

The Board Connection

Report of diversity from leading Texas companies

Perspectives about Board Service

2012 Annual Report



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A Message from the President

Recent academic studies and news reports tout the generation of new ideas, development of innovative solutions at the strategic level, and indicator for business success when women serve as directors on corporate boards. This fourth annual report of The Board Connection (TBC), a not-for-profit organization that advocates, educates, and connects female business leaders to corporate boards, highlights the importance of diversity in the board room.

A 2013 report by the Committee for Economic Development (CED) contends that giving women a seat at the table and providing adequate talent development can serve as a key differentiator in future global success. In a 2012 Credit Suisse report, the presence of female leaders is a viable indicator of a company's investment potential.

TBC first conducted research in 2009 and published its first study about women serving on boards and in executive positions in the Metroplex. In developing its 2012 report, TBC analyzes FORTUNE 1000 companies in Texas in comparison to national FORTUNE 500 companies. It's a fact that women comprise 46.7 percent of our U.S. workforce, and 51.5 percent of management, professional, and related positions according to the current population survey for the Bureau of Labor Statistics. In 2012, the presence of women has not translated to significant numbers in the board room, where women comprise only 16.9 percent on a national basis and 10.7 percent of boards in Texas.

To provide a clearer picture of what service on a corporate board looks like, we asked three business leaders to give us their "Perspectives of the Board Room" for our 2012 report. Matrice Ellis Kirk, Sandra Beach Lin, and Jack Lowe generously agreed to provide their insights about what qualities are needed for a high-performing board, the challenges for new board members, and the necessary due diligence prior to accepting a board placement.

TBC considers that these board member testimonials, coming from a board chair, a CEO, and an executive search firm principal, lend additional credibility to the call for diversity at the highest levels of corporate decision making. Their interviews provide insight, honest observations, and confirmation that diverse boards are indeed more effective.

We hope that the published study provides you with insight for women to begin their personal journey of self-assessment to enhance their aspirations for board service. We also challenge business leaders to influence recruiting and retaining diverse corporate talent. Join us to expand and strengthen the pipeline of qualified, capable women to take their place at the table.



Melisa Denis, *President*
The Board Connection

The Board Connection

Established in 2009, The Board Connection is a Texas-based nonprofit organization to identify, educate, and connect qualified executive professional women in Texas to opportunities for corporate board positions.

TBC offers an ongoing assessment to empower women to acquire the needed skill sets and to develop a personal, professional brand. To build a pipeline of board candidates who are within three to five years of readiness, TBC offers training for candidates for board service, providing them with a clear understanding of corporate governance, board structure, and expectations for board responsibility.

TBC leverages existing local resources with national women's organizations, such as the InterOrganization Network, Women Corporate Directors, and the National Association for Corporate Directors. Executive coaches, mentors, and professional certificate programs also strengthen skills and the résumé of a prospective board candidate.

TBC provides valuable peer networking and exposure to decision makers. Members gain knowledge and suggestions from executives who have blazed trails. In addition, TBC offers connections to companies that are looking for talent.

With a mission to increase the number of women serving on corporate boards and the executive suite in Texas, TBC offers this report based on the proxy statements of the 97 public companies headquartered in Texas.

The Board Connection

The Board Connection: A Value Proposition

TBC provides the opportunity for qualified women interested in serving on corporate boards and advancing their careers in the executive suite. The organization will dedicate resources to identify, educate, and develop women who aspire to serve on corporate boards. TBC's program consists of:

- Assessment
- Training/preparation
- Networking/exposure
- Focus on public policy



The Board Connection Directors/Officers



Melisa Denis, Founder and President

Partner in charge, International Executive Services practice, KPMG LLP



Kelly McDonald, Treasurer

Senior Vice President and Controller, Rave Cinemas



Kit Addleman

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Gayle Anderson

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Paula Calise

Principal, Calise & Co., LLC, an executive search firm



Susan Garcia

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Carla Howard

Vice President General Tax Counsel, Energy Future Holdings



Alan Stein

Career Relationship Services Manager, PricewaterhouseCoopers



Sharon Stufflebeme

Chief Information Officer, FTS International

The Board Connection – Committee Structure

Board Committee	Leader
Assessment	Sharon Stufflebeme
Census	Eliane Hall
Member Relations	Carla Howard, Lisanne Glew
Membership	Paula Calise, Susan Garcia
Program	Tamara Bebb
Sponsorship	Melisa Denis
Bio Book	Gayle Anderson

In 2012, TBC focused on two initiatives to assist women to become involved in corporate governance, developing customized résumés for potential board candidates and testing of a board-readiness assessment. TBC's programming aligns with its four pillars: assessment, training/preparation, networking/exposure, and focus on public policy.

Personal Profiles

TBC offered members with the opportunity to participate in a workshop led by public relations professional Paula Asinof to create a personal profile/résumé to be distributed to leading search firms and influential individuals in board placements. Paula Calise organized the event for members who are ready to serve on boards.

As an authority on résumés, bios, and other essential career documents, Ms. Asinof brought her management coaching experience and résumé development services to help TBC members hone in on their target audience and minimize search time.

Participants crafted a personalized board bio with a clear focus on corporate board service. During the development stage, each participant is able to address positioning and personal branding, while handling two distinctive and critical concerns—internet and special résumé formatting.

Each client is fully engaged in the development process and can modify their own résumés for specific opportunities or as the market changes. They also validate their bios using a structured market test to develop a well-defined personal brand for in-person networking, board of directors candidate consideration, marketing materials, and Web sites.

Assessment

TBC conducted a members-only seminar to help participants assess their personal board readiness. TBC's four-step assessment tool is geared for four different audiences: those women who are ready to serve now; those on a developmental path towards becoming a board member in three years; those getting started on their developmental journey; and women currently serving in a director role.

Participants in the 2012 assessment program were: Linda Rutherford, Jan Norton, Peggy Thurmond, Kelly Harris, Patricia Beaujean Lehtola, and Mary Ann Doran.

Sandra Beach Lin, who serves as a board director, and Matrice Ellis Kirk, who is both a professional in executive searches and director, shared their personal perspectives with those who used the assessment tool and attended the program meetings.

Perspectives on Board Service

To provide perspective on corporate board service, TBC officers interviewed business leaders with different points of view using common questions to address the broad issues involved in the personal assessment, preparation, and due diligence needed prior to a board placement, and the elements necessary for a successful board. The perspectives come from:



Jack Lowe – Jack serves as the board chair for TDIndustries, where he was CEO until his retirement in 2005. He recently received the National Association of Corporate Directors’ highest award, the B. Kenneth West Lifetime Achievement Award, for exceptional board director performance. Under his leadership, TDIndustries has been named to FORTUNE 100 ‘Best Companies to Work For’ list for 16 consecutive years. Jack is also a board member of Zale Corporation, Drew Industries, and KDC.

Sandra Beach Lin – Sandra is an experienced, global CEO and FORTUNE 500 board member. Most recently, she was president, CEO and member of the board of Calisolar, Inc., (now Silicor Materials) a global manufacturer of solar-grade silicon prior to her retirement in 2011. She is a board member of WESCO International, a FORTUNE 500 industrial distributor; American Electric Power, one of the largest electric utilities in the United States; and Interface Biologics, a privately-held commercial stage company that develops transformative biomedical polymer technology.



Matrice Ellis Kirk – Matrice is managing partner of Diversity & Inclusion Advisory Services for Heidrick and Struggles, a Chicago-based executive search firm. Her current search work focuses on the CEO and board, with a focus on consumer retail and private equity industries. She is a member of the World Economic Forum’s Global Council on Women’s Empowerment. Matrice has served on a number of boards for public companies including Chancellor Media and ACE Cash Express.

What qualities do great boards have in common?

In order to have a great board, you need to make sure the culture is comfortable. The personalities of the members have to fit well together. There has to be significant amount of respect for the people and the process. It is all about chemistry. The board needs to consist of some CEOs as those board members will have a “big picture” view of the world. But the group needs to be augmented with a collection of experts. In order to get the most productive work out of the group, there needs to be a combination of diversity, age, gender, ethnicity, location. When you have all of these different groups, you can be more effective.

– Jack Lowe (JL)

Great boards reflect teamwork combined with individuality. The board members work together with mutual respect, but each individual speaks up, makes their own decisions, and brings their own unique background and experiences into the conversation.

– Sandra Beach Lin (SBL)

They bring their strategic mindset to the table. They know how to look at the multiple forces that impact a business and determine how to guide the company through the complex path. They bring their individual core competencies to the board room, but understand how to work as a team for the common goal of the organization. They know how to make themselves be heard, but in a way that fosters a common objective, balancing various stakeholder interests. – Matrice Ellis Kirk (MEK)

How do you ensure your board diversification gives your company a competitive edge?

You need to increase the “peek hole.” Having board diversity allows the companies to see around the river bend and helps eliminate the blind spots. The key is to know what you don’t know. Having a more diverse board allows the company to benefit from more knowledge. It’s just that simple. – JL

Board diversification strengthens & widens the discussion, and leads to better decision making. Other intangibles tend to come forth once diversity is present for a while, and at some point it becomes “the new normal.” Robust discussions with multiple diverse viewpoints take place. Companies should never add a board member to address “diversity for diversity’s sake.” Qualifications and standards should be just as high for diverse candidates as they are for any other board member. – SBL

Companies are looking for the best candidate—a candidate that brings a mix of skills, diversity of thought and perspective. It is important for us as recruiters to understand the business and help the company determine how to best maximize the board to leverage skills/competencies that can add to the overall effectiveness of the team. At the end of the day it is important to get the right person—based on the same high-level threshold that all candidates are evaluated. – MEK

In your observations what have been the differences you have seen between women and men dealing with board level issues?

In general, it seems that women tend to help defuse egos and maintain a healthy balance of male egos in check. Women tend to be consensus builders. Since board members tend to reflect maturity and professional experience, at that level there are fewer differences between women and men. I certainly observe more similarities than differences, and in my board service, I haven’t really observed any evidence that women are less risk takers than men. – JL

Most executives approach these issues in a very similar manner. – MEK

Describe your most difficult board search, what criteria were used, what sources were considered?

The most difficult board search was when a company wanted a new board member to fit both a demographic and geographic profile, Hispanic women in south Texas. The board's nominating chair engaged a recruiting firm to help, and initially the firm reported that they could not meet the criteria. After refusing to accept that answer, the chair kept the search active and eventually the search firm submitted several great candidates with an outstanding board member appointed. The key for this process was not accepting or assuming that the right candidate would not be found. Clearly an external recruiter had the better opportunity of finding more diverse candidates—especially more than the Rolodex of the CEO or nominating committee. – *JL*

One of the tools we use at the boards I sit on is a skills and competency matrix, where each member of the board can be noted as “has experience,” “expert,” or “neither” for each skill category. Diversity is one of the categories on the matrix. In this way, the nominating committee can evaluate any existing gaps on the current board and establish the best criteria for a board search. Boards I'm on have engaged an outside recruiting firm as well as relied on internal networks to select the next candidate. We want to get exposure to the widest array of qualified candidates. – *SBL*

One of the most difficult board searches was for a client that was not sure about what qualities are really wanted. We were able to help them understand how to think about all of the stakeholders; what was important to the organization and helped them through the journey of board selection. – *MEK*

Texas has a lot of companies in industries still traditionally dominated by men, can you share some personal experiences of success where women have broken through?

My industry is dominated by men, but I still believe that a diverse board would add strength to decision making. Getting plugged in with recruiting firms, the National Association of Corporate Directors, and other similar organizations offer a great way for women to establish networks. You can be assured that men struggle as well to find board seats since many vacant board seats have been filled with female and minority candidates. This is a great thing. I don't understand why the overall number of newly appointed women and minorities are not reflected in the overall effort to increase diversity in the board room. – *JL*

We have an excellent recent local example—a highly qualified female senior executive from one of the leading global technology firms headquartered here in Dallas joined the board of another large industrial company and integrated into their board culture immediately as the first female board member. – *SBL*

We have lots of examples where we have placed qualified women with companies that have been traditionally a male-dominated industry with lots of success. Making sure we find the “right” candidate is essential. It is less about making the numbers and more about making the right fit. Chemistry is paramount. – *MEK*

Where have you seen board members struggle?

The time that I observe board members struggle is when someone has a destructive attitude or behavior. The idea is to vet, debate, and challenge and otherwise exchange ideas regarding board issues—but at the end of the day you have to make a decision that respects the people in the process. When personalities are dysfunctional, that is when the board struggles. CEO's will come and go, but the board must maintain effective working relationships even when there is disagreement. Healthy disagreement is very good. But when the decisions are made, the board must stand unequivocally together. – *JL*

With first-time board members, there is a period of “getting your sea legs.” Everyone on a board is used to leading and making decisions. Suddenly, as a first-time board member you are no longer running the show, but instead providing oversight. Given time, I have always seen board members successfully make the transition. – *SBL*

When there is a disconnect between the expectations of the board and the CEO, difficulty may arise. The CEO and the board have to work in harmony, making sure all of the interests are clearly represented. – *MEK*

What did you wish you knew about board composition when taking a new board assignment?

Being on a board is an extremely important commitment, and something that should never be taken lightly. The risk a board member assumes today is huge. It is important to understand the directors and officers insurance of the company and how the board is protected. You must understand the culture and value system of the company and other board members to make sure yours is aligned with the company, management, and fellow board members. If the little voice inside of you is raising its head, then you should listen to it. Trust that your instinct will guide you accordingly. Do your homework about the situation. – *JL*

I have been extremely fortunate in joining boards that are well-run, collegial, and have a cultural expectation that everyone participates. Due diligence is extremely important on the part of the board candidate. The typical six degrees of separation is really only two or three. I encourage anyone who considers joining a board to check common contacts with those of the current and previous board members to learn more about the company and board cultures. – *SBL*

Thinking about how to ask versus say—at the interviewing stage. Understand what the other team members bring to the table. The best interviews are when there is a give and take, it is mutual; that candidate can contribute to the board and the strategy to the CEO. The CEO needs to interact with its board members to enable him/her to further the strategy and vision of the company—to further increase shareholder value. The candidate must understand how to read financials, how to protect the value of the company, and manage risk of the company. – *MEK*

Census Data

Study Methodology

The 2012 TBC Study of Women Directors and Executive Officers for Texas was based on the 97 companies in the geographic area considered as FORTUNE 1000. The KPMG Market Research team compiled the data for the study from the most recent Securities and Exchange Commission filings, including annual reports (form 10-Ks) and Proxy statements (DEF 14As).

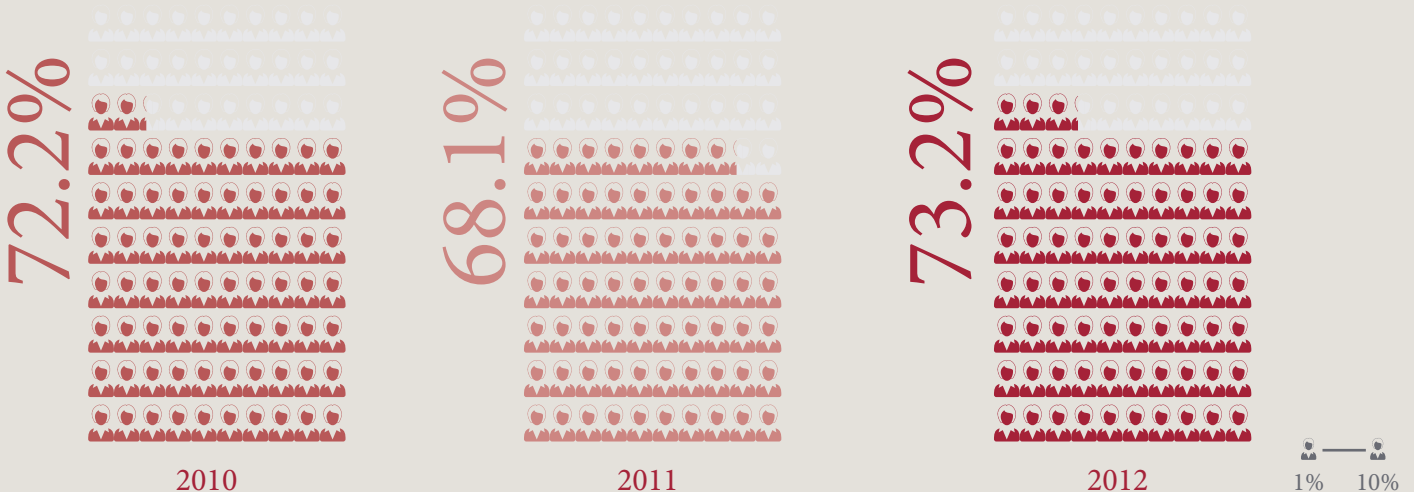
Nationwide Statistics

The national statistics represent leading companies in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.

First... The Bad News

In Texas, we are heading the wrong direction in the number of women among the highest compensated executives

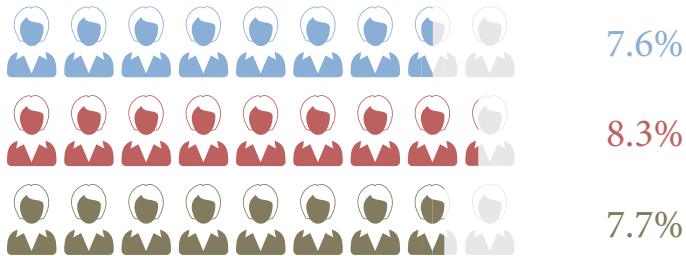
Percentage of Texas companies (FORTUNE 500) with no Women Among Highest Compensated Execs



Texas Compared to U.S.

Percentage of Women Among Highest Compensated Execs

National FORTUNE 500



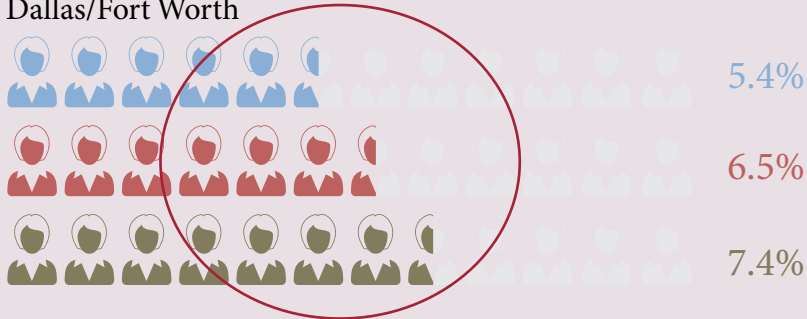
Texas FORTUNE 1000



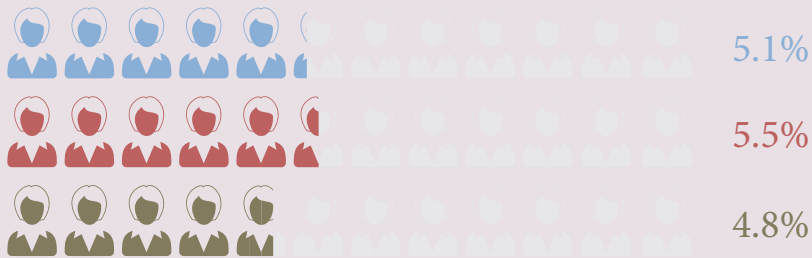
By Region within Texas

Percentage of Women Among Highest Compensated Execs by Region

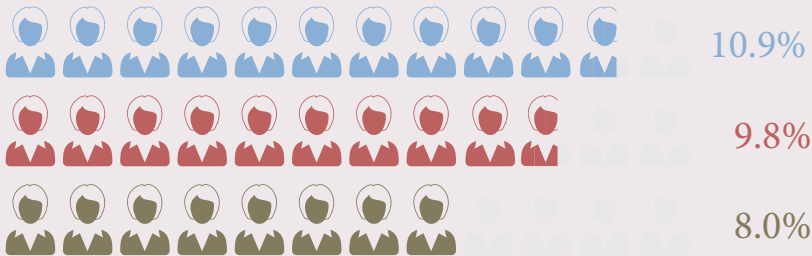
Dallas/Fort Worth



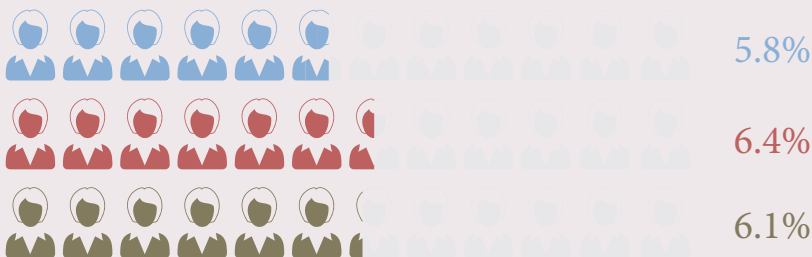
Houston



Other



Texas FORTUNE 1000



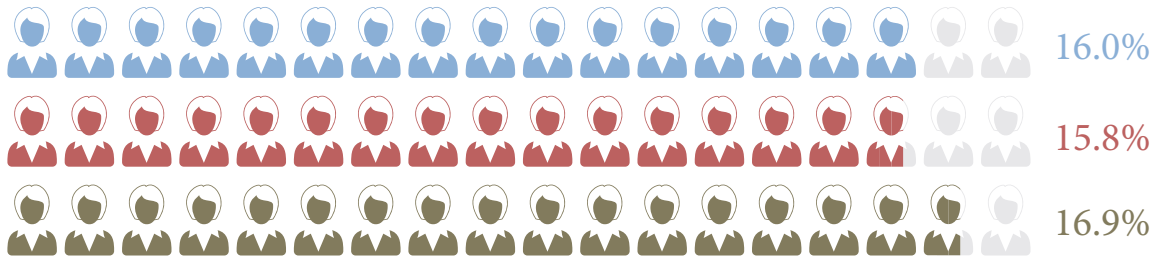
Dallas/Fort Worth is the one bright spot in Texas.

2010
 2011
 2012
 1% — 12%

Second... an Upward Trend

Percentage of Director Seats Held by Women

National FORTUNE 500



Texas FORTUNE 1000



2010
2011
2012
1% 18%

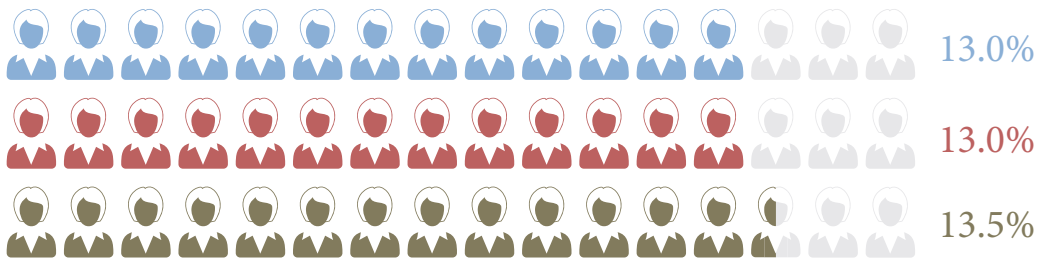
The nation is moving faster than Texas, but we are holding steady.



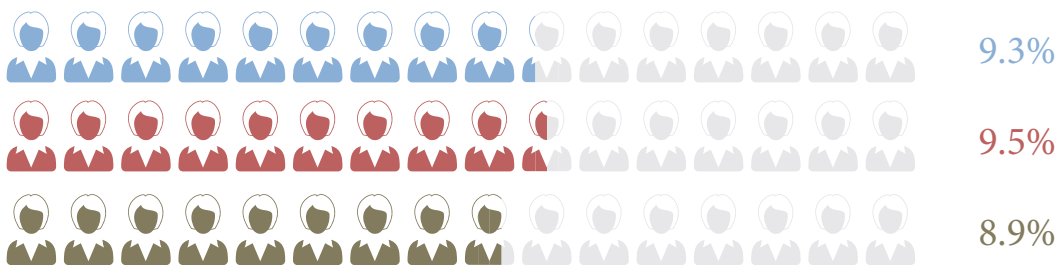
By Region within Texas

Percentage of Director Seats Held by Women by Region

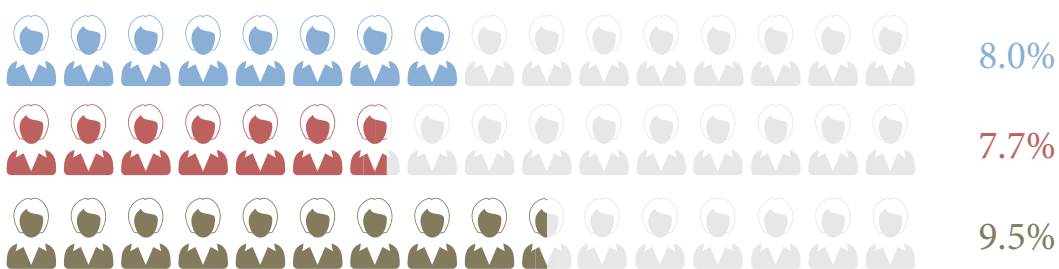
Dallas/Fort Worth



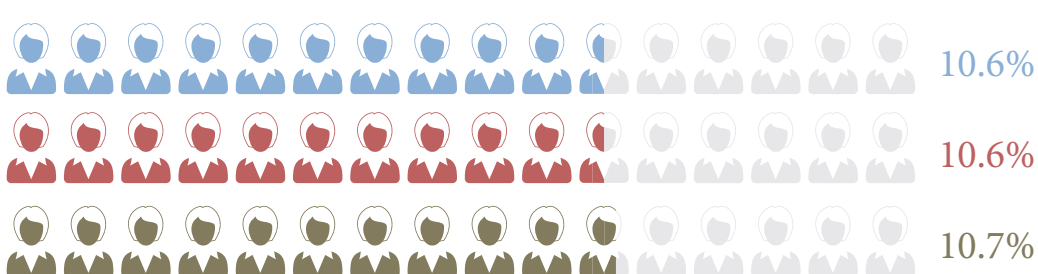
Houston



Other

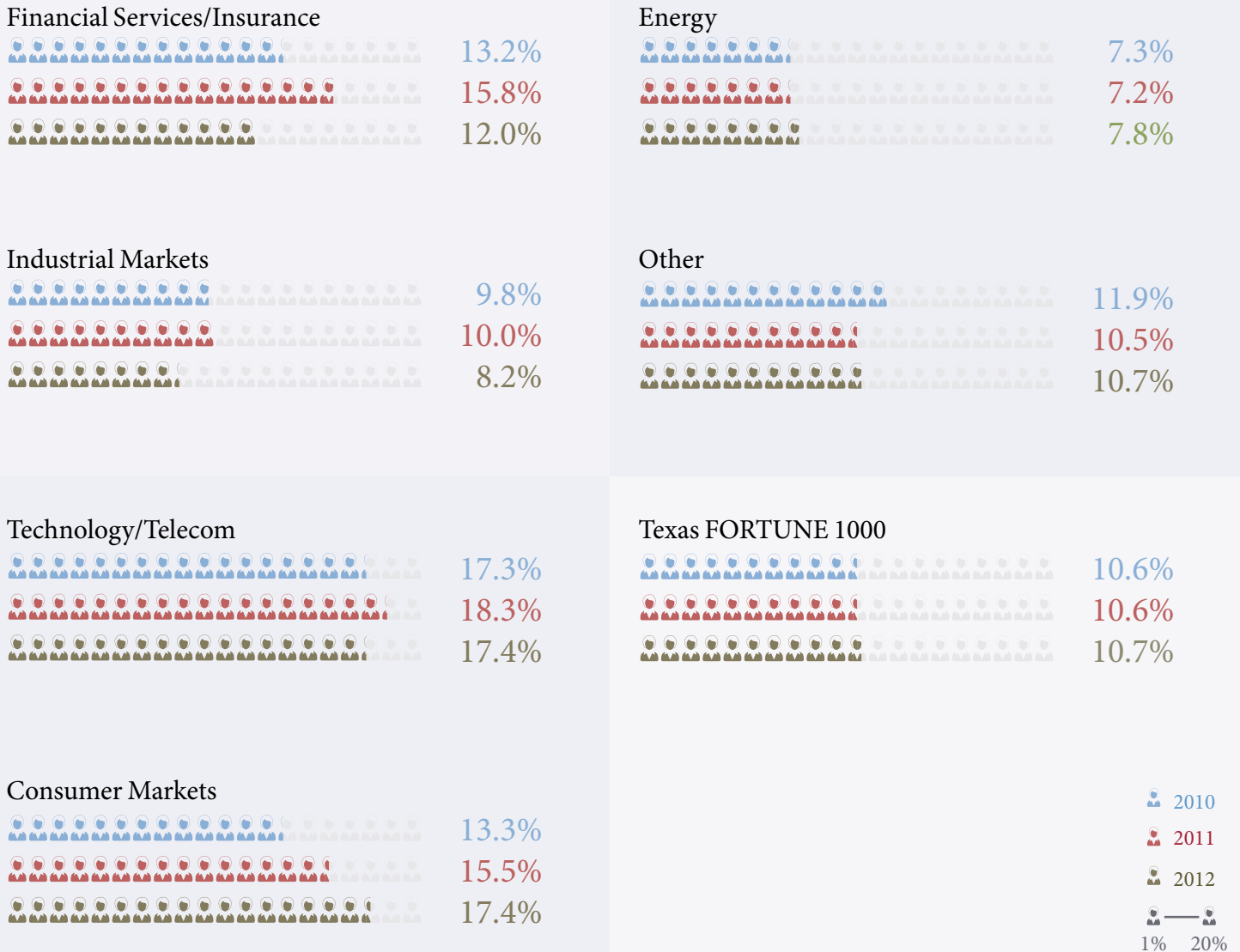


Texas FORTUNE 1000



By Industry within Texas

Percentage of Director Seats Held by Women by Industry

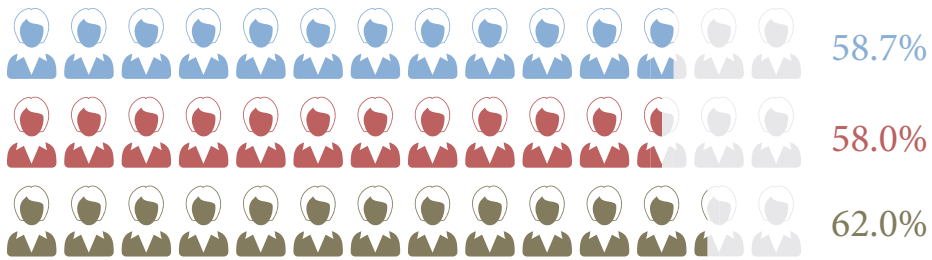


As expected, Consumer Markets led the way, although technology and telecom remain strong in comparison to other industries such as industrial and energy.

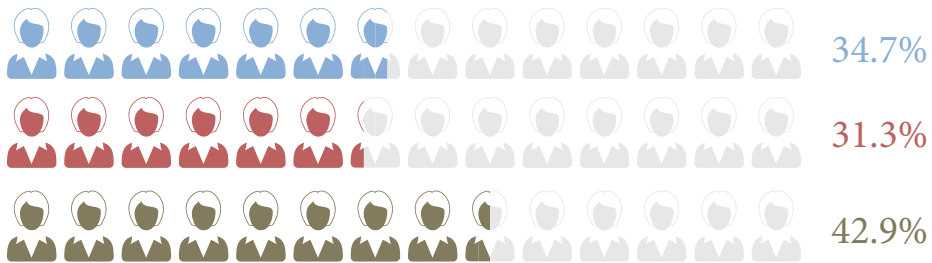
And finally... the great news!

Percentage of FORTUNE 500 companies with two or more women on the Board

National



Texas







InterOrganization Network Advances the Cause

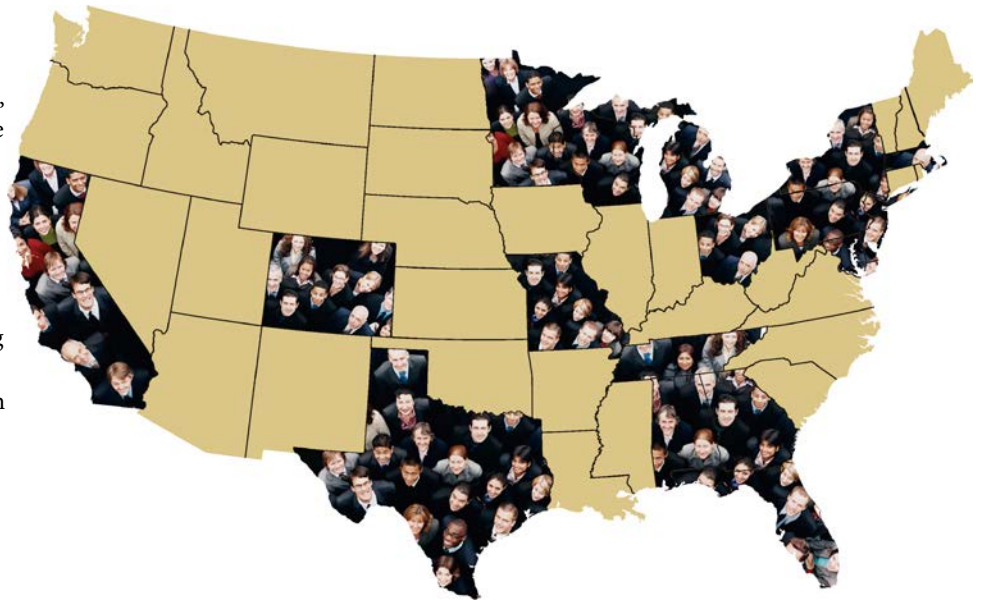
In 2010, TBC became a member of InterOrganization Network (ION).

ION is an alliance of 17 women's business organizations across the United States that combine energies to advance women to positions of power in the business world, primarily to boards of directors and executive suites. ION gives its geographically dispersed members a national voice, a network to broaden advocacy efforts, an expanded pool of qualified candidates to recommend to companies, and the ability to leverage resources to achieve the common goal.

ION and its members annually conduct benchmarking and periodic tracking of women directors and executive officers of public companies based in their respective regions, publishing key research findings and encouraging comparisons across regions. The research data that ION's members publish provide both breadth and depth of information that is not available anywhere else.

More information about ION is available on its Web site.

www.ionwomen.org



Alabama

Women's Economic
 Development Council
www.WEDC-online.net

California

Watermark
www.wearewatermark.org

Colorado

Women's Leadership Foundation
www.womensleadershipfoundation.org

Florida

Women Executive Leadership
www.womenexecutiveleadership.com

Georgia

The Board of Directors Network
www.boarddirectorsnetwork.org

Maryland

Network 2000
www.network2000md.org

Massachusetts

The Boston Club
www.thebostonclub.com

Michigan

Inforum
www.inforummichigan.org

Minnesota

Minnesota Women's Economic
 Roundtable
kayn@netman.com

Missouri

Central Exchange
www.centralexchange.org

New Jersey

Executive Women of New Jersey
www.ewnj.org

New York

Financial Women's Association
 of New York
www.fwa.org

Ohio

Women for Economic Leadership
 and Development
www.weldoh.org

Pennsylvania

The Forum of Executive Women
www.forumofexecutivewomen.com

Tennessee

CABLE (Nashville)
www.nashvillecable.org

Texas

The Board Connection
www.theboardconnection.org

Wisconsin

Milwaukee Women inc
www.milwaukeewomeninc.org

For information about The Board Connection

General questions about TBC

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