



KORN/FERRY INTERNATIONAL

KFMC¹⁰⁰

New directors and new
directions at America's most
valuable public companies



The Korn/Ferry Market Cap 100

2011



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Introduction: A class portrait

The KFMC¹⁰⁰ is Korn/Ferry International's annual report on board leadership at the most valuable quoted companies in the United States. This group of 100 is utilized on the assumption that trends found among its board practices are worth understanding and considering.

The primary focus of this year's survey is "The Class of 2010," those ninety-five new directors who joined the boards of KFMC¹⁰⁰ companies during the fiscal year 2010, filling ninety-eight total seats on boards. What characteristics are these newcomers bringing to those boards? And how do they differ from those already there? Four such comparative features in particular stand out:

An exceptionally high number of them have had significant international experience. For example, 12 percent have had experience in the crucial BRIC economies (Brazil, Russia, India, and China), compared with less than 5 percent of standing directors. As companies' revenues and operations outside the United States have increased, so have their boards' desire for real on-the-ground experience in foreign markets.

The KFMC¹⁰⁰ boards pursued more directors who have seen substantial government service: twenty of the ninety-five members of the Class of 2010 have at some time in their careers held a full-time post in the public sector. This is almost undoubtedly the highest percentage for many years. Some have had both a political and an international background. A former president of Mexico, a U.S. ambassador to the People's Republic of China, and a former secretary of state in the Spanish government all appear among the Class of 2010.

Boards are balancing the opposing forces of continuity and change

as companies seek to broaden the knowledge and experience available in their boardrooms. With only ninety-eight new appointments in FY 2010 out of a total 1,278 seats (a turnover rate of only 7.6 percent), it's clear that these top boards value the preservation of company knowledge and working relationships. At the same time, that offers them only limited opportunity to add needed skill sets and widen the diversity of perspectives or just add new blood.

With so few openings, the KFMC¹⁰⁰ boards clearly concentrated on depth of experience in 2010.

Eighty-one of the ninety-eight appointments had served other boards. Sixty-nine of the positions went to someone with CEO experience, either current or previous.

As in the past, this report combines statistical analysis and anecdotal insight. In the statistical analysis we have been assisted by Hanover Research. The anecdotal insights are our own, developed over many years in the course of hundreds of board-level search and consulting engagements for a broad range of clients and including some of the largest companies in the United States.

Also, we would specifically like to thank Pat Russo, the former CEO of Alcatel-Lucent who holds seats on five corporate boards, three of them in the KFMC100; Jack Krol, the former chairman and CEO of DuPont and currently non-executive chairman of Delphi Corporation; and Donald J. Gogel, the president and CEO of private-equity firm Clayton, Dubilier & Rice. These three executives generously shared their thoughts with us on these trending priorities within boards, and our conversations with them are recorded in these pages as an offering to stimulate the thinking of directors everywhere.

We welcome your comments and queries at any time regarding this report or any of the other challenges your board may be facing.



Dennis Carey
Vice Chairman



Stephen P. Mader
Vice Chairman

A more global class of directors

The Class of 2010 consists of those individuals who joined the board of at least one of the KFMC¹⁰⁰ companies during the fiscal year 2010. Altogether there were ninety-five of them. Three of these individuals joined two boards during that year, so ninety-eight directorships changed hands over the period.

We wanted to find out whether these ninety-five individuals collectively might tell us something. How did they differ, if at all, from the directors who were already sitting at the boardroom tables? And what did their choice for appointment say about the goals for the future effectiveness of the boards of corporate America?

A striking feature of the members of the Class of 2010 is that they are significantly more international than the pool of directors they joined. Whereas 10.1 percent of the standing KFMC¹⁰⁰ directors are not American citizens, 21.4 percent of the newcomers have a foreign nationality (see Figure 1). More of the new directors also have an international personal background—i.e., they were born and/or educated abroad: 28.5 percent of them compared with only 17.6 percent of the standing directors (see Figure 2). (Note that for all the calculations in this report, we have used the number of total directorships, not individual directors. Some people hold multiple board assignments in the KFMC¹⁰⁰.)

Those directors with an international personal background are widely spread around the KFMC¹⁰⁰: eighty-six of the 100 companies have at least one such director. Slightly more—ninety of the 100 boards—have directors with significant international work experience.

This marks an acceleration in the internationalization of America’s corporate boardrooms that has been underway for some time. It also parallels the sharp change in recent years in the source of American companies’ revenues, much larger percentages of which now come from outside the United States. At 3M, for instance, more than 65 percent of revenues

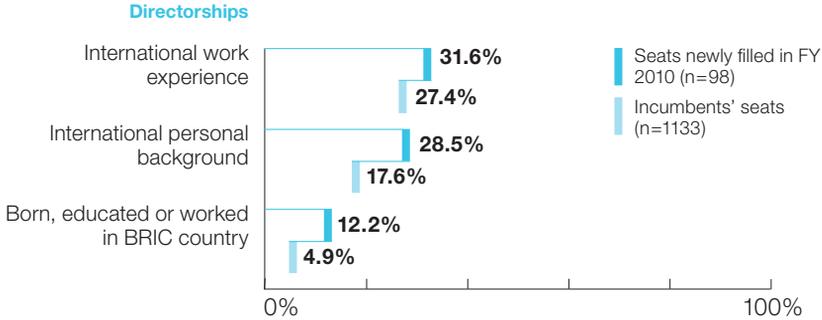
Figure 1
Nationality of KFMC¹⁰⁰ directors

The percentage of new directorships occupied by a non-American was about double that of the incumbents. Nationality data was unavailable for 39 of the 1133 incumbent directorships.



Figure 2
Internationalism of KFMC¹⁰⁰ directors

Compared with the 1,133 seats held by incumbent directors, this new class has a higher percentage of international personal backgrounds (born and/or educated), work experience, and experience in BRIC countries (Brazil, Russia, India, and China).



are now non-U.S.; at GE, the figure is well over 50 percent. Under such circumstances, it is scarcely surprising that boards are looking for new directors who have real familiarity with their companies' increasingly non-American markets.

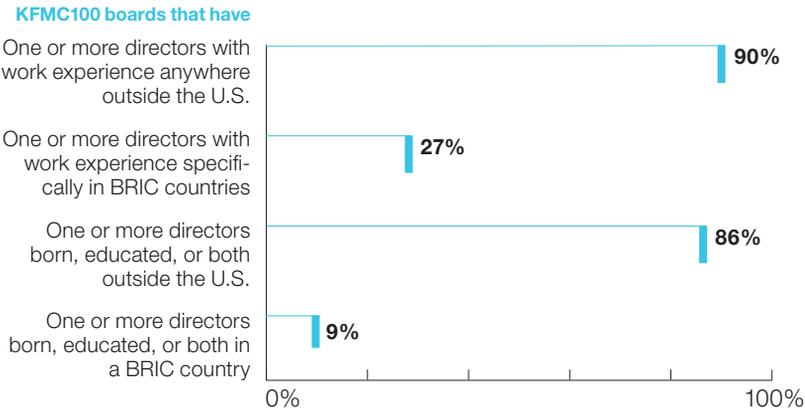
Philip Morris International (PMI), the manufacturer and distributor of Marlboro cigarettes outside the United States, is an exceptional example of how board demographics can follow business development. Headquartered in New York, PMI sells its products in some 180 countries and bases its operations out of Switzerland. Of the nine directors on its board, only two are of American origin. Two are Swiss, one is British, one Mexican, one Australian, and one is Italian-Canadian. In FY 2010, PMI added Jennifer Li, the chief financial officer of the largest Internet search company in China.

In the Class of 2010, 12.2 percent have lived or worked in a BRIC nation, more than double the rate of standing directors.

Today, when emerging markets are increasingly material to Western

Figure 3
BRIC experience on KFCM¹⁰⁰ boards

Although 90 percent of KFCM¹⁰⁰ boards include directors who held a significant work assignment outside the U.S., just 27 percent of those represent experience with the BRIC countries. The same pattern is true for the personal background of directors, that is, where they were born and/or educated.



companies' success, it is not just international experience that is valuable, but experience in particular regions. Perhaps most important are the BRIC nations—Brazil, Russia, India, and China. But experience in these countries among the directors of KFMC¹⁰⁰ companies is much more thinly spread than is international experience in general. Only 4.9 percent of the standing directors have lived or worked in one of the BRIC countries.

In this respect, the difference among the newcomers is particularly striking: 12.2 percent of them have lived or worked in a BRIC nation (see Figure 2). They have invaluable on-the-ground familiarity with these very different markets, and boards are pursuing that experience.

Q&A: Pat Russo

Onboarding new directors



“Probably the single most critical step in onboarding is to rub elbows with management and operations. There is a temptation to think you understand something either because you have experienced it before or had it described to you. It is amazing how when you touch it, it becomes more real.”

Over the past few years, Pat Russo has had as rich an experience as any director anywhere. She became a member of the reconstructed board of General Motors, assembled to emerge from bankruptcy, and she was one of five new directors appointed this year at the transforming Hewlett-Packard. She already held seats at Alcoa and Merck, and most recently joined the board of KKR. We asked her about her experiences with onboarding as a new director.

Question: What’s the way to set a strong foundation when joining a new board?

Pat Russo: I think the most important aspect starts before the appointment: a good, solid mutual contract about what the board hopes for, and what the director hopes for and can deliver. This due diligence is really the start of effective assimilation.

In defining director qualifications we can fall into the trap of being too granular. Consider my own match to GM: I had no background in autos, or even heavy manufacturing. But my depth in telecommunications was marked by large legacy organizations with

big but shrinking market shares, huge pension liabilities and entitlement issues, complex labor relationships, and alternative technologies challenges. That sounded familiar to GM. GM also faced big decisions on leadership and strategy. When such transformational forces are at work, directors who are CEOs by experience tend to be especially helpful. GM directors also needed high-intensity availability—time to go deep and get there fast. After all, we had a new board, a lack of historical foundation, and the U.S. Treasury as a shareholder.

Question: Was the assimilation experience similar to most others you have had?

Pat Russo: My experience joining Alcoa in late 2008 is an example of a whole different equation. While I had no correlating industry experiences, Alcoa was interested in a global CEO perspective to join a board that was already deep in industry, market, and process knowledge. I had a long time horizon to get acclimated, and many co-directors well prepared to help me so that my own strengths could eventually be used well.

From these two experiences, the lessons to me were to remember that good onboarding starts with a careful and thoughtful selection by both parties. Do both you and the board understand one another's needs and the parameters for getting to a rewarding contribution?

When I joined HP we had a kind of hybrid situation where five of us were joining a core of six other independent directors. It was made clear in the public announcement that each new director brought a specific perspective that the board saw as important...an IT customer perspective, a technology vendor perspective, a business strategy perspective, and so on. Everyone had clear expectations about contributions.

Question: Once you have decided to take on a directorship, how do you define what you need to know?

Pat Russo: Probably the single most critical step in onboarding is to rub elbows with management and operations. There is a temptation to think you understand something either because you

Q&A: Pat Russo

have experienced it before or had it described to you. It is amazing how when you touch it, it becomes more real.

Alcoa does this well—and I found it particularly helpful as an industry outsider. Going to places like Norway to visit smelting and refining facilities and to western Australia to visit a bauxite mine and processing facilities is invaluable. You talk to people in the business and you see how they get their work done, what matters to them, and what operational metrics they care about. It is important that key leaders below the CEO facilitate this director insight and are involved, too. I believe directors need the top management team to be educators. Then directors can see the business through their own eyes, not just the CEO's eyes.

Question: How can the board itself help a new director get grounded?

Pat Russo: Other directors can be invaluable if they will take the time. At Alcoa, where I had to come up the aluminum industry learning curve, I was able to tap into a few of the board members

who had years of experience on the board, had been through some of the typical industry cycles and who had developed great knowledge about the company. Both in and out of board meetings, they were only too happy to share their knowledge about the company and, importantly, their perspective on various matters. This proved to be quite helpful.

At HP, I joined that board with reasonably good knowledge of the industry, but joined at a time when HP was going through some changes. Joining a board at the same time as three or four other directors is a unique experience and one I found to be helpful.

Question: Are you saying that it can be an advantage to be appointed in close proximity to other directors?

Pat Russo: Transformational boards have a unique opportunity in some ways with onboarding, because you have a peer group. It worked this way at GM, too, and especially there because we had so much due diligence to do even before we committed. When there is a peer group, many more good

questions get asked and you get a richer dialogue than any one new director would generate.

Question: Where would you rank the actual boardroom work itself as an onboarding tool?

Pat Russo: I think that how management informs and interacts with a board is getting increased attention, and that benefits new director onboarding. We all learn faster interactively. CEOs who really want the board's help will balance presented information with active engagement, and make sure highly authentic Q&A takes precedence. All directors learn more by being exposed to more perspectives, but new directors benefit most of all. They not only learn more about the business, they learn more about their fellow directors, which makes them more effective influencers and collaborators. Dan Akerson [GM chairman and CEO] encourages this particularly well. Maybe it helped that previously he was one of the directors and understands what would help the board most.

Question: Does board and individual director performance

feedback play into effective onboarding? Maybe the tools are not really there yet?

Pat Russo: I would push back to say that the tools for board and director assessment are there. Boards are not consistent about using them yet, and are inconsistent about taking constructive actions. This hurts new directors in the sense that they probably would benefit the most of all from feedback...to reinforce positives as well as to provide constructive critique. So in the cases where this process is advanced, it is a strong help to onboarding.

What I have seen with a number of boards is that when concerns with individual performance only number one or two—and where that's more an opportunity cost than severe distraction—then corrective action doesn't make the priority list. As the responsibility of boards is increasing and the directors depend more on one another to be effective, I believe performance evaluation will receive increasing interest and attention. But collectively, we're not there yet.

Pursuit of public-sector skills

The other key distinction between the members of the Class of 2010 and the incumbent directors is the depth of experience that they have had in public-sector posts. Twenty of the newcomers have worked full time for some government branch or agency at one point in their careers, a slight increase over rate among standing directors. But the high level of some of these new directors is striking. The class includes a former president of Mexico, a U.S. trade representative, a U.S. senator, and an ambassador to China (see Figure 4).

The ranks of directors with full-time government experience have been increasing for some time. A prior analysis of Korn/Ferry's Global Board Services proprietary database found that the number among Fortune 1000 boards had increased by nearly 16 percent between 2000 and 2007. Underscoring the value boards place on knowledge of the nation's various political bodies and bureaucracies, today, eighty-nine of the KFMC¹⁰⁰ companies have one or more directors with significant public-sector work experience.

Time spent in Washington, D.C., seems particularly valued. There is a fast-growing demand for the public-policy skills and contacts of directors who understand how to constructively influence national policy, as well as evaluate implications of complex regulatory legislation.

Respected former public servants do not have to wait long before attracting the interest of the private sector. As a recent example, Judd Gregg, the former Republican senator from New Hampshire, ended his term in January 2011 and joined the board of Honeywell in April. The next month, Mr. Gregg was appointed an international advisor to Goldman Sachs.

Not all new directors with valuable public-policy experience come from elected or appointed office, however. A recent report from the Korn/Ferry Institute (“A New Breed of Director Emerges as Public Policy Enters the Boardroom”) points out that former agency administrators also have strong and relevant skills. The key lies in a person’s understanding of how public policy is created and implemented. Helene Gayle, who joined the board of Colgate-Palmolive in 2010, is currently the president and CEO of CARE, a leading aid organization fighting global poverty; she brings to the personal care products company decades of experience in public health at the Centers for Disease Control and Prevention.

There is a fast-growing demand for the public-policy skills and contacts of directors who understand how to constructively influence national policy.

Some in the Class of 2010 combine political experience with deep international expertise. Ernesto Zedillo, the former president of Mexico, is serving on the Citigroup board. Luis Tellez Kuenzler became a director of Southern Copper during 2010, and was formerly Mexico’s secretary of energy. Saudi citizen Abdallah Jum’ah, who was president and CEO of the national oil company Saudi Aramco, joined the board of the oil-field-services company Halliburton. Such individuals clearly bring a valuable combination of skills.

Figure 4

New KFMC¹⁰⁰ directors who worked in the public sector

Out of the ninety-five individuals who joined their respective boards in fiscal year 2010, twenty entered with some full-time public-sector experience.

David Bonderman

New board:

General Motors Co.

Public sector work:

Special Assistant to the U.S. Attorney General in the Civil Rights Division, 1968-1969.

David J. Brailer

New board:

Walgreen Co.

Public sector work:

National Health Information Technology Coordinator ("Health Information Czar"), 2004-2006.

Howard G. Buffett

New board:

The Coca-Cola Company

Public sector work:

County Commissioner of Douglas County, Nebraska, 1989-1992.

Helene D. Gayle

New board:

Colgate-Palmolive Co.

Public sector work:

Director of the National Center for HIV/AIDS, Viral Hepatitis, STD, and TB Prevention with the Centers for Disease Control and Prevention (CDC). Served in the U.S. Public Health Service for 20 years, retiring as a Rear Admiral.

Chuck Hagel

New board:

Chevron Corp.

Public sector work:

U.S. Senator from Nebraska, 1997-2009.

Robert H. Henry

New board:

Devon Energy Corporation

Public sector work:

Judge on the U.S. Court of Appeals for the 10th Circuit, 1994-2010; Attorney General of Oklahoma, 1987-1991; Oklahoma State Representative, 1976-1986.

Abdallah S. Jum'ah

New board:

Halliburton Co.

Public sector work:

Former CEO of the Saudi Arabian Oil Company, the national oil company of the Kingdom of Saudi Arabia.

Dale E. Klein

New board:

Southern Company

Public sector work:

Chairman of the U.S. Nuclear Regulatory Commission, 2006-2009, and thereafter as a Commissioner until 2010. Assistant to the Secretary of Defense for Nuclear, Chemical and Biological Defense Programs, 2001-2006.

Luis Tellez Kuenzler

New board:

Southern Copper Corp.

Public sector work:

Mexico's Secretary of Communications and Transportation, 2006-2009; Secretary of Energy, 1997-2000; and Chief of Staff to Mexico's President, 1994-1997.

Elizabeth Anne Moler

New board:

Schlumberger Limited

Public sector work:

Deputy Secretary for the U.S. Department of Energy, 1997-1998; Member of the Federal Energy Regulatory Commission, 1988-1997; and Senior Counsel for the U.S. Senate Committee on Energy and Natural Resources, 1976-1988.

Phebe N. Novakovic

New board:

Abbott Laboratories

Public sector work:

Special assistant to the Secretary and Deputy Secretary of Defense, 1997-2001; deputy associate director of the Office of Management and Budget, 1992-1997.

Clark T. Randt Jr.

New board:

United Parcel Service, Inc.

Public sector work:

U.S. Ambassador to the People's Republic of China, 2001-2009.

Francisco Ros

New board:

QUALCOMM Inc.

Public sector work:

Served as Secretary of State (vice minister) of the government of Spain, responsible for telecommunications, 2004-2010.

Sheryl Sandberg

New board:

Walt Disney Co.

Public sector work:

Chief of Staff to the U.S. Secretary of the Treasury, 2001-2006.

Susan C. Schwab

New board:

Boeing Co.

Public sector work:

U.S. Trade Representative, 2006-2009;
Deputy U.S. Trade Representative,
2005-2006.

Rodney E. Slater

New board:

Verizon Communications Inc.

Public sector work:

U.S. Secretary of Transportation, 1997-2001.

Edwin E. Smith

New board:

Enterprise Products Partners LP

Public sector work:

State Bank Examiner for the Texas
Department of Banking, 1959-1966.

Cynthia A. Telles

New board:

General Motors Co.

Public sector work:

Commissioner for the City of Los Angeles
for thirteen years, among other
appointments.

Larry D. Thompson

New board:

Southern Company

Public sector work:

Deputy U.S. Attorney General, 2001-2003;
U.S. Attorney for the Northern District of
Georgia, 1982-1986.

Ernesto Zedillo

New board:

Citigroup, Inc.

Public sector work:

President of Mexico, 1994-2000. Also
Undersecretary of Budget, 1987-1988;
Secretary of Economic Programming and
Budget Education, 1988-1992; and
Secretary of Education, 1992-1994.

Competing diversity demands

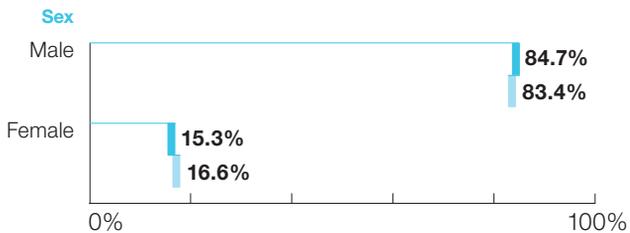
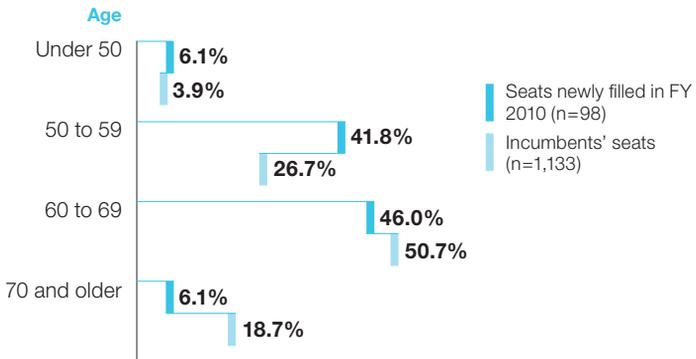
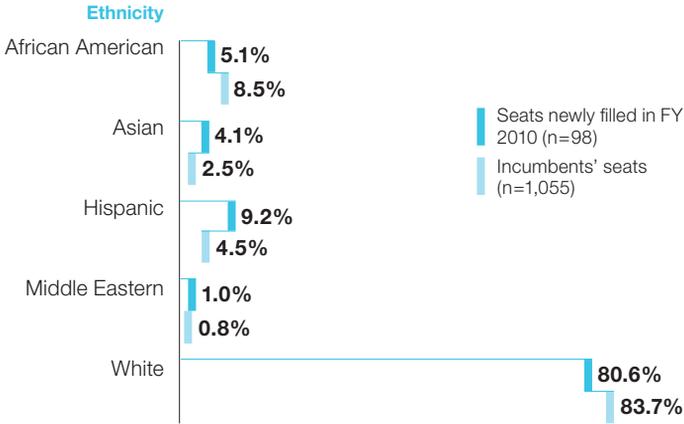
Adding more international experience and more public-sector know-how to company boards may not be achieved without some cost. Boards cannot expand indefinitely, and there is some evidence to suggest that the newcomers, the Class of 2010, may be providing some forms of diversity at the expense of others.

Overall, minority representation increased to 19.4 percent of new directorships, in part because of the addition of non-American Asian and Hispanic directors (see Figure 5). But boards did not add quite as many women or African Americans as they typically have in the recent past. The percentage of women in the boardrooms of America's biggest companies has remained virtually unchanged for some time, despite a hope that the growing numbers of women in senior management will break through the final "glass ceiling" and enter more American boardrooms. This phenomenon, of course, is not peculiar to the United States. In several countries in Europe, politicians have introduced legislation to establish future quotas for gender diversity appointments. Noble as these aims are, they may not address the competing forces underlying the diversity issue.

Finally, generational diversity is an often overlooked issue. Of the 1,133 incumbent directorships, 50.7 percent were filled by people in their sixties, and 18.7 percent by those seventy or older. Only 3.9 percent were under fifty. The Class of 2010 added more directors in their fifties, but only 6.1 percent of appointees were under fifty.

Figure 5
Demographics of new KFMC¹⁰⁰ directors

Ethnic minorities accounted for 19.4 percent of new directorships, vs. 16.4 percent of the incumbent directorships. Note that ethnicity information was unavailable for seventy-eight of the incumbent directors.



Q&A: Jack Krol

Building strong board-CEO bonds



“Building trust is essential. It all starts with a basic understanding that part of your job as non-executive chairman, and even the entire board, is to help the CEO to be successful.”

John A. (Jack) Krol is one of the most experienced chief executives and directors anywhere, having served on twelve boards. He has been a director of Tyco since August 2002, and served as lead director from August 2002 until March 2008. He is also non-executive chairman of Delphi Corporation and Pacolet Milliken Enterprises, and on the board of directors of Ace Limited. Mr. Krol's distinguished career began in 1963, when he joined E.I. du Pont de Nemours & Company as a chemist, working his way up to senior management positions. He was appointed vice chairman of the company in 1992, president and CEO in 1995, and chairman and CEO in 1997. He is a former director of DuPont, Mead Corporation, Armstrong World Industries, Milliken Company, MeadWestvaco, J.P. Morgan, and the advisory boards of Teijin Ltd. and Bechtel Corporation. At both Tyco and Delphi, Mr. Krol was involved in rebuilding the board almost from scratch, and we asked him about that process.

Question: You've seen a great deal of change in governance during your career as a chief executive and a director. Can you talk a bit about the role of the

non-executive board leader in creating a relationship that adds value between the board and the CEO?

Jack Krol: It really is a partnership, while not compromising independence. The key to making this process work is to clarify roles and set the stage for success. The first thing I said when I sat down with Ed Breen [Tyco CEO] is, “Here’s what I think your job is and here’s what my job is.” We agreed on our responsibilities right at the beginning. One of the things I had on my side of the equation was helping the CEO to be successful. If we could do that then it would naturally follow that the company would also be successful.

Question: In building a relationship with the CEO, how can the independent board leader be most helpful? What are some pitfalls to avoid?

Jack Krol: Particularly in the case of a new CEO, an experienced board leader can be extremely helpful as a mentor. But you do have to proceed with caution: the thing you have to be really careful

about is not getting so cozy that you risk losing your objectivity.

There are a lot of ways a board leader can help a CEO, but often the CEO simply needs somebody to talk to and use as a sounding board. The board leader can also be helpful in the CEO’s development because, like everyone else, CEOs have strengths and areas they need to build on. Some CEOs, for example, may be great on the operations side but need to work on their strategic skills or perhaps communications skills. Sometimes that means bringing in a coach to work with the CEO on improvement.

The first step in building a successful relationship with the CEO when you’re the non-executive chair or lead director is to gain that person’s trust. The CEO has to believe that you’re really interested in him or her being successful. Once that trust is established, things should flow well.

In helping the CEO develop as a strong leader, sometimes the board leader works with the CEO, and sometimes it’s other people

Q&A: Jack Krol

on the board. There is a certain type of CEO who is more resistant to this sort of help; but, generally, on the boards I have served on the partnership has worked well.

Question: What about in a situation where you start with an entirely new board? How do you quickly and effectively get the board oriented and involved?

Jack Krol: It is certainly a different situation when you've got a whole new board and they don't know anything about the company. I think the key is to get them involved quickly. At Delphi we leveraged the experience and skills of our directors to examine key areas and suggest improvements. Here are some examples: We asked Randy MacDonald [J. Randall MacDonald, senior vice president-human resources, IBM] to take a look at all of the systems we had in place for the evaluation and development of people and succession planning. Larry Zimmerman [retired Xerox vice chairman and CFO] assessed internal controls in the company. He worked with the CFO and a number of people down the line

in the company, along with the audit committee. We were also concerned about whether or not the company really has a long enough horizon for technology and innovation, so we formed an innovation and technology committee, and Nick Donofrio [former executive vice president of innovation and technology at IBM] headed that. A new compensation program had to be developed for the board and management, so Rajiv Gupta [former chairman and CEO of Rohm and Haas] and Sean Mahoney [former head of Goldman Sachs' Financial Sponsors Group] took on this assignment, along with the compensation committee. We tapped Mark Frissora [Hertz chairman and CEO] for his experience with IPOs, establishing key metrics to help drive business results and strategic planning. All board members participated in these efforts and others. Taking on these assignments, plus committee assignments, required digging deeply into the company's operations and thus accelerating the learning process.

Question: It sounds like you really put your fellow directors to work. What was your role and how did you ensure that the CEO was comfortable with this level of engagement on the part of the board?

Jack Krol: My job, in all of these areas, was to make sure that Rod [Delphi CEO Rodney O'Neal] was involved and comfortable with this process. Again, building trust is essential. It all starts with a basic understanding that part of your job as non-executive chairman, and even the entire board, is to help the CEO to be successful. But I would caution that directors have to be sensitive not to expand their exploration to trying to manage things.

Question: What was the early experience of the board like when you joined Tyco, where both the board and the CEO were brand new?

Jack Krol: Tyco was an example of a CEO who felt comfortable from the beginning working with the board and had confidence that we were there to help him. For example, Ed [Breen] allowed

me to develop an enterprise risk assessment process. We were recruiting a new board and, with Tyco's history, we needed to understand the risks in the various businesses and, at the same time, learn a lot about the businesses and management teams. As part of the enterprise risk assessment process, I led a team of two or three directors visiting each business once per year. Each director would participate in at least one visit per year. We always started by telling the management team that we were there to understand the risks and mitigation steps taken and not to manage anything. I don't know that a lot of boards do this, but the process was born out of necessity, because we didn't know the business, we didn't know what the risks were, and we didn't know the people.

At each of these visits, mostly held at plant sites, we hosted a town meeting that provided additional insights. About three years ago, I suggested we discontinue the risk assessment process, but Ed told me he wanted to leave things the way they were. He said

Q&A: Jack Krol

that the business leaders like having directors out in the field with their global management teams, because the board teams provide different perspective, and that it continued to be a good learning experience for our directors.

Question: Generally speaking, do you see a trend toward boards getting more engaged on a tactical as well as strategic level?

Jack Krol: I do. Directors are getting more involved in strategy, the business plan, assessment of the management team and bench strength, getting the right people in the right positions and, importantly, monitoring execution of plans and strategies, to name a few shifts.

There is more openness to use the skills and experience of board members to provide input. Done

right, the board can be a competitive advantage for the company. But, once again, the underpinning for this is a mutual trust between the CEO and board.

Board members are also more candid in expressing their views. Executive sessions are now normal for boards and provide a forum for drawing out all members' views on key issues. A decade ago, it would have been unusual to get the kind of openness that we have today.

There is also some push for directors to meet with shareholders as a normal practice—even meeting with the press. Although there may be instances where this is appropriate, and I have participated, I believe the CEO should generally be the public face of the company, for consistency of message, which is supported by the board.

A premium on experience

As the age issue underscores, KFMC boards place a premium on high-level experience, and the bulk of the Class of 2010 are boardroom veterans. Fifty-eight of them currently serve on other boards—ranging from the thirty-one who sit on one additional board, to the one individual who sits on an additional five. Only seventeen of them are “rookies,” meaning that the board they joined in FY 2010 was their very first directorship. Three of this year’s class joined two KFMC¹⁰⁰ boards during the year: Edward Liddy at Abbott Laboratories and Boeing; John Stumpf at Chevron and Target; and Ronald Sugar at Amgen and Apple.

Of the ninety-eight new directorships, eight were new CEOs joining their own company’s board. But CEOs were in high demand as independent directors as well: twenty such seats were filled by active CEOs from other companies (though not necessarily publicly traded ones), and an additional forty-one by people with prior CEO experience.

It is generally expected that there will be fewer and fewer serving CEOs appointed to the boards of other companies as non-executive directors,

Figure 6

Governance experience

The majority of the ninety-eight directorships in the KFMC¹⁰⁰ went to individuals who already had boardroom experience.

New directorships by governance experience	Number (n=98)
First-time directors	17
Experienced directors	81

even though our Class of 2010 does not yet reflect this. Since the passage of the Sarbanes-Oxley Act in 2002, boards have begun to restrict the number of directorships their CEOs may hold. Some companies, such as GE, prohibit external board service altogether. Of the current CEOs of KFMC¹⁰⁰ companies, forty-five serve on no other board than their own. As boards continue to seek the unique integrative perspectives of trained CEOs, these trends represent a collision of supply and demand.

In the KFMC¹⁰⁰,
forty-five of the CEOs
served on no board
other than their own.

Among the KFMC¹⁰⁰, fifty-two companies limit the number of additional boards on which their directors may serve (between two and six), which may also begin to close the tap on even retired CEOs turned directors. What's more, the added responsibilities in the post-Enron era have made board service more time consuming. It is common for directors to report spending more than 250 hours a year meeting their responsibilities to a single board. This puts further pressure on boards to look beyond just CEOs, current and former, for their new directors.

A smaller proportion, fourteen of the 2010 seats, went to C-suite and

Figure 7
Number of boards served among new KFMC¹⁰⁰ directors

Among the KFMC¹⁰⁰ class of 2010, a large majority of the directors were only on one or two boards. But a handful served on five, and one person on six.



other high-level executives—a pool that boards may have to dip into more often in the coming years.

If these forces move boards to appoint future directors with less depth of experience in governance, that will increase the demands of onboarding (See Q&A: Pat Russo, page 10). That need is already being felt: A recent survey by the consulting firm McKinsey & Company found that more than half of all serving directors say that the training new board members receive needs to improve.

Figure 8
CEOs joining KFMC¹⁰⁰ boards

A great deal of chief executive experience joined the boards of the KFMC¹⁰⁰. Twenty-eight of the new directors are active CEOs at their own or other companies. An additional 41 had CEO experience in the past, though they are retired or hold a different title now.

Directorships filled by	Number (n=98)
Active CEOs of company whose board they joined	8
Active CEOs of another company	20
Has previous CEO experience	41

Assessment, retirement ages, and board renewal

Many directors point out that biological age is a poor benchmark to use for limiting service of a board member. In fact, while eighty of the KFMC¹⁰⁰ companies have a stated director retirement age, eighteen waived it for one or more serving directors during the period of our study. Some have suggested term or tenure limits is a more relevant concept, but in fact 31 percent of all KFMC¹⁰⁰ directors already have held their board seats for more than ten years. The average incumbent director has served nearly nine years and is sixty-four years old.

To be sure, experience and continuity are exceptionally valuable in a setting where boards may physically meet only twelve days a year. But such a slow rate of turnover—7.6 percent of all seats in fiscal year 2010—represents a hurdle to other goals in the eyes of many

Figure 9
KFMC¹⁰⁰ retirement age policies

Among the eighty KFMC¹⁰⁰ boards with retirement ages, eighteen have directors who are older participating under exception. Boards with no age limit have a lower average age, suggesting that retirement policies may have little impact.

Retirement policies	Number (n=100)	Exceptions granted	Average director age
Have a mandatory retirement age policy	56	9	62.6
Have retirement policy that explicitly allows exceptions	24	9	62.7
No retirement policy	20	--	61.8

Figure 10
Duration of directorships in the KFMC¹⁰⁰

Thirty-one percent of directors have held their board seat for more than a decade. This group has a median age of sixty-three, suggesting the longest-serving directors aren't always the oldest.

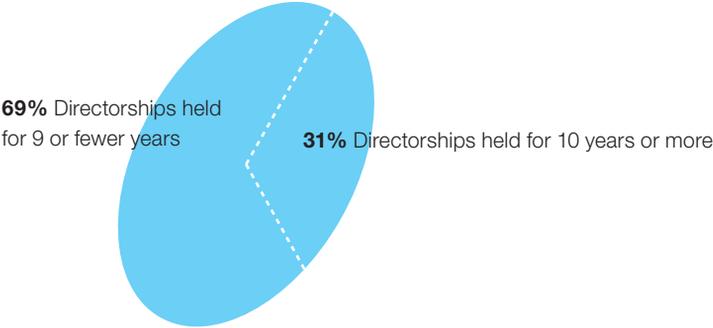


Figure 11
Duration of directorships in the KFMC¹⁰⁰

Board renewal and improvement are sometimes approached by a vigorous annual review of each individual director. In the KFMC¹⁰⁰, fewer than half of boards currently have that as a stated policy in their annual proxy statement.



directors, such as acquiring new expertise and diversity in all of its forms.

Because increasing board size is generally viewed negatively, boards seem destined to face this collision of objectives in the time ahead. One opportunity may be to better address individual performance assessment, a process that is in its comparative infancy today. Less than half (47 percent) of the KFMC¹⁰⁰

KFMC¹⁰⁰ boards had a low turnover in FY 2010: only 7.6 percent of all seats changed hands.

companies say that they carry out individual assessments of directors' performances (see Figure 11). A recent survey (July 2011) of directors by management consultants McKinsey (entitled "Governance Since the Economic Crisis") found that the percentage of boards that formally evaluate their individual directors has declined over the past three years. That survey found that as many as one-third of all boards never evaluate them at all.

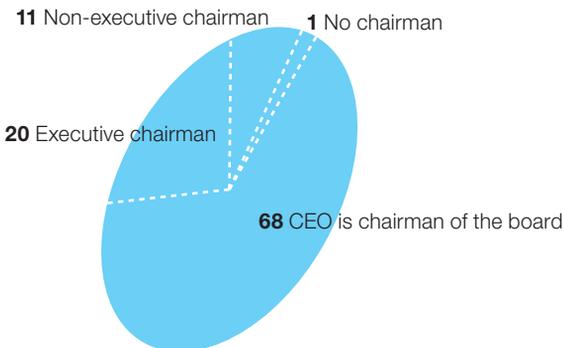
Board leadership trends

In last year's report we highlighted the issue of board leadership and the separation of the roles of chairman and CEO. At the time we observed that there was "no rush to split the role" and that "non-executive chairmen remain rare." By the end of FY 2009, only twenty-one of the KFMC¹⁰⁰ boards had separated the role of chairman and CEO and just nine had non-executive chairmen.

In 2010, the picture changed only slightly: although thirty-one of the top 100 companies by market capitalization in that year had split the jobs of chairman and CEO, only eleven of them had a non-executive chairman. At the other twenty, the chairman had another relationship to the com-

Figure 12
Board leadership in the KFMC¹⁰⁰

Although rates are higher in other indices such as the S&P 500, only eleven of the KFMC¹⁰⁰ companies employed non-executive chairmen to head their board in fiscal year 2010. The CEO was chairman at sixty-eight of the companies.



pany, such as founder or former CEO. Apple had no chairman, but instead two independent co-lead directors, though of course that changed when Steve Jobs stepped down as CEO and took the chairman title for a short time before his death in 2011.

To a certain extent, the number of companies separating and unifying the CEO and chairman's jobs will always be in flux, as many splits happen as part of a transition to a new CEO, and then in the following months or years reunify. The uptick in the number of non-executive chairmen is largely attributable to the shift in the makeup of the KFMC¹⁰⁰; three of the companies new to the list—Mosaic, AIG, and VMware—had non-executive chairmen.

The number of non-executive chairman rose slightly, from nine to eleven, as the makeup of the KFMC¹⁰⁰ changed.

Conclusions

Our examination of the Class of 2010, the new directors who joined KFMC¹⁰⁰ companies in FY 2010, has shown how broad the search for new directors has become, and how ever-widening definitions of diversity are competing for attention. In particular, these top boards have stepped up their pursuit of international expertise and attracted some depth of public-sector experience. The continuing pursuit of CEO experience for its perspectives is just as evident.

But, as companies reach out to broaden the skills and expertise on their boards, they run up against an obstacle—the value of continuity and the need to keep boards at fighting weight. The premium placed on chief executive and governance experience in new appointments is yet another indicator of how boards are trying to minimize the disruption of turnover while simultaneously drawing in diverse perspectives.

This collision of competing benefits is a frustration for boards that want to embrace change. They know they cannot diversify by expanding much beyond their current size without endangering their effectiveness, yet they also know it is unwise to shed productive veteran members, who represent a valuable pool of knowledge and expertise.

Boards have altered their work a great deal in the last few years and are likely to find solutions for competing diversity needs. By nature, boards are deliberate but also will be resourceful if best-in-class. We look forward to our constructive role in the work of these transitions.

Q&A: Don Gogel

Focus on performance



“A relatively small number of directors—say seven to nine—is essential for a private-equity board to fulfill its mission of playing a more engaged role with the management team. Discussion among directors of large boards almost always tends to be more process-oriented, more scripted, less confrontational, and often less direct and effective.”

Donald J. Gogel is president and chief executive officer of Clayton, Dubilier & Rice, a private-equity investment firm. He was managing director at Kidder Peabody from 1985 to 1989, and a partner at McKinsey & Company from 1980 to 1985. He has also sat on the boards of a number of public companies as well as private companies. He talked with us about the main differences between the boards of private-equity-driven companies and those that are public, and whether they can learn from each other.

Question: What are the main differences between private-equity boards, sometimes seen as being especially effective, and those of public companies?

Don Gogel: Corporate board governance will always vary depending on the individuals or firms involved and the nature of the business challenges. However, in general, the best private-equity boards tend to have a sharper focus on performance, a more demanding stance toward management, a greater sense of urgency, and an expectation of more direct involvement with the business.

Question: In your view, is there an optimal board size?

Don Gogel: A relatively small number of directors—say seven to nine—is essential for a private-equity board to fulfill its mission of playing a more engaged role with the management team. Discussion among directors of large boards almost always tends to be more process-oriented, more scripted, less confrontational, and often less direct and effective.

Question: Having “skin in the game,” a phrase coined by Warren Buffett, is a hallmark of most private-equity boards. Should this be replicated on public companies’ boards and, if so, how can it best be done?

Don Gogel: Private-equity firms typically require their board members to purchase equity, or at least to have most board compensation linked to stock value. Usually, the board members want to own equity and expect that their rewards will follow the success of the management team and the business. This creates the virtuous “alignment of interests” that academic studies—and

common sense—suggest helps create a constructive relationship among board members and the management team. The same dynamic also should play out for public-company boards, and the best of them typically link director compensation to stock performance. However, for most directors, stock-based compensation represents a very small percentage of their net worth. So the alignment of interests is not complete. Certainly, no one should expect that director stock ownership is a panacea.

Question: When building a board, how do you determine the skills and experience needed?

Don Gogel: A good corporate board—public or private—must operate as a team. Individual directors must bring to the board a variety of industry and functional experiences and expertise to help guide the management team and the business through various business challenges. The needed skills and experience are likely to change over time. In certain investments and for some period of time, expertise in managing productivity and costs

Q&A: Don Gogel

are primary; in other periods, marketing and innovation or perhaps experience in global expansion may become more important. A board, like any sports team, should change its personnel to match the challenges it faces.

Question: What is your view of an effective assessment process for the board and individual directors? Is there less tolerance for underperforming directors on private-equity boards? What is the process for removing them from the board?

Don Gogel: Although it is not an easy task, the chairmen of our companies generally conduct annual reviews of board members in which all board members have the opportunity to rank and comment on the performance of

other board members. There is little tolerance for underperforming directors and in most cases the process for removing such a director is pretty straightforward: nothing more than the chairman asking the director to “shape up or ship out.”

Question: What is/should be the board’s involvement in recruiting and developing key management talent in the organization?

Don Gogel: The board is in no position to recruit and retain talent. However, it is in a position to insist that the company assign a high priority to talent management and to schedule regular reviews of talent at board level. This is probably the area of greatest underperformance by boards, public and private.

About the 2011 Korn/Ferry Market Cap 100

The Korn/Ferry Market Cap 100 (KFMC¹⁰⁰) are the U.S. companies that had the largest market capitalization as of the close of market on May 2, 2011, after the end of most firms' 2010 fiscal year. Companies were removed from the list if they were not traded primarily on the NYSE or NASDAQ, or were public investment firms.

Appendix A: The Class of 2010

Directors who joined KFMC¹⁰⁰ boards during fiscal year 2010, as reflected by the companies' annual proxy statements.

Daniel F. Akerson

New board

General Motors Co.

Profile

Chairman and CEO, General Motors Co.

Other board

American Express Co.

Raul Alvarez

New board

Lowe's Companies Inc.

Profile

Retired President and Chief Operating Officer, McDonald's Corp.

Other board

Eli Lilly & Co.

Thurmon M. Address

New board

Enterprise Products Partners LP

Profile

Managing Director - Houston, BreiBurn Energy Co. LP

Leo Apotheker

New board

Hewlett-Packard Co.

Profile

President and CEO, Hewlett-Packard Co.

Other board

Schneider Electric SA

Howard I. Atkins

New board

Occidental Petroleum Corp.

Profile

Former Senior Executive Vice President and Chief Financial

Officer, Wells Fargo & Co.

Other board

Ingram Micro Inc.

Ralph W. Babb Jr.

New board

Texas Instruments Inc.

Profile

Chairman and CEO, Comerica Inc. and Comerica Bank

Peter Brabeck-Letmathe



Mr. Brabeck-Letmathe has unusually broad international experience. Born in Austria, he joined the Swiss firm Nestlé in 1968. During his long career with the company he spent seventeen years in Latin America, becoming CEO of the whole group in 1997 and chairman in 2005, a post that he holds to this day. (He resigned as CEO in 2008.) He is now also on the boards of L'Oréal, the French cosmetics giant, and of Credit Suisse. In 2010 he joined the board of Exxon Mobil. Like many leading businessmen from continental Europe he is multilingual. He speaks German, French, Spanish, and English, all of them fluently.

Ajaypal S. Banga

New board

Mastercard Inc.

President and CEO, MasterCard Worldwide

Other board

Kraft Foods Inc.

Oscar De Paula Bernardes Neto

New board

Praxair Inc.

Profile

Managing Partner, Integra Assessoria em Negócios Ltda.

Other boards

Johnson Electric Hldgs; Suzano Papel E Celulose SA; Gerdau SA; Metalurgica Gerdau SA; Sao Paulo Alpargatas SA

David Bonderman

New board

General Motors Co.

Profile

Co-Founding Partner and Managing General Partner, TPG

Other boards

Armstrong World Industries Inc.; Ryanair Holdings plc; Costar Group Inc.

Peter Brabeck-Letmathe

New board

Exxon Mobil Corp.

Profile

Chairman of the Board, Nestlé

Other boards

Nestlé; Credit Suisse Group; L'Oréal

David J. Brailer

New board

Walgreen Co.

Profile

Chairman, Health Evolution Partners

Howard G. Buffett

New board

The Coca-Cola Co.

Profile

President, Buffett Farms; President, Howard G. Buffett Foundation

Other boards

Lindsay Corp; Berkshire Hathaway

Kevin Burke

New board

Honeywell International Inc.

Profile

Chairman, President, and CEO, Consolidated Edison, Inc. (Con Edison)

Other board

Consolidated Edison, Inc.

John A. Canning Jr.

New board

Corning Inc.

Profile

Co-Founder and Chairman, Madison Dearborn Partners, LLC

Other boards

Exelon Corp; Peco Energy Co.

John T. Casteen III

New board

Altria Group Inc.

Profile

President Emeritus, University of Virginia

Other board

Strayer Education Inc.

Ian Davis



The British former chairman and worldwide managing director of McKinsey & Co. joined the board of Johnson & Johnson in 2010, the same year that he joined the board of BP. His interests circle the globe. He is an advisory director of the King Abdullah Petroleum Studies and Research Center, a member of the President's Council at the University of Tokyo, and a member of the Chancellor's Court at the University of Oxford. In an article written in 2009 he forecast that government will be getting more and more "involved in decisions that were once the sole province of corporate boards, including executive compensation."

Luis Castelazo Morales

New board

Southern Copper Corp.

Profile

General Director, EIM

Enrique Castillo Sánchez Mejorada

New board

Southern Copper Corp.

Profile

Chairman of the Board, Ixe Grupo

Financiero SAB de CV

Other board

Alfa SAB de CV

Wing T. Chao

New board

Las Vegas Sands Corp.

Profile

Retired Executive Vice President, Walt Disney Imagineering

Stephen I. Chazen

New board

Occidental Petroleum Corp.

Profile

President and CEO, Occidental Petroleum Corp.

Joseph J. Collins

New board

Comcast Corp.

Profile

Chairman, Aegis, LLC

Peter L.S. Currie

New board

Schlumberger Limited

Profile

President, Currie Capital LLC

Erroll B. Davis Jr.

New board

General Motors Co.

Profile

Chancellor, University System of Georgia

Other board

Union Pacific Corp.

Ian E.L. Davis

New board

Johnson & Johnson

Profile

Senior Advisor, Apax Partners; Former Chairman and Worldwide Managing Director, McKinsey & Co.

Other board

BP PLC

Susan Desmond-Hellman

New board

Procter & Gamble Co.

Profile

Chancellor and Professor, University of California, San Francisco

Samuel A. DiPiazza Jr.

New board

DIRECTV

Profile

Former Global CEO,

PricewaterhouseCoopers International Limited

Other board

Apollo Group Inc.

James S. DiStasio

New board

EMC Corp.

Profile

Former Senior Vice Chairman and Americas CEO, Ernst & Young LLP

Other board

NSTAR

Thomas A. Fanning

New board

Southern Co.

Profile

Chairman of the Board, President, and CEO, Southern Co.

Other board

St. Joe Co.

Jay S. Fishman

New board

Exxon Mobil Corp.

Profile

Chairman and CEO, The Travelers Companies Inc.

Other board

The Travelers Companies Inc.

Margaret M. Foran

New board

Occidental Petroleum Corp.

Profile

Chief Governance Officer, Vice President, and Corporate Secretary, Prudential Financial Inc.

Helene D. Gayle

New board

Colgate-Palmolive Co.

Profile

President and CEO, CARE USA

Stephen J. Girsky

New board

General Motors Co.

Profile

Vice Chairman, Corporate Strategy, Business Development, Global Product Planning & Global Purchasing and Supply Chain, General Motors Co.

Ginger L. Graham

New board

Walgreen Co.

Profile

President and CEO, Two Trees Consulting, Inc.

Other board

Genomic Health Inc.

Chuck Hagel

New board

Chevron Corp.

Profile

Former U.S. Senator; Distinguished Professor, Georgetown University, University of Nebraska at Omaha

James H. Hance Jr.

New board

Ford Motor Co.

Profile

Senior Advisor to the Carlyle Group

Other boards

Morgan Stanley; Sprint Nextel Corp.; Duke Energy Corp.; Cousins Properties Inc.

Robert H. Henry

New board

Devon Energy Corp.

Profile

President, Oklahoma City University

Martina Hund-Mejean

New board

Prudential Financial, Inc.

Profile

Chief Financial Officer, Mastercard

Mark V. Hurd

New board

Oracle Corp.

Profile

President, Oracle Corp.

Laura K. Ipsen

New board

Monsanto Co.

Profile

Senior VP and General Manager of Connected Energy Industries, Cisco Systems, Inc.

E. Neville Isdell

New board

General Motors Co.

Profile

Retired Chairman and CEO, The Coca-Cola Co.

W. Craig Jelinek

New board

Costco Wholesale Corp.

Profile

President and Chief Operating Officer, Costco Wholesale Corp.

Joseph Jimenez

New board

Colgate-Palmolive Co.

Profile

CEO, Novartis AG

Chuck Hagel



The former U.S. senator from Nebraska joined the board of Chevron in 2010 and now combines public service with private business. A Vietnam War veteran, he was, in July 2007, one of three Republican senators to support legislation proposed by the Democrats requiring troop withdrawal from Iraq within 120 days. He now teaches at Georgetown University in the Walsh School of Foreign

Service, is chairman of the Atlantic Council, and is co-chairman of the President's Intelligence Advisory Board. He also serves on the advisory boards of Deutsche Bank Americas and Corsair Capital, and is a director of the Zurich Holding Company of America.

Abdallah S. Jum'ah

New board

Halliburton Co.

Profile

Retired President and CEO of Saudi Arabian Oil Co.

K. Vaman Kamath

New board

Schlumberger Limited

Profile

Non-Executive Chairman, ICICI Bank Limited Board

Other boards

Great Eastern Shipping Co. Ltd.; Lupin Ltd.; Infosys Ltd.; ICICI Bank Ltd.

Dale E. Klein

New board

Southern Co.

Profile

Associate Vice Chancellor of Research, University of Texas System; Associate Director; The Energy Institute at University of Texas at Austin

Other board

Pinnacle West Capital Corp.

Emery N. Koenig

New board

Mosaic Co.

Profile

Senior Vice President, Cargill

Robert D. Krebs

New board

General Motors Co.

Profile

Retired Chairman and CEO, Burlington Northern Santa Fe Corp.

Raymond J. Lane

New board

Hewlett-Packard Co.

Profile

Managing Partner, Kleiner Perkins Caufield & Byers

Philip A. Laskawy

New board

General Motors Co.

Profile

Retired Chairman and CEO, Ernst & Young LLP

Other boards

Lazard Ltd.; Loews Corp.; CapGemini; Henry Schein Inc.

Donald H. Layton

New board

American International Group, Inc.

Profile

Former Chairman and CEO, E*Trade Financial Corp.; Former Vice Chairman, JPMorgan Chase & Co.

Other board

Assured Guaranty Ltd.

Theodore J. Leonsis

New board

American Express Co.

Profile

Chairman and CEO, Monumental Sports & Entertainment, LLC

Other boards

Rosetta Stone Inc.; Nutri System Inc.

Jennifer Li

New board

Philip Morris International, Inc.

Profile

Chief Financial Officer, Baidu Inc.

Edward M. Liddy

New boards

Abbott Laboratories and Boeing Co.

Profile

Partner, Clayton, Dubilier & Rice, LLC

Other board

3M Co.

Andrew N. Liveris

New board

International Business Machines Corp.

Profile

Chairman, President and CEO, The Dow Chemical Co.

Other board

The Dow Chemical Co.

Kathryn V. Marinello

New board

General Motors Co.

Profile

Chairman and CEO, Stream Global Services, Inc.

Other board

Stream Global Services, Inc.

Mackey J. McDonald

New board

Kraft Foods Inc.

Profile

Senior Advisor, Crestview Partners

Other boards

Wells Fargo & Co.; Hyatt Hotels Corp.

Charles E. McMahan

New board

Enterprise Products Partners LP

Former Vice Chairman, Compass Bank

Larry J. Merlo

New board

CVS Caremark Corp.

Profile

President and Chief Operating Officer, CVS Caremark Corp.

Henry S. Miller

New board

American International Group, Inc.

Profile

Chairman, Marblegate Asset Management, LLC

Elizabeth Anne Moler

New board

Schlumberger Limited

Profile

Former Executive Vice President, Government Affairs and Policy, Exelon Corp.

Brian T. Moynihan

New board

Bank of America Corp.

Profile

CEO and President, Bank of America Corp.

Robert A. Niblock

New board

ConocoPhillips

Profile

Chairman, President, and CEO, Lowe's Companies Inc.

Other board

Lowe's Companies Inc.

Phebe N. Novakovic

New board

Abbott Laboratories

Profile

Executive Vice President, Marine Systems, General Dynamics Corp.

Douglas R. Oberhelman

New board

Caterpillar Inc.

Profile

Chairman and CEO, Caterpillar Inc.

Other board

Eli Lilly & Co.

James L. Payne

New board

Baker Hughes Inc.

Profile

Chairman and CEO, Shona Energy Company Inc.

Other board

Nabors Industries Ltd.

Paul Polman

New board

The Dow Chemical Co.

Profile

CEO, Unilever PLC and Unilever N.V.

Other boards

Unilever N.V.; Unilever PLC

Duane C. Radtke

New board

Devon Energy Corp.

Profile

Owner, President and CEO, Valiant Exploration

Sheryl Sandberg



Lured from Google by Facebook founder Mark Zuckerberg to turn his clever creation into a profitable proposition, Sandberg is currently the COO at Facebook, effectively Zuckerberg's number two. But she does not yet have a seat on the company's all-male board. In the meanwhile, she was snapped up as a non-executive director by Walt Disney. Although short on international experience, Ms.

Sandberg—at the tender young age of 42—has Washington know-how. She was chief of staff at the Treasury Department when Larry Summers was secretary.

Clark T. Randt Jr.

New board

United Parcel Service, Inc.

Profile

President, Randt & Co. LLC

Other board

Valmont Industries Inc.

Ian C. Read

New board

Pfizer Inc.

Profile

President and CEO, Pfizer Inc.

Other board

Kimberly-Clark Corp.

Steven S. Reinemund

New board

Wal-Mart Stores Inc.

Profile

Dean of Business, Wake Forest University

Other boards

Exxon Mobil Corp.; Marriott International Inc.; American Express Co.

Sergio Rial

New board

Mosaic Co.

Profile

Senior Vice President, Cargill

Other board

Cyrela Brazil Realty SA

Ronald A. Rittenmeyer

New board

American International Group, Inc.

Profile

Former Chairman, CEO, and President, Electronic Data Systems Corp.; Former Chairman, Chief Executive Officer, and President, Safety-Kleen

Other board

Tenet Healthcare Corp.

Francisco Ros

New board

QUALCOMM Inc.

Profile

President, First International Partners, S.L.

Matthew K. Rose

New board

AT&T, Inc.

Profile

Chairman and CEO of Burlington Northern Santa Fe, LLC

Other board

AMR Corp.

Jonathan J. Rubinstein

New board

Amazon.com Inc.

Profile

Senior Vice President and General Manager, Palm Global Business Unit

Other boards

Hewlett-Packard Co.

Patricia F. Russo

New board

General Motors Co.

Profile

Former CEO and Director, Alcatel-Lucent

Other boards

Merck & Co. Inc.; Hewlett-Packard Co.;
KKR & Co. LP; Alcoa Inc.**Sheryl Sandberg**

New board

Walt Disney Co.

Profile

Chief Operating Officer, Facebook, Inc.

Other board

Starbucks Corp.

Susan C. Schwab

New board

Boeing Co.

Profile

Professor, University of Maryland School of
Public Policy; Strategic Advisor, Mayer
Brown LLP

Other boards

Caterpillar Inc.; FedEx Corp.

H. Lee Scott Jr.

New board

The Goldman Sachs Group, Inc.

Profile

Former CEO, Wal-Mart Stores Inc.

Other board

Wal-Mart Stores Inc.

Rodney E. Slater

New board

Verizon Communications Inc.

Profile

Former U.S. Secretary of Transportation

Other boards

Transurban Group; Kansas City Southern

Edwin E. Smith

New board

Enterprise Products Partners LP

Profile

Private Investor

Other board

Encore Bancshares Inc.

Steven R. Specker

New board

Southern Co.

Profile

Retired President and CEO, Electric Power
Research Institute**Carol Stephenson**

New board

General Motors Co.

Profile

Dean, Richard Ivey School of Business,
University of Western Ontario

Other boards

Manitoba Telecom Services Inc.; Intact
Financial Corp.**James W. Stewart**

New board

Baker Hughes Inc.

Profile

Former Chairman of the Board of Directors,
President, and CEO, BJ Services Co.**John G. Stumpf**

New boards

Chevron Corp. and Target Corp.

Profile

Chairman, President, and CEO, Wells Fargo
& Co.

Other board

Wells Fargo & Co.

Ronald D. Sugar

New boards

Amgen Inc. and Apple Inc.

Profile

Former Chairman and CEO, Northrop
Grumman Corp.

Other boards

Chevron Corp.; Air Lease Corp.

Cynthia A. Telles

New board

General Motors Co.

Profile

Associate Clinical Professor, UCLA School
of Medicine**Luis Tellez Kuenzler**

New board

Southern Copper Corp.

Profile

Chairman of the Board of Directors and
CEO, Bolsa Mexicana de Valores, Sab de
CV

Other board

Sempra Energy Corp.

Larry D. Thompson

New board

Southern Co.

Profile

Retired Senior Vice President, Government
Affairs, General Counsel, and Secretary,
Pepsico Inc.

Other boards

Washington Post Co.; Cbeyond Inc.;
Franklin Universal Trust; Templeton Dragon
Fund Inc.

Ronald Williams



A former chairman and CEO of Aetna, the healthcare benefits company, Mr. Williams is bringing his private-sector skills into the public sector. In March 2011, he was appointed to the President's Management Advisory Board, a body whose aim is to help bring best business practices to the management and operation of the federal government. He served as CEO of Aetna from 2006 to 2010, and as chairman from 2006 to April 2011. In 2010 he joined the board of Boeing, while also sitting on the board of American Express. In 2011 he also joined the board of Johnson & Johnson.

Glenn F. Tilton

New board

Corning Inc.

Profile

Non-Executive Chairman, United Continental Holdings, Inc.

Other boards

Abbott Laboratories; United Continental Holdings, Inc.

James S. Tisch

New board

General Electric Co.

Profile

President and CEO, Loews Corp.

Other boards

Loews Corp.; CNA Financial; Diamond Offshore Drilling, Inc.

Jean-Francois M.L. Van Boxmeer

New board

Kraft Foods Inc.

Profile

Chairman of the Executive Board and CEO, Heineken N.V.

Other board

Heineken N.V.

Paul D. Wachter

New board

Time Warner Inc.

Profile

Chairman and CEO, Main Street Advisors

Ronald A. Williams

New board

Boeing Co.

Profile

Former Chairman and CEO, Aetna Inc.

Other boards

American Express Co.; Johnson & Johnson

Per Wold-Olsen

New board

Gilead Sciences Inc.

Profile

Retired President, Human Health Intercontinental Division, Merck & Co. Inc.

Other board

GN Store Nord A/S

Ernesto Zedillo

New board

Citigroup, Inc.

Profile

Former President of Mexico; Director, Center for the Study of Globalization and Professor of International Economics and Politics, Yale University

Other boards

Procter & Gamble Co.; Alcoa Inc.; PRISA - Promotora de Informaciones SA

Appendix B: The KFMC¹⁰⁰ companies

There were eleven companies that joined the ranks of the KFMC¹⁰⁰ in FY 2010:

American International Group, Inc.	Marathon Oil Corp.
Baker Hughes Inc.	Mosaic Co.
Enterprise Products Partners LP	National Oilwell Varco, Inc.
General Motors Co.	Praxair Inc.
Las Vegas Sands Corp.	Southern Copper Corp.
	VMware, Inc.

Figure 13
KFMC¹⁰⁰ by market capitalization

The KFMC¹⁰⁰ companies had a median market capitalization of \$52.9 billion on May 2, 2011, after the close of most companies' fiscal year. Exactly 25 percent of companies were valued at \$100 billion or more.

Market Cap	Number
\$30 billion - \$39.99 billion	27
\$40 billion - \$59.99 billion	34
\$60 billion - \$79.99 billion	5
\$80 billion - \$99.99 billion	9
\$100 billion - \$149.99 billion	9
\$150 billion - \$199.99 billion	10
\$200 billion and over	6

Figure 14

Industry sectors represented

Basic Materials and Services were the two most represented sectors among the KFMC¹⁰⁰ companies. There were also numerous companies in the Consumer Goods (10), Financial (13), Healthcare (12), and Technology (15) sectors. The Utilities sector was the lowest represented, with only a single company in the KFMC¹⁰⁰.

Sector	Count
Basic Materials	20
Conglomerates	3
Consumer Goods	10
Financial	13
Healthcare	12
Industrial Goods	6
Services	20
Technology	15
Utilities	1

Figure 15

The Korn/Ferry Market Cap 100

The KFMC¹⁰⁰ ranked in order of market capitalization as of the close of markets on May 2, 2011, after the end of most firms' fiscal year.

Rank	Company	Market cap in billions	Industry
1	Exxon Mobil Corporation (NYSE: XOM)	\$428.4	Integrated oil and gas
2	Apple Inc. (NasdaqGS: AAPL)	\$320.2	Computer hardware
3	Chevron Corporation (NYSE: CVX)	\$217.5	Integrated oil and gas
4	General Electric Co. (NYSE: GE)	\$217.5	Industrial conglomerates
5	Microsoft Corporation (NasdaqGS: MSFT)	\$216.3	Systems software
6	International Business Machines Corp. (NYSE: IBM)	\$208.5	IT consulting and other services
7	Wal-Mart Stores Inc. (NYSE: WMT)	\$191.9	Hypermarkets and super centers
8	AT&T, Inc. (NYSE: T)	\$184.7	Integrated telecommunication services
9	Oracle Corp. (NasdaqGS: ORCL)	\$184.1	Systems software
10	Procter & Gamble Co. (NYSE: PG)	\$181.9	Household products
11	Johnson & Johnson (NYSE: JNJ)	\$181.4	Pharmaceuticals
12	JPMorgan Chase & Co. (NYSE: JPM)	\$180.1	Other diversified financial services
13	Google Inc. (NasdaqGS: GOOG)	\$173.5	Internet software and services
14	Pfizer Inc. (NYSE: PFE)	\$168.0	Pharmaceuticals
15	The Coca-Cola Company (NYSE: KO)	\$155.0	Soft drinks
16	Wells Fargo & Company (NYSE: WFC)	\$153.8	Diversified banks
17	Citigroup, Inc. (NYSE: C)	\$131.1	Other diversified financial services
18	Bank of America Corporation (NYSE: BAC)	\$125.0	Other diversified financial services
19	Philip Morris International, Inc. (NYSE: PM)	\$124.1	Tobacco
20	Intel Corporation (NasdaqGS: INTC)	\$123.4	Semiconductors
21	Schlumberger Limited (NYSE: SLB)	\$119.1	Oil and gas equipment and services
22	ConocoPhillips (NYSE: COP)	\$112.8	Integrated oil and gas
23	Merck & Co. Inc. (NYSE: MRK)	\$111.9	Pharmaceuticals
24	Pepsico, Inc. (NYSE: PEP)	\$109.6	Soft drinks
25	Verizon Communications Inc. (NYSE: VZ)	\$106.3	Integrated telecommunication services
26	Cisco Systems, Inc. (NasdaqGS: CSCO)	\$97.2	Communications equipment
27	QUALCOMM Incorporated (NasdaqGS: QCOM)	\$95.6	Communications equipment
28	Occidental Petroleum Corporation (NYSE: OXY)	\$94.1	Integrated oil and gas
29	Amazon.com Inc. (NasdaqGS: AMZN)	\$90.9	Internet retail
30	Hewlett-Packard Company (NYSE: HPQ)	\$86.7	Computer hardware
31	United Technologies Corp. (NYSE: UTX)	\$82.4	Aerospace and defense
32	Walt Disney Co. (NYSE: DIS)	\$82.2	Movies and entertainment
33	McDonald's Corp. (NYSE: MCD)	\$81.6	Restaurants

Rank	Company	Market cap in billions	Industry
34	Abbott Laboratories (NYSE: ABT)	\$81.4	Pharmaceuticals
35	The Goldman Sachs Group, Inc. (NYSE: GS)	\$78.4	Investment banking and brokerage
36	United Parcel Service, Inc. (NYSE: UPS)	\$73.9	Air freight and logistics
37	Caterpillar Inc. (NYSE: CAT)	\$73.7	Construction and farm machinery and heavy trucks
38	Comcast Corporation (NasdaqGS: CMCS.A)	\$72.7	Cable and satellite
39	3M Co. (NYSE: MMM)	\$68.9	Industrial conglomerates
40	The Home Depot, Inc. (NYSE: HD)	\$59.7	Home improvement retail
41	American Express Company (NYSE: AXP)	\$59.7	Consumer finance
42	Kraft Foods Inc. (NYSE: KFT)	\$59.3	Packaged foods and meats
43	Boeing Co. (NYSE: BA)	\$58.7	Aerospace and defense
44	Ford Motor Co. (NYSE: F)	\$58.7	Automobile manufacturers
45	EMC Corporation (NYSE: EMC)	\$58.0	Computer storage and peripherals
46	Visa, Inc. (NYSE: V)	\$56.4	Data processing and outsourced services
47	Altria Group Inc. (NYSE: MO)	\$56.1	Tobacco
48	American International Group, Inc. (NYSE: AIG)	\$55.4	Multi-line insurance
49	UnitedHealth Group, Inc. (NYSE: UNH)	\$53.7	Managed healthcare
50	Amgen Inc. (NasdaqGS: AMGN)	\$53.5	Biotechnology
51	E.I. DuPont de Nemours & Co. (NYSE: DD)	\$52.2	Diversified chemicals
52	Freeport-McMoRan Copper & Gold Inc. (NYSE: FCX)	\$51.5	Diversified metals and mining
53	Union Pacific Corporation (NYSE: UNP)	\$50.8	Railroads
54	General Motors Company (NYSE: GM)	\$50.2	Automobile manufacturers
55	Apache Corp. (NYSE: APA)	\$50.1	Oil and gas exploration and production
56	U.S. Bancorp (NYSE: USB)	\$49.5	Diversified banks
57	CVS Caremark Corporation (NYSE: CVS)	\$49.4	Drug retail
58	Bristol-Myers Squibb Company (NYSE: BMY)	\$48.5	Pharmaceuticals
59	The Dow Chemical Company (NYSE: DOW)	\$48.5	Diversified chemicals
60	Honeywell International Inc. (NYSE: HON)	\$48.4	Aerospace and defense
61	News Corp. (NasdaqGS: NWSA)	\$47.7	Movies and entertainment
62	MetLife, Inc. (NYSE: MET)	\$46.0	Life and health insurance
63	Emerson Electric Co. (NYSE: EMR)	\$45.9	Electrical components and equipment
64	Medtronic, Inc. (NYSE: MDT)	\$45.3	Healthcare equipment
65	Halliburton Company (NYSE: HAL)	\$44.8	Oil and gas equipment and services
66	eBay Inc. (NasdaqGS: EBAY)	\$43.7	Internet software and services
67	Eli Lilly & Co. (NYSE: LLY)	\$43.2	Pharmaceuticals
68	Colgate-Palmolive Co. (NYSE: CL)	\$41.3	Household products
69	Deere & Company (NYSE: DE)	\$41.0	Construction and farm machinery and heavy trucks

Rank	Company	Market cap in billions	Industry
70	Time Warner Inc. (NYSE: TWX)	\$40.9	Movies and entertainment
71	Texas Instruments Inc. (NYSE: TXN)	\$40.9	Semiconductors
72	Anadarko Petroleum Corporation (NYSE: APC)	\$40.4	Oil and gas exploration and production
73	Morgan Stanley (NYSE: MS)	\$40.2	Investment banking and brokerage
74	VMware, Inc. (NYSE: VMW)	\$39.0	Systems software
75	Nike Inc. (NYSE: NKE)	\$39.0	Footwear
76	Walgreen Co. (NYSE: WAG)	\$38.7	Drug retail
77	DIRECTV (NasdaqGS: DTV)	\$38.6	Cable and satellite
78	Marathon Oil Corporation (NYSE: MRO)	\$38.0	Integrated oil and gas
79	Devon Energy Corporation (NYSE: DVN)	\$37.9	Oil and gas exploration and production
80	Danaher Corp. (NYSE: DHR)	\$36.7	Industrial machinery
81	Monsanto Co. (NYSE: MON)	\$35.9	Fertilizers and agricultural chemicals
82	The Bank of New York Mellon Corporation (NYSE: BK)	\$35.8	Asset management and custody banks
83	Enterprise Products Partners LP (NYSE: EPD)	\$35.7	Oil and gas storage and transportation
84	Costco Wholesale Corporation (NasdaqGS: COST)	\$35.4	Hypermarkets and super centers
85	Mastercard Incorporated (NYSE: MA)	\$35.2	Data processing and outsourced services
86	Lowe's Companies Inc. (NYSE: LOW)	\$34.8	Home improvement retail
87	Las Vegas Sands Corp. (NYSE: LVS)	\$34.6	Casinos and gaming
88	Target Corp. (NYSE: TGT)	\$33.6	General merchandise stores
89	Southern Company (NYSE: SO)	\$33.2	Electric utilities
90	Baxter International Inc. (NYSE: BAX)	\$33.1	Healthcare equipment
91	PNC Financial Services Group Inc. (NYSE: PNC)	\$33.0	Regional banks
92	Mosaic Co. (NYSE: MOS)	\$32.8	Fertilizers and agricultural chemicals
93	Corning Inc. (NYSE: GLW)	\$32.6	Electronic components
94	Baker Hughes Incorporated (NYSE: BHI)	\$32.3	Oil and gas equipment and services
95	Gilead Sciences Inc. (NasdaqGS: GILD)	\$32.2	Biotechnology
96	Praxair Inc. (NYSE: PX)	\$32.1	Industrial gases
97	National Oilwell Varco, Inc. (NYSE: NOV)	\$31.6	Oil and gas equipment and services
98	Prudential Financial, Inc. (NYSE: PRU)	\$31.0	Life and health insurance
99	Southern Copper Corp. (NYSE: SCCO)	\$30.7	Diversified metals and mining
100	Express Scripts Inc. (NasdaqGS: ESRX)	\$30.5	Healthcare services

Appendix C: KFMC¹⁰⁰ Board data

Figure 16
Board size

The median size for a board was twelve directors. Nearly 80 percent of boards had between ten and fifteen directors.

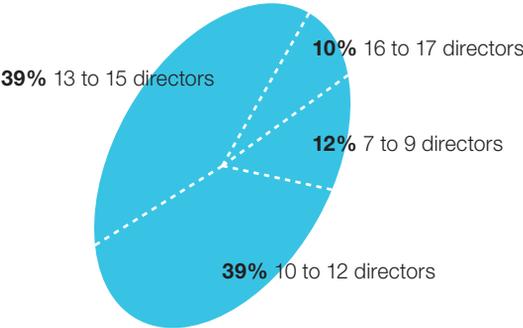


Figure 17
Board independence

In the KFMC¹⁰⁰, 73 percent of boards had one or two executive directors. The rest were independent directors.

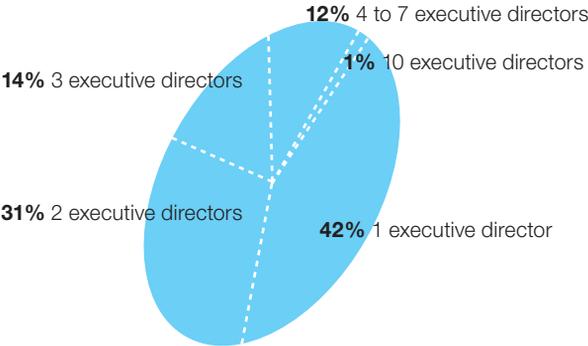


Figure 18
Who Is the chairman?

At sixty-eight companies, the CEO is also the chairman of the board. Thirty one companies have a non-CEO chairman. One company, Apple Inc., had no chairman.

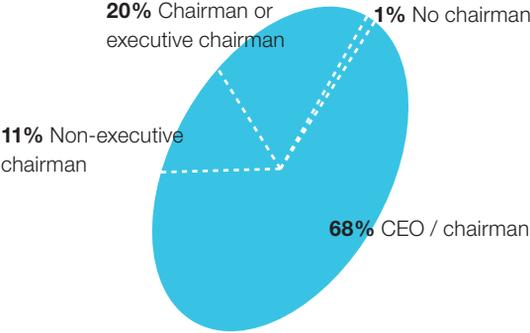


Figure 19
Cash retainers for directors

The median cash retainer for directors in the KFMC¹⁰⁰, excluding meeting attendance bonuses, is \$80,000, and a plurality of directors' cash retainers fell in the \$75,001 - \$100,000 range. Only one company, Amazon.com Inc., offers no cash retainer.

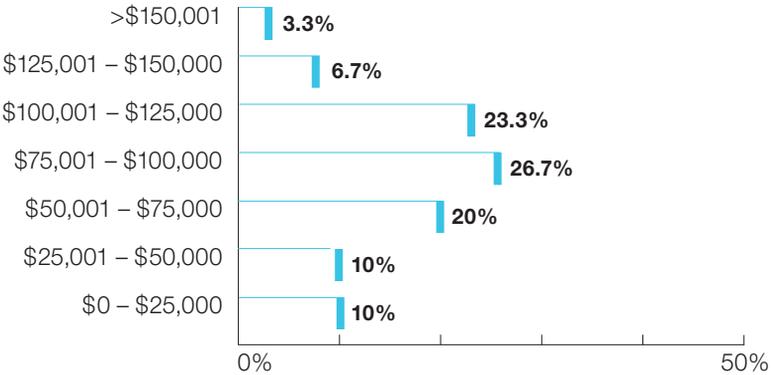


Figure 20
Board meetings

The KFMC¹⁰⁰ boards met on average 8.7 times a year.

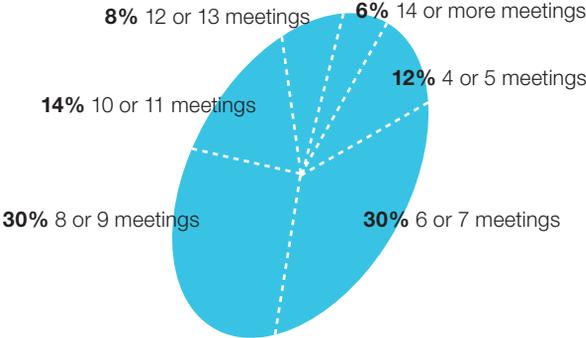


Figure 21
Age of directors

Among the 1,109 individual directors in the KFMC¹⁰⁰, noting some serve on multiple boards, the bulk are in their 50s and 60s. Less than 5 percent are under fifty or over seventy-five.

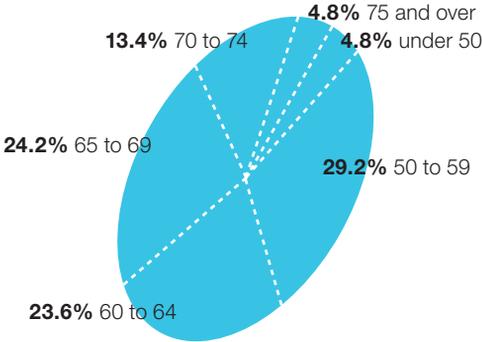
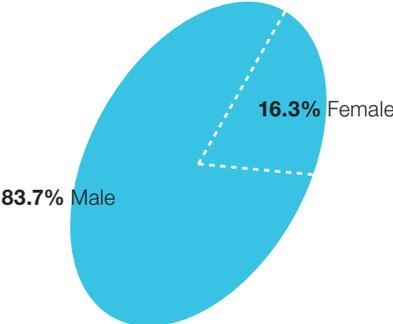


Figure 22

Gender of directors

Although nearly all—96 percent—of boards have at least one female director, women make up only 16 percent of all directors. The average number of women on a board is 2.2.



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Korn/Ferry International has recruited CEOs and board directors for more than 40 years. Our dedicated Board & CEO Services practice is committed to improving governance practices worldwide. Our approach includes Board Director and CEO Search and Selection, CEO Succession Planning and Assessment, Board Effectiveness, and Director/Executive Compensation Consulting.

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