2011 survey, women and men both voiced strong agreement that increased transparency is essential to regaining confidence and trust in corporate boards and directors. Indeed, women continue to challenge the notion that the status quo of corporate boardrooms is ideal.

To begin, female directors believe that there are key areas for driving improvement in board dynamics and effectiveness, such as training for new directors.

Men, on the other hand, were generally more positive about board dynamics and effectiveness.

- 60% of men believed new directors received effective training versus 48% of women.

In 2010, when asked about risk management as it related to trust, women seemed to understand the significance far more than male peers. In 2011 however, both women and men raised the importance of risk management systems as a means of building trust with large percentage increases (1% of 2010 men versus 75% of 2011 men and 40% of 2010 women versus 74% of 2011 women).

On executive compensation, there were also sharp differences in how women and men viewed executive compensation regulation and its relationship to regaining the trust of stakeholders, with 47% of women believing new compensation regulations would be effective in rebuilding trust in corporate boards versus only 27% of men. In regards to proxy access regulations, 38% of women agreed that proxy access will help rebuild trust versus 24% of men.

Women and men also hold different views about the chief executive and chairman offices. The study found that more women (74%) compared to men (68%) believe that the two roles should be assigned to two different people.

In terms of senior management, outside the US, there is much less confidence in the board to effectively evaluate the CEO (65% agree that the board judges the CEO well). Within the US, respondents expressed more confidence in their board's ability to assess the chief executive (81%).

We also found differences across the globe regarding succession planning with fewer directors outside the US agreeing that their board had an effective CEO succession planning process in place (58% directors outside the US versus 68% US directors) and that they had vetted at least one viable candidate who could immediately step in as CEO if necessary (46% directors outside the US versus 67% US directors).

Other highlights

- There is low confidence among both female and male directors (25% and (17%) respectively, that The Dodd-Frank bill will create better corporate governance.
- 70% of directors outside the US versus 39% of US directors agreed that professional directors would be an effective way to rebuild trust in corporate boards.
- Performing well as a team is key to any successful corporate board, and the survey found marked differences in how women and men evaluate certain measures of effective teamwork on their boards. For example, fewer female directors (59%) said their boards had an effective means to address poorly performing directors compared to 72% of male directors.

2011 Board of Directors Survey

Survey Questions and Results

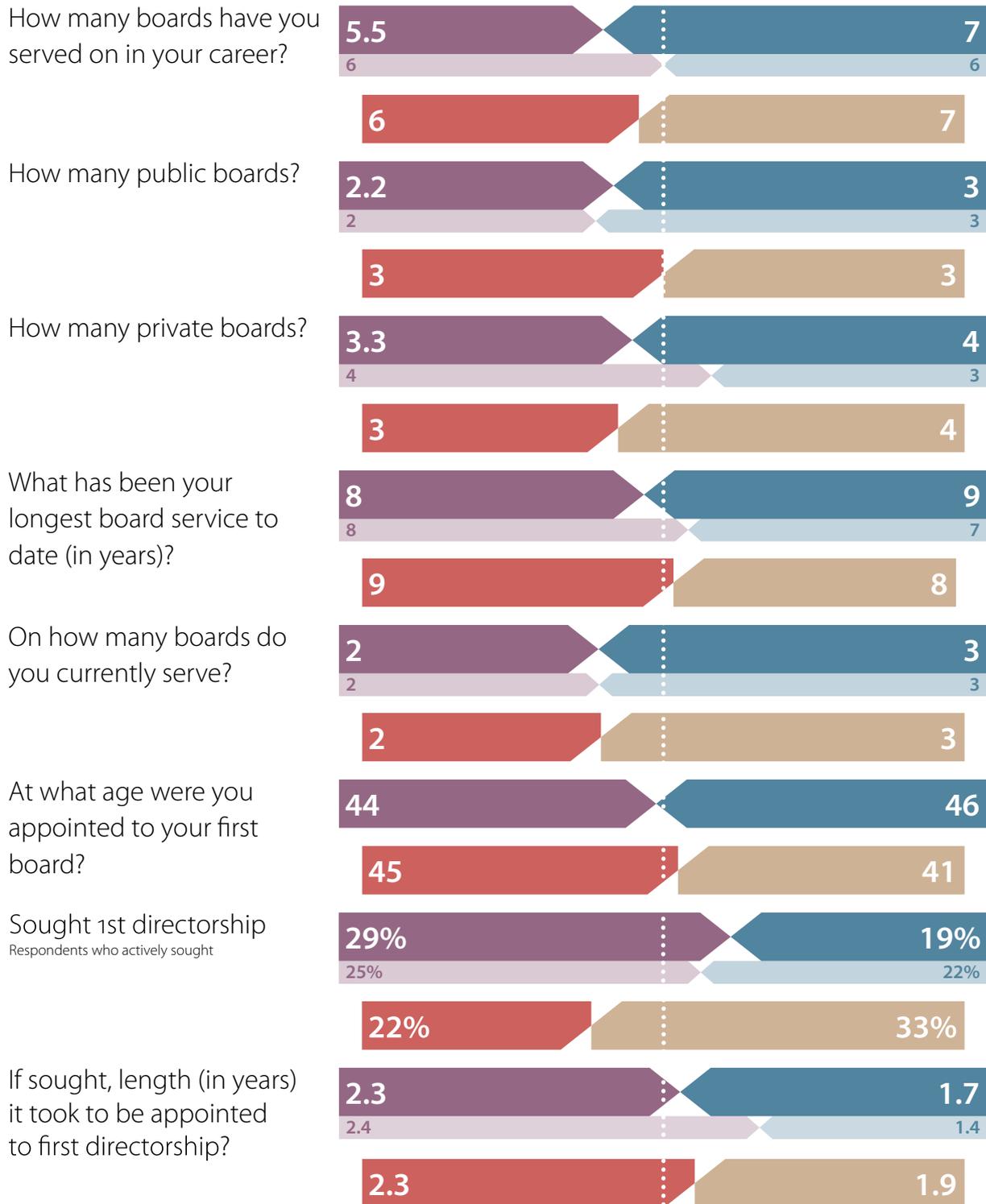
Methodology

Heidrick & Struggles, WomenCorporateDirectors (WCD), Harvard Business School's Dr Boris Groysberg, and Researcher Deborah Bell surveyed corporate directors from public and private companies globally.

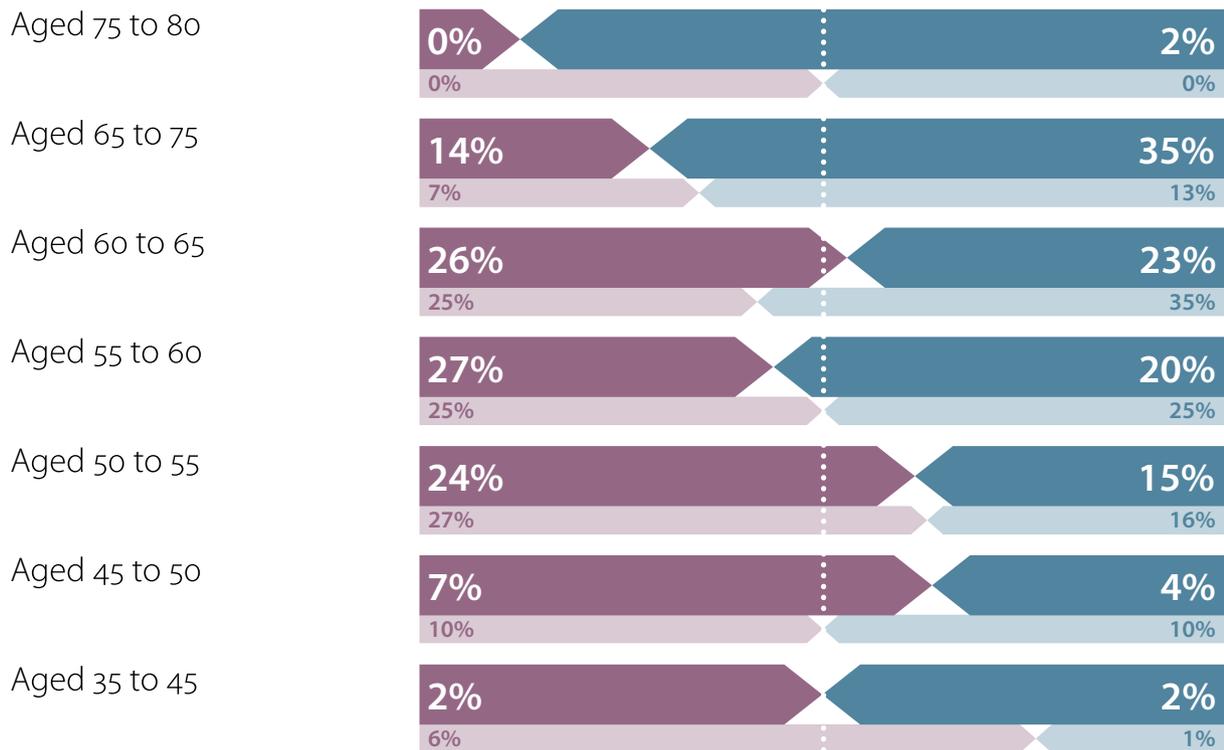
The survey was conducted in April and May of 2011, and elicited responses from 334 female and 323 male directors (64 respondents in the sample did not indicate their gender), for a total of 721 respondents. The information collected represented 593 boards - 416 public (70%) and 177 private (30%).



1 Respondent Profiles

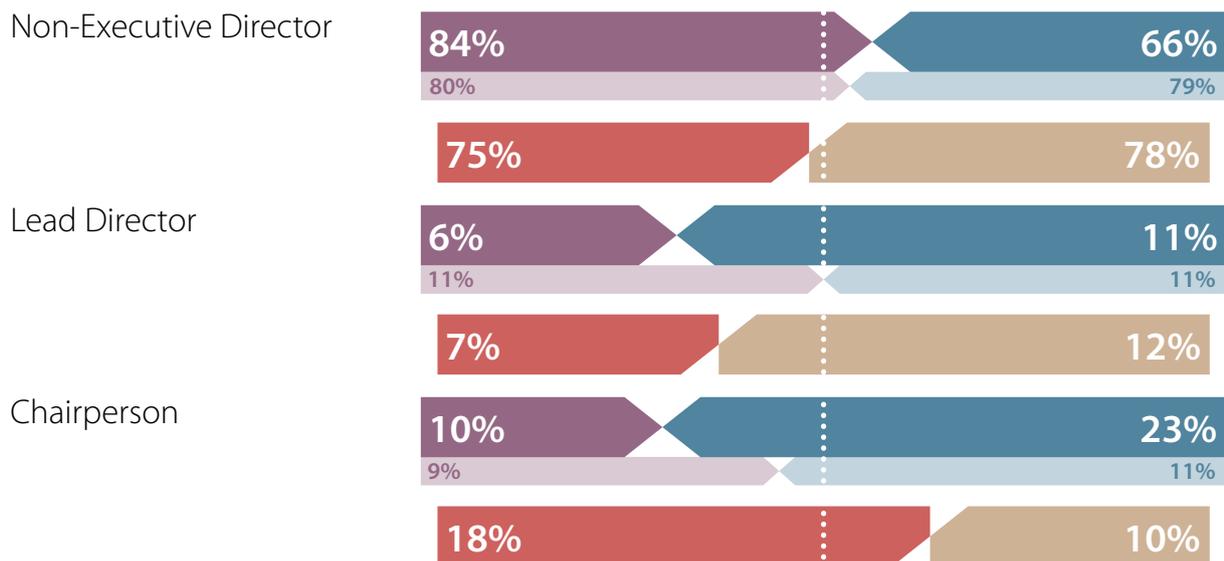


1 Respondent Profiles *(continued)*



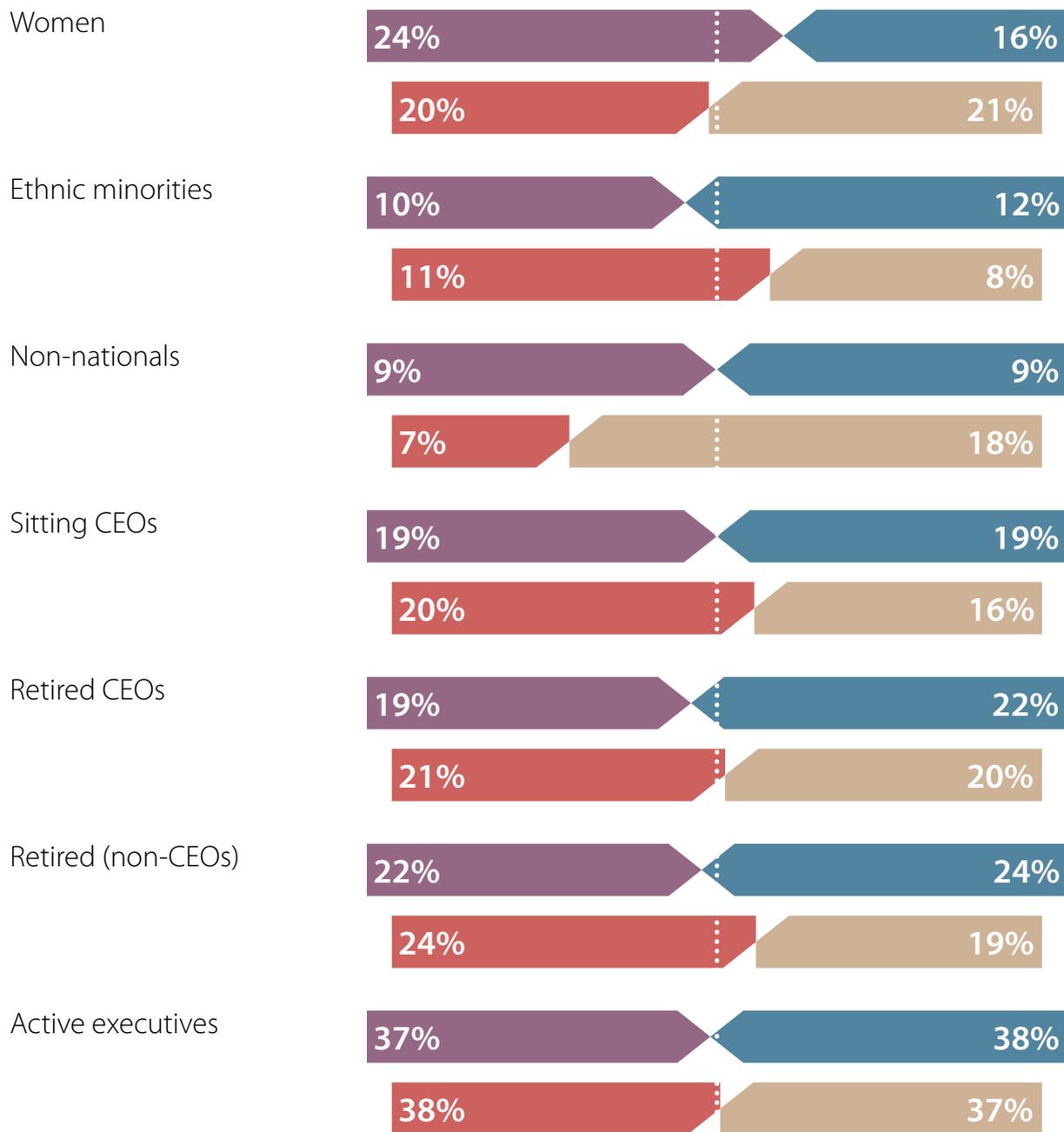
2 Board Profiles

% of respondents serving as



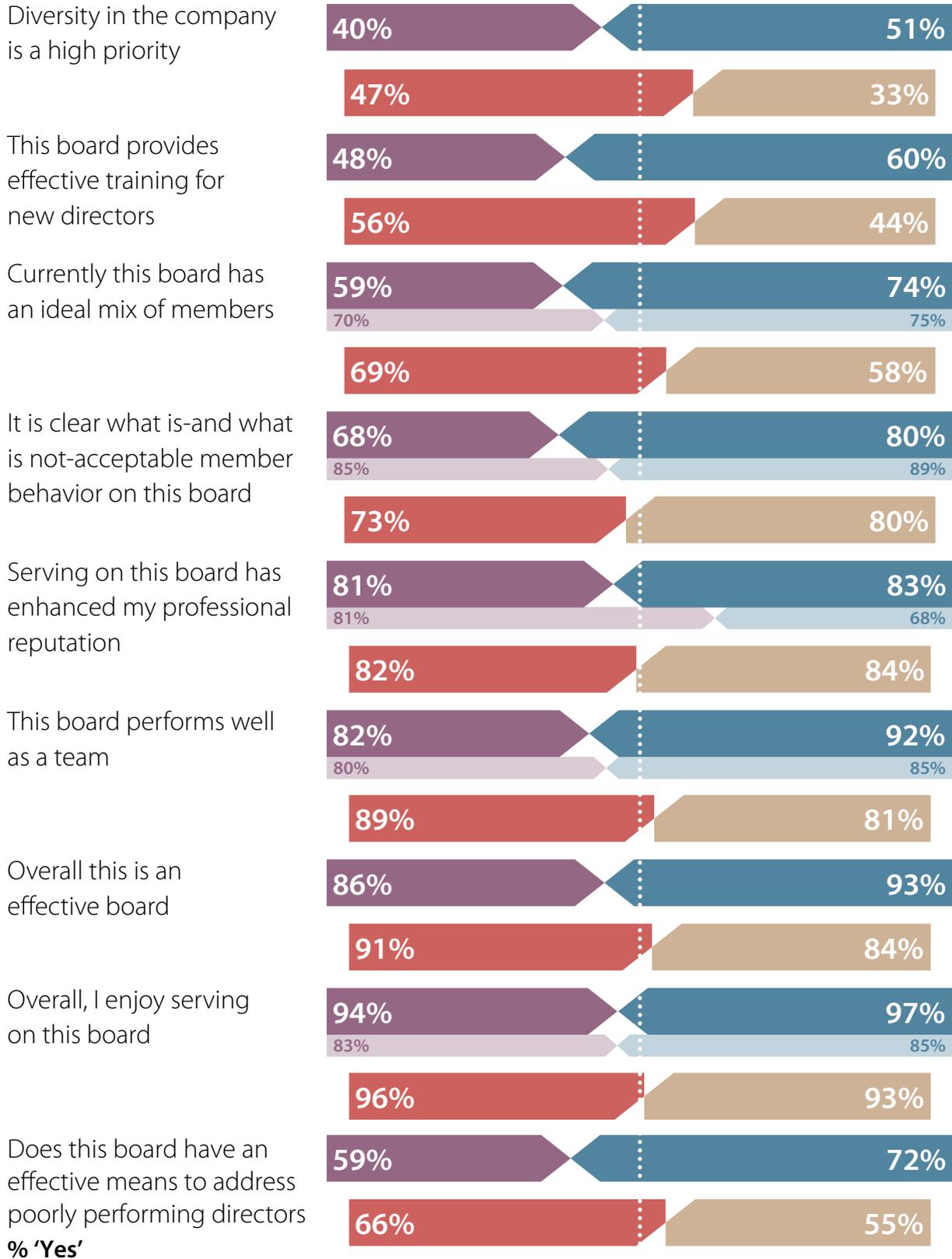
2 Board Profiles (continued)

Board composition:



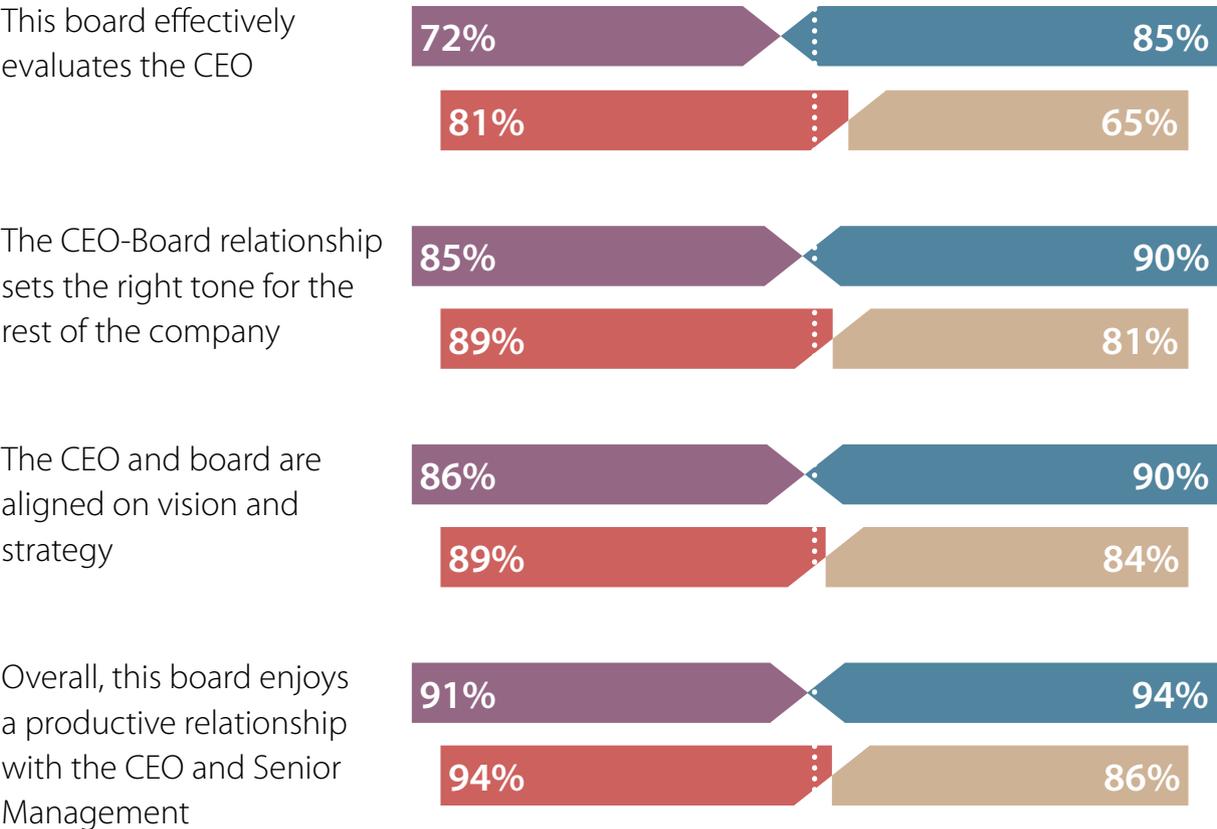
3 Board Dynamics and Effectiveness

% 'Agree' or 'Strongly agree'



Relationship with CEO and Senior Management

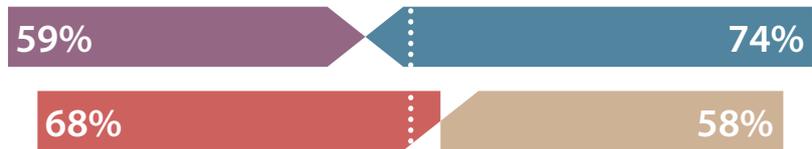
% 'Agree' or 'Strongly agree'



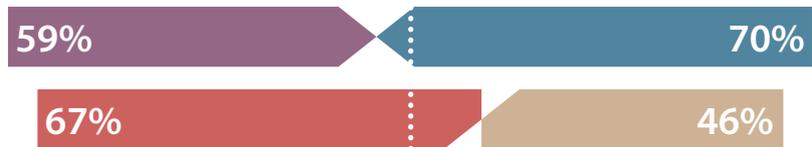
4 Succession

% 'Yes'

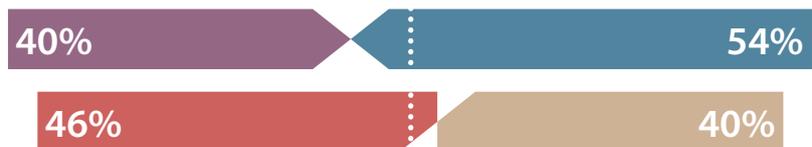
Does this board have an effective CEO succession planning process?



Has this board vetted at least one viable candidate who could immediately step in as CEO if necessary?



Does this board have an effective board succession planning process for directors?



For committee chairs?

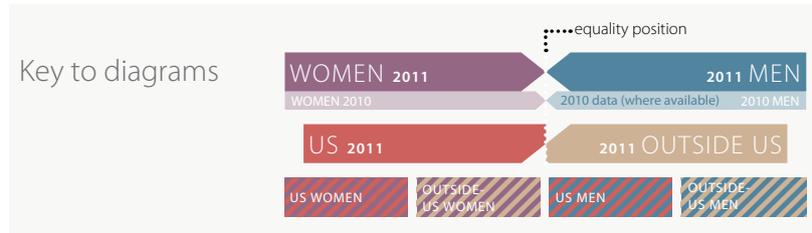


Do you use an executive search firm to recruit new board members?

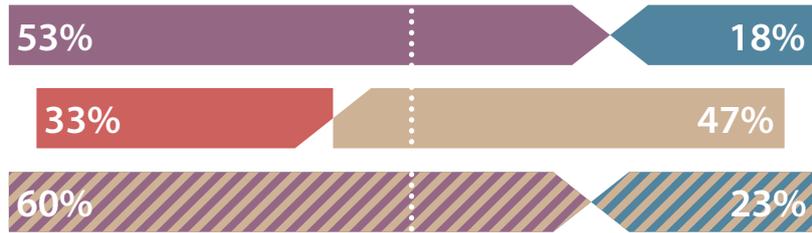


5 Diversity

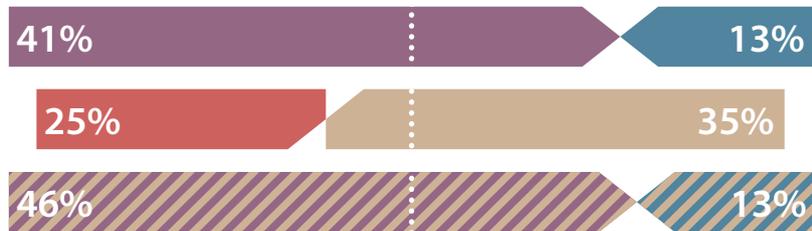
% 'Yes'



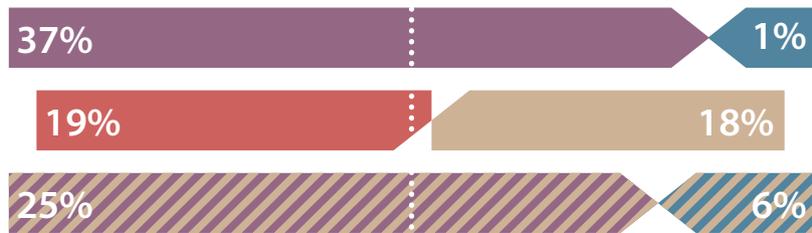
Are quotas an effective tool for increasing diversity in the boardroom?



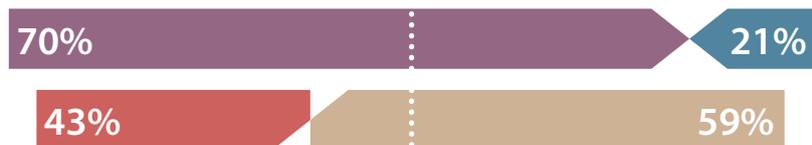
Do you personally support boardroom quotas?



My gender was a significant factor in my appointment to this board.

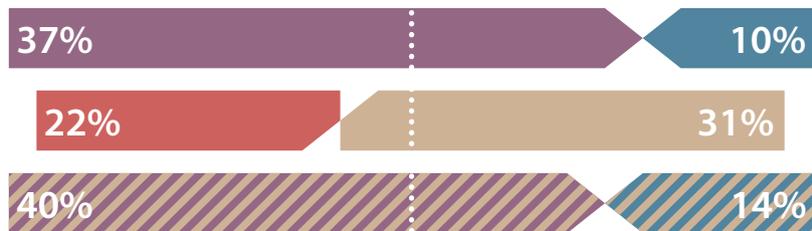


Having a greater number of women "at the top" improves operations.



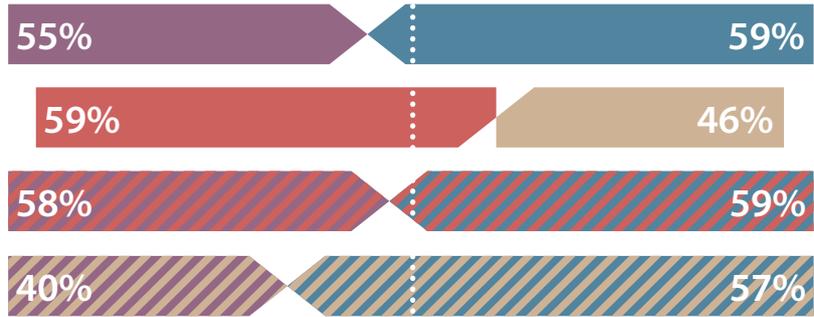
% 'Positive'

In general, do you think that quotas, such as those imposed in Norway, are a positive or a negative for corporate boardrooms?

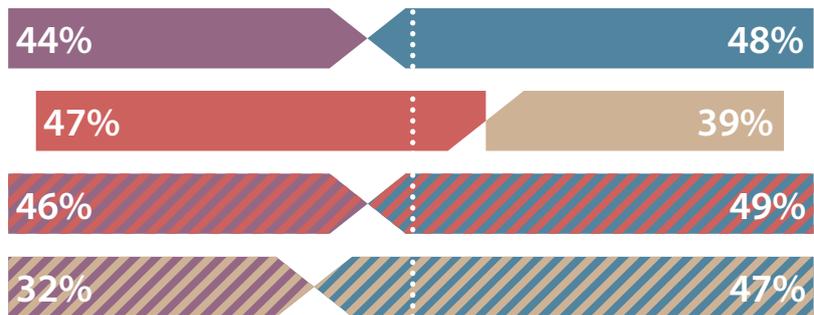


5 Diversity (continued)

Is seating a diverse representation on the board a priority for this board?

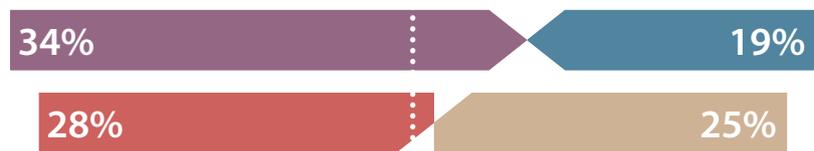


Has this board adopted measures that have successfully advanced diversity on the board?

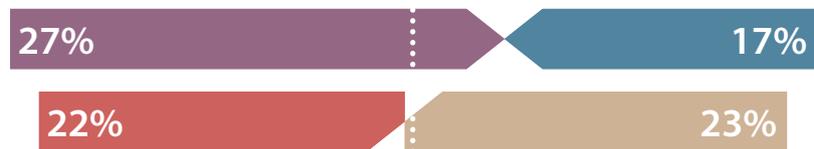


What do you think is the primary reason that the percentage of women on boards is not increasing?

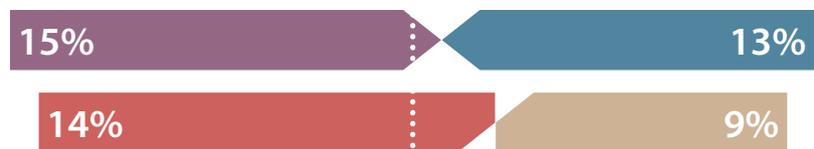
Traditional networks tend to be male-oriented



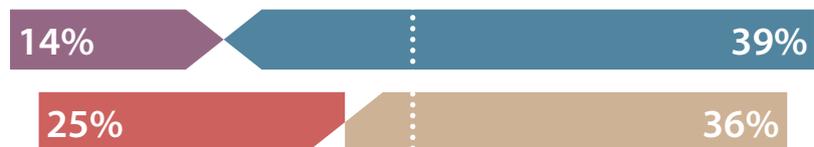
Relative lack of access or contacts among qualified women to those with decision-making powers on the board



Diversity is not a top priority in board recruiting



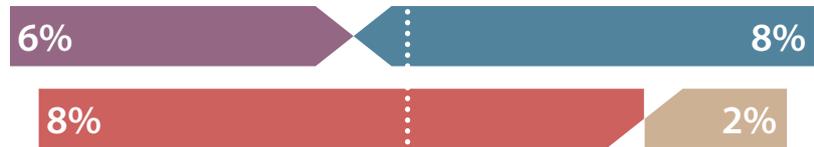
Lack of women in executive ranks



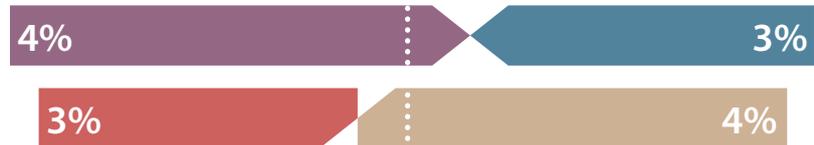
5 Diversity (continued)

What do you think is the primary reason that the percentage of women on boards is not increasing?

Boards are satisfied with their current level of director diversity



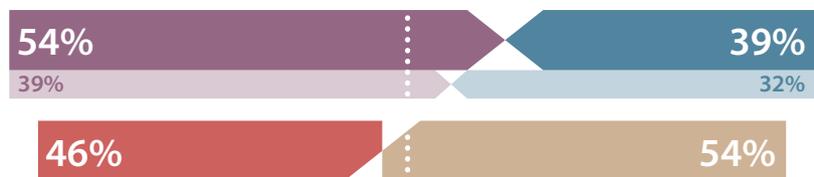
Senior women have not been active sponsors and advocates for other women



6 Skills

% 'Yes'

Are there skill sets or areas of expertise missing or insufficiently represented on this board?



Does this board have a formal process of determining what combination of skills and attributes is required for the board and therefore new directors?



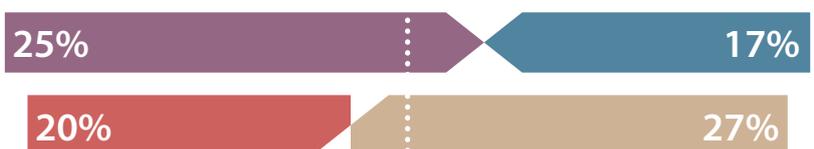
7 Rebuilding Trust and Governance

% 'Agree' or 'Strongly agree'

Companies should separate the Chairman and CEO roles

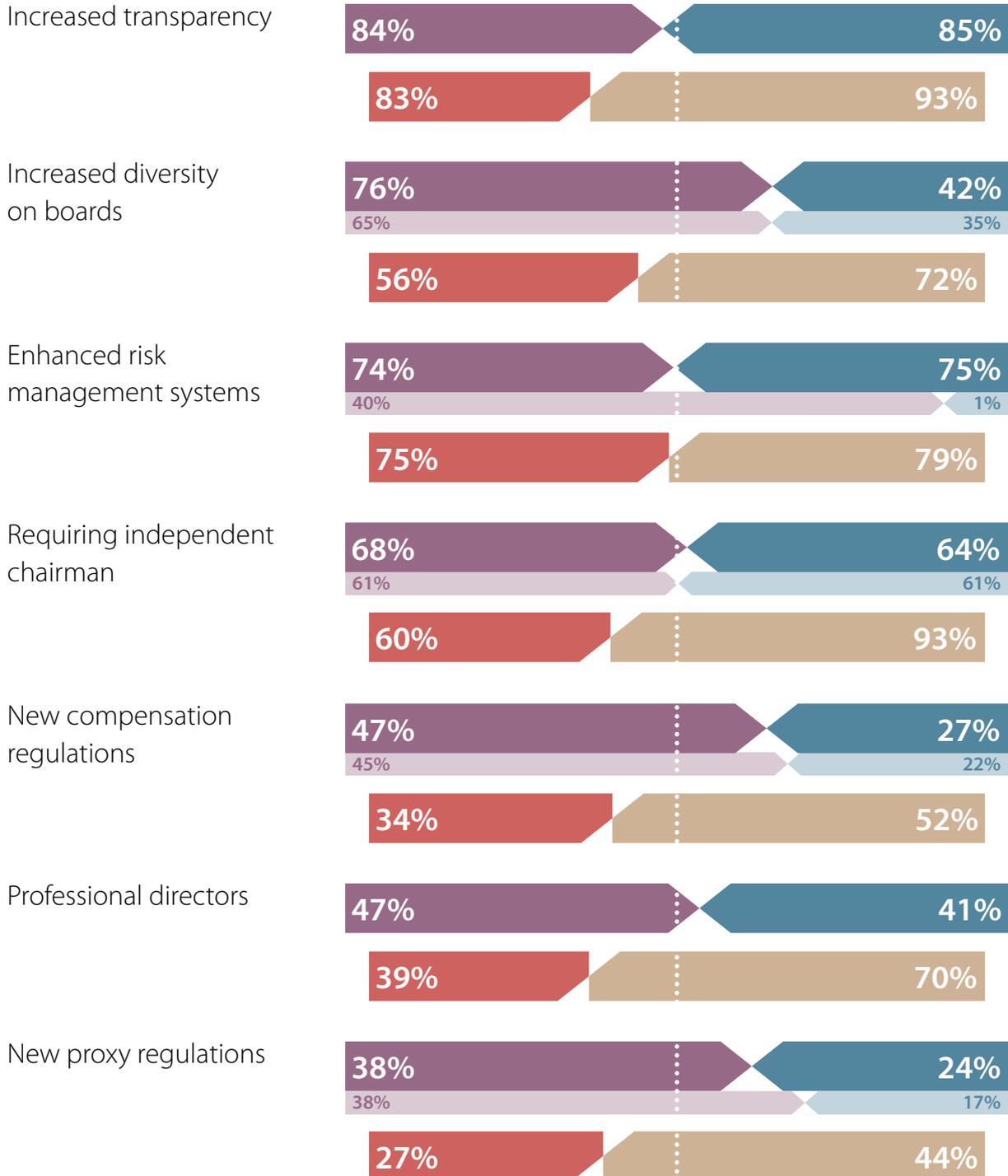


The Dodd-Frank Wall Street Reform and Consumer Protection Act will overall create better corporate governance



7 Rebuilding Trust and Governance *(continued)*

The following would be effective in rebuilding trust in corporate boards and in their directors (% 'Strongly Agree' or 'Agree')



HEIDRICK & STRUGGLES

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) is the only global membership organization and community of women corporate directors, comprised of over 1000 members serving on over 1200 boards in 36 global chapters. In this new era of responsibility, WCD is committed not just to good governance, but to governance with global vision. Our mission is to support and expand the WCD community through leadership, diversity, education, and best practices in corporate governance.

WCD fosters our global network by providing 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. WCD offers local, regional, national, and global forums to generate candid, thoughtful and confidential dialogue on issues facing directors and their companies, learning from each other, and in the process, helping all members navigate the challenges of conducting business in a highly competitive and volatile global economy.

The WCD network provides a platform of turning ideas into action. WCD members comprise among the world's most powerful and influential business women – the global business elite.

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