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Higher Board Standards A Boon for Headhunters

■ BY KATIE KUEHNER-HEBERT

For nearly 30 years Timothy R. Chrisman has made his living mostly by finding chief executives and other top-level employees for banks. But since the Sarbanes-Oxley Act, which became law a year ago, beefed up the standards for selecting board members, banks are increasingly relying on him to find qualified directors, he says.

Mr. Chrisman, the founder of the Los Angeles head-hunting firm Chrisman & Co. Inc., said such requests have increased 30% since Sarbanes-Oxley was enacted. The law requires most publicly traded companies to have more financial experts on audit committees and more independent directors than before.

Furthermore, since the law demands that directors meet more often and oversee more aspects of a business than before, banks are looking increasingly to headhunters to determine whether a candidate can handle the extra duties. "Directors can't be that passive anymore and just show up for monthly meetings," Mr. Chrisman said. Finding the right person for the job "now takes a more professional process than before."

Chris Allen, a spokesman for the trade group Financial Executives International, said search firms throughout the country are spending more time than ever before looking for directors —

particularly for those who fit the financial expert bill.

Last year the Florham Park, N.J., group of chief financial officers, treasurers, and controllers created a registry of 400 financial executives who are willing to sit on boards. Mr. Allen said search firms are using it often.



Chrisman: Directors cannot "just show up for meetings" anymore.

But according to Mr. Chrisman, finding a bona fide financial expert is not the only challenge. It can be just as tricky for banks, like other companies, to find directors who are truly independent. That is why they turn to headhunters. "Banks look to us because — well, we're independent, and we can look at potential members through fresh eyes," he said.

Timothy B. Matz, the managing partner of the Washington law firm Elias Matz Tiernan & Herrick LLP, has asked Mr. Chrisman to find directors for three bank clients over the past year. Gone are the days of relying mainly on local old-boy networks to pick new directors solely on the basis of whether they

could reel in new business, he said.

"Shareholders want to know that their companies are getting the very best people, and the liability is too great if they don't," Mr. Matz said. "It really takes an expert now, one who's in the business of finding people every day."

Harry Radcliffe, who sits on several bank boards himself, including that of the \$8.3 billion-asset F.N.B. Corp. in Naples, Fla., says it is getting tougher to attract new directors, because the potential liability has scared off many would-be candidates.

Headhunters, though, can sift through a broader pool of executives who have already let the search firms know that they are willing to sit on a board.

And being able to grill a candidate on behalf of an unnamed bank can help save face if the candidate turns out to be less than adequate, Mr. Chrisman said. "It can be embarrassing, for both a bank and a potential board member, if the bank realizes after talking with them that they really aren't as qualified as the bank nominating committee thought they were."

Like other headhunters, he sits on a board in the industry in which he specializes — he is currently the chairman of the \$2.6 billion-asset Hawthorne Financial Corp. in El Segundo, Calif. ■

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