

BY KAREN KANE

# Are Board Directors Going Overboard?

Directors are under pressure to serve on fewer boards, but not all agree.

It was big news—sort of. Two of the largest proxy advisory firms announced they wouldn't recommend directors who serve on too many boards. But when it came right down to it, the change was a matter of one seat.

They call it “overboarding,” and the proxy advisory firms said they would only recommend directors who serve on no more than five boards, instead of six. (The firms have limits on CEOs serving on boards, too, but only one firm changed its figure from three to two seats.) As small as the change was, it put the spotlight on a touchy—and surprisingly complex—topic.

Certainly, serving as a director has become much more of a time sap in the years since the financial crisis and the megaregulations of Dodd-Frank. According to the National Association of Corporate Directors, board directors are averaging almost 250 hours per year per company, up 18 percent from just before the infamous Lehman Brothers collapse in 2008 that marked the beginning of the global financial

crisis. Board chairs are putting in the most hours, more than 290 hours, on average.

The advisory firms' move came even though at least one of their own surveys suggested investors would prefer that each company continue to set its own policies. Indeed, many board pros argue that overboarding depends very much on the task of the director at each board, pointing out that directors who serve on several boards can share their expertise—and experiences on boards—across more companies.

talented people who are on four or five boards.” He adds that recommending a director who is already on two or three boards to take on an additional one is very difficult, although many clients themselves would also be reticent about an overboarded director.

For her part, Cynthia Jamison, who has been serving on boards for more than 15 years, believes that four can work well for some. “I consider myself a full-time working board member,” says Jamison, who recently joined the

## “How do you measure a director's effectiveness?”

“How do you measure a director's effectiveness?” asks Victor Arias, senior client partner for Korn Ferry's CEO and Board Services practice and global leader of Diversity and Inclusion. “Some directors max out at one. At the same time, there are some very

board at Darden Restaurants, her fourth board. She says that number is fine if you're working full-time at it. “To try to balance more than two with a full-time job is very difficult,” she says.

Lois Scott, a director at MBIA, Chicago Stock Exchange, the Federal Home Loan Bank

of Chicago and many nonprofit boards, argues directors serving on only one board may be less effective. It can give you greater perspective to serve on multiple boards, she says. “What I experience with one board can often inform my work with other boards. Serving on a couple of boards brings greater industry and economic knowledge to each board.”

Indeed, directors say they tend to see trends when they serve on more than one board. They might take lessons from a presentation on cybersecurity at one board education meeting to other boards without any confidentially breach. “It’s just good learning and very helpful,” says Jamison.

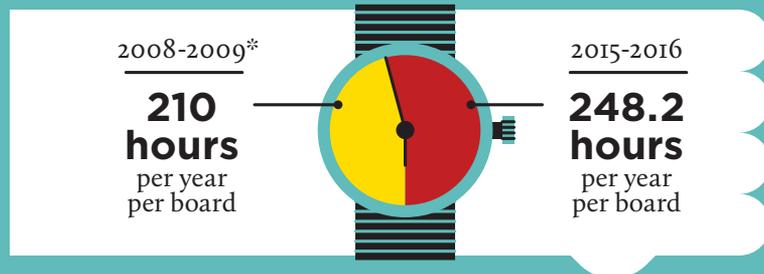
The pay scale for boards hasn’t shifted quite as much as the hours. In a report last fall, Korn Ferry found that annual retainers remain at around \$100,000 on average. Total compensation can be double when long-term incentives and meeting and special committee fees are tacked on, but again, no major difference from the prior year. The last increase? 2014.

Money, of course, is rarely the motivating factor in serving on boards, no matter how many a director sits on. For his part, Arias says the solution to the numbers game may just be matter of chair swapping. “Sometimes we offer up the possibility of a director to trade out their current board for a new one in order to avoid an over-boarded situation,” he says. ●

Artwork by: John Devolle

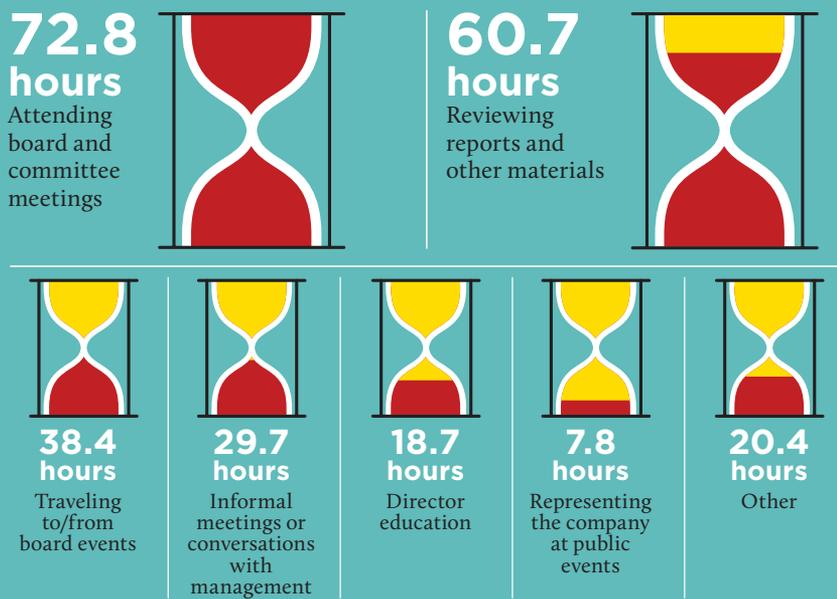
## Time Spent Serving on Boards

### Hours per year on board responsibilities\*



\*Conducted in mid-2008, before the collapse of Lehman, etc.)

### Breakdown of director time spent on board-related activities:\*\*



\*\*From the 2015-2016 Public Company Governance Survey by the National Association of Corporate Directors.

### Average Director Time Commitment by Role\*\*

