

WHY BOARDS ARE SLOW TO DIVERSIFY AND WHAT THEY CAN DO NOW

A tired and untrue refrain still heard (even though often whispered) is, “There aren’t enough qualified women or people of color” to serve on boards. Is that true, or does it appear that way because traditional models and methods still make it impossible to recognize talented people willing and capable of serving on a board? Not only is it a possibility, but it’s also likely because even brilliant human beings become unaware of their assumptions and decision processes over time.

6% of Russell 3000 company boards have no women directors

Despite the efforts of groups such as [Women on Boards 20/20](#), women’s board seats remain low. As of the fourth quarter of 2020, 23% of all board seats of companies in the Russell 3000 ([Equilar Gender Diversity Index](#)) were held by women. The rationale for diversity on boards is well known, but examining the effects is challenging since people selected for boards tend to fit a traditional model in terms of professional experience. What will it take to build a truly diverse board?

- Leaders who don’t accept that looking in the same place for new ideas and talent, over and over, will improve results.
- Leaders who do not use a title, resume, and personal network as a proxy for capability.
- Leaders who look for intelligence, good character, strategic thinking, business acumen, and courage, regardless of gender, ethnicity, or background.

Three actions that can help boards diversify

1. Create a new model.

Instead of asking, “who are we looking for?” try asking, “where are we going?” first. It’s common for people to mentally start where they are and make plans about getting where they want to go. Another method that often yields different and valuable insight is defining the desired future state first.

Working backward often shows leaders what capabilities they need, more clearly as they are less encumbered by the need to preserve decisions made in the past. Directors can also put attributes, abilities, and character at the forefront of their thinking. The board can always add essential technical knowledge and skill.

2. Think about adding, not only replacing.

The idea of unseating one director to add a woman or person of color is challenging for some boards and unthinkable for others. Instead of replacing, directors can add seats and amend by-laws, if necessary.

3. Redesign the process.

When a client company chairman complained to me about the board's makeup, he focused on how alike the current board members were to one another. In addition to very few women on the board, there was little diversity in thinking. Initially, the chairman thought I could help him shake the board out of what he said was "dangerous complacency." I suggested that we look at the situation differently, through the lens of the board's criteria and selection process.

In less than sixty days, a few board members did three things. First, they affirmed the strategic direction; second, they created new guidelines for selecting board members; third, they established a straightforward interviewing process and systematically applied the new criteria.

Less than two months later, the committee completed the selection process for new directors and seated a new, more diverse group. Two years on, revenue and reputation are both on the rise.

The pressure on boards to add women and people of color is growing, and for a good reason. Various studies show that diversity in perspective, experience, and thought helps boards recognize opportunity, understand stakeholders, and attend to non-financial measures with equal rigor as financial data. Changing boards requires leaders to think differently. That means breaking away from traditional models, thinking about adding, not just replacing, and redesigning board selection to achieve the outcomes expected by shareholders, employees, customers, and the marketplace.

Helping Define Your Company's Future Success

We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit www.theboardmindset.com or contact us.