Age as a Factor in Board Makeup

Leah Malone, Catherine Bromilow, and Courtney Fong

PHOTOS BY EMIL IVANOVSKI

Now may be the time to add age to discussions about board composition.

By Judy Warner

What does it take to achieve diversity of thought in a boardroom? Ninety percent of the corporate directors who responded to a PwC survey ranked age higher in importance than gender and race. Yet when PwC explored further in its *Census of Directors 50 and Under*, it found that among S&P 500 companies there are more directors age 75 or older than there are who are 50 or younger.

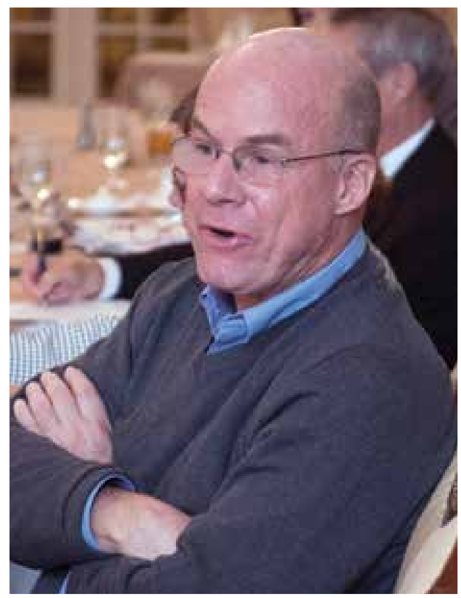
At the Union League Club of Chicago on Oct. 23, a group of directors and officers who varied in age from their 40s to their 70s convened for a roundtable co-hosted by NACD and PwC. The premise was to take a closer look at how age influences the composition of attendees own boards. For the purposes of PwC's research and this conversation, "younger" directors were defined as those age 50 or under.

More than 90 percent of directors responding to PwC's 2018 *Annual Corporate Directors Survey* reported that diversity in general enhances the performance of their boards. To a lesser extent, said Leah Malone, a director in PwC's Governance Insights Center, in opening remarks, "directors are in alignment that diversity enhances the company's performance as well."

Nonetheless, the reasons for increasing boardroom diversity aren't always driven by the bottom line. When asked if they thought political correctness was motivating the diversification of boards, more than half said yes. Many respondents to the PwC survey also expressed the belief that shareholders are "too preoccupied" with the issue of board diversity. A relative minority (25%–30%) said that discussions about boardroom diversity are resulting in "unneeded" or "unqualified" directors being named to boards.

One challenge faced by younger directors—and thus why directorships traditionally appeal to executives who are retiring from career jobs—is carving out the time necessary to fulfill the demands of board service. Typically, younger directors are at the height of their careers. Balancing a full-time job and board duties can prove onerous. Younger executives should seek support from their management for their outside board service, suggested one roundtable participant, because serving as a director provides rich opportunities for professional development. Yet, as another director noted, while there are fewer board opportunities among public companies, there are tens of thousands of private companies with boards.

Ann M. Danner, founder and past CEO and president of Residential Homes of America (RHA) in Lake Forest, Illinois, built the start-up over 30 years to peak revenues of $100 million-plus while building more than 4,000 residential homes and apartment units. Along the way, RHA helped raise money for St. Jude Children's Research Hospital by donating the proceeds of a house auctioned off for the charity. She was asked to join the board of governors for ALSAC/St. Jude eight years ago and is now pursuing public company board service.



Ann M. Danner and John C. Bierbusse

One barrier for directors seeking their first public company board seat is just that—it's their first. But younger directors also offer experience that their older colleagues do not: they tend to be more attuned to the digital and technological forces reshaping business and the workforce. In fact, PwC's research found that younger directors tend to have backgrounds in either finance or technology. The companies most likely to have a younger director on their board are those in the technology or consumer products sectors.

Seasoned directors related their experiences in diversifying their boards. Any board candidate, regardless of age, should pursue those companies that best align with their experience and where he or she can add the greatest value. In 2006, John C. Bierbusse was named an independent director at Sanderson Farms in Laurel, Mississippi, now a Fortune 1000 company. Bierbusse has served on multiple advisory and trustee boards in addition to his decades-long career as a research analyst. In 2004, he retired from A. G. Edwards. The Sanderson Farms board, he pointed out, is highly diverse, with independent directors who are African American, hold PhDs, and have had careers in areas outside food development, manufacturing, and processing. "If we can do this in Mississippi, it can be done at any company, anywhere," Bierbusse said.

While the directors at this roundtable expressed support for age diversity on boards, the realities make it difficult. "Occasionally, when I want to be provocative, I will ask a director, 'OK, you want more diversity on your board, who are you going to be willing to cut from your board to make the room?'" said Catherine Bromilow, partner of PwC's Governance Insights Center. "That gets to be an uncomfortable conversation rather quickly. And to that point, what's interesting is that 62 percent of the time, boards expanded their size to make room for a younger director." D

Key Findings

PwC's census of S&P 500 company directors age 50 and under found that:

- Fewer than half (43%) of S&P 500 companies have a younger independent director. At 50 of these companies, one of the younger directors is also the CEO.
- S&P 500 companies with younger CEOs are more likely to have younger independent directors.
- Almost one-third (31%) of younger directors are women, compared to 22 percent of the S&P 500 overall.
- Companies in the information technology and consumer products sectors are most likely to have a younger director.
- Younger independent directors serve on fewer boards than the average independent S&P 500 board member.
- More than half of the younger directors have held their board seat for two years or less. Their average tenure is 2.8 years. By comparison, the average tenure of all independent directors in the S&P 500 is 8.2 years.*
- Close to half of the younger independent directors have finance or investing backgrounds.
- Nearly all younger directors (96%) fit in board service while pursuing their careers.
- Younger independent directors sit on at least one board committee (90%) and half sit on two or more committees.

Sources: PwC's *Census of Directors 50 and Under*, April 2018; **Spencer Stuart US Board Index*, December 2017