Beware the 'Check-the-Box' Approach to Board Diversity

The business environment has outgrown random solutions

by Barbara Franklin

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I fervently believe in the power of diversity. I have seen decision-making sharpened and enriched by a variety of voices, experiences and perspectives around the boardroom table.

Diversity in the boardroom has expanded and gained credibility during the 30 years that I have served on public company boards. It was random at first — a woman here, an African-American there, and perhaps an academic or a not-for-profit organization leader. But now the world has changed. We are in a fast-paced global environment, and a random, check-the-box or tokenism approach won't do any longer.

There is a strong business case to be made for diversity in the boardroom, and it's increasingly seen by directors as a business imperative. This quote from a recently released Blue Ribbon Commission report from the **National Association of Corporate Directors** sums it up: "A board's performance relies on its understanding of the company and its operating environment. In today's business landscape, the board cannot properly fulfill this responsibility without having directors who reflect the composition of its stakeholders, particularly its employees and customers." The report stresses how companies will be unable to establish and maintain healthy businesses that generate consistent long-term value without these multiple boardroom perspectives.

In the coming years, diversity will be a key ingredient in business success and competitiveness. I support the definition used by the Blue Ribbon Commission, which defines diversity broadly as identity — gender, race and ethnicity — as well as skill set and experience.

However, we must acknowledge that there are barriers to boardroom diversity.

A major barrier is silent resistance, meaning that some or most board members, including perhaps the CEO, are more comfortable with people like themselves: other CEOs or friends. And that is why there can be resistance, often unspoken, from those who do not think diversity is important or necessary.


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Another factor limiting diversity is that board seats have been turning over more slowly. In my experience over the past decade, board size has decreased while retirement ages have increased. Greater turnover can increase diversity, but it doesn't guarantee it. Often the new directors may look very much like the ones who have departed.

To be serious about enhancing diversity, the following are actions that every board would be well advised to consider:

- Create a consensus around the business case for diversity.
- Actively discuss diversity objectives as they align with company strategy and the quest for the very best talent. This discussion should be ongoing and not a one-shot attempt. Discussions can be led by the nominating and governance chair, the lead director or independent board chair and the CEO. It's very important that the CEO believe in diversity and be engaged. CEOs generally hold a veto over who joins a board. So, if the CEO is recalcitrant, it is up to the board to persuade him/her of the strength of more diversity.
- Search in unusual places for diversity candidates. Executive recruiters can help, but boards must insist that they produce diversity candidates who also have the skill sets the board needs.

Finally, some countries around the world are putting into place governmental mandates requiring certain percentages of diverse board members by a particular date (see page 12). I do not believe that mandates or quotas are the answer here. This is not the way we do things in the U.S.

For American companies, the bottom line is that boards themselves should make diversity happen. They must believe in it and work toward achieving it. Hopefully, the CEO will be leading the charge. ■