



THE HARVARD CLUB OF PHILADELPHIA

Joining & Serving on Boards

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THE BROWNSTEIN | **CORPORATION**
ANALYSIS . ACTION . RESULTS

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Introduction & Disclaimer

Howard Brod Brownstein, JD/MBA '75

- President, The Brownstein Corp. – M&A, Turnaround Management, Fiduciary Services
- Director, P&F Industries (Nasdaq: PFIN), Merakey, NACD Philadelphia Chapter
- Former director of numerous public and private companies, as well as large nonprofits
- Author of over 100 articles and textbook chapters

Nothing in today's presentation should be considered to be legal advice. If you have a legal question about a board role or anything else, I will be happy to refer you to an attorney who is expert in that area.

What We Will Cover Today

- **Corporate Governance**
- **The Board's Role**
- **Why Pursue Board Roles?**
- **What Board Service Entails**
- **Pursuing Board Roles**
- **Board Entry**

What is “Corporate Governance”?

- Corporations are created by state law as “fictitious persons”, with certain rights similar to natural persons.
- “The business of the corporation shall be managed by a board of directors, who, as a group, are fiduciaries for the shareholders, as a group.”
- Fiduciaries are subject to duties of care and loyalty.
- The board hires and appoints the officers on behalf of the company and oversees their performance, engages the outside auditors, approves M&A, and oversees risk management, strategy, etc.

The Corporate Governance Environment

- **Corporate governance has been increasing in importance since the 1970's, and especially since Enron and then the Great Recession.**
- **Trend is away from “check-the-box” rubber-stamp governance, towards board governance as a strategic asset.**
- **Regarding board composition, increasingly boards create a “skills matrix”, listing what skills they need vs. what skills are already present. There is a strong push for gender and racial diversity, both by regulation and stakeholder demand.**
- **There is growing demand that companies consider more than just their profits and their enterprise value, and take into account environmental, social and governance considerations (ESG)**

Why pursue board roles?

- **Build leadership and teamworking skills**
- **Enhance career – both while at your current job and post-job (Board search requires a long runway, so begin early!)**
- **Increase knowledge of corporate governance, legal and regulatory requirements, etc.**
- **Increase/improve contacts**
- **Marketing of professional services (but avoid conflicts!)**
- **“Giving back to the community” (nonprofits)**
- **Economic rewards**

What does board service entail? - I

- **Oversight of management, but not direct management => “Noses in, fingers out!”**
- **Focus on oversight of risk management, executive performance and compensation, and corporate strategy.**
- **Board members have no authority except as a board, unless it votes to delegate defined authority to someone**
- **Accountable/reportable to shareholders (or state attorney general for nonprofits)**
- **Movement toward “stakeholder governance” & ESG**
- **Commitment of time, presence and attention – level of activity can ebb and flow**
- **Fiduciary duties under applicable state law, and liability for failure to fulfill them => potential reputational and financial risk. D&O insurance is important but not a cure-all**

What does board service entail? - II

Public company board service

- Regulated by SEC, state laws, stock exchanges (plus industry regulation)
- Cycle of K's, Q's and proxies
- Blackout nontrading periods
- Restricted stock
- Increased financial and reputational risk => D&O insurance and risk management
- Shareholder Activism

Paradox

**Board membership is
something you cannot do
until you've done it.**

So, how do you get started?

Prepare yourself mentally

SIMPLE ≠ EASY




Take a long-term view

- Pursuing board roles can take a long time – 1-2 years? => Get started early!
- Matching your skills and interests with an organization and its board's needs is “a process, not an event”
- There's often a natural progression: nonprofits => for-profit private companies => publicly-traded companies
- Always be looking!

Preparing For Your Board Search - I

- Do an “inventory” of your potential value to a board:
 - Knowledge and experience
 - Leadership ability/interest
 - Audit/Tax/IT/Other?
 - Industry knowledge/familiarity
 - Interest in certain causes/community issues (for nonprofits)
- For nonprofit boards, there may be a “give-or-get” requirement => identify your budget

Preparing For Your Board Search - II

- **Create a “Board CV” and Bio**
 - Intended for boards to read, not employers
 - Typical format is bullet-points at top
 - Get proof-reading, preferably from someone knowledgeable, e.g., board recruiter, Nom/Gov chair
- **Build your knowledge of corporate governance**
 -  NACD
NATIONAL ASSOCIATION OF CORPORATE DIRECTORS
 - Drexel Center for Corporate Governance
 - LaSalle Nonprofit Center
 - Stanford, others



- **Largest membership organization dedicated to board leadership (~25,000 members)**
- **National Programs on Director Professionalism => Board Fellowship Program, Certification & CPE**
- **Chapters in most major U.S. cities**
- **NACD Members must be currently serving board members: publicly-held, privately-owned, nonprofit**
- **Nonmembers may only attend up to 2 programs**
- **Full Board Members**
- **Mentioned in public company proxy materials**

Preparing For Your Board Search - III

- **Create board-oriented versions of cover letter/email tailored to types of contacts: colleagues, friends, clients**
- **Use social media: LinkedIn, Facebook, etc.**
 - **LinkedIn is widely used and the go-to place to learn about someone – hone your profile!**
- **Role of executive recruiting firms**

Network systematically!

- Your colleagues and peers at other firms.
- Current and past clients
- C-suite officers whom you know
- Identify your networks: work, professional organizations, clubs, alumni, etc.
- Recruiters
- Have your “elevator speech” ready!

The Board Interview

- **Prepare well – learn all you can about the company or organization (for public companies there's a wealth of information)**
- **Be prepared to state what you will add and why it will be valuable**
- **If you get past the initial interview, try to meet the board leaders, C-level executives, etc.**

Board Entry

- Before you join, have the D&O insurance checked by someone other than the incumbent broker
- Prepare an onboarding process appropriate for the company/organization – this may be spread over several months, and you may have to take the lead
- If possible, visit major operations and meet all senior executives
- Subscribe to industry publications, analyst reports or otherwise have a plan for staying informed (e.g., “SeekingAlpha”)

Additional Information

- **NACD Philadelphia Chapter**

<https://philadelphia.nacdonline.org/>

- **NACD Membership Brochure**

https://nacdonline.org/files/NACD_Membership_Brochure_.pdf

- **Drexel Center for Corporate Governance**

<https://www.lebow.drexel.edu/faculty-and-research/centers/corporate-governance>

- **LaSalle Nonprofit Center**

<https://www.lasallenonprofitcenter.org/>



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Questions & (hopefully) Answers



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Thank you!