As investors and regulators seek more information about how boards oversee the risks that are most critical to the company’s long-term success, boards looking to bolster their risk oversight and cybersecurity capabilities have a largely untapped pool of candidates to consider: former top ranking U.S. military officers. Retired general and flag officers (GFOs), who have honed their leadership and critical decision-making skills in a high-threat environment, can bring extensive risk oversight experience to the board, which may be especially valuable in the context of today’s risk landscape.

CEOs globally ranked environmental and climate change risk, emerging and disruptive technology risk, and a return to territorialism among the top threats to growth, while directors identified business-model disruption, a global economic slowdown, and increased competition for talent as the trends most likely to impact their companies. Additionally, recent events such as the coronavirus outbreak have shown how vulnerable businesses and supply chains can be in today’s environment.

Boards aren’t capitalizing on the value of veterans
For GFOs, risk management and oversight predominate their long careers. These generals and admirals hold responsibility for military installations, expensive assets, and large numbers of troops, while also managing risks associated with geopolitics, climate, disease, supply chains, and cybersecurity. Additionally, their mission plans must continuously evolve with the country’s interests, allow for unforeseen risks, and capitalize on opportunities. “Our best experiences with GFOs is their familiarity with decision-making under stress or short-term response requests,” said Warren Phillips, lead director of CACI International, where two retired GFOs currently sit on the board. “They have spent a lifetime being prepared and continue to develop those traits in a new environment.”

However, despite the alignment of their risk oversight skills to today’s risk environment, retired GFOs are often overlooked by corporate boards that don’t have sitting directors who are already familiar with the military and the expertise retired GFOs can add, according to retired U.S. Army General Hugh Shelton, former chairman of the Joint Chiefs of Staff and seasoned corporate director. “Although retired GFOs represent a small percentage of the overall veteran population, an even smaller percentage are being [approached] by boards,” said Shelton. “It’s somewhat disappointing that the corporate world is not taking advantage of this type of talent.”

As part of the director recruitment process, nominating and governance (nom/gov) committees may want to consider whether the skills and experiences of retired GFOs would be positive additions to their boards.

Snapshot: GFOs in the boardroom
Retired GFOs occupy less than 1 percent of all board seats in the S&P 500.

Nearly three-quarters of all former GFOs sitting on S&P 500 boards are retired four-stars.

Just 72 percent of S&P 500 companies have at least one retired GFO sitting on their boards.

Most retired GFOs serving on S&P 500 boards are former U.S. Navy (40 percent) or Army (20 percent) officers.

Source: Data on S&P 500 directors compiled from BoardEx and analyzed by KPMG Board Leadership Center in August of 2019. The calculation for the number of retired GFOs is based on those S&P 500 directors that have “admiral” or “general” in their titles within the BoardEx database.
Skills and experience
Skills matrices—disclosed within the proxy statements of S&P 500 companies with retired GFOs on their boards—provide insight into why boards chose to nominate these former military officers.

Knowledge of military and government affairs: Nearly all of the S&P 500 boards that include retired GFOs list the following qualifications for board service, among others: leadership skills, senior military experience, experience in government/regulatory affairs, and/or knowledge of international/global affairs.3 While these skills are particularly relevant for companies with clear links to the U.S. Department of Defense—e.g., companies in the aerospace/defense, electronic/electrical equipment, and engineering/machinery sectors that compete for government contracts—GFOs do not sit exclusively on boards in these sectors (see table below).

S&P 500 board seats occupied by retired GFOs, by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace &amp; defense</td>
<td>21.4%</td>
</tr>
<tr>
<td>Electronic &amp; electrical equipment</td>
<td>11.9%</td>
</tr>
<tr>
<td>Utilities–other</td>
<td>9.5%</td>
</tr>
<tr>
<td>Banks</td>
<td>7.1%</td>
</tr>
<tr>
<td>Engineering &amp; machinery</td>
<td>7.1%</td>
</tr>
<tr>
<td>Insurance</td>
<td>7.1%</td>
</tr>
<tr>
<td>Software &amp; computer services</td>
<td>7.1%</td>
</tr>
<tr>
<td>Leisure &amp; hotels</td>
<td>4.8%</td>
</tr>
<tr>
<td>Oil &amp; gas</td>
<td>4.8%</td>
</tr>
<tr>
<td>Transport</td>
<td>4.8%</td>
</tr>
<tr>
<td>Clothing &amp; personal products</td>
<td>2.4%</td>
</tr>
<tr>
<td>Construction &amp; building materials</td>
<td>2.4%</td>
</tr>
<tr>
<td>Household products</td>
<td>2.4%</td>
</tr>
<tr>
<td>Specialty &amp; other finance</td>
<td>2.4%</td>
</tr>
<tr>
<td>Steel &amp; other finance</td>
<td>2.4%</td>
</tr>
<tr>
<td>Telecommunication services</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: BoardEx data analyzed by KPMG Board Leadership Center in August of 2019.

Risk management experience in cyber and IT: Retired GFOs also occupy a high number of board seats at utility companies, banks, and insurance companies where their risk management skills, cybersecurity knowledge, and technological expertise come into play. With emerging technology risk and cybersecurity identified among the top threats to companies globally, regardless of industry,4 retired GFOs can similarly add value to any board looking to boost its risk management experience.

Industry-specific expertise: For other retired GFOs, their military experience is directly transferable to the industry of the company they now serve. For example, the Norwegian Cruise Line board includes a former Coast Guard admiral with experience in maritime safety and operations, and a former Air Force general and pilot who commanded tactical airlift units now serves on the board of FedEx.

Experience implementing D&I initiatives: In addition to their diverse backgrounds, in many cases retired GFOs are also adding gender/ethnic diversity to their boards. Furthermore, retired GFOs are well suited to oversee the company’s diversity and inclusion (D&I) initiatives. “The military is far ahead of corporate boards on sensitivity to diversity,” said Phillips. “GFOs have been under legislative scrutiny for decades to achieve more equality and diversity [in the U.S. Armed Forces]. Having seen success in their own units, they react professionally and quickly to achieve the same goals in their new board appointments.”

Retired GFOs serve on all three standing committees of S&P 500 boards; however, they most commonly serve on nom/gov committees, risk-related committees, and technology committees.

Translating military service to board service
Retired U.S. Air Force General Janet Wolfenbarger, a public company director and the first independent director added to the board of KPMG LLP, describes how serving as a GFO compares to directorship. “Many of the responsibilities GFOs execute translate well into the boardroom. Some examples include:

— The ability to think strategically with a focus on the long term, in addition to being held accountable for resolving short-term challenges or achieving short-term goals
— Understanding the importance of a strategic plan with achievable objectives, along with corresponding metrics to track progress
— Accountability for the culture of the organization, which is founded on ethics and integrity
— A focus on talent management with the objective of developing a bench of capable leaders to step into important roles.”
Considering a retired GFO for your board

Boards should frame the recruitment of retired GFOs in the overall context of creating meaningful board diversity. While former GFOs may bring a new perspective to the boardroom, they shouldn’t be added to the board for their military experience alone. In assessing the skills and experience your board needs to successfully oversee your company’s future strategy and risks, determine whether any of those skills and experiences align with those of a senior-ranking military officer.

“You need people on your board who can see the threat of an emerging matter, and there’s no one I know who is better trained to do that than senior military officers,” said KPMG BLC Senior Advisor Ken Daly, past president and CEO of the National Association of Corporate Directors (NACD) and a former U.S. Army officer. NACD’s From Battlefield to Boardroom program, initiated in 2011 under Daly and cosponsored by KPMG, helps to prepare retired and soon-to-be retired military GFOs for board service. Daly noted that, while military leaders may be trained in risk management, they may not initially understand boardroom dynamics and operations, know how to read financial statements, or have the honed interpersonal skills needed to successfully navigate the corporate world. “It comes down to the value proposition,” said Daly. “From Battlefield to Boardroom is all about helping them translate their incredibly valuable experience as senior-ranking military officers into value to the boardroom conversation and the long-term success of a business.”

Wolfenbarger, who serves on the From Battlefield to Boardroom Steering Committee, is herself a testament to how former military officers can help broaden the boardroom perspective. “My personal experience has demonstrated that lack of subject matter expertise, or personal experience relative to a company’s specific product or service, can be readily overcome in the boardroom through some familiarization via onboarding, along with a sure reliance on the experience, skills, and competencies garnered through decades of military service,” she said. “I encourage all nom/gov committees to consider the rich talent pool available in retired GFOs.”

Recruiting retired GFOs: Tips for nom/gov committees

— Employ an individual or a professional firm with expertise in identifying GFO candidates and matching them to boards. Most boards don’t have enough familiarity with GFOs and their military backgrounds to do this themselves.

— Recognize that “one size doesn’t fit all.” Every retired GFO has a unique set of specialties and experiences, with higher levels of responsibilities for each rank obtained.

— Meet any potential GFO candidates one-on-one. Ask yourself if the individual can “take off their rank” to fit in with your board as a civilian.

— Tailor your onboarding process as needed. A retired GFO may not have expertise in the company’s specific market or a deep understanding of boardroom processes.

Source: Interviews conducted with retired U.S. Army General Hugh Shelton and Warren Phillips.

3 Data sourced from the skills matrices included in the most recent proxy statements.
4 See note 1. Emerging/disruptive technology risk and cybersecurity are identified by CEOs globally as the second and fourth largest threats to growth.
About the KPMG Board Leadership Center

The KPMG Board Leadership Center champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including KPMG’s Audit Committee Institute, the WomenCorporateDirectors Foundation, and more—the Center engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public- and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, the Center delivers practical thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more at kpmg.com/us/blc.

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