

More Middle-Market Companies Are Adding Women to Their Boards

By Adam J. Epstein and Coco Brown



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For any director who attended last year's NACD 2016 Global Board Leaders' Summit or the NACD Technology Symposium in Silicon Valley in July, two takeaways are crystal clear: every company is now a technology company, and boards increasingly require a new kind of director. Unlike in large-cap companies, many of those new directors in middle-market public companies are women from outside the C-suite.

In Fortune 500 companies it's become a standard operating procedure to recruit board members who are sitting or retired CEOs and CFOs. In 2015, for example, Heidrick & Struggles' *Board Monitor* reported that 73 percent of all new board appointees to Fortune 500 boards were sitting or retired CEOs or CFOs. (In 2016, the percentage decreased, but it's still roughly seven out of ten.) Instructively, a similar percentage of new Fortune 500 board appointees were male.

On one hand, this evolution in Fortune 500 companies is understandable. CEOs and CFOs can add tremendous value as board members. And, since most sitting and retired CEOs and CFOs are white men, it stands to reason that if the majority of new board member searches are limited to that applicant pool, then board composition in that ecosystem will be resoundingly white and male.

Outside of the Fortune 500, however, many companies are widening their apertures on board candidate searches. What's driving some middle-market companies to appoint female board members who are neither CEOs nor CFOs? Two words: digital transformation.

Technology is having a material impact on all businesses regardless of industry. One director attendee at the NACD Technology Symposium spoke of the need to understand logistics management, inventory tracking enabled by blockchain technology, and the Internet of Things. Another director described the artificial intelligence-enabled management of food temperatures and "last mile" logistics in remote areas in South and Central America now being enabled by drone technology.

To stay competitive, it is no longer good enough to populate boards with traditional director profiles. Instead, board members with new skills are required. Increasingly, those new directors are women. According to research published by Russell Reynolds in 2016, 67 percent of new directors who bring digital transformation experience to boards are women. And many of those women being appointed to middle-market boards are not CEOs or CFOs.

Here are some recent examples of board appointments.

Axon Enterprise develops, manufactures, and sells conducted electrical weapons worldwide. But like many companies that once were analog hardware manufacturers, Axon's business has transformed to include mobile digital incident recording and digital evidence management software and storage systems.

Axon recently appointed Julie Anne Cullivan to its board. Cullivan is senior vice president of business operations and chief information officer of ForeScout Technologies. Prior to joining ForeScout, Cullivan held a similar position at FireEye.

"Initially, I was concerned my broad, varied set of experiences might make it difficult to clearly articulate my value, but Axon really embraced the global go-to-market roles combined with cloud, digital, and security expertise," Cullivan said in a press release. "I am most excited about how they are leveraging artificial intelligence and cloud technologies to deliver on their vision."

Axon CEO and founder Rick Smith cited Cullivan's "combined extensive business, sales operations, IT, and cybersecurity expertise" as bringing "huge value to the Axon board....The value of such expertise can hardly be overstated at a time when our company continues to grow, expand, and evolve."

Banner Corp. operates as the bank holding company for Banner Bank and Islanders Bank, which provide commercial banking and financial products and services to individuals, businesses, and public-sector entities primarily in the United States. Like many banks today, Banner is as much a technology company as it is a financial institution.

Merline Saintil recently joined the Banner board. She is head of operations for the product and technology group at Intuit, where her core responsibilities include driving global strategic growth priorities, leading merger and acquisition integration and divestitures, and overseeing the vendor management office. Before joining Intuit, Saintil served as Yahoo!'s head of operations for mobile and emerging products, where she rapidly scaled the engineering organization through acquisitions and organic growth.

Banner President and CEO Mark J. Grescovich said in a press release that the board "especially looks forward to the valuable insight [Saintil] brings with regard to the information technology arena."

Morningstar provides independent investment research services in North America, Europe, Australia, and Asia. There was a time when investment research was nearly 100 percent analog, but Morningstar's data, software, research, and investment management offerings are now virtually all digital.

One of Morningstar's recent board appointments was Caro-

line J. Tsay. Tsay was most recently vice president and general manager of the online channel division at Hewlett Packard Enterprise (HPE). Tsay previously held several product leadership positions at Yahoo! across its consumer search, e-commerce, and advertising businesses. Subsequent to her tenure at HPE, Tsay founded a technology start-up, ComputeSoftware.

"Caroline's breadth of expertise in the information technology industry, combined with her significant leadership and management experience, will guide Morningstar as we continue to broaden our technology capabilities to best help investors reach their financial goals," said Joe Mansueto, executive chair of Morningstar, at the time of her appointment.

Vocera Communications provides secure, integrated, and intelligent communication and workflow solutions that empowers mobile workers in health care, hospitality, energy, and other mission-critical mobile work environments in the United States and internationally. As is the case with all communications companies (particularly those involved in healthcare), cybersecurity is a top concern for Vocera.


One of Vocera's recent board appointments was Alexa King, executive vice president and general counsel at FireEye, an international cybersecurity vendor. Before FireEye, King was general counsel at Aruba Networks, a provider of enterprise wireless networks.

Regarding her appointment to the board, King said, "Vocera was clear that it wanted a woman with experience scaling a fast-growing technology company, and recognized that I bring a strong combination of operational skill, experience with boards, and deep knowledge of technology businesses and cybersecurity."

Brent Lang, president and CEO of Vocera, said, "Alexa's deep experience in corporate governance and cybersecurity will make her a valuable addition to our board."

MobileIron provides a purpose-built mobile IT platform that enables enterprises to secure and manage mobile applications, content, and devices while providing their employees with device choice, privacy, and a native user experience. As it turns out, even technology companies need better visibility into their customers' use of technology.

One of MobileIron's recent board appointments was Jessica Denecour, senior vice president and chief information officer of Varian Medical Systems. Prior to Varian, Denecour worked for Agilent Technologies as vice president of enterprise applications.

"Jessica has successfully completed incredibly complex projects and understands how to go from insight to execution," said MobileIron CEO Barry Mainz. "MobileIron shareholders will benefit from her understanding of the business challenges our customers face and how IT can be used to positively influence business outcomes." 

Takeaways for Boards

For nominating and governance committee chairs, there are three salient points.

1. It's a mistake to simply equate digital transformation with technology. Rather, it presupposes knowledge of fundamentally different business models and the unique leadership roles that shape them.

2. Per Grossman and Rhys in their recent *Harvard Business Review* piece: "Digital transformation needs to be wholesale. Digital innovation needs to permeate and recast every aspect of the business and the board. Companies that do so will thrive in the new world, and those that do not, sooner or later, will fail."

3. Smart shareholders do not have a problem with well-credentialed male CEOs and CFOs serving on boards. But savvy institutional investors increasingly do have a problem with boards that needlessly limit their board searches to those shallow candidate pools.