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Grooming Top Executives Includes Outside Board Experience

At General Mills and elsewhere, external corporate directorships are valuable leadership tool



ENLARGE

Cognizant CEO Francisco D'Souza assists members of his executive team in seeking directorships outside the information-technology provider. *PHOTO: RICH SCHULTZ/ASSOCIATED PRESS*

By
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[7 COMMENTS](#)

“Sitting on a Board is better than an MBA.’

As they groom their star executives, more U.S. businesses are working hard to find them outside board seats.

Chiefs of companies such as [International Flavors & Fragrances Inc.](#), [Cognizant Technology Solutions Corp.](#), [Sempra Energy](#) and [Exelon Corp.](#) say they have been actively trying to obtain directorships for several top officers.

With insiders now landing a record number of CEO spots, corporate directorships give senior executives a strong feel for how other businesses operate. As board members, they will be “exposed to a different set of issues,” predicts Andreas Fibig, IFF’s chief executive.

Consider [General Mills Inc.](#) Two senior leaders of the major food maker, Jeffrey Harmening and Christopher O’Leary, are vying to someday succeed [Ken Powell](#), its 61-year-old chief executive, according to people familiar with the company. That is partly why directors and others recently began helping Mr. Harmening pursue his first public-company directorship. General Mills wants both contenders in its succession race to serve on a corporate board for at least a year before the board picks a new CEO, one such person says. Mr. O’Leary has done so since 2006, and currently sits on the boards of [Telephone and Data Systems Inc.](#) and [Newell Rubbermaid Inc.](#)

General Mills often urges leaders to obtain board experience, a company spokeswoman says. She declined to say whether Messrs. Harmening and O’Leary are the leading candidates for the CEO role.

At General Mills and elsewhere, external directorships have become a key ingredient of executive-development efforts.

“About 80% of big businesses now use their professional contacts so key players can land board spots, because the experience broadens their perspective and ability to deal with a board,” says Paul Winum, practice leader for board and CEO services at RHR International, a leadership-development firm. He estimates that just 20% of companies made these efforts a decade ago.

Some executive-recruitment firms now offer “reverse board search” services, getting paid by companies to match executives with suitable boardroom opportunities. (Recruiters usually get retained by a board to fill director vacancies.)

Francisco D’Souza, CEO of Cognizant since 2007, says he decided to assist members of his executive team in seeking directorships outside the information-technology provider because he learned a lot by joining the board of [General Electric](#) Co. in 2013. “A board seat gives you a great vantage point on a company,” he adds.

Karen McLoughlin, Cognizant’s chief financial officer, was wooed by a recruiter whom Mr. D’Souza approached informally on her behalf. Last September, she went on the board of [Best Buy](#) Co., a retailer of consumer electronics.

Matt Levatich became a director of [Emerson Electric](#) Co. four years ago, after his employer [Harley-Davidson](#) Inc. tapped James Drury Partners, a Chicago search firm, to advise him about securing his first public-company board seat. He then was a unit president for the motorcycle manufacturer.

Inside Emerson’s boardroom, Mr. Levatich had to “put on the hat of an external investor” while focusing on larger issues such as strategy and finance, he recalls. He says this altered viewpoint made him better prepared to deal with the investment community once Harley-Davidson named him CEO in May 2015.

Finding the right board seat for a leader often takes many months and delicate diplomacy, however. Some companies first make sure their own executives are board-ready internally, and restrict outside directorships to the CEO's direct reports.

Mr. Harmening, General Mills's chief operating officer of U.S. retail, has sought a seat since last summer, another informed individual says. Amid increased demand for female and minority board members, the fact that he is a white man represents "a stress point," this person continues. General Mills declined to comment on this issue.

Last year, recruiter Betsy Berkhemer-Credaire launched a reverse board search service for female executives and already has four corporate clients. But the president of Berkhemer Clayton Retained Executive Search expects to spend 18 months completing her first placement.

A reverse board search "is an intense and time-consuming assignment," Ms. Berkhemer-Credaire says. Among other things, she introduces executive women to board power brokers and prepares the candidates for board interviews.

Busy senior executives must learn to juggle the time demands of an outside board along with their own job.

Cognizant's Ms. McLoughlin rejected a chance to become a director of a foreign company whose board meets in Europe eight times a year. "There was no way that my schedule would permit that," she says.

[Walt Disney](#) Co. CEO [Robert Iger](#) refuses to let his senior officers accept corporate directorships. Doing so "would detract from their ability to focus on their business," says a person close to the company, which has operating divisions that include movies, television, consumer products and parks.

Similarly, Sempra directors insisted that Debra L. Reed resign one of her two external directorships in 2011, when they promoted her to CEO. The concern owns energy utilities, pipelines, facilities and terminals.

Ms. Reed chose to leave the board of [Avery Dennison](#) Corp., where she had served since 2009. She remained a director of [Halliburton](#) Co. After four years as CEO, the Sempra leader won her directors' approval to take a board seat at [Caterpillar](#) Inc.

Ms. Reed says she's now helping her top potential successors to land their first seats. Sitting on the board of another company "is better than an M.B.A.," Ms. Reed observes.

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