



Why Your Company Should Consider a Policy Encouraging Employees to Serve on Outside Corporate Boards

Why should my company adopt a policy about outside board memberships?

- Non-CEO senior management are being asked to join outside corporate boards at a record pace.
- Seven years ago, 93% of corporate board members were active CEOs.
- Today **30%** of independent corporate board members are active CEOs, while **25%** of new corporate board members each year are non-CEO executives such as COOs, CFOs, and CIOs.
- Companies have been adding non-CEO executives to corporate boards at a fast pace to help solve the crisis of supply. Sitting CEOs no longer have time to serve on multiple boards.
- More companies are allowing their senior executives to serve on outside corporate boards to because they recognize that the executives and the company reap benefits from an employee's outside board service.
- Most corporations have a vague policy or no policy addressing or regulating whether and how senior executives may be permitted to serve on outside boards.
- Your company may want to adopt a formal policy to address this issue.

Why should senior executives be encouraged to serve?

- Employees serving on an outside board known in the community, provides your company with more visibility to the broader business and charitable communities.
- Outside board service is the most sought-after professional development opportunity among senior executives.
- Not allowing employees to serve or placing undue obstacles to board service, may put your company behind in the competition for the best talent.
- Expanding and encouraging board membership to non-CEO executives promotes board diversity, which has been correlated to improved company performance. Currently, for example, women hold only 13 of the 500 Fortune CEO positions, so limiting board service to CEOs only is unfriendly to diversity.

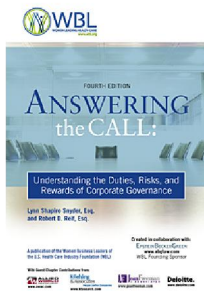
Why does board service constitute professional development?

- Outside board service provides a great way for an executive to learn about different businesses and industries – at someone else's time and expense – and to share best practices with your company;
- Outside board service provides experience that will improve executive communication and interaction with your board;
- Outside board service improves the executive's ability to see the "big picture" and to better understand corporate governance, a CEO's duties and

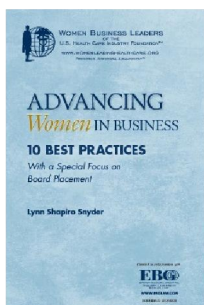
- responsibilities, appropriate delegation and oversight, and how to better support the executive team and corporate mission.
- Outside board service provides executives with exposure to new business networks, and with it the opportunity to develop synergistic relationships beneficial to both companies;
- Outside board service helps senior executives gain experience in addressing topics such as succession planning, corporate governance, the audit committee, and other big-picture business issues;
- Outside board service provides employees with an opportunity to achieve professional growth, and may be an additional source of income.

What are some of the potential challenges of allowing my senior executives to serve on an Outside Board?

- Executives might encounter a conflict of interest while serving on an Outside Board. If an employee encounters a potential or actual conflict of interest during his or her outside board service, recusal from participating in or voting on the issue may be required. In some instances resignation from the Outside Board may be required. The model policy addresses this issue.



The WBL Foundation encourages those who wish to learn more about this topic to visit <http://www.wbl.org/>, where the fourth edition of **Answering the Call: Understanding the Duties, Risks, and Rewards** – by Lynn Shapiro Snyder and Robert D. Reif – can be purchased. The first chapter of this book, “Why Should a Busy Executive Serve on a Company’s Board of Directors?” contains additional quotations and insights regarding outside board participation. The remainder of the book is educational for those considering board seats and for CEOs who are managing senior executives who are considering outside board seats. All proceeds from this book benefit WBL.



The WBL website also contains a way to purchase WBL’s other recent publication, *Advancing Women in Business*, which provides guidance for women interested in advancing to the next level – including the outside board level.

The WBL website also contains a sample policy for companies to consider if they decide to implement a written policy encouraging outside board participation.