

# THE “THINK DIRECTOR, THINK CEO” MYTH: *FINANCIAL POST* 500 PUBLIC COMPANIES

**MYTH:** CEO experience is a requirement for board directors.

**REALITY:** The majority of *Financial Post* 500 public company board directors do not have CEO experience.

When people picture a board director, what comes to mind most often is a current or retired Chief Executive Officer (CEO). Nominating committees, board chairs, and search firms commonly use the CEO title as a quick litmus test for qualified board candidates. The “think director, think CEO” mindset has become so ubiquitous that common wisdom now holds that CEO experience is a minimum qualification for a board seat.

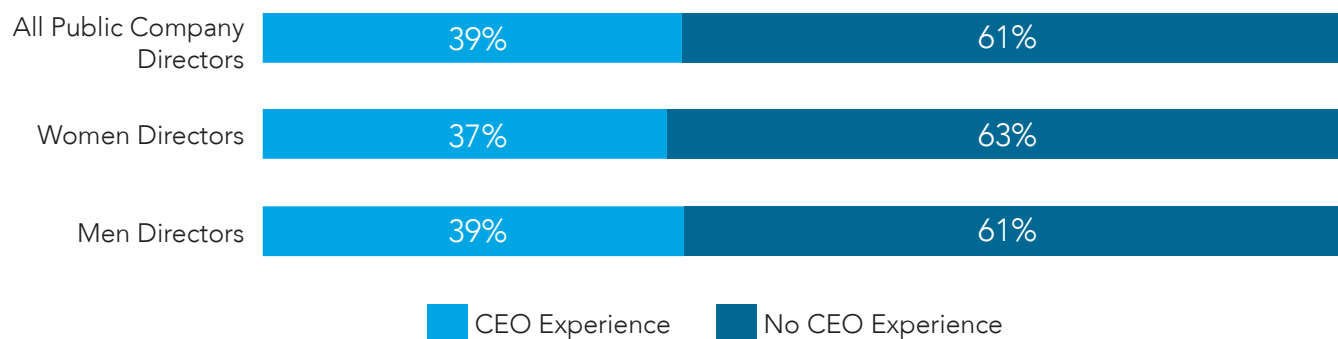
Does the reality of today’s Canadian corporate boardroom align with the “think director, think CEO” mindset? Simply put, no. Public *Financial Post* 500 companies are largely governed by directors who do not have CEO experience.

## The Majority of Directors Govern Without CEO Experience

Despite the persistence of the “think director, think CEO” myth, the facts are clear: less than 40% of *Financial Post* 500 public company board

directors have CEO experience, and women and men directors have CEO experience at equal rates.<sup>1</sup>

2011 *Financial Post* 500 Public Company Board Seats Held by Directors With and Without CEO Experience



The “think director, think CEO” mindset is troubling not only because it fails to reflect reality, but also because of its implication: “think male.” Given that most CEOs are men—only 6% of *Financial Post* 500 companies are headed by women—this logic is understandable.<sup>2</sup> However, when board chairs, nominating committees,

search firms, and others automatically approach recruitment with a “think director, think CEO, think male” mindset, they unconsciously—and unnecessarily—narrow the pool of potential candidates.<sup>3</sup>

## It’s Time to Put the “Think Director, Think CEO” Myth to Bed

There is no doubt that CEOs have a place on boards—they bring myriad skills, knowledge, abilities, connections, and highly desirable experiences to the boards on which they serve. However, the reality is that most *Financial Post* 500 public company directors, regardless of gender, do not have previous CEO experience. Moreover, active CEOs may be too busy with their own companies to be effective independent directors, and most companies limit the number of boards on which their CEOs can

serve.<sup>4</sup> Thus, when recruiting director candidates, boards must realize that the title “CEO” is not a competency. Boards should move away from the “think director, think CEO” mentality and, instead, clearly focus on the specific competencies needed for the board—and the company—to be successful.

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- 1 Analysis is based on 273 publicly traded companies from the *2011 Catalyst Census: Financial Post 500 Women Board Directors*; see Appendix 1—Methodology for more information. Directors were considered to have CEO experience if they currently or formerly held the title of Chief Executive Officer of a business, corporation, or firm. This includes experience as the CEO of an entire independent company or ultimate parent company; a company that appeared on the *Financial Post* 500 list since 2005; or any company that files or has filed with the Canadian Securities Administrators (CSA). Leaders of non-corporate entities such as universities were not included as having CEO experience. Differences in CEO experience criteria preclude comparisons to *The “Think Director, Think CEO” Myth: Fortune 500 Companies* tool; see endnote 1 for more information. The proportion of directors with and without CEO experience was significantly different at  $p < .01$ . The difference between women and men was not statistically significant at  $p < .05$ . Women with CEO experience held 99 (37.1%) of the 267 seats filled by women directors. Men with CEO experience held 897 (38.7%) of the 2,317 seats filled by men directors.
- 2 Catalyst, *Catalyst Pyramid: Women CEOs and Heads of the Financial Post 500* (July 19, 2012).
- 3 Anika K. Warren, *Cascading Gender Biases, Compounding Effects: An Assessment of Talent Management Systems* (Catalyst, 2009).
- 4 Heidrick & Struggles and Stanford University’s Rock Center for Corporate Governance, *2011 Corporate Board of Directors Survey* (2011); Spencer Stuart, *Spencer Stuart Board Index* (2011); Spencer Stuart, *Canadian Spencer Stuart Board Index 2011: Board Trends and Practices of Leading Canadian Companies* (2012).