

THE “THINK DIRECTOR, THINK CEO” MYTH: FORTUNE 500 COMPANIES

MYTH: CEO experience is a requirement for board directors.

REALITY: About half of *Fortune* 500 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 U.S. corporate boardroom align with the “think director, think CEO” mindset? Simply put, no. *Fortune* 500 companies are governed by individuals both with and without CEO experience.

Directors Govern With and Without CEO Experience

Despite the persistence of the “think director, think CEO” myth, the facts are clear: about half of *Fortune* 500

board seats are filled by directors with CEO experience and half by directors without CEO experience.¹

2011 FORTUNE 500 BOARD SEATS HELD BY DIRECTORS

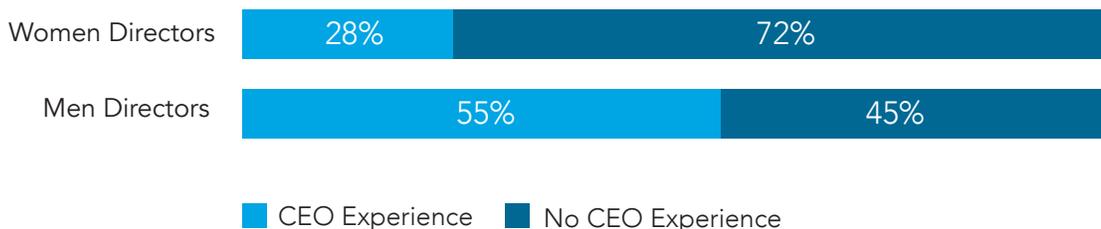


Gender Makes a Difference

When it comes to being a current or former CEO, gender makes a difference. Among board seats filled by women, more than two-thirds don’t have CEO experience.² This isn’t particularly surprising, given that only 4% of *Fortune* 500 CEOs are women and, historically, this number has been even lower.³

What is surprising is that while one might expect high levels of CEO experience among men, many (45%) serve without CEO experience. And because men fill more than five times the number of *Fortune* 500 board seats as women do, vastly more men currently serve without CEO experience.⁴ Thus, it appears that lacking CEO experience is not a problem for men, but continues to be for women.

2011 FORTUNE 500 BOARD SEATS HELD BY DIRECTORS BY GENDER



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, this logic is understandable. 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 supply of potential candidates.⁵

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 *Fortune 500* directors govern both with and without 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.⁶ 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 All analysis is based on data from the *2011 Catalyst Census: Fortune 500 Women Board Directors*; see Appendix 1—Methodology for more information. Included are 482 companies that filed with the Securities and Exchange Commission. Catalyst defined CEO experience as a current or former position with the title of Chief Executive Officer of an entire corporation, firm, or business. Leaders of subsidiaries, business units, and non-corporate entities such as universities were not included as having CEO experience. The proportion of seats filled by directors with and without CEO experience was not significantly different at $p < .05$.
 - 2 Seats filled by women were significantly more likely to have a director without CEO experience, while seats filled by men were significantly more likely to have a director with CEO experience at $p < .05$. Women without CEO experience held 614 (72%) of the 847 seats filled by women directors.
 - 3 Catalyst, *Women CEOs of the Fortune 1000* (July 17, 2012); Catalyst, *Women CEOs in the Fortune 1000: 1972-2010* (2011).
 - 4 Men without CEO experience held 2,011 (45%) of the 4,466 seats filled by men directors.
 - 5 Anika K. Warren, *Cascading Gender Biases, Compounding Effects: An Assessment of Talent Management Systems* (Catalyst, 2009).
 - 6 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).