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Headhunters Help Firms in Quest for Leaner Boards

Susan Biland, an accountant, and Marie Luise Hilber, a corporate identity expert say they have moved into a growth business: finding independent, non-executive directors for the boards of small and medium-sized companies.

“The days are over when smaller companies filled the board with school friends, family members, military comrades or prestigious political names”, declares Ms. Biland. Adds Ms. Hilber: “Today board members have to bring skills which are of value to the company.”

The two women founded their Zurich-based search agency, VR-Pool, this summer in response to a flood of inquiries from smaller companies interested in finding board members, and would-be members looking for jobs, they claim.

Although looking for independent, non-executive directors through a professional agency is already well-established in Britain, the practice is now spreading increasingly to continental Europe, notes Tony Couchman, a London-based partner of Egon Zehnder International, Europe’s largest search agency. “There is a growing awareness there of the value of outside directors, and they can be particularly beneficial for small companies,” he says.

In Germany, France Spain and Switzerland, where board members have traditionally been picked through closed old-boys” networks, companies increasingly want “independent, external directors, who earn their keep and not just agree with everything the chairman says,” Mr. Couchman asserts.

A number of number of factors are pushing the trend on the continent, experts say. They include a recent spate of corporate fiascos such as the near-collapse of Germany’s Metallgesellschaft AG; legislative changes, which make board members more vulnerable to damage claims by shareholders; and the thirst for know-how in today’s highly-competitive markets.

“Markets are changing so fast. You need people who can keep up,” says Anton Glanzmann, co-founder of the Zurich-based Arnold, Glanzmann & Schwarzenbach, AG for Board Consulting. Board must be as lean as possible, he explains, but have a portfolio of skills at their disposal, including finances, marketing, law and public relations.

When searching for directors, companies should do an audit of the existing board, see what skill is missing, and set out to fill exactly that spot, headhunters say. “The chairman shouldn’t just look for someone he likes talking to”, Mr. Glanzmann says. Search companies tick off points which make independent outside directors particularly important for smaller companies. Skilled board members can provide know-how that smaller companies can’t afford to buy into by employing highly paid, full-time experts.