

RISING PRESSURES ON BOARDS IN 2013: 10TH ANNUAL CORPORATE BOARD MEMBER/SPENCER STUART WHAT DIRECTORS THINK SURVEY

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- *Directors Speak Out on Leadership, Cyber and Social Media Risks and Shareholder Communication* -

New York, March 11, 2013—Corporate Board Member and global senior executive search firm Spencer Stuart today announced the results of the 10th annual What Directors Think survey, a comprehensive report on boardroom trends gleaned from the responses of U.S. corporate directors nationwide.

The results of the 2012 survey show that boards need directors who are prepared to deal with a host of issues internally and, increasingly, externally, from the sudden departure of a CEO to newer concerns such as cyber breaches and social media risks.

Interestingly, 88% of directors surveyed report that their boards already possess the right skills to compete in the present environment, which may explain why just 291 new independent directors joined the boards of S&P 500 companies last year, while a decade earlier the number was 401.

Julie Daum, co-head of the North American Board and CEO Practice for senior executive search firm Spencer Stuart, says some of the findings should be cause for caution on the part of corporate boards. “Directors have to oversee many factors that didn't exist 10 years ago, due to new technologies, social media and more complex global issues. It's a bit surprising when there is such little turnover, that directors believe they have the right expertise already on their boards,” Daum says.

In addition, grappling with an emergency succession—the kind that happens abruptly due to unforeseen circumstances—emerged as one of the chief worries for board members, with 74% of respondents classifying it as either a moderate or very high concern. While it's understandable that issues that are beyond a board's control can cause anxiety, Daum believes boards are doing a better, “more thoughtful” job of preparing for the worst case scenario than they did a decade ago. “Emergency and planned succession are on the agenda, being discussed regularly. ... This marks a significant shift. In the past, the CEO drove succession planning—now boards do it.”

Two technology-driven issues that have spawned significant director attention are cyber and social media risks. Of all the issues facing corporate boards today, cyber risk might be the most daunting. Seventy-three percent of directors indicated a cyber breach was at least a moderate concern, perhaps because the list of possible risks seems endless. Likewise, social media can be a puzzling new area for directors, many of whom find the topic confusing and even intimidating.

A source of continuing concern for directors is shareholder communication—indeed, no other topic invited such varied responses. The new age of shareholder assertiveness is being powered in part by requirements under the Dodd-Frank Act that companies hold regular shareholder advisory votes on executive compensation. The leverage that comes with those votes has emboldened shareholders to seek greater access to those who make the pay decisions.

“We have seen significant increase in boards discussing the issue of shareholder communication and engagement,” says TK Kerstetter, chairman of Corporate Board Member. “One way or another, boards have to come to terms with what to do when their shareholders knock on the door and have questions for the directors that represent them. This is an area of great debate right now.”

About half the respondents surveyed said they would designate one board member to meet face to face with investors. Equal numbers (about 14% each) indicated they would either allow the whole board to meet directly with investors or deny the request altogether. The rest favored a middle-ground approach, such as a phone conversation or a written response.

The full article detailing these findings can be accessed in the First Quarter issue of Corporate Board Member or by visiting www.boardmember.com or www.spencerstuart.com.

About Corporate Board Member

Corporate Board Member, an NYSE Euronext company, is the leading information resource for senior officers and directors of publicly traded corporations, large private companies and Global 1000 firms. The quarterly publication, Corporate Board Member magazine, provides readers with decision-making tools to deal with the strategic and corporate governance challenges confronting their boards. Corporate Board Member further extends its governance leadership through an online resource center, conferences, roundtables and timely research. The magazine maintains the most comprehensive, up-to-date database of directors and officers serving on boards of publicly traded companies listed with NYSE Euronext and The NASDAQ OMX Group, Inc. stock exchanges. www.boardmember.com

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 54 offices in 29 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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