



**DIVERSIFIED SEARCH**  
**RAY & BERNDTSON**

# **New Trends in Board Recruitment and Latest Data on Board Compensation**



*Setting the Standard in Search for Over 30 Years*



## **A – Board Size**

- 1. Board Size has been declining since the 1970's – but stabilized in recent years.**
- 2. Average Board size in 2008 was 8.3 members. The most common Board size, however, has remained steady at 7 members (19.9% of all Boards).**
- 3. Average size by market Cap\*:**

– Large Cap:	<b>11.2 members</b>
– Mid Cap:	<b>9.7 members</b>
– Small Cap:	<b>8.4 members</b>
– Micro Cap:	<b>7.5 members</b>

  

* Large:	<b>&gt; \$10 billion</b>
Mid:	<b>\$2 billion - \$10 billion</b>
Small:	<b>\$300 million - \$2 billion</b>
Micro:	<b>&lt; \$300 million</b>
- 4. 21% of Boards gained one or more members last year. 20.3% of Boards decreased in size by one or more members.  
(Large Cap and Mid Cap companies more likely to change in size from year to year than Smaller Cap companies)**
- 5. About 82% of members on Boards with between 6 to 11 members felt their size was “just right”.**



## **B – Director Rotation**

- 1. Average Director served on Board for 6.8 years in 2008, down from 7.6 years in 2007, and 8.5 years in 2006.**
- 2. Director turnover generally healthy, 68.2% of effective Boards\* use formal evaluations to renew membership.**
  - 65.9% of effective Boards have age limits**
  - 43.2% of effective Boards require resignation upon change of professional status**
  - 50% have standard procedure for removing ineffective Directors**
  - 9.1% have term limits.**

**\* NACD Survey**



## **C – Director Recruitment**

- 1. 85.1% of Board members say Director recruitment was important to Board Governance. 69.6% said their Board was managing this effectively.**
- 2. 49.2% have retained a search firm to seek qualified candidates. Boards that have retained search firms rate themselves as significantly more effective (80.6%) in managing Director recruitment than those that have not.**



## 2008-2009 Board Compensation Data and Trends

1. In 2008 Directors committed an average of 223 hours per Board (14% increase over 2007).

NACD predicts 2009 will be an unprecedented year in the amount of time required from Directors.

2. Despite increases in time commitment, Director compensation grew at the slowest rate in five years, with pay actually decreasing in some cases.

### Total Direct Compensation:

<u>Size</u>	<u>2008</u>	<u>2007</u>
Smaller	\$ 78,060	\$ 82,951
Small	\$116,111	\$114,000
Medium	\$133,470	\$132,699
Large	\$166,250	\$156,818
Top 200	\$213,899	\$205,759



## 2008-2009 Board Compensation Data and Trends cont'd.....

### Equity Grants:

	<u>Smaller</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Top 200</u>
Fixed Shares	65%	52%	50%	39%	26%
Fixed Dollars	28%	41%	41%	50%	60%
Combo	7%	7%	9%	11%	14%